

**REPORT OF THE REPUBLICAN PARTY OF MINNESOTA BUDGET,
FINANCIAL CONTROLS AND OVERSIGHT COMMITTEE**
MAY 7, 2012

I. BACKGROUND

In May of 2011, a new RPM Executive Committee (“EC”) formed after elections at congressional district conventions and the State Central Committee (“State Central”) meeting. It quickly became apparent to many on the EC that there were serious concerns amongst EC members and GOP activists regarding the financial health of the Party.

Over the course of the summer, the EC began asking many questions about the accuracy of the financial reports we were receiving and the status of the Party’s debt, as concerns mounted and rumors swirled throughout the activist base. In late September of 2011, the EC unanimously appointed an Internal Financial Review Committee (“IFRC”) of EC members to look into the finances of RPM and report back as to the total debt of the Party. The members of the IFRC were Pat Anderson, Scott Dutcher, Diane Johnson, Jeff Johnson (Chairman), Terry McCall and Steve Perkins.

The IFRC began its work in October, and while it was in the early stages of its review, RPM Chairman Tony Sutton unexpectedly resigned. The next day, the State Central Committee met and elected Kelly Fenton as RPM Deputy Chairman. She immediately became Acting Chairman and served in that position until the election of Pat Shortridge as Chairman on December 31, 2011. In addition, the RPM Secretary Treasurer, David Sturrock, resigned his position in January of 2012, and Bron Scherer was appointed by Chairman Shortridge and approved by the EC to replace him.

Shortly after Fenton’s election, she met with Mike Vekich, a prominent Republican businessman, CPA and turnaround specialist and gained his agreement to step in and, among other things, help the IFRC complete its financial review and report on the RPM’s debt.

Vekich and RPM staff took the lead on this task and, along with the IFRC chairman Jeff Johnson, presented a report at the December 31, 2011 State Central Meeting (which had been reviewed and approved by the IFRC), outlining previously unrecorded obligations in the amount of approximately \$415,000 which had not before been identified on RPM documents. The report to State Central also identified attorney fees incurred by Count Them All Properly, Inc. (an organization funding the 2010 gubernatorial recount) in the amount of approximately \$719,000. The attorneys to whom these fees are owed claim that this debt actually belongs to RPM. (See Transaction #11 below for a more detailed explanation).

In January 2012, Chairman Shortridge appointed the members of IFRC, along with several others, to serve on a new RPM Budget, Financial Controls and Oversight Committee (“Oversight Committee”). The members of the Oversight Committee are Jeff Johnson (chairman), Pat Anderson and Joe Westrup (co-chairs), Scott Dutcher, Kelly Fenton, Randy Gilbert, Diane Johnson, Terry McCall, Bron Scherer, Pat Shortridge, Rick Weible and Mike Vekich (ex officio).

After much discussion, the Oversight Committee determined our tasks to be the following:

1. Review certain transactions from 2008 – 2011 that have raised concerns, questions or allegations among Oversight Committee members and RPM activists and provide a full factual report on those transactions.
2. Set forth both short-term and constitutional changes to RPM’s operating structure to help prevent some of the financial issues that have come to light in the past months from happening again. Many short-term changes have already been put in place, but in this report we outline several constitutional or by-law changes which we have presented to RPM’s Constitution Committee for submission to the State Convention in May 2012.

This Report represents our work on both items above.

II. TRANSACTION REVIEWS

As set forth in the member biographies in Appendix I, the members of the Oversight Committee have a broad range of relevant backgrounds and expertise, including experience in business, accounting, law, human resources, financial consulting and work outs. The members also have extensive political and Party experience.

We met several times to discuss what further review of past RPM financial matters, if any, needed to be completed after the December 31, 2011 report to State Central. We discussed the two polar positions of hiring an outside firm to complete a forensic audit of RPM versus conducting no further investigation at all and simply “moving on.” We also discussed many other options in between.

In the end, we all agreed that the wisest path forward for the Party was to review the transactions from the past few years that were most troubling to us and others within the Party and provide the facts we learned in this Report - with an eye toward making recommendations for future internal controls that might help prevent future financial problems.

It’s important to note that we did not conduct an “audit” of RPM finances, but rather a review of specific transactions. We fully recognize that there will be some who feel we should have looked at more transactions, but we unanimously chose the following 11 items to review:

1. RPM credit card transactions and debt incurred during the period 2008 through 2011
2. Expense reimbursements to RPM employees during the period 2010 through 2011
3. Payments made to the RPM executive director over and above his regular salary from the period 2009 through 2011
4. The purchase of services from Republican candidates and officeholders from 2009 through 2011

5. Payments made by RPM to Baja Sol, Inc, a business owned by the previous RPM Chairman
6. The purchase of services from Civis Communications, a business owned by one of RPM's largest contributors
7. Payment by RPM to an investigator purportedly for research on the legalization of medical marijuana
8. The purchase of services from Strother Communications Group for an RPM branding project
9. The purchase of services from RBA, Inc. for work on the Phoenix database
10. Receipts and expenses from the Midwest Leadership Conference
11. Legal bills incurred by Count Them All Properly, Inc. which some allege are actually RPM obligations

In addition to the above items, Bron Scherer, the Party's new Treasurer, completed a detailed review of all RPM accounts payable as of December 31, 2011 and assured that all bank accounts were reconciled properly as of December 31, 2011 and 2010, among other procedures. A summary of these actions is also set forth below.

