National Republican Congressional Committee

Donald F. McGahn II
General Counsel

MUR # 5321

October 10, 2002

Lawrence H. Norton, Esq.
Office of General Counsel
Federal Election Commission
999 E Street, NW
Washington, DC 20463

Re: Complaint Against Janet Robert and Janet Robert for Congress

Dear Mr. Norton:

The National Republican Congressional Committee brings this complaint pursuant to 2 U.S.C. § 437g(a)(1) against Janet Robert and Janet Robert for Congress. The National Republican Congressional Committee is located at 320 First Street, S.E., Washington, D.C. 20003.

I. Factual Background

Janet Robert is a Democrat running against Republican Rep. Mark Kennedy in Minnesota's Sixth Congressional District. Robert has loaned her campaign $811,219 -- an unprecedented amount of personal funds invested in a Minnesota House race. *See* Greg Gordon, *Robert is flooding House race with money; Most of it is from her own pocket*, Star Tribune, Oct. 5, 2002, at A1. Robert plans to recoup this extremely large loan through fundraising by her campaign.

Although Robert is technically a millionaire, much of her personal wealth is tied up in stocks and bonds -- funds that are unavailable to fuel more than $1.5 million worth of campaign advertisements that the Robert campaign is currently running. *Id.* However, earlier this month, candidate Robert revealed publicly for the first time that she receives cash from her mother. Despite repeated calls for her to do so, Robert has refused to disclose the amount of this year's "gift" from her mother, responding only that the information "personal," and complaining that such questions are "out of bounds." *Id.*

320 First Street, S.E.
Washington, D.C. 20003
(202)479-7069
www.nrcc.org

Robert and her mother have been involved together in some questionable activities in the past. Both Robert and her mother sat on the board of Siegel-Robert Inc., a St. Louis company that in 1999 U.S. District Judge E. Richard Webber found had "squeezed out" minority shareholders at an artificially low stock price. *See* Greg Gordon, *Boardroom action dogs candidate; Robert calls incident honest dispute*, Star Tribune, Aug. 1, 2002, at 1B. The two also have a history of conducting some very large and cozy financial deals between themselves. In 1996, Robert used a $4 million loan from her mother to purchase two-thirds of Robert's three percent ownership interest in Siegel-Robert. Robert's 361,000 shares were recently valued at $6.5 million. *Id.*

II. Legal Analysis

A. Gifts from Family Members are Limited to $1,000 per Election

The Federal Election Campaign Act of 1971 ("the Act"), as amended, 2 U.S.C. § 432 *et seq.*, limits contributions to a candidate's authorized committee. Candidates must disclose all contributions received. 2 U.S.C. § 434(b)(2). The term "contribution" includes "any *gift*, subscription, loan, advance, or deposit of money or anything of value made by any person for the purpose of influencing any election for Federal office." 2 U.S.C. § 431(8)(A)(i) (emphasis added). Although a candidate may make unlimited contributions to her own campaign, any other individual, including a family member, is limited to $1,000. *See* 2 U.S.C. § 441a(1)(1)(A). In addition, candidates and political committees may not knowingly accept contributions in excess of the Act's limitations. *See* 2 U.S.C. § 441a(f).

B. MURs 4128 & 4362: $280,000 Penalty

The present case is very similar to the facts of FEC Matter Under Review 4128/4362. A summary of the matter, published in the FEC Record is attached. In short, the candidate claimed had he had loaned his personal funds to his campaign. The Commission disagreed, and believed that the funds actually came primarily from the candidate's father. The Commission found probable cause to believe that the candidate, his parents, and his political committee had knowingly and willfully funneled the payments through the candidate's account in violation of the Act. Upon reaching a conciliation agreement, the violators paid a $280,000 civil penalty, which at the time was the second highest civil penalty ever paid to the Commission.

