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FIRST GENERAL COUNSEL'S REPORT

MUR: 6800
DATE COMPLAINT FILED: 3/7/14
DATE OF NOTIFICATION: 3/27/14
DATE OF LAST RESPONSE: 5/14/14
DATE ACTIVATED: 6/12/14

ELECTION CYCLE: 2012
EARLIEST SOL: 11/19/2016
LATEST SOL: 7/15/2017

COMPLAINANT:

Peter Waldron

RESPONDENT:

Ron Paul 2012 Presidential Campaign Committee
Inc. and Lori Pyeatt in her official capacity as
treasurer

Kent Sorenson

Dimitri Kesari

Designer Goldsmiths, Inc.

**RELEVANT STATUTES
AND REGULATIONS:**

52 U.S.C. § 30101(8)(A)(ii)¹
52 U.S.C. § 30118
11 C.F.R. § 100.52(d)
11 C.F.R. § 111.4(d)(1)-(4)

INTERNAL REPORTS CHECKED:

Disclosure Reports

FEDERAL AGENCIES CHECKED:

None

I. INTRODUCTION

This matter involves an allegation that Ron Paul 2012 Presidential Campaign Committee,
Inc., and Lori Pyeatt in her official capacity as treasurer (the "Committee"), Kent Sorenson,

¹ On September 1, 2014, the Federal Election Campaign Act of 1971, as amended, (the "Act") was transferred from Title 2 to new Title 52 of the United States Code.

1 Dimitri Kesari, and Designer Goldsmiths, Inc., violated the Act in connection with payments
2 made to then-Iowa State Senator Sorenson. Specifically, the Complaint alleges that the
3 Committee, through its Deputy Campaign Manager, Kesari, and his company, Designer
4 Goldsmiths, "bribed" Sorenson to switch his support from Michele Bachmann to Ron Paul
5 leading up to the 2012 Iowa presidential caucus.² The allegations are supported by two articles
6 from *The Iowa Republican*, the Report to the Senate Ethics Committee on the Investigation of
7 State Senator Kent Sorenson (Oct. 2, 2013) ("Independent Investigator's Report"),³ and
8 documents relating to Sorenson's guilty plea in *United States v. Kent Leroy Sorenson*,⁴ all of
9 which indicate that several high-ranking Committee officials arranged for Kesari to present
10 Sorenson with a corporate check from Designer Goldsmiths as payment (or security) to Sorenson
11 for switching his support to Ron Paul. Accordingly, we recommend that the Commission find
12 reason to believe Designer Goldsmiths made and the Committee knowingly accepted a
13 prohibited corporate in-kind contribution in violation of 52 U.S.C. § 30118 (formerly 2 U.S.C.
14 § 441b(a)). We also recommend that the Commission find reason to believe Kesari violated the
15 same provision of the Act by consenting to a prohibited corporate contribution.

² Compl. at 1. The Complaint was filed by Peter Waldron. Although fashioned as a supplement to the complaint he filed in MUR 6724, we elected to open a separate MUR because the primary allegations in this filing relate to the Committee and two other entities (Demitri Kesari and Designer Goldsmiths, Inc.) that were not respondents in MUR 6724. Former Iowa State Senator Kent Sorenson is a respondent in both matters.

³ The two volumes of the Independent Investigator's Report are publicly available on-line at http://archive.desmoinesregister.com/assets/pdf/Sorenson_investigation_part1.pdf (Volume I) and http://archive.desmoinesregister.com/assets/pdf/Sorenson_investigation_part2.pdf (Volume II).

⁴ Case No. 4:14-cr-103 (S.D. Iowa Aug. 27, 2014). Sorenson recently pleaded guilty to causing the filing of false disclosure reports and obstructing a federal investigation. *See id.*; Department of Justice Press Release, *Former Iowa State Senator Pleads Guilty to Concealing Federal Campaign Expenditures* (Aug. 27, 2014) ("DOJ Press Release"), available at <http://www.justice.gov/opa/pr/2014/August/14-crm-907.html>; Compl., Ex. 1. That plea was formally accepted by the district court on September 16, 2014. *See Order, Sorenson*, 4:14-cr-103 (S.D. Iowa Sept. 16, 2014) (adopting report and recommendation of magistrate judge to accept plea of guilty as to Sorenson).

