

Democracy North Carolina

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July 13, 2009

Larry Leake, Chair
State Board of Elections
PO Box 27255
Raleigh, NC 27611

Dear Mr. Leake,

Congratulations on your re-appointment to the State Board of Elections. Now that all the members for the State Board have been appointed, I encourage you to convene a hearing that focuses on possible violations of election law related to the Mike Easley Committee and travel gifts first revealed in newspaper articles this spring. I'm confident the Board staff is conducting a thorough investigation and hope the people involved in that inquiry are cooperating. I look forward to the Board bringing as much sunshine as possible on this matter in the near future.

This letter provides additional details not previously reported in the media. We are particularly concerned about possible election law violations involving a significant number of individuals who are major political donors, who own airplanes or automobile dealerships, and who provided transportation services for the Easley campaign or family. At the end of this letter is a chart showing 11 people who fit this description. Together with their families and close business associates, they donated a total of \$380,000 to Mike Easley's 2000 and 2004 gubernatorial campaigns. Most of them also received appointments to various state boards, making them public officials in one capacity or another.

In addition, based on new information from our research of campaign disclosure reports (see page 3), we are concerned that the NC Democratic Party was apparently used as a conduit for travel-related and other contributions that would violate campaign contribution limits if given directly to the Mike Easley Committee.

In numerous cases, it seems apparent that the donated use of vehicles, corporate jets, and private airplanes was simply not disclosed at all. A lengthy article (May 9, 2009) in *The News & Observer* identified examples where the value of an individual's *unreported travel* donation, plus the value of the same individual's *reported campaign* donation to Easley, would exceed the legal limit that a person may give, or a campaign may accept – i.e., \$4,000 per election. Examples of these apparent violations with regard to travel and campaign donations involved D. McQueen Campbell III, Cameron McRae, Russell Carter, Cress Horne, and V. Parker Overton.

Getting to the bottom of what happened is complicated by a number of factors. For example, in some cases, the cars and airplane travel provided by a particular major donor may be partly disclosed and partly not disclosed on the Easley campaign reports. Curiously, none of the flights McQueen Campbell III provided during the 2004 election are properly disclosed as in-kind donations or expenses; however, the Easley Committee reported paying Campbell's Executive Aircraft Service a total of \$11,077 in February and August 2005, in the months before and after Campbell helped Gov. Easley obtain a position at NC State University for his wife Mary.

A \$400 payment for travel is disclosed to Cameron McRea's Flying Pigs LLC in August 2003, but other flights McRea provided are not reported, and it's not clear if they were paid for by an individual or a business. Of course, contributions by a business to a campaign in any amount violate North Carolina election law. The Easley committee reports some travel on private planes as being supplied by individuals, such as by Jerry Wordsworth of Rocky Mount and Marvin Blount III of Greenville, and reports other travel as being paid to commercial firms, such as Segrave Aviation and Sanford Aircraft Services. However, the possible mixing of personal and business support related to the same donor is apparent from a review of the campaign disclosure reports. For example, the Easley committee reported receiving several in-kind donations of air travel from O.A. Keller III of Sanford as an individual, but in another case the committee reports paying \$920 in February 2004 to the Keller Group, which is a partnership that Keller heads.

The Easley Committee disclosed paying Bleecker Olds Buick GMC \$6,000 during the 2000 campaign, but did not report the campaign's use of another vehicle in 2003 and 2004 until *The News & Observer* revealed that Easley's son was still using the SUV in March 2009. Mike Easley incorrectly told the newspaper that he owned the GMC Yukon, but records show the vehicle was still owned by Robert Bleecker's dealership. Easley finally bought it in early April. The campaign estimated the value of the vehicle's use at \$6,710.64 and filed an amended report in April declaring that amount was a debt the Easley Committee owed the Bleecker dealership; however, from another perspective, the vehicle was an undisclosed gift by a corporation to the campaign and then to the governor, i.e., violations of the state's elections and ethics laws.

The multiple ways travel gifts were used – for the governor's personal and family use, campaign-related activities, and official duties – adds another complication to this inquiry. I won't try to summarize the detailed reporting of *The News & Observer* (March 29, 2009) about the gifts of automobiles and air flights provided to Easley and his family by Rick Hendrick of Charlotte. I would add that our research shows that Hendrick began making significant campaign donations to Easley when Easley was seeking re-election as Attorney General in 1996 and Hendrick was under federal investigation for bribery and fraud in connection with his Honda dealerships. For example, on September 26, 1996, Hendrick and 10 family members and Hendrick executives gave Easley a total of \$18,500. In October 2004, shortly before Easley's last election as governor, Hendrick and associates contributed \$24,000. Any donation of a vehicle or jet travel for the 2004 campaign would have put Rick Hendrick over the \$4,000 limit to Easley.

Another complicating factor is the role of the political party. As you know, parties are *not* subject to the \$4,000-per-election contribution limit. *The News & Observer* (May 9, 2009) identifies one example where the NC Democratic Party provided \$8,417 worth of air travel to the Mike Easley Committee in early 2004, which corresponds to in-kind donations of \$4,100 and \$4,317 the party received from Wendell H. (Dell) Murphy Jr. of Rose Hill and Thomas J. Segrave, owner of Segrave Aviation. Each of those donations would exceed the \$4,000 limit if given directly to the Easley committee. The *N&O* notes that aviation records indicate Murphy provided two flights in December 2003 which were listed on aviation reports as being for Easley campaign fundraisers but they were not disclosed on the year-end 2003 campaign report of the Easley committee. However, our research shows that the Easley committee did list \$8,417 for "In-Kind Air Charter" on its first quarter 2004 report; but rather than naming Dell Murphy or Thomas Segrave as the source, it attributes the in-kind travel as being provided by the NC Democratic Party.

