



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

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FEDERAL ELECTION COMMISSION
WASHINGTON, DC 20463

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September 15, 1993

MEMORANDUM

TO: LAWRENCE M. NOBLE
GENERAL COUNSEL

THROUGH: JOHN C. SUBINA
STAFF DIRECTOR

FROM: ROBERT J. COSTA
ASSISTANT STAFF DIRECTOR
AUDIT DIVISION

SUBJECT: FINAL AUDIT REPORT- MINNESOTA DEMOCRATIC-FARMER-LABOR
STATE PARTY

Attached for your review is the subject audit report. Also included for your information is a copy of the Committee's response to the Interim Audit Report. As you may recall, this report covers the period January 1, 1987 to December 31, 1990. It is the result of two separate audit referrals.

Should you or your staff have any questions please contact Joe Stoltz.

Attachments:

Final Audit Report Minnesota Democratic-Farmer-Labor State Party
Committee's response to the Interim Audit Report

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

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REPORT OF THE AUDIT DIVISION
ON THE
MINNESOTA DEMOCRATIC-FARMER-LABOR STATE PARTY

I. Background

A. Overview

This report is based on an audit of the Minnesota Democratic-Farmer-Labor State Party ("the Committee",) undertaken by the Audit Division of the Federal Election Commission in accordance with the provisions of the Federal Election Campaign Act of 1971, as amended ("the Act".) The audit was conducted pursuant to 2 U.S.C. §438(b) which states, in part, that the Commission may conduct audits and field investigations of any political committee required to file a report under Section 434 of this title. Prior to conducting any audit under this subsection, the Commission shall perform an internal review of reports filed by selected committees to determine if the reports filed by a particular committee meet the threshold requirements for substantial compliance with the Act.

The Minnesota Dollars for Democrats registered with the Comptroller General of the United States on July 15, 1975, as the State committee of the Minnesota Democratic-Farmer-Labor State Party. In 1980, the Committee filed an Amended Statement of Organization changing the name of the Committee to Minnesota Democratic-Farmer-Labor State Party. The Committee maintains its Headquarters in Saint Paul, Minnesota.

Two separate audits were conducted which covered the period from January 1, 1987 through December 31, 1990. The Committee reported a beginning cash balance at January 1, 1987 of \$3,005; total receipts for the period of \$2,024,122; total disbursements for the period of \$2,028,294; and a cash balance on December 31, 1990 of \$1,647.^{1/}

^{1/} There are mathematical discrepancies within the Committee's reported figures.

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

B. Key Personnel

The Treasurer of the Committee during the period covered by the audits was Ms. Joyce Brady from January 1, 1987 through June 1988, and Mr. William J. Davis from June 1988 to the present.

C. Scope

The audit included such tests as verification of total reported receipts, disbursements, and individual transactions; review of required supporting documentation; analysis of Committee debts and obligations; and such other audit procedures as deemed necessary under the circumstances. Although the contribution records provided by the Committee substantially met the recordkeeping requirements at 2 U.S.C. §432(c) and 11 C.F.R. §102.9(a), the 1987 contributor records were batched to include deposit ticket copies in no apparent order or identifiable manner. The batch order precluded the testing of aggregate year-to-date totals and allowed only a partial verification of the Committee's 1987 itemization system.

II. Audit Findings and Recommendations

A. Allocation of Administrative Expenses

Section 106.1(e) of Title 11 of the Code of Federal Regulations states, in part, that 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.

Section 102.5(a)(1)(i) and (ii) of Title 11 of the Code of Federal Regulations states, in part, that political committees, including a party committee, which finances political activity in connection with both federal and non-Federal elections shall establish a separate federal account in a depository. Only funds subject to the prohibition and limitations of the Act shall be deposited in such federal account. All disbursements, contributions, expenditures, and transfers by the committee in connection with any federal election shall be made from its federal account; or, establish a political committee which shall receive only contributions subject to the prohibitions and limitations of the Act, regardless of whether such contributions are for use in connection with Federal or non-Federal elections.

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The Committee has established a separate account and has treated it as a separate Federal political committee. However, the Committee has not allocated its administrative expenses between its Federal and non-Federal accounts as required by 11 C.F.R. 106.1(e). During the audit of the 1988 election cycle, a review of Committee records disclosed expenditures of \$1,082,371 for administrative activities. Relative to the above amount, \$388,268 was paid from the Committee's federal accounts. When asked about a ratio method established for allocating these expenses to its Federal and non-Federal accounts, Committee officials responded that there was none but felt that a 50/50 or 60/40 federal split was used.

The Audit staff reviewed the official DFL (Democratic-Farmer-Labor) ballot for the Minnesota general election which indicated that three Federal candidates and two non-Federal candidates would appear on the ballot in Minnesota's general election. It was determined that the make-up of the Minnesota sample ballot reflected a 3:2 federal ratio or 60% federal candidates of total candidates. Since the Committee had no allocation method for its Federal/non-Federal accounts, the Audit staff reviewed several Commission-approved methods to determine the method(s) that would result in the least financial outlay by the Committee. Based on the review of those methods, the auditors selected the Commission's expenditures method to determine the Federal allocation share. The results of applying the relevant percentage from this method indicated that the Committee underpaid its share of administrative expenses by \$104,834.

During the audit of the 1990 election cycle, the Committee's federal account paid more than its share of administrative expenses, which more than offsets the shortage of \$104,833.89 from the audit of the 1988 election cycle. Therefore, averaging the Committee's administrative expenses over a four year period the Committee has paid its fair share of administrative expenses.

The Interim Audit Report recommended no further action with respect to the 1987-1990 period. However it was noted that effective January 1, 1991 the Commission's Regulations at 11 CFR §§ 106.5 and 6 were revised to specify in greater detail the requirements for the allocation of administrative and other expenses. It was recommended that the Committee implement a system to insure compliance with these regulations and provide the records which demonstrate the system in use.

In its response, the Committee provided the Audit staff with a document which outlines the procedures currently used by the Committee to determine the allocation of expenses between its Federal and non-Federal accounts in accordance with the current regulations.

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Recommendation #1

The Audit staff recommends no further action with regard to this matter.

B. Failure to Itemize Debts and Obligations

Sections 434(b)(2)(H), (3)(E), & (8) of Title 2 of the United States Code states, in part, that each report shall disclose for the reporting period and calendar year, the total amount of all loans; the identification of each person who makes a loan to the reporting committee during the reporting period, together with the identification of any endorser or guarantor of such loan, and date amount or value of such loan; each report should also disclose the amount and nature of outstanding debts obligations owed by or to such political committee; and where such debts and obligations are settled for less than their reported amount or value, a statement under which such debts or obligations were extinguished and the consideration therefore.

Section 104.3(d) of Title 11, Code of Federal Regulations provides, in part, that each report filed under 11 C.F.R. 104.1 shall, on Schedule C or D, as appropriate, disclose the amount and nature of outstanding debts and obligations owed by or to the reporting committee. Where such debts and obligations are settled for less than their reported amount or value, each report shall contain a statement as to the circumstances and conditions under which such debts or obligations were extinguished and the amount paid.

Further, Section 104.11(a) of Title 11, Code of Federal Regulations states, in part, the debts and obligations owed by or to a political committee which remain outstanding shall be continuously reported until extinguished. These debts and obligations shall be reported on separate schedules together with a statement explaining the circumstances and conditions under which each debt or obligation was incurred or extinguished.

During the review of Committee vendor files, it was noted that the Committee did not itemize the Federal share of nine debts and obligations totaling \$228,916 as of December 31, 1990 as required. Of the \$228,916 in debts and obligations, \$111,600 were for three outstanding loans obtained by the Committee. Six of the debts and obligations totaling \$117,316 were for various services which included legal fees, telephone, consulting, polling and phone banks.

At the exit conference, the Committee was provided with a schedule listing the debts and obligations that were not disclosed as required.

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In the Interim Audit Report it was recommended that the Committee file amended Schedules C (Loans) and D (Debts other than Loans) for the year end 1990 report.

The Committee's response to Interim Audit Report included proposed amended schedules. However, in determining the Federal share of these obligations the Committee used their revised and undocumented allocation percentages (29% Federal and 71% non-Federal). Although the Audit staff does not accept the allocation percentages, the material provided shows both the allocation and the full amount of each obligation.

Recommendation #2

The Audit staff recommends no further action with respect to this matter.

C. Itemization of Transfers to Other Political Party Committees

Sections 434(b)(4)(C) and (5)(C) of Title 2 of the United States Code state, in part, that each report shall disclose for the reporting period and the calendar year, the total amount of all transfers to affiliated committees or organizations and, where the reporting committee is a political party committee, the name and address of each affiliated committee to which a transfer is made by the reporting committee and, where the reporting committee is a political party committee, each transfer of funds by the reporting committee to another political party committee, regardless of whether such committees are affiliated, together with the date and amount of such transfers.

During the audit of the 1988 election cycle, a review of Committee transfers to affiliated party committees resulted in a determination by the Audit staff that 74 transfers which totaled \$7,328 had been made to affiliated committees. The results of the review indicated that 65 transfers for \$3,006 had not been itemized. Committee officials offered no response relative to the itemization of the transfers. A schedule of those unitemized transfers was provided to committee officials at the exit conference.

In its May 16, 1990 comprehensive amendment filed with the Commission, the Committee itemized all of the transfers.

Recommendation #3

The Audit staff recommends no further action with respect to this matter.

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Expenditures Made on Behalf of the Presidential Candidate

Section 441a(d) of Title 2 of the United States Code states that notwithstanding any other provision of law with respect to limitations on expenditures or limitations on contributions, the national committee of a political party and a State committee of a political party, including any subordinate committee of a State committee, may make expenditures in connection with the general election campaign of candidates for Federal office.

Section 110.7(a)(1) and (4) of Title 11, Code of Federal Regulations states that the national committee of a political party may make expenditures in connection with the general election campaign of any candidate for President of the United States affiliated with the party. The national committee of a political party may make expenditures authorized by this section through any designated agent, including State and subordinate party committees.

Section 102.5(a)(1) of Title 11 of the Code of Federal Regulations states, in part, that a political committee including a party committee, which finances political activity in connection with both federal and non-Federal elections, may establish a separate federal account. Only funds subject to the prohibitions and limitations of the Act shall be deposited in such separate account. All disbursements, contributions, expenditures and transfers by the committee in connection with any federal election shall be made from its federal account.

Section 100.8(b)(10) of the Code of Federal Regulations states, in part, that the payment by a State or local committee of a political party of the costs of preparation, display, or mailing or other distribution incurred by such committee with respect to a printed slate card, sample ballot, palm card, or other printed listing of three or more candidates for any public office for which an election is held in the State in which the committee is organized is not an expenditure. The payment of the portion of such costs allocable to Federal candidates must be made from funds subject to the limitations and prohibition of the Act. This exemption shall not apply to costs incurred by such a committee with respect to the preparation and display of listings made on broadcasting stations, or in newspapers, magazines, and similar types of general public political advertising.

Section 100.8(b)(16) states that the payment by a state or local party committee of a political party of the costs of campaign materials (such as pins, bumper stickers, handbills, brochures, posters, party tabloids, or newsletters, and yard signs) used by such committee in connection with volunteer activities on behalf of any nominees of of such party is not an expenditure.

contribution, provided that certain conditions including the following are met:

1. Such payment is not for the cost incurred in connection with any broadcasting, newspaper, magazine, billboard, direct mail, or similar type of general public communication or political advertising.
2. The portion of the cost of such materials allocable to federal candidates is paid from contributions subject to the limitations and prohibitions of the Act.
3. Such materials are distributed by volunteers and not by commercial or for-profit organizations.
4. Materials purchased by the national committee of a political party and delivered to a state or local party committee, or materials purchased with funds donated by the national committee to such state or local committee for the purchase of such materials, shall not qualify for this exemption.

Section 100.8(b)(18) states, in part, that the payment by a State or local committee of a political party of the costs of voter registration and get-out-the-vote activities conducted by such committee on behalf of the Presidential and Vice Presidential nominees of that party is not an expenditure provided that certain conditions including the following are met:

1. Such payment is not for the costs incurred in connection with any broadcasting, newspaper, magazine, billboard, direct mail, or similar type of general public communication or political advertising.
2. The portion of the costs of such activities allocable to Federal candidates is paid from contributions subject to the limitations and prohibitions of the Act.
3. The payment of the costs incurred in the use of phone banks in connection with voter registration and get-out-the-vote activities is not an expenditure when such phone banks are operated by volunteers.

~~Payments made from funds donated by a national committee of a political party to a State or local party committee for voter registration and get-out-the-vote activities shall not qualify under this exemption. Rather, such funds shall be subject to the limitations of 2 USC 441a(d) and 11 CFR 110.7.~~

During the review of Committee expenditure records in the 2004 election cycle, the Audit staff identified \$154,429 that appeared to have been expended on behalf of Presidential candidate, Michael S. Dukakis' General Election Committee

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("Dukakis/Bentsen Committee"). When questioned, the Chairwoman stated they did not have authorization from the Democratic National Committee to make such expenditures under the National Committee's coordinated party expenditure spending limitation. Relative to the total (\$154,429) expended, Committee records indicated that its Federal and non-Federal accounts disbursed \$84,624 and \$69,805 respectively on behalf of the Dukakis/Bentsen Committee. Most of the expenditures paid from the Federal accounts occurred for contractual and related services rendered by a number of consultants. There were further costs for Dukakis/Bentsen Committee lawn signs and tapes. The non-Federal accounts paid for rental charges on office furniture, copiers, and household furniture. Additionally, payments were made for newsletter production and related costs, contractual services and related payroll, telephone bills, labels and mailings. The invoice or receipt representing these charges indicated that the Dukakis/Bentsen Committee was the addressee, customer, or recipient of the goods or services.

It was noted that a number of the invoices and statements for the vendor payments were requested or authorized by the consultants. The Audit staff identified 45 invoices totaling \$33,608 that contained a distinctive reference to "Dukakis" or "Dukakis/Bentsen" as the purchaser.

With respect to consultants, the auditors noted that 44 consultants were paid by both the Federal and non-Federal accounts. They were listed on Dukakis/Bentsen Committee stationery with the heading "State of Minnesota-Staff List". The stationery had printed at the bottom of the page that it is "Paid by Dukakis/Bentsen for President, Inc." This stationery listed an address in Minneapolis that appeared to be the location for both the Committee and the Dukakis/Bentsen Committee personnel. Although Committee documents noted the same suite number as the address for both committees, Committee officials indicated that the state committee and Dukakis/Bentsen Committee did not occupy the same suite.

It should be noted that Committee records disclosed the receipt of approximately \$162,000.00^{2/} from the Democratic National Committee (the DNC). The DNC documents directed about \$65,000.00 to the Committee's Federal accounts and \$97,000.00 to its non-Federal accounts. The Committee deposited nearly \$48,000.00 from a DNC non-Federal account into its 1988 non-Federal Election Year Campaign Fund. This account disbursed about \$35,000.00 that ~~was~~ ^{was} on behalf of the Dukakis/Bentsen Committee, not including approximately \$26,000 consulting and expenses for persons on the "State of Minnesota- Staff List" discussed above.

^{2/} Year end 1988 disclosure reports filed by the DNC indicated that \$8,072,612 of the \$8,291,454 National Party limit had been expended.

With respect to the consultants noted above, a "contract for services" indicated that they were to perform such services as the following:

- (1) Phone bank organizing for three or more DFL candidates for voter ID and GOTV efforts.
- (2) Advice and organizing to promote voter registration.
- (3) Consulting on field organizing, field programs, volunteer recruitment and planning.
- (4) Other advice and talents that the Party may seek.

Committee officials noted that the contract personnel had multiple duties and were paid in part by the non-Federal or Federal account.

During the audit of the 1990 election cycle, while reviewing the Committee vendor files, the Audit staff noted that the Committee made additional expenditures totaling \$7,176 that appeared to have been made on behalf of the Dukakis/Bentsen Committee. Of that amount, \$3,222 was paid from the Committee's non-Federal account.

As in the audit of the 1988 election cycle, the Committee provided no letter from the national committee authorizing these expenditures nor did the Committee provide any explanation at the exit conference regarding these expenditures.

In the Interim Audit Report, the Audit staff recommended that the Committee demonstrate that all the expenditures noted were not made on behalf of Presidential candidate Michael S. Dukakis' General Election Committee and should not be considered as expenditures on behalf of the Dukakis/Bentsen Committee. Further, the Audit staff recommended that the Committee delineate the tasks actually performed by the consultants and provide documentation identifying the services provided by vendor invoices authorized by the consultants.

In the Committee's response to the Interim Audit Report for the 1987-88 election cycle the Committee states "that the items listed in the audit report are primarily not expenditures made on behalf of Dukakis/Bentsen." The response further notes that "those expenditures which appear to have been made on behalf of Dukakis/Bentsen are, for the most part, multi-candidate expenditures and/or expenditures incurred in connection with exempt volunteer activities. Other expenditures are for exempt activities."

The Committee addressed the \$84,624 paid from its Federal accounts by noting that \$81,716 related to compensation

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or expense reimbursements to the 44 consultants discussed in the interim audit report. Of these, three are acknowledged to have been Dukakis/Bentsen staff and three to have worked both for the Committee and Dukakis/Bentsen. The Committee states that a 50/50 allocation for one of the three who did work for both the Committee and Dukakis/Bentsen would be reasonable, but offers no percentage for the other two. As a result, the Committee appears to acknowledge \$1,399 in Dukakis/Bentsen expenses from the federal account in the form of payments to these individuals. Presumably some additional amount could be calculated if an allocation of the amounts paid to the two consultants (\$5,413) that the Committee acknowledges did work for Dukakis/Bentsen, but for which no allocation is suggested.

The Committee further explains that the Internal Revenue Service has since determined that the consultants were actually employees and assessed payroll taxes on the consultants. The Committee feels that this is further evidence that these individuals were not Dukakis field staff but, Committee employees. The audit staff believes that the IRS determination is not relevant to the issue of the work performed by the consultants. That the consultants were paid by the Committee was never at issue.

For the 38 individuals that remain, the Committee's response contains, as part of the narrative, an outline showing the individuals on the consultant list and a job title. The majority are designated as field staff. This "organization chart" provides little information not contained in the copies of the contracts obtained during the audit. The Committee also explains that the Committee's United Democratic Fund, The Dukakis/Bentsen Committee, the Martin Sabo for Congress Committee and the Gloria Segal Re-election Committee all shared office space in Minneapolis. "It made no economic or political sense for the DFL/UDF not to share a headquarters with the Dukakis/Bentsen Committee. Each campaign had its own lawn signs, literature, etc.. The only 'common' work was the bookkeeping and ordering of supplies and materials..."

With respect to field operations the Committee states that the purpose of having local field offices, and presumably the field staff, was to do multi-candidate volunteer work and party building work at the grass roots level. "In some instances the only reason for opening a field office was to aid local candidates..." The Committee goes on to explain that the field staff made daily and/or weekly reports to the UDF Executive Director concerning joint lawn sign locations, party building activities voter ID calls made, events, GOTV activities and volunteer polling data. The Executive Director in turn reported to the Party Chair and the UDF Board. "His reports to the Party Chair concerned his overall activities and the overall activities of the field operation; his reports to the UDF Board pertained primarily to party building activities."

Although the Committee's explanation is informative, it provides little additional information. However, the "State of Minnesota Staff List" on Dukakis/Bentsen stationary suggests that these individuals worked, at least in part, for the Dukakis/Bentsen effort.

For the remaining expenses the Committee explains that one was for a 1986 DFL Precinct Caucus attendance list that was resold to a firm that was working for Dukakis/Bentsen (\$237). The Committee's disclosure reports indicate a receipt from the vendor. The explanation is accepted. The largest of the remaining expenses, \$1,724 for 2050 "Dukakis for President Lawn Signs", is explained by stating that "the information that we have is that the lawn signs were issued to volunteers and party officers for use at their homes and distribution to their neighbors" and the expenditure is therefore exempt. No other information or evidence is provided, however, given that the expense is for the purchase of lawn signs which do not lend themselves to distribution by for-profit organizations or through general public communications or political advertising, and the amount was paid from the Federal account, the explanation is accepted. The final item is reported to be a transfer to a non-Federal county committee with the purpose unknown, but not believed to be related to Dukakis/Bentsen (\$150). No other evidence is supplied. The audit workpapers indicate that this expense was paid from the non-Federal Election Year Campaign Fund account on September 20, 1988, for rent for the contract employee that the Committee states should be allocated 50/50 to Dukakis/Bentsen and not from the Federal Account as stated by the Committee in their response. Therefore, the amount expended from the Committee's Federal accounts that appears to be on behalf of Dukakis/Bentsen is \$82,663 (\$84,624-\$1,724-\$237).

