



STATE OF WASHINGTON
PUBLIC DISCLOSURE COMMISSION

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March 11, 2016

MIKE TIUFEKCHIEV
WASHINGTON STATE REPUBLICAN PARTY

by email only to: MikeT@wsrp.org

Subject: PDC Complaint 2115, Jay Inslee for Washington 2012 and 2016 gubernatorial campaigns

Dear Mr. Tiufekchiev:

The Public Disclosure Commission (PDC) has completed its initial review of the complaint you filed on January 8, 2016, alleging violations of RCW 42.17A.235 and .240 by the Jay Inslee for Washington 2012 and 2016 campaigns. Your complaint alleged that the Jay Inslee 2012 campaign failed to disclose debts and obligations incurred in connection with \$84,858.35 in staff payments that the 2016 Inslee campaign made in January of 2013. Your complaint further alleged that the 2012 and 2016 campaigns failed to disclose debts, obligations, or in-kind contributions incurred or received in connection with interest that you alleged the campaign owed on a \$50,000 contingency bonus paid to the firm Shorr, Johnson, Magnus in December of 2013.

PDC staff reviewed your allegations to determine whether a formal investigation or enforcement action is warranted. As a result of staff's initial review, we found the following:

- The Inslee campaign reported that the \$84,858.35 in staff payments paid during January of 2013 that appeared on the 2016 Inslee campaign's February 7, 2013, C-4 report were bonuses to staff. However, the campaign said that the bonuses were not paid based on any contract or promise, but based solely on the 2016 campaign's financial position in January of 2013. As such, the campaign asserted that it had no requirement to disclose the bonuses as prior debts.
- The Inslee campaign stated that it agreed to pay a \$50,000 contingency bonus for the 2012 election to the firm Shorr, Johnson, Magnus by July of 2013, but that due to cash flow, the bonus was not paid until December of 2013. The campaign stated that Shorr, Johnson, Magnus did not request interest on the payment, and that the campaign paid the entire amount it was billed.
- The Inslee campaign's contract with Shorr, Johnson, Magnus featured boilerplate payment provisions which included interest owed on delinquent payments. However, the Inslee campaign stated that it did not discuss interest with the firm at any point, and had no expectation that interest would be owed. The campaign stated further that Shorr, Johnson, Magnus never indicated that any interest had been waived. The campaign

stated that it believed at all times that it in making payment for the \$50,000 contingency bonus to Shorr, Johnson, Magnus, it paid its entire obligation to the firm.

- Saul Shorr, a principal at Shorr, Johnson, Magnus, stated in a sworn declaration that his firm normally includes an interest provision in its contracts, not because the firm has the intention to enforce the requirement, but only as a means of encouraging timely payments. Mr. Shorr stated that he could not recall a single instance in which the firm ever asked for interest on a late payment from a client, when debtors of similar risk and size of obligation pay the firm in full, as the Inslee campaign did.

Staff's review found no evidence that the 2012 Inslee campaign had any reportable obligation connected with staff payments the campaign made in January of 2013. Our review found no evidence that the 2012 Inslee campaign had a reasonable expectation of owing interest on delinquent payments to the firm Shorr, Johnson, Magnus, or that any interest was in fact owed. We therefore found no evidence that the 2012 or 2016 Inslee campaigns had any reportable obligation related to interest owed on a contingency bonus. Finally, we found no evidence that the 2016 campaign received a reportable in-kind contribution from Shorr, Johnson, Magnus in the form of "forgiveness of indebtedness," "personal and professional services for less than full consideration," or an item of value received "free-of-charge or for less than fair market value." RCW 42.17A.005(13), WAC 390-16-207.

Based on these initial findings, I have determined there is no reason to believe that the 2012 and 2016 Inslee for Washington campaigns committed a material violation of any law under the Commission's jurisdiction. For this reason, PDC staff has closed the matter, and will not be conducting a more formal investigation into your complaint or pursuing enforcement action in this case.

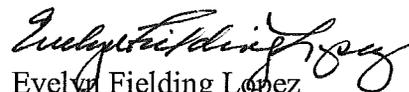
If you have questions, you may contact me at (360) 586-1042, toll-free at 1-877-601-2828, or by replying to the attached email.

Sincerely,



Tony Perkins
PDC Compliance Officer

Endorsed by:



Evelyn Fielding Lopez
Executive Director

cc: Inslee for Washington, c/o Kevin Hamilton, Perkins Coie