

**To: Wayne Barnett, Executive Director
Seattle Ethics and Elections Commission**
From: Jenny Durkan for Mayor Campaign
Date: October 25, 2017
Re: Cary Moon for Mayor improper debt

Seattle rightfully prides itself on having strong campaign finance laws. Making sure our municipal elections are clean and fairly contested are a foundational element of our local democracy. The restrictions contained in those laws very deliberately ramp up in the final 21 days of an election, including limiting the amount that candidates can contribute to their own campaigns to \$5,000 in that period when people are voting.

In addition, candidates face a \$6,000 overall repayment limit under state law which strictly limits a candidate's ability to self-finance their own campaign. And the law also forbids anyone from avoiding contributions limits by extending loans or debt to a campaign (except in very limited circumstances, that do not apply here).

A review of the campaign finance filings by the Cary Moon campaign indicates that Ms. Moon and her campaign consultants are currently engaged in a complete end run around our late stage campaign restrictions, violating both the spirit and I believe the letter of our campaign finance laws. A close look at the Moon campaign's recent filings indicates that one of two things, both illegal, is going on: either her campaign's vendors are making tens of thousands of dollars in illegal in-kind donations to her campaign, or Moon is contributing (or promising to contribute) tens of thousands of dollars to her own campaign in direct contravention of the 21-day self-contribution limit.

The facts are as follows: the Moon campaign is reporting an extraordinary amount of debt to the campaign's vendors in the latest campaign filings. The campaign reports debts of \$125,787, an amount equal to nearly the total amount raised to date in months of campaigning.

According to SEEC Rule 6H, vendors may extend credit to a campaign, but only in the ordinary course of business. They are not allowed to advance funds for outside expenses incurred by the campaign – such as the cost of postage for mailings, nor delay their own customary repayment terms – under the assumption that the candidate will reimburse them after the campaign has ended. But that is exactly what Cary Moon, her vendors, and her campaign are doing.

On the C4 filing by the Moon campaign on October 17th, they disclose \$125,787 of debts, but only \$20,563 of cash on hand. Subsequent to that filing, Moon's campaign sent a large, multi-page glossy mailing to Seattle households. The C4 report suggests that the postage amount for this mailing is \$25,635.19. In political paid communications, postage is always pre-paid for campaign mailings. This postage was likely due to the mail vendor on October 17th or 18th. Based on the Moon

campaign C3 filings subsequent to the C4 filing, they had no more than \$23,513 on hand as of October 18, not enough to cover the cost of postage. Yet the mailing went out anyway.

The source of the Moon campaign's deficit spending has not been adequately disclosed, but may have been fronted to the campaign by Ms. Moon's mail consultant, Moxie Media. Even if that money was paid back to Moxie several days later (after Ms. Moon contributed an additional \$35,000 of her own money to her campaign), that action constitutes an illegal loan from Moxie Media to the Moon campaign, a loan far in excess of Seattle's \$500 contribution limit.

Further, the following debts should have been immediately retired by the Moon campaign after filing the latest C4:

- GBA Strategies \$31,000 (over 30 days old)
- Moxie Media \$4,250 (over 60 days old)
- Moxie Media \$750 (over 60 days old)
- Moxie Media \$317.66 (over 60 days old)
- Moxie Media \$5,706.89 (over 30 days old)
- Sway Media \$10,000 (digital advertising is normally pre-paid)
- Sway Media \$3,254 (over 30 days old)

These debts total \$55,278.55.

Not repaying these debts in a timely manner turns these debts into loans to the campaign from these vendors. Under that basis, these vendors have made contributions well in excess of the \$500 contribution limit in Seattle races.

Given that the magnitude of the remaining debt is disproportionate to Ms. Moon's fundraising over the course of this campaign, there is one other possible explanation for what is transpiring here: it suggests that these vendors are waiting on these payments until after the campaign has ended because Ms. Moon has agreed to cover any fundraising shortfall after the election. In essence, she is using this excessive debt, which she will likely retire largely with her own funds after the campaign (particularly if she loses, since her ability to raise tens of thousands of dollars after the election in such a scenario is highly unlikely), as an end run around the \$5,000 contribution limit within the final 21 days of the campaign. Such an agreement to personally cover any outstanding debts post-election would be a reportable pledge by Ms. Moon on her campaign reports, and in any case would make a mockery of the \$5,000 contribution limit. No such pledge was reported.

We are particularly concerned about the amount of debt owed to Ms. Moon's main consulting firm - Moxie Media - that in the past was penalized with one of the largest election-related fines in our state's history for failing to disclose the source of campaign funding. Moreover, given that Ms. Moon has made her involvement in the campaign to pass I-122, commonly known as the "Honest Elections" initiative, as a

central plank of her qualifications to serve as mayor, it is doubly disappointing for her campaign to engage in such a blatant subversion of Seattle's campaign finance restrictions.

Based on these facts, it is clear that Ms. Moon's campaign is engaged in a very serious violation of both State and City law and should be immediately investigated. At a minimum, the Moon campaign should immediately retire the unpaid debts listed above, which are clearly outside of normal business practices for these vendors, rather than using remaining funds for other purposes under the tacit or explicit assumption that Ms. Moon will cover those debts, with her own funds if necessary.

Thank you for your prompt consideration in this important matter.