



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

RQ-2

April 25, 2008

Lin S. Howard, Treasurer
Friends of Fred Thompson Inc.
1130 8th Avenue South
Nashville, TN 37203

**Response Due Date:
May 27, 2008**

Identification Number: C00438507

Reference: March Monthly Report (2/1/08 - 2/29/08)

Dear Treasurer:

This letter is prompted by the Commission's preliminary review of the report(s) referenced above. This notice requests information essential to full public disclosure of your federal election campaign finances. **Failure to adequately respond by the response date noted above could result in an audit or enforcement action.** Additional information is needed for the following 5 items:

1. Schedule A-P of your report discloses receipts from the sale of campaign assets that appear to exceed the limits set forth in the Act (see below).

<u>Name</u>	<u>Description</u>
Alexander for Senate	Refund – Equipment Purchase
Edmonds, Melanie A.	Reimbursement – Equipment Purchase
Falencki, Corinne A.	Reimbursement – Equipment Purchase
Frandsen, Emily A.	Reimbursement – Equipment Purchase
Grasser, Somer	Reimbursement – Equipment Purchase
Gray, Treveor	Reimbursement – Equipment Purchase
Hertling, Richard	Reimbursement – Equipment Purchase
Kayhart, Charles	Reimbursement – Equipment Purchase
Kidd, Stephen J.	Reimbursement – Equipment Purchase
Laforge, William	Reimbursement – Equipment Purchase
Mallini, Susan	Reimbursement – Equipment Purchase
Morales, Agustin	Reimbursement – Equipment Purchase
Palmer, Andrew T.	Reimbursement – Equipment Purchase
Palmer, Andrew T.	Reimbursement – Equipment Purchase
Rice, Dean	Reimbursement – Equipment Purchase
Roberts, Bryan	Reimbursement – Equipment Purchase

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Roberts, Richard H.	Reimbursement – Equipment Purchase
Thomson, F. Todd	Reimbursement – Equipment Purchase
Wipperman, David	Reimbursement – Equipment Purchase
Wipperman, David	Reimbursement – Equipment Purchase
Woelk, Christian	Reimbursement – Equipment Purchase
Woodruff, Joseph A.	Reimbursement – Equipment Purchase
Heritage Community Bank	Refund – Equipment Purchase
Heritage Community Bank	Refund – Equipment Purchase
RZ Safely	Refund – Equipment Purchase
Republican Trust Building Corp.	Refund – Equipment Purchase
Starboard Communications	Refund – Equipment Purchase
Starboard Communications	Refund – Equipment Purchase
Target Up	Refund – Equipment Purchase

Generally, when a committee sells its assets, the proceeds are considered contributions. The Commission has recognized the following two narrow exceptions to this rule where the sale of campaign assets does not result in a campaign contribution:

- (1) The isolated sale of an asset that was purchased or developed for the committee's use, rather than for fundraising, and the asset has an ascertainable market value, or
- (2) The sale of campaign equipment or leftover campaign supplies by a committee that wishes to terminate and plans to use the proceeds for debt retirement.

In these two exceptions, a contribution is avoided only if the purchaser pays no more than the "usual and normal charge" - the market value or prevailing commercial rate. Any payment exceeding this amount is considered a contribution and is subject to contribution limits described in the Act. (11 CFR § 100.52(d)(2))

Please amend your report to provide: 1) a description of the property and the fair market value, as well as the manner in which the campaign assets were sold, 2) any clarifying information if any apparent excessive contribution in question was incompletely or incorrectly reported.

If any contribution(s) you received exceeds the limits, you must refund, redesignate, or reattribute (whichever may be applicable depending on the donor) the excessive amount within sixty (60) days of receipt of the contribution.

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The acceptance of excessive contributions is a serious problem. Although the Commission may take further legal action, prompt action by you to refund, redesignate, or reattribute the excessive amount will be taken into consideration.

2. While it is permissible for a person to make a contribution for the general election prior to the primary election, the recipient committee must employ an acceptable accounting method to distinguish between primary and general election contributions. (11 CFR § 102.9(e)) This general election amount must be maintained in the committee's account.