With regard to \$70,546^{3/} made from its non-Federal accounts, \$34,579 were expenditures for salary, consulting, and expenses of the individuals on the "State of Minnesota Staff List" discussed above. Of this amount \$3,501 was paid to individuals that the Committee concedes worked in part for the Dukakis/Bentsen Committee.

The Committee addressed each of the expenditures that make up the remaining \$35,967 in an exhibit to the response.

The exhibit indicates that the Committee apparently concedes report with respect to \$9,524 in expenses questioned in the Interim Audit Report. 524 of these expenses were on behalf of the Dukakis/Bentsen campaign. For \$9,524 in expenses the Committee states that the details of the expenses are unknown. A review of the documentation in the audit report.

As a result, the Interim Audit Report amount was \$69,805. This amount inadvertently excluded two disbursements totaling \$741, which were included among the materials provided to the Committee and were addressed in the Committee's response.

workpapers shows that expenses that are classified as "unknown" by the Committee are either billed to and/or are for items related to the Dukakis/Bentsen campaign.

For expenses totaling \$9,892 the Committee offers various explanations of the purpose of the expenditure and why it is not on behalf of the Dukakis/Bentsen campaign. However, no documentation or other supporting evidence is supplied to contradict the indications on the documentation contained in the Audit workpapers. The Committee claims exemption under 11 CFR 100.8(b)(10), (16), or (18) for expenses totaling \$10,879; and again no documentation to demonstrate the application of the exemptions is provided.

Further, in all three cases any portion of any expense that relates to a Federal candidate must be made from funds raised under the prohibitions and limitations of the Act. An analysis of the source of funds in the Committee's non-Federal Election Year Campaign Fund account was undertaken. This is the account from which all but one disbursement from the non-Federal accounts was made. During the period August 1, to November 15, 1988, a total of \$106,695 was expended from the account. Of that \$61,012 were expenses questioned in the Interim Audit Report. During the same period receipts into the account totaled \$112,064. Of this amount \$47,767 was transferred from the Democratic National Committee's non-Federal accounts and \$1,000 from the Committee's other non-Federal accounts. A total of \$55,615 was transferred from the Committee's Federal accounts and \$7,682 was received from other sources. As can be seen from the above at least half of the funds in the Election Year Campaign Fund account were not from permissible sources while more than half of the disbursements were included in the expenses questioned in the Interim Audit Report. Therefore, the exemptions claimed by the Committee cannot apply.

Finally, the Committee pointed out expenses that were for overhead items at the office shared by the Committee, the Dukakis/Bentsen campaign and two other campaigns. Since there were four occupants of the space only one quarter of the expenses are attributed to the Dukakis/Bentsen campaign. This reduces the amount in question by \$1,727. Therefore, the amount expended from the Committee's non-Federal accounts that appears to be on behalf of Dukakis/Bentsen is \$68,821 (\$70,546-\$1,727).

With respect to the \$7,176 identified during the 1989-90 period, the Committee's response made no comment. However, a portion of the amount represented the cost of photocopy machine rental and other supplies for the shared office space. Consistent with the treatment during the 1987-88 period above, the costs are allocated between the four users of the space. As a result of this allocation the amount attributed to the Dukakis/Bentsen campaign is reduced by \$975 to \$6,201.

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In conclusion, after considering the Committee's response to the Interim Audit Report, the amount of expenses which appear to be on behalf of the Dukakis/Bentsen campaign during the 1987-88 period is \$151,482 (\$82,663 from Federal Accounts and \$68,819 from non federal accounts). In addition, \$6,201 remains from the 1989-90 period.

Recommendation #4

The Audit staff recommends that this matter be referred to the Office of General Counsel.

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Loans Not Made in the Ordinary Course of Business
and Loans Made in Excess of the Limitation

Section 441b(a) of Title 2 of the United States Code states, in part, that it is unlawful for any national bank to make a contribution in connection with any election to any political office, or in connection with any primary election or political convention or caucus held to select candidates for any political office, or for any candidate, political committee, or other person knowingly to accept or receive any contribution prohibited by this section, or any officer or director of any national bank to consent to any contribution by the national bank.

Section 100.7(b)(11) of Title 11, Code of Federal Regulations states, in part, a loan of money by a State bank, a federally chartered depository institution (including a national bank) or a depository institution whose deposits and accounts are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or the National Credit Union Administration is not a contribution by the lending institution if such loan is made in accordance with applicable banking laws and regulations and is made in the ordinary course of business. A loan will be deemed to be made in the ordinary course of business if it: bears the usual and customary interest rate of the lending institution for the category of loan involved; is made on a basis which assures repayment; is evidenced by a written instrument; and is subject to a due date or amortization schedule. Each endorser or guarantor shall be deemed to have contributed that portion of the total amount of the loan for which he or she agreed to be liable in a written agreement. Any reduction in the unpaid balance of the loan shall reduce proportionately the amount endorsed or guaranteed by each endorser or guarantor in such written agreement. In the event that such agreement does not stipulate the portion of the loan for which each endorser or guarantor is liable, the loan shall be considered a contribution by each endorser or guarantor in the same proportion to the unpaid balance that each endorser or guarantor bears to the total number of endorsers or guarantors.

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

1. Unsecured Loans In addition, it was demonstrated that

The Committee received or had outstanding five loans during the period January 1, 1987 through December 31, 1990. Each loan and one long term lease had formal agreements, with a specific timetable for repayment and the interest rate charged.

The long term lease was entered into with Preferred Financial Corporation on February 20, 1986 for an offset printer with payments being made to Norwest Bank in Stillwater, Minnesota.

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The Committee also obtained a \$25,000 loan from Firststar/Metropolitan Bank in Saint Paul, Minnesota on January 22, 1987 to purchase a computer. The loan agreement was signed by the State Party Chairman and the note was secured by the computer equipment.

On February 1, 1989 the Minnesota Democratic-Farmer-Labor Party entered into a \$55,000 loan agreement with Saint Croix Valley Bank which was used to pay 1988 debts and a portion of late 1988 payroll taxes. The terms of the agreement indicated that the loan was an 8 month business loan at 12.5% interest, payable monthly and the principal due in a lump sum on October 1, 1989. The loan proceeds were deposited by the Committee in one of its non-Federal accounts. Although there was a formal agreement the loan was unsecured and there appeared to be no guarantors except for the notation that said "personal guaranty", but did not identify the guarantor. The agreement was signed by the State Party Chairman. It should be noted that the Committee's cash position was \$3,855.78 at the time this loan was obtained.

On August 11, 1989, the Democratic-Farmer-Labor Party of Minnesota made a 30 day 11.5% business loan for \$7,000 with Firststar Metro Bank in Saint Paul, Minnesota. There was a formal agreement; however, the loan was unsecured and there were no apparent guarantors. The loan agreement was signed by the State Party Chairman.

The Committee used a 50/50 method for allocating expenses at the time the loans were made. Therefore, the Committee's federal portion for the two unsecured loans would have been \$27,500 for the \$55,000 loan and \$3,500 for the \$7,000 loan (See Final Audit Report, Finding II.A.).

Although the two unsecured loans (\$55,000 and \$7,000) have been repaid, there appears to be some question whether these loans were made in the ordinary course of business considering the Committee's cash position and the other outstanding loans at the time these additional loans were made.

In the Interim Audit Report it was recommended that the Committee provide evidence that the \$55,000 and the \$7,000 loans were made in the ordinary course of business and identify any endorsers or guarantors of the loans. In addition, it was recommended that documentation be provided to demonstrate that the loans were made on a basis that assured repayment.

In its response, the Committee addressed the \$55,000 unsecured loan and noted that it was essentially a debt consolidation loan taken out for the purpose of paying off debts some of which carried an interest rate as high as 18%. The Committee further noted their inquiry into the matter disclosed that the stated intention of the then party chair was to seek a

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number of guarantors with respect to this loan. However, the guarantees were not secured. The response also states that though the loan was not secured, all of the assets of the Party except the computer were available as collateral for the loan. The response also includes a schedule of the payments made on the loan.

The Committee acknowledges that it was their intent to secure the loan with guarantees but that it was never done. No other explanation of the notation on the loan agreement that stated that the loan was secured by "personal guaranty" is provided. With respect to the pledging of other Committee assets, no indication of the value of the assets is given and no indication that any Committee asset was considered when the loan was made has been provided. The Committee also states that the non-Federal accounts' revenues and cash flow appear to have been adequate to make the necessary payments on the loan. The loan carried a due date of October 1, 1989. The final payment of \$20,000 was not made until March 12, 1990 with a total of \$39,000 in principal paid in March of 1990. It is noted that the Committee obtained a \$125,000 loan in January of 1990.

Finally, the Interim Audit Report allocates the loan between the Federal and non-Federal accounts on a 50/50 basis. The Committee does not address this allocation in their response but does include a schedule of payments that shows that of the \$60,642 in total payments on the \$55,000 loan, only \$2,082 was paid by the Federal accounts resulting in a \$28,239 payment by the non-Federal accounts on behalf of the Federal accounts.

The Committee contends that the \$7,000 loan was a 30 day loan for the purpose of financing the HHH Day dinner. The Committee states that loans for the purpose of financing the HHH dinner were common for the DFL for many years. "Since the dinner is primarily a social event, its cost is not generally in the regular party budget. Therefore, monies [sic] are borrowed shortly before the event to finance it and the proceeds of the dinner are used to repay the loan. Essentially the dinner is a 'break-even' event used almost exclusively for party building purposes." The Committee further submits that rather than the 50%/50% Federal/ non-Federal allocation contained in the Interim Audit Report, "the more appropriate method of allocation should have been the ballot allocation method (29% Federal - 71%

non-Federal), which would result in a \$2,000 federal allocation." The Committee does not support this contention. Given the Committee's explanation of this loan, the relatively small amount involved, and that the loan was outstanding for approximately 7 weeks, and that the majority of the repayment was made from the Federal accounts, the response is accepted as adequate.

The Committee - 2p - Loans in Excess of the Limitation

The Democratic-Farmer-Labor Party of Minnesota obtained a \$125,000 loan from Firstar Metro Bank on January 4,

1990 to pay accumulated 1988 and 1989 payroll taxes and associated interest and penalties. The loan carried a due date of July 4, 1990. The loan was unsecured, but it was guaranteed by four individuals. One individual did not sign as the guarantor until April 12, 1990. In addition, the agreement was signed by the State Party Chairman for the Party. The loan was deposited in the Committee's non-Federal account. The Committee's Federal share of the loan was \$62,500 based on a 50/50 allocation method used by the Committee at the time the loan was made. Each guarantor's liability for the federal share of the loan was \$15,625 ($\$62,500 \div 4$). Individuals may make contributions of \$5,000 per year to State party committees. Therefore, the Committee has received at the time the loan was made an excessive contribution from each guarantor in the amount of \$10,625 ($\$15,625 - \$5,000$) excluding any other contributions made to the Committee from these individuals (See Attachment I).

On September 10, 1990 the balance of the original \$125,000 loan was renewed in the amount of \$96,500. The renewal was subject to monthly payments through March of 1995. The loan renewal was necessitated by the withdrawal of one of the guarantors on the original \$125,000 loan. This guarantor was subsequently replaced by another individual. The Committee's loan balance as of December 31, 1990 was \$96,500. The three original guarantors did not sign the agreements until March 28, 1991. The new guarantor did not sign until May 9, 1991. The Federal portion of the loan at that time was \$48,250 based on the 50/50 allocation method. Each contributor has made an excessive contribution to the Committee of \$7,062.50 ($\$48,250 \div 4 - \$5,000$) excluding any other contributions that have been made to the Committee from these individuals (See Attachment II). Three of the guarantors made contributions to the Committee during 1990. These contributions totaled \$285 ($\$250 + \$10 + \25).

In the Interim Audit Report it was recommended that the Committee provide evidence that the loans did not result in a excessive contribution from the guarantors, and demonstrate that the loan balance has been paid down to where the guarantees are not excessive or provide evidence that additional guarantors have been added to reduce the amount of each contribution to \$5,000 or less.

The Committee responded that "the 50/50 allocation set forth in the Audit report as having been used by the party was unrealistic and inaccurate at the time. A more appropriate allocation method would have been based upon the ballot place allocation method (29% Federal and 71% non-Federal). If that method is used, the Federal share was \$36,250 and each guarantor's share was \$9,062.50. To date the DFL's information is that the loans were taken out on an emergency basis to satisfy pressing Internal Revenue Service claims." The Committee provides no documentation for their revised allocation percentages. Further, the allocation percentages used in the Interim Audit Report are considered reasonable given that the obligations paid with the proceeds of

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the loan related to 1988 and 1989. See Final Audit Report Finding II. A. Allocation of Administrative Expenses. The Committee notes that the State Party Chair also signed the loan agreement and should be considered an additional obligator for a total of five rather than four. While it is true that the Party Chair signed the note there is no evidence that it was in other than an official capacity. No personal liability is suggested.

The Committee's response also provides a schedule of payments on the loan. As of December 31, 1992, the schedule shows the balance was \$53,220. The Federal share would be half of that amount or \$26,610. With four guarantors each had a remaining contribution of \$6,653. However, the Committee had been making regular payments that would, if continued, reduce each guarantors share to less than \$5,000 within 7 months. Six such payments are reported in the first six months of 1993. Payments on the loan through December 31, 1992, total \$97,176 with \$58,458 being made from the Federal account.

Recommendation #5

The Audit staff recommends that this matter be referred to the Office of the General Counsel.

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Guarantors of \$125,000 Loan

<u>Name of Guarantor</u>	<u>Date^{1/}</u>	<u>Amount</u>	<u>Date</u>	<u>Other Contrib.</u>
John D. French	12/89	\$10,625	10/11/89	\$100
Mark B. Dayton	04/12/90	\$10,625		-0-
Vance K. Opperman	12/89	\$10,625		-0-
David Lebedoff	12/89	\$10,625		-0-
Total Excessive Contributions		<u>\$42,500</u>		<u>\$100</u>

1/ Dates are based on the date the guarantors signed the loan agreement.

Guarantors For \$96,000 Loan

<u>Name Of Guarantor</u>	<u>Date^{1/}</u>	<u>Amount</u>	<u>Date</u>	<u>Other Contrib.</u>
Vance K. Opperman	03/28/91	\$7,062.50	01/09/90	\$ 10.00
John D. French	03/28/91	\$7,062.50	08/13/90	250.00
Mark B. Dayton	03/28/91	\$7,062.50		-0-
Walter Mondale	05/09/91	\$7,062.50	11/01/90	25.00
Total Excessive Contributions		<u>\$28,250.00</u>		<u>\$ 285.00</u>

^{1/} Dates are based on the date the guarantors signed the loan agreement.

Non-Federal Account Transfers to Federal Accounts
and Transfer from an Unregistered Committee

Section 102.5(a)(1)(i) of Title 11 of the Code of Federal Regulations states, in part, that party committees which finance political activity in connection with both Federal and non-Federal elections shall establish a separate Federal account in a depository in accordance with 11 C.F.R. Part 103. Only funds subject to the prohibitions and limitations of the Act shall be deposited in such separate Federal account and no transfers may be made to such Federal account from any other account(s) maintained by such organization for the purpose of financing activity in connection with non-Federal elections.

During the 1988 election cycle the Audit staff identified \$20,211.94 in transfer activity from the Committee's non-Federal accounts and \$4,500 from its operating payroll account to its Federal accounts. A review of Committee ledgers did not disclose any identifiable reason(s) for the transfers. Descriptions posted to the ledgers indicated: "transf to GOTV fed; and Transf to D/D."

Committee officials stated that moneys meant for the federal accounts were mistakenly deposited into the non-Federal accounts. Once the mistake was discovered, the money was transferred from the non-Federal accounts into the Federal accounts. Committee officials further stated that they were collecting the evidence related to the erroneous deposits into the non-Federal accounts for submission to the Audit Division.

The Committee also received a \$5,000 contribution from the DFL House Caucus on August 3, 1988. This committee was not registered with the Commission.

During the audit of the 1990 election cycle the Committee transferred \$18,000 from its non-Federal account to its Federal account. The Committee received and deposited in its non-Federal bank accounts contributions that are prohibited under the Act.

Pursuant to the Campaign Finance law in Minnesota every individual who files a tax return may designate that five dollars be paid from the general fund of the state into the state elections campaign fund.

One percent of the designated money is allocated to the state committee of a political party. The allocated money must be deposited in a separate account. The Minnesota Democratic-Farmer-Labor State Party created the Minnesota Democratic Farmer Labor Special Account ("Special Account") to receive these designated funds.

The Committee made two disbursements from its Special Account for \$10,000 and \$8,000 respectively prior to the \$18,000

transfer. The Committee's attorney felt that these expenses did not meet the requirements for expenditures that could be made from this account, according to state law. Therefore, the Committee reimbursed the Special Account for the \$18,000 from its non-Federal general operating account. The Committee subsequently made transfers from the Special Account to its federal accounts.

The Interim Audit Report recommended that the Committee demonstrate that the transfers from the non-Federal accounts were permissible or refund the \$47,712 to the non-Federal account.

The Committee provided the following response:

- (1) For the transfers from non-Federal to Federal accounts (\$20,211.94) in 1987 and 1988 states only that Committee records show that on each of the 1987 and 1988 dates listed, "the DFL non-Federal accounts held sufficient federally permissible funds to cover the amount of each transfer." No documentation was provided but the Committee stated that it would be provided upon request. Section 102.5 (a)(1)(i) of the Code of Federal Regulations, as written at the time of the transfers, did not permit any such transfers.
- (2) Transfers from operating payroll account to Federal account (\$4,500). "The DFL is currently unable to reconstruct the payroll to Federal account transfer and, therefore, the Committee is transferring" (\$4,500) from its Federal account to its non-Federal account. A copy of the transfer check is enclosed.
- (3) "This item was a transfer from the Minnesota House of Representatives DFL Caucus to the DFL Federal account. The \$5,000 was re-transferred to the DFL non-Federal account." A copy of the transfer check was provided.
- (4) With respect to the 1990 transfer from the Minnesota Special Account to a federal account (\$18,000), the Committee submitted a letter from the United Democratic Fund Director that explains the transactions. As noted above the transfer from the non-Federal account to the Special Account was made to correct two erroneous transactions. They assert that "because the Special Account had to be reimbursed for the amount of the impermissible expenditure, the vendors should have been asked to refund the payments, which refunds would have been put back into the Special Account; followed by the re-issuance of a new check to the vendors from the regular DFL non-Federal account." The Committee

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noted that "the Special Account is not a federal account (even though it contains solely federally permissible monies [sic])." This error correction does not taint the account and no further action is required.

It is the opinion of the Audit staff that the Committee provided documents which demonstrated that the \$4,500, \$5,000, and \$18,000 transfers have been satisfactorily resolved. The Audit staff reaffirms its position on the remaining \$20,211.94 in transfers.

Recommendation #6

The Audit staff recommends that this matter be referred to the Office of General Counsel.

October 14, 1992
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itemized

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Failure to Itemize Contributions from Political Committees

Under Title 2 of the United States Code, Section 434(b)(3)(B) requires that each report under this section shall disclose the identification of each political committee which makes a contribution to the reporting committee during the reporting period, together with the date and amount of any such contribution.

Section 104.3(a)(4)(ii) of Title 11 of the Code of Federal Regulations requires, in part, the itemization from all committees (including political committees and committees which do not qualify as political committees under the Act) which make contributions to the reporting committee during the reporting period, together with the date of receipt and amount of any such contribution.

During the audit of the 1988 election cycle, the Audit Staff reviewed contributions from political and other committees and identified 92 contributions from 66 contributors totaling \$256,874. The Committee did not itemize \$46,587 or 18.13% of those contributions. At the exit conference, Committee officials had no response on this matter.

On May 16, 1990, the Committee filed comprehensive amendments with the Commission which materially corrected the matter noted above.

During the audit of the 1990 election cycle, the Audit staff determined that 25 contributions from 23 committees, totaling \$24,916, were not itemized as required on the Itemized Receipts Schedule A. Fourteen of these contributions, from thirteen unregistered organizations, totaled \$3,630. The remaining 11 contributions totaling \$21,286 were from 10 registered committees. The Committee representative stated at the exit conference that they thought that only those contributions from political committees which were greater than \$200 were required to be itemized. It should be noted that 10 of the contributions not itemized were on their face greater than \$200.

At the exit conference, the Committee was provided with schedules listing the contributions that were not itemized.

