

BEFORE THE FEDERAL ELECTION COMMISSION

SENSITIVE

In the Matter of)

Mitchell Wade)

True Norte, Inc. f/k/a MZM, Inc.¹)MZM, Inc. PAC and Jeanne O'Neil, in her
official capacity as treasurer)

MUR 5666

Richard A. Berglund)

Pre-MUR 439

Christiane Wade)

Corporate Officer Respondents: Frank B. Bragg;)
 Anthony Capra, Jonathan D. Flowers, James C.)
 King, Christopher F. Rosche, and Roger A.)
 Swinford)

Conduit Respondents: Robin Berglund, Cynthia S.)
 Bragg, Amy Cain, , Sharon Capra, Jane T.)
 Flowers, Ralph P. Ganis, Robert A. Harrell,)
 Donna J. Harrell, Joseph R. James, May I.)
 James, Jeneane C. King, Matthew B. Shaffer)
 and Gregory V. Wade)

GENERAL COUNSEL'S REPORT # 2

I. ACTIONS RECOMMENDED
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¹ MZM, a Nevada corporation with offices in Washington D.C., was established by Mitchell Wade in 1993. Wade held 94% of MZM stock while his three children held the remaining 6% of the stock. MZM's corporate documents listed Mitchell Wade as the sole officer and director of MZM. In September 2005, Wade sold MZM's assets to Athena Innovative Solutions, Inc. ("Athena"), which has continued MZM's defense contracting business, for approximately \$40.5 million. The terms of sale specified that Athena did not assume any liability in connection with any ongoing litigation, claims and investigations, including this Office's ongoing investigation of allegations that MZM and Mitchell Wade violated federal campaign finance laws. See Bill of Sale and Assignment and Assumption Agreement, dated August 17, 2005. After the asset sale to Athena, MZM changed its name to True Norte, Inc.

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(2) merge Pre-MUR 439 into MUR 5666; (3) find reason to believe that Richard Berglund knowingly and willfully violated 2 U.S.C. § 441f

(4) take no further action and close the file as to MZM, Inc. PAC and Jeanne O'Neil, in her official capacity as treasurer; and (5) take no further action and close the file as to Christiane Wade.

II. INTRODUCTION

The Commission previously found reason to believe that Mitchell Wade and MZM, a federal government contractor, violated 2 U.S.C. §§ 441b, 441c, and 441f by using corporate funds to reimburse contributions made by MZM employees and family members of MZM employees to federal candidates.² The Commission also found reason to believe that several high-level MZM officials knowingly and willfully violated 2 U.S.C. §§ 441b and 441f by consenting to the use of MZM corporate funds in the reimbursement scheme and that the other individual conduit respondents violated 2 U.S.C. § 441f by allowing their names to be used to make reimbursed contributions. The Commission also found reason to believe that MZM, Inc. PAC and Jeanne O'Neil, in her official capacity as treasurer ("MZM PAC"), knowingly and

² On February 24, 2006, Mitchell Wade pleaded guilty to multiple felony offenses, including unlawfully making campaign contributions in the name of another in violation of 2 U.S.C. §§ 441f and 437g(d)(1)(D). *See* Statement of Offenses, *United States v. Mitchell J. Wade* (D.D.C. Feb. 24, 2006) ("Wade Statement of Offenses"). On July 21, 2006, Richard Berglund pleaded guilty to a misdemeanor violation of 2 U.S.C. §§ 441f and 437g(d)(1)(A)(ii) by unlawfully making contributions in the name of another. *See* Statement of Offenses, *United States v. Richard A. Berglund*, (D.D.C. Jul. 21, 2006) ("Berglund Statement of Offenses").

1 willfully violated 2 U.S.C. §§ 441b and 441c by accepting funds that were solicited using
2 coercive methods.³

3 After the Commission's reason to believe findings, the Department of Justice referred
4 Pre-MUR 439 after a plea agreement with respondent, Richard A. Berglund, an MZM manager
5 who assisted Wade by recruiting other MZM employees to serve as conduits and distributing
6 reimbursement to other MZM employees. *See supra* n. 2. In considering MUR 5666 at the First
7 General Counsel's Report stage, the Commission found reason to believe that Berglund violated
8 2 U.S.C. § 441f by making reimbursed contributions. Because Berglund is already a respondent
9 in MUR 5666 and his involvement in the reimbursement scheme perpetuated by Mitchell Wade
10 and MZM has already been discussed in detail in the First General Counsel's Report for MUR
11 5666, we recommend that the Commission merge Pre-MUR 439 into MUR 5666.