Since the candidate will not participate in the general election, any contribution received for the general election must be returned to the donors or redesignated to the primary if your committee has net debts outstanding for the primary election. To redesignate a contribution the committee must either (1) obtain signed written documentation from the contributor(s) authorizing the redesignation of the contribution for another election provided that the new designation does not exceed the limitations on contributions made with respect to that election, or (2) redesignate by presumption the excessive portion of the contribution for the primary election provided that the new designation does not exceed the limitations on contributions made with respect to that election. In this case, the treasurer must notify the contributor of the redesignation in writing. The notification must give the contributor an opportunity to request a refund. A contribution can only be redesignated to a previous election to the extent that the contribution does not exceed net debts outstanding for that election. (11 CFR §§ 110.1(b)(3)(i) and (5)(ii)(B))

Any subsequent report(s) filed with the Commission must disclose the refund or redesignation of any general election contribution. Refunds or redesignations must be done within sixty days of the candidate withdrawing from the race. **Schedule A of your report discloses memo entries of General Election contributions with the notation "refund;" however, the refunds of these contributions on Schedule B of your report are designated for the 2008 Primary Election.** Please amend your report to disclose what action will be taken in regard to the general election contributions received by your committee. If any contributions or refunds have been reported incorrectly, please amend your report to correct the discrepancies.

3. Schedule A-P of your report discloses the receipt of contributions designated for the primary election that were received after the date the candidate terminated his candidacy.

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The candidate was running for the Republican nomination for President until his announcement on January 22, 2008 not to seek the nomination. At this time, his status as a candidate for the 2008 Election Cycle ended. Your committee is entitled to keep all primary election contributions received prior to that announcement as excess campaign funds, and is allowed to use them in accordance with 11 CFR § 113.2. However, primary election contributions received after the date of the announcement must be refunded, except to the extent there are net debts outstanding for the campaign on the date each primary election contribution is received. (11 CFR § 110.1(b)(3)(ii))

If any of the apparent primary election contributions in question were incompletely or incorrectly disclosed, you must amend your original report with the clarifying information.

Please inform the Commission of your corrective action immediately in writing and provide photocopies of any refund checks. Refunds are reported on Line 28 of the Detailed Summary Page and on a supporting Schedule B-P of the report covering the period in which they are made. (11 CFR § 104.8(d)(4))

Please amend your report to disclose what action will be taken in regard to these primary election contributions received by your committee. Although the Commission may take further legal action, prompt action by you to refund of these contributions will be taken into consideration.

4. On Schedule B of your report, you have itemized disbursements to Circular Advertising, Michael Gaske, Regency Plaza LLC, Roger J. Whyte II, and Phillip Medley with the purpose "Void Check." Please be advised that if the committee received goods or services from a vendor without making any payment for the services rendered, the committee may be in receipt of a prohibited contribution. 2 U.S.C. § 441b(a) prohibits the receipt of contributions from corporations unless made from separate segregated funds established by the corporations and labor organizations. Any prohibited contribution must be refunded or disgorged. (11 CFR § 103.3(b)(1)) The refund must be made within thirty (30) days of the treasurer becoming aware of the possible illegality of the contribution. (11 CFR § 103.3(b)(2)) If the identity of the contributor cannot be determined, the committee must disgorge funds to a governmental entity or to a qualified charitable organization described in 2 U.S.C. § 170(c). (Commission Advisory Opinions 1995-19 and 1991-39). Please take and report corrective action or amend your report if these transactions were incompletely or incorrectly disclosed.

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5. Commission Regulations define the term "purpose" to mean a brief statement or description of why a disbursement was made. Examples are "dinner expense," "media," "salary," "polling," "travel," "party fees," "phone banks," "travel expenses," "travel expense reimbursement," and "catering costs." Examples of election day and voter registration activity include "exit polling," "door-to-door get out the vote," "get out the vote phone calls," and "driving voters to the polls." Unacceptable descriptions, which require additional clarification, include but are not limited to "advance," "**strategic consulting**," "political consulting," "commission," "contract labor," "retainer," "election day expense," "expenses," "invoice," "support," "expense reimbursement," "miscellaneous," "professional services," "get-out-the-vote," and "voter registration." (11 CFR § 104.3(b)(4)(A))

Additional clarification regarding inadequate purposes of disbursement published in the Federal Register can be found at http://www.fec.gov/law/policy/purposeofdisbursement/inadequate_purpose_list_3507.pdf. Please amend Schedule B-P of your report to correct the descriptions that do not meet the requirements of the Regulations.

Please note, you will not receive an additional notice from the Commission on this matter. Adequate responses must be received by the Commission on or before the due date noted above to be taken into consideration in determining whether audit action will be initiated. Failure to comply with the provisions of the Act may also result in an enforcement action against the committee. Any response submitted by your committee will be placed on the public record and will be considered by the Commission prior to taking enforcement action. **Requests for extensions of time in which to respond will not be considered.**

Electronic filers must file amendments (to include statements, designations and reports) in an electronic format and must submit an amended report in its entirety, rather than just those portions of the report that are being amended. If you should have any questions regarding this matter or wish to verify the adequacy of your response, please contact me on our toll-free number (800) 424-9530 (at the prompt press 5 to reach the Reports Analysis Division) or my local number (202) 694-1167.

Sincerely,



Jeffrey Pope
Campaign Finance Analyst
Reports Analysis Division

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