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February 11, 2018

Washington Public Disclosure Commission
PO Box 40908
Olympia, WA 98504

Re: PDC Case 27563

Dear Sir or Madam:

This responds to the complaint filed on November 16, 2017 by Glen Morgan (case #27563), which has been referred to the Washington Public Disclosure Commission (the "Commission"). The complaint is entirely without merit, and we ask that it be dismissed by the Commission pursuant to WAC 390-37-070. As demonstrated below, the facts demonstrate that no material violation of RCW chapter 42.17A occurred, our campaign was in substantial compliance with the relevant statutes or rules, and formal enforcement action is not warranted.

Further, we are deeply troubled that, as shown below, Mr. Morgan's allegations are made with no knowledge of the underlying facts and are largely based on mere guesses as to the actual facts, guesses that turn out to be wrong. We believe that Mr. Morgan's errors are not innocent errors. Instead, they are false statements made intentionally or with reckless disregard of their falsity. They are an abuse of the Commission's processes.

To give just a few examples, Mr. Morgan asserts that a company registered by my wife, called H&L Designs, had real estate transactions worth over $12,000. In reality, the company had no real estate transactions at all – indeed, it has had no income since it was registered, as can easily be seen by reviewing filed state tax reports. Mr. Morgan's allegation is a baseless guess. Mr. Morgan guesses that our campaign failed to report car travel, when the expenditure he cites is for air travel. Mr. Morgan guesses that our campaign had an unreported federal retirement account apparently because I was a federal employee over 20 years ago, when in fact I do not have a federal retirement account at all. Mr. Morgan claims that I held an "office, directorship, or … general partnership interest" in the non-profit organization Hanford Challenge, when in reality I was never on the organization's board of directors and instead held an honorary position in an informal group called an "advisory board" by the founder of the organization.

These blatantly false allegations are deeply troubling. Mr. Morgan cannot simply concoct facts and then allege in writing to a government enforcement agency that those facts demonstrate illegal conduct by a third party. False statements such as these, made intentionally or with reckless disregard of their falsity, constitute defamation, even as to a

public figure. The examples above, and many other listed below, are defamatory. Furthermore, they constitute abuse of process, which is unlawful under Washington State tort law. They are a serious abuse of the Commission's procedures.

Below are responses to Mr. Morgan's claims, numbered in paragraphs that correspond to the numbers in Mr. Morgan's complaint, showing that his allegations should be dismissed:

1. Mr. Morgan claims that five reports filed by our campaign were late. He also alleges that our campaign's reports did not properly disclose a purported in-kind contribution of the post office box used by the firm owned by our campaign treasurer.

(a) Mr. Morgan's "Exhibit A" lists five reports that he contends were filed late. He claims that three of the listed reports were due on July 4, 2016, obviously a holiday. These reports were properly filed on July 5, 2016, as required by Commission policy. Mr. Morgan's allegation is is so patently wrong that it must be deemed either intentionally false or made in reckless disregard of its falsity. With regard to the two remaining reports, Mr. Morgan alleges they were due on February 10, 2016, and they were filed on February 11, 2016. In fact, they were properly filed on February 10, 2016 and were amended on February 11. They were not filed late at all. Mr. Morgan's allegation is based on a legal fallacy—that merely amending a previously filed report renders it late. The amended report was not late at all. Mr. Morgan appears to claim, without support by any law or precedent, that merely amending a filing thereby renders it late. There is no part of the statute, or any case law applying RCW 42.17A, that supports this claim. Such an application of the law would lead to an absurd result. In order to effectuate the FCPA's focus on "promot[ing] complete disclosure of all information," RCW 42.17A.001, the ability for a candidate or committee to amend reports without penalty must be preserved. Mr. Morgan's distorted reading of the law would create the perverse incentive to withhold full disclosure, since a reporting entity might be penalized for discovering and appropriately correcting a mistake. Accordingly, the allegations regarding the February 11 amended report should be rejected.

(b) Mr. Morgan's claim that our campaign did not report an in-kind contribution of a post office box is equally baseless. The post office box Mr. Morgan refers to is the business mail delivery location for Argo Strategies, an ongoing business and our campaign treasurer. This post office box was not created or used exclusively, or even predominantly, for our campaign. It was used for Argo Strategies' business and for many other clients than my campaign. It is no different than other normal business expenses incurred by Argo Strategies, for which my campaign paid a monthly fee. This monthly fee was properly reported by our campaign, and we were not required to report Argo Strategies' normal business expenses, including its post office box, as in-kind contributions.