12 During the course of the investigation, we reviewed over sixty thousand pages of
13 documents obtained by the Federal Bureau of Investigation during its investigation of MZM and
14 Wade, reviewed additional information obtained from Representatives Goode and Harris,
15 conducted interviews of respondents and multiple witnesses, and obtained declarations from
16 some respondents we were not able to interview personally. The investigation confirmed that
17 Mitchell Wade used MZM funds to directly or indirectly reimburse 20 MZM employees or
18 family members of MZM employees for \$78,000 in contributions to two federal political

³ MZM PAC recently received a notification under the Administrative Fine program that the Commission found reason to believe that MZM, Inc. PAC and Jeanne O'Neil, as treasurer, violated 2 U.S.C. § 434(a) by failing to file a required report. In challenging the Administrative Fine notice, counsel for Ms. O'Neil argues that Ms. O'Neil ceased to serve as the treasurer of MZM PAC as of September 2005, when Athena acquired MZM. *See* Letter from Matt Herrington to Office of Administrative Review (March 12, 2007). MZM PAC has not designated another treasurer to replace Ms. O'Neil; consequently, Ms. O'Neil remains a respondent in this matter in her capacity as treasurer of MZM PAC.

1 committees, Goode for Congress and Friends of Katherine Harris.⁴ Our investigation into the
2 solicitations made by Mitchell Wade and other MZM officials for contributions to MZM PAC,
3 however, determined that there is insufficient information to conclude that employees were
4 coerced into making contributions to MZM PAC.

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10 We recommend that the Commission find reason to believe that Richard
11 Berglund knowingly and willfully violated 2 U.S.C. § 441f,
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13 Finally, Christiane Wade, Mitchell Wade's wife, was not reimbursed for her
14 contribution. We, therefore, recommend that the Commission take no further action and close
15 the file as to Mrs. Wade. As discussed below, we are not making any recommendations as to the
16 corporate officers and conduits
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⁴ The Commission did not make any findings as to the two committees, and they are not respondents in this matter. The investigation did not reveal any information indicating that the committees were aware that some of the MZM-related contributions they received were reimbursed by Wade and MZM. The investigation revealed that the Committees contacted MZM-related contributors after press reports indicated that some contributors believed their contributions were coerced and offered to refund any contributions that were coerced and donated all the MZM-related contributions not refunded to charity. Since the committees are no longer in possession of any MZM-related contributions, including the reimbursed contributions at issue in this matter, we concluded that it was unnecessary to require the committees to disgorge the reimbursed contributions.

1 III. FACTUAL SUMMARY

2 During the events described below, Mitchell Wade served as President and CEO of
3 MZM, with complete operational control over the activities of the company. The corporate
4 officer respondents, Frank Bragg, Anthony Capra, Jonathan Flowers, James King, Christopher
5 Rosche and Roger Swinford held high-level positions at MZM, ranging from Vice President to
6 Senior Executive Vice President to Chief Operating Officer, at the time they made the
7 contributions at issue in this matter.⁵ Respondent Richard Berglund served as the manager of
8 MZM's Foreign Supplier Assessment Center in Martinsville, Virginia at the time of his
9 contributions. Respondents Amy Cain, Ralph Ganis, Robert Harrell, Joseph James, Matthew
10 Shaffer and Gregory Wade were employees of MZM at the time of their contributions. Finally,
11 respondent Christiane Wade was the wife of Mitchell Wade and respondents Cynthia Bragg,
12 Sharon Capra, Jane Flowers, Donna Harrell, May James and Jeneane King were married to
13 MZM employees at the time of their contributions.

14 From 2003 through 2005, Mitchell Wade used MZM corporate funds to funnel \$78,000
15 in illegal corporate contributions to the campaign committees of two members of the House of
16 Representatives, Representative Virgil Goode and Representative Katherine Harris. *See* Table of
17 Reimbursed Contributions at Attachment 1. Representative Goode's committee, Goode for
18 Congress, received a total of \$46,000 in contributions from MZM employees and their family
19 members that were reimbursed by Mitchell Wade using MZM corporate funds. Representative
20 Harris' committee, Friends of Katherine Harris, received \$32,000 in reimbursed contributions

⁵ Notwithstanding their titles signifying corporate officer status, it appears that all of these individuals were not given any significant authority with regard to directing the activities of MZM. *See infra* pp. 15-17.

1 from MZM employees. Richard Berglund assisted Wade in his reimbursement scheme by
2 distributing \$14,000 of the contribution reimbursements to himself, his wife, and four other
3 MZM employees and their family members. Wade and Berglund have both pleaded guilty to
4 violations of 2 U.S.C. § 441f.