We divided the items above among members of the Oversight Committee and asked each to report back to the full group.

We set forth the facts we learned below. We chose not to pass judgment on the wisdom of any particular transaction, but to set forth the facts we learned and allow each reader of this Report to come to his or her own conclusion.

Again, please note that this review was not an audit.

As discussed more fully in the Recommendations section, our review discovered instances of misreporting both internally and externally, a lack of adequate internal financial controls, examples of questionable decision-making and a lack of accountability and transparency. We did not, however, find evidence of theft on the part of anyone at RPM.

The Transactions:

1. RPM credit card transactions and debt incurred during the period 2008 through 2011

We reviewed the credit card statements and accompanying documentation for three credit cards issued to the Republican Party of Minnesota. Generally speaking, we were investigating whether the RPM credit cards may have been used for personal expenses of past officers or employees of the RPM.

Our review began with statements from February 2008 and included any statements that were available through to the present. The quality or completeness of statements or of the accompanying documentation varied, and was especially poor following the summer of 2009.

For the 2008 to mid-2009 time period when Ron Carey served as chairman, the cards were used almost exclusively for travel expenses – largely for flights or hotel charges. The card balance was paid in full at the end of every month and no balance was left on the cards at the time Chairman Sutton took over.

After Chairman Sutton was elected, the monthly charges on the credit cards increased significantly. Whereas the average monthly credit card charges were \$2,000 to \$3,000 in 2008, by the end of 2009 they averaged \$8,000 to \$12,000, with some months totaling as much as \$18,500.

We found no evidence of improper activity. In 2009, the cards began being used to pay recurring charges for web-related services, and local hotels and receptions began to be charged to the cards. Based on our review of the available documentation and discussions with RPM employees, we determined that nearly all the charges were made for legitimate RPM expenses.

Only one charge lacked documentation and was unknown to current RPM employees: A charge was made to a firm named Fusetalk in August 2009 in the amount of \$4,383. Fusetalk specializes in community and collaboration software.

Chairman Sutton was also issued a credit card during his tenure at RPM. Since his resignation, he has transferred the card to his name and address and has stated in writing that he is responsible personally for any remaining payables on that card.

All RPM credit cards have been destroyed and current leadership is opposed to opening any new credit card accounts for RPM employees.

2. Expense reimbursements to RPM employees during the period 2010 through 2011

We performed a review of expense reports from January 2010 to November 2011. In most cases, we took a judgmental sampling from various individuals over the time period in question. Where certain items have been brought to our attention as being questionable or concerning, we reviewed the majority of expense reports an individual submitted over the timeframe.

We reviewed expense reports from the following RPM employees or officers: Aaron Cocking, Zach Freimark, Ryan Griffin, Ron Huettl, David Sturrock, Tony Sutton and Bryan Watkins. All expenses we reviewed were for RPM-related activities and were appropriately documented with the following exception:

Some of Ryan Griffin's expense reports lacked documentation. In particular, we reviewed three reimbursements for "mileage" having no documentation and two reimbursements dated 5/25/11 and 9/15/11 and totaling \$1,003.13 combined with no documentation.

We were unable to successfully contact Griffin for more information on these two reimbursements.

3. Payments made to the RPM executive director over and above his regular salary from the period 2009 through 2011

Ryan Griffin was paid a total of \$14,026 between July and November of 2010 for “legal advice” or “legal services” in addition to his salary as Executive Director of the RPM. He received a Form 1099 for that amount.

7/8/2010: \$7,500 payment for “legal services”
7/21/2010: \$5,000 invoice for “contract services – legal advice”
8/17/2010: \$626 invoice for “legal advice”
9/24/2010: \$400 invoice for “legal advice”
11/15/2010: \$500 invoice for “legal advice”

We were unable to locate any documentation detailing the services provided and were unable to successfully contact Griffin for more information regarding this issue.

4. The purchase of services from Republican candidates and officeholders from 2009 through 2011

Mark Buesgens served as manager of the Emmer for Governor campaign for a short period after Emmer’s endorsement in 2010 and while Buesgens served in the Minnesota House of Representatives. As had been done with certain other statewide campaigns in the past, the RPM took over the campaign manager compensation after endorsement. Buesgens received payments from the RPM in September and October of 2010 totaling \$11,200.

