



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

Frank J. Ross, Jr.
Polsinelli Shughart
700 W 47th Street
Kansas City, MO 64112

DEC 14 2010

RE: Pre-MUR 494/MUR 6249
Kansas City University of Medicine
and Biosciences

Dear Mr. Ross:

On December 11, 2009, you notified the Federal Election Commission of the possibility of violations by your client, Kansas City University of Medicine and Biosciences, of certain sections of the Federal Election Campaign Act of 1971, as amended, and you were notified that this matter was designated as Pre-MUR 494. On October 19, 2010, the Commission merged Pre-MUR 494 into MUR 6249. Please reference MUR 6249 in all future correspondence.

Upon further review of the allegations contained in your submission, the Commission, on October 19, 2010, found reason to believe Kansas City University of Medicine and Biosciences violated 2 U.S.C. §§ 441b(a) and 441f, provisions of the Act. Further, on December 9, 2010, the Commission approved the attached Factual and Legal Analysis, which sets forth the basis for the Commission's determination.

You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office within 15 days of receipt of this letter. Where appropriate, statements should be submitted under oath. In the absence of additional information, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

Please note that you have a legal obligation to preserve all documents, records and materials relating to this matter until such time as you are notified that the Commission has closed its file in this matter. See 18 U.S.C. § 1519.

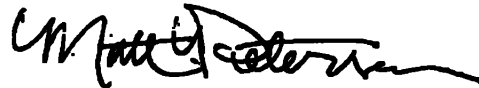
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Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A) unless you notify the Commission in writing that you wish the matter to be made public.

If you have any questions, please contact Margaret Ritzert or Peter Reynolds, the attorneys assigned to this matter, at (202) 694-1650.

On behalf of the Commission,



Matthew S. Petersen
Chairman

Enclosure
Factual and Legal Analysis

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FEDERAL ELECTION COMMISSION

FACTUAL AND LEGAL ANALYSIS

**RESPONDENT: Kansas City University of
Medicine and Biosciences**

**MUR: 6249
(formerly Pre-MUR 494)**

I. GENERATION OF MATTER

This matter was generated by a *sua sponte* submission filed by Kansas City University of Medicine and Biosciences. See 2 U.S.C. § 437(g)(a)(1).

II. FACTUAL AND LEGAL ANALYSIS

A. Factual Background

Kansas City University of Medicine and Biosciences is an incorporated, non-profit osteopathic medical school in Kansas City, Missouri. Karen Pletz, who is an attorney, was the University's President and CEO from 1995 to 2009.

On September 26, 1999, Ms. Pletz wrote a memorandum to Dr. Jack Weaver, then Chairman of the Board of Trustees (now deceased), suggesting that the University provide her with additional compensation so as to reimburse her for expenses such as political contributions. Complaint at 2. The memorandum first clearly acknowledges that the University is a non-profit corporation prohibited from making political contributions, and then recommends that the University provide Ms. Pletz with a \$42,000 lump-sum payment and a \$42,000 increase to her salary for the next year to personally make the political contributions. Complaint Exhibit A ¶¶ 2-4. Ms. Pletz states that, "This will enable [me] to participate in a meaningful way, beginning now, in an important election year, and will also offset the additional tax involved, so that [I] am not penalized personally for work-related efforts." *Id* at ¶ 4. Ms. Pletz further recommends that her additional compensation be characterized as a "housing allowance," so that it will be added

1 to her compensation as a separate benefit component, taxable to her, but enabling her to use the
2 funds for the political requirements of her job. *Id* at ¶ 5.

3 Minutes of a September 27, 1999 meeting of the University's Compensation and Benefits
4 Committee and an October 8, 1999 Executive Committee meeting reflect approval of a lump-
5 sum retroactive adjustment to Ms. Pletz's salary and an increase in her annual salary, both in the
6 amount of \$42,000.¹ Complaint Exhibit B at 2 and Exhibit C at 2-4. Neither set of minutes
7 includes any specific reference to the September 26, 1999 memorandum or any specific
8 discussion of the reason for the salary adjustments, except that Ms. Pletz's compensation should
9 recognize her special efforts and responsibilities as both a Chief Executive and a community
10 leader. *Id*. Finally, an October 8, 1999 Personnel Action Form signed by Dr. Jack Weaver and
11 subsequent Earnings Statements for Ms. Pletz confirm that Ms. Pletz received the funds.
12 Complaint Exhibits E, F, and G.