5 A. Reimbursed Contributions to Goode for Congress

6 1. 2003 Contributions Reimbursed Directly by Wade

7 On March 26, 2003, Mitchell Wade and MZM PAC held a fundraiser for Representative
8 Virgil Goode at MZM headquarters in Washington, D.C. The event generated over \$35,000 for
9 Representative Goode's authorized committee, Goode for Congress. Of this amount, at least
10 \$10,000 was ultimately reimbursed by Mitchell Wade using MZM corporate funds. Three of the
11 conduit respondents, James King, Jeneane King and Christopher Rosche, attended the fundraiser
12 for Goode and were reimbursed by Mitchell Wade for contributions they made to Goode for
13 Congress.

14 James King and Jeneane King each made \$2,000 contributions to Goode for Congress
15 for both the primary and general election, and Christopher Rosche made a \$2,000 contribution to
16 Goode for Congress.

17 According to James and Jeneane King, in March 2003, Wade approached James King at
18 MZM headquarters to discuss contributions to Goode for Congress.

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20 Subsequently, on April 10, 2003, James King received a \$15,000 bonus check from
21 MZM. King Declaration ¶ 9. In addition to the reimbursements to the Kings, Wade admits to
22 reimbursing Christopher Rosche \$2,000 for his contribution. Rosche has

denied receiving any reimbursement from Wade for his contribution. *See Rosche Response*, dated Aug. 9, 2006.

2. 2005 Contributions Reimbursed Directly by Wade

In 2005, Wade again approached MZM employees about making contributions to Representative Goode and reimbursed the employees and their family members for contributions to Goode for Congress. Wade, directly or indirectly, reimbursed ten MZM employees and seven wives of MZM employees for a total of \$36,000 in contributions to Goode for Congress. *See Attachment 1.*

Specifically, at the end of February 2005, Wade met with Anthony Capra and asked Capra and his wife to make a contribution to Goode for Congress instead of to MZM PAC.

Capra left the meeting with Wade with the understanding that he would receive a bonus, and Wade later handed him \$4,200 in cash which Capra and his wife, Sharon, each used to make a \$2,000 contributions to the Goode committee. *Id.* After meeting with Wade, Anthony Capra and his wife, Sharon Capra, used cash received from Wade to each make a \$2,000 contribution to Goode for Congress.

Around that same time, Frank Bragg approached Jonathan Flowers and asked Flowers to support Virgil Goode. At a follow-up meeting attended by Flowers, Wade and Bragg, Wade handed Flowers \$4,000 in cash. *Id.* Flowers thought that the money was linked to his contributions to Goode and questioned Wade and Bragg about whether it was legal for him to receive the money and was informed by Wade that it was legal. *Id.* Subsequently, Jonathan Flowers and his wife, Jane Flowers, each made a \$2,000 contribution to Goode for Congress.

1 In addition to meeting directly with employees to request contributions for Goode for
2 Congress, Wade also sent cash directly to employees with the expectation that they would make
3 a contribution. In early 2005, James King received a Federal Express package at his home
4 containing \$4,000 in cash and an envelope addressed to the campaign committee for

5 Representative Goode. Although King did not have any discussions
6 with Wade about contributing to Goode prior to receiving the cash, King and his wife, Jeneane,
7 each made a \$2,000 contribution to Goode for Congress. King Proffer.

8 Further, Roger Swinford and his fiancé at the time, Amy Cain, also an MZM employee,
9 also used cash received from Wade to each make a \$2,000 contribution to Goode for Congress.
10 Before making the contributions, Swinford and Cain received a Federal Express package at their
11 home containing \$4,000 in cash.

12 Prior to receiving the
13 package, Wade telephoned Swinford and told Swinford he was sending him a contribution to
14 Representative Goode. The Federal Express envelope contained two
15 stacks of cash with post-it notes, one for Swinford and one for Cain, and the note "Goode for
16 Congress."

17 Finally, Wade also admitted to reimbursing Frank and Cynthia Bragg and Gregory Wade
18 for their contributions to Goode for Congress in 2005. Frank and Cynthia Bragg
19 and Gregory Wade each made a \$2,000 contribution to Goode for Congress in 2005.⁶
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⁶ Frank and Cynthia Bragg have denied receiving any reimbursement from Wade for their contribution. See Bragg Response, dated July 3, 2006 ("Bragg Response").

1 3. 2005 Contributions Reimbursed Through Berglund

2 On or around February 16, 2005, Wade met with Richard Berglund at MZM headquarters
3 in Washington, D.C. and provided Berglund with approximately \$16,000 in cash to reimburse
4 employees for political contributions. Berglund, the Manager of MZM's Foreign Suppliers
5 Assessment Center in Martinsville, Virginia, met privately with Wade at MZM headquarters
6 after traveling to Washington, D.C. with three other Martinsville employees, Joseph James,
7 Matthew Shaffer and Ralph Ganis, to attend a meeting with government officials. At that
8 meeting, Wade told Berglund that he wanted to give people bonuses to encourage them to
9 contribute to Representative Goode's campaign.

