

# The Williams Law Firm

*Attorneys and Counselors at Law*

**M. Elizabeth Williams**

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August 10, 2004

OFFICE OF GENERAL COUNSEL  
Federal Elections Commission  
999 E Street NW  
Washington, DC 20463

To Whom It May Concern:

My law firm filed a complaint with your office on August 4, 2004, wherein the Petitioners are Sandy Lyons, Patrick McHenry and George Moretz and the Respondents are Huffman for Congress Committee (FEC ID Number C00398776), David Huffman Jamie Parsons, Dean Proctor and Dale Jarrett Ford, Inc. It has come to my attention that my Notary Acknowledgement found on page six of said complaint is missing the Expiration Date for my commission. Please find enclosed one original and three copies of page five of said complaint wherein I have added said Expiration Date.

Further, please find enclosed the following that may aid in the Commission in deciding whether there is a reason to believe the allegations presented in said complaint: a press release recently issued by the Huffman for Congress Committee and an August 6, 2004, article from the Charlotte Observer. Also, there have been numerous statements made by Huffman and his campaign to the print media and on the radio that appear to contradict his claims regarding the "misreporting" of the first \$100,000.00 that he loaned his campaign; I did not include these articles and transcripts, however there are easily obtainable if the Commission decides to begin a full investigation.

If I may be of further assistance to you, do not hesitate to call.

Best regards,

**THE WILLIAMS LAW FIRM**

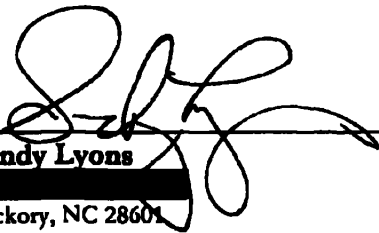
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R. Kelsey Williams

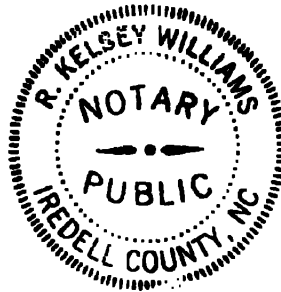
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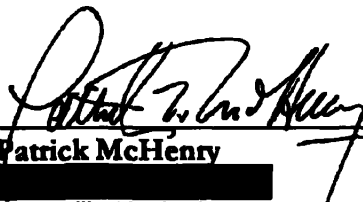
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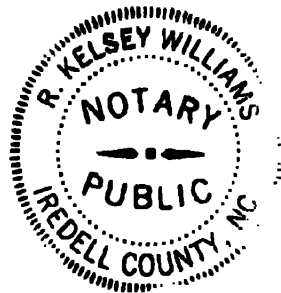
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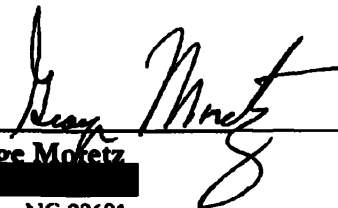
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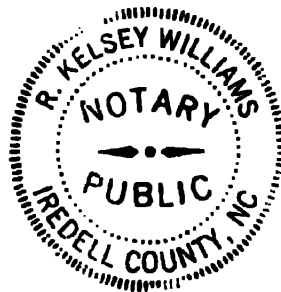
  
Sandy Lyons  
Hickory, NC 28601




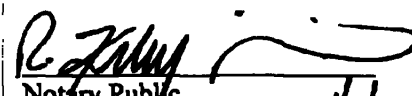
  
Patrick McHenry  
Cherryville, NC 28021




  
George Moketz  
Hickory, NC 28601



Signed and sworn to before me  
this 3rd day  
of August, 2004.  
  
Notary Public  
My Commission Expires: 4/11/09

Signed and sworn to before me  
this 3rd day  
of August, 2004.  
  
Notary Public  
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Signed and sworn to before me  
this 3rd day  
of August, 2004.  
  
Notary Public  
My Commission Expires: 4/11/09

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For Immediate Release, 8.5.04

**HUFFMAN REJECTS ACCUSATIONS BY CURRENT/FORMER OPPONENTS  
REGARDING CAMPAIGN FINANCES:**

**"OUR FEC REPORTS ARE AN OPEN BOOK AND NOT A PENNY HAS BEEN LOANED, CONTRIBUTED TO OR SPENT BY MY CAMPAIGN THAT HASN'T BEEN REPORTED. NOTHING IN THE FEC REPORTS HAS AFFECTED THE OUTCOME OF THE ELECTION!"**

(Hickory) – David Huffman, candidate for the 10<sup>th</sup> District Congressional district seat, and Huffman for Congress issue the following statement:

"David Huffman rejects attacks by his current and former opponents regarding his campaign's FEC reports and financing. It is completely wrong for David Huffman's opponents to say they 'lost' the election because of anything having to do with Huffman for Congress campaign funds, FEC reports or anything related to that subject.