13 The funds paid to Ms. Pletz in order to make political contributions took the form of a
14 salary increase in 1999 and a "leadership stipend" from 2002 through 2009. Although Ms. Pletz
15 received \$42,000 in 1999, her annual leadership stipend grew to \$195,000 by the time her
16 employment was terminated in 2009. Complaint at 3.

17 From 1998 through 2009, Ms. Pletz made the following \$15,700 in federal political
18 contributions, \$6,200 of which is still within the statute of limitations:

¹ The University's internal investigation has raised questions about the accuracy and authenticity of Executive Committee meeting minutes. Although the University is still examining records prior to 2006, it believes that Ms. Pletz forged several of the Executive Committee meeting minutes between 2006 and 2008 in which her leadership stipend was purportedly approved, and the meetings did not actually occur. Complaint at 3-4. Although the minutes may have been forged, Ms. Pletz still received the stipend they purported to approve. See Complaint Exhibits H and I. Counsel have made no determination as to the authenticity of meeting minutes prior to 2006.

Table 1. Federal Contributions by Karen Pletz

Date	Recipient	Contribution
8/25/1998	Missourians for Bond	\$1,000
12/3/1999	Carnahan for Senate	\$1,000
7/24/2000	Greg Mufil for Congress	\$500
10/17/2000	Missouri 2000	\$1,000
10/17/2000	Carnahan for Senate	\$1,000
2/23/2004	Missourians for Bond	\$2,000
2/23/2004	Missourians for Bond	\$2,000
3/31/2004	Cleaver for Congress	\$1,000
6/16/2006	Talent for Senate	\$1,000
9/11/2006	Hulshof for Congress	\$250
6/28/2007	Kay for Congress	\$2,300
6/30/2007	Missourians for Bond	\$1,150
11/9/2007	Friends of Bennis Thompson	\$500
3/31/2008	Kay for Congress	\$500
7/1/2009	Nodler for Congress	\$500

In an October 28, 2009 text message to Dr. Howard Weaver, the new Chairman of the Board (and the son of the former Chairman), Ms. Pletz requested that her stipend be processed, explaining that the stipends are authorized as income to her – “as they must be to be legal” – and must not be directed by the institution. Complaint Exhibit I. She further explains that the stipends are “used each year to garner support in the legislature” and that “[w]e are at a critical juncture re sponsors of the bill and pro team and chair commitments.” *Id.* According to the complaint, prior to the October 2009 text message, Dr. Howard Weaver was not aware that Ms. Pletz’s leadership stipend may have been used to make political contributions. Complaint at 4.

Ms. Pletz’s November 2009 Report of the President indicates that she used her leadership stipend for political contributions each year it was received, through 2009:

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I devote the stipend portion of my compensation each year to strategic support of legislative leadership in higher education/medical education/health policy. This initiative is a strong example of the effectiveness of KCUMB's community investment and of the leadership stipend. As a 501C3 organization, the institution cannot lawfully make or direct political contributions to individual candidates or legislators. However, I have always believed that I had a personal responsibility to support legislative leadership in higher education, medical education, and health policy. Legislation incorporating standards to ensure continuing high quality in Missouri's medical education will be introduced early in this session, largely as a result of KCUMB's leadership.

Complaint Exhibit H at 6. The University asserts that the current Board of Trustees was not aware of the leadership stipend or how Ms. Pletz may have used it until the November 2009 Report of the President. *Id.* As discussed above, the University believes that, for at least part of this period, Ms. Pletz forged the minutes of the Executive Committee meetings during which her yearly stipend was purportedly approved and forwarded those minutes directly to the CFO, without informing the Board of Trustees.

B. University Submission

In September and October 2009, the University's Board of Trustees received confidential correspondence about a number of issues regarding Ms. Pletz's compensation and business expenses. Complaint at 1. The University retained outside counsel and appointed a Special Committee of the Board of Trustees to conduct an internal investigation. Complaint at 1 and Telephone Conversation with University Counsel.