Joe Schomacker was a field representative for the RPM in 2009 and 2010, prior to his election to the Minnesota House of Representatives. He received payments from the RPM regularly from September 2009 through November 2010 totaling \$24,964.

Bill Pulkrabek and his company Tilt, Inc., were responsible for helping Republican-endorsed candidates for local offices throughout the state in 2009 and 2010. Pulkrabek was a Washington County Commissioner during this period. Tilt received payments from RPM regularly from October 2009 through November 2010 totaling \$16, 875.

Dave Thompson entered into three separate contracts with RPM, one prior to his election to the Minnesota Senate in November 2010 and two after his election:

- 10/1/09 – 11/30/10 – Represent the RPM on radio, TV and other media outlets; participate in meetings and events for the RPM; train state and local candidates to deal with media, interviews, etc.; provide 50 hours per month. Fees - \$3,750/month
- 12/1/10 – 5/31/11 – Work with RPM staff and officers to raise money for the RPM; general communications and messaging issues, as requested; train state and local candidates to deal with media, interviews, etc.; provide 50 hours per month.

Fees - \$3,750/month.

- 8/1/11 – 7/31/12 – Work with RPM staff and officers to raise money for the RPM. Fees - \$1,000/month, plus 15% of money raised and no additional fees have been incurred or paid to Thompson during 2012.

Thompson was paid a total of \$70,568.56 from RPM pursuant to the above contracts. He had an outstanding invoice with RPM of \$7,700 as of December 2011. He has given that \$7,700 to the Party as an in-kind contribution.

5. Payments made by RPM to Baja Sol, Inc., a business owned by the previous RPM Chairman

From August 2009 through September 2010, the RPM paid a total of \$4,461.48 to Baja Sol, Inc., a restaurant company owned in part by Tony Sutton, RPM Chair at the time.

Most of this amount represented monthly payments of \$251.60 for office space rental at Baja Sol.

According to Cardinals FEC Compliance, the RPM's FEC compliance company, and the Party's finance director at that time, these rent payments were required by federal campaign finance laws. Sutton was an unsalaried Party chair at the time and was mostly doing Party business out of his Baja Sol office. Monthly rent payments were required to avoid a claim of illegal corporate contributions. The monthly rental amount was calculated using comparable, market-based office space rental rates, average telephone usage and miscellaneous supplies costs.

In addition to the monthly rent payments, there was one payment to Baja Sol of \$377.40 on July 12, 2009. This was payment for food from Baja Sol for an RPM event for activists to meet the new leadership of the Party.

On October 18, 2009, there was a payment of \$561.68 to Baja Sol for food for a "You Look Good in Red" event, a GOP women's fundraising event hosted by Chairman Sutton's wife, Bridget.

6. The purchase of services from Civis Communications, a business owned by one of RPM's largest contributors

RPM paid Civis Communications for two different projects in 2009 and 2010. Civis is owned by Bob Cummins, one of RPM's largest contributors.

A. Blackberry Voter ID Technology

Civis owned technology that allowed people going door-to-door to record voter identification information onto the Party database using Blackberry devices. In 2009,

RPM agreed to rent the Blackberry devices from Civis containing the voter ID technology for use by Party volunteers who would agree to collect the information.

The Party rented 100 devices at a cost of \$100/month each (plus tax and shipping). The original agreement was to rent the devices for the second half of August and all of September in 2009. That agreement was extended through the month of October.

At the start of November, RPM returned 95 of the 100 devices to Civis and agreed to continue to rent five devices for the months of November, December and January. In total, RPM paid Civis \$29,739 for rental of these devices.

It appears that the voter ID technology on these devices worked well but that the Party was not very successful in getting volunteers to gather the information, hence the drop from 100 devices to 5 in November.

B. Mail Coordination

Civis was hired for the last two months of the 2010 campaign to coordinate all of the independent expenditure mail sent out by RPM during that period. In particular, Mike Scholl, the Executive Director of Civis, who has a history of campaign work around the country, was charged with helping to design, fact-check and coordinate RPM mail. All independent expenditure mail that went out from the Party during the last two months of the 2010 campaign was first approved and reviewed by Civis.

The Party paid Civis \$42,500 for this service.

7. Payment by RPM to an investigator purportedly for research on the legalization of medical marijuana

RPM made two payments to TG Med, Inc., in the amounts of \$10,502.41 and \$7,500 on September 29, 2010 and April 14, 2011. Tim Goar of TG Med claims that he was hired to do medical marijuana polling and research within the medical community to determine the validity of that issue. He also claims to have done opposition research and helped with media matters such as press releases, media research and speech preparation for Ryan Griffin, RPM Executive Director.