10 Wade provided Berglund with the cash to use for the employee
11 bonuses and informed Berglund about the limits on contributions to candidates and also told
12 Berglund what size bonus to give to the employees.⁷ *Id.*

13 After returning to Martinsville, Berglund approached James, Shaffer, Robert Harrell and
14 Ralph Ganis, all Martinsville employees, to solicit contributions to Goode for Congress.

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18 Berglund told Shaffer and James that their contributions to Goode for Congress
19 would be reimbursed.

When Berglund was questioned

⁷ Berglund left the meeting with Wade carrying an envelope of cash in his briefcase and informed Joseph James that Wade had given him \$16,000 and asked him to identify people willing to support Representative Goode's campaign. On the return trip to Martinsville, James informed Shaffer that Wade gave Berglund a stack of cash, which Berglund did not dispute.

1 about the legality of the reimbursement, Berglund informed James that the activity was not
2 illegal and told Shaffer not to worry since this type of activity happened all the time. *Id.*

3 Berglund ultimately provided James with \$4,000 in cash, Harrell with \$3,000 in cash,
4 Shaffer with \$2,000 in cash, and Ganis with \$2,000 in cash. *See id.* James and his wife, May
5 James, each made a \$2,000 contribution to Goode for Congress. Harrell and his wife, Donna,
6 also each made a \$2,000 contribution to Goode for Congress. Shaffer and Ganis also made a
7 \$2,000 contribution to Goode for Congress.⁸

8 In addition to reimbursing \$11,000 in contributions made by Martinsville employees and
9 their family, Berglund also gave himself a \$3,000 cash bonus, which Berglund and his wife,
10 Robin Berglund, used to make \$4,000 in contributions to Goode for Congress. Berglund
11 Statement of Offenses at 2. After the reimbursements, Berglund returned the leftover cash,
12 approximately \$2,000, to Wade.

13 B. Reimbursed Contributions to Friends of Katherine Harris

14 In 2004, Wade approached several MZM employees and gave the employees cash or
15 otherwise reimbursed them and, in some cases, their spouses, for contributions to Friends of
16 Katherine Harris. Ultimately, Wade reimbursed five MZM employees, James King, Jonathan
17 Flowers, Frank Bragg, Roger Swinford and Gregory Wade, and three spouses of MZM
18 employees, Jeneane King, Jane Flowers and Cynthia Bragg, for a total of \$32,000 in
19 contributions to Friends to Katherine Harris.

⁸ Berglund also approached Ganis and offered him a \$4,000 cash bonus and informed Ganis that he could contribute \$2,000 to Goode for Congress and that his wife could contribute another \$2,000. July 6, 2006. Despite Berglund's assurances that the offer was not against the law, Ganis felt uncomfortable and declined the bonus. *Id.* Ganis then contacted Wade to inform him that he could not accept the bonus and that he did not have the money to contribute to the Goode campaign, but would be able to consider making the contribution if Wade paid an additional \$2,000 for a pistol Wade had purchased from Ganis. *Id.* Wade directed Berglund to pay Ganis the additional \$2,000, and Ganis used that money to make a contribution to Goode for Congress.

1 Around March 11, 2004, Wade called James King and asked King to support Katherine
2 Harris. . Although Wade did not discuss reimbursement with King
3 during the call, several days later, on March 16, 2004, King received an expense check for
4 \$9,150 despite the fact that King did not submit a request for expenses. *Id.* On March 23, 2006,
5 King and his wife, Jeneane, made \$8,000 in contributions to Friends of Katherine Harris.

6 In early March 2004, Jonathan Flowers attended a meeting with Wade and Frank Bragg
7 where Flowers was asked to support Representative Harri.
8 Although reimbursement was not directly discussed at this meeting, on March 18, 2004, Flowers
9 received a cash bonus from Wade in the amount of \$8,250. *Id.* On March 23, 2006, Flowers and
10 his wife, Jane, made \$8,000 in contributions to Friends of Katherine Harris.

11 Wade also had a conversation with Roger Swinford in early 2004 where Wade directed
12 Swinford to write two checks to Representative Harris, one for the primary election and one for
13 the general election. Swinford received a \$4,500 check from Wade, \$500 of which was
14 earmarked for a contribution to MZM PAC. Swinford then made \$4,000 in contributions to
15 Friends of Katherine Harris and a \$500 contribution to MZM PAC.