2. Mr. Morgan claims that our campaign failed to report 50 debts listed in "Exhibit B" that were allegedly outstanding for over thirty days as required by RCW 42.17A.240(8). His main allegation appears to be that the amount to be paid to a campaign consultant who bills monthly must be reported in the month prior to the month in which the bill is presented and paid because it is a "promise to pay." See Exhibit B, lines 2-7, 11-12, 14, 16-17, 20-23, 25-30, 32-38, 42-46, 48-50. Campaigns, like businesses, pay monthly bills when invoiced. The invoice creates the obligation to pay and is the triggering event for reporting. Mr. Morgan's interpretation of "promise to pay" is ridiculous, because it would require campaigns to report up front the projected monthly cost of consultants for the entire duration of a campaign, even before they know how long the campaign will continue. He appears to confuse "expenditures"—which were, in fact, properly reported—and "debts," which occur, for example, where a commitment to pay has been made, with an agreement that payment be made (in the words of RCW 42.17A.240(8), the debt is now "outstanding"). As RCW 42.17A.005(20) states:

> *"Expenditure" includes a payment*, contribution, subscription, distribution, loan, advance, deposit, or gift of money or anything of value, and includes *a contract, promise, or agreement, whether or not legally enforceable, to make an expenditure.*

(emphasis added.) There is nothing to indicate that the decision to make an expenditure, for example, wanting to purchase campaign buttons—without any further concrete actions being taken—constitutes an "agreement … to make an expenditure" that would require a committee to be "guesstimating" how much that expenditure might be and then reporting it as a "debt"/future "expenditure" at that time. Mr. Morgan's interpretation seems to create a new reporting burden on any expenditure a committee may even contemplate undertaking. And Mr. Morgan has offered no evidence whatsoever that any specific expenditure was preceded by a promise to pay in an earlier reporting period, and hence a debt that should have been reported. He appears to make the same strained argument with regard to the regular monthly salary payments to our campaign manager, Kristina Brown. See Exhibit B, lines 8, 15, 24, 31, 47. In addition, Mr. Morgan is wrong that Schedule B reporting is required for expenses that are accrued and paid within the same month, as was true for Ms. Brown's payments listed on his exhibit. With regard to the advertising purchased by my campaign, these expenditures were timely reported under WAC 390-05-295 for the month the ad buys were placed and charged to the campaign by the advertiser; they were not reported late. *See* Exhibit B, lines 30, 36, 41. Mr. Morgan offers no evidence to the contrary, and he has none.

3. Mr. Morgan alleges that our campaign did not break down expenses as required by Commission regulations, by not specifying the exact purpose of the expenditure, the quantity of items printed, and the value of broadcast ads on various

media outlets. This is incorrect. Each of the examples listed in Mr. Morgan's "Exhibit C" has subvendor information (where appropriate), and each was filed as directed by the Commission to our campaign treasurer, recognizing the character limits for description lines. Our campaign listed small check orders consistent with the Commission's manual; we do not believe that the suggested language in the PDC manual addressing printing items applies to small check orders from a bank. Based on numerous conversations that our campaign treasurer had with the Commission over the past few years, our campaign accurately reported subvendor information. Further, without conceding that Mr. Morgan's allegations are accurate, he has identified a *de minimis* violation at best. Our campaign conscientiously reported the dollar amounts spent, the purpose of the expenditures, and the dates the expenditures were incurred. Even if this strained reading were correct, that the amount going to each identified subvendor should have been broken out, the public was not deprived of meaningful information by this omission. With respect to Mr. Morgan's allegation that our campaign violated RCW 42.17A.235 by failing to identify the number of items printed for various printing projects, it is worth emphasizing that no law or regulation explicitly requires this information to be reported. While WAC 390-16-037 provides three examples, one of which contains the number of mail pieces produced in the "purpose" field, nowhere in the regulation or in any other law is it stated that this information is *required.*

4. Mr. Morgan alleges that my purchase of a domain name triggered an obligation to file a C1 form, and we did not timely do so. This allegation is false. The requirement to file a C1 form is triggered when a candidate raises $200, spends $200, accrues at least $200 in debt or obligations to a potential campaign, or otherwise announce his intention to run for office. None of these circumstances existed at the time I purchased the domain name at issue. The cost of the domain name was less than $200. At the time I purchased the domain name, I had not yet decided to run for office. Mr. Morgan provides no evidence that I had announced my intention to run for office at the time I purchased the domain name.

5. Mr. Morgan alleges that our campaign failed to disclose "multiple" contributions and expenditures made prior to registration on the date we filed our C1 report. He provides no specification of what these "multiple" undisclosed contributions and expenditures were, because there were none. Again, this charge is an intentional falsehood or recklessly made guess. My campaign properly filed complete C3 and C4 forms at the time we filed our C1 report. These forms are available here:
http://web.pdc.wa.gov/rptimg/default.aspx?docid=4538620
http://web.pdc.wa.gov/rptimg/default.aspx?docid=4538619
http://web.pdc.wa.gov/rptimg/default.aspx?docid=4538618

6. Mr. Morgan alleges that our campaign made illegal donations to political committees, in violation of RCW 42.17A.430(8). This is another intentionally or

recklessly false allegation. Candidates may pay for advertising, even if the advertising organization is a political organization; this is an allowable expense. Both the 34th and 46th Legislative District Democrats sent out a sample ballot, and candidates could pay for advertising on the ballots. The two expenses cited by Mr. Morgan were advertising in these sample ballots.