Goar claims to have very few written reports and did not think he had saved any of his work – either electronically or in paper format. He did not produce anything to us.

He says he had no written contract, only a verbal agreement with Griffin, who was his main contact at the Party.

We were unable to successfully contact Griffin for more information regarding this expenditure.

8. The purchase of services from Strother Communications Group for an RPM branding project

Strother Communications Group (“SCG”) was hired by RPM in July of 2009 to conduct

interviews and focus groups to both determine the then-current status of the Republican Party in Minnesota and to make recommendations to enhance the Republican “brand” in Minnesota and help win elections in 2010.

A signed agreement exists between Chairman Sutton on behalf of RPM and SCG setting forth in detail the services SCG would perform for the Party. No billing rate or specific dollar amount is included in the contract.

SCG conducted multiple focus groups around the state with activists and Party leaders, statewide Republican candidates and leaders of conservative groups. SCG gave a presentation to the EC and RPM staff on January 21, 2010, outlining its work and recommendations to that point. The presentation included a video and PowerPoint presentation.

Much of the discussion at that EC meeting involved a proposed logo change for the Party, and various new logos developed and tested by SCG with various focus groups. SCG also shared its findings that four core values (Fiscal responsibility, Free enterprise, Personal responsibility, Sensible government) would engage the base and attract independents in the 2010 election. There was also discussion of the SCG recommendation that the RPM consider changing its name back to the “Independent Republican Party” of Minnesota.

Chairman Sutton told us that he felt that SCG had performed as required by the contract and that the “four core values” were used to significant positive effect in the 2010 legislative elections.

SCG also gave a presentation regarding the branding and message development project at the Midwest Leadership Conference in October 2011.

Since August of 2009, SCG has been paid a total of \$179, 885.39 by RPM for its work on this project. There is still \$52,445.52 in outstanding invoices from SCG.

9. The purchase of services from RBA, Inc. for work on the Phoenix database

Based upon our review of this transaction, RPM is considering challenging the bill from RBA. That decision will be made after a legal analysis from our attorney.

10. Receipts and expenses from the Midwest Leadership Conference

The Midwest Leadership Conference, Inc. (“MLC, Inc.”) was created as a corporation in early 2011. Below is the basic financial information we received from Cardinals FEC Compliance Services, PLC, the accountant for the MLC:

Revenues:	
Conference Fees	\$75,125.00
Interest Income	<u>3.03</u>
Total	<u>75,128.03</u>

Expenses:	
Paid	75,110.26
Unpaid bills:	
Cardinals	282.00
Tarrance Group	1,442.35
DoubleTree	23,507.21
DoubleTree	<u>1,374.20</u>
Total	<u>101,716.02</u>
Net Loss	<u>(\$26,587.99)</u>

MLC:

Cash-on-hand - \$16.67
Accounts Payable - \$26,605.76

This committee did not have access to financial or corporate records of the MLC, as it is a corporation separate from the RPM. The information above is a summary provided to us by Cardinals. We have not been able to confirm the accuracy of these numbers.

11. Legal bills incurred by Count Them All Properly, Inc. which some allege are actually RPM obligations

The RPM is the subject of a complaint brought by Common Cause to the Minnesota Campaign Finance and Public Disclosure Board. The complaint references media reports of certain alleged unreported debts of the Party as well as allegations that state campaign finance laws were violated during the 2010 gubernatorial recount. The Party has responded to the complaint and cooperated with the Board in evaluating the Party's debt issues and in preparing the Party's 2011 report as well as in amending the Party's 2009 and 2010 reports. There might also be additional amendments to our past reports. We have established the Party's ability to properly account for its obligations, contributions and expenditures.

As to the part of the investigation connected with the 2010 recount, the Party is vigorously contesting the allegations contained in the Common Cause complaint. No evaluation of the likely outcome of the Board's investigation is possible at this stage of the investigation. The investigation is ongoing, and on the advice of our attorneys, no further comment can be made. We will supplement information regarding this issue when we are able.

On a related note, Minnesotans for a Fair Redistricting ("MFR") was created in 2011 as a 501(c)4 for the purpose of raising and expending funds to defend the maps and underlying principles of the Republican-led legislative redistricting plans. Some have asked whether allegations have been made that the RPM is responsible for debts of MFR. We are aware of no such claims and received a written memo last year from the three directors of MFR stating, among other things: "The law firms of Briggs & Morgan and Trimble and Associates work for MFR in this matter, not for the [RPM]. Any and all debts incurred by MRF are entirely the responsibility of MFR. To our knowledge, no

commitment has ever been made by any officer of the RPM to have the party serve as a financial guarantor of the MRF's financial obligations.”

