



**STATE OF WASHINGTON
PUBLIC DISCLOSURE COMMISSION**

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**BEFORE THE PUBLIC DISCLOSURE COMMISSION
OF THE STATE OF WASHINGTON**

In Re Compliance with RCW 42.17/42.17A

PDC Case No. 12-167

Citizens to Re-elect Brad Owen Lieutenant
Governor (2012)

Report of Investigation

Brad Owen Surplus Funds Account

Respondents.

I. Background

- 1.1 On December 10, 2009, Lieutenant Governor Brad Owen filed a Candidate Registration (Form C-1) with the Public Disclosure Commission (PDC) declaring his candidacy for re-election in 2012 (Citizens to Re-elect Brad Owen Lieutenant Governor, or Owen Campaign). He listed Laurel Willis as campaign treasurer. Ms. Willis has been the re-election campaign committee's treasurer since December 10, 2009. Lt. Governor Owen selected the full reporting option which requires frequent, detailed reports of contribution and expenditure activities.
- 1.2 Lt. Governor Owen has served as Lieutenant Governor for the State of Washington since being elected to that office in 1996. Prior to 1996, Lt. Governor Owen served as a State Senator, representing the 35th Legislative District.
- 1.3 The Lt. Governor's campaigns have registered the following treasurers:
 - Linda Mitchell September 5, 1996 - January 1, 2000
 - Ron Schnell January 1, 2000 - September 8, 2000
 - Linda Mitchell September 8, 2000 - April 4, 2003
 - Ron Schnell April 4, 2003 - June 23, 2004
 - Linda Owen June 23, 2004 - December 10, 2009
 - Laurel Willis December 10, 2009 – present
- 1.4 On May 1, 2002, Lt. Gov. Owen registered the Brad Owen Lt. Governor Surplus Funds Account (Brad Owen Surplus Funds Account) by filing a Candidate Registration (Form C-1) with the PDC. The registration listed Linda Mitchell as treasurer. On April 4, 2003, Lt. Gov. Owen updated the Brad Owen Surplus Funds Account, listing Ron Schnell as treasurer. Mr. Schnell's name appears as treasurer on the latest C-3 and C-4 reports filed for the Brad Owen Surplus Funds Account on June 4, 2012. On August 29, 2012, Lt. Gov. Owen informed the PDC that Ron Schnell has not been involved with reporting for several

years, and stated that his name will be removed as treasurer on an amended C-1pc for the Brad Owen Surplus Funds Account.

II. Allegations

- 2.1 On April 19, 2012, Joel Graves filed a complaint alleging that the Owen Campaign violated RCW 42.17.080¹ and 42.17.090 by failing to file two Campaign Summary Contribution and Expenditure reports (C-4 reports), for November and December of 2011, and one Monetary Contribution report (C-3 report) disclosing the campaign's contribution and expenditure activities. The complaint also alleged that some of the Owen Campaign's C-4 reports contained discrepancies in the amounts reported, and that several other reports were filed late. **(Exhibit #1)**
- 2.2 On May 17, 2012, PDC staff opened a formal investigation into Mr. Graves' complaint.
- 2.3 On May 24, 2012, Mr. Graves filed an additional complaint, alleging that the Owen Campaign violated RCW 42.17.080 and .090 by failing to file required C-3 and C-4 reports for the Brad Owen Surplus Funds Account, disclosing its receipts and expenditures. **(Exhibit #2)** PDC staff combined Mr. Graves' April 19, 2012 and May 24, 2012 complaints into Case No. 12-167.

III. Findings

- 3.1 As a candidate who had selected the full reporting option for the 2012 election, the Owen Campaign was required to file monthly C-3 and C-4 reports by the 10th of each month disclosing contribution and expenditure activities for the prior calendar month, if the campaign raised or spent more than \$200 since the last required C-4 report.