16 Wade further admitted to reimbursing Frank and Cynthia Bragg and Gregory Wade for
17 their contributions to Friends of Katherine Harris in 2004. Frank Bragg and
18 his wife, Cynthia, made \$8,000 in contributions to Friends of Katherine Harris and Gregory
19 Wade made another \$4,000 in contributions to Friends of Katherine Harris.⁹

⁹ The Braggs, who acknowledged that Frank Bragg received bonus payments, deny that they recognized any of these payments as reimbursements for their contributions to Friends of Katherine Harris. Bragg Response.

C. Coercion Allegations

We conducted an extensive investigation into the allegations that MZM and Wade, as a corporate officer of MZM, violated 2 U.S.C. § 441b(b)(3)(C) by coercing contributions to MZM PAC, violated 11 C.F.R. § 114.4(f)(2)(iv) and 2 U.S.C. § 441b(a) by soliciting contributions using the threat of adverse employment action, and that MZM PAC violated 2 U.S.C. § 441b(b)(3)(A) by accepting funds solicited using coercion.¹⁰ We interviewed respondents, a representative sample of former MZM employees who contributed to MZM PAC or candidates supported by Mitchell Wade, and the former General Counsel of MZM and former treasurer of MZM PAC. The employees described an environment where MZM and Wade emphasized the importance of MZM's political activities. The company newsletters regularly highlighted MZM's political activities, including congressional fundraisers and other events, as well as the fundraising efforts of MZM PAC.

Former MZM employees have stated that contributions to MZM PAC were made in response to annual solicitations to MZM's restricted class. These annual solicitations, in the form of memoranda from Mitchell Wade, described the functions of MZM PAC and asked that employees and their family members make contributions to MZM PAC. The MZM PAC solicitation clearly indicated that contributions were voluntary and suggested a contribution amount, generally ranging from \$500 to \$1,000, based on the employee's position in the company.

¹⁰ MZM, Inc. PAC ("MZM PAC"), a separate segregated fund connected to MZM, filed its initial Statement of Organization with the Commission on October 24, 2001. From 2001 through February 2006, MZM PAC disclosed \$153,955 in contributions from MZM employees. On February 13, 2006, at the direction of Mitchell Wade, MZM PAC made a donation in the amount of \$70,892.71, the balance of funds in its account, to the Intrepid Fallen Heroes Fund. Also on February 13, 2006, MZM PAC attempted to file a termination report with the Commission. This Office notified MZM PAC that its termination request could not be granted due to its status as a respondent in this MUR. See Letter from Lynn Tran to Brian Heberlig (Feb. 22, 2006). MZM PAC has not engaged in any activity since it attempted to terminate in February 2006.

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1 When asked about their contributions to MZM PAC, many employees indicated that,
2 although they did not feel they were coerced into making the contributions, they made the
3 contribution in response to a solicitation for contributions to MZM PAC because they believed it
4 was expected that executives contribute, and because they wanted to benefit MZM. The
5 employees described a situation where they felt pressure to contribute to MZM PAC in part
6 because Wade had a volatile personality and they were afraid that they would not be able to
7 advance in the company if they were on bad terms with Wade.

8 While the circumstances presented by the employees indicates that some employees felt
9 pressure to make contributions to MZM PAC, this pressure was created primarily by the nature
10 of MZM as a highly-compartmentalized company run by a temperamental boss and not by any
11 specific actions or statements of Wade or other MZM officials.¹¹ It appears that MZM
12 employees were motivated to make contributions in part because of what they described as their
13 fear of Wade's volatile personality, and not because of any particular actions by Wade or any
14 corporate officers of MZM. It does not appear that Wade followed up with employees to see
15 whether they intended to contribute to the MZM PAC. Furthermore, we have not found any
16 evidence that any employee was subject to financial retribution, adverse employment action or

¹¹ Two employees, Roger Swinford and Susan Hogan, described conversations with the former MZM PAC treasurer and former General Counsel of MZM, Joseph Cornelison, where they felt that Cornelison directed them to make particular contributions. Swinford indicated that he made a \$300 contribution to MZM PAC in 2002 only after receiving a call from Cornelison who asked Swinford how much he could contribute after Swinford stated that he could not contribute the amount suggested in the solicitation.

Hogan indicated that Cornelison suggested she contribute to Goode for Congress after she followed up on a MZM PAC solicitation and indicated she was resistant to contributing to MZM PAC because she wanted to know where the funds were going.

