

David A. Burton
109 Black Bear Ct, Cary, NC 27513-4941

March 7, 2006

Mr. Gary Bartlett
Executive Director, NC State Board of Elections
P. O. Box 27255, Raleigh, 27611-7255

re: Complaint regarding Rep. Richard Morgan's campaign finance report

Dear Mr. Bartlett,

I am writing to call to your attention what appears to be a particularly egregious election law violation, and to ask that the NC SBOE investigate this violation, and take appropriate measures to enforce the law.

The North Carolina Republican Mainstreet Committee (NCRMC) was constituted as a federal "527" committee, which could not legally coordinate its activities with any candidate's campaign, and which could not legally advocate the election or defeat of any candidate. The committee was created to support Rep. Richard Morgan, of Moore County, and his legislative allies. It spent \$237,366 to run political advertisements praising them. 42% of that came from one \$100,000 contribution from a Virginia tobacco company which needed a bill blocked in the NC General Assembly, a bill which Reps. Morgan and Black dutifully killed. The NCRMC's officers are three of Rep. Morgan's political allies, two of whom are fellow Members of the NC House. The ads were produced by Rep. Morgan's political consultant, Paul Shumaker.

Since the NCRMC was supporting Rep. Morgan with its advertisements, it is my understanding that it could not legally coordinate its activities with Rep. Morgan or anyone else working on his campaign, and any evidence of such coordination is evidence of election law violations by Rep. Morgan and the officers of the NCRMC, and perhaps also by Mr. Shumaker. So it is remarkable that Rep. Morgan proved that such coordination was taking place by telling the press how the NCRMC was going to spend its money, before most of the money had been spent!

If Rep. Morgan were not violating the law, he would have no way of knowing how the NCRMC was going to spend its money. But in a May 8, 2004 article in the *Winston-Salem Journal*, Rep. Morgan was quoted as saying, "We have a Morgan protection plan in place. I plan to support the people who support me." That "protection," the article reported, was the NCRMC's radio ads.

Note that Morgan referred to the NCRMC as "we" and "I." He made it clear that the NCRMC had not merely communicated to him what their plans were for their advertising (though even that would have been illegal). He went beyond that by identifying their plans as his own plans. In other words, the NCRMC took its instructions from Rep. Morgan, himself.

In addition, it was reported in the press (*Raleigh News & Observer*, May 23, 2004) that, "Morgan has received an opinion from the state Board of Elections that his committee is not for political purposes." Of course, that is even more evidence that the NCRMC ("his committee") was not independent of Rep. Morgan and his campaign. But, given the obviously political nature of the NCRMC ads, it also suggests another crime. If the article is correct, then Morgan or someone associated with the NCRMC might have committed perjury to obtain that SBOE opinion.

Please do not let these violations of the law go unpunished.

Sincerely yours,

David A. Burton

cc: F. Whitney, L. Leake, L. Shinn, C. Winfree, G. Sims, R. Cordle, K. Strach, J. Hubbard, C. Rhinehart, M. Tutor, R. Cooper, C. Willoughby

**N.C. Republicans brace for feud
Legislators who backed Morgan face challenges, questions of loyalty**

By David Rice

JOURNAL RALEIGH BUREAU

Saturday, May 8, 2004

Rep. Frank Mitchell, R-Iredell, who is involved in one of several feisty Republican primaries in the state. (FILE PHOTO)	
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RALEIGH

Call it a family feud - or a battle for the heart and soul of the North Carolina Republican Party.

In primaries clustered in the Triad and scattered across the state, Republican legislators who backed Republican Richard Morgan and Democrat Jim Black as co-speakers of the House last year face challenges from other Republicans who question their loyalty to Morgan.

John Davis, the executive director of N.C. FREE, a business group that tracks state election trends, likens the Republican primaries that took shape with the close of candidate filing yesterday to a family dispute.

