



STATE OF MICHIGAN  
RUTH JOHNSON, SECRETARY OF STATE  
DEPARTMENT OF STATE  
LANSING

March 6, 2014

Karen Zeglis  
Utrecht, Kleinfeld, Fiori, Zeglis & Partners  
1900 M Street, NW  
Suite 500  
Washington, DC 20036

kzeglis@up-law.com

*Via UPS and E-mail*

Dear Ms. Zeglis:

The Department of State (Department) is currently investigating a campaign finance complaint filed against Detroit Forward and the Michigan Community Education Fund (MCEF) by Turnaround Detroit, which alleged that Detroit Forward violated sections 33 and 41 of the Michigan Campaign Finance Act (Act), 1976 PA 388, MCL 169.201 *et seq.*, and MCEF violated sections 24 and 33 of the Act.

The Department has completed a preliminary review of the evidence and requests written answers to the following questions:

1. Did MCEF solicit any funds for the purpose of making a contribution to Detroit Forward?
2. Did MCEF receive funds for any purpose other than making a contribution to Detroit Forward? If so, what is the total amount received for other purposes?
3. Did MCEF make any expenditures within the meaning of MCL 169.206 other than the following contributions to Detroit Forward?
  - a. 10/17/2013 \$25,000
  - b. 10/20/2013 \$39,000
  - c. 10/28/2013 \$70,000
  - d. 10/28/2103 \$15,000
4. What type of accounting method does MCEF use (First-In/First-Out, Last-In/First-Out, etc.)?

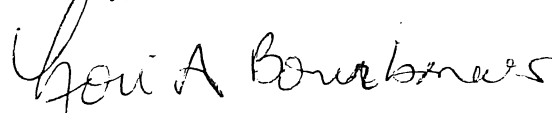
Please also provide in writing:

1. The amount and date of each contribution received by MCEF used for each of its expenditures to Detroit Forward listed above in 3(a)-(d). Please note that at this time the Department is not asking for disclosure of the names of those contributors, simply the date(s) and amount(s).
2. The names of all Directors of MCEF.
3. The name and address of MCEF's depository.

**Please submit the requested information to the Department of State, Bureau of Elections, Richard H. Austin Building, 1<sup>st</sup> Floor, 430 West Allegan Street, Lansing, Michigan 48918 by March 14, 2014.** It is essential that the Department receives this information by the deadline specified.

While no final determination has been made whether the evidence supports a reason to believe either MCEF or Detroit Forward has violated the Act, if such determination is made and the Department begins the conciliation process, the proposed agreement will include a requirement that the Department be allowed to inspect MCEF's records, Detroit Forward's records, or both.

Sincerely,



Lori A. Bourbonais  
Bureau of Elections  
Michigan Department of State

UTRECHT, KLEINFELD, FIORI, ZEGLIS & PARTNERS

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March 13, 2014

Lori A. Bourbonais  
Bureau of Elections  
Michigan Department of State  
430 W. Allegan  
First Floor  
Lansing, MI 48918

**RE: Complaint Filed Against the Michigan Community Education Fund**

Dear Ms. Bourbonais,

This letter and its attachments respond to your letter dated March 6, 2014 requesting additional information regarding the Michigan Community Education Fund ("MCEF").

MCEF is organized as a section 501(c)(4) organization of the Internal Revenue Code of 1986, as amended, incorporated as a nonprofit corporation in the state of Michigan, and operates primarily for social welfare purposes, including voter registration and engagement. MCEF is currently focused on Detroit but intends to expand into other urban areas. The hope and intention is that MCEF has a lasting impact on voter registration and participation in Michigan's urban areas.

MCEF was formed in 2013 in the wake of alarming low voter participation statistics in the City of Detroit. At the time of formation, Detroit was enduring a historic bankruptcy, facing record high unemployment, and little attention being paid to the importance of participating in the electoral process. There were clear signs of voter apathy, as described in the attached news articles (see Attachment A). Chris Jackson, the founder of MCEF, identified this urgent need within his community and created MCEF.