In its correspondence dated October 14, 1992, the Committee acknowledged receipt of the report of the Audit Division covering the period January 1, 1987 through December 31, 1990. The Committee also used this correspondence to request copies of audit workpapers, guidance, and direction to assist it in complying with some of the recommendations. No request for this information was included in that correspondence which indicated that work had commenced to amend the itemized receipt Schedules A to correct the noted problems.

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For the 1988 election cycle the Interim Audit Report noted that no further action was necessary, but recommended that the Committee file amended disclosure reports for the 1989-90 period.

The Committee's response requested a copy of the list of 23 Committees described in the Audit Report in order to respond. As noted above, the information was provided at the exit conference and later correspondence did not indicate that anything further was needed. The Audit staff provided the requested information but no further amended disclosure reports have been received.

Recommendation #7

The Audit staff recommends no further action with respect to the 1988 election cycle. Relative to the 1990 election cycle, the Audit staff recommends that this matter be referred to the Office of General Counsel.

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Enclosure
Audit Report
Recommendation #7

Enclosure
Audit Report
Recommendation #7

Enclosure
Audit Report
Recommendation #7

Enclosure
Audit Report
Recommendation #7

Itemization of Committee Transfers Between Federal and Non-Federal Accounts

Section 434(b)(5)(A) & (C) of Title 2 of the United States Code states, in part, that each report shall disclose the name and address of each person to whom an expenditure in an aggregate amount of value in excess of \$200 within the calendar year is made by the reporting committee to meet a candidate or committee operating expenditure. Further, each report shall disclose any affiliated committee to which a transfer is made by the reporting committee during the reporting period and, where the reporting committee is a political party committee, each transfer of funds by the reporting committee to another political party committee, regardless of affiliation, together with the date and amount of such transfers.

During the 1988 election cycle the total Committee transfer activity was \$370,861. That total included itemized transfers from its Federal accounts to the non-Federal accounts and operating payroll account for \$11,800 and \$99,152 respectively. Regarding unitemized transfer activity, the committee made 74 transfers totaling \$161,020 to its payroll account and 24 transfers totaling \$74,176 to its non-Federal accounts. The Committee also had unitemized transfer activity from the non-Federal accounts of \$24,712 (\$20,212 + \$4,500.00) to the federal accounts (Exhibit C). A summary schedule of Committee transfer activity was attached to the Interim Audit Report.

In its May 16, 1990 comprehensive amendment filed with the Commission, the Committee did not address the unitemized transfer activity noted above.

In the Interim Audit Report it was recommended that the Committee file amended disclosure reports to properly itemize the transfer activity.

The Committee's response addressed the eight transfer summary categories shown on the attachment to the Interim Audit Report. For most of the categories the Committee indicated that they were unable to identify the specific issue that concerns the auditors. It is noted that the Committee's October 1992, letter noted that work had commenced on this recommendation but did not indicate any confusion or need for additional information. The Committee also states that "[h]enceforth the DFL will properly transfer activity". Subsequent to the response, the Committee detailed copies of schedules identified dates, relevant account numbers, and amounts of each of the unitemized transfers noted above. No amended disclosure reports have been filed.

The Audit Staff recommends that this matter be referred to the Office of General Counsel.

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January 13, 1993

*Received on Audit
11/14/93*

Robert J. Costa
Assistant Staff Director
Audit Division
Federal Elections Commission
999 E Street N.W.
Washington, D.C. 20463

Re: Audit A89-93 and A91-93

Mr. Costa:

I represent the Minnesota Democratic-Farmer-Labor Party (hereafter "DFL") now under FEC audit for the years 1987-1988 and 1988-1990. I enclose herewith for your reference a copy of your most recent letter to William J. Davis, Treasurer of the DFL.

The purpose of this letter is to provide a significant (though not yet complete) response to the preliminary audit and to request an additional sixty (60) day extension for the completion of the balance of the reply to the audit. The majority of the requested information is provided with this letter and there are only certain items which remain to be completed.

Additional time is needed to complete the office bookkeeper's records and to complete the post election audit. The current Minnesota election practices have certain of the information that has been requested not in the "institutional memory" of the DFL and it has become necessary to go outside of the party to search for that information. (c) While the enclosures to your 1992 letter were helpful, there remain a considerable number of items which we will need in order to comply with the audit and (d) the audit report came some two years after the audit and memories were somewhat faded.

This letter of reply is organized according to the categories set forth in the Report of Audit Division dated January 13, 1993.

25043653327

I. Finding and Recommendation A

Expenditures made on behalf of the presidential candidate.

Recommendation No. 1 was that the DFL demonstrate that none of the expenditures noted in the audit report were made on behalf of presidential candidate Michael S. Dukakis' General Election Committee and should not be considered expenditures on behalf of the Dukakis/Bentsen committee. The audit staff further recommended that the DFL delineate the tasks actually performed by the consultants and provide documentation identifying the services provided by vendor invoices.

The DFL submits that the items listed in the audit report are primarily not expenditures on behalf of the Dukakis/Bentsen Committee. Those expenditures which appear to be on behalf of the Dukakis/Bentsen Committee are, for the most part, for political candidate expenditures and/or expenditures incurred in connection with exempt volunteer activities. Exempt activities are for exempt activities.

A. Federal Account Expenditures

1. Consultant expenditures referred to this letter as Exhibit 1 is a listing of each of the consultants hired by the DFL in the 1987-88 election cycle together with the total amount of compensation for services rendered by each of them and the total of all such amounts paid to each.

As indicated in the audit report, the persons designated in Exhibit 1 as consultants performed services for the DFL candidates throughout the election cycle. Some of these persons were sometimes called consultants, but they had not been viewed as consultants, rather, as "independent contractors".

The term "consultant" is a term used by the DFL to describe the nature of the relationship between the DFL and the persons designated in Exhibit 1. The DFL has determined that the persons designated in Exhibit 1 are independent contractors and accordingly has charged the DFL payroll taxes.

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The DFL has determined not to appeal that decision because, on balance, (given Internal Revenue Service criteria) the "consultants" were in fact employees rather than independent contractors. This information is given to the PEG in support of the DFL's contention that the listed persons were temporary employees of the DFL multi-candidate committee, called the United Democratic Fund, "UDF" (hereafter DFL/UDF), and not Dukakis/Bentsen employees. Many of these persons were then present or past party officers and staff who were worked partially on a volunteer basis and partially on a compensated basis. Simply put, they were DFL people and not DFL/UDF people.

The sum of \$84,500.00 was paid to the auditors to have been paid from the DFL/UDF account on behalf of the Dukakis/Bentsen campaign. For the most part, the DFL/UDF expenses paid by the DFL/UDF were for individuals for multi-candidate services. The DFL/UDF respectfully submitted that the DFL/UDF compensation or reimbursement paid to the Dukakis/Bentsen staff persons would be considered as expenditures on behalf of the Dukakis/Bentsen campaign.

It is our understanding that the audit staff's belief that the compensation and expenses paid to the DFL/UDF staff were not on behalf of the Dukakis/Bentsen campaign is a document which indicates that the DFL/UDF staff list represents to the PEG the names, addresses and phone numbers of those persons who were, unless otherwise indicated, employees of the DFL/UDF. Their contracts and salaries are shown on Exhibit 2.

2. Bundle A is the auditor's report purporting to show DFL federal account expenditures alleged to have been made on behalf of Dukakis/Bentsen. As noted herein, the DFL's federal account expenditures were audited by the PEG. The PEG's report of the audit is attached as Exhibit 3.

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B & B Aircraft. The information is that this is an active and peaceful activity. It is clearly for the Bukakis lawn signs, but our information is the signs were issued to volunteers for use at their homes and distributed to their neighbors.

the Clinton campaign, Douglas
criticized Clinton for not
calling for a "stronger
United Nations" and
it was not a major
campaign issue.

B. Non-Federal Account Expense B27- B12

The non-federal expenditures are in the Total amount of expenditures were made for during the 1987, 1988, and 1989. Exhibit A which is a copy of invoices and purchase orders through

Bundle B2 is a miscellaneous listing of non-federal expenditures that are not apparently supported by any invoices or purchase orders. The vast majority of the highlighted items listed on B2 are salary and/or reimbursement to DFL/UDF staff. See Exhibit 1. An explanation of each of the other listed items, to the best of our current knowledge, is set forth at the end of Exhibit 4.

II. Allocation of Administrative Expenses

Audit staff has recommended that the party implement a system to insure compliance with the requirements for allocation of administrative expenses. Attached to this letter as Exhibit 2 is a letter from Todd Rapp, Political Director of the Minnesota Farmer Labor Party, setting forth the party's policy and criteria effective January 1, 1991 to allocate administrative and other expenses between the party's federal and non-federal accounts. If additional documentation is required, the party is fully compliant with Recommendation 1. The party has been working with computer software and can make the required allocations as the expenses are incurred. The party is fully willing to entertain other suggestions as to methods of insuring compliance.

III. Loans

A. Unsecured loans

1. On January 1, 1991, the party obtained a loan from Valley Bank (the bank). The bank's records reflect that this loan was a pre-existing debt of the party, essentially a debt consolidation loan for the purpose of paying off debts, and carried interest at the unconscionable rate of 12% per annum. The new interest rate is as stated in the audit report. A copy of the promissory note and its payment history are attached as Exhibit 3 and incorporated herein by reference. Inquiry concerning this matter disclosed that it was the stated intention of the bank to seek a number of guarantors for this loan. However, the guarantors were not obtained. It is the DFL's information that the interest rate was commercially reasonable at the time the

January 13, 1993

loan was taken out. The audit report indicates that there were "other outstanding loans" at the time that these additional loans were made. The records that we have been able to examine so far do not confirm that fact. The only then outstanding loan that we can find is the secured computer loan. The revenues and cash flow of the DFL's non-federal accounts appear to have been sufficient at the time to have paid the interest and principle called for in the note in a reasonably reasonable manner. While there were no endorsers or guarantors of the loan, other assets of the DFL (except for the computer) were available as collateral in support of the loan. The assets were not, however, secured to the lender. In addition, the assets were not under the control of the lender.

B.

Loans in Support of the

1. There is a single loan for the principal amount of \$125,500 to the Star Bank on January 4, 1990. In the audit report, the balance of the original loan renewed in the amount of \$125,500 on October 10, 1990.

The loan is due to the Star Bank on October 10, 1990. The loan is due to the Star Bank on October 10, 1990.

The audit report indicates that the loan was made to the Star Bank on January 4, 1990. The loan was made to the Star Bank on January 4, 1990.

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The loan was made to the Star Bank on January 4, 1990. The loan was made to the Star Bank on January 4, 1990.

IV. NON-FEDERAL ACCOUNT TRANSFERS TO FEDERAL ACCOUNTS. TRANSFER FROM UNREGISTERED COMMITTEE

- A. Transfer from non-federal account to federal account (\$20,211.94).

Committee records show that on each of the 1987 and 1988 dates listed on page 4 of your Exhibit A the DFL non-federal accounts held sufficient federally permissible funds to cover the amount of each transfer. If copies of the deposit slips and/or contribution checks are required please advise and we will search for them.

- B. Transfer from operating account to federal account (\$4,500).

The DFL is currently unable to transfer payroll to federal account. The committee is transferring four thousand and no/100 (\$4,500) from its federal account to non-federal account. A copy of the check is enclosed (Exhibit 12). Once the check is received we will send a copy of the check.

- C. Transfer from House Caucus account to federal account.

This item was a transfer from the Minnesota House of Representatives account to federal account. The \$5,000 was transferred from non-federal account to federal account. A copy of the letter dated 1/13/93 is enclosed.

- D. 1990 Transfer from federal account (\$18,000).

As set forth in the audit report, the \$18,000 was monies that the DFL had received from the State of Minnesota for the party's share of the 1990 election. Because the contributions into the DFL are \$5.00 per contributor, it is the policy of the DFL that the monies are not prohibited for other purposes under the provisions of the PACE. The fact that the monies are limited to the DFL is only for very limited purposes under the Minnesota Statutes. \$18,000 was transferred from the DFL to the Minnesota State Director of the Minnesota DFL. A copy of the letter dated November 17, 1992, attached hereto as Exhibit 9 and

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incorporated herein by reference sets forth the circumstances of the transfer.

Because the Special Account had to be reimbursed for the amount of the impermissible expenditure, the vendors should have been asked to refund the payments, which refunds would have been put back into the Special Account; followed by the release of a new check to the vendors from the regular DFL or federal account. Since the Special Account is not a federal account (even though it contains solely federally derived monies) the Committee did not see any reason for the transfer. If you disagree please advise.

V. FAILURE TO ITEMIZE DEBTS AND LOANS

It is the intent of the Minnesota DFL to amend Schedules C (loans) and D (debts other than loans) for 1991 and 1990 report to correct the omissions.

Attached hereto as Exhibit 10 is the proposed amendment herein by reference is the proposed amendment to Schedule D (debts other than loans).

Also enclosed herewith as Exhibit 10(a) is a schedule of loans as of the end of 1991. The DFL intends to amend Schedule C accordingly.

The DFL requests that you advise the Committee if you would object to the proposed amendment.

VI. ITEMIZATION OF DEBTS AND LOANS

The DFL requests that you advise the Committee if you would object to the proposed amendment described in the report. A meaningful response cannot be made without your input.

VII. ITEMIZATION OF TRANSFERS TO OTHER FUNDS

No further action appears to be warranted.

VIII. ITEMIZATION OF COMMITTEE TRANSFERS BETWEEN FEDERAL AND NON-FEDERAL ACCOUNTS

Attached hereto and incorporated herein as Exhibit 11 is Attachment VI from the audit. Each of the eight items listed on the exhibit will be addressed separately.

1. (\$69,076.12) This is a transfer from a federal committee to a non-federal committee. The auditor is unable to identify the specific issue that concerns the auditors. Please advise and we will promptly respond.
2. (\$5,100) This is a transfer from a federal committee to a non-federal committee. The auditor is unable to identify the specific issue that concerns the auditors. Please advise and we will promptly respond.
3. (\$11,800) This is a transfer from a federal committee to a non-federal committee. The auditor is unable to identify the specific issue that concerns the auditors. Please advise and we will promptly respond.
4. (\$4,500) This item appears to be a transfer from operating payroll to a non-federal account. It is addressed in IV above. It is transferred back to the non-federal account.
5. (\$20,211.94) This item appears to be a transfer from a federal committee to a non-federal committee. It is addressed in IV above.
6. (\$9,000) This is a transfer from a federal committee to a non-federal committee. The auditor is unable to identify the specific issue that concerns the auditors. Please advise and we will promptly respond.
7. (\$20,211.94) This is a transfer from a federal committee to a non-federal committee. The auditor is unable to identify the specific issue that concerns the auditors. Please advise and we will promptly respond.
8. (\$62,500.00) This is a transfer from a federal committee to a non-federal committee. The auditor is unable to identify the specific issue that concerns the auditors. Please advise and we will promptly respond.

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Page 11
January 13, 1991

For the reasons stated at the outset of this letter, the Committee requests an additional 60 days to complete its responses to the audit staff Recommendations 3, 4 and 8.

Respectfully submitted,

Alan Weinblatt

ALAN H. WEINBLATT

WEINBLATT AND DAVIS

CHICAGO, ILLINOIS

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EXHIBIT 1

DPL FEDERAL ACCOUNT
BUNDLE A
UDF Fieldwork "Consultants"

<u>Name</u>	<u>Payroll</u>	<u>Expenses</u>	<u>Total</u>	<u>Misc.</u>
Adams, S.	\$1,000.00	\$ 75.03	\$1,075.03	
Anderson, Gene	1,625.00		1,625.00	
Anderson, Margaret	1,800.00	139.13	1,939.13	
Anderson, Mark	2,250.00	425.67	2,675.67	
B & B Adcraft				1,724.26
Blodgett, J.	1,850.00	384.49	2,234.49	
Borg, Liz	3,500.00	439.29	3,939.29	
Cerkvenik, Gary	1,800.00	1,564.76	3,364.76	
Cerkvenik, Steve	2,500.00	428.80	2,928.80	
Cohen, Bruce	2,250.00	390.90	2,640.90	
Davies, Pat	3,250.00	58.00	3,308.00	
Dougherty, K.	2,100.00	1,243.29	3,343.29	
Ellis, M.	2,600.00	153.16	2,753.16	
Eskit	2,400.00	636.46	3,036.46	
Fagan, L.	1,100.00	150.24	1,250.24	
Fields, Sandi	3,825.00	349.44	4,174.44	
Forciea, Pat				773.66
Green, Donna	2,700.00	36.96	2,736.96	
Hoiseth, K.	3,500.00	353.13	3,853.13	
Jarvela, J.	1,200.00		1,200.00	
Kelliher, D.	2,050.00	308.28	2,358.28	
Kelly, Marsha	1,500.00		1,500.00	
Latz, R.	2,500.00	134.58	2,634.58	
Levin, Jim	2,400.00	104.32	2,504.32	
Lewis, Connie	1,250.00		1,250.00	
Mahling, K.	2,400.00	819.87	3,219.87	
McKowan, K.	2,750.00	410.31	3,160.31	
Mondale, Pam	2,500.00	176.31	2,676.31	
Nickitas, Pete	700.00	121.30	821.30	
Paul, John	2,000.00	345.66	2,345.66	
PMS				96.50
PMS				140.00
Samuelson, Ellen	2,000.00	275.16	2,275.16	
Steinworth, J.	1,500.00	1,141.36	2,641.36	
Tall Bear, Lee Ann	3,800.00	105.00	3,905.00	
Valadez, E.	750.00		750.00	
Wolk, Jodie	1,400.00	195.20	1,595.20	
	\$70,750.00	\$10,966.10	\$81,716.10	\$ 2,734.42

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EXHIBIT 2

CONSULTANTS, STAFF AND ORGANIZATION OF UDF

I. Actual Dukakis employees.

A. The following is a complete list of actual Dukakis For President employees who were paid by the Dukakis campaign and whose work was controlled by the Dukakis campaign.

1. Pat Forciea was the Dukakis State Director. He was paid entirely by the Dukakis campaign and solely responsible to it.
2. Stacy Grundman likewise was a Dukakis staff employee paid by the Dukakis campaign and solely responsible to it.
3. Lisa Fagan. Lisa was actually an employee of both the Dukakis campaign and the DFL/UDF. She was a shared employee at times and at other times worked for one or the other. Her duties included bookkeeping for the Dukakis/Bentsen campaign and was responsible to that campaign. She also did bookkeeping and the ordering of supplies for the DFL/UDF and was responsible to the UDF Director in that capacity.
4. Ted Mondale. Ted was a Dukakis employee although not paid by the Dukakis committee. He was not paid by the DFL/UDF and in all events was not considered a DFL employee.

B. The following persons were paid by the DFL/UDF because they were primarily DFL/UDF employees but also performed some duties for the Dukakis campaign.

1. Pam Mondale
2. Donna Green

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ne dut:

Both of the above persons were schedulers in the shared headquarters. Their duties included scheduling the Dukakis/Bentsen team, scheduling relatives and surrogates for the Dukakis/Bentsen team and scheduling other persons speaking generally on behalf of the entire DFL ticket. They were both paid exclusively by DFL/UDF.

3. Lisa Fagan. Lisa was the bookkeeper and supplies person for the DFL-UDF. She also did the bookkeeping and office work for Dukakis/Bentsen.

II. Organization Chart

PAT FORCIEA,
DUKAKIS STAFF DIRECTOR
(Reports to Dukakis Campaign)

GARY CERKVENIK,
EXECUTIVE DIRECTOR
United Democratic Fund
(Reports to DFL Party, Chair and ODF
Executive Committee)

A. Stacy Grundman,
Press Officer, Dukakis

A. Connie Lewis,
Political Director and Deputy Field
Director

B. Jeff Blodgett,
Field Director

1. Voter registration Section

- a. Eskin
- b. Fields
- c. M. Anderson

2. Officer Manager
a. Hoiseth

3. Scheduling
a. P. Mondale
b. D. Green

Lisa Fagan. Bookkeeping, accounting and supplies ordering

Lisa did most of the UDF book work and also did the Dukakis/Bentsen bookkeeping work. A 50-50 split would be appropriate. She also ordered supplies and materials for all campaigns located at the shared headquarters.

