

**IN THE UNITED STATES DISTRICT COURT  
DISTRICT OF MINNESOTA**

<p>TIMOTHY CHARLES HOLMSETH</p> <p>Plaintiff,</p> <p>v.</p> <p>CITY OF EAST GRAND FORKS, a municipal entity in the state of Minnesota; RONALD GALSTAD, city attorney for City of East Grand Forks, in his official and individual capacity; BARB ERDMAN, Sheriff of Polk County, Minnesota, in her official and individual capacity; JAMES RICHTER, director of Economic Development and Housing Authority (retired), in his official and individual capacity; MICHAEL HEDLUND, chief of police for City of East Grand Forks, in his official and individual capacity; DAVID MURPHY, administrator for the City of East Grand Forks, in his official and individual capacity; RODNEY HAJICEK, lieutenant detective at East Grand Forks Police Department, in his official and individual capacity; AEISSO SCHRAGE, police officer at East Grand Forks Police Department, in his official and individual capacity; MICHAEL LACOURSIERE, public defender for MINNESOTA PUBLIC DEFENDER’S OFFICE, in his official and individual capacity; JOHN DOE, in his/her official and individual capacity; JEANETTE RINGUETTE, administrative assistant at the Grand Forks National Weather Service Office, in her official and individual capacity; MICHAEL NORLAND, deputy at the Polk County Sheriff’s Office, in his official and individual capacity;</p> <p>Defendant.</p>	<p>Case No. 14-CV-2970 (DWF/LIB)</p> <p>EXHIBITS</p> <p>STATEMENT OF FACTS BY DEFENDANT GALSTAD AND DEFENDANT CITY PUBLISHED IN NEWSPAPER</p>
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## **EXHIBITS**

### **STATEMENTS OF FACTS BY DEFENDANT GALSTAD AND DEFENDANT CITY PUBLISHED IN NEWSPAPER**

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1. The Court will please accept the attached Exhibits.
2. The submission of the Exhibits herein is made as result of a legal statement of facts made by East Grand Forks City Attorney Ronald Galstad on December 3, 2014 and published in the East Grand Forks Exponent. SEE EXHIBIT A, B, C, D.
3. EGF City Attorney Ronald Galstad is a Defendant in Holmseth v. City of East Grand Forks et al. Case No. 14-CV-2970 (DWF/LIB).
4. As is set forth in Plaintiff's FIRST AMENDED COMPLAINT, Plaintiff is suing Defendant Galstad in both his official and individual capacity.
5. As is set forth in Plaintiff's FIRST AMENDED COMPLAINT, Plaintiff reported the City of East Grand Forks to the Minnesota State Auditor on December 8, 2013. SEE EXHIBIT E
6. On April 30, 2014, the Grand Forks Herald reported \$510,000 loan to EGF goes unpaid for 10 years. The scandal involved a business called Boardwalk Enterprises LLP. SEE EXHIBIT F
7. The December 3, 2014 edition of The Exponent showcases the Boardwalk Enterprises scandal and includes a statement of facts by EGF Attorney Ronald Galstad, which is made in a timeline of events attributed to Galstad. SEE EXHIBIT C
8. Defendant Galstad's statement of facts, made through The Exponent, has not been entered into Holmseth v. City of East Grand Forks et al. Case No. 14-CV-2970 (DWF/LIB).
9. Accordingly – Plaintiff submits Defendant Galstad's statement of facts for the court record.

### **PARTIES AND REPRESENTATION**

10. The City of East Grand Forks is represented by Vogel Law Firm for matters involving its contentious legal situation with Boardwalk Enterprises LLP and the missing \$510,000.

11. The City of East Grand Forks is represented by Iverson-Reuvers-Condon for matters involving Holmseth v. City of East Grand Forks et al.
12. Defendant Galstad is represented individually by Maring-Williams Law Firm for matters regarding Holmseth v. City of East Grand Forks et al.

#### THE EXPONENT'S EXCLUSIVE FEATURE REGARDING BOARDWALK ENTERPRISES

13. The December 3, 2014 spread in The Exponent featured an exclusive interview with Dan Stauss, the brother of EGF Mayor Lynn Stauss. The Exponent also stated they met with Dan Stauss' business partners but did not specifically state who those business partners were.
  - ⇒ "Stauss and his business partners met with The Exponent recently against the advice of their attorney," The Exponent reported.
14. Exhibits A, B, C, D, contain exclusive interviews with Dan Stauss regarding Boardwalk Enterprises LLP; side bar articles regarding Boardwalk Enterprises; and a timeline of events regarding the Boardwalk Enterprises scandal.
15. None of the information obtained by The Exponent from members of the Boardwalk Enterprises group was obtained under the legal guidance, approval, or direction of a law firm associated with either pending case.
16. Essentially – the Boardwalk Enterprises group met privately with the publishers of The Exponent on an un-disclosed date. They all discussed whatever they discussed – for whatever reasons they had. The Exponent then only focused on Dan Stauss in interviews. The Exponent then published several pages of content regarding the Boardwalk Enterprises story, including a "Timeline of Events" that The Exponent stated was "Compiled by East Grand Forks City Attorney Ron Galstad". SEE EXHIBIT C
17. Therefore – on December 3, 2014:
  - ⇒ EGF City Attorney Ronald Galstad, using the The Exponent, made a legal statement of facts regarding the Boardwalk Enterprises timeline as it pertains to the present legal situation/dispute between the City of EGF and Boardwalk Enterprises LLP.
  - ⇒ EGF City Attorney Ronald Galstad, using The Exponent, made a legal statement of facts regarding the Boardwalk Enterprises timeline as it pertains to Holmseth v. City of East Grand Forks et al.

⇒ The City of EGF, using The Exponent, made a legal statement of facts regarding the Boardwalk Enterprises timeline as it pertains to either pending legal case (because Ronald Galstad is the EGF City Attorney).

18. The Exponent's publishers, Rollin and Julie Bergman, executed a very conscious and specific action when they published the sub-heading that attributed the timeline information to "East Grand Forks City Attorney Ron Galstad".

19. The published timeline contains anomalies and inconsistencies throughout that carry very profound meaning and serious legal consequence. The timeline contains entries that are chronologically out of order. The anomalies are so profound they cannot be accepted as innocent typographical errors.

### **ANOMALY # 1**

The very beginning of the timeline appears to reveal that (former) EGF City Attorney Karl Lindquist met with David Parker, privately, and "reviewed" a "written proposal" that would not be submitted to the City of EGF for another five days.

The March 29, 1999 entry is the very first entry of the entire timeline. It is placed before the March 24, 1999 entry, which is the second entry in the timeline.