The affidavit from Mr. Jackson included under Attachment B describes the manner in which he raised money for MCEF. As stated in the affidavit, every solicitation included a conversation about the permissible activities of both MCEF and Detroit Forward, a Michigan independent expenditure political committee. Mr. Jackson never discussed that funds given to

MCEF would subsequently be contributed to Detroit Forward, although he did discuss that MCEF could engage in a limited amount of political activity. All funds received by MCEF were solicited in this manner.

To date, MCEF has raised a total of \$213,550. I remind the Department that MCEF is a new organization, formed just a few months ago, and that the organization will be evaluated by the Internal Revenue based on its entire taxable year<sup>1</sup> and not just a snapshot of its first few months in existence.

As stated in the attached affidavit, MCEF did not make any other expenditures within the meaning of MCL §169.206 beyond the permissible contributions to Detroit Forward.

MCEF generally employs the first-in/first-out accounting method, and MCEF maintains a bank account at First Independent Bank in Detroit. The dates and amounts of donations that comprise the contributions made to Detroit Forward are as follows:

<u>Date</u>	<u>Amount</u>
10/3/2013	\$50
10/10/2013	\$15,000
10/10/2013	\$15,000
10/10/2013	\$10,000
10/18/2013	\$39,000
10/21/2013	\$100,000

Again, MCEF is a newly formed organization that is not even halfway through its first taxable year. MCEF is currently meeting with other community organizations about ways to secure funding and work together to have an efficient and effective voter registration and education drive.

MCEF is currently in the process of memorializing its board of directors. Around the time of MCEF's formation, Mr. Jackson spoke with Nathan Ford and Keith Williams about joining the board, and both agreed to serve. Mr. Ford and Mr. Williams weighed in on the voter registration and engagement activities of MCEF in 2013 and have continually offered strategic advice regarding the organization.

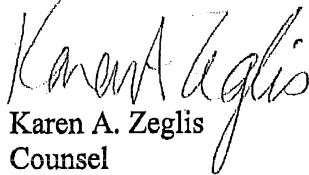
Finally, it bears repeating that the complaint filed by Turnaround Detroit is based purely on speculation and does not offer any evidence of a violation of Michigan laws. MCEF has not violated any Michigan law by making legal contributions to Detroit Forward; there is no law or rule that requires organizations making contributions to Michigan independent expenditure political committees to register as political committees with the state. Unless and until the legislature or the Department issues more specific guidelines, no registration obligation exists under Michigan law for donors to independent expenditure political committees.

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<sup>1</sup> MCEF's taxable year is September 1 – August 31.

For the foregoing reasons, the Department should dismiss the complaint by Turnaround Detroit.

Sincerely,

A handwritten signature in cursive script, appearing to read "Karen A. Zeglis".

Karen A. Zeglis  
Counsel  
Michigan Community Education Fund

Attachments

## **Attachment A**

## Voter turnout light despite heated mayoral race in Detroit

By Tammy Stables Battaglia, Christina Hall and Eric D. Lawrence Detroit Free Press Staff Writers Filed Under Local News Metro Detroit Dave Bing Kevyn Orr Pontiac  
2:33 PM, August 6, 2013 |



A precinct worker looks on as Joya Rush-Keli, center, places her ballot to vote as Jerry McCullouth, waits his turn during Detroit's primary election day Tues., August 6, 2013 at Chrysler Elementary School on Lafayette in Detroit.

**A precinct worker looks on as Joya Rush-Keli, center, places her ballot to vote as Jerry McCullouth, waits his turn during Detroit's primary election day Tues., August 6, 2013 at Chrysler Elementary School on Lafayette in Detroit. / Regina H. Boone/Detroit Free Press**

Whether the time of day, rain or general apathy, turnout seemed light across southeast Michigan as voters in metro Detroit communities cast ballots for millages, candidates and the much-watched Detroit mayoral race.

At Pershing High School at East 7 Mile and Ryan roads in Detroit, only six people had cast ballots by 10:06 a.m., as voters narrow down a field of 14 candidates vying to replace Dave Bing as mayor.