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4. Field Staff

- a. S. Adams (Winona)
- b. G. Anderson (Willmar)
- c. Margaret Anderson (Mankato)
- d. Liz Borg (St. Cloud)
- e. P. Cameron (Duluth) - Party Officer. P. Cameron has been a DFL employee periodically on and off for several years.
- f. S. Cerkenik (Virginia)
- g. B. Cohen (Bloomington)
- h. P. Davies (St. Paul) - Party Officer
- i. K. Dougherty (Mpls.)
- m. M. Ellis (Mpls.)
- n. G. Huntley (Duluth) - Party Officer
- o. J. Jarvela (Duluth)
- p. D. Kelliher (Willmar)
- q. M. Kelly (St. Paul)
- r. R. Latz (Blaine) -
- s. J. Levin (St. Paul)
- t. K. Mahling (Headqtrs - Segal)
- u. T. Matson (Virginia)
- v. K. McKowan
- x. J. Paul (Bemidji)
- y. T. Pender (Virginia)
- z. P. Nickitas
- aa. B. Rootes - Party Officer
- bb. E. Samuelson (Bloomington)
- cc. J. Steinworth (lawn signs)
- dd. C. Thelen (Virginia) - Party Officer
- ee. J. Wolk (Moorhead)
- ff. Lee Ann Tall Bear was a DFL staff person who was responsible for the coordination of the overall DFL campaign with the Rainbow Coalition and the Jesse Jackson supporters. In addition to this coordination she was responsible for party building GOTV; sometime in October she transferred to the Democratic National Committee to do the same kind of coordination with the Rainbow Coalition and

was as cc
arty
party

the

Jackson campaign on GOTV matters.
gg. Elaine Valadez - Hispanic Outreach

5. Unknown Responsibilities

- a. E. Boyer
- b. H. Bye

III. LOCATION

A. The DFL/UDF Campaign was located at the Metro Square office building through August, 1988. This was also the location of the DFL offices. There simply was not enough room for both the UDF and the regular DFL offices to be there at the same time. The UDF decided to share space with the Dukakis campaign at the old American Hardware Mutual Building, Suite 417, 3033 Excelsior Boulevard.

The offices were shared by the DFL/UDF, the Martin Sabo for Congress Committee, the Dukakis/Bentsen Committee and the Gloria Segal Reelection Committee. The largest portion of the space was taken up by the DFL/UDF. The Dukakis Committee and the Sabo Committee had about the same space and the Segal Committee had the smallest amount of space. All parties looked at the facility as being a multi-candidate headquarters and all of them paid some of the rent.

The purpose of having local field offices instead of one central office was to enable the DFL/UDF to do multi-candidate volunteer work and party building work at the grass roots level.

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The DFL/UDF strategy was to make each field office a multi-candidate office. In some instances the only reason for opening a field office was to aid local candidates (e.g., Winona, Mankato and Moorhead) in their election or re-election effort.

It made no economic or political sense for the DFL/UDF not to share a headquarters with the Dukakis/Bentsen Committee. Each campaign had its own lawn signs, literature, etc. The only "common" work was the bookkeeping and ordering of supplies and materials done by Lisa Fagan.

IV. OPERATIONS

A. The UDF field staff made daily and/or weekly reports to Gary Cerkvenik. The reports were about joint lawn sign locations, party building activities, voter ID calls made, events, GOTV activities, volunteer polling data.

B. Gary Cerkvenik's title was Executive Director of the DFL. In fact, he reported directly to the party chair and to the UDF Board, which is comprised of representatives from:

1. DFL Party Chair (1)
2. Minnesota House of Representatives DFL caucus (1)
3. Minnesota Senate DFL Caucus (1)
4. Minnesota Congress DFL members (2)
5. U.S. Senator from Minnesota (If DFL) (0)
6. DFL Party Executive Committee (1)
7. Minnesota Constitutional Officers (1)
8. Presidential Campaign (1)

His reports to the party chair concerned his overall activities and the overall activities of the field operation; his

reports to the UDF Board pertained primarily to party building activities.

C. The Humphrey for Senate campaign was not directly involved with his work. They had their own field staff, but there was some coordination.

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MINNESOTA



Constituency

MINNESOTA DFL PARTY CONTRACT FOR SERVICES

For services provided through Minnesota DFL Party Election Year Campaign Temporary Fund, Federal and State Accounts.

The Minnesota DFL Party (Democratic Farmer Labor) enters into a contract for services with MARK ANDERSON, of 2517 W. 42nd ST. MINN. 55410

for the period Aug 15, 1988 to Nov 2, 1988.

The Minnesota DFL Party, Election Year Campaign Temporary Fund, agrees to pay \$ 3270.00 for contract services for the above dates.

In turn, the contractor agrees to provide services before the election to promote the Democratic-Farmer-Labor ticket for all endorsed candidates and those candidates winning primary elections and endorsed by the appropriate DFL Party Central Committee. These services include:

- 1) Consulting on field organizing, field programs, volunteer recruitment, and planning;
- 2) Phone bank organizing for three or more DFL candidates for Voter ID and GOTV efforts;
- 3) Planning and implementing press strategy, brochures, flyers, leaflets, and fundraising;
- 4) Advice and organizing to promote voter registration;
- 5) Recommending schedules for surrogates speakers;
- 6) Organizing and advising on appropriate steering committees and issue committees;
- 7) Other advice and talents the Party may seek.

Signed: *[Signature]*

Signed: *[Signature]*

RICHARD NOLAN
ASSOCIATE CHAIR

METRO SQUARE
BUILDING
SUITE 200
150 N. WENTH
PLACE EAST
SAINT PAUL
MINNESOTA
55101-4007

612-293-1230

MINNESOTA



Field

MINNESOTA DFL PARTY CONTRACT FOR SERVICES

For services provided through Minnesota DFL Party Election Year Campaign Temporary Fund, Federal and State Accounts.

The Minnesota DFL Party (Democratic Farmer Labor) enters into a contract for services with Jeff Blodgett, of 60 Milburn Ave SE, Minneapolis, Minnesota 55414

for the period August 1, 1988 to November 2, 1988.

The Minnesota DFL Party, Election Year Campaign Temporary Fund, agrees to pay \$ 4,200.00 for contract services for the above dates.

In turn, the contractor agrees to provide services before the election to promote the Democratic-Farmer-Labor ticket for all endorsed candidates and those candidates winning primary elections and endorsed by the appropriate DFL Party Central Committee. These services may include:

- 1) Consulting on field organizing, field programs, volunteer recruitment, and planning;
- 2) Phone bank organizing for three or more DFL candidates for Voter ID and GOTV efforts;
- 3) Planning and implementing press strategy, brochures, flyers, leaflets, and fundraising;
- 4) Advice and organizing to promote voter registration;
- 5) ~~Recommending~~ ^{Organizing} schedules for surrogates speakers; ~~Organizing and advising on appropriate steering committees and issue committees;~~
- 7) Other advice and talents the Party may seek.

Jeff Blodgett

RUTH ESALA
CHAIR

RICHARD ROLAN
ASSOCIATE CHAIR

METRO SQUARE
BUILDING
SUITE 200
121 SEVENTH
PLACE EAST
SAINT PAUL
MINNESOTA
55101-2167

(612) 823-1200

25043653346

MINNESOTA

Field



MINNESOTA DFL PARTY CONTRACT FOR SERVICES

For services provided through Minnesota DFL Party Election Year Campaign Temporary Fund, Federal and State Accounts.

The Minnesota DFL Party (Democratic Farmer Labor) enters into a contract for services with Gary Cerkanik

of R.R. 1, Box 13025
BRIT, MN 55310

for the period 20 July, 1988 to 8 Nov., 1988.

The Minnesota DFL Party, Election Year Campaign Temporary Fund, agrees to pay \$ 7,000 for contract services for the above dates.

In turn, the contractor agrees to provide services before the election to promote the Democratic-Farmer-Labor ticket for all endorsed candidates and those candidates winning primary elections and endorsed by the appropriate DFL Party Central Committee. These services may include:

- 1) Consulting on field organizing, field programs, volunteer recruitment, and planning;
- 2) Phone bank organizing for three or more DFL candidates for Voter ID and GOTV efforts;
- 3) Planning and implementing press strategy, brochures, flyers, leaflets, and fundraising;
- 4) Advice and organizing to promote voter registration;
- 5) ~~Recommending~~ ^{on appropriate} schedules for surrogates speakers;
- 6) ~~Organizing~~ ^{on appropriate} and advising on appropriate steering committees and issue committees;
- 7) Other advice and talents the Party may seek.

Signed: [Signature]

RUTH ESALA
CHAIR

RICHARD NOLAN
ASSOCIATE CHAIR

METRO SQUARE
BUILDING
SUITE 250
121 SEVENTH
PLACE EAST
SAINT PAUL
MINNESOTA
55101-2107

16121-223-1200

MINNESOTA



Field

MINNESOTA DFL PARTY CONTRACT FOR SERVICES

For services provided through Minnesota DFL Party Election Year Campaign Temporary Fund, Federal and State Accounts.

The Minnesota DFL Party (Democratic Farmer Labor) enters into a contract for services with Steven Carkeetnik

, of 2 Park Drive
Minnetonka, MN 55342

for the period Aug 15, 1988 to Nov 8, 1988.

The Minnesota DFL Party, Election Year Campaign Temporary Fund, agrees to pay \$ 12,750.00 for contract services for the above dates.

In turn, the contractor agrees to provide services before the election to promote the Democratic-Farmer-Labor ticket for all endorsed candidates and those candidates winning primary elections and endorsed by the appropriate DFL Party Central Committee. These services may include:

- 1) Consulting on field organizing, field programs, volunteer recruitment, and planning;
- 2) Phone bank organizing for three or more DFL candidates for Voter ID and GOTV efforts;
- 3) Planning and implementing press strategy, brochures, flyers, leaflets, and fundraising;
- 4) Advice and organizing to promote voter registration;
- 5) Recommending schedules for surrogates speakers;
- 6) Organizing and recommending appropriate steering committees and issue committees;
- 7) Other advice and talents the Party may seek.

Signed: James Carkeetnik

RUTH ESALA
CHAIR

RICHARD ROY
ASSOCIATE CH

METRO SQUARE
BUILDING
SUITE 200
121 SEVENTH
PLACE EAST
SAINT PAUL
MINNESOTA
55101-2107

0121 220 1230

MINNESOTA



Field

MINNESOTA DFL PARTY CONTRACT FOR SERVICES

For services provided through Minnesota DFL Party Election Year Campaign Temporary Fund, Federal and State Accounts.

The Minnesota DFL Party (Democratic Farmer Labor) enters into a contract for services with E. Bruce Cohen, of 10451 Greenbrier Rd. # 301 Shoreview, MN 55343

for the period August 15, 1988 to November 8, 1988.

The Minnesota DFL Party, Election Year Campaign Temporary Fund, agrees to pay \$ 3900. for contract services for the above dates.

In turn, the contractor agrees to provide services before the election to promote the Democratic-Farmer-Labor ticket for all endorsed candidates and those candidates winning primary elections and endorsed by the appropriate DFL Party Central Committee. These services may include:

- 1) Consulting on field organizing, field programs, volunteer recruitment, and planning;
- 2) Phone bank organizing for three or more DFL candidates for Voter ID and GOTV efforts;
- 3) Planning and implementing press strategy, brochures, flyers, leaflets, and fundraising;
- 4) Advice and organizing to promote voter registration;
- 5) Recommending schedules for surrogates speakers;
- 6) Organizing and advising on appropriate steering committees and issue committees;
- 7) Other advice and talents the Party may seek.

Signed: E. Bruce Cohen

RUTH ESALA
CHAIR

RICHARD NDL
ASSOCIATE CH

METRO SOUL
BUILDING
SUITE 200
121 SEVENTH
PLACE EAST
SAINT PAUL
MINN 55102
551-2167

611-2167

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steering

MINNESOTA



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MINNESOTA DFL PARTY CONTRACT FOR SERVICES

For services provided through Minnesota DFL Party Election Year Campaign Temporary Fund, Federal and State Accounts.

The Minnesota DFL Party (Democratic Farmer Labor) enters into a contract for services with Leticia Davis, of _____

for the period 8/8/88, 1988 to 11/8/88, 1988.

The Minnesota DFL Party, Election Year Campaign Temporary Fund, agrees to pay \$ 3352.00 for contract services for the above dates.

In turn, the contractor agrees to provide services before the election to promote the Democratic-Farmer-Labor ticket for all endorsed candidates and those candidates winning primary elections and endorsed by the appropriate DFL Party Central Committee. These services may include:

- 1) Consulting on field organizing, field programs, volunteer recruitment, and planning;
- 2) Phone bank organizing for three or more DFL candidates for Voter ID and GOTV efforts;
- 3) Planning and implementing press strategy, brochures, flyers, leaflets, and fundraising;
- 4) Advice and organizing to promote voter registration;
- 5) Recommending schedules for surrogates speakers;
- 6) Organizing and advising on appropriate steering committees and issue committees;
- 7) Other advice and talents the Party may seek.

Signed:

Leticia Davis

RICHARD HOLLS
ASSOCIATE CHA

METRO SQUARE
BUILDING
SUITE 220
1000 W. WASHINGTON
ST. PAUL
MINNESOTA
55101-2107

MINNESOTA

Field



MINNESOTA DFL PARTY CONTRACT FOR SERVICES

For services provided through Minnesota DFL Party Election Year Campaign Temporary Fund, Federal and State Accounts.

The Minnesota DFL Party (Democratic Farmer Labor) enters into a contract for services with Kathleen McGowan Dougherty, of 2610 Victory Memorial Drive, Minneapolis MN 55412

for the period Aug. 1, 1988 to Nov. 8, 1988.

The Minnesota DFL Party, Election Year Campaign Temporary Fund, agrees to pay \$ 3,000.00 for contract services for the above dates.

In turn, the contractor agrees to provide services before the election to promote the Democratic-Farmer-Labor ticket for all endorsed candidates and those candidates winning primary elections and endorsed by the appropriate DFL Party Central Committee. These services may include:

- 1) Consulting on field organizing, field programs, volunteer recruitment, and planning;
- 2) Phone bank organizing for three or more DFL candidates for Voter ID and GOTV efforts;
- 3) Planning and implementing press strategy, brochures, flyers, leaflets, and fundraising;
- 4) Advice and organizing to promote voter registration;

5) For recommending schedules for surrogates speakers;

6) Organizing and advising on appropriate steering committees and issue committees;

7) Other advice and talents the Party may seek.

Kathleen McGowan Dougherty

RUTH L. L. L.
CHAIR

RICHARD NOLAN
ASSOCIATE CHAIR

METRO SQUARE
BUILDING
SUITE 200
121 SEVEN
PLACE EAST
SAINT PAUL
MINNESOTA
55101 4187

MINNESOTA



Field

MINNESOTA DFL PARTY CONTRACT FOR SERVICES

For services provided through Minnesota DFL Party Election Year Campaign Temporary Fund, Federal and State Accounts.

The Minnesota DFL Party (Democratic Farmer Labor) enters into a contract for services with MARK A. ELLIS, of 8811 BOULEVARD AVE. S. 4th St Blomington, MN.

for the period Sept. 8, 1988 to Nov. 8, 1988.

The Minnesota DFL Party, Election Year Campaign Temporary Fund, agrees to pay \$ 1,200 for contract services for the above dates.

In turn, the contractor agrees to provide services before the election to promote the Democratic-Farmer-Labor ticket for all endorsed candidates and those candidates winning primary elections and endorsed by the appropriate DFL Party Central Committee. These services may include:

- 1) Consulting on field organizing, field programs, volunteer recruitment, and planning;
- 2) Phone bank organizing for three or more DFL candidates for Voter ID and GOTV efforts;
- 3) Planning and implementing press strategy, brochures, flyers, leaflets, and fundraising;
- 4) Advice and organizing to promote voter registration;
- 5) Recommending schedules for surrogates speakers;
- 6) Organizing and advising on appropriate steering committees and issue committees;
- 7) Other advice and talents the Party may seek.

Signed: Mark A. Ellis

RUTH LSALA
CHAIR

RICHARD M.
ASSOCIATE

METRO SQL
BUILDING
SUITE 200
121 SEVEN
PLACE SW
SAINT PAUL
MINNESOTA
55101-2167

0121 202-1

MINNESOTA



Voter Registration

MINNESOTA DFL PARTY CONTRACT FOR SERVICES

For services provided through Minnesota DFL Party Election Year Campaign Temporary Fund, Federal and State Accounts.

The Minnesota DFL Party (Democratic Farmer Labor) enters into a contract for services with Eskit, of _____

for the period Aug. 15, 1988 to 8 Nov., 1988.

The Minnesota DFL Party, Election Year Campaign Temporary Fund, agrees to pay \$ 3,376 for contract services for the above dates.

In turn, the contractor agrees to provide services before the election to promote the Democratic-Farmer-Labor ticket for all endorsed candidates and those candidates winning primary elections and endorsed by the appropriate DFL Party Central Committee. These services include:

- 1) Consulting on field organizing, field programs, volunteer recruitment, and planning;
- 2) Phone bank organizing for three or more DFL candidates for Voter ID and GOTV efforts;
- 3) Planning and implementing press strategy, brochures, flyers, leaflets, and fundraising;
- 4) Advice and organizing to promote voter registration;
- 5) Recommending schedules for surrogates speakers;
- 6) Organizing and advising on appropriate steering committees and issue committees;
- 7) Other advice and talents the Party may seek.

Signed: [Signature]

RUTH ESALA
CHAIR

RICHARD HOLAP
ASSOCIATE CHAIR

METRO SQUARE
BUILDING
SUITE 200
121 SEVENTH
PLACE EAST
SAINT PAUL
MINNESOTA
65101-2107

612-265-1200

MINNESOTA



Scheduling

MINNESOTA DFL PARTY CONTRACT FOR SERVICES

For services provided through Minnesota DFL Party Election Year Campaign Temporary Fund, Federal and State Accounts.

The Minnesota DFL Party (Democratic Farmer Labor) enters into a contract for services with Danna M. Green, of 3131 Excelsior Blvd, #412, Minneapolis, MN, 55416

for the period 8-15, 1988 to 11-15, 1988.

The Minnesota DFL Party, Election Year Campaign Temporary Fund, agrees to pay \$ 2000.00 for contract services for the above dates.

In turn, the contractor agrees to provide services before the election to promote the Democratic-Farmer-Labor ticket for all endorsed candidates and those candidates winning primary elections and endorsed by the appropriate DFL Party Central Committee. These services may include:

- 1) Consulting on field organizing, field programs, volunteer recruitment, and planning;
- 2) Phone bank organizing for three or more DFL candidates for Voter ID and GOTV efforts;
- 3) Planning and implementing press strategy, brochures, flyers, leaflets, and fundraising;
- 4) Advice and organizing to promote voter registration;
- 5) Recommending schedules for surrogates speakers;
- 6) Organizing and advising on appropriate steering committees and issue committees;
- 7) Other advice and talents the Party may seek.

Signed: Danna M. Green

JOHN WALSH
CHAIR

RICHARD NOLAN
ASSOCIATE CHAIR

METRO SQUARE
BUILDING
SUITE 250
40 SEVENTH
PLAZA EAST
SAINT PAUL
MINNESOTA
65101-2167

10101-000 1260

MINNESOTA



Constituency

MINNESOTA DFL PARTY CONTRACT FOR SERVICES

For services provided through Minnesota DFL Party Election Year Campaign Temporary Fund, Federal and State Accounts.

The Minnesota DFL Party (Democratic Farmer Labor) enters into a contract for services with Kathleen M. Husek, of Dukakis/Bentley Campaign

for the period Aug 8, 1988 to Nov 11, 1988.

The Minnesota DFL Party, Election Year Campaign Temporary Fund, agrees to pay \$ 3500 for contract services for the above dates.

In turn, the contractor agrees to provide services before the election to promote the Democratic-Farmer-Labor ticket for all endorsed candidates and those candidates winning primary elections and endorsed by the appropriate DFL Party Central Committee. These services may include:

- 1) Consulting on field organizing, field programs, volunteer recruitment, and planning;
- 2) Phone bank organizing for three or more DFL candidates for Voter ID and GOTV efforts;
- 3) Planning and implementing press strategy, brochures, flyers, leaflets, and fundraising;
- 4) Advice and organizing to promote voter registration;
- 5) Recommending schedules for surrogates speakers;
- 6) Organizing and advising on appropriate steering committees and issue committees;
- 7) Other advice and talents the Party may seek.

Signed

[Signature]

METRO SQUARE
BUILDING
SUITE 201
151 WEST
CENTRAL
STREET
MINNEAPOLIS
MINNESOTA
55401-2167

012 2-1230

Field

MINNESOTA DFL PARTY CONTRACT FOR SERVICES

For services provided through Minnesota DFL Party Election Year Campaign Temporary Fund, Federal and State Accounts.