While Swinford stated that Cornelison did not inform him during their conversation that the contribution to MZM PAC was voluntary, Hogan stated that Cornelison was careful to tell her that he was not pressing her to contribute and there was no expected amount for her contribution. While these incidents suggest that there was a focus at MZM on soliciting contributions to MZM PAC and favored candidates, we do not believe that this activity rises to the level of coercion under the Act. It does not appear that Cornelison indicated to either Swinford or Hogan that they would be subject to reprisals for failure to contribute to MZM PAC or implied that they would be subject to reprisals for failing to contribute. Furthermore, in Swinford's case, Mitchell Wade provided him with funds to make a later contribution to MZM PAC.

1 other reprisals for failing to contribute to MZM PAC. In sum, employees who failed to
2 contribute in response to every solicitation did so without any apparent repercussions.

3 IV. DISCUSSION

4 The investigation has confirmed that MZM and Mitchell Wade knowingly and willfully
5 violated 2 U.S.C. §§ 441a, 441b and 441f by reimbursing MZM employees for their
6 contributions. In addition, Richard A. Berglund knowingly and willfully violated 2 U.S.C. §
7 441f by assisting in making contributions in the name of another. While the available
8 information confirms that the other respondents were reimbursed by Wade for their
9 contributions, it does not appear that the violations were knowing and willful. With respect to
10 the other respondents, it appears that one respondent, Christiane Wade, was not reimbursed for
11 her contribution. As to the allegations regarding coerced contributions to MZM PAC, there is
12 insufficient evidence to establish that MZM employees were coerced into contributing to MZM
13 PAC. Each respondent's liability is discussed in turn.

14 A. Contributions reimbursed by Mitchell Wade and MZM

15 As detailed in Wade's criminal plea agreement, Wade knowingly and willfully violated
16 the Act by reimbursing MZM employees and their family members a total of \$78,000 for these
17 contributions. See Wade Statement of Offenses. Wade and MZM have not contested the
18 Commission's knowing and willful findings
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1 B. Richard Berglund

2 Berglund has already pleaded guilty to a knowing and willful violation of 2 U.S.C.
3 §§ 441f and 437g(d)(1)(A)(ii) by assisting Wade in a scheme to reimburse contributions.
4 Berglund Statement of Offenses. In his criminal plea, Berglund admitted to using \$3,000 cash
5 that he received from Wade to make a \$2,000 contribution to Goode for Congress in his name
6 and another \$2,000 contribution in the name of his wife, Robin Berglund. *See* Berglund
7 Statement of Offenses at 2. Berglund also admitted to providing \$2,000 in cash to two
8 employees and telling them that Wade wanted them to contribute to Goode for Congress. *Id.*

9 Based on interviews with Berglund and other employees of MZM's Martinsville facility,
10 it appears that Berglund distributed a total of \$11,000 in cash to four MZM employees: \$4,000
11 to Joseph James, \$3,000 to Robert Harrell, \$2,000 to Matthew Shaffer and \$2,000 to Ralph
12 Ganis.

13 The employees used the cash bonuses to make contributions to Goode for Congress.
14 Combined with the \$3,000 Berglund used to for his contribution and his wife's contribution to
15 Goode for Congress, Berglund distributed a total of \$14,000 from Wade to reimburse
16 contributions made to Goode for Congress. Berglund has not contested the Commission's
17 finding that he violated 2 U.S.C. § 441f, has cooperated with the investigation

18 Accordingly, we recommend that the Commission find reason
19 to believe that Richard Berglund knowingly and willfully violated 2 U.S.C. § 441f

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21 C. Corporate Officer Respondents

22 The Commission previously found reason to believe that corporate officers, Frank B.
23 Bragg, Jr., Jonathan D. Flowers and James C. King, knowingly and willfully violated 2 U.S.C.

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1 § 441b by consenting to the use of corporate funds in a reimbursement scheme. The
2 investigation confirmed that the following corporate officer respondents also violated 2 U.S.C. §
3 441f by allowing their names to be used for contributions to Goode for Congress and
4 Friends of Katherine Harris: Frank B. Bragg, Anthony Capra, Jonathan D. Flowers, James C.
5 King, Christopher F. Rosche and Roger A. Swinford. See Attachment 1. Of these respondents,
6 only Frank Bragg and Christopher Rosche deny that Wade reimbursed them for their
7 contributions.¹² See Bragg Response; Rosche Response.

8 Despite titles ranging from Vice President to Senior Executive Vice President to Chief
9 Operating Officer, these respondents appear to have been corporate officers in name only. The
10 operations of MZM appear to have been managed solely by Mitchell Wade.¹³ Although the

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First, Wade admitted to reimbursing Frank and Cynthia Bragg \$12,000 for contributions they made to Friends of Katherine Harris in 2004 and Goode for Congress in 2005 as part of his criminal plea agreement and in discussions with federal investigators. Second, interviews with other conduits and witnesses indicate that Bragg served as Wade's right hand man and was active in soliciting contributions to both MZM PAC and to candidates supported by Wade and MZM. Finally, one conduit, Jonathan Flowers, recalls Bragg being present when Wade provided him with \$4,000 in cash, which Flowers believed was linked to his contributions to Goode for Congress.