This example highlights a significant problem that goes beyond the issues of a candidate receiving excessive, unreported, and/or business donations: Here we have an explicit case of the

NC Democratic Party apparently being used by a candidate as a conduit to launder earmarked donations that would be illegal if they were given directly to that candidate. We believe state law (e.g., NCGS 163-278.14) forbids the political party from circumventing the law in this manner; the party may receive large donations, but it may not receive earmarked donations to help a candidate bypass the \$4,000 limit on individual donations, nor may it represent itself as the donor of money given by another donor for a specific candidate. Because the level of detail is important in documenting cases of illegal conduits, we conducted further research and found these additional examples related to the 2004 Mike Easley Committee:

- December 31, 2003

On this date, the NC Democratic Party lists a contribution of \$6,000 from Parker Overton and an in-kind expenditure of \$6,000 to the Mike Easley Committee for Air Travel.

On this date, the Mike Easley Committee lists an in-kind contribution of \$6,000 from the NC Democratic Party and an expenditure to the Democratic Party of \$6,000 for In-Kind Air Travel. It seems apparent that Overton's \$6,000 is the money that paid for the Easley committee's travel: Parker Overton → NC Democratic Party → Mike Easley Committee.

- June 30, 2004

On this date, the NC Democratic Party lists a contribution of \$1,500 from McQueen Campbell III and lists an expenditure of \$1,500 to McQueen Campbell III for no given purpose.

On this date, the Mike Easley Committee lists an in-kind contribution of \$1,500 from the NC Democratic Party and an expenditure of \$1,500 to the Democratic Party for "In-Kind Airplane Travel." (Two other Campbell family members donated directly to the Easley campaign this day, but McQueen had reached the \$4,000 limit for the July 20 primary many months earlier.)

- October 16, 2004

On this date, the NC Democratic Party lists two in-kind contributions of \$3,800 from McQueen Campbell and \$1,250 from Cam McRae for no given purpose.

On this date, the Mike Easley Committee lists an in-kind expenditure to the NC Democratic Party of \$5,100 for "In-Kind Travel."

- December 31, 2003

As an example of an apparent earmarked donation not related to travel, on this date the NC Democratic Party lists a contribution of \$3,119.22 from Grace Ramsey of Raleigh. On the same day, the Democratic Party lists an expenditure of \$3,119.22 to the Mike Easley Committee for "In-Kind Holiday Gifts." Ramsey and her husband E. Stephen Stroud (chairman of Carolantic Realty) are Republicans and co-owned the property that developed into Cannonsgate in Carteret County, where Easley bought property. McQueen Campbell was a broker with Carolantic Realty and helped sell properties at Cannonsgate.

On this date, the Mike Easley Committee lists an in-kind contribution of \$3,119.22 from the NC Democratic Party and lists an expenditure of \$3,119.22 for "In-Kind Holiday Gifts."

In conclusion, we are calling for a thorough investigation of two troubling patterns: One pattern involves possible undisclosed, excessive, and/or business contributions given to support travel and related expenses of the Mike Easley Committee. The other involves the possible misuse of the NC Democratic Party as a conduit for earmarked contributions. In the near future, when staff has completed its inquiry, we believe it would serve the public interest for the State Board to convene a hearing to address the mysteries surrounding these activities and bring into sharp focus any violations of the state's elections laws.

From the perspective of Democracy North Carolina, Mike Easley’s “Travel-gate” reveals how candidates in search of campaign support can come to rely heavily on a small circle of donors, and how that dependency can lead to problems for the givers and receivers. A dangerous sense of privilege and entitlement can develop, as well as a pay-to-play attitude that suggests private and public benefits can be exchanged. Fortunately, most donors and political leaders are careful to avoid these pitfalls and many of them strongly support additional reforms to reduce the corrupting influence of the money chase. Individuals mentioned in this letter may have done nothing wrong, but their role as major donors and suppliers of important campaign resources puts them in the limelight.

Campaign reports show that the 11 individuals identified above, along with their families and chief business partners, gave \$380,000 to Mike Easley’s 2000 and 2004 gubernatorial campaigns. In addition, the same individuals gave \$320,000 to the state Democratic Party and \$1.2 million to other North Carolina candidates and committees, including \$190,000 to Republicans. All totaled, they gave \$1.9 million in the past 10 years, 1999 through 2008 and likely raised twice that amount for political candidates and parties.

Here’s a chart of the giving:

Donor/Family	Amount to Mike Easley’s Gubernatorial Campaigns	Amount to All NC Candidates in Past 10 years: 1999-2008
MCQUEEN CAMPBELL III	\$ 40,225	\$130,225
CAMERON MCRAE	\$ 27,548	\$118,629
RUSSELL CARTER	\$ 70,000	\$403,273
CRESS HORNE	\$ 4,500	\$ 40,600
V. PARKER OVERTON	\$ 11,000	\$ 68,448
JERRY WORDSWORTH	\$ 63,000	\$376,850
MARVIN K. BLOUNT III	\$ 13,600	\$ 60,375
O. A. (BUDDY) KELLER III	\$ 23,500	\$ 95,368
ROBERT BLEECKER	\$ 21,000	\$ 52,320
J. RICK HENDRICK III	\$ 81,500	\$282,850
WENDELL H. (DELL) MURPHY JR	\$ 24,500	\$263,573
TOTALS	\$380,373	\$1,892,510

Thank you for your positive leadership of the State Board for so many years. Please let me know if I can provide additional information. This letter presents the truth to the best of my knowledge.

Sincerely,

Bob Hall
Executive Director

cc: Board Members
Gary Bartlett, Kim Strach