"This is exactly like one of those domestic-disturbance calls on reality-cop shows," Davis said. "The best thing to do is stay out on the porch and watch through the window, because if you get involved, they're both going to jump you."

The campaigns before the July 20 primary, where turnout is expected to be low, could be pitched and feisty. In Northwest North Carolina, they include:

Rep. Frank Mitchell, R-Iredell, a frequent critic of Morgan, says he has moved into a house he owns in the district of Rep. Julia Howard, R-Davie, a staunch Morgan ally. Observers across the state will be watching the race between the strong-willed, sometimes stubborn Howard and the wisecracking Mitchell.

"They think that mess in Iraq is something - this'n here is going to be worse," Mitchell said this week. "We don't take prisoners."

Rep. Michael Decker of Walkertown switched parties to become a Democrat in January 2003, forcing a partisan tie in the House that led to the election of co-speakers. He switched back to be a Republican and faces a challenge from Walkertown Mayor Larry Brown.

Brown says that unlike Decker, he will support the Republican nominee for speaker, even if it is Morgan. "That's definitely what (Decker) should've done," Brown said. "He sold out. He sold his vote for a Democratic dollar.... And the taxpayers have been paying for it ever since."

Rep. Rex Baker, R-Stokes, one of the Republican co-chairmen of the House Budget Committee under Morgan, faces a challenge from Bryan Holloway, 26, a high-school history teacher in King.

"I think Republicans across the state feel that Morgan has betrayed the Republican Party as a whole," Holloway said. "And I think they should look at are they voting for real Republicans when they vote for Richard Morgan and his supporters."

And in the new 74th District created by the map that legislators adopted in November, Forsyth County Commissioner Debra Conrad-Shrader is one of seven Republicans running. Conrad-Shrader said she had lunch once with Morgan last year - and her opponents have suggested ties between her and Morgan ever since.

Conrad-Shrader said she will support whomever the House Republican caucus nominates for speaker, whether it's Morgan or someone else.

"This whole Richard Morgan thing is driving me nuts. It's distracting," she said.

"There's been more sightings of Richard Morgan in Forsyth County than Elvis ... and none of

this is true.

"When I go down there, I don't plan to be anybody's little puppet," she said. "No individual is going to tell me what to do."

In other races, Rep. David Miner of Cary, a Morgan ally and a co-chairman of the House Finance Committee, faces a challenge from conservative Nelson Dollar.

Also in Wake County, Rep. Rick Eddins, a Morgan ally, faces a primary as well. Rep. Sam Ellis - a voluble critic of Morgan - also faces a primary challenge as well from Jeff Eddins, a Knightdale councilman.

And Rep. Keith Williams of Jacksonville, a freshman Republican who backed the co-speakers, faces a challenge from George Cleveland, a former chairman of the Onslow County Republican Party.

Morgan's critics say that he and about 15 allies sold out the Republican Party by sharing power with Democrats in the House and backing a budget that raised taxes, continuing \$384 million a year in sales and income taxes that were scheduled to expire last June.

But Morgan dismisses talk that the July 20 Republican primary will be a referendum on his leadership.

"That's pizzazz - a show term," he said. "We have a Morgan protection plan in place. I plan to support the people who support me."

And Morgan is already moving to protect his allies, running radio ads in Winston-Salem, Burlington, Jacksonville, Wilmington, Raleigh and, beginning next week, in Charlotte.

Dubbed "Main Street," the ads feature House Republican Leader Joe Kiser talking about two tax cuts that were included in the state budget last year.

"Under the leadership of our Republican Speaker Richard Morgan, we took the steps necessary to remove the marriage penalty tax for couples who file their taxes jointly," Kiser says in the ads.

"In addition, we expanded the child tax credit for working families with dependent children in order to reduce their tax burden. It is because of strong leaders like Speaker Morgan (that) Republicans were able to shape a legislative agenda that focused on finding real solutions to real problems."

