



**STATE OF WASHINGTON
PUBLIC DISCLOSURE COMMISSION**

711 Capitol Way Rm. 206, PO Box 40908 • Olympia, Washington 98504-0908 • (360) 753-1111 • FAX (360) 753-1112
Toll Free 1-877-601-2828 • E-mail: pdcc@pdcc.wa.gov • Website: www.pdcc.wa.gov

BEFORE THE PUBLIC DISCLOSURE COMMISSION
OF THE STATE OF WASHINGTON

In the Matter of Enforcement Action
Against Joshua Freed

Respondent.

PDC Case 66161

Notice of Administrative
Charges

I. JURISDICTION

The Public Disclosure Commission (PDC) has jurisdiction over this proceeding pursuant to Chapter 42.17A RCW, the state campaign finance and disclosure laws; Chapter 34.05 RCW, the Administrative Procedure Act; and Title 390 WAC. These charges incorporate the Report of Investigation and all related exhibits by reference.

II. ALLEGATIONS

Staff alleges Joshua Freed, a 2020 candidate for Governor, violated: RCW 42.17A.445, by exceeding the \$6,000 per election candidate loan repayment limits when his Campaign repaid Joshua Freed at least \$450,000 of a \$500,000 candidate loan he made to the campaign, which he later purported to report as a contribution; violated RCW 42.17A.235 and RCW 42.17A.240, by failing to timely and properly disclose the acceptance and repayment of the contribution/loan by the Campaign; violated RCW 42.17A.145 and RCW 42.17A.235(9), by filing reports concerning the contribution/loan that were not correct as was certified; and violated WAC 390-16-226(1), by failing to record the loan in a written loan agreement executed at the time of the loan.

III. FACTS

1. On August 8, 2019, Joshua Freed (Freed) registered with the PDC declaring his candidacy for Office of Governor, establishing the Joshua Freed for Governor committee (Campaign) for the 2020 election, selecting the Full Reporting Option and listed party preference as Republican.
2. Freed has previously filed with the PDC as a candidate for Bothell City Council, having been elected to that office in 2005, and having served on the Council or as Mayor until 2017.

3. On October 10, 2019, the Campaign filed a C-3 report disclosing the receipt of a \$500,000 candidate loan from Joshua Freed on line 1c, stating the loan was received and deposited on September 14, 2019.
4. The Campaign completed a Schedule L Loan Document (Schedule L), attached to the C-3 report when filed on October 10, 2019, as was required for a candidate making a loan to the candidate's own authorized committee. The Schedule L disclosed that the Campaign received a \$500,000 loan¹ from Joshua Freed on September 14, 2019. The Campaign designated the loan as being for the 2020 primary election, by selecting the appropriate box on the report, and indicated a zero percent annual interest rate was being charged.
5. On February 10, 2020, the Campaign filed the Summary Full Campaign Contributions and Expenditures (C-4) report for January 2020, disclosing \$95,201 in monetary contributions received, plus \$661.84 for in-kind contributions received and \$521,765.47 in total expenditures made. The C-4 report expenditures included a \$500,000 payment made by the Campaign to Joshua Freed on January 31, 2020, describing the expenditure as "Loan Received" from Freed on September 14, 2019. The January 2020 C-4 report included a completed Schedule L, Section 2 for Loan Payments disclosing a \$500,000 expenditure was made to Joshua Freed on January 31, 2020 as loan repayment.
6. On June 30, 2020, the Campaign filed an amended C-3 report amending the C-3 report initially filed October 10, 2019, and purporting to retroactively classify the previously disclosed \$500,000 candidate loan from Joshua Freed as a \$500,000 monetary contribution received from the candidate's personal funds.
7. The Campaign amended the January 2020 C-4 report three times in June 2020, with the expenditure described as being made to Joshua Freed for repayment of the "Loan Received" twice. The third amended January 2020 C-4 report was filed on June 30, 2020 and amended the \$500,000 expenditure description to "Refund of Contribution".
8. On July 21, 2020, the Campaign filed its fourth amended January 2020 C-4, removing the \$500,000 expenditure and listing a \$450,000 expenditure made on January 31, 2020 to Joshua Freed, again described as "Refund of Contribution."
9. PDC Staff repeatedly requested that the Campaign provide copies of the Campaign's bank statements to verify the nature of the transactions described above.
10. On July 21, 2020, the Campaign provided copies of heavily redacted bank statements in response to staff's request for that information. The copies of the bank statements provided listed a "Telephone Transfer Credit" of \$500,000 into the Freed for Governor account on September 6, 2019, eight days earlier than had been reported to the PDC. In addition, the bank statements listed "Telephone Transfer Debit" of \$450,000 from the Freed for Governor account, on December 31, 2019, thirty-one days earlier than had been reported to the PDC. To date, the reports have not been further amended to account for these discrepancies.
11. To date, the requested Campaign bank statements have not been provided in full by the Campaign.
12. All reports listed above as filed by the Campaign were electronically filed, listing as having been certified and signed by Joshua Freed (Candidate) and Jeff Davis (Ministerial Treasurer).