The Minnesota DFL Party (Democratic Farmer Labor) enters into a contract for services with Kenell S. Latz, of 6850 Hawk Creek, Golden Valley, MN 55422

for the period Aug 15, 1988 to Nov 8, 1988.

The Minnesota DFL Party, Election Year Campaign Temporary Fund, agrees to pay \$ 2750 for contract services for the above dates.

In turn, the contractor agrees to provide services to the election to promote the "Minnesota Democratic" for the election year. The contractor shall provide the following services:

- 1) Consulting in the development, design, and planning;
- 2) Phone bank organizing for three or more DFL candidates for Voter ID and GOTV efforts;
- 3) Planning and implementing press strategy, brochures, flyers, leaflets, and fundraising;
- 4) Advice and organizing to promote voter registration;
- 5) Recommending schedules for surrogates speakers;
- 6) Organizing and advising on appropriate steering committees and issue committees;
- 7) Other advice and talents the Party may seek.

Signed: Kenell S. Latz

MINNESOTA
CHAIR

RICHARD MOLES
ASSOCIATE CHAIR

METROQUART
BUILDING
SUITE 200
121 SEVENTH
PLACE EAST
MINNEAPOLIS

MINNESOTA



Field

MINNESOTA DFL PARTY CONTRACT FOR SERVICES

For services provided through Minnesota DFL Party Election Year Campaign Temporary Fund, Federal and State Accounts.

The Minnesota DFL Party (Democratic Farmer Labor) enters into a contract for services with James H. Lewis, of 634 Ashland Ave, St Paul, MN
55104

for the period Sept 19, 1988 to Nov 8, 1988.

The Minnesota DFL Party, Election Year Campaign Temporary Fund, agrees to pay \$ 2,400 for contract services for the above dates.

In turn, the contractor agrees to provide services before the election to promote the Democratic-Farmer-Labor ticket for all endorsed candidates and those candidates winning primary elections and endorsed by the appropriate DFL Party Central Committee. These services may include:

- 1) Consulting on field organizing, field programs, volunteer recruitment, and planning;
- 2) Phone bank organizing for three or more DFL candidates for Voter ID and GOTV efforts;
- 3) Planning and implementing press strategy, brochures, flyers, leaflets, and fundraising;
- 4) Advice and organizing to promote voter registration;
- 5) ~~Recommending~~ schedules for surrogates speakers;
- 6) Organizing and advising on appropriate steering committees and issue committees;
- 7) Other advice and talents the Party may seek.

Signed: James H. Lewis

MINNESOTA
CHAIR

RICHARD W. ...
ASSOCIATE CHAIR

METRO SQUARE
BUILDING
SUITE 200
121 SEVENTH
PLACE NW
SAINT PAUL
MINNESOTA
55104

1312 40 413 614 3 45 aJ U 1 11
Political



MINNESOTA DFL PARTY CONTRACT FOR SERVICES

For services provided through Minnesota DFL Party Election Year Campaign Temporary Fund, Federal and State Accounts.

The Minnesota DFL Party (Democratic Farmer Labor) enters into a contract for services with Connie LeWiz
of 2923 Superior Ave.
St. Paul, Minn. 55102

for the period Sept. 1, 1988 to Nov. 8, 1988.

The Minnesota DFL Party, Election Year Campaign Temporary Fund, agrees to pay \$ 4000 for contract services for the above dates.

In turn, the contractor agrees to provide services before the election to promote the Democratic-Farmer-Labor ticket for all endorsed candidates and those candidates winning primary elections and endorsed by the appropriate DFL Party Central Committee. These services include:

- 1) Consulting on field organizing, field programs, volunteer recruitment, and planning;
- 2) Phone bank organizing for three or more DFL candidates for Voter ID and GOTV efforts;
- 3) Planning and implementing press strategy, brochures, flyers, leaflets, and fundraising;
- 4) Advice and organizing to promote voter registration;
- 5) Recommending schedules for surrogates speakers;
- 6) Organizing and advising on appropriate steering committees and issue committees;

ST-100-10-11
FORM 10-11
RICHARDSON

MINNESOTA



Volunteer - Field

MINNESOTA DFL PARTY CONTRACT FOR SERVICES

For services provided through Minnesota DFL Party Election Year Campaign Temporary Fund, Federal and State Accounts.

The Minnesota DFL Party (Democratic Farmer Labor) enters into a contract for services with Kim Mahling, of 17 Greenway Gables; Mats. Ma. 55403

for the period Aug. 15, 1988 to Nov. 8, 1988.

The Minnesota DFL Party, Election Year Campaign Temporary Fund, agrees to pay \$ 2600 for contract services for the above dates.

In turn, the contractor agrees to provide services before the election to promote the Democratic-Farmer-Labor ticket for all endorsed candidates and those candidates winning primary elections and endorsed by the appropriate DFL Party Central Committee. These services may include:

- 1) Consulting on field organizing, field programs, volunteer recruitment, and planning;
- 2) Phone bank organizing for three or more DFL candidates for Voter ID and GOTV efforts;
- 3) Planning and implementing press strategy, brochures, flyers, leaflets, and fundraising;
- 4) Advice and organizing to promote voter registration;
- 5) Recommending schedules for surrogates speakers;
- 6) Organizing and advising on appropriate covering committees and issue committees;
- 7) Other advice and talents the Party may seek.

Signed: Kim Mahling

6) RUTHESALA
CHAIR

RICHARD NOLAN
ASSOCIATE CHAIR

METRO SQUARE
BUILDING
SUITE 210
127 SEVENTH
PLACE EAST
SAINT PAUL
MINN. 55107

1012 500 1000

25043653359

Field

MINNESOTA DFL PARTY CONTRACT FOR SERVICES

For services provided through Minnesota DFL Party Election Year Campaign Temporary Fund, Federal and State Accounts.

The Minnesota DFL Party (Democratic Farmer Labor) enters into a contract for services with Kari McKinn, of 20202 Hackamore Rd.
Hamel, MN 55340

for the period Aug. 13, 1988 to Nov 8, 1988.

The Minnesota DFL Party, Election Year Campaign Temporary Fund, agrees to pay \$ 2400 for contract services for the above dates.

In turn, the contractor agrees to provide services before the election to promote the Democratic-Farmer-Labor ticket for all endorsed candidates and those candidates winning primary elections and endorsed by the appropriate DFL Party Central Committee. These services may include:

- 1) Consulting on field organizing, field programs, volunteer recruitment, and planning;
- 2) Phone bank organizing for three or more DFL candidates for Voter ID and GOTV efforts;
- 3) Planning and implementing press strategy, brochures, flyers, leaflets, and fundraising;
- 4) Advice and organizing to promote voter registration;
- 5) Recommending schedules for surrogates speakers;
- 6) Organizing and advising on appropriate steering committees and issue committees;
- 7) Other advice and talents the Party may seek.

Signed: Kari McKinn

[Signature]

MINNESOTA



Scheduling

MINNESOTA DFL PARTY CONTRACT FOR SERVICES

For services provided through Minnesota DFL Party Election Year Campaign Temporary Fund, Federal and State Accounts.

The Minnesota DFL Party (Democratic Farmer Labor) enters into a contract for services with Sam Mondale

, of 4334 Duluth Avenue, South

for the period Aug 15, 1988 to Nov. 8, 1988.

The Minnesota DFL Party, Election Year Campaign Temporary Fund, agrees to pay \$ 2200 for contract services for the above dates.

In turn, the contractor agrees to provide services before the election to promote the Democratic-Farmer-Labor ticket for all endorsed candidates and those candidates winning primary elections and endorsed by the appropriate DFL Party Central Committee. These services may include:

- 1) Consulting on field organizing, field programs, volunteer recruitment, and planning;
- 2) Phone bank organizing for three or more DFL candidates for Voter ID and GOTV efforts;
- 3) Planning and implementing press strategy, brochures, flyers, leaflets, and fundraising;
- 4) Advice and organizing to promote voter registration;

~~5) Developing schedules for surrogates speakers;~~

- 6) Organizing and advising on appropriate steering committees and issue committees;

- 7) Other advice and talents the Party may seek.

Signed Sam Mondale

RUTH LEALA
CHAIR

RICHARD NOLAN
ASSOCIATE CHAIR

METRO SQUARE
BUILDING
SUITE 200
121 SEVENTH
PLACE EAST
SAINT PAUL
MINNESOTA
55101-4107

...

MINNESOTA



Field

MINNESOTA DFL PARTY CONTRACT FOR SERVICES

For services provided through Minnesota DFL Party Election Year Campaign Temporary Fund, Federal and State Accounts.

The Minnesota DFL Party (Democratic Farmer Labor) enters into a contract for services with PETER J. NICKLAS, of 28 ORME CT ST PAUL, MN 55116

for the period Aug 1, 1988 to Nov 8, 1988.

The Minnesota DFL Party, Election Year Campaign Temporary Fund, agrees to pay \$ 6000 for contract services for the above dates.

In turn, the contractor agrees to provide services before the election to promote the Democratic-Farmer-Labor ticket for all endorsed candidates and those candidates winning primary elections and endorsed by the appropriate DFL Party Central Committee. These services may include:

- 1) Consulting on field organizing, field programs, volunteer recruitment, and planning;
- 2) Phone bank organizing for three or more DFL candidates for Voter ID and GOTV efforts;
- 3) Planning and implementing press strategy, brochures, flyers, leaflets, and fundraising;
- 4) Advice and organizing to promote voter registration;
- 5) Recommending schedules for surrogates speakers;
- 6) Organizing and advising on appropriate steering committees and issue committees;
- 7) Other advice and talents the Party may seek.

Signed: Peter J. Nicklas

DUMASALA
CHAIR

RICHARD HOLY
ASSOCIATE CH

METRO SQUARE
BUILDING
SUITE 250
121 SEVENTH
PLACE EAST
SAINT PAUL
MINN 55104
6510 7107

MINNESOTA



Field

MINNESOTA DFL PARTY CONTRACT FOR SERVICES

For services provided through Minnesota DFL Party Election Year Campaign Temporary Fund, Federal and State Accounts.

The Minnesota DFL Party (Democratic Farmer Labor) enters into a contract for services with Ellen Kallgren

Samuelson, of 5005 16th Ave South
Minneapolis, MN 55417

for the period Aug. 29, 1988 to Nov. 11, 1988.

The Minnesota DFL Party, Election Year Campaign Temporary Fund, agrees to pay \$ 27,000.00 for contract services for the above dates.

In turn, the contractor agrees to provide services before the election to promote the Democratic-Farmer-Labor ticket for all endorsed candidates and those candidates winning primary elections and endorsed by the appropriate DFL Party Central Committee. These services may include:

- 1) Consulting on field organizing, field programs, volunteer recruitment, and planning;
- 2) Phone bank organizing for three or more DFL candidates for Voter ID and GOTV efforts;
- 3) Planning and implementing press strategy, brochures, flyers, leaflets, and fundraising;
- 4) Advice and organizing to promote voter registration;
- 5) Recommending schedules for surrogate speakers;
- 6) Organizing and advising on appropriate steering committees and issue committees;
- 7) Other advice and talents the Party may seek.

Signed:

Ellen Kallgren Samuelson

RUTH ESALA
CHAIR

RICHARD NOLAN
ASSOCIATE CHAIR

METRO SQUARE
BUILDING
SUITE 200
121 SEVENTH
PLACE EAST
SAINT PAUL
MINNESOTA
55101-2167

1010 200 1200

MINNESOTA

~~State~~ Constituency



MINNESOTA DFL PARTY CONTRACT FOR SERVICES

For services provided through Minnesota DFL Party Election Year Campaign Temporary Fund, Federal and State Accounts.

The Minnesota DFL Party (Democratic Farmer Labor) enters into a contract for services with Elaine Valdez, of 2765 Humboldt Ave. SE,
Minneapolis, MN 55408.

for the period Sept 23, 1988 to Nov. 8, 1988.

The Minnesota DFL Party, Election Year Campaign Temporary Fund, agrees to pay \$ 6,000 for contract services for the above dates.

In turn, the contractor agrees to provide services before the election to promote the Democratic-Farmer-Labor ticket for all endorsed candidates and those candidates winning primary elections and endorsed by the appropriate DFL Party Central Committee. These services may include:

- 1) Consulting on field organizing, field programs, volunteer recruitment, and planning;
- 2) Phone bank organizing for three or more DFL candidates for Voter ID and GOTV efforts;
- 3) Planning and implementing press strategy, brochures, flyers, leaflets, and fundraising;
- 4) Advice and organizing to promote voter registration;
- 5) Recommending schedules for surrogates speakers;
- 6) Organizing and advising on appropriate steering committees and issue committees;
- 7) Other advice and talents the Party may seek.

MINNESOTA
DEMOCRATIC FARMER
LABOR PARTY

EXHIBIT 3

MISCELLANEOUS ITEMS

- 1 & 2. PMS Expenses. These are 1987 expenditures and the DFL does not believe that they may be related to the Dukakis/Bentsen campaign. These were expenses paid to secure a copy of the 1986 DFL precinct caucus attendance list which was then sold to Below, Tobe and Associates, a Dukakis/Bentsen database management firm.
3. B&B Adcraft (\$1,724.26). The Committee's best information is that this is an exempt volunteer related activity. It is clearly for the purchase of Dukakis lawn signs, but the information that we have is that the lawn signs were issued to volunteers and party officers for use at their homes and distribution to their neighbors.
4. Pat Porciea (\$773.66). Purpose is unknown. Item is conceded.
5. Douglas County DFL \$150.00 (9/20/88). Purpose is unknown, but it is a transfer to a non-Federal account, not believed to be related to the Dukakis/Bentsen campaign.

504365365

270

270

270

270

270

270

270

270

INVOICE No. 0052588

PROGRESSIVE MANAGEMENT SERVICES, INC
2828 ANTHONY LANE SO.
MINNEAPOLIS, MN 55418

Sold To
VOTER SURVEY COMMITTEE
Minnesota DFL
121 E 7TH PLACE, SU 250
ST. PAUL MN 55101

Ship To
VOTER SURVEY COMMITTEE
Minnesota DFL
121 E 7TH PLACE, SU 250
ST. PAUL MN 55101

Account Number Sales No Purchase Order Number Ship Via
 0224 99

Col. Ppd. Date Shipped Terms

Invoice Date

Page

0052588

01-DEC-87

Quantity	Unit Price	Item Number	Description	Unit Price	Total
1	140.00	1369	MISCELLANEOUS CHARGES 2 CAUCUS TAPES	140.00	140.00

5043653366

[Handwritten signature]
 500

270

Sale Amount 140.00
Miscellaneous Charges
Sales Tax .00
Freight
TOTAL 140.00

MINNESOTA DFL
COLLEGE FOR DEMOCRATS
61 E. 7TH ST., NO. 200
ST. PAUL, MN 55101

1737

PAY
TO THE
ORDER OF

[Signature]

D.F.L. PARTY I 40 DOLLARS

DOLLARS

2-18/88
\$ 140.00

NEC
Microfilm
to Paul
to Paul

FOR

[Signature]

Paid 1987

Yves

Official Receipt

25043653367

5043653368

MINNESOTA



STATE OF MINNESOTA
101 SOUTH WABASH PLACE EAST
SAINT PAUL, MINNESOTA 55101

Check Request

To State of Minnesota Date Requested: 11/10/87
Account Charged: D/D
Check No. 11737 Dated 11/30/87

Remarks:

Code	Account	Description	Amount
		Dekker's Tape	140.00

Authorized By [Signature] Requested By [Signature]

File Amount

INVOICE No. 0052464

PROGRESSIVE MANAGEMENT SERVICES, INC
2828 ANTHONY LANE SO.
MINNEAPOLIS, MN 55418

Sold To
VOTER SURVEY COMMITTEE
Minnesota DFL
121 E 7TH PLACE, SU 250
ST. PAUL MN 55101

Ship To
VOTER SURVEY COMMITTEE
Minnesota DFL
121 E 7TH PLACE, SU 250
ST. PAUL MN 55101

Count Number Sales Rep Purchase Order Number Ship Via
0224 99

Col. Pgd. Date Shipped Terms

Invoice Date Page

0052464

09-SEP-87 1

Quantity Shipped	Quantity Back Ordered	Item Number	Description	Unit Price	Disc	Extended Price
1	1	1359	MISCELLANEOUS CHARGES	95.00		95.00

TAPE @ \$25.
TAPE MOUNT @ \$20.
PROCESSING @ \$50.

5043653369

Received 9/11/87
1604 - \$187.50
1942 - \$680.00

PAID 9-28-87

Virginia Bartlett

Count	5	Sale Amount	95.00
		Miscellaneous Charges	
		Sales Tax	1.50
		Freight	
		TOTAL	96.50

25043653370

MINNESOTA



Check Request

PAID
In To *P. J. [illegible]*

Date Requested: 9/11/87

Account Charged: D/D

Check No. 11639

Dated 9/28/87

Remarks: [illegible]

Code	Account	Description	Amount
		<i>Debit tapes</i>	<i>76.50</i>

Authorized By *UH*

Requested By *all*

5043653371



Check Request

To: B. J. NIXT AFT Date Requested: 9/8/58
1724 MARSHALL AVE N Account Charged: EXCF (STATE)
1125 SE 107 Check No. 8-4055 Dated _____
 Remarks: 2000 LAMON SIGNS

Code	Account	Description	Amount
25	4084	SIGNS	328. ⁴³
		PAID BY 1724 26	
		CHRG # 5078 (ET)	

Authorized
By _____

Requested
By _____

B&B

adcrafters CASH SALE

Screen Printing • Display Fabrication • Signs • Banners

1712 Marshall Street N.E. Minneapolis, Minnesota 55413 Telephone: (612) 788-9461

CUSTOMER'S ORDER NO.

DATE September 6 19 88

NAME IN DFL

STREET

CITY & STATE

461

OUR ORDER NO.
7192

SALESMAN
JO

DATE SHIPPED
9-8-88

SHIPPED VIA
sundberg

cash sale

QUANTITY	DESCRIPTION	PRICE	AMOUNT
2050	Dukakis for President Lawn Signs 2 .93 ea		1906.50
	6% MN state sales tax		114.39
	Delivery		30.00
			<u>\$2050.89</u>

Nº 1902

RECEIVED BY

[Signature]

TERMS - NET 30 DAYS

1 1/2% per month — 12% annual charge added to past due accounts.

25043653372



Check Request

To B & B AD CRAFT Date Requested: 9/9/88
1712 MARSHALL AVE. Account Charged: LYCE (LTD)
MINN 55413 Check No. 7-5078 Dated 9/8
Remarks: CHECK

Code	Account	Description	Amount
25	4081	LOAN SIGNS (2000)	1724.22

Authorized By [Signature] Requested By FAT

B&B CASH SALE adcrafters

Screen Printing • Display Fabrication • Signs • Banners

1712 Marshall Street N.E. Minneapolis, Minnesota 55413 Telephone: (612) 788-9461

CUSTOMER'S ORDER NO.

DATE September 8 19 88

NAME MN DFL

STREET

CITY & STATE

OUR ORDER NO. 7192	SALESMAN JO	DATE SHIPPED 9-8-88	SHIPPED VIA sundberg	cash sale
QUANTITY	DESCRIPTION	PRICE	AMOUNT	

EXHIBIT 4

DFL NON-FEDERAL EXPENDITURES - 1988

Audit Attachment A

<u>FEC No.</u> <u>Purpose</u>	<u>Batch</u>	<u>Vendor</u>	<u>Date</u>	<u>Amount</u>
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1.	B8	Honsa Printing	Oct. 21, 1988	\$ 726.47
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For campaign materials to be distributed by volunteers at DFL State Fair booth. Dukakis stationery \$1,529.47. Dukakis stationery \$322.72. Unknown \$1,721.20. (\$1,029.42, \$435.77, and \$255.51)

2.	B11	Ray Joachim	Nov. 14, 1988	588.00
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This was an expenditure for the cost of Governor Perpich doing generic GOTV media ads. The ads were on behalf of the DFL and the party paid for the production of the ads and the air time since it was for the party's candidates as a whole. It was not on behalf of Dukakis/Bentsen.

3.	B8	Prom Catering	Oct. 21, 1988	2,259.68
----	----	---------------	---------------	----------

This was the cost of catering a DFL party fund raiser featuring Rob Lowe. All of the proceeds of this event went to the DFL and not to the Dukakis campaign. The fund raiser was for the purpose of raising money for the party as an entity. It was not on behalf of Dukakis/Bentsen.

