



FEDERAL ELECTION COMMISSION
Washington, DC 20463

June 30, 2004

Marcus Vaden, Treasurer
Democratic Party of Arkansas
1300 West Capitol Avenue
Little Rock, AR 72201

Re: ADR 175 (AR 04-05)
Democratic Party of Arkansas and Marcus Vaden, Treasurer

Dear Mr. Vaden:

The Audit Division of the Federal Election Commission ("FEC" or "Commission") determined that matters arising from its recent review of the Democratic Party of Arkansas' records warranted further examination for possible violations of the Federal Election Campaign Act of 1971, as amended. The Commission, thereafter, reviewed the file and voted on June 29, 2004 to assign this matter to the FEC's Alternative Dispute Resolution Office ("ADRO") for processing.

The FEC established the ADR Program to provide an informal means for resolving matters that come before the Commission and to facilitate negotiations directly with Respondents. The ADR Program provides Respondents with an opportunity to negotiate, and if necessary, mediate settlement of a matter that is mutually agreeable. The negotiations occur prior to any Commission consideration of whether there is reason to believe a violation has occurred. If negotiations and/or mediation are successful, the resulting settlement would conclude the matter.

The Commission, in referring the matter to the ADR office, determined that the case is eligible for processing in the ADR program. If Respondents decide to participate in the Program, i.e., negotiation and/or mediation, you must: 1) indicate in writing a willingness to have your case submitted to the ADR process; 2) agree to participate in the bilateral negotiations and if necessary, mediation; and 3) waive the statute of limitations while the matter is being processed under the FEC's ADR program.

The issues referred to the ADRO and the focus of our subsequent negotiations are summarized as follows:

ADR 175/AR 04-05: An Audit of the 1999-2000 reports and records of the Democratic Party of Arkansas and Marcus Vaden, Treasurer ("Respondents") revealed that the

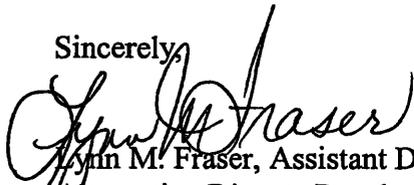
FEDERAL ELECTION COMMISSION, ALTERNATIVE DISPUTE RESOLUTION OFFICE
999 E STREET N.W., WASHINGTON, DC 20463
TELEPHONE: 202.694.1665 FAX: 202.219.0613
EMAIL: lfraser@fec.gov

committee accepted 194 filing fees from persons seeking non-federal offices, and deposited the fees into its federal account. Respondents did not deposit these questionable funds into a separate account; however, Audit staff indicated that Respondents consistently maintained sufficient funds in the federal accounts to transfer the filing fees to the non-federal accounts, except for the month of March 2000. The checks for these non-federal filing fees were drawn on personal accounts, raising the possibility that the personal accounts could have been reimbursed with impermissible funds. These funds did not pass through to the State, but were retained in one of Respondents' federal accounts and used for operating expenses. In addition, the filing fees were reported as contributions from "Individuals/Persons Other Than Political Committees." In response to the interim audit report, Respondents provided documentation demonstrating that individuals seeking non-federal offices who paid filing fees from their personal accounts were not reimbursed by their committees with prohibited monies for all but thirty-four (34) of the filing fees in question. The total for the thirty-four questionable contributions was \$34,019.

If after reviewing this letter and the enclosed brochure, which describes the ADR program, Respondents would like this case selected for ADR processing, you need to affirmatively indicate that on the enclosed Commitment to Submit Matter to ADR Program form. **Failure to respond affirmatively within fifteen (15) business days of receipt of this letter will be taken as a notice of disinterest in the program and your case will be dropped from further consideration for ADR.** In that event, your case will be sent to the FEC's Office of General Counsel and the likelihood that the Committee will be audited during the next election cycle will increase.

This matter has been designated as ADR 175. Please refer to this number in future correspondence with the FEC. If you have questions about the ADR Program, please contact the ADRO at my direct dial as indicated below

Sincerely,



Lynn M. Fraser, Assistant Director
Alternative Dispute Resolution Office
202-694-1665

Enclosures: Brochure
Commitment to Submit Matter to ADR
Designation of Representative/Counsel