Further, the factual record presented here reflects that the Committee may have violated the Act by using ICT, Inc., to conceal disbursements totaling \$73,000 that were intended for Sorenson. Accordingly, we recommend that the Commission find reason to believe the Committee violated 52 U.S.C. § 30104(b) (formerly 2 U.S.C. § 434(b)(5)) by failing to report properly its disbursements to the Commission. We further recommend that the Commission find that all violations were knowing and willful. Lastly, we recommend that the Commission take no action at this time with respect to Sorenson.

II. FACTS

The Committee was Representative Ron Paul's authorized committee during his 2012 presidential campaign.⁵ Kesari was the Committee's Deputy Campaign Manager⁶ and, along with his wife, owner of Designer Goldsmiths, a Virginia corporation.⁷ Kent Sorenson was an Iowa State Senator during the relevant time.⁸ He is the sole principal of Grassroots Strategy, Inc. ("Grassroots").⁹

On March 11, 2011, Sorenson became the first elected official in Iowa to endorse Bachmann's candidacy.¹⁰ Sorenson then began assisting the Bachmann campaign by "providing strategic advice about the Iowa political landscape, recommending staff members to the

⁵ Statement of Organization (May 13, 2011).

⁶ Compl. at 1.

⁷ *Id.*, Ex. 2.

⁸ *Id.* at 1.

⁹ See IOWA SEC'y OF STATE, [http://sos.iowa.gov/search/business/\(S\(jgrga3zehwupqh55oa0xrwne\)\)/summary.aspx](http://sos.iowa.gov/search/business/(S(jgrga3zehwupqh55oa0xrwne))/summary.aspx) (last visited Aug. 26, 2014). According to its public filings with the Iowa Secretary of State, Sorenson incorporated Grassroots as a domestic for-profit corporation in 2010, listing himself as its incorporator/officer. Grassroots reports no other officers.

¹⁰ Independent Investigator's Report at 39.

1 campaign, recruiting other Iowa legislators to the Bachmann cause, and making communications
2 on the campaign's behalf."¹¹ Sorenson was named the Bachmann Committee's Iowa State
3 Chairman as of the Bachmann Committee's establishment in June 2011.¹²

4 In October 2011, however, Sorenson began secretly negotiating with Committee officials
5 to switch his support to Ron Paul in exchange for concealed payments that amounted to
6 \$73,000.¹³ Initially, Aaron Dorr (the brother of Chris Dorr, a Sorenson aide) reportedly acted as
7 an intermediary between Sorenson and the Committee.¹⁴ In an October 29 memorandum to
8 Committee Campaign Manager John Tate, Aaron Dorr outlined the financial commitments
9 required to retain Sorenson's (and Chris Dorr's) services.¹⁵ The memorandum refers to a
10 previous meeting between Aaron Dorr and Jedd Coburn, the Committee's National
11 Communications Director, in which they discussed the timing of Sorenson's switch from the
12 Bachmann campaign to the Paul campaign.¹⁶ On November 14, Jesse Benton, the Committee's
13 Campaign Chairman, sent an e-mail to Aaron Dorr expressing interest in having Sorenson and
14 Chris Dorr join the Paul campaign.¹⁷

¹¹ *Id.* at 39-40.

¹² Sorenson was listed as the State Chairman on internal e-mails as early as May 2011. Independent Investigator's Report at 41.

¹³ DOJ Press Release; Compl., Ex. 1.

¹⁴ Compl., Ex. 1.

¹⁵ *Id.* According to the memo, Sorenson wanted \$8,000 per month through the fall of 2012 and \$100,000 to his Iowa leadership PAC. Chris Dorr wanted \$5,000 per month through April 2012. *Id.*

¹⁶ *Id.* Sorenson evidently also had conversations with Susan Geddes during this time about joining the Ron Paul campaign. Independent Investigator's Report at 56, Ex. 12. Sorenson told her that the fact that the Ron Paul campaign was offering him a substantial amount of money was a motivation to leave. *Id.*

¹⁷ Compl., Ex. 1.