Alleged failure to timely file C-3 and C-4 reports (RCW 42.17.080 & .090)

- 3.2 PDC staff reviewed the complaint and the C-3 and C-4 reports filed by the Owen Campaign, and determined the following:
 - Between November 7 and November 25, 2011, the Owen Campaign timely filed six C-3 reports disclosing \$19,401 in contributions received and deposited;
 - On November 21, 2011, the Owen Campaign amended its October 2011 C-4 report two times. The October 2011 C-4 report was initially filed five days late on November 15, 2011.
 - On December 10, 2011, the Owen Campaign amended its October 2011 C-4 report a third time;

¹ Effective January 1, 2012, RCW 42.17.080 and RCW 42.17.090 were recodified as RCW 42.17A.235 and RCW 42.17A.240.

- The Owen Campaign failed to timely file two C-4 reports, for November and December of 2011. As more fully explained below, the November and December, 2011 C-4 reports were filed on May 1, 2012;
- Between August 2011 and March 2012, the Owen Campaign filed six C-4 reports between one and 17 days late;
- The Owen Campaign failed to timely file a C-3 report disclosing \$27,195 in contributions received and deposited on November 8, 2011. As more fully explained below, this C-3 report was filed on May 8, 2012; and
- The Owen Campaign failed to timely file a C-3 report disclosing \$975 in contributions for a deposit made on September 21, 2011. As more fully explained below, this C-3 report was filed on May 1, 2012.

- 3.3 Prior to the complaints being filed, PDC staff had contacted the Owen Campaign treasurer to inquire about the missing November and December 2011 C-4 reports. Ms. Willis explained to PDC staff that she had experienced some software problems. PDC staff informed her that neither the numbers nor the reports appeared in the PDC's system, and asked her to file the missing C-3 report and the two missing C-4 reports.
- 3.4 After receiving the April 19, 2012 complaint, PDC staff again contacted the Owen Campaign. As a result of discussions with PDC staff concerning the allegations in the complaint, on May 1, 2012, the Owen Campaign filed the missing November and December 2011 C-4 reports and one missing C-3 report. On May 8, 2012, it filed the second missing C-3 report.
- 3.5 On May 1, 2012, the Owen Campaign filed its missing November 2011 C-4 report, 143 days late. **(Exhibit #3)** The C-4 report disclosed the receipt of \$46,596 in monetary contributions, \$300 in in-kind contributions, and \$16,625 in expenditures, including \$12,500 for payments to FDR Consulting for political consulting services and costs for setting up a campaign website, and \$2,696 to Capital City Press for printing flyers and other political advertising materials.
- 3.6 On May 1, 2012, the Owen Campaign filed its missing December 2011 C-4 report, 112 days late. **(Exhibit #4)** The C-4 report disclosed that no monetary contributions were received during the period, and that it made \$236 in expenditures to PayPal for fees related to processing on-line contributions through the campaign website.
- 3.7 On May 1, 2012, the Owen Campaign filed one of its missing C-3 reports, 203 days late. **(Exhibit #5)** The report disclosed \$975 in contributions received and deposited on September 21, 2011.
- 3.8 On May 8, 2012, the Owen Campaign filed its second missing C-3 report, 149 days late. **(Exhibit #6)** The report disclosed \$27,195 in contributions received and deposited on November 8, 2011. The C-3 report included contributions received prior to the 2012

Legislative Session freeze period that were not disclosed until after the 2012 regular Legislative Session had adjourned.