Note: Karl Lindquist would later neglect to file the Mortgage documents for the building project that involved the \$510,000 loan. Rather, he would hand deliver the Mortgage documents to EDHA Director James Richter whereupon they disappeared for a decade.

Note: The Exponent used Karl Lindquist as their government news reporter, despite Lindquist having been the EGF City Attorney, EGF City Manager, and Lindquist having campaigned against Mayor Lynn Stauss' opponent (not to mention three surrounding colleges full of students anxious for an opportunity to work as an intern or part-time reporter).

### **CHRONOLOGICALLY INCONGRUENT CONTEXTUALLY CONGRUENT**

#### **March 29, 1999**

Dave Parker on behalf of D.J. Parker, Inc. sent a written proposal to the City to construct a commercial building between Whitey's and the Blue Moose

#### **March 24, 1999**

Karl Lindquist reviewed the proposal presented to the City of East Grand Forks Administrative Committee

#### **March 30, 1999**

Administrative Committee meeting. Committee discussed each paragraph of proposal and provided a counter proposal.

### **ANOMALY # 2**

The second obvious anomaly is an entry dated March 31, 1999 regarding a fax that would not be sent until April 2, 1999. In addition to the problematic nature of the premature entry, there is no entry on the timeline for anything occurring on April 2, 1999.

**CHRONOLOGICALLY INCONGRUENT  
CONTEXTUALLY ILLOGICAL/IMPOSSIBLE**

**March 31, 1999**

Fax from Val Gravseth discussing conflict of interest sent from Community Partners Research, Inc. April 2, 1999

Jim Richter sent letter from EDHA, response to proposal.

**ANOMALY # 3**

The third obvious anomaly is an event dated April 7, 1999; placed into the timeline as occurring before an event that occurs on April 1, 1999.

**CHRONOLOGICALLY INCONGRUENT**

**April 7, 1999**

D.J. Parker; Inc response letter to EDHA proposal. Requested response by April 13, 1999.

**April 1, 1999**

Administrative Committee met in the morning to discuss the proposal.

20. In the spirit of due diligence, Plaintiff made two requests for clarification to Rollin and Julie Bergman following the publication of the December 3, 2014 edition of The Exponent. The Bergman's did not respond. SEE EXHIBIT G

**PLAINTIFF'S CONNECTION TO THE BOARDWALK ENTERPRISES SCANDAL**

21. Plaintiff alleges in his FIRST AMENDED COMPLAINT and PLAINTIFF'S RESPONSE TO DEFENDANT RONALD GALSTAD'S MEMORANDUM IN SUPPORT OF MOTION TO DISMISS that Plaintiff was targeted for rights violations as result of Plaintiff's profession, and efficiency, as an investigative journalist that discovered the illegal activities occurring behind the scenes of the City of East Grand Forks, which included the illegal activities of Defendant Galstad.
22. The aforementioned illegal activities of Defendant Galstad were being performed in Defendant Galstad's official and individual capacity.
23. Boardwalk Enterprises was exposed as result of a call for an audit. Evidence shows the audit was prompted by a request for an investigation of the City, which

was made to the Minnesota State Auditor by Plaintiff. On December 8, 2013, Plaintiff reported the City of EGF to the Minnesota State Auditor SEE EXHIBIT E.

24. Plaintiff's knowledge of Defendant City and Defendant Galstad's involvement in the Boardwalk Enterprises scandal is evidenced in publications by Plaintiff well before he reported the City to the Auditor. An example of Plaintiff's growing knowledge of financial corruption in East Grand Forks is revealed through an article published by Plaintiff on August 18, 2013 at [www.writeintoaction.com](http://www.writeintoaction.com) where the headline reads "IRS to audit City of East Grand Forks?"

25. On Pages 16-17 of PLAINTIFF'S RESPONSE TO DEFENDANT RONALD GALSTAD'S MEMORANDUM IN SUPPORT OF MOTION TO DISMISS - - - PRIMA FACIE EVIDENCE OF RICO dated September 30, 2014, Plaintiff states:

*RICO violations being visited upon Plaintiff were for the express purpose of protecting existing criminal enterprises; those enterprises being: Boardwalk Enterprises LLP (Minnesota).*

- Ronald Galstad (East Grand Forks City Attorney)
- James Richter (Economic Housing and Development Director)
- Dan Stauss (Brother of East Grand Forks Mayor)
- Lynn Stauss (Mayor – City of East Grand Forks)
- Jane Moss
- Karl Lindquist (Former City Attorney and Former City Administrator)
- John Doe
- Jane Doe

#### CITY OF EAST GRAND FORKS VIOLATES MINNESOTA OPEN MEETINGS LAW

26. On Monday, August 25, 2014, the Grand Forks Herald reported Attorney: EGF closed meeting violated open meetings law - - - The meeting regarded a \$510,000 unpaid loan. SEE EXHIBIT H

27. On Wednesday, October 29, 2014, the Grand Forks Herald reported State agency: EGF meetings were closed improperly - - - Advisory opinion issued Tuesday carries no penalty. SEE EXHIBIT I

28. On October 29, 2014, the Grand Forks Herald called on the city of East Grand Forks to "immediately release recordings of the discussions" that took place during the improperly closed meetings. "The Herald will continue pressing for government transparency and public dialogue through open meetings and records laws," The Herald said.

29. Defendant Galstad/Defendant City regularly decline to speak with regional media.

30. However, on December 3, 2014, Defendant Galstad/City filed a defacto Affidavit of Facts through the local weekly newspaper – The Exponent.

31. When Plaintiff submitted multiple requests for clarification to The Exponent's publishers regarding the anomalies and inconsistencies in the Boardwalk Enterprises timeline of events – the publishers would not reply.

December 8, 2014

Timothy Charles Holmseth  
320 17<sup>th</sup> Street N.W.  
Unit # 17  
East Grand Forks, MN  
56721  
218.773.1299  
218.230.1597 (cell)  
tholmseth@wiktel.com

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# EXHIBIT A



# THE EXPONENT

East Grand Forks' Community Newspaper

Volume 36 • Number 19

Wednesday, December 3, 2014

\$1.00



Friday,  
December 05  
High 22 Low 9  
CHANCE OF SNOW: 10%  
Sunny

Saturday,  
December 06  
High 30 Low 20  
CHANCE OF PRECIP: 10%  
Mostly Sunny

Sunday,  
December 07  
High 27 Low 9  
CHANCE OF PRECIP: 30%  
Cloudy

## Boardwalk breaks their silence

Julie Bergman

Publisher Page 1 Publications

The owners of Boardwalk Enterprises LLP say they were completely blindsided last April when word came out that they owed \$510,000 to the City of East Grand Forks' Economic Development and Housing Authority (EDHA) for an unpaid loan dating back to 1999.