4.	B7	4th CD DFL	Oct. 19, 1988	145.40
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This was a payment by the State DFL to its Fourth Congressional District subsidiary for reprinting Senate District Delegates and Alternates list. The purpose of the labels was for party fund raising and voter registration. It was exclusively an intra-party purchase and sale and had nothing to do with the Dukakis/Bentsen campaign.

5.	B9	Public Action Communications	Oct. 27, 1988	62.00
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UNKNOWN.

6.	B9	Pat Forsiea	Oct. 29, 1988.	396.10
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Miscellaneous reimbursement. Purpose unknown. Believed to be for Dukakis/Bentsen.

7. None Greyhound \$ 956.72

Dissemination of volunteer phone bank materials and recapture of completed materials. This was on behalf of UDF and not Dukakis/Bentsen.

8. B8 Winslow Oct. 24, 1988. 457.92
Printing

This is the bill for fliers that were distributed and hand delivered by volunteers, and for GOTV post cards mailed by volunteers. EXEMPT under 11 CFR \$100.7(b)(15), 100.8(b)(16).

9. B8 Campaign Group Various 1,557.08

This was the bill for various work done in connection with two DFL events: Rob Lowe Fund Raiser and b) a Kenney GOTV rally and voter ID program. There are two amounts on the invoice (\$26.76 and \$20.00) for a total of \$46.76 which appeared to be on behalf of a Kitty Dukakis appearance in Duluth, Minnesota. The balance of the billing in the amount of \$1,510.32 is for party fund raising and GOTV purposes.

10. B8 Frank Tejo Oct. 22, 1988 300.00

This was a charge for a band to play at a party fund raiser that was intended to make contact with younger members of the Twin City Hispanic community to encourage their participation in DFL activities. While the name of the event was a "Viva Duke Rally" it was arranged by UDF field personnel and billed as a DFL event. Not a Dukakis/Bentsen event.

11. None Airport Hilton 172.00

UNKNOWN.

12. B7 APC Oct. 17, 1988 837.34

This was the photocopy machine billings for September and October, 1988 for use by the various campaigns that were headquartered at 3033 Excelsior Boulevard, Suite 417. This included the DFL (UDF) which had the majority of the space, the Sabo for Congress and Dukakis for President committees and Gloria Segel for State Representative Headquarters. The machine was the subject of a "lease-back" arrangement.

13. B8 Bronze Printing Oct. 23, 1988 639.65

This was the billing for the placards that were distributed by volunteers at the Kennedy GOT event. This event was a party building activity. EXEMPT under 11 CFR 100.7(b)(9), (15) and 100.8(b)(10).

14. B8 St. Louis Cty. Auditor Oct. 6, 1988 \$ 30.40

This was the billing for voter registration lists used by Eskit in his DFL activities on behalf of GOTV campaign. They were a list of new registrants in St. Louis County. It was a DFL/UDF expense.

15. B9 Tschida Printers Various 1,782.12

This is the billing from Tschida Printing for various materials used by volunteers and/or distributed by volunteers. This included leaflets, buttons, bumper stickers and other miscellaneous campaign materials which the party provided to volunteers for party building purposes. EXEMPT under 11 CFR \$100.7(b)(15) and 100.8(b)(16).

16. B3 Dream Machine Aug. 15, 1988 25.00

This was the bill for a list of names and addresses of the people who had been active as coordinators in the Jesse Jackson for President committee. The UDF wanted the list to be able to contact those persons and seek their aid in getting out the vote for all of the DFL tickets. Volunteer recruitment for GOTV activities. EXEMPT under 11 CFR \$100.7(b)(17) and 100.8(b)(18).

17. B3 Home Furniture Rental Aug. 12, 1988 288.09

Donna Green was an employee of the UDF. She was provided furniture for her apartment on a temporary basis as part of the consideration for her employment.

18. B3 American Photocopy Aug. 12, 1988 , 266.65

Initial charge for first month for copier shared by all campaigns leasing space at 3033 Excelsior Boulevard, Suite 417. The customer name was changed from DFL to Dukakis for President for a reason not known to the DFL. In all events, the copy machine was used by all of the tenants in that office; i.e., UDF, Sabo, Dukakis/Bentsen, and Gloria Segal. In addition the DFL considered this to be its bill because the common headquarters also had a rented FAX machine which was paid for entirely by the Dukakis campaign even though it, too, was shared by all of the tenants in that suite. It is believed to be a "lease-back" item.

\$29.31

res on pens

25043653376

19. B3 Radisson-
St. Paul Aug. 10, 1988 \$ 163.00

This is a bill for a meeting of the DFL State Executive Committee, which meets at least six times per year. The general outline of the Dukakis campaign was explained to the DFL Executive Committee members; the largest portion of the meeting was devoted to an outline by Gary Cerkenik of the role of the UDF and his field offices in party building matters and in GOTV matters. The only explanation for the direction of the bill to Lisa Fagan at Dukakis Headquarters is that she was asked to make the arrangements. This is entirely a DFL bill, no part of which was incurred by the Dukakis/Bentsen campaign in Minnesota.

20. B3 Greyhound Aug. 4, 1988 26.00

These were the shipping charges for voter lists that were sent via Greyhound to various UDF field offices for use by phone bank volunteers for GOTV purposes. EXEMPT under 11 CFR \$100.7(b)(17) and 100.8(b)(18).

21. B3 Minnesota
DRIVE Aug. 8, 1988 333.90

This is the DFL lease-back of furniture from Minnesota Drive who owned the furniture, which was used in the St. Cloud field office of the UDF. It is not a Dukakis/Bentsen expense.

22. B7 The Campaign
Group Oct. 10, 1988 2,688.63

This is the fee for merging all DFL party lists into one master list for DFL workers to use in voter ID calling and GOTV. EXEMPT under 11 CFR \$100.7(b)(17) and 100.8(b)(18).

23. B4 FACS Sept. 7, 1988 1,000.00

This is a bill from professional phone callers. The DFL believes that the purpose of this bill may have been calling of its small donor fund raising list. The dates are some indication of that, as is the phrase "fund raiser training hours". It is believed that FACS was asked to call a long list of persons who had contributed very small amounts to the DFL in the past. All of the proceeds went to the DFL.

24. B4 The Campaign
Group Sept. 15, 1988 477.67

The entries for May 26 (\$29.00), July 7 (\$5.00), and July 8 (\$98.00 and \$650.00) appear to be costs incurred by the party in connection with its party building activities. This would be a total amount of \$782.53. The remaining items in the total dollar amount of \$1,936.27 appears to be expenditures on behalf of the Dukakis/Bentsen campaign.

25. B4 Modern Screen
and Design Aug. 30, 1988 \$ 252.00

This was a UDF expenditure for joint lawn signs between Governor Dukakis and Randy Kelly, the party's legislative candidate on the east side of St. Paul. The joint lawn signs were ordered by Rick Kramer, a volunteer with the Randy Kelly campaign. It was supposed to be a UDF expenditure. The DFL has no idea why Dukakis is on the invoice except that it is a joint lawn sign. These were lawn signs that were part of the Randy Kelly Volunteer Committee activities. EXEMPT under 11 CFR §100.7(b)(15) and 100.8(b)(16).

26. B3 St. Cloud
Times Aug. 24, 1988 36.40

This was an expenditure for newspaper subscription for Stacy Grundman, Dukakis campaign Press Secretary. August 25, 1988.

27. B4 Kinkos Sept. 16, 1988 30.74

UNKNOWN.

28. B3 Richard Sobol Aug. 22, 1988 60.00

This was a life-size cutout of Governor Dukakis that was purchased by the UDF for use at the DFL's State Fair booth. It enabled visitors to the DFL booth to have their "picture taken" with Governor Dukakis. The DFL received all of the proceeds of the sale of pictures and the Dukakis campaign got none of the money. The DFL feels that this is its expenditure for its benefit.

29. B3 Mankato Free
Press Aug. 18, 1988 25.00

This was a subscription for the Mankato Free Press for Stacy Grundman, the Dukakis Committee Press Secretary.

30. B6 Ron Latz Sept. 23, 1988 280.00

Dukakis Debate Party refreshments, reimbursed to Ron Latz.

31. B6 Pioneer
Printers Sept. 22, 1988 904.07

This was the bill from Pioneer Printing for invitations to a DFL fund raiser held at the home of Bruce Dayton. It is sometimes referred to as "DNC" fund raiser since a portion of the money is believed to have gone to the Democratic National Committee. This was not a Dukakis event. The DFL has no explanation as to why it was invoiced to Dukakis for President.

25043653378

32. B5 The Campaign Group Sept. 20, 1988 \$1,533.33

UNKNOWN.

33. B5 Tschida Printing Sept. 20, 1988 2,096.65

Printing fliers and creation of buttons for volunteer related activities. These were various items that were used by volunteers after the Minnesota State Fair to continue volunteer activity on behalf of DFL candidates in general. EXEMPT under 11 CFR \$100.7(b)(15) and 100.8(b)(16).

34. B5 Aaron Rents Sept. 20, 1988 1,197.10

This was rental charge for the furniture at 3033 Excelsior Boulevard, Suite 417 which contained the combined headquarters. The furniture was used by all of the campaigns that used that suite as their headquarters.

35. B5 CWA Local 7200 Sept. 20, 1988 565.57

This was the leaseback of the telephone equipment and installation for the Duluth DFL volunteer phone bank. It was a UDF multi-candidate volunteer activity. the DFL has no idea why the phrase, "Dukakis campaign" is shown on the receipt. It was the UDF that signed the agreement with the Communications Workers of America to lease back the equipment. It was solely a non-Dukakis/Bentsen expense.

36. B4 Eagle Realty Sept. 7, 1988 200.00

This was for the rental of the UDF field office in Willmar, Minnesota authorized by the Executive Director of the DFL. We have no explanation as why the Dukakis name is on the receipt.

37. B10 Winslow Printing Nov. 4, 1988 345.06

These were the door hangers to be distributed by volunteers in support of the DFL candidates. EXEMPT under 11 CFR \$100.7(b)(15) and 100.8(b)(16).

38. B10 Jimmy Jingle Nov. 4, 1988 22.90

This was the coffee that was distributed to DFL volunteers who held up GOTV signs on the various roadways encouraging people to be sure to get out to the polls to vote for DFL candidates. EXEMPT under 11 CFR \$100.7(b)(17) and 100.8(b)(18).

39. B9 KTCA-TV Nov. 2, 1988 1,590.00

UNKNOWN.

40. B9 Radisson Hotel Nov. 2, 1988 \$2,662.36

UNKNOWN.

41. None Nordic Promotion 390.00

T-shirts for the Rob Lowe event. A party fundraising activity.

42. None Murphy Insurance 350.00

The DFL has not been able to document this insurance cost, but it is believed to have been the insurance premium for the "Dram Shop" insurance that was purchased to cover the party activities at the Rob Lowe fund raising event proceeds of which went to the DFL.

43. B6 Postmaster Sept. 23, 1988 770.12

UNKNOWN.

44. B6 Westside Celebration Sept. 22, 1988 50.00

UNKNOWN.

45. B4 Tschida Printing Sept. 8, 1988 166.42

This was an expenditure for fliers to be distributed and/or mailed by volunteers. EXEMPT under 11 CFR \$100.7(b)(15) and 100.8(b)(16).

None B4 B&B Adcraft Sept. 8, 1988 328.43

These were lawn signs that were an integral part of the volunteer activity conducted by the UDF on behalf of all DFL candidates. It was considered by the campaign to be primarily for the purpose of getting volunteers involved. EXEMPT under 11 CFR \$100.7(b)(15) and 100.8(b)(16).

None B6 Robert Paul TV Sept. 23, 1988 53.00

This was a television set for volunteer DFL/UDF field workers, candidates and other miscellaneous other visitors to view the presidential debates at the joint headquarters. It was the concept of the DFL/UDF Executive Director, who had no control over who used it.

None B6 Fuhr Printing Oct. 4, 1988 54.86

This was the cost for printing a flier for the DFL for its use by multi-candidate volunteers. EXEMPT under 11 CFR §100.7(b)(15) and 100.8(b)(15).

None B7 Sandi Fields Oct. 14, 1988 \$ 750.00

This is reimbursement to Ms. Fields for costs incurred in connection with a DFL fund raiser in conjunction with the Rainbow Coalition and the Jesse Jackson supporters held at the Machinists Hall in October 1992; the proceeds went to the Rainbow Coalition for party building purposes. The DFL participated in the financial costs of the event so as to encourage participants in the Rainbow Coalition to participate in the DFL activities on behalf of all of its candidates. It was not in any manner a Dukakis/Bentsen expense.

None B8 Aero One Charter Oct. 23, 1988 475.00

This was apparently the cost for flying Governor Perpich and a Dukakis staff person to Eau Claire, Wisconsin for campaign activities.

None B9 Tschida Printing Various 1,000.00

This amount was for issue papers, buttons and stickers used by DFL volunteers in their get-out-the-vote efforts. EXEMPT under 11 CFR §100.7(b)(15), (17) and 100.8(b)(16), (18).

None B9 Insight News Oct. 27, 1988 630.00

UNKNOWN.

None None Sally Velich Sept. 1, 1992 200.00
Volunteer Committee

Multi-candidate lawn sign expense for use and distribution by volunteers. EXEMPT under 11 CFR §100.7(b)(15) and 100.8(b)(16).

None B9 Jukebox Sat. 4-8 Nov. 2, 1988 250.00
Night

UNKNOWN.

None B9 Brian Bushey Nov. 2, 1988 200.00

UNKNOWN.

None None Acme Electronics

25.24

UNKNOWN.

None None Wes Skoglund Sept. 19, 1988

100.00

Multi-candidate lawn sign materials. EXEMPT under 11 CFR \$100.7(b)(15) and 100.8(b)(16).

25043653382

ballot allocation
in our FEC filing

allocation method



MINNESOTA

DEMOCRATIC-FARMER-LABOR PARTY

January 8, 1993

To: Alan Weinblatt
 Fr: Todd Rapp *TR*
 Re: FEC inquiry

You asked me for a description of the allocation procedure currently used by the Minnesota DFL Party to determine the allocation of joint expenses between our federal and state accounts.

The Minnesota DFL has opened several joint accounts to meet the new requirements of the FEC. Every expenditure made by the Minnesota DFL is accompanied by a purchase order which specifies:

- the vendor, date and purpose of the expenditure
- the allocation of expenditure between federal and state accounts, as necessary (assumed to be the generic/administrative point ratio, unless otherwise indicated)
- the signature of the Political Director or Office Manager of the Minnesota DFL.
- the category of expenditure, as defined by the FEC

All Minnesota DFL expenditures are entered individually into an FEC accounting program called "IdealSoft," designed by Edward Walker of Milwaukee, Wisconsin. Included in each entry is the allocation ratio to be used for that expenditure.

Our specific method of determining an allocation ratio depends on the type of activity under consideration:

Generic/Administrative: We use the ballot allocation method -- the "point" procedure included in our FEC filings

Exempt: We use the time/space allocation method, breaking down each activity by in our database use of a coding system, as recommended by the FEC.

Direct: Also the time/space allocation method.

25043653383

Fundraising: The payment of expenses is determined by the percentage of the proceeds which are deposited into the federal account; if 50% of the proceeds of the fundraiser are deposited in a federal account, then at least 50% of the expenses are paid out of a federal account.

If you have any other questions, feel free to contact me.

25043653384

MINNESOTA
MINNESOTA FARMER-LABOR PARTY
101 7TH PLACE S., SUITE 201
SP. TALLMAN 55111-2107
BORROWER'S NAME AND ADDRESS
"I" includes each borrower above, jointly and severally.

5005 GLEN AVENUE NORTH
ST. CLOUD, MN 56002
LENDER'S NAME AND ADDRESS
"You" means the lender, its successors and assigns.

Loan Number _____
Date _____
Maturity Date _____
Loan Amount \$ _____
Renewal Of _____

I promise to pay to you, or your order, at your address listed above the
PRINCIPAL sum of FIFTY FIVE THOUSAND AND NO/100 Dollars \$ 55,000.00

- ☐ Single Advance: I have received all of this principal sum. No additional advances are contemplated under this note.
☐ Multiple Advance: The principal sum shown above is the maximum amount of principal I can borrow under this note. As of today I have received the amount of \$ _____ and future principal advances are contemplated.

Conditions: The conditions for future advances are _____

- ☐ Open End Credit: You and I agree that I may borrow up to the maximum amount of principal more than one time. This feature is subject to all other conditions and expires no later than _____
☐ Closed End Credit: You and I agree that I may borrow up to the maximum only one time (and subject to all other conditions).

PURPOSE: The purpose of this loan is BUSINESS

INTEREST: I agree to pay interest (calculated on a ACTUAL/360 basis) on the principal balance(s) owing from time to time as stated below.

- ☐ Fixed Rate: I agree to pay interest at the fixed, simple rate of 12.5% % per year.
☐ Variable Rate: I agree to pay interest at the initial simple rate of _____ % per year. This rate may change as stated below.
☐ Index Rate: The future rate will be _____ the following index rate: _____

- ☐ No Index: The future rate will not be subject to any internal or external index. It will be entirely in your control.
☐ Frequency and Timing: The rate on this note may increase as often as _____
An increase in the interest rate will take effect _____
☐ Limitations: The rate on this note will not at any time (and no matter what happens to any index rate used) go above or below these limits:
☐ Maximum Rate: The rate will not go above _____
☐ Minimum Rate: The rate will not go below _____

Post Maturity Rate: I agree to pay interest on the unpaid balance owing after maturity, and until paid in full, as stated below:

- ☐ on the same fixed or variable rate basis in effect before maturity (as indicated above).
☐ at a rate equal to _____

☐ Authority: The interest rate and other charges for this loan are authorized by _____

☐ ADDITIONAL CHARGES: In addition to interest, I ☐ have paid ☐ agree to pay the following additional charges _____

PAYMENT/S: I agree to pay this note as follows:

☒ Interest: I agree to pay accrued interest MONTHLY BEGINNING MARCH 1, 1989

☒ Principal: I agree to pay the principal OCTOBER 1, 1989

☐ Installments: I agree to pay this note in _____ payments. The first payment will be in the amount of \$ _____ and will be due _____ A payment of \$ _____ will be due on the _____ day of each _____ thereafter. The final payment of the entire unpaid balance of principal and interest will be due _____

- ☐ Effect of Variable Rate: An increase in the interest rate will have the following effect on the payments:
☐ The amount of each scheduled payment will be increased.
☐ The amount of the final payment will be increased.
☐ _____

ADDITIONAL TERMS:

☒ SECURITY: This note is secured by: PERSONAL GUARANTY

☐ If checked, no agreement was signed today securing this note.
(This section is for your internal use. It may not include every agreement or item of collateral securing this note. You will not lose any security by omitting it from this section.)

SIGNATURES: I AGREE TO THE TERMS OF THIS NOTE (INCLUDING THOSE ON THE OTHER SIDE). I have received a copy on today's date
MINNESOTA DEMOCRATIC-FARMER-LABOR PARTY
BY: RUTH E. ESALA
RUTH E. ESALA, STATE CHAIR

535 PARK F. SUITE 100
SAINT PAUL MINNESOTA 55103-2122
(612) 293-1200

Dated 2/6/90

By 160

March 1
Accrued Int
starting

ST. CROIX VALLEY BANK
600 GREEN AVE., N. ST. CROIX, MINN.
ST. CROIX, MINN. 56002

REMITTER
Loan Proceeds

PAY TO THE ORDER OF Minnesota Democratic-Farmer-Labor Party ***

February 1

10 88 94 10 010
to day 11 5
\$55,000.00**

55,000

DOLLARS

CASHIER'S CHECK

Spald N. Cullen

[Handwritten signature]

5043653387

88 00
\$5,000

depending on
voting in
manor

AMERICAN Lumber Labor

PROCESSED BY - Single Pay/Discount

Interest Rate 11.50 %

Due Date 9/11/15

Rate No. This Note remains Note

No. 11

10

August 21 10 15

St. Paul

2,000.00

FIRSTAR METROBANK

St. Paul, MN

For value received, the undersigned (if more than one, jointly and severally) agreed to pay ☐ on demand and to any extent on 10 10 if demand has not been made by that date;

On 10 10 10 to the order of

(the "Bank", or its office in

or at any other place designated by writing by the holder hereof, to pay the money of the United States of America, the principal sum of 2,000.00 Dollars and no/100

and any day, together with interest (accrued on the basis of annual days elapsed and a 10 day year) but the unpaid principal hereof, from the date hereof until this being fully paid at the following rate:

☐ an annual rate of 11.50 %;

☐ a variable annual rate equal to 5 above the Base Rate (the term, "Base Rate" means the rate of interest established by

upon time to time on the "Year" or "Year" rate);

☐ a variable annual rate equal to 5 to 5 in excess of the Discount Rate (the term, "Discount Rate" means the discount rate on 90-day commercial paper in effect from time to time at the Federal Reserve Bank of Minneapolis, including any temporary increases);

☐ other: _____

Interest shall be payable ☐ at maturity; ☐ _____ and after on the Due Date.