Detroit Elections Director Daniel Baxter said officials anticipate 12-17 percent voter turnout.

"It's unfortunate," Baxter said. "But with everything that's going on, a lot of people are disenchanted with the electorate and city government."

If the turnout is as low as 12 percent, it will be a record low. If it is 17 percent, it will match the 2009 election that brought Dave Bing and five newcomers to office.

Baxter, who was overseeing vote counts at Cobo Hall in what he called a "tranquil" atmosphere said they will count about 30,000 absentee ballots.

"We've already processed 20,000 of that," he said. "By 11 a.m., 3 percent of the population had voted."

Poll worker George Hardnett, 55, offered his theory on the light turnout.

"I think general voter apathy is the underlying cause," said Hardnett, who lives within walking distance of Pershing. He said he does not believe the appointment of an emergency manager is the issue, saying that although some people might feel disenfranchised, others might be motivated to choose a mayor who will be in place after Kevyn Orr is gone

Tonya Fairley, 40, said she expected higher turnout this morning. Fairley said she votes in every election. And although she was hesitant to say who she voted for at first, she finally fessed up: write-in candidate Mike Duggan, "not the imposter," she said, referring to barber Mike Dugeon

whose entry into the race has been criticized as an attempt to sow confusion.

Regardless, candidate Mike Duggan said he's had great response from residents as he stopped to thank poll workers and supporters like Willie Johnson, 69, who held one of the first Duggan house parties as the campaign got underway in October.

"People have been wonderful, and we'll find out at 8 o'clock how it turns out," he said after spending a few minutes at Johnson's home at Pembroke and Greenfield Road on the city's northwest side.

By 9 a.m. at Herrington Elementary's Precinct 15 in Pontiac, 32 people voted in the mayoral race and for 5th District Council seat.

"You can control 70,000 people with 100 votes," said resident Bobby Dansby, 44, estimating a total number of voters by the end of the day at that pace. "That's the craziest thing I've ever seen."

Mayoral candidate Eric Johnson supporter Gloria Miller, 55, said she hopes more people vote later in the day.

"They don't understand the power of the vote," she said of those who fail to cast a ballot.

Turnout was a little higher in St. Clair Shores, where voter totals were in the 40s by 11:30 a.m. at Kennedy Middle School.

Before 10 a.m., 34 people had voted at Marie C. Graham Elementary School in Harrison Township, where there are police, fire and library millages on the ballot. Clifford Shunk, 70, voted in favor of all three proposals. "We have to support our police and fire and educate our children with our library," the 22-year resident said.

Lake Orion resident Jim McAtamney, 53, voted today at the polling place at St. Joseph Catholic Church on Lapeer Road in Lake Orion. Voters are deciding on two Lake Orion Schools millages for improvements to technology, security and facilities. McAtamney said he voted no: "I think they've got enough technology," said the father of three college-age students, one at the University of Michigan and two at Michigan State.

Right behind him, though was Brian Drury, 42, a father of four who voted yes for the two school millages.

"I've got four kids in this school district," he said. "I think having the technology is one of the key areas to make sure the kids are getting the most up-to-date tools to learn."