Dan Stauss, publicly speaking on the matter for the first time, was not an owner in Boardwalk Enterprises, LLP when the loan was made. He didn't become a shareholder until 2002. While that doesn't negate the company's liability, it does shed a light on a part of the story that hasn't yet been told.

In addition, files at City Hall show that the City most likely owes Boardwalk Enterprises, LLP a significant sum of money, more than the amount of the loan, Dan Stauss says.

### No Knowledge of Liability

Stauss said that the first he knew of any outstanding loan to the City was at about 5:30 p.m. April 29, 2014, when City Attorney Ron Galstad stopped in at Boardwalk to tell him that a story of an outstanding loan would become public the next day, Stauss said.

The next morning banner headlines in the *Grand Forks Herald* read: "\$510k loan from City of East

Grand Forks to Boardwalk Enterprises goes unpaid for 10 years."

The story, and subsequent stories by all the media outlets in the area caused an uproar in East Grand Forks. Business at the Boardwalk plummeted and the public opinion tide turned against the present owners and the Stauss family.

### Remaining Quiet

Dan Stauss held his tongue in the months since the story first came out, as advised by his attorney. He didn't speak with the media to give his side of the story until now.

Stauss and his business partners met with *The Exponent* recently, against the advice of their attorney.

"I want the public to know the real story," Stauss said. "The financial damage caused by this has been enormous and the facts presented to the public to this point have been incomplete or not true."

Besides not having knowledge of the outstanding loan, they say that the City of East Grand Forks owes Boardwalk Enterprises, LLP a large sum of money, perhaps more than the \$510,000 loan.

### Money Owed to Boardwalk

A series of memos on file at City Hall dating back to 2003 show that the City of East Grand Forks most likely does owe Boardwalk Enterprises, LLP and that

those amounts have remained unpaid for nearly as long as the \$510,000 loan.

Nan Larson, a member of the EDHA Board of Directors, has seen the documents and agrees that money is owed Boardwalk.

"There is legitimacy to the bills," Larson said. "It is very clear that the property taxes were mishandled."

She went on to state that other bills may fall into a gray area that will need to be decided.

Craig Buckalew, City Council President, declined to comment on record about the issue of whether money is owed by the City to Boardwalk Enterprises, LLP.

"This item is something that will be part of any settlement agreement, therefore I cannot comment on this at the present time," he wrote in an e-mail to *The Exponent*.

The bills have been seen by at least three City Council members and a few members of the EDHA Board of Directors at closed meetings with both Scott and Dan Stauss and Jane Moss in attendance.

According to memos on file at City Hall, the City of East Grand Forks apparently fell down in its agreement to pay a portion of the property taxes for the building in its initial years. Parts of the original construction costs, landscaping and delays caused by the City's building of the



photo by Bruce Eriksley

Boardwalk Enterprises LLP owns the building downtown that houses several restaurants and lounges. It has been the subject of much controversy in recent months.

"Infill Building" next door were to have been paid to Boardwalk by the City, according to memos in the file. (See sidebar article)

It remains unclear why these amounts were not paid.

### Loan "Lost" Internally at the City; Not Filed at County

The outstanding loan came as a surprise, Stauss said, mainly because between 2002 and 2012, at least four legal lien searches were conducted. Those searches did not reveal that

the corporation had an outstanding loan with the City or its Economic Development and Housing Authority (EDHA).

Lien searches are routinely conducted by financial institutions when issuing credit. Boardwalk LLC has taken on several loans to improve the downtown building and refinanced existing loans several times in the past 12 years.

Because the \$510,000 loan was never recorded by the City of East Grand Forks at Polk County's

Courthouse, no official documentation existed and, therefore, did not show up in any lien search.

In addition, the corporation has title insurance on the building. The title insurance company did not find any liens on the building. Because no loan documents had been filed the title insurance company does not have any liability in rectifying the situation.

Boardwalk  
- continued page Four



## Working to have some fun

# **EXHIBIT B**



# Boardwalk/

continued from page 1

Boardwalk Enterprises LLC did not receive any money from the first years from the date of the loan. The first payment was scheduled to be due on October 22, 2003. Annual payments were to be made in the amount of \$30,000. The loan carried a zero percent interest rate. The loan agreement was to be paid in full by October 22, 2019.

The original loan document on file at City Hall included a personal guarantee from David Parker. That clause was apparently removed from the Boardwalk documents that were timely executed, according to documents on file at City Hall.

## Community

**Development Block Grant**  
The money loaned and granted to Boardwalk Enterprises LLP came to the City of East Grand Forks as a grant from the United States Department of Housing and Urban Development (HUD).

HUD granted the City money to help spur recovery after the flood. Some of the money was loaned in the form of grants and other parts could be used to loan to businesses, thus creating a revolving loan program administered by the EDHA.

The premise was that the businesses who received the loan would repay it to the EDHA and then it could be loaned out to other businesses to assist them in expanding or locating in East Grand Forks.

Documents show that the City of East Grand Forks awarded the grant and loan, however payment from the loan were to go to the EDHA. The Boardwalk project came early in the flood recovery process (in 1999) and said Nan Larson, current member of the EDHA board, believed the loan was loaned by the City Council, not the EDHA.

This could partially explain why the loan was "lost" in the City's files. How the delinquency was discovered by City Council member Ben Galstad said that he was first made aware of the delinquent loan when Jim Richter, former EDHA Director, asked him to come to his office at City Hall. When City Council member Ben Galstad received the call, he said, "That meeting took place April 1, 2004, according to a timeline compiled

## Original Loan

Parker was given a \$600,000 grant and the \$300,000 loan to partially fund the project by the City. Parker paid the City \$90,000 for the land on which the building sits as part of the deal.

The grant and loan were approved by the City Council, not the EDHA Board. In fact, the EDHA minutes from the time preceding the approval do not mention Parker or the Boardwalk. However, the loan is to be repaid to the EDHA to create a revolving loan fund.



## Boardwalk has three separate corporations

Like many businesses, Boardwalk is organized under confusing. It is often done for tax and liability reasons.