C. What Robert Has Done Is Indistinguishable From MUR 4128/4362

The critical facts of this matter are identical and indistinguishable from the relevant facts in MUR 4128/4362. Robert has admitted that her mother gave her a large amount of cash during the current election cycle. Candidate Robert in turn loaned more than $800,000 to her campaign, floated at least in part by her mother's secret contributions. As with the candidate in MUR 4128/4362, Janet Robert's supposedly selfless loans to her campaign were quite large, and on their face, exceed her liquid

assets. Obviously, it appears that she is laundering excessively large contributions from her mother to the Janet Robert for Congress Committee. If so, the knowing acceptance by Robert and her campaign of the cash contribution from Robert's mother violated section § 441a(f), and the failure to report the contribution violated section 434(b)(2).

Candidate Robert's statements to the press make it clear she is very familiar with the Act's prohibitions against excessive contributions from family members. *See* Greg Gordon, *Robert is flooding House race with money*, *supra* (quoting Robert as saying, "it would be illegal for me to take a gift from my mother, if she gave a gift to me alone"[1]). Therefore, a violation of the above provisions would rise to the knowing and willful level of culpability. *See* 2 U.S.C. § 437g(d).

III. Conclusion

Rejecting repeated requests from the media and others for her to come clean and fully disclose her funding sources, Robert has refused to disclose the amount of cash received from her mother. Robert claims that the information is "personal" and "out of bounds." Unfortunately for Robert, the information is not privileged and disclosure is legally mandated. The Act and the public's right to know provide no exception for family members. On the contrary, the statute specifically prohibits what Robert has done.

We respectfully request that the Commission promptly investigate the violations committed by candidate Janet Robert and her political committee. We also ask that the Commission file suit in federal court against Robert and her campaign to prevent any future violations of federal law, and punish those that have already occurred. Moreover, if the Commission finds that a knowing and willful violation of the Act occurred, we ask that the Commission consider referring the matter to the United States Department of Justice.

Respectfully submitted,

Donald F. McGahn II

[1] Although Robert claims that it was a lawful gift, she has failed to disclose it. This is improper, whether one looks to her FEC reports or her financial disclosure statement filed with the House. Contrary to Robert's assertion, such things are not "out of bounds."

Washington, D.C.

SWORN TO AND SUBSCRIBED before me on this 10th day of October, 2002.

Notary Public

My commission expires:

10-14-2006

there is no $25,000 annual limit), as long as none of the members of the LLC is otherwise prohibited from making contributions. AOs 1998-15, 1998-11, 1997-17, 1997-4, 1996-13 and 1995-11.

The Commission has determined in the above AOs that LLCs in 5 states[10] and the District of Columbia are neither corporations nor partnerships. If the Commission has not yet considered the status of LLCs in your state, compare the LLC statute in your state to those in the AOs. If there is no material difference, you may rely on those opinions.

Editor's note: Subsequent to the writing of this Guide, the Commission approved new regulations providing that an LLC's contributions be treated as made by either a partnership or a corporation, depending on how the LLC is treated under the U.S. tax code. When the regulations become effective they will supercede the AOs listed here. For more information, contact the FEC at 1/800-424-9530 (press 1).

12. Candidate's Personal Funds

When candidates use their personal funds for campaign purposes, they are **making contributions to their campaigns.** Unlike other contributions, these candidate contributions are not subject to any limits. 110.10(a); AOs 1991-9, 1990-9, 1985-33 and 1984-60. They must, however, be reported (as discussed below).

Contributions from members of the candidate's family are subject to the same limits that apply to any other individual. For example, a candidate's parent or spouse may not contribute more than $1,000, per election, to the candidate.

Definition of a Candidate's "Personal Funds"

The personal funds of a candidate include:

- Assets which the candidate has a legal right of access to or control over, and which he or she has legal title to or an equitable interest in, at the time of candidacy;
- Income from employment;
- Dividends and proceeds from stocks and other investments;
- Income from trusts, if established before candidacy;
- Income from trusts established by bequests (even after candidacy);
- Bequests to the candidate;
- Personal gifts, if customarily received; and
- Proceeds from lotteries and similar games of chance.

110.10(b)(1) and (2).