As used herein, "Due Date" means the maturity date hereof (whether it be the stated maturity date or such earlier date by reason of acceleration) or, if this date is payable upon demand, the date of demand.

Unless this ☐ is declared and the Bank has agreed by written commitment to the undersigned, the Bank has not obligated itself to make any advances.

☐ This note is secured; ☐ This note is guaranteed.

THIS NOTE IS SUBJECT TO THE ADDITIONAL PROVISIONS SET FORTH ON THE REVERSE SIDE HEREOF.

Address of Borrower 1000 1st St. N. St. Paul, MN 55102

Purpose of Loan BUYING

Democratic Farmer Labor Party of Minnesota

X BY: _____

X _____

2-9-9-2-4-0-5

Loan for Upcoming HHH Day Dinner				#2098326/9002			
Taken Out 8/11/89							
Due 9/11/89							
First Star Metro Bank							
Deposited in General Account on 8/11/89				State		Federal	
9/27/89		General		2000	prin		
9/27/89		D/D				4000	prin
		UDF State		1105.1	prin/int		

25043653391

Consolidation loan				55,000.00	
St Croix Valley Bank		# 5235301			
5995 Oren Ave. N					
Stillwater, MN 55082					
Taken Out on February 1, 1989				Deposited in General Account on February 2, 1989	
Due on October 1, 1989					
Interest to be paid monthly beginning March 1,					
Principal Due on October 1, 1989					
				state	fed
D/D	2/28/89	int/prin		1067.29	1067.44
General	3/20/89	int/prin		1067.29	
General	4/28/89	int		558.68	
General	5/30/89	int		581.25	
General	7/5/89	int		582.5	
General	8/7/89	int		581.25	
General	9/13/89	int		581.25	
General	10/17/89	int		637.5	
D/D	12/1/89	int		4042.5	1012.50
UDF State	12/28/89	prin		15000	
Govt State	3/6/90	prin		7000	
General	3/5/90	prin		12000	
UDF State	3/12/90	prin		20000	

DFL PAYROLL TAX LOAN FROM FIRST METRO BANK

						Balance
						125,000.00
Note taken out on 1/4/90				Balance		12,500.00
			State Prin	State Int	Fed Prin	Fed Int
5/17/90			6500			
6/5/90			10000			
6/6/90			9000			
6/12/90			3000			
9/11/90						7856.4
9/11/90	renewal					96,500.00
11/5/90						1,286.66
Balance 12/31/90						96,500.00
12/4/90						830.97
1/9/91						804.16
2/5/91						796.13
3/14/91						757.26
3/25/91						675.50
5/2/91					2882.05	814.07
5/24/91					2221.55	778.45
6/6/91					2176.22	823.78
7/24/91			1000	389.7	1000	389.71
9/3/91			1000	393.14	1000	393.14
9/26/91			1000	379.91	1000	379.92
10/24/91			1000	346.19	1000	346.20
11/21/91			1200	403.41	800	268.95
12/24/91			1200	374.07	800	249.39
Balance on 12/31/91						77,220.18
1/28/92			1200	331.39	800	220.93
3/2/92	2550.57				2000	550.57
3/24/92	2501.35				2000	501.35
4/27/92	2518.93				2000	518.93
5/27/92	2488.42				2000	488.42
6/30/92	2491.07				2000	491.07

7/30/92	2438.9			2000	438.90	
9/1/92	2435.96			2000	435.96	
9/29/92	2423.07			2000	423.07	
10/30/92	2394.81			2000	394.81	
12/1/92	2394.62			2000	394.62	
12/22/92	2369.03			2000	369.03	
Balance 12/31/92						53,220.18
		36,100.00	2,617.81	35,678.82	35,278.34	
		32.91%	2.39%	32.53%	32.17%	

$36,100.00 + 2,617.81 = 38,717.81$
 $38,717.81 + 25,678.82 = 64,396.63$
 $64,396.63 - 29,178.35 = 35,218.28$
35,218.28

15043653394

have been required
total. Those fur
to pay

have been required
total. Those fur
to pay

have any

have any



MINNESOTA

EXHIBIT 9

DEMOCRATIC-FARMER-LABOR PARTY

November 17, 1992

To: Alan Weinblatt
Fr: Todd Rapp *TR*
Re: Response to FEC inquiry

You have asked me for a history of the \$18,000 transfer from the UDF-State account to the Minnesota Special Account, which the FEC has questioned as potentially an improper transfer of non-federal money into a federal account.

As you know, the Minnesota Special Account is the account we deposit checks received from the State of Minnesota as the political party's proceeds from Minnesota's income tax checkoff. By law, we are required to deposit these in a special account.

Prior to my employment as UDF Director, Bill Wendlandt paid two checks out of the Special Account, to Personnel Decisions Research Institute, Inc. for \$10,000.00, and to National Voter Contact for \$8,000. Upon reviewing these payments, I determined that neither qualified under the criteria established in Minnesota Statutes 10A.275 as legitimate uses of tax checkoff proceeds. In addition, I determined that they should have been paid out of UDF-State, as they were for the development of permanent assets which would be purchased by campaigns.

Consequently, I transferred \$18,000.00 from UDF-State to the Minnesota Special Account to correct this mistake. The intended effect of this transfer was to bring the balances of the accounts to their proper level (as if the original payments been made correctly).

If I had not made this transfer, I believed that the Minnesota DFL may have been required to refund the \$18,000.00 to the State of Minnesota. Those funds from the Special Account were subsequently used to pay salaries for administrative staff members who were working for the benefit of three or more candidates, as required under Minnesota and Federal law.

If you have any other questions, please feel free to call me.

51043653395

EXHIBIT 10

**SUMMARY OF DFL DEBTS
(OTHER THAN LOANS)
DECEMBER 31, 1990**

<u>Creditor</u>	<u>Federal Share</u>
1. Mid American Telephone	\$ 10,208.29
2. Project Research	6,568.50
3. ATT	6,989.18
4. Weinblatt and Davis	4,340.15
5. Personal Decisions	1,594.49

75043653396



M. J. DFL

Schedule of Debt (other than
 Loans) Reportable at 12-31-90

PREPARED BY 72
 LEAD AUDITOR 11
 APPROVAL 72

Name	Amount	Ratio 11 2 133	Amount 13 2 Reported
M. J. American Telephone Company	10000	X 1/2	10000
Project Research	10000	X 1/2	10000
IT-T	10000	X 1/2	10000
Hamblat & Davis	10000	X 1/2	10000
Personal Decision & Research Institute	10000	X 1/2	10000
National Water Control	10000	X 1/2	10000
Total	100000		100000

25043653397

41 ADDENDA:
 42 SOURCE: Interview with Mr. [Name]
 43 PURPOSE: To determine if debt should be reported
 44

90ATTE.XLS

Page 1

80ATTE.XLS

Page 2

5 0 4 3 6 5 3 4 0 0

90ATTE.XLS

Weinblatt and Davis	Owed	\$14,968.04		Federal	State
29 % Federal	\$4,340.15		General # 3698		\$1,021.00
			UDF Fed # 1737	\$1,200.00	
71 % State	\$10,625.89		UDF State # 2188		\$1,200.00
			Joint # 1001	\$1,484.00	\$936.00
			General # 3758		\$1,021.00
			Dollars # 4207.	\$1,021.00	
			Joint # 1015	\$2,024.00	\$176.00
			S/F #1346	\$675.00	\$625.00
			S/F #1403	\$555.00	\$945.00
			SFI # 1436	\$761.21	\$1,141.83
				\$7,700.21	\$7,265.83
Personal Decisions	owed	\$5,498.25		Federal	State
29 % Federal	\$1,594.49		UDF State # 2183		3368.25
			UDF State # 2178		2130
71 % State	\$3,903.76				
					5498.25
I believe this was all state polling.					

5043653401

90ATTE.XLS

National Voter Contact		\$14,900.00				Federal	State
29 % Federal	\$4,321.00		UDF Fed # 1711	•		\$1,350.00	
			UDF Fed # 1712	•		\$2,700.00	
71 % State	\$10,579.00		UDF Fed # 1714	•		\$4,200.00	
			UDF State # 2148	•			2250
			UDF State # 2151	•			4400
						\$8,250.00	\$6,650.00

EXHIBIT 10A

**AMENDMENT TO SCHEDULE D
DECEMBER 31, 1990**

1.	Firststar Metro Bank (See Exhibit 8)	\$ 96,500.00
2.	Firststar Metropolitan Bank (See attached computer loan history)	6,904.97
3.	Preferred Financial Corp. (Press lease)	<u>8,192.26</u>
		\$111,597.23

25.043653402

42	82.69	8,385.78	10
		7,891.14	1

17 15.94

COMPUTER.XLS

COMPUTER LOAN FROM FIRSTAR/METROPOLITAN BANK

							Balance
Computer Loan #9001 taken 1/22/87 due 1/22/92							25,000.00
	Principal	Interest	State Principal	State Interest	Federal Principal	Federal Interest	
3/6/87			197.78	358.33			24,802.22
4/3/87			324.63	231.48			24,477.59
5/5/87					295.02	261.09	24,182.57
6/15/87			225.62	330.49			23,956.95
7/14/87			324.53	231.58			23,632.42
8/6/87					374.93	181.18	23,257.49
9/3/87			339.06	217.06			22,918.44
10/15/87			235.26	320.85			22,683.18
11/4/87			0		404.89	151.22	22,278.29
11/30/87					363.04	193.07	21,915.25
1/5/88			293.13	262.98			21,622.12
2/22/88					210.16	345.95	21,411.96
3/10/88					434.78	121.33	20,977.18
4/5/88					374.31	181.8	20,602.87
5/6/88					343.22	212.89	20,259.05
6/8/88					333.26	222.85	19,926.39
6/27/88			429.91	126.2			19,496.48
9/1/88			127.19	428.92			19,369.29
9/9/88			504.46	51.65			18,864.83
10/5/88			0		392.62	163.49	18,472.21
11/2/88					383.71	172.4	18,088.50
12/21/88			260.41	295.7			17,828.09
1/4/89			472.91	83.2			17,355.18
2/16/89			307.35	248.76			17,047.83
3/9/89					436.78	119.33	16,611.05
4/13/89			362.31	193.8			16,248.74
5/8/89					420.71	135.4	15,828.03
6/7/89			397.83	158.28			15,430.20
8/14/89			206.36	349.75			15,223.84
8/14/89			558.11				14,667.73
9/15/89			399.65	156.46			14,268.08
10/18/89					399.16	156.95	13,868.92
10/25/89	Special Acc	ccount	1635.97	32.36			12,232.95
12/11/89	Special Acc	ccount	2588.9	191.65			9,644.05
7/25/90				556.11			9,644.05
8/13/90			334.27	221.84			9,309.78
9/14/90					450.6	105.51	8,859.18
10/12/90					473.42	82.69	8,385.76
11/5/90			494.62	61.49			7,891.57
12/4/90			474.56	81.55			7,416.58
12/24/90			511.61	44.5			6,904.97
2/5/91					452.54	103.57	6,452.43
3/14/91					476.53	79.58	5,975.90
3/22/91					540.17	15.94	5,435.73

4/23/91			498.13	57.98			4,937.80
5/28/91			503.44	52.67			4,434.18
6/26/91			254.41	23.85	254.41	23.84	3,925.34
7/25/91			259.08	19.98	259.08	19.97	3,407.18
8/28/91			261.59	18.47	261.59	18.46	2,884.00
9/25/91			324.58	6.5	198.93	12.38	2,360.49
10/21/91			263.24	9.25	273.99	9.63	1,823.26
11/22/91			321.26	12.4	214.18	8.27	1,287.82
12/18/91			326.97	6.7	217.98	4.46	742.87
1/29/92			445.72	5.34	297.15	3.57	0.00
			State	State	Federal	Federal	
			15462.84	5445.93	9537.16	3104.62	
			20908.77		12641.78		
			0.630007		0.369993		
			Principle -	25000			

**PRINTING PRESS LEASE PAYMENTS
PREFERRED FINANCIAL**

Printing Press

Balance 12/30/91

\$8,192.26

Fed

\$2,375.76

State

\$5,816.50

2/1/91	D/D -	4164	635.53	
3/11/91	D	4190	640.53	
3/19/91	D	4209	640.53	
4/19/91	D	4245	635.53	
5/23/91	6	3799		635.53
6/22/91	S/F	1028	317.77	317.77
7/24/91	S/F	1072	317.77	317.77
8/21/91	S/F	1121	317.77	317.77
9/25/91	S/F	1180	319.27	319.27
1/21/92	S/F	1438	255.41	383.12
2/24/92	D	4352	638.52	
10/18/92	S/F	1239	319.27	319.27
11/18/92	S/F	1324	255.41	383.12
12/13/92	S/F	1370	255.41	383.12

 \$5,548.72

 \$3,376.74

25043653405

NW003823
Attachment VI
Page 1 of 1

SCHEDULE OF COMMITTEE TRANSFER ACTIVITY

<u>ACTIVITY</u>	<u>AMOUNT</u>	<u>STATUS</u>
Federal to Non-federal	\$69,076.12	Unitized
	5,100.00	Unitized
	11,800.00	Itemized
Payroll to Federal	4,500.00	Unitized
Non-federal to Federal	20,211.94	Unitized
Federal to Payroll	99,152.27	Itemized
	98,520.26	Unitized
	62,500.00	Unitized
	<u>\$370,860.59</u>	

Federal Accounts

- (1) Dollars for Democrats
- (2) United Democratic Fund
- (3) GOTV & Voter ID
- (4) Election Year Campaign Fund (1988 only)
- (5) Operating Payroll
- (6) Savings Account

Non-federal Accounts

- (1) General Operating Account
- (2) United Democratic Fund
- (3) Voter ID & GOTV
- (4) Election Year Campaign Fund (1988 only)
- (5) Operating Payroll
- (6) Savings account
- (7) Savings account

25043653406

5 0 4 3 6 5 3 4 0 7

MINNESOTA DFL
DOLLARS FOR DEMOCRATS
605 PARK STREET, SUITE 100
ST. PAUL, MN 55103

4846

1/13/93 10 92 17-00000

PAY TO THE ORDER OF Minnesota DFL General \$ 4500.00

D.F.L. PARTY 4500 DOLLARS DOLLARS

FIRSTAR METROBANK
ST. PAUL BRANCH
605 PARK STREET
ST. PAUL, MN 55103

FEDERAL

FOR TO JAMES ALLEN

Tell Out

FEDERAL ELECTION COMMISSION
999 E Street, N.W.
Washington, D.C. 20463

FIRST GENERAL COUNSEL'S REPORT

LRA #412/AR #93-35
STAFF MEMBER: Abel Montez

SOURCE: INTERNALLY GENERATED

RESPONDENTS: Minnesota Democratic-Farmer-Labor
Party and William J. Davis, as
Treasurer

RELEVANT STATUTES/
REGULATIONS:

2 U.S.C. § 431(9)(A)(1)	2 U.S.C. § 431(13)
2 U.S.C. § 434(b)(3)(A)	2 U.S.C. § 434(b)(3)(B)
2 U.S.C. § 434(b)(3)(A)	2 U.S.C. § 434(b)(5)(C)
2 U.S.C. § 441a(a)(2)(A)	2 U.S.C. § 441a(a)(7)(B)(1)
2 U.S.C. § 441a(d)(2)	2 U.S.C. § 441a(f)
2 U.S.C. § 441b(a)	11 C.F.R. § 102.5(a)(1)(1)
11 C.F.R. § 102.5(a)(2)	11 C.F.R. § 100.7(a)(1)(1)(C)
11 C.F.R. § 100.7(b)(17)(ii)	11 C.F.R. § 100.7(b)(17)(vii)
11 C.F.R. § 100.12	11 C.F.R. § 100.8(b)(10)
11 C.F.R. § 100.8(b)(16)	11 C.F.R. § 100.8(b)(18)
11 C.F.R. § 104.3(a)(4)(ii)	11 C.F.R. § 110.7(a)(1)
11 C.F.R. § 110.7(a)(4)	11 C.F.R. § 110.7(a)(5)

INTERNAL REPORTS CHECKED: Audit Documents

FEDERAL AGENCIES CHECKED: None

I. GENERATION OF MATTER

This matter was generated by two audits, covering the period between January 1, 1987 to December 31, 1990,^{1/} of the Minnesota Democratic-Farmer-Labor Party ("the Committee") and

^{1/} The 1987-88 election cycle ("the 1988 audit") and the 1989-90 election cycle ("the 1990 audit") will be referenced accordingly.

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William J. Davis, as treasurer,^{2/} undertaken in accordance with 2 U.S.C. § 438(b). The Committee maintains its headquarters in St. Paul, Minnesota.

Because this matter involves potential violations occurring more than five years ago, it is possible that the Commission will be precluded from seeking civil penalties by the statute of limitations contained in 28 U.S.C. § 2462. See FEC v. National Republican Senatorial Committee, No. 93-1612 (D.D.C. Feb. 24, 1995), but see FEC v. Williams, No. CV 93-6321-ER (VB) (C.D. Cal. Jan. 31, 1995), appeal docketed, No. 95-55320 (9th Cir. Mar. 20, 1995).

Therefore, this Office recommends that in the following report the Commission take no further action with respect to all of the potential violations in this matter.

^{2/} The Committee named Mr. Davis as treasurer on June 1988; Joyce Brady had been the treasurer from January 1, 1987 through June 1988.

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II. FACTUAL AND LEGAL ANALYSIS

A. Expenditures Made on Behalf of the Presidential and Vice Presidential Nominees

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The Act defines contributions and expenditures as anything of value including a gift, loan, or advance made by any person for the purpose of influencing a federal election. 2 U.S.C. § 431(8)(A) and 2 U.S.C. § 431(9)(A). Expenditures made by any person in cooperation, consultation, or concert with, or at the request or suggestion of a candidate or his or her authorized committee are considered in-kind contributions under the Act. 2 U.S.C. § 441a(a)(7)(B)(i). Multicandidate political committees may make up to \$5,000 in contributions to any candidate for federal office or his or her authorized political committee. 2 U.S.C. § 441a(a)(2)(A). The Act provides that notwithstanding any other provisions of law with respect to limitations on expenditures or contributions, a national committee may make certain limited expenditures in connection with the general election campaign of any candidate for President who is affiliated with that Party. 2 U.S.C. § 441a(d)(2).

The Act does not include a similar provision for a state party committee to make expenditures on behalf of a Presidential candidate. See 2 U.S.C. § 441a(d). Commission regulations indicate, however, that a national party committee may make such expenditures through a designated agent, including state and subordinate party committees. 11 C.F.R. § 110.7(a)(4). The national committee may spend up to two

cents times the national voting age population on behalf of its Presidential candidate in the general election. 2 U.S.C. § 441a(d)(2). All coordinated party expenditures made by the national committee or its designated state party committees are subject to one spending limit. 11 C.F.R. § 110.7(a).

For the 1988 general election, the coordinated party expenditure limit for the DNC Services Corporation/Democratic National Committee (the "DNC") on behalf of the Dukakis/Bentsen campaign was \$8,291,453.80. 11 C.F.R. § 110.7(a). The DNC's 1988 Year-End Report showed that it had spent \$8,072,831.62 of this limit.

Party committees, however, may not make independent expenditures in connection with the general election campaign of a Presidential candidate. 11 C.F.R. § 110.7(a)(5). Under 11 C.F.R. §§ 110.7(a)(1) and (4), state parties may not make coordinated party expenditures on behalf of the presidential ticket without prior written authorization from the national party committee. No political committee may knowingly make any expenditure in violation of the provisions of Section 441a. 2 U.S.C. § 441a(f). See MUR 2701 (the Commission found reason to believe Iowa Democratic Party violated 2 U.S.C. § 441a(f) by making expenditures on behalf of the Dukakis/Bentsen campaign without prior authorization from the DNC).

A state party may spend unlimited amounts on certain exempt party activities on behalf of federal candidates under 11 C.F.R. § 100.7(b)(17). For example, exempt party activity includes voter registration or get-out-the-vote drives on

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behalf of the presidential and vice presidential nominees, provided, among other things, that payments are not made from funds transferred from the national committee. 11 C.F.R. § 100.7(b)(17)(vii). The voter drive exemption also requires that the portion of activities allocable to federal candidates be from contributions subject to the limitations and prohibitions of the Act. 11 C.F.R. § 100.7(b)(17)(ii). Other exempt items include a committee's cost for printed listings, such as sample ballots, and for yard signs used with volunteer activities. 11 C.F.R. §§ 100.8(b)(10) and (16).