*Detroit Free Press Staff Writer Rochelle Riley contributed.*



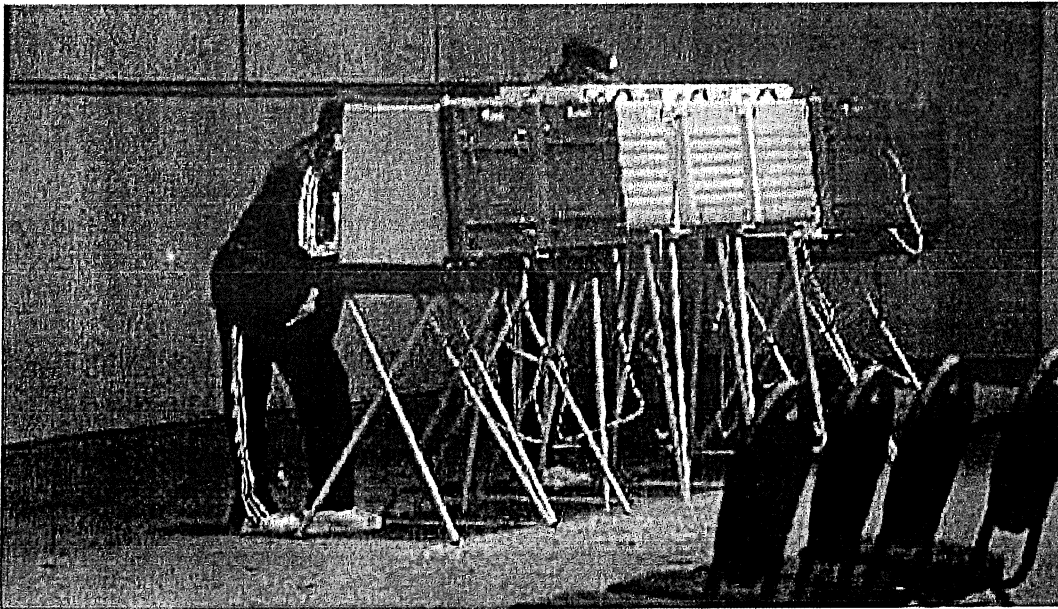


## Detroit polls quiet on primary election day

Detroit City Clerk's office predicting very low voter turnout

**Author:** Lisa Ray, Managing Editor, ClickOnDetroit.com, @ClickOnLisa, [lrays@wdiv.com](mailto:lrays@wdiv.com)  
**Roger Weber**, Local 4 Reporter, @RogerWLocal4, [rogerw@wdiv.com](mailto:rogerw@wdiv.com)

Published On: Aug 06 2013 06:09:08 PM EDT Updated On: Aug 06 2013 06:16:33 PM EDT



### DETROIT -

Outside the precincts across Detroit voters passed a gauntlet of campaign workers Tuesday.

Inside those same buildings the precincts looked empty -- very different from the 2012 presidential election.

Pastor Barak Holmes said, "When I came for Obama I was three hours in line."

This morning I was the only person in line."

Rain fell briefly Tuesday morning but most of the day the weather was perfect. The city clerk's office predicts a voter turnout as low as 12 percent and as high as 17 percent.

### Complete list: Detroit mayoral primary election candidates

Most of the mayoral candidates cast their ballots between seven and eight o'clock this morning before returning to the campaign trail.

Whoever wins in November will take the oath of office but not the reins of power. An emergency manager will be calling the shots during at least part of the new mayor's term

Voter Javien Adams said, "You don't know when that mayors going to have any power. It is important to have someone in place who can continue to move the city forward."

Unlike previous elections, the write-in vote will play a major role. In addition, for the first time in nearly 100 years people are choosing council members by districts.

**Survey: 40 percent of Detroit voters to write in mayoral candidate**

## **Decision 2013: Election results from across metro Detroit**

- To find out where to cast your vote in the city, [go here](#).
- ClickOnDetroit.com will post election results [right here](#) after the polls close. It's not clear when the Detroit mayoral results will be available.
- Follow the latest #Decision2013 social media chatter [right here](#).



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## **Attachment B**

BEFORE THE STATE OF MICHIGAN, DEPARTMENT OF STATE

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*In re Complaint against the Michigan Community Education Fund*

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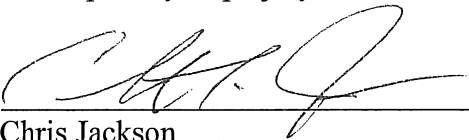
**AFFIDAVIT OF CHRIS JACKSON**