Assets Jointly Held with Spouse

A candidate may also use, as personal funds, his or her portion of assets owned jointly with a spouse (for example, a checking account or jointly owned stock). If the candidate's financial interest in an asset is not specified, then the candidate's share is deemed to be half the value. 110.10(b)(3).

Some banks may require a spouse to cosign a loan obtained by the candidate using jointly held assets as collateral. While an endorsement or guarantee of a loan normally constitutes a contribution, in this instance the spouse is not considered a contributor as long as the candidate's share in the collateral equals or exceeds the amount of the loan. 100.7(a)(1)(i)(C) and (D); AO 1991-10.

EXAMPLE: A candidate obtains a $5,000 bank loan for his campaign using, as collateral, property valued at $20,000 held jointly with his wife. Both cosign the loan. Because the candidate's interest in the property is $10,000, which exceeds the amount of the loan, his wife has not made a contribution by cosigning it.

What Are Not Considered Personal Funds

Personal Gifts and Loans

If any person, including a relative or friend of the candidate, gives or loans the candidate money in connection with his or her campaign, the funds are not considered personal funds of the candidate. Instead, the gift or loan is considered a contribution from the donor to the campaign, subject to the per-election limit and reportable by the campaign. This is true even if the candidate uses the funds for personal living expenses while campaigning. See, AOs 1985-33 and 1982-64; see also AO 1987-1.

Bank Loans Used in Connection with Campaign

Bank loans are not considered contributions from the bank if they comply with FEC regulations on bank loans. (See "Bank Loans" in Chapter 6.)

When a candidate obtains a bank loan for use in connection with his or her campaign, the loan is considered to be from the bank and not from the candidate's personal funds. The candidate is acting as the agent of the campaign. 102.7 and AO 1985-33.

Unearned Income and Fringe Benefits

A candidate's salary or wages are considered his or her personal funds as long as there is a bona fide employment relationship between the candidate and the employer that is independent of the campaign. However, compensation paid to a candidate in excess of actual hours worked is generally considered a contribution from the employer. If the employer is a corporation or other prohibited source, the excess payment would result in a prohibited contribution. 100.7(a)(3) and 110.10(b)(2). See also, for example, **AOs 1980-115 and 1979-74.**

Note that when a candidate is on leave without pay, the continued payment of fringe benefits (such as health insurance and retirement) may also result in contributions from the employer to the campaign. 114.12(c). (The Commission has made an exception to this rule for employers who had pre-existing policies providing for a limited extension of benefits for individuals who take unpaid leave. See AO 1992-3.)

10. At the time this guide went to print, the five states in which the Commission had determined the status of LLCs were: California, Illinois, Missouri, Pennsylvania and Virginia, as well as the District of Columbia.

CHAPTER 3
Understanding Contributions

1. What Is a Contribution

A contribution is anything of value given to influence a federal election. It is important to understand which receipts are considered contributions because:

- Contributions count toward the threshold that determines whether an individual has qualified as a candidate under the Federal Election Campaign Act. 100.3(a).
- They are subject to the Act's prohibitions.
- They are subject to the Act's contribution limits.

Like all receipts, contributions are also subject to the Act's recordkeeping and reporting requirements. The section below describes different types of contributions. (Contribution limits and prohibitions are discussed in the chapters that follow.)

2. Types of Contributions

Gifts of Money

A contribution of money may be made by check, cash (currency), credit card or other written instrument. 100.7(a)(1)(ii). See also AOs 1995-9 (contributions made over the internet), 1991-1, 1990-4 and 1978-68.

Earmarked Contributions and Bundling

An earmarked contribution is one which the contributor directs (either orally or in writing) to a candidate through an intermediary or conduit. 110.6(b). Special rules govern this type of transaction; see Appendix A.

When an intermediary or conduit collects and transmits contributions to the campaign (sometimes referred to as "bundling"), the special rules in Appendix A apply.

