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May 10, 2006

Bill Johnson

Stratford, SD 57474

Office of General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

MUR # 5748

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL
2006 MAY 15 3:08 PM
STRAIT

RE: Complaint against Curt Hohn and a non-profit corporation for possible violation of campaign financing laws

WEB Water (WEB) is a non-profit water utility serving farms and small towns in northeastern South Dakota. Its manager, Curt Hohn (Dem), ran for the U.S. House of Representatives in year 2000 against John Thune (Rep). Hohn was paid his full WEB salary while he campaigned, which was somewhere between \$100,000 and \$150,000. He also received his full benefit package, including retirement (6% of salary) and health insurance.

Hohn may have used other of the non-profit's money or facilities in his campaign as well, but Mr. Hohn and the current board members will not allow any member of the WEB Water Corporation (like me) access to records (including board meeting minutes), which is a violation of SD law. **Therefore, I have filed a lawsuit seeking access to records.**

I believe Hohn spent at least six months and maybe as much as 10 months in 2000 campaigning full time and was not able to devote much time at all to his job. Thus, WEB paying his full salary is nothing more than a subsidy to his campaign by WEB – a non profit corporation. This was not a campaign for election to a city council or a school board; **it was a campaign for a national office and required statewide, full-time campaigning with long periods of time away from the WEB offices.**

On April 27, 2006, during depositions on my lawsuit seeking access to records, the current board chairman, Orland Giegler, confessed that Mr. Hohn was out of the office "a lot" in his statewide campaign while traveling the state, and called in, he thought, by phone "once a day" to see how things were going. He also testified he knew Hohn would be gone from the office "a lot" during the campaign. The current vice-chairman of the board, Paul Fischbach, (who was also Hohn's campaign treasurer) whose deposition was also taken, gave similar testimony (i.e., Hohn was gone out of town campaigning a lot). To me, this smells like a subsidy or maybe even an indirect campaign contribution by a non-profit corporation.

If I remember correctly, Mr. Fischbach also testified that there was somewhere around \$200,000 to \$250,000 spent on Hohn's campaign. If anyone should know, he should since he was the campaign treasurer. However, files I found on the internet indicate that Hohn had campaign contribution receipts of \$121,790 and expenditures of \$119,538. So, if Mr. Fischbach's testimony was truthful (he was under oath) and the information I found is accurate, **there is a huge discrepancy between what Mr. Fischbach said was spent in the depositions and what was reported to the FEC.**

Apparently, no motion was ever made or votes taken as to whether or not to pay Mr. Hohn while he campaigned as both directors testified they could not remember any board votes (One would think they would remember something like that.) It seems like directors may have just "looked the other way" while Hohn collected his salary, or maybe there was some sort of "gentleman's agreement" with just a wink, a nod and a grin so none of them would have to go officially "on the record" over the matter by voting on it. I did attend a board meeting and asked the board to vote on the issue while I was present so I could see how each

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director voted, but they refused WEB puts out a newsletter to its members, but I believe there was never anything said about Hohn collecting his WEB salary as he conducted a full-time campaign nor was there anything ever published about Hohn being absent from the office for extended periods while campaigning. The board has not allowed me or, to my knowledge, any other member to inspect any minutes of their board meetings to see any voting records or to even see what was discussed about this matter

The board chairman at the time of the campaign was a long-time, close, personal and political friend of Mr Hohn's named Arnold Schurr. He made \$1000 in contributions to Hohn's campaign. As board chairman, he may have used his influence with other board members to allow salary payments to Hohn as he campaigned, or simply authorized them himself since there apparently was no vote on the issue. Also, the vice-chairman of the board, Gary Gilbert, appeared in televised campaign ads for Hohn and, if I remember correctly, was using WEB's name, logo, etc. in the ads. Because I believe there is a possibility these ads were in violation of campaign tax laws concerning non-profit corporations, I am now beginning attempts to obtain the TV ad, which should still be on file with televisions stations

I believe allowing a non-profit manager to be paid his salary as he campaigns full-time is a violation of tax laws and may be a violation of campaign finance laws. If this situation is allowed to stand as a precedent, any non-profit will be able subsidize campaigns by paying non-profit employees while they campaign for public office, thus, making a sham of the non-profit tax laws concerning election campaigns, just as I believe WEB did. Indeed, it opens a loophole so wide that non-profits might be formed for the sole purpose of running political candidates for office.

My lawsuit is only for the purpose of gaining access to WEB's books; therefore, my attorney's questioning at the first set of depositions was focused primarily on the access to records issue and not specifically on campaign subsidy issues. The depositions could take several weeks before they are transcribed and made available but then I am sure they could be made available to the FEC at its request.

Please open an investigation into this matter. It is my belief that campaign election laws may have been violated. My litigation is solely to access records, so I am not asking you to intervene in my litigation. I am simply asking you to investigate what I believe to be federal election campaign financing violations.

Thank you.

Bill Johnson

my commission expires MAY 26, 2011

Subscribed and sworn before me on this 10th day of MAY, 2006.

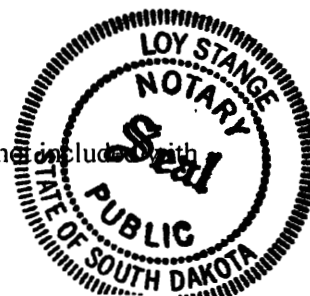
Bill Johnson

Sent by certified mail on May 10, 2006 with delivery confirmation

Enclosures: Enclosures (except for this revised complaint) were sent previously and are not included with this mailing

1. Newspaper ad entitled, "American News Hides News from Public"
- 2.
- 3.
4. Three 3 extra copies of the complaint as requested
- 5
- 6.