Bron Scherer's Additional Work

In addition to the above, Bron Scherer, the Party's new Treasurer effective January 19, 2012, in connection with his responsibility for the accuracy of all published internal and regulatory public reporting requirements, performed the following due diligence procedures and reviews (among others):

1. Reviewed in detail all 2011 required public reports prior to filing (which were in fact filed on time in all cases in 2012 to date) as well as prior period reports requiring amendment to assure that such reports are now fairly stated based upon all facts and circumstances known to date. We are in regular communication with federal and state regulators as additional prior year amendments are required.
2. Reviewed all December 2011 and 2010 Party bank statements and related bank reconciliations noting that such accounts were properly reconciled and that “book” cash balances agreed with the general ledger.
3. Via on-line banking access, selected two fiscal quarters in 2011 for which every cash disbursement via check or electronic debit was viewed, comparing such to cash disbursement reports for applicable periods in the Party accounting system noting agreement of payee, amount, check number, etc. It was also noted that there were no obvious gaps in check sequence during the periods selected and less than five checks lacked dual signatures.
4. With respect to accounts payable (open invoices) as of December 31, 2011, it was noted that the accounts payable aging (both detail and summary reports) total amount owed was in agreement with the general ledger as of that balance sheet date. Additionally, all open invoices and statements from vendors were reviewed (which had already been accomplished by staff) as of December 31, 2011 noting no material issues.
5. Selected and reviewed vendor account activity and general ledger detail reports for over fifty (50) vendors from 2009-2011 of which the sample included software and political consulting and legal fees, among others.
6. Reviewed all known written agreement and contracts including leases, bank notes, vendor payment arrangements, etc.

While these procedures do not constitute all the procedures that would have been performed under a financial or a forensic audit, they do encompass, and in some cases surpass, procedures that would have occurred during an “audit”.

Update on Negotiations with RPM Creditors

Finally, we thought it important to provide a very brief and general update on the status

of negotiations with RPM creditors. This “work out” process is proceeding on a vendor-by-vendor basis and, despite some legal, financial and publicity challenges, we are optimistic that the process will result in acceptable arrangements to pay off the Party’s debt over time.

III. RECOMMENDATIONS

The RPM Constitution provides that it may be amended by a majority vote at any state convention if the proposed amendment is reported out of the RPM Constitution and Bylaws Committee. The Constitution also provides that the RPM Bylaws may be amended by a 2/3 vote of the State Central Committee after being referred to the state Constitution and Bylaws Committee.

We are submitting several recommendations to the Constitution and Bylaws Committee for its consideration. The recommendations we are making are based on some of the issues we discovered in our research of the issues above.

For the past two years, there has been inadequate transparency and oversight in place at RPM regarding financial transactions. In particular, some invoices for services or products provided to RPM apparently were not disclosed to the EC or others. In some cases, even the RPM Finance Director and the RPM Secretary-Treasurer did not have knowledge of the invoices.

Unfortunately, it appears that some of these invoices were apparently set aside by the past RPM chairman and not included on RPM finance reports or documents. These particular invoices represent most of the past-due payables that were reported for the first time at the December 31, 2011 State Central meeting.

Chairman Sutton told us that he did not set aside invoices and that he was surprised by many of the new past-due payables disclosed at the December 31, 2011 State Central meeting himself.

In addition, our Constitution and By-Laws are mostly silent as to the role of the EC in providing checks and balances to the RPM chairman. While the current EC did raise many questions and created the committee that instituted this review and report, with proper controls in place, some or all of these problems could have been prevented in the first place.

The Recommendations are summarized below. The actual language changes are attached as Appendix II.

1. **Standing Committees:** We recommend the RPM create the following two standing committees: The Financial Controls and Oversight Committee and the Personnel Committee. These committees will have three to five members of the EC, and the Financial Controls and Oversight Committee will also have two to three non-Executive Committee members. Membership on both standing committees will be proposed by the Chair on an annual basis and must be approved by a 2/3 vote of the EC.

Below are the proposed charters of these two standing committees. This language will not be added to the Constitution or By-Laws but could become a policy of the RPM:

The Financial Controls and Oversight Committee shall consist of no fewer than three and no more than five members of the Executive Committee (“EC”) of the Republican Party of Minnesota (“RPM”), and no fewer than two and no more than three non-EC members. The members, including its chair, shall be appointed by the RPM Chair annually and must be approved by a 2/3 majority of the EC. The Chair and Treasurer of the RPM shall serve as ex-officio members of the Committee.

The Committee is established by the EC for the primary purpose of assisting the EC in fulfilling its oversight duties and responsibilities. Certain of the Committee’s oversight include:

1. The integrity of the RPM’s financial statements.
2. That the Chair and Treasurer establish and maintain an adequate system of internal and financial controls
3. That the Treasurer prepares an annual operating budget. The Treasurer shall monitor and report to the Committee and EC, at least quarterly, the financial condition of the RPM.
4. Determine that the RPM adheres to all regulatory requirements and reports are filed on a timely basis with the appropriate governmental agencies.
5. Other duties the Committee deems appropriate or assigned by the Chair, Treasurer or EC.