In-Kind Contributions

Definition

The donation of goods offered free or at less than the usual charge is called an in-kind contribution. Similarly, when a person pays for services on the committee's behalf, the payment is considered an in-kind contribution. 100.7(a)(1)(iii) and 100.8(a)(1)(iv). An expenditure made by any person in cooperation, consultation or concert with, or at the request or suggestion of, a candidate's campaign is also considered an in-kind contribution to the candidate. 2 U.S.C. §441a(a)(7)(B)(i).

Limits

The value of an in-kind contribution—the usual and normal charge—counts against the same contribution limit as a gift of money. Additionally, like any other contribution, in-kind contributions count against the donor's limit for the next election, unless they are otherwise designated (see page 12 for more information on designating contributions). 100.7(a)(1)(iii) and (a)(3).

Value

- Goods (such as facilities, equipment, supplies and mailing lists) are valued at the price the item or facility would cost if purchased or rented at the time the contribution is made. For example, if someone donates a personal computer to the campaign, the contribution equals the ordinary market price of the computer at the time of the contribution.
- Services (such as advertising, printing or consultant services) are valued at the prevailing commercial rate at the time the services are rendered.

Notifying Recipient

The donor needs to notify the recipient candidate committee of the value of an in-kind contribution. The recipient needs this information in order to monitor the donor's aggregate contributions and to report the correct amount.

In-Kind Contributions Designated for More Than One Election in an Election Cycle

In Advisory Opinion 1996-29, the Commission determined that the value of an in-kind contribution of used computer equipment, received before the primary and designated in writing by the donors for all elections in the cycle, could, in fact, be allocated among all elections in the same election cycle. The contribution was distinguishable from the type of in-kind contribution that is used for one particular election (such as printing or mailing costs related to a general election fundraiser). If the candidate had lost the primary election, the committee would have had to refund the amount designated for the general election (in this case, the candidate was active in each election within the election cycle). The total value of the contribution could not exceed the contributor's combined limit for all the elections in the cycle. The Commission did not address the issue of allocating a contribution over more than one election cycle.

Exceptions

Under limited exemptions in the law, persons may provide certain goods and services to a committee without making contributions. For example, when services are volunteered—not paid for by anyone—the activity is not considered a contribution. 100.7(b)(3). See page 20.

Loans

A loan, including a loan to the campaign from a member of the candidate's family, is considered a contribution to the extent of the outstanding balance of the loan. (Bank loans, however, are not considered contributions if made in the ordinary course of business. 100.7(b)(11). See page 18.) An unpaid loan, when added to other contributions from the same donor, may not exceed the contribution limit. Repayments made on the loan reduce the amount of the contribution. Once repaid in full, a loan no longer counts against the donor's contribution limit. However, a loan exceeding the limit is unlawful even if it is repaid in full. Besides being reported as a contribution, a loan must be continuously reported as a debt until fully repaid. (See Chapter 14, Section 15, on page 48 for more information on reporting loans.) 100.7(a)(1)(i) and 104.3(d).

Endorsements and Guarantees of Loans

An endorsement or guarantee of a loan counts as a contribution to the extent of the outstanding balance of the loan. Repayments made on the loan reduce the amount of the contribution. Once the loan is repaid in full, the endorsement or guarantee no longer counts against the endorser's or guarantor's contribution limit. If a written loan agreement does not stipulate the portion for which each endorser or guarantor is liable, then individual contributions are calculated by dividing the amount of the loan by the number of persons who have endorsed or guaranteed it. 100.7(a)(1)(i)(C).

Compliance

MUR 4128/4362 Excessive Contributions Result In Civil Penalty

The respondents in these matters, concerning Grant Lally's candidacies for New York's 5th Congressional District seat in 1994 and 1996, have agreed to pay a $280,000 civil penalty. The violations included making and receiving at least $200,000 in excessive contributions and inaccurately reporting them as coming from Grant Lally's personal funds. Respondents included Grant Lally; his candidate campaign committee, Lally for Congress; his parents, Lawrence and Ute Lally; and Lally and Lally, Esquires. Grant Lally admitted the violations, and Lawrence Lally and Lally for Congress admitted that their violations were knowing and willful.