*I, Chris Jackson, do hereby certify:*

1. I am the founder of the Michigan Community Education Fund ("MCEF"), an entity organized under Section 501(c)(4) of the Internal Revenue Code of 1986, as amended, and incorporated as a nonprofit corporation in the state of Michigan.
2. I formed MCEF to address the urgent need to increase voter participation in Detroit and other urban areas within the state of Michigan.
3. I personally solicited funds for MCEF in one-on-one meetings and conversations by telephone. In each discussion about a potential donation to MCEF, I discussed the primary purpose of MCEF, voter registration and engagement, as well as potential permissible and limited political activities of MCEF.
4. Regarding the permissible and limited political activities of MCEF, I discussed that MCEF could engage in direct advocacy for or against a candidate, or provide financial support to other groups engaging in direct candidate advocacy.
5. All donations to MCEF were given in response to a description of its primary purpose and its ability to engage in limited political activity. In no discussion did I specifically raise funds for MCEF for the purpose of making a contribution to Detroit Forward, a Michigan independent expenditure political committee.
6. MCEF did not make any expenditures within the meaning of MCL 169.206 beyond the permissible contributions to Detroit Forward.

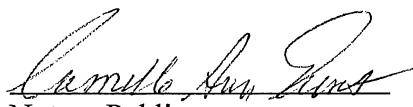
[Signature Page Follows]

I declare under penalty of perjury that this declaration is true and correct.

Signed:   
Chris Jackson

Date: 3-13-14

Subscribed and sworn to before me this 13 day of March, 2014.

  
Notary Public

CAMILLE ANN EVANS  
NOTARY PUBLIC, STATE OF MI  
COUNTY OF OAKLAND  
MY COMMISSION EXPIRES JAN 3 2016  
NOTING IN COUNTY OF Wayne



STATE OF MICHIGAN  
RUTH JOHNSON, SECRETARY OF STATE  
DEPARTMENT OF STATE  
LANSING

April 9, 2014

Karen Zeglis  
Utrecht, Kleinfeld, Fiori, Zeglis & Partners  
1900 M Street, NW  
Suite 500  
Washington, DC 20036

Dear Ms. Zeglis:

The Department of State (Department) has completed its investigation of the campaign finance complaint filed against Detroit Forward and the Michigan Community Education Fund (MCEF) by Turnaround Detroit, which alleged that Detroit Forward violated sections 33 and 41 of the Michigan Campaign Finance Act (Act), 1976 PA 388, MCL 169.201 *et seq.*, and MCEF violated sections 24 and 33 of the Act. This letter concerns the disposition of Turnaround Detroit's complaint, which was filed on November 1, 2013. You filed an answer on behalf of the respondents on December 23, 2013. Turnaround Detroit did not file a rebuttal statement with the Department. The Department requested additional information from you on March 5, 2014. You provided this information by letter dated March 13, 2014.

The complainant alleged that: (1) MCEF met the Act's definition of committee and was obligated to meet the registration and reporting requirements of the Act when it made 4 contributions totaling \$149,000.00 to Detroit Forward, and that MCEF violated the Act by failing to comply with these provisions; (2) Christopher Jackson, treasurer of Detroit Forward and the lone incorporator of MCEF, set up MCEF "for the purpose of funneling secret contributions to Detroit Forward[;]" (3) Detroit Forward filed incomplete or inaccurate reports because it was required to itemize the contributions it received from MCEF and report the names of each individual or entity who was the source of the funds of the 4 contributions made by MCEF to Detroit Forward; and (4) MCEF acted as an intermediary and was required to disclose the names and addresses of the actual sources of the contributions it made to Detroit Forward.

In the course of the Department's investigation of the complaint, review of Detroit Forward's campaign finance statements, and the evidence and supplemental material provided, the Department finds there may be a reason to believe violations of the Act occurred as explained below.

**Background**

Detroit Forward was formed as an independent expenditure PAC on April 17, 2013. Detroit Forward listed Christopher T. Jackson as its treasurer on its Statement of Organization. Detroit Forward's Statement of Organization was signed by Mr. Jackson and Shelly R. Moskwa (the designated record keeper) and filed with the Wayne County clerk on April 18, 2013.