Boardwalk Enterprises, LLP is the corporation which owns the building in downtown East Grand Forks. In addition to the Boardwalk building, the building also owns River Deck and River's Edge, located at the Boardwalk. Boardwalk Enterprises, LLP is owned by Dan Staus and his nephew, Dan Staus. Boardwalk Enterprises, LLP is the entity which entered into the original loan/grant agreement with the City and the EDHA and was originally owned by the Parkers. LLP stands for Limited Liability Partnership, a legal form of a partnership. Boardwalk bar and Grill, LLC owns the restaurant and bar business downtown. It is owned by Dan Staus, Scott Staus and Jason Moen. LLP stands for Limited Liability Corporation, a legal form of a Minnesota corporation.

## Unpaid Property Taxes

Under the terms of an agreement dated June 30, 1999, between the City and David Parker, managing partner of Boardwalk Enterprises, LLP, any property taxes in excess of \$5,000 per year were to be paid by the City for the building. The agreement was to be in effect until October 22, 2019.

The City apparently did not make those tax payments nor did Boardwalk and, as a result, Boardwalk Enterprises, LLP was listed in the Delinquent Tax List for Polk County as published in the Exponent in April of 2006. Taxes in the amount of \$90,766.99 were owed at that time, according to the publication.

Subsequent documentation on file at the City of East Grand Forks shows that the amount due was actually \$71,559.30. The delinquent tax amount included interest and penalties.

Dan Staus wrote a letter to Jim Richter of the EDHA dated April 17, 2006, stating "At this time Boardwalk owes \$5,000 per year for four years. This problem needs to be taken care of, contact me as soon as possible." The letter was dated April 17, 2006, but the *Exponent Daily Times* reported in May of 2006, that Jim Richter appeared before the Polk County Board of Commissioners and asked that the County abate property tax penalties and interest of more than \$20,000 due the county.

The article, written by Nathan Ostgaard, City Editor of the *Exponent*, stated that Boardwalk Enterprises was responsible for \$5,000 of the property tax each year for five years, but due to a miscommunication on the city's part and a responsibility on behalf of the property owner, we have created this situation," (Richter) said. "I truly apologize for all of us."

On May 23, 2006, the County granted the abatement of penalties and interest. In July of 2006, Richter wrote to Staus saying that if the City would pay the \$71,559.30 in taxes and that the EDHA would provide them with paper work to submit to the Minnesota Department of Revenue for a rebate in the amount of \$40,506.

In March of 2007 Richter on behalf of the EDHA, submitted a Request for a Property Tax Rebate with the Minnesota Department of Revenue. The request totaled \$18,848.40 for the years 2001 to 2005. A letter dated August 11, 2008, that Boardwalk had paid \$72,000 for the delinquent property taxes in order to avoid the building going to a tax forfeit.

## Additional bills to the City from the Boardwalk in file

Also on the August 11, 2008, memo Staus outlined other expenses he felt the City owed Boardwalk Enterprises for "expenses we incurred" building and operating the Boardwalk Building that were to be covered by the City as per the original agreements. Staus owed to the Boardwalk Building with accrued interest totals \$118,991.46, not including the taxes paid," the memo states.

He refers to letters dated June of 2009 and December of 2009 which further detailed the expenses.

"It is time for these items to get resolved and figure out how to go forward without causing any undue publicity. These matters are not your fault," Staus wrote. "I hope we can get everything resolved."

Staus said he has not received any reimbursements from the City for these expenses nor the property tax issue.

## Impact on the Staus family

was one of literally hundreds but the intent was always to do good for East Grand Forks," Mayor Staus said. "I've talked about how difficult the reaction from the public has been from the building."

He has told the council that he will not be involved in any meetings or discussions that relate to the Boardwalk issue.

The Mayor also expressed disappointment that the issue hasn't yet been resolved by the City Council.

## Subsequent loans, improvements

Since he became a partner in Boardwalk Enterprises, LLP Dan Staus said that approximately \$1.9 million in improvements have been made to the building.

The EDHA was involved in several of these improvement projects, loaning money to both the Boardwalk bar and Grill, LLC and to Boardwalk Entertainment Group, LLC. Boardwalk received a \$136,000 loan. That loan was for a period of 10 years at 4% interest.

On November 30, 2011, the EDHA loaned Boardwalk Entertainment Group, LLC \$120,000 for purchase equipment and remodeling of the building. The loan was for a period of 4½ years at a rate of 4%.

Both loans are presently being paid back and are current.

## Other EDHA loans paid

Besides paying back their own loans, Boardwalk has assumed and paid off two other loans from the EDHA.

A total of \$140,000 was assumed by Boardwalk Enterprises. The loans given by the EDHA to the Staus' Next and Touch of Magic, both former tenants in the building by Boardwalk Enterprises, LLP. "The Boardwalk did have to do this," Dan Staus said.

Mayor Lynn Staus for the Boardwalk's loan debacle. Some suggest that the loan was purposefully "lost" for the Staus family.

The City Council in East Grand Forks for more than 37 years and says that this issue has caused him the most pain of any he has faced. He adamantly stated that he knew nothing about the loan being paid. He did sign the original loan agreement, he said, but it

showed that the public is blaming East Grand Forks

# EXHIBIT C



# Boardwalk: Timeline of Events

Compiled by East Grand Forks City Attorney Ron Galstad

**March 28, 1999**  
Dave Parker on behalf of D.J. Parker, Inc. sent a written proposal to the City to construct a commercial building between Whitey's and the Blue Moose.

**March 30, 1999**  
Karl Lindquist reviewed the proposal presented to the City of East Grand Forks Administrative Committee.

**March 30, 1999**  
Administrative Committee meeting. Committee discussed each paragraph of proposal and provided a counter proposal.

**March 31, 1999**  
Fax from Val Grueseth discussing conflict of interest sent from Community Partners Research, Inc. April 2, 1999

**Jim Richter** sent letter from EDHA, response to proposal.

**April 7, 1999**  
D.J. Parker, Inc. response letter to EDHA proposal. Requested response by April 13, 1999.

**April 1, 1999**  
Administrative Committee met in the morning to discuss the proposal.

**April 13, 1999**  
Letter from Jim Richter to D.J. Parker, Inc. with the City's offer.

**April 13, 1999**  
City council passed resolution agreeing to the terms outlined in April 13, 1999 letter.

**April 27, 1999**  
Karl Lindquist sent a draft to D.J. Parker, Inc. of the Development agreement.

**May 4, 1999**  
Draft of the development agreement sent to Community Partners Research, Inc. for review and comment to make sure that it satisfied state and federal guidelines comments forwarded for review by City Attorney Lindquist.

**June 18, 1999**  
Community Partners Research, Inc. suggested revisions to agreement. Ownership changed from D.J. Parker, Inc. to Boardwalk Enterprises, L.L.P. Agreement revised included a signature block for Community Partners Research, Inc. stating that the transaction meets Community Development Block Grant Guidelines.