The excessive contributions occurred during the 1994 campaign, when Grant Lally reported making loans of $319,991 to his committee. The investigation revealed that a large portion of the reported loans were actually contributions from the candidate's father.

Between May and October 1994, Lawrence Lally gave the candidate $116,000. Lawrence and Grant Lally later stated that these funds were for the purchase of the candidate's share of real estate investment property in New York. Within days of receipt, the candidate deposited the funds into the committee's account as loans from the candidate. The Commission found that the $116,000 was not for a bona fide purchase of the property. Lawrence Lally also authorized an $18,000 payment to his son from an account in which Ute Lally had an interest. The respondents claimed that the $18,000 was for the purchase of the candidate's 1966 Corvette, but the evidence demonstrated that there was no bona fide sale of the automobile. The candidate also loaned the campaign $74,491 from payments he received from Lally and Lally. These funds also were actually contributions from the candidate's father. Prior to the conciliation agreement, the Commission found probable cause to believe that Grant Lally, his candidate committee, his parents and Lally and Lally knowingly and willfully violated the Act. The funneling of payments through the candidate's account, the failure to create documents and/or notations related to the payments and the submission of false and inaccurate information to the Commission formed the basis for the knowing and willful findings.

The Act at 2 U.S.C. §441a(a)(1)(A) limits the amount that a person may contribute to any candidate or to that candidate's authorized committee. Contribution limits for an individual giving to a candidate committee are currently set at $1,000 per election. While a candidate may give unlimited amounts to his or her campaign from personal funds, members of a candidate's family must adhere to the contribution limits set out in the Act. Additionally, candidates and political committees are prohibited from knowingly accepting contributions in excess of the Act's limitations. 2 U.S.C. §441a(f).

The agreement also included a matter which involved Grant Lally's 1996 campaign (MUR 4362). In that matter, the Commission found that Grant Lally violated 2 U.S.C. §432(e) when he accepted more than $5,000 in contributions during 1995, but failed to file a Statement of Candidacy form until June 1996. Further, the Commission found that the committee misreported a debt and failed to disclose payments for 1994 consulting fees until 1995. 2 U.S.C. §434(b).

The Lally civil penalty is among the largest obtained by the FEC for violations of the Act and Commission regulations. ✦

MUR 4617 Former Agriculture Secretary and Campaign Committee Agree to $50,000 Civil Penalty

Former U.S. Agriculture Secretary Mike Espy has agreed to pay a $10,000 civil penalty and his former campaign committee will pay another $40,000 for improperly using a little more than $50,000 in campaign funds to pay for legal services related to an ongoing Independent Counsel investigation apparently unrelated to his duties as an officeholder.

Before being named Agriculture Secretary in 1993, Mr. Espy had served as a Congressman from Mississippi's 2nd District. His authorized committee continues to be Mike Espy for Congress (the Committee). In 1994, an Independent Counsel was appointed to investigate some of Mr. Espy's activities, and he retained a law firm to represent him. On campaign disclosure reports filed with the Commission, the Committee reported $50,244 in legal fees related to the investigation.

The Federal Election Campaign Act states that excess campaign funds may not be converted to personal use, other than to defray the ordinary and necessary expenses incurred in connection with an officeholder's duties. 2 U.S.C. §439a. It is important to note that the term "officeholder" does not include Cabinet Secretaries.

Mr. Espy stated that he actually owed the law firm over $300,000 for services related to the investigation. Of this amount, he claimed, the payment of $50,244 would not have been necessary but for his having been a Congressman or federal candidate. The Committee, however, produced no invoices to document this claim, citing the need to preserve attorney-client privilege in the ongoing criminal investigation by the Independent Counsel. Further, none of the 39 counts in the

Star Tribune (Minneapolis, MN)

October 5, 2002, Saturday, Metro Edition

SECTION: NEWS; Pg. 1A

LENGTH: 1171 words

HEADLINE: Robert is flooding House race with money;
Most of it is from her own pocket

BYLINE: Greg **Gordon;** Staff Writer

DATELINE: Washington, D.C.