On September 26, 2013 Mr. Jackson filed Articles of Incorporation for MCEF with the Michigan Department of Licensing and Regulatory Affairs.<sup>1</sup> The Articles of Incorporation indicate that MCEF is a “nonprofit organization that shall operate exclusively for social welfare purposes within the meaning of section 501(c)(4) of the Internal Revenue Code of 1986, as amended, which shall include but not be limited to voter registration and education.”

According to your March 13 response to the Department’s request for additional information, MCEF used funds received on the following dates as the source of its contributions to Detroit Forward:

<u>Date</u>	<u>Amount</u>
10/3/2013	\$50.00
10/10/2013	\$15,000.00
10/10/2013	\$15,000.00
10/10/2013	\$10,000.00
10/18/2013	\$39,000.00
10/21/2013	\$100,000.00

In turn, MCEF made the following contributions to Detroit Forward:

<u>Date</u>	<u>Amount</u>
10/17/2013	\$25,000.00
10/20/2013	\$39,000.00
10/28/2013	\$70,000.00
10/28/2013	\$15,000.00

Thus, in a 12-day period, MCEF contributed a total of \$149,000.00 to Detroit Forward and became Detroit Forward’s largest contributor. In fact, between October 17 and October 28, 2013 MCEF contributed \$149,000.00 of the \$442,700.00 Detroit Forward raised during the entire 2013 Detroit mayoral election cycle, or over 33%.

After reviewing Detroit Forward’s campaign finance statements, the Department notes that on October 21, 2013 -- the same day MCEF received a \$100,000.00 contribution -- Detroit Forward’s cash-on-hand was \$32,818.68. Mr. Jackson then proceeded to make \$68,308.75 in expenditures from Detroit Forward over the next 5 days, leaving Detroit Forward with a negative balance in the amount of \$35,490.07 on October 26, 2013. Mr. Jackson then transferred \$85,000.00 from MCEF to Detroit Forward on October 28, 2013. It appears to the Department that due to Mr. Jackson’s unique interlocking positions with both MCEF and Detroit Forward, and his knowledge of Detroit Forward’s needs, although Mr. Jackson originally deposited the October 21, 2013 \$100,000.00 contribution in MCEF’s account, he treated that money as Detroit

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<sup>1</sup> By letter dated March 6, 2014, the Department requested the names of all directors of MCEF. According to your response, “MCEF is currently in the process of memorializing its board of directors” and that “[a]round the time of MCEF’s formation, Mr. Jackson spoke with Nathan Ford and Keith Williams about joining the board, and both agreed to serve.” You further stated that “Mr. Ford and Mr. Williams weighed in on the voter registration and engagement activities of MCEF in 2013 and have continually offered strategic advice regarding the organization.” Thus, it appears that Mr. Jackson was the sole director of MCEF at all times relevant to this complaint.

Forward's funds and made expenditures of those funds from Detroit Forward almost immediately and before the transfer.

With your March 13 response to the Department, you provided Mr. Jackson's sworn affidavit, which stated that he "formed MCEF to address the urgent need to increase voter participation in Detroit and other urban areas within the state of Michigan." He also stated that he "personally solicited funds for MCEF in one-on-one meetings and conversations by telephone" and that "[i]n no discussion did [he] specifically raise funds for MCEF for the purpose of making a contribution to Detroit Forward [.]". Yet, Mr. Jackson acknowledged in his affidavit that "[i]n each discussion about a potential donation to MCEF, [he] discussed the primary purpose of the MCEF, voter registration and engagement, **as well as potential permissible and limited political activities of MCEF [.]**" and that "**MCEF could engage in direct advocacy for or against a candidate, or provide financial support to other groups engaging in direct candidate advocacy.**" (Emphasis added.) Because MCEF used contributions in accordance with Mr. Jackson's statements to contributors that MCEF may use its funds to provide financial support to groups engaging in direct candidate advocacy, MCEF must disclose the original source of the funds solicited.