By December 2009, the University's internal investigation uncovered documents indicating that the University had paid Ms. Pletz stipends to reimburse her for both state and federal contributions she would make to further the University's interests. *Id.* The Special Committee presented an interim report regarding these documents and other issues relating to

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1 Ms. Pletz to the Board of Trustees on December 18, 2009. Although the investigation is
2 ongoing, the Board decided to terminate Ms. Pletz's employment and report these campaign
3 finance violations to the Commission. Complaint at 1, 4 and Telephone Conversation with
4 University Counsel.

5 On March 22, 2010, the University and Ms. Pletz filed suits against one another in
6 Missouri Circuit Court, in which the University claimed breach of fiduciary duty, fraud, breach
7 of contract, and unjust enrichment, and Ms. Pletz claimed wrongful termination.²

8 **C. Legal Analysis**

9 Under the Federal Election Campaign Act of 1971, as amended ("the Act"), corporations
10 are prohibited from making contributions from their general treasury funds in connection with
11 any election of any candidate for federal office. 2 U.S.C. § 441b(a). A candidate, political
12 committee, or other person is prohibited from knowingly accepting or receiving any corporate
13 contribution. *Id.* Furthermore, it is unlawful for any officer or director of any corporation to
14 consent to any contribution by the corporation. *Id.*

15 The Act also prohibits a person from making a contribution in the name of another
16 person, knowingly permitting his name to be used to effect such a contribution, or knowingly
17 accepting a contribution made by one person in the name of another. 2 U.S.C. § 441f. The
18 Commission's regulations further prohibit knowingly helping or assisting any person in making a
19 contribution in the name of another. 11 C.F.R. § 110.4(b)(1)(iii). Those regulations specifically
20 explain that attributing a contribution to one person, when another person is the actual source of

² The University's suit contends that the September 26, 1999 memorandum was a false representation and a pretext for her to obtain additional compensation. Petition ¶ 24, *Kansas City University of Medicine and Biosciences v. Karen L. Pletz*, No. 1016-CV08485 (Mo. Cir. Ct. filed March 22, 2010).

1 the funds used for the contribution, is an example of making a contribution in the name of
2 another. *See* 11 C.F.R. § 110.4(b)(2)(ii).

3 Based on the information provided in the University's submissions, it appears that the
4 University violated 2 U.S.C. §§ 441b(a) and 441f. In her September 26, 1999 memorandum, Ms.
5 Pletz requested that the University provide funds to offset political expenses such as federal
6 political contributions. Further, between 1999 and 2009, the University provided her with a
7 yearly stipend specifically to be used for political contributions. The University's *most recent*
8 submission suggests that without the representation as to the need to make political contributions
9 to further the University's interests, Ms. Pletz would not have received the leadership stipend.

10 The University provided Ms. Pletz with funds in response to her representation that she
11 would use them to make contributions in the University's interest, and Ms. Pletz then proceeded
12 to make contributions. Indeed, the University's internal investigation concluded that the stipend
13 was used to make contributions. Further, Ms. Pletz's Report of the President actually states that,
14 due to her contributions, certain legislation would be introduced "largely as a result of
15 KCUMB's leadership." Thus, Ms. Pletz made federal contributions with the stipend, making the
16 University the true source of contributions.³

17 As the President and CEO of the University, Ms. Pletz had both express and implied
18 authority to direct the University's political activity intended to further the University's interests
19 in education and health issues. Under principles of agency law, a principal, such as the
20 University, is liable for the acts its agents, such as Ms. Pletz, committed within the scope of their
21 authority and employment and motivated, at least in part, to benefit the principal. *See Weeks v.*

³ While the University's civil suit contends that Ms. Pletz requested all or part of the stipend as a false pretext for additional compensation, this is not inconsistent with the conclusion that Ms. Pletz used the stipend to make contributions for the University. The two purposes are not mutually exclusive: Ms. Pletz could have used a portion of the stipend for political contributions and converted the other portion to her personal use.

- 1 *United States*, 245 U.S. 618, 623 (1918); *Rouse Woodstock Inc. v. Surety Federal Savings &*
- 2 *Loan Ass'n*, 630 F. Supp. 1004, 1010-11 (N.D.Ill. 1986). Therefore, the Commission finds
- 3 reason to believe that Kansas City University of Medicine and Biosciences violated 2 U.S.C.
- 4 §§ 441b(a) and 441f.

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