This election is important to a congressional district that has been devastated by job loss. The citizens deserve FACTS, not innuendo and slimy personal attacks. Here are the facts regarding Huffman for Congress FEC reports:

We made an error in the way that a loan was entered into the campaign. We learned of the error on a weekend. The next business day, Monday, July 19, the loan was paid off in full and we then notified the FEC on our own, of our mistake. We have been working with the FEC since that time and today we are finalizing the correct manner in which this is to be reported. We have been communicating with the FEC regularly and keeping them informed while working daily to resolve some computer glitches in our campaign reporting software.

The FEC has never contacted us regarding this issue. WE contacted them; WE disclosed our error without any prompting from anyone else. We take full responsibility for this error and have made NO effort to try to hide anything from the FEC. We have never been notified by the FEC of any complaint or other action.

The only communication from the FEC to our campaign was a routine request for additional information regarding the due date and interest rate on campaign loans. We provided that information to the FEC on the same day we received their letter: May 20, 2004. Our response is documented on the FEC website. By the way, the information the FEC was seeking from us that we HAVE provided is still missing from Patrick McHenry's FEC report.

Never has the FEC requested ANY information from us that we haven't provided. We have in fact taken the initiative to be certain that the FEC was and is fully informed

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on everything our campaign is doing.

We have nothing to hide. We are doing our very best to comply with FEC regulations which are very complicated.

It appears that Patrick McHenry is spending more time worrying about our FEC report than properly reporting his own campaign finance information. In fact, we've now reviewed his reports and find numerous violations. A copy of those errors is attached. What that demonstrates is how complicated these rules are and how easy it is to make mistakes.

To make certain that everything has been and is being done correctly by our campaign, almost three weeks ago, the Huffman for Congress campaign retained FEC experts to review every item in its FEC reports, update and verify all entries and correct any mistakes. That process has now been completed and as of today, Huffman for Congress has filed amended FEC reports for the 1<sup>st</sup> and 2d quarters of 2004 and is timely filing the pre-runoff primary report due today at the FEC.

The reports reflect that Huffman for Congress over-reported amounts in the 1<sup>st</sup> Quarter. In other words, \$100,000 in available funds were never spent and were not deposited into the campaign account, but rather were held in the name of David Huffman, individually. That report has been amended to subtract the \$100,000 from the 1<sup>st</sup> quarter report.

The 2d quarter report has been amended to add the information that the paperwork for the loan from David Huffman to the campaign on June 17, 2004 was not correctly handled and the loan was in the name of Dean Proctor, rather than David Huffman. That was a mistake in the way the loan was handled and the mistake was corrected on July 19, 2004, before the primary. The reporting of the information has been completed with the assistance of the FEC.

Since July 20, 2004, Huffman for Congress has been in regular contact with the FEC regarding the proper way to correct the error and report the underlying loan information. That process was completed yesterday. The pre-runoff report filed today reflects the repayment of the June 17, 2004 loan on July 19.

David Huffman obtained his personal line of credit from BB&T bank from which he loaned the campaign \$100,000 on July 27, 2004. That amount appears on the pre-runoff report filed today.

Every transaction has now been properly reported and any known FEC mistakes have been corrected, with the full knowledge of and assistance by the FEC.

#### **SUMMARY OF FACTS**

1. The total amount of funds contributed, loaned to or spent by the Huffman for

Congress campaign has not changed.

2. All amounts have been publicly reported. Only the underlying information was not reported properly.

3. There was a correct and an incorrect way to obtain the June 17 loan. It was not done correctly in the beginning but it was fixed and done correctly as soon as we learned it had not been done right. No one at Huffman for Congress was aware of the problem until it was brought to our attention the weekend before the primary. In hindsight, it was ridiculous not to have done it correctly, because the bank was willing to loan the funds to David Huffman from the outset and that was the intent at all times anyway. It was corrected before the primary and was fully disclosed to the FEC several weeks ago.

4. None of this affected the outcome of the primary and should have no bearing on the outcome of the runoff. It was a mistake that we regret. It was unintentional.

5. The car purchased for the campaign raffle has been handled in a completely proper manner. It was purchased on July 27, 2004 for \$26,903.49, the invoice price of the car. The car purchase was not previously reported because it wasn't due to be reported until today. The raffle didn't occur until July 20. There was no purchase until after the raffle was held and after the winner was identified and had the opportunity to select the actual car he had won. The allegations on this subject are totally baseless. The car was NOT donated; it was paid for at the agreed price, which is the same price made available to other customers at the dealership. That is precisely what FEC rules allow.

6. Our FEC reports are an open book and not a penny has been loaned, contributed to or spent by Huffman for Congress that hasn't been reported.