As the sole incorporator of MCEF and treasurer of Detroit Forward, Mr. Jackson was keenly aware of both organizations' financial positions and could quickly direct substantial contributions from MCEF to Detroit Forward. During this pivotal period, Mr. Jackson transferred over 80% of all funds obtained by MCEF from the time of its inception until Election Day (\$179,050.00).<sup>2</sup> Thus, it appears that MCEF's original, primary purpose was to shield the names of contributors to Detroit Forward from public disclosure, not fund a coordinated education campaign on voter registration and participation. In essence, by having donors contribute to MCEF and then transferring the contributions to Detroit Forward, Mr. Jackson orchestrated MCEF's effort to thwart the disclosure purposes of the Act.

### **MCEF is a Committee Subject to the Act's Registration and Reporting Requirements**

The registration and reporting requirements of the Act apply to any "committee," which is defined as "a person<sup>[3]</sup> who receives contributions or makes expenditures for the purpose of influencing or attempting to influence the action of the voters for or against the nomination or election of a candidate ... if contributions received total \$500.00 or more in a calendar year or expenditures made total \$500.00 or more in a calendar year." MCL 169.203(4). Under the Act, a committee is required to file a statement of organization within 10 days of its formation. MCL 169.224(1). The failure to timely file a statement of organization may result in the assessment of late filing fees or, in extreme circumstances, the filing of misdemeanor charges. *Id.* The failure to file a single campaign statement may trigger late filing fees. MCL 169.233(7). In certain circumstances, multiple failures to file may constitute a misdemeanor offense. MCL 169.233(8).

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<sup>2</sup> When accounting for all funds received by MCEF from September 26, 2013 to present, approximately 70% of MCEF's total was transferred to Detroit Forward.

<sup>3</sup> The word "person" is defined as "a business, individual, proprietorship, firm, partnership, joint venture, syndicate, business trust, labor organization, company, corporation, association, committee, or any other organization or group of persons acting jointly." MCL 169.211(1).



Although not relevant to this disposition of this complaint, the Act provides a safe-harbor for persons who make contributions to ballot question committees: "A person, other than a committee registered under this Act, making an expenditure to a ballot question committee, shall not, for that reason, be considered a committee for the purposes of this act unless the person solicits or receives contributions for the purpose of making an expenditure to the ballot question committee." MCL 169.203(4). Thus, a corporation that makes a contribution to a ballot question committee is not subject to the Act's registration and reporting requirements unless the corporation solicits or receives contributions from other sources for the purpose of making an expenditure to a ballot question committee. Because Detroit Forward is not a ballot question committee, MCEF cannot avoid registering as a committee on the basis that it did not solicit or receive money for the express purpose of making an expenditure to Detroit Forward.

In your answer on behalf of MCEF, you assert that "[t]here is no requirement under Michigan law that requires a nonprofit corporation to register as a political committee if its only activity is making a contribution to an independent expenditure political committee." This assertion is not a correct statement of Michigan law. Any person, including a corporation, which receives contributions or makes expenditures of at least \$500.00 in a calendar year satisfies the statutory definition of "committee" and becomes subject to the Act. A nonprofit corporation that makes contributions to an independent expenditure committee which supports or opposes a candidate, such as Detroit Forward, falls squarely within this definition. Once MCEF met the definition of a committee, it was required to file a statement of organization within 10 days. MCL 169.224(1).

MCEF was also required to file periodic campaign finance statements that completely and accurately disclose the sources, dates, and amounts of all contributions and expenditures. MCEF was required to file a 2013 Pre-General Report due on October 25, 2013 (with a closing date of October 20, 2013), and a 2013 Post-General Report due on December 5, 2013 (with a closing date of November 25, 2013). MCL 169.233.

In addition, a treasurer who files an incomplete or inaccurate statement or report is subject to a civil fine of up to \$1,000.00. MCL 169.233(10). A treasurer who knowingly omits or underreports individual contributions or individual expenditures required to be disclosed by the Act may be subject to a civil fine of up to \$1,000.00 or the amount of the undisclosed contributions, whichever is greater. MCL 169.233(11). By failing to file either campaign statement, MCEF effectively omitted every contribution it received and every expenditure it made during the Detroit mayoral election cycle, in violation of MCL 169.233(11). These omissions deprived voters of the opportunity to learn the true source(s) of \$149,000.00 in contributions it received and expenditures it made to Detroit Forward in advance of the November 5, 2013 general election.