The committee shall conduct a self-evaluation of its performance annually.

The Human Resources Committee (HRC) shall consist of no fewer than three and no more than five members of the Executive Committee (EC) of the Republican Party of Minnesota (RPM). The members, including its chair, shall be appointed by the Chair annually and must be approved by a 2/3 majority of the EC.

The HRC is charged with the oversight of all RPM personnel policies.

The Committee shall conduct a self-evaluation of its performance annually.

2. **Authority to Sign Contracts:** All contracts obligating the State Party, must be signed by both the Chair and the Treasurer, subject to the review and approval of the Executive Committee, where applicable, as outlined below.

Any contract that is likely to obligate the State Party to an amount greater than \$5,000 during any calendar year (including multiple contracts with a single entity or person that in the aggregate could meet the \$5,000 annual threshold) and that does not fall within the applicable annual budget passed by the State Central Committee must be approved in advance by a majority vote of the Executive Committee. In addition, any contract with a term longer than one year must be approved by a majority vote of the Executive Committee.

No officer of the Party has the authority to guarantee a debt on behalf of the State Party in any amount without the prior approval of a majority of the Executive Committee

3. **Split the Secretary/Treasurer Position:** The Secretary position would continue to be an elected leadership position, but the Treasurer would be an appointed position proposed by the Chair and approved by a 2/3 majority of the Executive Committee. Our Bylaws also need to better define the responsibilities of the Treasurer.
4. **Written Internal Financial Controls:** The Treasurer must annually submit a written Internal Control Framework of policies to the Chair and Executive Committee that must be approved each year by the Chair and a majority of the Executive Committee.

The RPM Budget, Financial Controls and Oversight Committee:

Jeff Johnson (chairman)
Pat Anderson (co-chair)
Joe Westrup (co-chair)
Scott Dutcher
Kelly Fenton
Randy Gilbert
Diane Johnson
Terry McCall
Bron Scherer
Pat Shortridge
Rick Weible
Mike Vekich (ex officio)

APPENDIX I MEMBER BIO'S

Pat Anderson - Pat has been a member of the GOP for decades. Her experience began at the University of Minnesota with a Bachelor of Arts in International Relations / Political Economy and a Masters from Hamline University in Public Administration. Pat has held positions as Mayor of Eagan, State Auditor, and Commissioner of the Department of Employee Relations. Pat was also a business owner providing for 75 jobs for the Minnesota economy. She is currently Minnesota's National Committee Woman and a member of the RPM Executive Committee.

Scott Dutcher- Scott represented the seventh congressional district on the Executive Committee until recently. He lives near Alexandria with his wife and two sons. Scott is a founding partner in the law firm of Dutcher & Paschka P.A. He serves on his local city council and is the endorsed Republican candidate in House District 12A.

Kelly Fenton- Kelly currently serves as Deputy Chair of the RPM. In this role, she works closely with grassroots Republican groups, assists with fundraising for the state party and is an RPM liaison with elected Republicans in the state legislature. She is also President and graduate of the Minnesota Excellence in Public Service (MEPS) Series. Kelly has previously served as Campaign Manager for Senator Ted Lillie's winning campaign. Fenton has extensive experience as a former Educator and School Administrator for the 4th largest school district in the country. Fenton is a graduate of Marquette University and also holds a Master's of Administration and Supervision from the University of Houston.

Randy Gilbert - Randy brings a breadth of experience and talent to the team. He currently is a Sarbanes Oxley auditor with Assurance Consulting 3, ensuring his publically held clients against waste & fraud. Randy utilized his Accounting degree from the University of Minnesota – Duluth with 19 years of accounting and finance experience including positions at KPMG Peat Marwick and Chief Financial Officer at SecureTrak. Randy also owns AdvantEdge Companies, which offers a range of products and services. Randy has held an array of leadership and board member positions within the community including the Mayor of Long Lake, the Minnesota Mayors association and alumni board member of the FBI Citizens Academy. Randy resides in Wayzata, MN.

Jeff Johnson- Jeff is an employment attorney and president and founder of Midwest Employment Resources, a firm providing employment law training, investigation and mediation services to businesses throughout the country. He is a nationally recognized speaker on employment law and human resource topics and has conducted dozens of investigations of workplace misconduct allegations nationally. Jeff is a former member of the Minnesota House of Representatives and currently serves as both a Commissioner on the Hennepin County Board and as Minnesota's Republican National Committeeman. He is a graduate of Concordia College in Moorhead, Minnesota and Georgetown Law School in Washington, D.C.