**June 30, 1999**  
City and Boardwalk sign agreement on June 30, 1999. Community Partners Research, Inc. sign July 13, 1999.

**October 23, 1999**  
Karl Lindquist closes the loan, files the CRV and the Warranty deed with the County Recorder.

**October 26, 1999**  
Karl hand delivers a letter to Jim Richter with the original Promissory Note, Loan Agreement, Mortgage and UCC-1 Financing statement.

**June 3, 2003**  
Letter from Ron Galstad re: unpaid bill for the paver project.

**June 9, 2003**  
Letter to Jim Richter from Dan Stauss discussing cost overruns with attached itemization, notice of delinquent taxes dated February 18, 2003, and Parker Building Construction and Development Agreement.

**April 17, 2006**  
Fax to Jim from Dan Stauss requesting a meeting at 1:30 p.m. with copy of development agreement and tax notification statements.

**May 17, 2006**  
Jim also makes application to County to reduce/waiver of penalty and/or interest to property owner of real estate taxes 2005-2006.

**May 23, 2006**  
Pole County Commission meeting granted the request.

**June 26, 2006**  
Fax from Auditor re: \$71,859.30 taxes.

**July 17, 2006**  
Letter Jim to Dan Stauss to pay to full as soon as possible the \$71,859.30. In return for the statement of Penalty for the Delinquency, EDA to provide paperwork to submit to State for a rebate, of taxes only for \$40,566.00. Interest expense portion allocated to City will be paid to property thereafter.

**March 21, 2007**  
Letter to State for a property tax rebate request.

**April 9, 2007**  
Fax sent to Jim re: delinquent tax letter \$22,325.55

**August 10, 2008**  
Dan Stauss requests Thursday meeting with Jim Richter

**August 13, 2008**  
Letter from Dan Stauss to Jim additional claims of costs \$116,991.49 with accrued interest plus paid.  
\$72,000.00 taxes, \$116,991.49 (costs) + 72,000.00 = \$188,991.49



**April 1, 2014**  
Jim provides file to Ron Galstad with Craig Buckalew present stating that file is outstanding and needed to resolved.

**May 7, 2014**  
Meeting with EDA officials and Boardwalk Enterprises, L.L.P.

**May 21, 2014**  
Stauss requested file

**May 27, 2014**  
Provided information to City Administrator to be picked up by Boardwalk Enterprises, L.L.P.

EDA meeting presented findings and summary to the EDA Commission.

• • Investigation to continue. To date EDA minutes do not reflect that the loan was ever discussed in any meeting with the Board nor does it appear to be reflected on any loan report generated by the EDA.

**ECONOMIC  
DEVELOPMENT  
HOUSING  
AUTHORITY**

**In next week's  
Exponent:**

What has happened since April with the situation?

What is the EDHA and what has it done in East Grand Forks?

How is the EDHA being reorganized?

Front page article in the Exponent, April 21, 1999

## Private dollars are committed to East Grand Forks

by Steve Best

Reprinted from April 21, 1999, edition.

East Grand Forks Council President Robert "Pawky" Beauchamp would much rather have private dollars invested in the community than the city struggling and owning public facilities.

"We need private dollars coming in to help rebuild or add communities. That is very important to us. We've been looking for that for a long time."

Last December, the private investor committed to the city. After city officials offered approximately \$1 million, Cabela's decided to construct a 60,000 square foot facility in the downtown area.

And now two other private investors have agreed to locate in East Grand Forks. At the city council meeting last Thursday night, the council agreed to terms with two private investors wanting to construct buildings in the downtown area.

The council agreed to terms with longtime East Grand Forks resident Dave Parker, to construct a 23,000 square foot facility between Whitey's and the Blue Moose.

The two-story building is expected to draw two separate businesses. The council agreed to set aside two liquor licenses for the facility. A business has already offered to rent the second story of the building, according to reports at the council meeting.

The building is expected to cost Parker \$2.5 to \$3 million to complete. The city will give Parker a \$400,000 grant and \$600,000 loan. In addition, a 75% rebate of annual estate taxes for five years will be given.

If a private investor hadn't come forward, the city would have constructed the building using Community Development Block Grant funds.

In unrelated developments, the city also agreed to let a Canadian developer construct a building across from the proposed Government Center.

The 76,000 square foot building will house office space in the first floor and 31 residential condominium units on the second floor. The building is expected to cost \$3 million to construct.

The city agreed not to access the building when Dime Avenue is realigned. It also agreed to provide \$150,000 in the form of a promissory note and \$750,000 from MHFA for the Gap Financing Program.

One of the concerns the council had with the building was the design and up-

keep of the facility since it will be constructed next to the new \$3 million Government Center. However, it was reported the city will have the architectural rights to the building.

"It's going to be a beautiful building," said Beauchamp. "We'd like to see it kept that way."

Mayor Lynn Stauss agreed with Beauchamp. "It will be a very nice addition to East Grand Forks," he said. "It will have the same characteristics of the new City Hall."

# **EXHIBIT D**



Click on the page below to see this week's edition

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THE EXPONENT

East Grand Forks Community Newspaper

Volume 34 Number 11

Wednesday, December 3, 2014

\$5.00

## Boardwalk breaks their silence

After years of silence, the Boardwalk Theatre is finally making a comeback. The new venue is located in the historic building that once housed the Grand Forks Hotel. The theatre is a 1,200-seat venue that will be used for a variety of performances, including plays, musicals, and concerts. The first performance is scheduled for December 12th, featuring the play 'The Glass Menagerie'.

BOARDWALK

THEATRE

## Working to have some fun

The Grand Forks Chamber of Commerce is sponsoring a 'Fun in the Sun' event. The event is a day-long celebration of the summer season, featuring a variety of activities, including a parade, live music, and a food festival. The event is scheduled for August 1st, from 10am to 6pm, in the Grand Forks Park.

Fun in the Sun Event

## "Possible threat" prompts police presence at Central Middle School

A possible threat to the safety of students at Central Middle School prompted a police presence. The threat was received by the school principal, who immediately called the police. The police arrived at the school and conducted a search of the building. No threats were found, and the school was closed for the day. The police are currently investigating the source of the threat.

Northern Light Region

Volume 11 Number 1

December 2014

## Local group releases Christmas CD

The Half Past Twelve group has released a new Christmas CD. The CD features a variety of holiday classics, including 'Silent Night', 'O Holy Night', and 'The Christmas Song'. The group is a local choir that has been performing for many years. The CD is available for purchase at a variety of local retailers.