7. Questions regarding David Huffman's financial capability to borrow money for his campaign are insulting and offensive. David Huffman is a frugal man and has assets sufficient to be a solid loan customer for any of our local banks. They would NOT make these loans to him if he were not creditworthy. Allegations to the contrary are lies.

Any person who wishes to come to the Huffman for Congress office and look at the FEC reports or David Huffman's personal financial disclosure reports is welcome to do so.

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**Statement by Dean Proctor, Finance Chairman of Huffman for Congress:**

"I regret the mistake I made in handling one of the loans for the campaign. As finance chairman for the campaign, it was my responsibility to handle this type of thing. The banks I approached on behalf of the campaign each told me they would be willing to loan the funds to David Huffman because he has the assets to support such loans. It was

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always the intent that the loans would be to David personally for use by the campaign. Because David was traveling at the time, it was convenient to draw on my personal line of credit. We made an honest error and we corrected it as soon as we realized the error. I regret the embarrassment caused to the campaign and to David Huffman."

## **BOTH CANDIDATES FACE REPORTING INACCURACIES:**

### **McHenry Fails to Properly Disclose Loans to Campaign**

McHenry For Congress Committee failed to file the required loan information and failed to identify the source of the \$11,000 loan made to his campaign on 6/28/04. Following is the link to his incomplete filing to the FEC (Note: the incomplete loan transaction is the third entry listed on the page): <http://herndon2.sdrdc.com/cgi-bin/dcdev/forms/C00393629/124783/sc/10>

### **Other McHenry FEC Reporting Errors and Violations**

1) **Failure to Amend Properly Even *After* the FEC Questioned McHenry.** TOn May 4, 2004, the FEC sent a formal inquiry to McHenry campaign asking that additional information be provided regarding the purposes of the campaign's disbursements to comply with federal law. View: [http://herndon1.sdrdc.com/cgi-bin/fecimg/?\\_24038402374+0](http://herndon1.sdrdc.com/cgi-bin/fecimg/?_24038402374+0)

McHenry For Congress did not disclose according to the FEC regulations but rather reported purposes of its disbursements that were not complete and not in accordance with the FEC regulations. When requested by the FEC to furnish additional information, McHenry campaign still failed to properly disclose the purposes of its disbursements. For instance, it changed only one impermissible purpose of "Consulting" to another equally vague purpose of "Monthly Compensation". This is not in compliance with FEC requirements.

2) **Payments for Catawba County GOP Event -- Questionable Payments; Failure to Properly Disclose.** Disbursement "MEMO" entries are listed for Jason Deans, \$875, Christopher Hayes, \$1,000, Laurie Moody, \$500, John Nelson, \$500, Anna Newton, \$150, and Braxton Perry, \$500. Each of these disbursements is listed with the purpose of "CATGOP Event Tickets". Since they have been reported as "MEMO" entries, however, the amounts would not be included in the total cash disbursement amount. Did the campaign pay these amounts? And what were these CASH payments FOR?

3) **Disbursement not reported.** The Catawba GOP disbursement of \$500 on the July Quarterly Report has no disbursement listed at all.

4) **Excessive Contribution** - With a 5/17/04 contribution, David A. Rains contributed \$2,654.93 to the Primary Committee. There was no reattribution, redesignation, refund, or "limit increase" box checked, so the contribution appears to exceed the \$2,000 legal

contribution limit for the primary election.

**5) Failure to Disclose Candidate Contributions.** Contributions from the candidate are required by the FEC to be disclosed on line 11d under "Candidate Contributions". Although Patrick Timothy McHenry apparently made in-kind contributions of \$37 on 2/19/04, \$148.00 on 3/19/04, \$185 on 3/29/04, and \$247.55 on 3/31/04, his report says \$0.00 as the amount of candidate contributions under Line 11d "Candidate Contributions" of his FEC Report.

**6) Failure to report aggregate contributions from donor.** The \$250 contribution from Mark Seay on 3/31/04 has an incorrect election-cycle-to-date contribution on the April Quarterly FEC Report. Prior contributions indicate the total is actually \$500.

**7) Failure to properly identify \$5,000 donor.** The April Quarterly report also lists a \$5,000 contribution from the American Medical Association. The American Medical Association, however, could not make such a contribution. The AMA PAC could properly make the contribution.

**8) Additional error in reporting contributions from candidate.** An in-kind contribution from Patrick Timothy McHenry in the amount of \$3,013.38 on 5/16/04 is listed as a "Memo" entry. Accordingly, the amount is not included in the contribution and disbursement total amounts, as is standard for in-kind contributions to be reported.