BODY:
Democrat Janet **Robert** is pouring money from her personal fortune into her race against Republican Rep. Mark Kennedy at levels never before seen in a Minnesota House contest.

With her latest advertising buy on Friday, **Robert's** Sixth District campaign has spent more than $1.5 million for TV spots running nonstop from Sept. 20 until election day.

Kennedy, the most prodigious fundraiser ever for a Minnesota House freshman, raised $1.1 million through Aug. 21, the latest campaign finance reporting date. But with higher fundraising costs and a more elaborate campaign operation, he finds himself at a significant financial disadvantage, listing $562,359 in cash on that date. Joseph Peschek, chairman of Hamline University's political science department, said **Robert** is "kind of unique" for a House challenger in that she is outspending an incumbent. But he said Kennedy barely qualifies as an incumbent.

That's because only 15 percent of Kennedy's current Second District constituents are in the newly mapped Sixth District where he is seeking reelection.

Robert is a multimillionaire, but it's not entirely clear where she is getting the cash.

Robert has already reported lending her campaign $811,219. In interviews this week she said that the campaign has raised about $400,000. If she buys another week's advertising, her publicly disclosed funds will fall hundreds of thousands of dollars short of campaign expenditures that well exceed $1.6 million. **Robert** said she would not disclose until a mid-October federal reporting deadline whether she has invested more of her own money.

Her personal financial disclosure statement dated Aug. 7 showed she had between $391,000 and $1.1 million in cash, stocks and bonds. She also owns millions of dollars in stock in her family's company, but it is not publicly traded.

Since filing the disclosure statement, she said, she has sold securities and taken a bank loan. She said she also receives cash gifts each year from her mother but declined to disclose this year's amount, saying the information is personal and such questions are "out of bounds."

Federal law bars candidates who are financing their campaigns from accepting gifts or loans exceeding $2,000 from any individual, even a family member, unless such gifts were "customarily" received in the past.

Robert said she believes a gift from her mother would qualify for the exemption because, "in my family, you have a pattern of giving every year equally to all family members. . . . The amounts vary from year to year."

But as a candidate, she said, "it would be illegal for me to take a gift from my mother, if she gave a gift to me alone. . . . She can't just, out of the blue, having never given me gifts, all of a sudden give me a gift in the campaign. My mother didn't do anything like that. . . . My mother has a history of every single year gifting to every single child equally."

Kenneth Gross, an expert in federal election laws, said the Federal Election Commission has yet to fully define the "contours" of the regulation exempting customary gifts to a candidate. If **Robert** got a significantly larger gift this year than in past years, "that might raise a question," as could the timing of the gift in relation to her candidacy, he said.

But if **Robert's** parents always gave the same amounts to each sibling or the gifts were part of estate planning, he said, those might be mitigating factors.

Robert, a 47-year-old Stillwater lawyer, owes her fortune to her late father, Bruce **Robert,** who founded St. Louis-based Siegel-**Robert** Inc. in 1946, building it into a highly diversified manufacturing company. Since 1997, his widow, Mary **Robert,** and her 10 children, including Janet, have owned all the stock in the firm. One of its most successful subsidiaries is Minnetonka-based Advantek, a manufacturer of packaging material for semi-conductors.

In a financial disclosure statement that **Robert,** like all U.S. House candidates, was required to file with the House clerk, she listed her assets as valued between $5.5 million and $26.2 million. The assets include 360,000 shares of Siegel-**Robert** stock.

Her income has been derived largely from the Siegel-**Robert** stock dividends, which rose steadily through the 1990s. In 1999, her net income was nearly $700,000, the court records state, and a quarterly stock dividend could provide her with more cash this fall.

Peschek noted that **Robert's** heavy campaign advertising has "hammered" on Kennedy's conduct as chief financial officer of Eden Prairie-based Department 56 from 1995 through 1999. Shareholders in the company, a seller of collectibles and giftware, filed four suits alleging that the firm failed to disclose the extent of computer software problems that sent its profits and stock price plummeting, but a judge dismissed the suits.