Morgan's political consultant, Paul Shumaker, also dismisses the complaints as bitterness from hard-liners aligned with Rep. Leo Daughtry, R-Johnston, who lost out in the race for speaker last year. Shumaker characterizes Morgan and his allies as a modern breed of pro-education Republicans.

"What I see is a battle shaping up between the Republican Party of the '80s and the Republican Party of the 21st century," Shumaker said.

"Those who didn't support the coalition will have to stand on the record of not supporting the public schools, of voting against doing away with the marriage penalty and (against) the child tax credit," he said.

John Hood, the president of the conservative John Locke Foundation, agrees - but only up to a point.

"This is a real effort to win control of the state party," he said.

Hood disagrees that the conservatives challenging Morgan supporters in the House are waging a personal battle. Most of the challengers are Reagan-Bush-Helms conservatives who don't even

know Morgan, he said.

"What is happening is mainly ideological," he said. "Their impression is that Richard Morgan has led a Republican splinter group toward a more-moderate course that involves tax increases and little diligence on cutting spending."

Hood said that Morgan's radio ads don't tell the whole story about the sales- and income-tax increases that were part of the 2003-05 state budget.

"These radio ads do not communicate the truth of what happened last year. They try to convert a tax-increase bill into a tax-cut bill," he said.

"It does not tell the whole story. That (marriage penalty and child credit) stuff was in the bill, but it does not communicate the tax-increase items."

The fact that legislators will be in session in Raleigh until early July, just weeks before a midsummer primary where low turnout is expected, could make the primary difficult for Morgan's allies, Hood said.

"My guess is it's going to disproportionately draw your core Republican conservative base. That's not good for Morgan," he said.

- David Rice can be reached in Raleigh at (919) 833-9056 or at drice@wsjournal.com

This story can be found at: http://www.journalnow.com/servlet/Satellite?pagename=WSJ%2FMGArticle%2FWSJ_BasicArticle&c=MGArticle&cid=1031775340694

Posted on Wed, May. 05, 2004

Ad campaign defends Morgan's cooperation

MARK JOHNSON

Raleigh Bureau

RALEIGH - Allies of N.C. House Republican Co-Speaker Richard Morgan have organized a new political committee and scheduled statewide radio commercials starting today praising Morgan and the GOP leadership in the House.

"It is because of strong leaders like Speaker Morgan," House Majority Leader Joe Kiser, R-Lincoln, says in the ad airing on talk radio stations today, that "Republicans were able to shape a legislative agenda that focused on finding real solutions to real problems."

Kiser did not vote for Morgan as co-speaker last year.

The ads attempt to highlight accomplishments under Morgan's stewardship and draw attention away from a split among House Republicans. Morgan, whose original dozen allies have grown in number, has been at odds with a majority of Republican House members on most contentious votes since last year when he and Democrat Jim Black of Matthews were elected co-speakers. The duo has led a coalition of all 59 Democrats plus Morgan's Republicans.

Morgan said he wants Republican voters to hear about achievements made by "working in a spirit of cooperation and progress."

"I don't think the public has heard that yet," Morgan said. "They've just heard from the folks that want to advance gloom and doom and don't have any vision for the future."

The N.C. Republican Mainstreet Committee is an issue advocacy committee, commonly called a "527" in recognition of the tax code that allows such organizations. The groups do not have to disclose donors and can run ads promoting or criticizing a candidate but are prohibited from explicitly calling for a candidate's election or defeat. The group may not coordinate with a campaign.

<http://www.charlotte.com>

Data on North Carolina Republican Main Street Committee

9557087

743116582

North Carolina Republican Main Street Committee

PO Drawer 17803, Raleigh, NC 27619

Political organization as specified under Section 527 of the IRS code.

20040305

Albert Eckel

PO Box 6528, Raleigh, NC 27628

Tamara Barringer, Director

PO Box 6528, Raleigh, NC 27628

Daniel McComas, Director

PO Box 6528, Raleigh, NC 27628

Harold Brubaker, Director

PO Box 6528, Raleigh, NC 27628