Response and Factors Relevant to the Late Reporting by the Owen Campaign

- 3.9 On June 4, 2012, the Owen Campaign submitted an initial response letter to the complaint. **(Exhibit #7)**. The letter stated that the campaign had *“timely filed all seven C-3 reports for November 2011”* and that the campaign had contacted the PDC concerning problems with filing the C-3 and C-4 reports. It stated the *“Committee’s software reflected sending the file at the time, but no confirmation was received. The Committee did, however, re-submit these reports to ensure the PDC received complete disclosure information.”*
- 3.10 On July 18, 2012, the Owen Campaign submitted a letter with an attached memorandum, in response to staff’s request for additional information. **(Exhibit #8)**. The letter was signed by Lt. Gov. Owen and stated that Laurel Willis, campaign treasurer, believed she had filed the November C-3 report totaling \$27,195 and two C-4 reports for November and December of 2011 electronically using the PDC ORCA software. He stated that Ms. Willis informed him that the ORCA files *“did not reflect the normal color code that usually appends to the filed reports,”* and she was under the impression *“the PDC was having software problems at that time, so the incorrect color code...did not alarm her since she received confirmation numbers.”*
- 3.11 As part of the investigation, PDC staff reviewed their correspondence with the Owen Campaign and could find no evidence of any communications in which PDC staff had confirmed that the missing reports had been filed. In addition, PDC staff reviewed the PDC’s ORCA confirmation log and could find no evidence that a written confirmation had been sent to the Owen Campaign confirming the two C-3 reports for \$27,195 and \$975, or the November and December 2011 C-4 reports had been successfully transmitted by the campaign and received by the PDC.
- 3.12 PDC staff has been in frequent communication with Ms. Willis since she became treasurer for the Owen Campaign in December of 2009. In addition, PDC staff was in contact with Ms. Willis during the November and December 2011 timeframe.
- 3.13 On August 20, 2012, PDC staff conducted interviews under oath at the PDC offices with Lt. Gov. Owen and Ms. Willis. Ms. Willis stated that her role in reporting contributions and expenditures for the 2012 campaign was to occasionally receive or pick up a campaign contribution at the post office box, but that Lt. Gov. Owen typically did that and made the deposits. She said he then provided her with the contribution information and she immediately entered that information into the PDC’s ORCA campaign program.
- 3.14 Lt. Gov. Owen and Ms. Willis both confirmed that they spoke frequently with each other during the campaign prior to C-3 or C-4 report due dates to find out what contributions and expenditures had occurred that needed to be reported. Ms. Willis said she was in frequent contact by telephone and e-mail with PDC staff members Jennifer Hansen and Chip Beatty,

and that it was her practice to enter the contribution or expenditure information into the ORCA program at the time the activities occurred.

- 3.15 Ms. Willis stated she believed she timely entered the November 8, 2011 contribution information, and the November and December 2011 C-4 report contribution and expenditure information into the ORCA program, and that she attempted to transmit those reports to the PDC. She said she contacted PDC staff concerning problems she was having with filing the November C-3 report for \$27,195, and was sure she filed that report, but no filing confirmation was received. Ms. Willis said she recalled being told the PDC was having issues with some filers, and that the C-3 report was filed. She did not recall the nature of the PDC's software or filing problem, the person she talked with or when the conversation occurred. PDC staff found no evidence of this conversation.
- 3.16 The Owen Campaign substantially complied in filing the January, February and March 2012 C-4 reports. Ms. Willis stated she had no indication when she filed those reports, that the November and December 2011 C-4 reports had not been transmitted. Ms. Willis said she believed she received filing confirmations for the November and December C-4 reports. PDC staff found no evidence that confirmations had been sent for the November and December C-4 reports.
- 3.17 On August 22, 2012, Ms. Willis sent an e-mail to PDC staff, following a conversation she had with PDC staff, in which she indicated she could not find confirmation numbers for the November and December, 2011 C-4 reports. She stated "I can only imagine that I was waiting for a confirmation number on the one C3 (November 8, 2011), although all the funds were listed on both the C3 and the C4."
- 3.18 Ms. Willis stated that concerning the December 2011 C-4 report, the Owen Campaign did not have "any funds to report" so she did not believe there was any C-4 reporting obligation. She said she reviewed the December 2011 C-4 report, and saw the \$236 in expenditures to PayPal for fees related to processing on-line contributions through the campaign website. She said those fees were incurred for contributions received and reported by the campaign earlier in 2011.
- 3.19 After the complaint was filed, the Owen Campaign hired H + P Political Compliance, LLC to assist in ensuring compliance with the PDC reporting requirements. Attached to the Owen Campaign's July 18, 2012 response letter was an e-mail from Lora Haggard, Principal for H + P Political Compliance, LLC, stating that the following changes had occurred in the compliance procedures for the campaign:
- "Compliance communicates daily/weekly with the campaign to ensure receipt of all transaction information, receipts (monetary and in-kind), expenditures, obligations, etc;
 - The information is checked to ensure compliance with PDC rules - limits, permissibility, etc;

- The data is loaded into Quick Books and reconciled to the bank on a daily/weekly basis depending on volume;
- The data is loaded into ORCA and reconciled back to Quick Books, verifying correct receipt, expenditure, and Cash on Hand totals;
- The reports are reviewed and any missing information - address, employer, occupation, etc is obtained and added; and
- Draft reports are distributed to compliance, candidate and staff for review prior to filing.”