"All Janet **Robert** has going for her is money," Kennedy campaign spokeswoman Robin Kern said Friday, asserting that **Robert** is "polluting Minnesota airwaves with false, negative ads."

Kennedy has responded with ads assailing **Robert** for voting, as a Siegel-**Robert** director in 1997, to buy out minority shareholders for $20 a share, when a federal appeals court later valued the shares at well over $63. **Robert** says that she had a minimal role in the decision and that she tried to persuade her family to settle the dispute with minority shareholders.

_ Greg **Gordon** is at ggordon@mcclatchydc.com.

Janet **Robert's** assets

Asset	Value as of Aug. 7
- Stock in family-owned Siegel-**Robert,** Inc.	$5,000,000-$25,000,000
- Bank accounts	$300,000-$600,000
- First American Prime Oblig Ed A	$50,000-$100,000
- Mortgage (owed to **Robert)**	$50,001-$100,000
- Common stocks	$11,000-$165,000
- Bonds	$30,000-$100,000
- Brokerage account	$50,000-$100,000
- Total assets	$5,491,000-$26,165,000
- Liquid Assets	$391,000-$1,150,000

Source: Janet **Robert's** financial disclosure statement filed with the U.S. House Clerk

Robert's campaign TV advertising

Robert's campaign has purchased more than $1 million worth of air time for television ads. In addition to the net total of $1.34 million, the campaign typically would pay a commission to a media buyer of between 12 percent and 18 percent. That would raise advertising expenses to more than 1.5 million.

Dates ads to air	Net cost
Sept. 20-29	$263,139
Sept. 30-Oct. 6	$256,668
Oct. 7-Oct. 13	$169,162
Oct. 14-Oct. 20	$204,948
Oct. 21-Oct. 27	$194,088
Oct. 28-Nov. 5	$252,606
Total net	$1,340,611

Source: Reports required by Federal Communications Commission to be on file at television stations.

GRAPHIC: CHART; PHOTO

LOAD-DATE: October 7, 2002

◀ prev Document 3 of 3

Star Tribune (Minneapolis, MN)

August 1, 2002, Thursday, Metro Edition

SECTION: NEWS; Pg. 1B

LENGTH: 1174 words

HEADLINE: Boardroom action dogs candidate;
Robert calls incident honest dispute

BYLINE: Greg **Gordon;** Staff Writer

DATELINE: Washington, D.C.

BODY:
Democrat Janet **Robert** has made a theme of the recent wave of corporate accounting scandals in her race against Republican Rep. Mark Kennedy in Minnesota's Sixth Congressional District.

Assailing Kennedy for voting "no" to a number of regulatory reforms, **Robert** issued a campaign news release this week headlined: "Kennedy to corporations: Do whatever you want."

But **Robert,** a Stillwater lawyer who has revealed little about her personal finances, could find the tables turning: She was involved in a corporate boardroom controversy.

She, her mother and 38 relatives own Siegel-**Robert** Inc., a St. Louis-based manufacturing company that a federal judge ruled "squeezed out" minority shareholders five years ago at an artificially low stock price. U.S. District Judge E. Richard Webber found in 1999 that the privately held company's board, in carrying out a restructuring, unfairly required 23 present and former employees and their family members to accept $20 a share for their stock. **Robert,** her mother and her nine siblings were among the board members.

In a suit brought by seven minority shareholders, the judge valued the stock at $63.36 a share, awarding them an additional $21.6 million for their shares, plus interest. A federal appeals court said even that price was too low for shares in the company that **Robert's** father, Bruce **Robert,** founded in 1946.

The company employs 3,500 people who make plastic moldings for cars, computer components and packaging, office furniture and other products at 35 plants.

Janet **Robert** said the directors acted ethically and legally in unanimously approving management's recommendation of the $20 share price, and in unsuccessfully appealing the court decision all the way to the Supreme Court.