**9) Failure to disclose party committee contribution.** The Lake Lure Republicans Committee was listed as giving a \$100 contribution on 6/5/04. Contributions to party committees are required to be listed on the FEC report on Line 11b "Political Party Committees". The McHenry report shows zero on that line of the report.

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## Charlotte.com

Posted on Fri, Aug. 06, 2004

### \$100,000 mistakes corrected

Huffman files new finance reports, admits 1 loan was illegal

**RICHARD RUBIN**  
Staff Writer

A Hickory-area congressional campaign acknowledged two separate \$100,000 errors in its campaign-finance reports on Thursday.

Republican David Huffman admitted his campaign accepted an illegal \$100,000 loan from a local beer distributor, far above the federal campaign limits.

Huffman also admitted that a \$100,000 personal loan to the campaign in March never actually reached the campaign bank account, even though it was reported that way to the Federal Election Commission.

The campaign filed three new reports to the FEC on Thursday to correct the mistakes, calling them technicalities or inadvertent errors.

In a statement issued by the campaign, the donor, Dean Proctor, said he regretted any embarrassment that he caused.

"We made an honest error, and we corrected it as soon as we realized the error," said Proctor, who is also Huffman's finance chairman.

Errors in campaign-finance reports are common, and campaigns frequently issue amended reports. But those changes don't usually come in \$100,000 chunks, said Sheila Krumholz, research director at the Center for Responsive Politics, a national nonpartisan group that monitors money in politics.

"If they're dealing in that size of a loan, one would expect them to be a bit more sophisticated and to understand the rules better," she said.

Huffman, who has been the Catawba County sheriff for 22 years, faces state Rep. Patrick McHenry in an increasingly nasty Aug. 17 runoff that could determine the Hickory area's congressional representative for the next generation. The winner faces Democrat Anne Fischer in a district that favors a Republican. U.S. Rep. Cass Ballenger, R-N.C., who is retiring this year, has represented the 10th District since 1986.

McHenry's campaign has filed or supported two FEC complaints focusing on Huffman's loans. Those formal complaints, which can result in fines, can take months or years to resolve.

"This is a political ploy to manipulate the voters from one side to another ...," said Jamie Parsons, Huffman's campaign chairman. "Patrick McHenry knew that his best way to attempt to beat David Huffman is to attempt to discredit him, a man with 26 years of impeccable service."

Dee Stewart, a consultant for McHenry, called Huffman's announcement a smoke screen.

"They're doing an about-face and trying to convince the voters of the 10th Congressional District that an improper \$100,000 loan was an accident," he said.

Huffman's first error happened on March 30, Parsons explained. Huffman obtained a \$100,000 loan from People's Bank, at prime interest rate. He did not put up any collateral, Parsons said. This loan does not appear as a liability on a financial disclosure form that Huffman signed in May.

Once he obtained the \$100,000, Huffman put it into a certificate of deposit, intending to use it for the campaign. But it accidentally remained in Huffman's name, not the campaign's account, Parsons said.

Nevertheless, until Thursday, the campaign reported it as a \$100,000 loan from Huffman's personal funds to the campaign.

The second, more serious error happened on June 17. Proctor borrowed \$100,000 from his bank, using his personal line of credit, and put the money in the campaign fund. Federal law limits donations and loans to \$2,000 per election, though complicated formulas can cause those caps to be raised slightly in certain circumstances.

In the statement, Proctor said the bank intended to lend the money to Huffman directly but did not do so because the sheriff was traveling



that day.

On all of its campaign-finance reports until Thursday, this \$100,000 was listed as a loan from Huffman's personal funds to the campaign. It was shown that way because that's what the campaign treasurer assumed, Parsons said.

Proctor told members of other campaigns what he had done. That, said Parsons, is proof that the Huffman campaign intended no harm.

"If we were trying to hide anything, would we have done that?" he asked.

The campaign apparently used the proceeds of Proctor's loan. According to its most recent report, the Huffman campaign had \$52,083 in its bank account at the end of June. Without Proctor's \$100,000 contribution, the campaign would have been \$48,000 in the hole.

But, Parsons said, the campaign really did have the other \$100,000, the money that was in the CD but not yet in the campaign account. Huffman then used the CD to pay off Proctor's loan on July 19.

On July 27, Huffman obtained a \$150,000 line of credit from BB&T, according to the report filed Thursday. He has borrowed \$100,000 of that and put it into the campaign. The interest rate is the prime rate plus 1 percent. Like the other loan, it is unsecured by any collateral.

McHenry's campaign has questioned how Huffman could obtain loans without borrowing against his house or his retirement accounts. Candidates are allowed to borrow from banks, as long as the banks follow their usual procedures.

Parsons said Huffman is worth about \$750,000, and that he has excellent credit, good enough to persuade banks to lend him money without collateral.

"They're not worried about the sheriff going anywhere," Parsons said.

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