Alleged failure to timely file C-4 reports for the Brad Owen Surplus Funds Account (RCW 42.17.080 & .090):

3.20 After receiving the complaint, PDC staff reviewed the C-3 and C-4 reports filed by the Brad Owen Surplus Funds Account and selected C-4 reports for the 2004 and 2008 Owen Campaigns, and found the following:

- On May 1, 2002, Lt. Gov. Owen filed a C-1, registering the Brad Owen Surplus Funds Account with the PDC. The C-1 listed Linda Mitchell as the surplus funds account treasurer.
- The Brad Owen Surplus Funds Account did not file C-3 or C-4 reports from July 17, 2003 to June 4, 2012.
- Ron Schnell was listed as the treasurer for the Brad Owen Surplus Funds Account on the last C-1 report filed for the account on April 4, 2003.
- On July 17, 2003, the Brad Owen Surplus Funds Account filed a C-4 report covering the period October 1, 2002 through January 31, 2003. That C-4 report disclosed \$623 was the cash-on-hand balance as of January 31, 2003. There was no accounting for where those funds came from or whether there were any expenditures from the account.
- The 2008 Owen Campaign timely filed its December 2008 C-4 report on December 30, 2008, disclosing the campaign made a \$23,713 expenditure on December 19, 2008 to the “Lt. Governor’s Office Fund,” which is the Brad Owen Surplus Funds Account.
- Lt. Gov. Owen did not file a C-1 after the 2008 election either registering a new surplus funds account for himself or indicating that the previously registered 2002 account had been re-established.

3.21 Lt. Gov. Owen said during the August 20, 2012 interview that it was his understanding if the campaign had funds remaining after an election, those funds could be transferred to a surplus funds account or to a public office fund for official office-related expenditures.

- 3.22 Lt. Gov. Owen said that he was not involved in filing the surplus fund reports in 2002 or 2003, or after the 2004 election when additional funds were transferred to the surplus funds account.
- 3.23 Ms. Willis stated that some time after taking over the treasurer duties (she was first listed as being treasurer on the C-1 report filed on December 10, 2009, but assisted the previous treasurer Linda Owen before that time), she contacted PDC staff concerning transferring 2008 surplus campaign funds into the Brad Owen Surplus Funds Account.
- 3.24 Ms. Willis said she inquired about the reporting once the funds had been transferred. She recalled being told once the surplus campaign funds had been transferred, there were no additional reporting requirements, which she understood to mean no reporting was required for the Brad Owen Surplus Funds Account.
- 3.25 Ms. Willis further stated that after she discussed this information with Lt. Gov. Owen, he asked her to contact the PDC and check again whether reporting was required for the surplus fund account, which she did. Ms. Willis believes she was told that once the campaign transferred its surplus funds, there were no additional reporting requirements.
- 3.26 At the time of the August 20, 2012, interview, neither Ms. Willis nor Lt. Gov. Owen had been able to locate the email Ms. Willis recalled exchanging with PDC staff that had led them to believe no additional reporting of expenditures from the Brad Owen Surplus Funds Account was necessary. After the interview, Lt. Gov. Owen found copies of the emails they had recalled relying on. On August 29, 2012, Lt. Gov. Owen provided two email strings, one dated January 9, 2006 and one dated January 20, 2006, regarding "Brad Owen account." (**Exhibit #9**) In the January 9, 2006 email string, Ms. Willis, apparently on behalf of the campaign treasurer (who at that time was listed as Linda Owen), asked PDC staff member Lori Anderson for clarification on whether further reporting was required by the 2004 campaign account after it transferred its remaining funds to "the Lt. Governor's office fund," and whether the Lt. Governor's office was required to report the expenditure of those funds. In the January 20, 2006, email string, Ms. Willis again contacted Ms. Anderson regarding "Question again!"
- 3.27 PDC staff has produced and distributed a Surplus Funds Account brochure dating back to the late 1990s, which is available on the PDC website under "Filer Resources," and "Manuals/Brochures." (**Exhibit #10**). The surplus funds brochure includes frequently asked questions and provides a "Monthly Reporting Schedule for Surplus Funds Accounts" that instructs filers to file monthly C-4 reports whenever \$200 or more has been spent on non-reimbursed office-related expenses since the last surplus funds report was filed.
- 3.28 As part of its investigation in this matter, PDC staff also discovered an April 15, 1999, letter from Melissa Warheit, former PDC Executive Director, to Lt. Gov. Owen. Lt. Gov. Owen had sent a letter to PDC staff on March 29, 1999, requesting clarification about a "public office fund." (**Exhibit #11**).

