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March 24, 2014

Patrick A. Miles, Jr.
United States Attorney for the Western District of Michigan
P.O. Box 208
Grand Rapids, MI 49501-0208

Dear Mr. Miles:

I am legal counsel for the Michigan Democratic Party. I am writing to bring to your attention matters that are of serious concern because they impact the integrity and transparency of our State government. I write to you because I understand that your office has responsibility for investigating potential federal criminal violations.

Our concern is based on information produced in response to the Michigan Democratic Party's requests to various State officials for documents under the Michigan Freedom of Information Act. The documents that were unearthed show that Governor Rick Snyder's NERD ("New Energy to Reinvent and Diversify") Fund was used to lobby State government officials for lucrative favors for a Snyder relative and generous campaign donors in their business dealings with the State government.

One case involves a \$19 million multi-year State contract with Haworth, Inc., a furniture manufacturer to provide new furniture for Michigan's government. George Snyder, the Governor's cousin, owns and operates a furniture distribution company called DBI Business Interiors, which was a preferred distributor for the furniture contractor.¹ Emails produced under FOIA show that in April, 2011, George Snyder contacted Richard Baird, the Governor's "Transformation Manager." At the time, Baird was employed by the Governor's secretive NERD ("New Energy to Reinvent and Diversify") Fund. George Snyder asked for Baird's assistance with the State contract, and Baird promptly emailed the Chief Deputy Director of the Michigan Department of Technology, Management and Budget (DTMB), which supervised the

¹ Haworth contract attached as Exhibit A

contract.² Not long after, the Senate passed a budget bill limiting State spending on new office furniture in favor of procurement of refurbished furniture.³ Snyder again contacted Baird requesting assistance concerning the bill.⁴ Baird responded quickly, assuring Snyder, “[Budget Director] John Nixon’s people are on this. Sit tight.” Nixon then emailed Baird, “We are on this.” The House version of the budget bill, minus the Senate’s cost-saving language, was enacted a few weeks later.⁵ Not long after, Snyder emailed Baird asking for his assistance dealing with negative press coverage of the furniture procurement contract. Baird forwarded the email to Nixon’s office, commenting, “He is Gov Snyder’s cousin.” Nixon emailed back that he would contact Snyder.⁶ In September, 2012, the furniture contract was more than doubled in size, to over \$41 million. Meanwhile, individuals connected to Haworth made generous contributions to Rick Snyder’s campaign committee.⁷ Also, Haworth reportedly contributed a large amount to the “Governor’s Club,” a political organization set up by Governor Snyder that is largely funded by corporations affected by government regulation. The Governor’s Club has raised approximately \$832,000 since 2011.⁸

In another case, Steve Trecha, President and CEO of Integrated Strategies Inc., emailed Baird in March, 2011 to ask for his help on a “supply chain transformation” contract his company had bid with the Michigan Department of Corrections. Trecha explained that after Integrated Strategies initially won the competitive bid, an unsuccessful bidder appealed under the State’s bidding procedures, and the officials in charge of the bidding decided to re-bid the contract. Baird forwarded Trecha’s email to Budget Director Nixon the following day, with the

² 4/13/11 email attached as Exhibit B

³ excerpt from SB 177, as passed on 4/26/11, attached as Exhibit C

⁴ 4/29/11 emails attached as Exhibit D

⁵ 2011 PA 63, passed on 5/26/11

⁶ 7/7/11 emails attached as Exhibit E

⁷ Exhibit F

⁸ See, Paul Egan, “Governor’s Club Fund Has Raised \$831,000” *Lansing State Jrnl.* 2/27/14; Paul Egan, “Governor’s Club: Fund Is Transparent, Yes, But Most Donors Are Companies Affected by Policy Decisions” *Detroit Free Press* 2/28/14, attached as Exhibit G

comment, “Per our discussion.”⁹ Trecha’s company landed the contract a few months later.¹⁰ The contributions of Trecha and his wife to the Governor’s and Lieutenant-Governor’s campaign committees increased nearly tenfold after the contract was awarded.¹¹

These transactions raise serious questions about how governmental business has been conducted in the Snyder administration. But from the available information it is not clear whether they simply show special treatment by government officials for relatives and favored interests, or whether they are evidence of illegal “pay-to-play” arrangements. A crucial missing element is information about the NERD Fund, the secretive and unreported tax exempt entity that paid Richard Baird’s salary during the period the transactions took place. Disclosure of the NERD Fund’s contributors and expenditures could well answer many questions about how the Governor’s office has conducted its affairs.¹²

As the United States Attorney, you have the authority and responsibility to enforce federal criminal laws designed to combat state and local corruption and “pay-to-play” schemes, including the mail and wire fraud statutes, 18 U.S.C. §§ 1341 and 1343 including the honest services amendment, 18 U.S.C. § 1346, the Hobbs Act 18 U.S.C. § 1951, and the program bribery statute, 18 U.S.C. § 666. I understand that initiation of an investigation is a serious undertaking for a federal prosecutor, one that requires at least a reasonable suspicion of potential criminal conduct. While I lack expertise in federal corrupt practices laws, I believe that the evidence discussed above, together with the unknowns surrounding the secretive NERD Fund, reasonably raise questions about the propriety and legality of the actions that have been revealed.

I respectfully ask you to carefully review the enclosed information and to take any action you believe to be appropriate.

Yours truly,

Andrew Nickelhoff

⁹ emails attached as Exhibit H

¹⁰ Integrated Strategies Inc. contract attached as Exhibit I

¹¹ Exhibit J

¹² Published reporting on the NERD Fund attached as Exhibit K

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cc: Lon Johnson, Chair