At the meeting, Flowers questioned the legality of receiving the funds and was told by Bragg and Wade that it was legal. *Id.* When questioned about the meeting with Flowers, Bragg did not recall the discussion but indicated he would have believed Wade if Wade stated that activity was legal.

Based on the available evidence, however, it appears that Bragg and his wife, Cynthia Bragg, were reimbursed for their contributions in violation of 2 U.S.C. § 441f.

Although there is some evidence that Frank Bragg may have been aware that Wade was reimbursing other individuals for their contributions, and therefore should have known that his contributions and his wife's contributions were also reimbursed by Wade, in the interest of reaching a resolution in this matter, we do not recommend proceeding as to Bragg at this time.

As with the Braggs, the contribution by Rosche to Goode for Congress was included as a reimbursed contribution in Wade's criminal plea and disclosed during Wade's conversations with investigators. Absent additional information, which Rosche has not provided, the available evidence supports the conclusion that Rosche was reimbursed for his contribution in violation of 2 U.S.C. § 441f.

¹³ Respondents and witnesses described a situation where Wade had sole financial control over the operations of MZM including writing all company checks and keeping the MZM checkbook in a drawer in his desk. Despite the titles held by the corporate officer respondents, the evidence suggests that they did not have responsibilities or authorities of an actual corporate officer of MZM. For example, there is no indication that they had the ability to approve the expenditure of MZM corporate funds or even to write checks from MZM's corporate accounts.

1 corporate officer respondents were aware that they received either bonuses or reimbursements
2 from Mitchell Wade around the time they made the contributions at issue, for the most part, it
3 was not until after the fact that they realized that the reimbursements were illegal. These
4 respondents, like the lower-level conduits discussed below, were also not sophisticated political
5 actors and did not have a history of making political contributions prior to receiving requests
6 from Wade.

7 Given Wade's complete control over the management of MZM and his propensity to
8 provide elevated titles without commensurate responsibilities, the evidence indicates that
9 corporate officer respondents positions within MZM did not significantly differ from the lower-
10 level conduits, which would justify treating the corporate officer respondents in the same manner
11 as the conduit respondents. As with the other conduits, we are not making any recommendations
12 as to the corporate officer respondents at this time.

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17 D. Conduit Respondents

18 The investigation confirmed that the following conduit respondents also violated 2 U.S.C.
19 § 441f by allowing their names to be used for corporate contributions to Goode for Congress
20 and Friends of Katherine Harris: Robin Berglund, Cynthia S. Bragg, Amy Cain, Sharon Capra,

1 Jane T. Flowers, Ralph P. Ganis, Robert A. Harrell, Donna J. Harrell, Joseph R. James, May I.
2 James, Jeneane C. King, Matthew B. Shaffer, and Gregory V. Wade.¹⁴ We confirmed that the
3 conduit respondents received funds, either directly or indirectly, from Wade and MZM around
4 the time they made contributions to Goode for Congress and Friends of Katherine Harris and that
5 Wade intended to reimburse the conduits for their contributions. *See Attachment 1.*

6 The available information indicates that these conduit respondents had never made any
7 political contributions prior to the contributions at issue in this case, were not familiar with the
8 process of making political contributions and were not aware that their actions were illegal.
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15 E. Christiane Wade

16 The investigation revealed that Christiane Wade was not reimbursed for a \$2,000
17 contribution she made to Goode for Congress in 2005. In response to the reason to believe
18 finding, counsel for Mrs. Wade denied that she was reimbursed for her contribution and
19 indicated that the contribution was made using funds from her personal checking account and not
20 from joint account shared with Mr. Wade. This is consistent with both Mitchell Wade's plea
21 agreement and with his statements to federal investigators regarding the contributions he

¹⁴ Conduit respondents Cynthia Bragg, Sharon Capra, Jane Flowers, Donna Harrell, May James and Jeneane King were married to MZM employees at the time of their contributions.

1 reimbursed. Because of we do not have any specific evidence indicating that Christiane Wade
2 was reimbursed, we recommend that the Commission take no further action and close the file as
3 to Christiane Wade.