- 3.29 The letter to Lt. Gov. Owen explained that in 1995, the legislature amended the surplus funds statute that allowed public officials *“to establish an account with surplus campaign funds from which nonreimbursed public office related expenses may be paid, but did not eliminate the ability of public officials to establish public office funds or solicit donations for them.”*
- 3.30 The letter stated that *“there are no reporting requirements for the receipt of donations to a public office fund”* and that donations to a public office fund could not be solicited during a legislative session freeze period. The letter ended by stating that RCW 42.17.095 provided *“for the establishment of a surplus funds account, into which surplus campaign funds may be deposited”* and provided a copy of the 2000 State Executive and Legislative Candidates manual (**Exhibit #12**) that explained *“in more detail how to establish a surplus funds account and the purposes for which it may be used.”*
- 3.31 The instructions in the 2000 State Executive and Legislative Candidates manual provided information concerning the reporting of a surplus funds account, and explained that once a surplus funds account is established by opening a separate bank account, the filer is expected to do the following:
- *“File a C-1 giving the Candidate's Name plus the words "Surplus Funds Account;”*
 - *Transfer all or a portion of the eligible surplus funds into the new or existing Surplus Funds Account...; and*
 - *File C-4 reports along with Schedule A's showing any transfers into the account at the top of the Schedule A and also itemizing all expenditures out of the account on the form.*
 - *File a C-4 for the Surplus Funds Account monthly by the 10th of the month, covering the preceding calendar month, for any month in which you transferred in or spent over \$200. If over \$200 in activity does not occur in a month, the next report is triggered when over \$200 has been transferred into the account or spent out of it since the last report was filed. Then, file the C-4 by the 10th of the following month.”*
(Emphasis added)
- 3.32 Filer instructions regarding reporting of surplus funds account activity have been consistent since at least 2000. Staff reviewed the instructions in the 2012 State Executive and Legislative Candidates manual concerning information about the reporting of a surplus funds account, and found the exact same language as listed above.
- 3.33 In an effort to reconstruct the activity in the Owen Surplus Funds Account, Lora Haggard, Principal for H + P Political Compliance, LLC, filed reports for the Owen Campaign. She filed one C-3 report and numerous C-4 reports on June 4, 2012, disclosing the account's activities from December 19, 2008 through January 31, 2012. The C-4 reports disclosed \$22,850 in surplus funds having been transferred into the Owen Surplus Funds Account in

December of 2008, and \$22,850 in surplus fund expenditures made during the period of December 2008 through January 2012.