Terry McCall - Terry spent 30 years at 3M in various sales and marketing positions within the Medical Division. He has been active in Republican politics for decades most

recently as the Chairman of the MN 2nd Congressional District. He served as Finance Chair for the Minnesota 3rd Congressional District, on the State Executive Committee, Internal Financial Review Committee, and State Central Committee. Terry graduated from St. Thomas University in St Paul, MN and attended Cardinal Stritch University in Milwaukee, WI for a Masters Degree in Management.

Bron Scherer - Bron has been an accountant professionally since 1979 (CPA since 1981). He (and his wife, Geniene) currently provides financial consulting, advisory and CFO services for companies principally in southern Minnesota and the Twin Cities. He also is a founder and partner of Protein Sources, Mapleton, Minnesota, a large swine management services and swine feed manufacturing company. Protein Sources and its affiliates also raise pigs and have various other agricultural real estate and business interests. Bron began his professional career with Arthur Andersen & Co, Minneapolis upon graduation from Mankato State University (Minnesota State-Mankato) with a Bachelor of Science Degree-Accounting. He left the Firm in 1987 as an accounting and audit manager and has been self-employed since. Bron has been not only interested but active in politics since grade school. Recently, he has served as treasurer for three Minnesota State legislative candidates, campaign manager for Senator Al DeKruif in 2010 and is the current Rice County BPOU chair and a member of the CD2 Board.

Rick Weible – Rick is Co-Chair of CD3 & MNGOP State Executive member for the last 4 years. He is also the 3-term Mayor of St. Bonifacius. Professionally Rick is the CEO of Cirik Brands, which owns the DollarPlus Store located in Mound MN and a distribution center in Minneapolis helping small and medium size businesses with their closeouts, B2B distribution and e-commerce requirements. In addition, Rick is President/Owner of R & G Visions, a computer forensics and security company. Rick is an Eagle Scout with Vigil Honors and 8 year volunteer with Waconia Boy Scout Troop/Pack 3327.

Joe Westrup – Joe graduated from the University of Minnesota with a Bachelor of Science in Economics. He is a Certified Financial Planner (CFP) and has been helping his clients protect and maximize their wealth since 1989. Joe is a committed Republican activist and was the campaign manager for Rep. Matt Dean, former Deputy Chair of the Minnesota GOP. Joe is currently the State Executive Vice Chair for CD6.

Mike Vekich - Mike is CEO of Vekich Associates and has served as Executive Chairman of Eagan-based Skyline Exhibits, the market leader in trade show exhibit design. Previously he was owner and Chief Executive Officer of Vekich Arkema & Company, a public accounting firm that served clients in countries worldwide. Currently Mike serves as Chair of HF Financial Corp (NASDAQ) and Home Federal Bank, South Dakota's largest publicly traded savings bank. Mike has been appointed by Gov. Tim Pawlenty as Chair of the Governor's 21st Century Tax Reform Commission in 2008 and Acting Director of the Minnesota State Lottery in 2004. Additional public service positions include Vice Chair, Minnesota Ballpark Authority Commission (2006-2011); Chair, Board of Trustees, Minnesota State Colleges and Universities (1996-2002; 2010 - Present); Chair, Minnesota State Board of Accountancy (1984 – 1992; 2005 – Present). Mike holds a B.A. in accounting and business administration from the University of Minnesota.

APPENDIX II
Proposed Changes to Constitution/ByLaws
(Additions are underlined, deletions are struck through)

1. *Separate Secretary and Treasurer positions. Secretary elected by State Central; Treasurer appointed by Chairman and approved by a supermajority of the Executive Committee.*

Constitution Art. IX, 3B

“B. Elections, Terms and Removals □

1. The State Party Chair, Deputy Chair and Secretary ~~party officers~~ shall be elected at large by the State Central Committee in accordance with the bylaws or upon the occurrence of a vacancy, as provided in clause 4 below.

2. At the first Executive Committee meeting after the election of a Party Chair or in the event of a vacancy in the Treasurer position, the Chair shall recommend a candidate to the Executive Committee for Treasurer who must be approved by a 2/3 majority vote of the Executive Committee. [This paragraph shall take effect after the election of a Chair in 2013]. The Treasurer cannot simultaneously hold any other state party officer position.

~~23.~~ State party officers shall not serve more than four (4) consecutive full terms in the same office. Unless otherwise provided, each party officer shall serve a two-year term in accordance with the procedures established in the bylaws.

~~34.~~ Any state party officer may be removed by a two-thirds vote of those present at any meeting of the State Central Committee. In addition, the Treasurer can be removed by a 2/3 vote of the Executive Committee.