Finally, the Act requires a committee to file a late contribution report within 48 hours of receipt of a late contribution. MCL 169.232(1). The failure to file a late contribution report may trigger late filing fees equal to the amount of the undisclosed contribution or \$2,000.00 per report, whichever is less. MCL 169.232(4). MCEF was required to file one such report for the late contribution it received on October 21, 2013, identifying the source and amount of that late contribution.

Because the Department concludes that MCEF met the definition of a committee, should have registered as a committee and filed complete and accurate statements and reports of its contributions and expenditures, the duty to disclose fell upon MCEF, not Detroit Forward.

However, if MCEF denies it violated the statute, the Department is prepared to find that MCEF is an adjunct of Detroit Forward and that Detroit Forward violated the Act by commingling its funds with those of MCEF, failing to disclose contributors, filing incomplete and inaccurate reports, and failing to identify MCEF's account as a secondary depository. Detroit Forward and MCEF shared an interlocking treasurer/director who was aware of the financial needs of Detroit Forward. Because of this unique relationship, Mr. Jackson was in the position to solicit funds through MCEF which he then almost immediately transferred to Detroit Forward. Records indicate that Mr. Jackson expended this money from Detroit Forward on at least one occasion before actually transferring the money from MCEF, leading the Department to believe Mr. Jackson treated this money as Detroit Forward's from the time of its receipt.

### **Proposed Resolution**

Based on the foregoing, the Department finds that there may be reason to believe that MCEF violated the Act. MCL 169.215(10). Having made this determination, the Department is required by law to attempt to resolve this matter informally. *Id.* The Department now offers you this opportunity to informally resolve the complaint by executing the enclosed conciliation agreement, which requires MCEF to: (1) file all outstanding statements and reports with the Wayne County Clerk, including the statement of organization, 2013 Pre-General and Post-General campaign statements, and October 21, 2013 late contribution report; (2) pay to the Wayne County Clerk all associated late filing fees, which total \$4,300.00; (3) provide to the Department copies of all statements and reports and a receipt of filing and proof of payment; and (4) pay a civil fine to the State of Michigan in the amount of \$15,000.00 for the undisclosed contributions.

If MCEF accepts this settlement, it must return all of the materials described above, payment in full, and the executed conciliation agreement to this office **on or before May 8, 2014**. Payment of the civil fine must be made by check or money order payable to the State of Michigan; please include the notation, "Conciliation Agreement, Attn: Bureau of Elections" on your check or money order; please contact the Wayne County Clerk's Elections Division at (313) 224-5525 for further instructions on remitting late filing fees to that office.

Within 30 days of its determination that there may be a reason to believe a violation of the Act has occurred, the Department is required to post on its website the associated complaint, response, rebuttal statement, and any correspondence regarding that violation between the Department and the respondent. This correspondence includes this determination letter. Please note that as long as a good-faith effort is made and the conciliation process is ongoing, the Department will not post any information to its website regarding this complaint until the 30<sup>th</sup> day.

Please be advised that if the Department is unable to resolve this complaint informally, it is required by MCL 169.215(10)-(11) to refer the matter to the Attorney General with a request that he prosecute MCEF, Mr. Jackson, or both for the misdemeanor offenses of failing to file a Statement of Organization for more than 30 days and failure to file two or more campaign

finance statements for more than 30 days, or commence an administrative hearing to enforce the civil penalties provided by law. "If after a hearing the secretary of state determines that a violation of this act has occurred, the secretary of state may issue an order requiring the person to pay a civil fine equal to triple the amount of the improper contribution or expenditure plus not more than \$1,000.00 for each violation." MCL 169.215(11).

Sincerely,

A handwritten signature in black ink that reads "Lori A. Bourbonais" followed by a stylized flourish or initials.

Lori A. Bourbonais  
Bureau of Elections  
Michigan Department of State