- 3.34 The \$22,850 in surplus funds transferred in December of 2008 on the amended C-4 report filed on June 4, 2012, was a different amount than the \$23,713 originally reported as transferred on the C-4 report filed on December 30, 2008. The 2008 Owen Campaign filed an amended December C-4 report disclosing two additional 2008 campaign related expenditures that had been made prior to the surplus funds transfer. Those two 2008 campaign expenditures included: a) a \$661 expenditure was made on December 16, 2008, to Publishers Mailing Service in Seattle for "Printing/Mailing"; and b) a \$202 expenditure was made on December 31, 2008, to Key Bank for "Bank Fees."
- 3.35 On December 9, 2004, the 2004 Owen Campaign timely filed a post-election C-4 report, disclosing the campaign made a \$15,000 transfer/expenditure on November 26, 2004, to the "Lt. Governor Brad Owen Office account." That C-4 report disclosed that \$7,443 was the cash-on-hand balance as of December 10, 2004. No final C-4 report was filed by the 2004 campaign, and there is no record of the status of those leftover funds. Staff reviewed the 2008 campaign reports, and found that those reports did not indicate the leftover funds from the 2004 campaign were transferred in to the 2008 campaign.
- 3.36 PDC staff asked about the status of the \$7,443 cash-on-hand balance as of December 10, 2004, on the post-election C-4 report filed by the campaign. Lt. Gov. Owen stated the campaign no longer had any of those campaign records, but he believed the funds were likely transferred into the Owen Surplus Funds Account and spent accordingly.
- 3.37 When questioned about the surplus fund expenditures for the "Attorney's Dinners," Lt. Gov. Owen stated that there were legislative caucus and staff attorneys that assisted and advised him about his duties as Lt. Governor. He stated that he annually made surplus fund expenditures for food and beverages in January prior to the Legislative session for a dinner with those attorneys. He stated that their service and counsel were invaluable to him in performing his duties as Lt. Governor.
- 3.38 The following is a summary of the surplus funds expenditures made from the Owen Surplus Funds Account, broken down by calendar years:

January 2012

- 3.39 The Brad Owen Surplus Funds Account expenditures for January of 2012 totaled \$605 and included the following:
- "Attorney's Dinner", \$459 to Costco and Safeway for food and beverages, and \$66 for gifts to the WSLCB; and
 - \$79 in small surplus fund expenses of less than \$50.

Calendar Year 2011

3.40 The Brad Owen Surplus Funds Account expenditures for calendar year 2011 totaled \$5,112 and included the following:

- \$1,275 for Donations/Event Tickets to charitable organizations such as Boys/Girls Club of Tacoma (\$250), Hong Kong Association (\$250), Washington State Mentors (\$250), etc....;
- \$1,108 for Holiday Staff lunches, lunch and dinner meetings with staff and constituents;
- \$1,047 for gifts for dignitaries and staff;
- \$889 in small surplus fund expenses of less than \$50
- \$441 for “Attorney’s Dinner” to Fred Meyer and WSLCB; and
- \$339 for supplies for holiday functions and for dignitaries.

Calendar Year 2010

3.41 The Brad Owen Surplus Funds Account expenditures for calendar year 2010 totaled \$7,913 and included the following:

- \$2,227 for lunches, dinners, and food and beverages for meetings with staff, dignitaries, delegations and constituents;
- \$1,756 in small surplus fund expenses of less than \$50;
- \$1,550 for transportation for a delegation (\$1,475 to East West Tours);
- \$611 for “Attorney’s Dinner” including expenditures to Fred Meyer (\$306), Barnes & Noble, Target and Bed Bath and Beyond for food and beverages and gifts;

Calendar Year 2009

3.42 The Brad Owen Surplus Funds Account expenditures for calendar year 2009 totaled \$8,686 and included the following:

- \$3,633 for lunches, dinners, food and beverages, and gifts for staff, dignitaries, delegations and constituents;
- \$1,630 for Donations/Event Tickets to charitable organizations such as Strategies for Youth (\$500); Washington Education Foundation (\$500); Hong Kong Association (\$250); etc...

- \$1,284 for airfare, parking, transportation and other travel related costs to attend the Lieutenant Governor's conference in Maryland;
- \$1,163 in small surplus fund expenses of less than \$50;
- \$663 for food and beverages (\$313 at Costco), and entertainment (\$350) for the Inaugural Ball;
- \$313 for "Attorney's Dinner" which included expenditures to Fred Meyer totaling \$200 and Wal-Mart totaling \$113;

December 2008

3.43 After the Brad Owen Surplus Funds account was established in December of 2008, the account expenditures totaled \$534 for the following:

- A \$200 donation to the Governor's Inaugural Ball Committee;
- A \$278 expenditure to Anthony's Hearthfire Grill for a holiday luncheon for Lt. Governor Office staff; and
- \$57 in small surplus fund expenses of less than \$50.