Half Past Twelve Group

## Baudette Historic Depot will host 5th annual Old Fashioned Christmas

The Baudette Historic Depot will host the 5th annual Old Fashioned Christmas event. The event is a day-long celebration of the holiday season, featuring a variety of activities, including a parade, live music, and a food festival. The event is scheduled for December 1st, from 10am to 6pm, in the Baudette Historic Depot.

Old Fashioned Christmas Event

## 2014 deer count down by 31,000

The 2014 deer count in the Northern Light Region has been completed. The count shows a decrease of 31,000 deer from the previous year. The count was conducted by a team of volunteers and wildlife managers. The results of the count will be used to inform future hunting regulations.

Deer Count Photo

## Cold weather brings out the sun dogs

The cold weather has brought out the sun dogs. Sun dogs are optical illusions that appear as bright, rainbow-like arcs in the sky. They are caused by the refraction of sunlight by ice crystals in the atmosphere. Sun dogs are most commonly seen in the winter months.

Sun Dogs Photo

## 4-8 leaves about trapping

A report from the Minnesota Department of Natural Resources indicates that 4-8 leaves are about trapping. The report is based on a survey of trapping activity in the state. The survey found that trapping activity is up from the previous year, with an average of 4-8 leaves per trap.

Trapping Photo

### HEALTH CARE JOB OPPORTUNITIES

**Nursing Assistant**  
Part-time - Care Center  
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Must be at least 16 years of age and plan to complete or is currently registered in the MN Nursing Assistant Registry.

**Licensed Practical Nurse**  
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Current state licensure required.

Apply online at:  
[www.lakewoodhealthcenter.org](http://www.lakewoodhealthcenter.org)

If you need assistance with the application process or would like more information, please contact Human Resources at (218) 634-3403.

**CHI LakeWood Health**  
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**Jeep KYLE'S**

# **EXHIBIT E**



Timothy Charles Holmseth  
320 17<sup>th</sup> Street N.W.  
Unit # 17  
East Grand Forks, MN  
56721  
218.773.1299  
218.230.1310 (cell)  
tholmseth@wiktel.com  
www.writeintoaction.com

December 8, 2013

Celeste Grant  
Deputy State Auditor  
525 Park Street  
Suite 500  
St. Paul, MN  
55103

Deputy Grant,

I have an issue I would like to address with your agency. Before doing so, I believe it would be prudent to share my background.

### **TIMOTHY CHARLES HOLMSETH**

I am an investigative journalist/author residing in East Grand Forks, Minnesota.

My professional references include statements from people of good repute such as elected officials, community leaders, and a County Attorney.

I have been recognized with first place awards by the North Dakota Newspaper Association, as well as Boone Publishing. In 2009 I passed a state and federal background check in advance of a social worker position, which required I submit documents to the Department of Homeland Security, Department of State, INS, and FBI.

I was interviewed by the Minneapolis FBI in 2010 about a journalism project I endeavored regarding the kidnapping of HaLeigh Ann-Marie Cummings. The FBI requested I turn over copies of journalistic interviews I conducted with certain individuals of interest to the FBI in that that case. The Special Agent that interviewed me told me I was deemed credible.

### **EAST GRAND FORKS POLICE DEPARTMENT**

I am contacting you today in regards to the East Grand Forks Police Department (EGFPD).

On November 27, 2012 the Office of the State Auditor advised the Minnesota Department of Public Safety, as well as the Oversight Committee for the Pine-to-Prairie Drug Task Force, that issues needed to be addressed with the EGFPD regarding the EGFPD's failure to report monies received at auction for the sales of seized motor vehicles.

I have reason to believe the irregularities discovered by the auditor were only the tip of the EGFPD corruption iceberg. I have information and evidence that shows the EGFPD habitually refuses public records requests; hides records; destroys records; alters documents; intimidate witnesses; ignores crime; and falsely arrests dissidents.

My first experience with the EGFPD was in 2009 when the ranking officer at the Department, Lt. Rodney Hajicek, telephoned me on behalf of a company from Florida called Xentel, Inc. He advised me the Company did not want me to publish the story I was working on regarding a Photoshopped picture of the missing child HaLeigh Cummings, which was being used to advance an online charity fraud scam.

At the time the EGFPD was pressuring me at the request of Xentel, Inc.; the FBI in Florida was physically visiting Xentel based upon a lead they received from me.

Xentel, Inc. is a company that has been sued by the Office of the Attorney General in Iowa, Colorado, Ohio, Missouri, Pennsylvania, and South Carolina for defrauding the citizenry. It is very disturbing the EGFPD was doing a favor for Xentel, Inc. – a company that may be involved in a federal kidnapping.

The amount of evidence I acquired between 2009 and 2013 regarding corruption by the EGFPD and EGF City Attorney is absolutely astonishing, and far beyond the scope of this correspondence.

Suffice to say – the City of East Grand Forks knew/knows what I had on them, because I reported their organized criminal activity to the FBI in early 2012. I reported it to the feds because it is multi-jurisdictional, serious, dangerous, and organized.

On December 14, 2012 the EGFPD obtained a Search Warrant from a District Judge to seize my computer, telephones, credit card numbers, U.S. Mail, recorders, discs, flash drives, etc.

On January 4, 2013 EGF City Attorney Ronald Galstad told Judge Tamara Yon in open court that the Bureau of Criminal Apprehension (BCA) would not forensically search my hard-drive without a proper Warrant.

The Court subsequently ordered the property be returned. It was returned to me on April 26, 2013. However – wires had been pulled out from inside the computer's tower and the hard-drive no longer worked.

The arrogance of this gangster tactic by the EGFPD is amazing.

I began to file complaints to EGF Police Chief Michael Hedlund regarding the destruction of my computer, as well as other infractions.

I learned on September 30, 2013 via a letter from Chief Hedlund, that law enforcement had searched my hard-drive. That was the first time I had proof they had been inside of it. That would have been a warrant-less search, because the initial Warrant only allowed the EGFPD to retain the property and hold it.

That is very disturbing, because Attorney Galstad had already told Judge Yon that the BCA would not search the hard-drive without another Warrant.

Sgt. Michael Norland, Polk County Sheriff's Office (PCSO), testified in Court on November 25, 2013 during a Motion to Compel hearing filed by me, that he searched my hard-drive at the request of Officer Aeisso Schrage.

Schrage was an officer at the EGFPD.

However – records generated by Sgt. Norland, which I recently obtained from the PCSO, show Sgt. Norland referred to Schrage as being with the “Pine-to-Prairie Drug Task Force” (as opposed to the EGFPD – not mentioned by Norland).