~~45.~~ In the event of a vacancy in the office of state chair, the deputy chair shall carry out the duties of the chair until a new state chair is elected and the State Central Committee shall meet within thirty (30) days thereafter to elect a new state chair. In the event of a vacancy in the office of deputy chair or secretary-treasurer, the state chair may appoint an acting deputy chair or secretary-treasurer subject to ratification by the State Executive Committee within thirty days after the appointment, to carry out the duties of the vacant office until a new officer is elected. The State Central Committee shall elect a new deputy chair or secretary-treasurer at its next regularly scheduled meeting or, if such meeting is scheduled within thirty days after the vacancy occurs, at the second regularly scheduled meeting after the vacancy occurs.”

ByLaws Article IV, Sections 5 and 6

~~“5. The secretary-treasurer shall be responsible for keeping the minutes of state conventions, State Central meetings and State Executive Committee meetings, and shall have charge of all Party books, records and papers.~~

~~The secretary treasurer shall also have the custody of all moneys and securities of the Party and shall give bond in such sum and with such sureties as the State Executive Committee may require, conditions upon the faithful performance of the duties of the office. He/she shall keep regular books of account, and shall submit them, together with all his/her vouchers, receipts, records and other papers to the State Central Committee for their examination and approval as are incident to the office. During the temporary vacancy in the office of secretary treasurer, pending the election of a successor, the chair shall appoint a temporary secretary treasurer, subject to the approval of the State Executive Committee.~~

5. The Secretary shall be responsible for preparing and publishing the minutes of the state conventions, State Central Committee meetings and State Executive Committee meetings. All approved minutes will be retained as part of the books and records of the Party.

6. The Treasurer shall be responsible for establishing and maintaining an adequate system of internal accounting and financial controls; overseeing the Party financial budget process; publishing and filing Party financial statements, supplemental schedules and financial reports to applicable regulatory agencies and timely presenting such Party financial information to the Executive Committee (at least quarterly) and State Central Committee (semi-annually) for their examination and approval.

The Treasurer shall annually submit to the Chair and Executive Committee a written report of the internal financial controls in place for the upcoming year. That report must be approved each year by the Chair and a majority of the Executive Committee.

The Treasurer must provide access to Party financial records and/or supporting transaction documents to current Executive Committee members and State Central Committee delegates and alternates who submit reasonable written requests for such access subject to applicable personnel privacy laws and other confidentiality restrictions.”

[There will also be numerous non-substantive changes required in the Constitution and Bylaws to separate the Secretary and Treasurer positions.]

2. Define the role of EC regarding standing committees.

“Bylaws Art. III, Section 6

“Section 6. At the first Executive Committee meeting after the election of a Party Chair, the Chair shall appoint members to the following standing committees: the Financial Controls and Oversight Committee and the Personnel Committee. Each standing committee shall have among its membership between three and five members of the Executive Committee. The Financial Controls and Oversight Committee shall also have two to three members who are not members of the Executive Committee. The Party Chair and Treasurer shall be ex-officio members of the Financial Controls and Oversight Committee. Each standing committee shall elect its own committee chair. All appointments to these two standing committees must be approved by a 2/3 vote of the Executive Committee.

In addition to the standing committees, The State Executive Committee may organize itself into functional sub-committees and may appoint such advisory members as are necessary to deal with specific areas of Party operations such as youth, personnel, finance, information systems, research, candidates and campaigns, public relations, leadership training, auxiliaries and the day to day direction of the Party.”

3. Require EC approval of certain contracts.

“Bylaws Art. IV, Section 3

Section 3. The chair shall preside at all State Central Committee, state convention and Executive Committee meetings, ~~and~~ shall have general supervision and management over the affairs of the Party and over other officers and shall perform all such other duties as are incident to the office.

~~The chair shall execute all bonds, mortgages and other contracts of the Party, and shall perform all such other duties as are incident to the office.~~

Section 4. All contracts obligating the State Party, including mortgages and other debt instruments, leases and bonds, must be signed by both the Chair and the Treasurer, subject to the review and approval of the Executive Committee, where applicable, as outlined below.

Any contract that is likely to obligate the State Party to an amount greater than \$5,000 during any calendar year (including multiple contracts with a single entity or person that in the aggregate could meet the \$5,000 annual threshold) and that does not fall within the applicable annual budget passed by the State Central Committee must be approved in advance by a majority vote of the Executive Committee. In addition, any contract with a term longer than one year must be approved by a majority vote of the Executive Committee.

No officer of the Party has the authority to guarantee a debt on behalf of the State Party in any amount without the prior approval of a majority of the Executive Committee.”

4. *The Treasurer must annually submit an Internal Control Framework of policies to the Chair and Executive Committee which must be approved each year by the Chair and a majority of the EC.*

Bylaws Article IV, Section 6

[Addressed in the new language in #1 above]: “The Treasurer shall annually submit to the Chair and Executive Committee a written report of the internal financial controls in place for the upcoming year. That report must be approved each year by the Chair and a majority of the Executive Committee.”