1. 1988 Audit - Federal Account

The Interim Audit Report found that the Committee spent \$84,624 from its federal accounts on behalf of Dukakis/Bentsen for 44 consultant fees^{3/} and various vendor services requested by these consultants. As evidence that these consultants worked for Dukakis/Bentsen, the Audit Division identified 45 invoices for vendor services requested by the consultants that included references to Dukakis or Dukakis/Bentsen as the purchasers. In addition, the consultants whom the Committee partially paid from its federal accounts were included in a Dukakis/Bentsen Committee Minnesota staff list on Dukakis/Bentsen letterhead.

^{3/} The consultants' contracts listed services to be performed as follows: consulting on field programs; organizing phone banks for three or more of the Committee's candidates; planning and implementing press strategy; organizing voter registration; recommending schedules for surrogate speakers; organizing steering committees; and providing other advice sought by the party.

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In its response to the Interim Audit Report, the Committee failed to present any evidence that the consultants did not work for Dukakis/Bentsen. However, the Committee conceded that three consultants did work exclusively for Dukakis/Bentsen and attempted to document that the remaining consultants did not perform tasks for Dukakis/Bentsen. This documentation consisted of a narrative outline showing the consultants' names and job titles. The Committee termed most of these individuals "field staff." The Committee stated that for economic and political reasons the Committee's United Democratic Fund shared office space in Minneapolis with four other committees. The Committee explained that the only "common work" shared by the staffs was administrative, such as bookkeeping and ordering supplies. In an attempt to assert exemptions set forth at 11 C.F.R. § 100.7(b)(17) were applicable, the Committee stated that the purpose of local field offices was for "grass roots" multi-candidate volunteer work and party building work. For example, the Committee stated, field office staff regularly reported to the Committee's Executive Director concerning joint lawn sign locations, party building activities, voter identification calls made, events, get-out-the-vote activities, and volunteer polling data.

A total of \$237 of the amount at issue was a charge by a vendor to download a 1986 precinct caucus attendance list from a Committee computer. The Committee later sold this list to a firm working for Dukakis/Bentsen. Thus, it appears the \$237

was not an expenditure on behalf of Dukakis/Bentsen. It also appears that an additional \$1,724 is an exempt expense under 11 C.F.R. § 100.8(b)(16), given that this expense, according to the Committee, was for lawn signs issued to volunteers and party officers for home-use. However, the remaining expenses appear to have been made on behalf of Dukakis/Bentsen. Therefore, it appears that the amount expended from the Committee's federal accounts on behalf of Dukakis/Bentsen was \$82,663 (\$84,624 - \$1,724 - \$237).

2. 1988 Audit - Non-Federal Account

The Interim Audit Report found that \$70,546 had been apparently spent on behalf of Dukakis/Bentsen from the Committee's non-federal accounts.^{4/} The Committee spent a total of \$34,579^{5/} on salaries, consultants, and expenses for the individuals on the Minnesota Staff List previously discussed. Of the \$34,579, the Committee conceded that it used \$3,501 to pay the salaries of three consultants working in part for Dukakis/Bentsen. To address the remaining \$35,967, the Committee stated that: \$3,925 paid expenses for Dukakis/Bentsen; \$9,524 was for unknown expenses; a \$9,892

^{4/} We note that the Audit Division found that the Committee received \$97,000 from the DNC for the Committee's non-federal accounts. The Committee then deposited about \$48,000 of the \$97,000 into its 1988 non-federal Election Year Campaign Fund account. This account disbursed \$35,000 on behalf of Dukakis/Bentsen, plus \$26,000 in consulting and expenses for individuals on the Dukakis/Bentsen Committee Minnesota staff list.

^{5/} Out of this amount, approximately \$26,000 came from the Committee's 1988 non-federal Election Year Campaign Fund account; the balance came from other committee accounts.

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expenditure was not on behalf of Dukakis/Bentsen; \$10,879 was exempted under 11 C.F.R. §§ 100.8(b)(10), (16), or (18); and \$1,727 represented an amount for overhead items at the office shared by three other committees. See Attachment 1, at 63-71.

It appears that the \$1,727 was not an expenditure on behalf of Dukakis/Bentsen because this expense represents the pro-rated share for the Committee's office expenses. The \$9,524 in "unknown" expenses were in fact for Dukakis/Bentsen. For example, the Audit Division identified various invoices that indicated that these expenses were for Dukakis/Bentsen and identified some of the items purchased as related to the Dukakis/Bentsen campaign. Furthermore, the Committee failed to support its assertion that \$9,892 in expenses were not for Dukakis/Bentsen; documents found during the audit fieldwork indicate that the expenses were for Dukakis/Bentsen. For example, some invoices clearly identify the Dukakis/Bentsen campaign as the purchaser. Finally, the Committee failed to submit documents to demonstrate that \$10,879 in expenses are exempt from the definition of "expenditure" pursuant to 11 C.F.R. § 100.8(b). Therefore, it appears that the amount expended from the Committee's non-federal accounts on behalf of Dukakis/Bentsen was \$68,821 (\$70,546 - \$1,727).

3. 1990 Audit - Federal and Non-Federal Account

The 1990 audit showed that the Committee had spent another \$7,176 on behalf of Dukakis/Bentsen in 1989-90. Out of the \$7,176, the Committee paid \$3,954 from its federal account and \$3,222 from its non-federal account. However, a portion of the

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\$7,176 amount represented the cost of photocopy machine rental and other supplies for the office space shared by four committees. Consistent with the one-fourth treatment for office expenses, the amount the Committee expended on behalf of Dukakis/Bentsen is \$975. Therefore, it appears that the amount expended from the Committee's federal account on behalf of Dukakis/Bentsen was \$3,954 and from the non-federal account was \$2,247 (\$3,222 - \$975). Thus, the Committee spent a total of \$6,201 [(\$3,954 + \$3,222) - \$975] on behalf of Dukakis/Bentsen in 1989-90.

4. Summary of Expenditures from the 1988 and 1990 Audits

The 1988 and the 1990 audits found that the Committee made a total of \$157,685 (\$82,663 + 68,821 + \$6,201) in expenditures on behalf of Dukakis/Bentsen. Because the Committee did not have authorization from the DNC to make any of these expenditures on behalf of Dukakis/Bentsen,^{6/} we recommend that the Commission find reason to believe that the Committee (federal/non-federal accounts) and William J. Davis, as treasurer, violated 2 U.S.C. § 441a(f) by making \$157,685 in expenditures in connection with the general election campaign of the party's presidential candidate without prior authorization from the DNC, but take no further action.

^{6/} We note that the Audit Division found that the Committee received \$162,000 from the DNC. The cover letters accompanying the funds directed about \$65,000 to be deposited into the Committee's federal accounts and \$97,000 to the Committee's non-federal accounts. However, it appears that the DNC did not specify that the \$162,000 would count against the national committee's coordinated party limit.

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B. Transfers and Proceeds from Non-Federal Account

1. Transfers from Non-Federal Account

Commission regulations permit an organization financing both federal and non-federal election activity the option of establishing a separate account for only federal activity.

11 C.F.R. § 102.5(a). This separate account becomes the federal political committee for registration and reporting purposes. Prior to January 1, 1991, 11 C.F.R.

§ 102.5(a)(1)(i) prohibited committees from transferring funds from a non-federal account to a federal account for any reason. See Explanation and Justification for 11 C.F.R. § 102.5, 55 Fed. Reg. 26059 (June 26, 1990).

Moreover, a federal account is subject to other important limitations. First, only funds subject to the prohibitions and limitations of the Act may be deposited into the federal account. See 11 C.F.R. § 102.5(a)(1)(i). All disbursements, contributions, expenditures and transfers by the committee in connection with any federal election shall be made from its federal account. See 11 C.F.R. § 102.5(a)(1)(i). Labor organizations are prohibited from making contributions or expenditures in connection with a presidential election.

2 U.S.C. § 441b(a). Labor organization contributions are not allowed to be deposited into a federal account. Id. Second, any contributions which are deposited into a federal account must: (1) be designated for the federal account; (2) result from solicitations which expressly state that the contributions will be used in connection with a federal election; and (3) the

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contributors must be informed that the contribution is subject to the prohibitions and limitations of the Act. 11 C.F.R. § 102.5(a)(2). Minnesota law allows labor organizations to make certain contributions to state candidates. MINN. STAT. § 10A.27(1).^{7/}

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The Audit Division identified that the Committee expended \$71,068 on behalf of Dukakis/Bentsen from its non-federal accounts.^{8/} The Audit Division also identified \$20,211.94 that was transferred during 1987 and 1988 from the Committee's non-federal account into its federal account. Because the Committee's ledgers did not disclose any identifiable reasons for the transfers, the Interim Audit Report recommended that the Committee demonstrate that the transfers were permissible or refund the amount to the non-federal account. The Committee did not provide any documentation to demonstrate that the transfers were permissible and simply stated that its non-federal account had sufficient federally permissible funds to cover the amount of each transfer.

This Office recommends that the Commission find reason to believe that the Committee (federal/non-federal accounts) and William J. Davis, as treasurer, violated 11 C.F.R. § 102.5(a)(1)(i), by expending \$71,068 on behalf of Dukakis/Bentsen from its non-federal accounts and by depositing

^{7/} Minnesota Law prohibits corporate contributions. See MINN. STAT. § 210A.34(1).

^{8/} The \$71,068 total includes the \$68,821 identified in the 1988 audit and the \$2,247 in the 1990 audit, previously discussed. See, supra, at 6-9.

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\$20,211.94 in non-federal funds into its federal account, but take no further action. Because Minnesota law allows labor organizations to make certain contributions to state candidates, the Committee's non-federal accounts may have contained impermissible funds at the time of the \$71,068 in expenditures and \$20,211.94 in transfers. Thus, this Office recommends that the Commission find reason to believe that the Committee (federal/non-federal accounts) and William J. Davis, as treasurer, violated 2 U.S.C. § 441b(a), but take no further action.

2. Proceeds of Bank Loan from Non-Federal Account

On February 1, 1989, the Committee obtained a \$55,000 loan from the Saint Croix Valley Bank. The Committee deposited the loan proceeds into its non-federal account. However, the Committee used some of the proceeds to pay the federal portion of debts and payroll taxes. The Committee used a 50% federal/50% non-federal allocation method for allocating administrative expenses.

The loan included interest of 12.5%, payable monthly. The principal was due in full on October 1, 1989. The promissory note, which was signed by the State party chairperson, did not provide any traditional collateral as security. However, the promissory note stated that the loan was secured by "personal guaranty." On the promissory note, a box was checked that stated no agreement was signed on that day securing the note. The Committee did not pay off the loan on the due date; the loan was paid off in March 1990. At that time, the Committee

made a payment of \$20,000 on the principal and a final payment of \$39,000. In January 1990, the Committee had obtained a \$125,000 loan, which it apparently used to pay off a portion of the \$55,000 loan.

In its response to the Interim Audit Report, the Committee stated that it used the loan to pay off debts, which were carrying a higher interest rate. The Committee stated that the then-party chairperson had intended, but failed, to seek any guarantors with respect to this loan. Thus, the Committee contended that all of its assets, except for a computer, were available as collateral for the loan. The Committee also stated that its non-federal account's revenues and cash flow appear to have been adequate to make the necessary payments on the loan.

Because the Committee intended the non-federal account to use its revenues and cash flow to repay the loan, it appears that the federal account was not responsible for the loan. Therefore, the Commission does not have to address the question of whether the loan was made in the ordinary course of business. 11 C.F.R. § 100.7(b)(17). However, some of the proceeds from the loan obtained from St. Croix Valley Bank were used to pay the federal portion of debts and payroll taxes. Therefore, the Office of General Counsel recommends that the Commission find reason to believe that the Minnesota Democratic-Farmer-Labor Party violated 11 C.F.R. § 102.5(a)(1)(i) by using funds from the non-federal account to pay federal expenses, but take no further action.

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C. Failure to Itemize Contributions from Political Committees

A committee is required to disclose the identification of each political committee which makes a contribution to the committee during the reporting period, together with the date and amount of any such contribution. 2 U.S.C. § 434(b)(3)(B). Specifically, a committee must report the identification of each contributor and the aggregate year-to-date totals for such contributor in the following category: all committees (including political committees and committees which do not qualify as political committees under the Act) which make contributions to the reporting committee during the reporting period, together with the date of receipt and amount of any such contribution. 11 C.F.R. § 104.3(a)(4)(ii).

The Audit Division discovered 25 contributions from 23 committees, totaling \$24,916 not itemized on the Committee's disclosure reports for the 1990 election cycle. Fourteen of these contributions were from 13 unregistered organizations and totaled \$3,630; 11 contributions were from 10 registered committees and totaled \$21,286. At the exit conference, the Audit Division provided the Committee with schedules listing the contributions that were not itemized. Because the Committee failed to file further amended disclosure reports itemizing the \$24,916 in its response to the Interim Audit Report, this Office recommends that the Commission find reason to believe that the Committee and William J. Davis, as

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treasurer, violated 2 U.S.C. § 434(b)(3)(B) and 11 C.F.R. § 104.3(a)(4)(ii), but take no further action.

D. Itemization of Committee Transfers Between Federal and Non-Federal Accounts

Reports filed by political committees must disclose the name and address of each person to whom a committee made an expenditure in an aggregate amount in excess of \$200. 2 U.S.C. § 434(b)(5)(A). Each report must also disclose any affiliated committee to which a transfer is made by the reporting committee during the reporting period and, where the reporting committee is a political party committee, each transfer of funds by the reporting committee to another political party committee, regardless of affiliation, together with the date and amount of such transfers. 2 U.S.C. § 434(b)(5)(C). The reports must also include the identification of each person who makes a contribution or whose aggregate of contributions is in excess of \$200. 2 U.S.C. § 434(b)(3)(A); 11 C.F.R. § 104.3(a)(4). Identification includes the name, address, occupation and employer of the contributor. 2 U.S.C. § 431(13); 11 C.F.R. § 100.12.

During the 1988 election cycle, the total Committee transfer activity was \$370,861 from its federal accounts to its other accounts and from its other accounts to its federal accounts. The Committee failed to itemize a total of \$259,908 in transfers: \$74,176 in transfers into the non-federal accounts, \$161,020 in transfers into the payroll account and

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\$24,712^{9/} in transfers from the non-federal accounts to the federal accounts.

In the Interim Audit Report, the Audit Division recommended that the Committee file amended disclosure reports to properly itemize the transfers, which made up eight categories. In a May 16, 1990 comprehensive amendment, the Committee did not address the unitemized transfers. For most of the categories, the Committee stated that it was unable to identify the specific issue that concerned the Audit Division, despite an earlier statement by the Committee that it would disclose all transfer activity. Because the Committee has failed to file any amended disclosure reports for a total of \$259,908 in transfers during the 1988 election cycle, this Office recommends that the Commission find reason to believe that the Committee and William J. Davis, as treasurer, violated 2 U.S.C. §§ 434(b)(3)(A) and 434(b)(5)(A) and (C), and 11 C.F.R. § 104.3(a)(4) for their failure to disclose contribution and disbursement information, but take no further action.

IV. RECOMMENDATIONS

1. Open a MUR;
2. Find reason to believe that the Minnesota Democratic-Farmer-Labor Party (federal/non-federal accounts) and William J. Davis, as treasurer, violated 2 U.S.C. § 441a(f) by making \$157,685 in expenditures in connection with

^{9/} This amount includes the \$20,211.94 non-federal account transfers into the Committee's federal account, previously discussed. See, supra, at 10-12.

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the general election campaign of the party's presidential candidate without prior written authorization from the DNC, but take no further action;

3. Find reason to believe that the Minnesota Democratic-Farmer-Labor Party (federal/non-federal accounts) and William J. Davis, as treasurer, violated 11 C.F.R. § 102.5(a)(1)(i) and 2 U.S.C. § 441b(a), but take no further action;

4. Find reason to believe that the Minnesota Democratic-Farmer-Labor Party and William J. Davis, as treasurer, violated 11 C.F.R. § 102.5(a)(1)(i), by using funds from the non-federal account to pay federal expenses, but take no further action;

5. Find reason to believe that the Minnesota Democratic-Farmer-Labor Party and William J. Davis, as treasurer, violated 2 U.S.C. § 434(b)(3)(B) and 11 C.F.R. § 104.3(a)(4)(ii), but take no further action;

6. Find reason to believe that the Minnesota Democratic-Farmer-Labor Party and William J. Davis, as treasurer violated 2 U.S.C. § 434(b)(3)(A) and 2 U.S.C. §§ 434(b)(5)(A) and (C), and 11 C.F.R. § 104.3(a)(4), but take no further action;

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7. Close the file; and
8. Approve the appropriate letters.

Lawrence M. Noble
General Counsel

4/12/95
Date

BY: Kim Bright-Coleman
Kim Bright-Coleman
Associate General Counsel

Attachments:

1. Audit Referrals (with attached exhibits)
2. Committee's Response to Interim Audit Report, dated January 13, 1993

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)

Minnesota Democratic-Farmer-)
Labor Party and William J.)
Davis, as Treasurer)

) Agenda Document #X95-34.
) LRA #412

MUR 4213

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session on May 23, 1995, do hereby certify that the Commission decided by a vote of 6-0 to take the following actions with respect to the above-captioned matter:

1. Open a MUR;
2. Find reason to believe that the Minnesota Democratic-Farmer-Labor Party (federal/non-federal accounts) and William J. Davis, as treasurer, violated 2 U.S.C. § 441a(f) by making \$157,685 in expenditures in connection with the general election campaign of the party's presidential candidate without prior written authorization from the DNC, but take no further action;
3. Find reason to believe that the Minnesota Democratic-Farmer-Labor Party (federal/non-federal accounts) and William J. Davis, as treasurer, violated 11 C.F.R. § 102.5(a)(1)(i) and 2 U.S.C. § 441b(a), but take no further action;

(continued)

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4. Find reason to believe that the Minnesota Democratic-Farmer-Labor Party and William J. Davis, as treasurer, violated 11 C.F.R. § 102.5(a)(1)(i), by using funds from the non-federal account to pay federal expenses, but take no further action;
5. Find reason to believe that the Minnesota Democratic-Farmer-Labor Party and William J. Davis, as treasurer, violated 2 U.S.C. § 434(b)(3)(B) and 11 C.F.R. § 104.3(a)(4)(ii), but take no further action;
6. Find reason to believe that the Minnesota Democratic-Farmer-Labor Party and William J. Davis, as treasurer, violated 2 U.S.C. § 434(b)(3)(A) and 2 U.S.C. §§ 434(b)(5)(A) and (C), and 11 C.F.R. § 104.3(a)(4), but take no further action;
7. Close the file; and
8. Approve the appropriate letters as recommended in the General Counsel's April 12, 1995 report.

Attest:

5-24-95
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

May 30, 1995

Mr. Paul K. Schulte, Treasurer
Minnesota Democratic-Farmer-Labor Party
352 Wacuta Street
St. Paul, MN 55101

RE: MUR 4213

Dear Mr. Schulte:

On May 23, 1995, the Federal Election Commission found reason to believe that the Minnesota Democratic-Farmer-Labor Party ("the Committee") and its treasurer, violated 2 U.S.C. §§ 441a(f), 441b(a), 434(b)(3)(B), 434(b)(3)(A), 434(b)(5)(A), and 434(b)(5)(C), provisions of Federal Election Campaign Act of 1971, as amended ("the Act"), and 11 C.F.R. §§ 102.5(a)(1)(i) and 104.3(a)(4)(ii). However, after considering the circumstances of this matter, the Commission also determined to take no further action and closed its file. The First General Counsel's Report, which formed a basis for the Commission's findings, is attached for your information.

The Commission reminds you that the Committee's activities described in the Report appear to result in violations of the Act and the Commission's regulations. You should take immediate steps to insure that this activity does not occur in the future.

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

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Letter to Paul K. Schulte
Page 2

If you have any questions, please contact Abel Montes,
the attorney assigned to this matter, at (202) 219-3690 or
(800) 424-9530.

Sincerely,


Lee Ann Elliott
Vice Chairman

Enclosure

cc: Alan W. Weinblatt

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THIS IS THE END OF MUR # 4213

DATE FILMED 6/29/95 CAMERA NO. 2

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