4 F. MZM, Inc. PAC

5 The investigation confirmed that there is insufficient evidence to establish that MZM
6 employees were coerced into contributing to MZM PAC. As discussed above, it appears that
7 many MZM employees made contributions to MZM PAC in part to stay on good terms with
8 Mitchell Wade and not because they were coerced to contribute by either Wade or any corporate
9 officers of MZM. The investigation did not find any evidence to support a conclusion that any
10 employee was subject to financial retribution, adverse employment action or any other reprisals
11 for failing to contribute to MZM PAC. Accordingly, we recommend that the Commission take
12 no further action and close the file as to MZM, Inc. PAC and Jeanne O'Neil, in her official,
13 capacity as treasurer.

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VI. RECOMMENDATIONS


- 1.
2. Merge Pre-MUR 439 into MUR 5666;

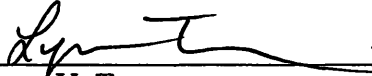
3. Find reason to believe that Richard Berglund knowingly and willfully violated 2 U.S.C. § 441f;
4. Take no further action and close the file as it pertains to Christiane Wade;
5. Take no further action and close the file as it pertains to MZM, Inc. PAC and Jeanne O'Neil, in her official capacity as treasurer; and
6. Approve the appropriate letters.

Thomasenia P. Duncan
General Counsel

27044174597
Date 7/5/07

BY: 
Ann Marie Terzaken
Acting Associate General Counsel
for Enforcement


Mark D. Shonkwiler
Assistant General Counsel


Lynn Y. Tran
Attorney

Attachments

1. Table of Reimbursed Contributions
- 2.
- 3.

Table of Reimbursed Contributions

Date	Respondent	Committee	Contribution
3/26/03	James King	Goode for Congress	\$2,000
3/26/03	James King	Goode for Congress	\$2,000
3/26/03	Jeneane King	Goode for Congress	\$2,000
3/26/03	Jeneane King	Goode for Congress	\$2,000
3/4/05	James King	Goode for Congress	\$2,000
3/4/05	Jeneane King	Goode for Congress	\$2,000
3/23/04	James King	Friends of Katherine Harris	\$2,000
3/23/04	James King	Friends of Katherine Harris	\$2,000
3/23/04	Jeneane King	Friends of Katherine Harris	\$2,000
3/23/04	Jeneane King	Friends of Katherine Harris	\$2,000
3/23/04	Jonathan Flowers	Friends of Katherine Harris	\$2,000
3/23/04	Jonathan Flowers	Friends of Katherine Harris	\$2,000
3/23/04	Jane Flowers	Friends of Katherine Harris	\$2,000
3/23/04	Jane Flowers	Friends of Katherine Harris	\$2,000
3/4/05	Jonathan Flowers	Goode for Congress	\$2,000
3/4/05	Jane Flowers	Goode for Congress	\$2,000
3/2/05	Anthony Capra	Goode for Congress	\$2,000
3/4/05	Sharon Capra	Goode for Congress	\$2,000
3/23/04	Roger Swinford	Friends of Katherine Harris	\$2,000
3/23/04	Roger Swinford	Friends of Katherine Harris	\$2,000
3/5/05	Roger Swinford	Goode for Congress	\$2,000
3/2/05	Amy Cain	Goode for Congress	\$2,000
3/2/05	Richard Berglund ¹	Goode for Congress	\$2,000
3/4/05	Robin Berglund	Goode for Congress	\$2,000
3/2/05	Robert Harrell ²	Goode for Congress	\$2,000
3/2/05	Donna Harrell	Goode for Congress	\$2,000
3/2/05	Ralph Ganis	Goode for Congress	\$2,000
3/4/05	Joseph James	Goode for Congress	\$2,000
3/4/05	May James	Goode for Congress	\$2,000
3/4/05	Matthew Shaffer	Goode for Congress	\$2,000
3/23/04	Gregory Wade	Friends of Katherine Harris	\$2,000
3/23/04	Gregory Wade	Friends of Katherine Harris	\$2,000
3/4/05	Gregory Wade	Goode for Congress	\$2,000
3/26/03	Christopher Rosche	Goode for Congress	\$2,000
3/23/04	Frank Bragg	Friends of Katherine Harris	\$2,000
3/23/04	Frank Bragg	Friends of Katherine Harris	\$2,000
3/23/04	Cynthia Bragg	Friends of Katherine Harris	\$2,000
3/23/04	Cynthia Bragg	Friends of Katherine Harris	\$2,000
3/2/05	Frank Bragg	Goode for Congress	\$2,000
3/4/05	Cynthia Bragg	Goode for Congress	\$2,000

¹ Richard Berglund used \$3,000 he received from Wade to make a \$2,000 contribution in his name and a \$2,000 contribution in the name of his wife, Robin Berglund.

² Robert Harrell used \$3,000 he received from Berglund to make a \$2,000 contribution in his name and a \$2,000 contribution in the name of his wife, Donna Harrell.