The suggestion that I am connected to gang activity or drug dealing is completely and utterly ridiculous. It appears the EGFPD may have used their Pine-to-Prairie Drug Task Force agent to request the Search Warrant from the Judge to add credibility to the request.

Sgt. Norland stated in his report that he found nothing illegal on the hard-drive. He also said that after he gave the hard-drive back to Schrage; Schrage later returned with it and wanted him to make a “copy” of it.

Another oddity of the situation is the fact that some of the items that had been seized on December 14, 2012, were returned to me on April 26, 2013 with BCA evidence stickers on them. However – there is no indication at this point that the BCA was ever even involved in this Warrant. Two different types of evidence stickers were used.

During the November 25, 2013 hearing I tried several times to question Sgt. Norland on the witness stand regarding his search of the hard-drive (I wanted to know if he believed he had a Warrant to search the hard-drive). However – every time I began that line of questioning, Attorney Galstad would object on the basis it was beyond the scope of my Motion.

The EGFPD seems to move seamlessly from one lie to another – one act of corruption to another.

In my experience, this type of activity is almost always indicative of something much bigger that is hidden very deep below the surface.

## **CONCLUSION**

I have been very diligent in filing written complaints to the EGFPD so I have a wealth of documentation.

The before-mentioned information I shared with you is only a very, very small sample. I could show you much more regarding things such as evidence-tampering and document manipulation.

I believe your auditor would find a great deal more if he dug deeper.

I am copying the BCA on this letter because I recently communicated with a special agent regarding the BCA stickers that appeared on some of my property.

Please feel free to contact me at any time.

Respectfully,  
Timothy Charles Holmseth

Cc: Donald Cheung, Greg Hierlinger

# **EXHIBIT F**

THE CAMPIN' AND JAMMIN' EVENTS OF 2014!

8TH ANNUAL  
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jammin' country  
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FOR THE LATEST  
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# Grand Forks Herald

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**Accent on Food:** Recipes to spice up the holiday on Cinco de Mayo C1

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Accent C1 Business B4 Calendar A3 City and state B1 Classified C3 Comics D6 Editorial A4 Fun Page/Movie Listings D5 Lottery A3 Nation/World A5 Obituaries B2 Sports D1 Weather A3

## \$510,000 loan to EGF goes unpaid for 10 years

■ City officials to meet with company that owns Boardwalk building

By John Hageman  
Herald Staff Writer

East Grand Forks city officials are pursuing payments for a \$510,000 loan they say have slipped through the cracks for roughly a decade.

City staff met with board members of East Grand Forks' Economic Development and Housing Authority Tuesday to discuss the outstanding loan, which was originally made in 1999. The EDHA loaned Boardwalk Enterprises LLP \$510,000 at zero interest to help

construct the building, which currently houses the Drunken Noodle and Boardwalk Bar and Grill restaurants, staff said.

Annual \$30,000 payments were scheduled to start in October 2003 and finish in 2019, according to a loan agreement provided by city administrator David Murphy. But those payments never came, city attorney Ron Galstad said.

"There hasn't been any payments on it," Galstad said.

Jim Richter, the EDHA executive director who originally signed the loan agreement, declined to com-

ment after the meeting Tuesday.

Galstad told board members that staff wanted to meet with them Tuesday in a special meeting to discuss next steps. City staff will file the mortgage documents today, and several EDHA board members will meet with Boardwalk Enterprises officials soon to discuss the loan.

"We've got a loan out there that hasn't been serviced, and we're going to discuss that with the principals of the company to attempt to get the loan repaid," Galstad said. He said he's not sure where the

loan funds originated.

Galstad said the management of the company has changed since the loan was originally made in 1999.

A 2011 Grand Forks Herald article notes that Dan Stauss is an owner of the Boardwalk building and is the brother of East Grand Forks Mayor Lynn Stauss. Mayor Stauss couldn't be reached for comment at his home Tuesday night. Efforts to reach Dan Stauss were unsuccessful.

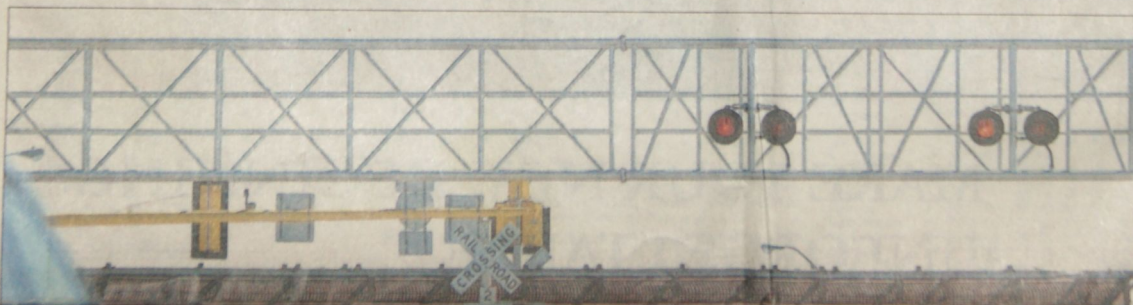
Galstad said he wasn't sure of the current makeup of the ownership group, but said he's been in contact

with Dan Stauss.

Boardwalk Enterprises isn't listed as an active company on the Minnesota Secretary of State's website, but is listed as the Boardwalk building's owner, according to county property records.

When asked by a board member if the missed payments were simply a matter of negligence, Murphy said they will discuss that at another meeting.

Call Hageman at (701) 780-1244, (800) 477-6572 ext. 1244 or send email to jhageman@gherald.com.



## Attorneys attempt to discredit informants

■ Court request

# **EXHIBIT G**

Timothy Charles Holmseth  
320 17<sup>th</sup> Street N.W.  
Unit # 17  
East Grand Forks, MN  
56721  
218.773.1299  
218.230.1597 (cell)  
tholmseth@wiktel.com  
www.writeintoaction.com

In Re: Request for Clarification

December 4, 2014

Rollin Bergman & Julie Nordine Bergman  
Co-Publishers  
The Exponent  
East Grand Forks, MN

Dear Exponent,

I am the plaintiff in Holmseth v. City of East Grand Forks, et al., Civ. No. 14-2970  
(DWF/LIB) - - - United States District Court - - - District of Minnesota.

I have obtained a copy of the Wednesday, December 3, 2014 edition of The Exponent.

I am reviewing your feature story 'Boardwalk breaks their silence'.

On page five I observe the following headline and sub-head:

Boardwalk: Timeline of Events  
Compiled by East Grand Forks City Attorney Ron Galstad

As I review the timeline of events you published, I notice dates are out of chronological order. Below you will find the portion of the feature to which I am referring.