3.44 In the June 4, 2012, response letter, Lt. Gov. Owen stated that in 2003 the surplus funds bank account was closed and information was received from the PDC that disclosure reports were no longer required. In the July 15, 2012, response letter, Lt. Gov. Owen stated that the *"surplus office account was closed shortly after the 2004 election and remained that way until the account was opened in 2008. There are no records available for this account prior to 2008."*

IV. Scope

- 4.1 Staff reviewed the complaint filed against the 2012 Owen Campaign by Joel Graves that was received on April 19, 2012.
- 4.2 Staff reviewed the C-3 and C-4 reports filed by the 2012 Owen Campaign, and selected C-4 reports from the 2004 and 2008 campaigns.
- 4.3 Staff reviewed the C-3 and C-4 reports filed by the Brad Owen Surplus Funds Account.
- 4.4 Staff reviewed the written response from the Owen Campaign received on June 4, 2012.
- 4.5 Staff reviewed the written response from the Owen Campaign received on July 18, 2012.
- 4.6 Staff conducted interviews under oath at the PDC offices in Olympia on August 20, 2012 with Brad Owen and Laurel Willis, campaign treasurer.

- 4.7 Staff reviewed correspondence between PDC staff, Lt. Gov, Owen, and Owen Campaign treasurers dating back to 1999.

V. Laws and Rules

- 5.1 RCW 42.17.080 and .090¹ require candidates under the full reporting option to file timely, accurate reports of contribution and expenditure activities, including in-kind contributions. Until five months before the general election, C-4 reports are required monthly when contributions or expenditures exceed \$200 since the last report. C-4 reports are also required 21 and 7 days before each election, and in the month following the election, regardless of the level of activity if the candidate's name appears on the ballot. In addition, beginning five months before the general election, C-3 reports are due every Monday disclosing contributions received and deposited during the previous seven days.
- 5.2 RCW 42.17.095² provides that the surplus funds of a candidate may be disposed of by "hold[ing] the surplus campaign funds in a separate account for nonreimbursed public office-related expenses ...and report[ing] any such disposition in accordance with RCW 42.17.090."

Respectfully submitted this 7th day of September, 2012.


Kurt Young
PDC Compliance Officer

List of Exhibits

- Exhibit #1** Complaint filed by Joel Graves received on April 19, 2012.
- Exhibit #2** Complaint filed by Joel Graves received on May 24, 2012.
- Exhibit #3** November 2011 C-4 report filed by the Owen Campaign on May 1, 2012.
- Exhibit #4** December 2011 C-4 report filed by the Owen Campaign on May 1, 2012.

¹ Effective January 1, 2012, these provisions are codified at RCW 42.17A.235 and .240.

² Now codified at RCW 42.17A.430.

- Exhibit #5** C-3 report filed by the Owen Campaign on May 1, 2012, disclosing \$975 in contributions received and deposited on September 21, 2011.
- Exhibit #6** C-3 report filed by the Owen Campaign on May 8, 2012, disclosing \$27,195 in contributions received and deposited on November 8, 2011.
- Exhibit #7** Owen Campaign initial response letter dated June 4, 2012.
- Exhibit #8** Owen Campaign additional response letter and attachment dated July 18, 2012.
- Exhibit #9** Two email strings dated January 9, 2006 and January 20, 2006 concerning reporting surplus funds.
- Exhibit #10** PDC "Surplus Fund Account" brochure.
- Exhibit #11** April 15, 1999, letter from PDC to Lt. Gov. Owen, providing clarification about a public office fund.
- Exhibit #12** Instructions from the 2000 State Executive and Legislative Candidates manual providing information concerning the reporting of a surplus funds account.