1. A loan is a form of contribution, as defined in RCW 42.17A005(a)(1).

IV. LAW

RCW 42.17A.145 requires every report and statement required under RCW 42.17A shall identify the person preparing it, and shall be certified as complete and correct, both by the person preparing it and by the person on whose behalf it is filed.

RCW 42.17A.235 provides that a treasurer or candidate shall preserve books of account, bills, receipts, and all other financial records of the campaign or political committee for not less than five calendar years following the year during which the transaction occurred, with (9) requiring all reports filed pursuant to subsection (1) or (2) be certified as correct by the candidate and the treasurer.

RCW 42.17A.240 require candidates under the Full Reporting Option to file timely, accurate C-3 and C-4 reports disclosing contribution and expenditure activities undertaken by the committee. Under the full reporting option, until five months before the general election, C-4 reports are required monthly when contributions or expenditures exceed \$200 since the last report. Beginning June 1st for every participant in an election, C-4 reports are required 21 and 7 days before each election, and a post-election C-4 report in which the committee receives contributions or makes expenditures, and in the month following the election.

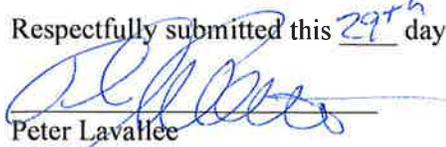
RCW 42.17A.445 states repayment of loans made by the individual to political committees shall be reported pursuant to RCW 42.17A.240. However, contributions may not be used to reimburse a candidate for loans totaling more than dollar amounts adjusted for inflation by rule of the commission adopted under the authority of RCW 42.17A.125. Current dollar amounts are listed in WAC 390-05-400.

WAC 390-16-226(1) provides that only loans which are recorded in a written loan agreement executed at the time of the loan and properly reported may be repaid by a candidate or political committee. The rule also states the amount of campaign contributions which may be used to repay a loan made by the candidate to the candidate's own political committee or campaign, or to repay a commercial loan to a candidate's own political committee or campaign where the candidate is the borrower or guarantor, is limited to the loan repayment limit in RCW 42.17A.445(3) as adjusted by WAC 390-05-400. For purposes of the loan repayment limit, these loans are aggregated for each primary, general, special or recall election and must be designated accordingly by the candidate at the time the loan is made.

WAC 390-05-400 allows, pursuant to the authority in RCW 42.17A.125, the commission to revise the monetary contribution limits and reporting thresholds and code values of the act to reflect changes in economic conditions. The current (2020) reimbursement of candidate for loan to own campaign is \$6,000.

PDC Interpretation No. 14-01 states that a candidate may not receive loan repayments that exceed the limitations allowed by RCW 42.17A.445(3).

Respectfully submitted this 29th day of July 2020.


Peter Lavalée
Executive Director