**CHRONOLOGICALLY INCONGRUENT  
CONTEXTUALLY CONGRUENT**

**March 29, 1999**

Dave Parker on behalf of D.J. Parker, Inc. sent a written proposal to the City to construct a commercial building between Whitey's and the Blue Moose

**March 24, 1999**

Karl Lindquist reviewed the proposal presented to the City of East Grand Forks Administrative Committee



**March 30, 1999**

Administrative Committee meeting. Committee discussed each paragraph of proposal and provided a counter proposal.

**CHRONOLOGICALLY INCONGRUENT  
CONTEXTUALLY ILLOGICAL/IMPOSSIBLE**

**March 31, 1999**

Fax from Val Gravseth discussing conflict of interest sent from Community Partners Research, Inc. April 2, 1999

Jim Richter sent letter from EDHA, response to proposal.

**CHRONOLOGICALLY INCONGRUENT**

**April 7, 1999**

D.J. Parker; Inc response letter to EDHA proposal. Requested response by April 13, 1999.

**April 1, 1999**

Administrative Committee met in the morning to discuss the proposal.

Are the errors in the timeline the result of typographical errors/oversight by The Exponent?

Was the aforementioned information submitted directly to The Exponent by Ronald Galstad?

I will tentatively be submitting the article(s) published in the December 3, 2014, edition of The Exponent as exhibit evidence to the U.S. Court, and need to know if the errors were the responsibility of The Exponent.

Thank you for your prompt response to this matter.

Respectfully,  
Timothy Charles Holmseth

# **EXHIBIT H**

Football: UND keeps focus on itself before opener at San Jose State D1



**Accent on Health:** Grand Forks man makes steady progress to overall better health C1

# Grand Forks Herald

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MONDAY AUGUST 25, 2014

GRAND FORKS, NORTH DAKOTA

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Year 135, Issue 027 89 2014

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## Devils Lake airport rebounds

Thief River Falls is waiting for flights to resume.

By Kevin Sankham

Air passenger traffic is taking off in Devils Lake since 30 West Airlines started providing daily round trip flights to Denver this month. Thief River Falls officials are hoping to resume commercial passenger flights to Minneapolis by October. The city has been without service since 2012.

It's been going very well for us," Airport Manager John Ward said. "We're very happy and satisfied, very dependable."

### Out-of-lawyers

She's not in a partnership with United Airlines, is suing. Name withheld. She's not in a partnership with United Airlines, is suing. Name withheld. She's not in a partnership with United Airlines, is suing. Name withheld.

### Planners

See Page A2

## Attorney: EGF closed meeting violated open meetings law

The meeting violated the open meetings law.

### By John Hagenson

A recent East Grand Forks City Council meeting violated the open meetings law, according to a local attorney. The attorney said the meeting was closed to the public, which is a violation of the law.

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# A neutral observer



A Col. Lathorne Nelson shows one of the new cameras that Grand Forks police officers soon will be wearing.

**As calls go out for police body cams in the wake of the Ferguson shooting, Grand Forks Police Department officers already are experienced with them.**

By Sarah Vajenbach

The Grand Forks Police Department is on track to equip its officers with body cameras. The department is currently in the process of purchasing the cameras and will be installing them on the officers' uniforms.

As a neutral observer at White House, the police officers are not taking on the role of a body camera. The officers are simply observing the situation and reporting it to the public.

Minutemen tension. The Grand Forks Police Department is currently in the process of purchasing the cameras and will be installing them on the officers' uniforms.

## Proposed education changes too drastic for N.D., leaders say

North Dakota's Legislature has proposed a series of changes to the state's education system. The changes include a new state curriculum, a new state assessment, and a new state funding formula. The changes are being proposed by the North Dakota State Board of Education.

# **EXHIBIT I**



3  
DAYS  
UNTIL



Northern View: Heitkamp praises Mangel education B1

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ELECTION 2014

Grand Forks residents and political committees based here have poured thousands of dollars into the legislative and statewide elections in the first 10 months of this year. Donors have an array of reasons for ...

## Giving the money

Story by John Hageman  
and Sarah Volperlein

**E**lecting lawmakers, voting at voter turnout events are some of the most obvious ways people support political candidates.

But there's always another way to get your voice heard: donating money to a candidate or political committee.

That's the way it's been done for decades, and it's still going strong.

There's the way it's been done for decades, and it's still going strong.

political committees based here have poured thousands of dollars into legislative and statewide elections in the first 10 months of this year. Donors have an array of reasons for ...

The biggest donor group is the Grand Forks Republican Party, which has contributed more than \$100,000 to various candidates and committees.

The second biggest donor group is the Grand Forks Democratic Party, which has contributed more than \$50,000 to various candidates and committees.

Secretary of State, data analyzed by the Herald show Republicans received around \$714,000 from Grand Forks residents and political committees based here, while Democrats received around \$67,000. However, the data for candidates only show contributions larger than \$200.

### Top 10 contributors

Grand Forks Republican Party	\$714,000
Grand Forks Democratic Party	\$67,000
Grand Forks Republican Party	\$50,000
Grand Forks Democratic Party	\$50,000
Grand Forks Republican Party	\$50,000
Grand Forks Democratic Party	\$50,000
Grand Forks Republican Party	\$50,000
Grand Forks Democratic Party	\$50,000
Grand Forks Republican Party	\$50,000
Grand Forks Democratic Party	\$50,000



Continued on Page A2

## State agency: EGF meetings were closed improperly

Advocacy groups issued Tuesday warning no penalty

By John Hageman  
Grand Forks Herald

The city of Grand Forks improperly closed meetings to the public before the past few months, a state agency said Tuesday.

The meetings were regarding a \$10,000 economic development loan the city gave in 2014. The meetings were closed to the public, but the city said it was not aware of the law at the time.

The Minnesota Department of Administration, which oversees state agencies, issued a letter to the city of Grand Forks on Tuesday. The letter said the city had violated the law by closing the meetings to the public.

The letter also said the city had violated the law by not providing a transcript of the meetings to the public.

The city of Grand Forks said it was not aware of the law at the time. The city also said it was not aware of the law by not providing a transcript of the meetings to the public.

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Continued on Page A2

## N.D. could receive California's Ebola waste

U.S. officials also monitoring how residents, culture of affairs are symptomatic

By Sarah Volperlein  
Grand Forks Herald

U.S. officials are monitoring how residents, culture of affairs are symptomatic. The city of Grand Forks is one of the few in the country that has a large number of residents who are symptomatic.

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## Shelter holds off on selecting boiler bid

Shelter holds off on selecting boiler bid

By Sarah Volperlein  
Grand Forks Herald

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