7. The travel attributed to us on March 10, 2016 in this paragraph was not car travel but air travel. Of course, Mr. Morgan has no evidence otherwise; this is another completely false allegation. The two remaining expenditures listed by Mr. Morgan were supported by documentation, as required by WAC 390-16-238(3)(a).

8 and 9. Mr. Morgan alleges that "on information and belief" three individuals, Katherine Bobman, Kristina Brown, and Lauren Howell, met the definition of "committee officer" in WAC 390-05-245 and made, directed, or authorized contribution, expenditure, strategic, or policy decisions on behalf of our campaign. This is false, and Mr. Morgan offers no evidence in support of his incorrect claim. Ms. Bobman was a fundraising consultant and did have permission to make expenditures. Ms. Brown was my campaign manager, and the same was true of her. Ms. Howell was an administrative assistant and likewise did not make contribution, spending, or policy decisions.

10. Mr. Morgan alleges that my loans to our campaign were not documented by a written instrument. It appears that Mr. Morgan is listing the same loan information twice. My loans to our campaign were the subject of a written instrument, and our C3 reports clearly identify these transfers as loans.

11. Mr. Morgan alleges without any evidence that our campaign treasurer is not maintaining campaign financial records for five years, as required by RCW 42,17A.235(6). Mr. Morgan offers no evidence whatsoever of this allegation, and it is false.

12. This allegation is derivative of the allegation made by Mr. Morgan in paragraph 4 and is false for the reasons stated in response to that paragraph above. We timely filed our F1 report.

13. Mr. Morgan makes various allegations that our F1 form was inaccurate. These allegations again are total guesses, are difficult to understand, and in any event are wrong. Mr. Morgan has no evidence that Planned Parenthood Votes, Hagens Berman Sobol Shapiro, H&L Designs, and Hanford Challenge received payments of $12,000 from "a business or commercial entity" that we were required to disclose. With regard to our disclosures of my interest in the law firm at which I was a partner, I consulted with counsel, Perkins Coie, to advise me, and we made proper disclosures. Mr. Morgan's

apparent claim that we were required to report real estate transactions with Planned Parenthood Votes and Hagens Berman does not make sense. In any event, we are aware of no real estate transactions as guessed at by Mr. Morgan; these allegations are simply false.

14. Mr. Morgan alleges that we did not disclose a federal "FERS" account on our F1 report. Mr. Morgan offers no evidence, however, that I had a FERS account at the time we filed our F1 report. In fact, I was a federal employee for approximately five years ending in 1994, and at the time we filed our F1 I no longer had a FERS account.

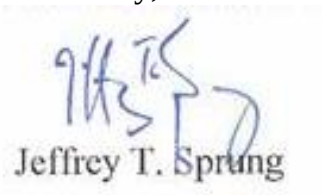
15. Mr. Morgan alleges that I held a board position for the organization Hanford Challenge that was required to be reported by RCW 42.17A.710(1)(g), WAC 390-24-010, and WAC 390-24-150. This claim is baseless. I was a member of an informal advisory board for Hanford Challenge. I did not hold an "office, directorship, or any general partnership interest" in Hanford Challenge, which would trigger reporting under RCW 42.17A.710(1)(g).

16. Mr. Morgan alleges that we did not comply with RCW 42.17A.700 and WAC 39-24-010 in listing "ownership of various assets and investments" supposedly enumerated on an attachment. Mr. Morgan provided no "attachment," however, so his allegation is indecipherable. Our F1 report properly listed my bank accounts, saving accounts, insurance policies, and other items of intangible personal property, as required by RCW 42.17A.700 and WAC 39-24-010. Mr. Morgan's allegation is completely baseless.

As shown above, the Sprung campaign's reporting was clear and sufficient under the requirements of the FCPA. If there were any very limited areas where it was not, the omissions were so *de minimis* in nature that they could not be deemed material violations of RCW chapter 42.17A. Our campaign was in substantial compliance with the relevant statutes or rules, and no formal action here is warranted. The factual allegations pled by

Mr. Morgan are not only demonstrably false, but they appear to be intentionally or recklessly false. We believe such irresponsible charges are an abuse of the Commission's processes. Please contact us if you need any further information.

Sincerely,



cc: Robert H. Lavitt, Esq.