Note: Enclosures 1 and 2 were entered into evidence in the depositions held on April 27, 2006. Apparently, Mr. Hohn had some previous trouble over doing political activities on company time while working for a county sewage agency in Oregon as described on page 4 of enclosure 2.



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Aberdeen American News Hides News from Public

The Aberdeen American News wrote an editorial in its Sunday, April 2, edition critical of the state for not giving WEB larger grants for expansion. The American News was upset that WEB had received only \$200,000 after requesting a million. WEB is a non-profit rural water company furnishing water to farms and small towns in northeastern, SD.

Information the American News did not tell its readers that may have some bearing on why WEB did not get a larger grant follows:

- In 1998, WEB's manager, Curt Hohn, and the WEB directors hired a Washington D.C. lawyer because no SD lawyers would apparently do what they wanted. They wanted legal justification to award a contract to a contractor that had bid \$60,560 higher than the next lowest bidder. The Washington, D.C. lawyer provided the needed legal loopholes. WEB paid the lawyer \$6,735 and then gave the contract to the high bidder. But before doing so, Hohn cancelled the low interest loan he had secured from the state because (as Washington, D.C. attorney noted in his legal opinion) SD state loan provisions stipulated the contract had to go to the lowest bidder.
- In year 2000, WEB's manager, Curt Hohn ran for the U.S. Congress against John Thune. While Hohn campaigned full time, he drew his full WEB salary -- recently published in the February newsletter as \$101,760 annually - \$8,480 per month.
- WEB tried to keep Hohn's salary secret but was forced to reveal it in March after a member and former director, Bill Johnson, Stratford, filed a lawsuit to get the salary figure. Johnson is now trying to find out how much WEB money was used subsidizing Hohn's campaign. But Hohn and directors have again refused him access to the books in violation of South Dakota Codified Law 47-24-2 that says, "All books and records of a (non-profit) corporation may be inspected by any member, or his agent or attorney, for any proper purpose at any reasonable time," so his lawsuit is continuing in order to open up WEB's books to its members. Hohn and WEB directors are spending thousands of WEB's money to prevent a WEB member from inspecting their books.
- The WEB board is packed with Hohn's cronies, including Hohn's 2000 campaign treasurer, Paul Fischbach, Mansfield, who is the current WEB board Vice-Chairman.
- Non-profits like WEB are prohibited by state and federal laws from subsidizing political campaigns -- either directly or indirectly. Since WEB has refused to open its books to inspection, in addition to his lawsuit, Johnson has also written to the Internal Revenue Service asking them to investigate possible subsidies of Hohn's campaign by WEB.
- In year 2000, WEB put \$1,055,406 into the stock market at Hohn's urging. All the investments were made through Hohn's close friend and political crony, Tom Morrow. The market took a dive after the investments and at one time WEB's market losses were more than \$460,000.
- The market has since rebounded and, 6 years after the investment, it is now worth, \$977,052 (as of Mar. 31) for a loss of \$78,353. But that is not all. Had WEB prudently invested the money in CD's at 6% as it was doing before Hohn urged stock market investing with Morrow, the money would have now grown to about \$1.5 million, so the true loss today due to WEB's plunge into the stock market stands at about \$523,000. This loss alone is nearly TRIPLE the amount WEB recently received from the state in grant money.

In its editorial, the American News attacked the state and quoted Curt Hohn as if he were some sort of an economic development visionary -- all the while hiding Hohn's management fiascos. While bemoaning the fact that WEB received only a \$200,000 grant, for example, the American News completely failed to mention WEB's stock market losses, -- and NEVER has.

As his stock market investing demonstrates, Hohn is no economic visionary. As WEB's first manager in 1987, he had a choice of being fired or resigning. He resigned and went to work in the Aberdeen School District for a few months where he had some trouble with another employee who filed a lawsuit against the District because of Hohn (cost the District \$50,000 to settle), then took a job with the State of Oregon, was fired from that job in 1993, and returned to WEB in 1997 after working for a county sewage department in Oregon.

WEB members, ask yourself -- If you were in charge of awarding grants of taxpayers money, would you award a grant to WEB when you knew all of the above?

The really sad part of all this is the American News. It has abandoned ethical journalism by deliberately keeping important news about WEB's fiascos from the public. While hypocritically preaching "openness" for public entities, it has refused to report about lawsuits concerning a member's right to inspect records.

The American News' soul is owned by the highest bidder (recently bought by a large California corporation after being sold by another California corporation). It has no local ownership and it should not even be called a newspaper. It is nothing but a giant vacuum, sucking up advertising money from northeastern SD and sending it off to its California owners. Hohn and directors contributed to the big vacuum cleaner by giving it about \$15,000 of WEB money for advertising when they were trying to get Aberdeen to join WEB. As payback, the American News supports Hohn and the WEB board and keeps silent about their misdeeds and incompetence.

The American News is representative of what has happened to the news media in the United States. Money comes first, not journalism and not truth, and it has hid many truths about WEB from the public. And then it has the audacity to criticize the State of SD for not giving WEB larger grants. The best thing WEB members could do is cancel their subscriptions.

WEB imposed an \$800,000 rate increase last May and WEB members can, after state and federal agencies refuse to give WEB grants, expect higher rates in the future when they are forced to pay the price of Hohn's grandiose expansion plans. When WEB members receive notification of their next rate increase, members can at least partly blame the American News for becoming a silent partner with Hohn and WEB's directors in all of their shenanigans.

This ad was written and paid for by:
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Curt Hohn