In his ruling, Webber said the company's chief executive officer, Halvor Anderson, arrived at the price without seeking the assessment of an "appraiser, any evaluation professional, any consultant." The judge said he questioned Anderson's credibility.

Robert characterized the court battle as an honest dispute over the value of a stock with limited marketability because it is not publicly traded. She said she tried to encourage a settlement.

The company's action, she said, does not raise a corporate accountability issue because it did not involve unethical or illegal behavior. "When I acted as a board member, I acted according to principles of corporate accountability."

But Lawrence Jacobs, a University of Minnesota political science professor, said the case seems to fit neatly into the current national debate because it highlights concerns that corporate boards behave too passively.

"The tenor of the national discussion now is those corporate boards have to take responsibility for what the president and the CEO are proposing," he said. "Simply to say 'It wasn't my decision' is no longer tenable _ certainly not from someone running for public office calling for more corporate responsibility. . . . I think she should have done more."

Kennedy's chief of staff, Pat Fiske, said: "With 14 weeks before this election, **Robert** has done nothing to inform the voters that she was a board member of a very large, family-owned company based in St. Louis that lost a shareholder lawsuit with longtime employees. . . . One thing voters won't tolerate is a hypocrite."

Robert has yet to file a financial disclosure statement with the U.S. House clerk's office as required of congressional candidates. She said Wednesday that she got an extension until Aug. 9 because the form is complicated, and she has been busy gearing up her campaign.

She said her statement will show her main asset is a 3 percent ownership interest in Siegel-**Robert** _ about 361,000 shares whose value is now about $6.5 million. She said she purchased about two-thirds of the stock by taking a $4 million loan from her mother after her father died in 1996.

The court fight stemmed from Siegel-**Robert's** decision the next year to reorganize as a "Subchapter S" corporation to reduce its tax burden. Revisions to federal tax law during the 1990s permitted companies with up to 75 shareholders to qualify, enabling them to distribute profits directly to shareholders and avoid paying taxes on both corporate profits and shareholder dividends.

While Siegel-**Robert** had 63 shareholders in 1997, the board chose to buy all non-family members' shares to help ensure against future complications.

Robert and her youngest sibling, Linda Honigfort of St. Louis, said Anderson arrived at the $20 share price in much the way the company had for years when her father was alive: by deducting about 35 percent from the stock's "book value" because the shares were not traded publicly. Routine IRS appraisals supported the lower value, they said.

Robert said that her then-husband happily had sold back his shares in 1995 for $15 to $17 per share.

Honigfort noted that not long before the buyback was proposed, several of the shareholders who later sued offered to sell their stock to the company for $18 per share. She said Anderson urged them to "hold off, and he'd try to get them a little more" when the restructuring occurred.

While 11 of the minority shareholders accepted the $20 share price, several others hired an appraiser, who valued their stock at $98 per share. The directors then hired their own expert, who valued the shares at $30, **Robert** said.

Robert said she tried to persuade the board to settle the dispute out of court. "I

said, 'Split it down the middle. That's what the judge is going to do.' "

Honigfort said that she and a brother, Bruce **Robert,** backed Janet, but that she lacked enough support to force a vote.

Throughout the process, Janet **Robert** maintained, she "tried to balance the interests of all of the shareholders and the corporation and tried at all times to do something fair. But I was only one person out of 15" directors.

Despite pushing for a settlement, **Robert** said, she voted in favor of appealing Webber's $63 valuation on ground that the judge's ruling amounted to "bad business law." His ruling, she said, equated the minority shareholders to a majority in a publicly held company.

The appeals court found that Webber had actually set the price too low, ordering him to remove a "minority-shareholder discount."

After the Supreme Court refused to hear a further company appeal, the parties settled out of court. Another suit filed in state court is only partly settled.

Carleton College political science Prof. Steven Schier said **Robert** now must quickly explain her actions to voters. "If you are going to claim to be a great corporate reformer," he said, "you've got to be able to demonstrate an unimpeachable record in order to claim the moral high ground."

_ Greg **Gordon** is at ggordon@mcclatchydc.com.

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