

JAN 11 2007

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of )  
Democratic Party of Hawaii ) MUR 5659  
Lynn Matusow, )  
in her official capacity as treasurer )

SENSITIVE

GENERAL COUNSEL'S REPORT #2

I. ACTIONS RECOMMENDED:

1. Accept the attached conciliation agreement with the Democratic Party of Hawaii and Lynn Matusow, in her official capacity as treasurer.
2. Close the file.

II. DISCUSSION

The Commission found reason to believe that the Democratic Party of Hawaii ("DPH") and its treasurer, in her official capacity, ("Respondents") violated 2 U.S.C. §§ 441b(a), 441a(f), 434(b)(4)(H)(v), and 11 C.F.R. § 104.10(b)(4) based on an audit of the DPH, which showed that the DPH accepted two prohibited contributions totaling \$30,000 and six excessive contributions totaling \$36,000, and failed to report 52 allocable disbursements totaling \$155,125, during the 2002 election cycle.<sup>1</sup> The Final Audit Report concluded that the disbursements (for such purposes as television and radio production, television advertisements, research, postage, and consulting) were allocable because the DPH did not have documentation to show that the disbursements were for purely non-federal activity. See 11 C.F.R. § 104.10(b)(5).

<sup>1</sup> Yuriko Sugimura was the committee's treasurer during the audit period and at the time of the Commission's reason to believe findings. Lynn Matusow is the committee's current treasurer. See Statement of Organization dated September 18, 2006.

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4 Respondents maintained that the DPH's campaign  
5 activities during the 2002 election cycle were focused on non-federal candidates and, except for  
6 about \$20,000 in generic advertising, primarily involved disbursements in connection with State  
7 elections. Respondents insisted that the DPH's amendments were not a concession that the  
8 disbursements were in fact allocable. Rather, they claim that the amendments reflected their  
9 decision to comply with the Audit Division's recommendation, since the DPH does not have  
10 documentation to show that the disbursements were for solely non-federal expenses.<sup>2</sup>  
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<sup>2</sup> Respondents informed the Audit Division and this Office that they did not have relevant information to demonstrate that the disbursements were primarily for state and local elections. See Attachment 1.

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Accordingly, we recommend that the Commission accept the attached conciliation agreement with the Democratic Party of Hawaii and Lynn Matusow, in her official capacity as treasurer, and close the file in this matter.

**III. RECOMMENDATIONS**

1. Accept the attached conciliation agreement with the Democratic Party of Hawaii and Lynn Matusow, in her official capacity as treasurer.
2. Close the file.
3. Approve the appropriate letters.

Lawrence H. Norton  
General Counsel

Rhonda J. Vosdingh  
Associate General Counsel  
for Enforcement

11/11/07  
Date

BY:

Cynthia E. Tompkins  
Cynthia E. Tompkins  
Assistant General Counsel

Kamau Philbert  
Kamau Philbert  
Attorney

**Attachments**

1. Respondents' Reason to Believe Response
2. Signed Conciliation Agreement

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