On November 19, Kesari had dinner with Sorenson and his wife at a restaurant in Altoona, Iowa, during which Kesari gave a check to Sorenson's wife.¹⁸ The check, dated December 26, 2011, is drawn on Designer Goldsmiths and is payable to "Grass Roots Strategies" in the amount of \$25,000.¹⁹ Sorenson accepted the check but did not cash it, initially because he was undecided about switching campaigns.²⁰ Later, the check served as "concealed security against the loss of anticipated payments for two months of work for [Bachmann], and as concealed security for future concealed payments of approximately \$8,000 per month from [Paul] after Sorenson switched his support from [Bachmann] to [Paul]."²¹ The check evidently was never cashed.²²

In a November 21 e-mail from Aaron Dorr to Benton, Aaron Dorr states that "[c]onsidering that Dimitri [Kesari] had dinner with Kent . . . I'll assume that you guys are taking a more direct role in this process. . . . I'll bow out and let you, John [Tate], Dimitri and Kent work this out."²³ In December 2011, Senator Sorenson had conversations with Eric Woolson, who had been hired in October to manage the Bachmann campaign in Iowa.²⁴ Sorenson told Woolson that "his family was short of money, his wife was pushing him to move to the Ron Paul

¹⁸ *Id.*; Matea Gold, *Former Iowa State Senator Pleads Guilty in Ron Paul Endorsement-for-Pay Scheme*, WASH. POST, Aug. 27, 2014, available at <http://www.washingtonpost.com/blogs/post-politics/wp/2014/08/27/former-iowa-state-senator-pleads-guilty-in-ron-paul-endorsement-for-pay-scheme/> [hereinafter Gold, *Former State Senator Pleads Guilty*]. Sorenson's sworn Statement of Facts filed in connection with his plea places this dinner "on or about December 26, 2011." Stipulated Statement of Facts ¶ 11, *Sorenson*, 4:14-cr-103 (S.D. Iowa Aug. 27, 2014) ("Statement of Facts").

¹⁹ Independent Investigator's Report at 57, Ex. 42.

²⁰ Statement of Facts ¶ 12.

²¹ *Id.*

²² Gold, *Former State Senator Pleads Guilty*.

²³ Compl., Ex. 1.

²⁴ Independent Investigator's Report at 56.

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campaign in order to obtain more money, and that the Ron Paul campaign was offering \$30,000 up front and \$8,000 per month for as long as Mr. Paul remained in the race.”²⁵ Sorenson publicly switched his support to the Paul campaign on December 28, 2011.²⁶

On or about this date, Kesari and Sorenson agreed that the Committee would “secretly” pay Sorenson approximately \$8,000 per month from approximately January 2012 to approximately July 2012.²⁷ Following the Iowa Caucus, the Committee made several payments totaling \$82,375 to ICT, Inc., a business entity associated with a filmmaker, Noel “Sonny” Izon, and William Howard, an attorney located in Hyattsville, Maryland,²⁸ in the following amounts by date:

- \$38,125 on February 8, 2012;²⁹
- \$17,700 on April 3;³⁰
- \$8,850 on May 2;³¹
- \$8,850 on May 29;³² and
- \$8,850 on June 27.³³

²⁵ *Id.*

²⁶ *Id.* at 57.

²⁷ Statement of Facts ¶ 14.

²⁸ Independent Investigator's Report at 60.

²⁹ Committee, 2012 March Monthly Report at 5858.

³⁰ Committee, 2012 May Monthly Report at 4317.

³¹ Committee, 2012 June Monthly Report at 2459.

³² *Id.* at 2801.

³³ Committee, 2012 July Monthly Report at 232.

1 Shortly following each of those payments from the Committee to ICT, ICT sent wire transfers to
2 Grassroots in the following amounts (which total \$73,000):

- 3 • \$33,000 on February 9, 2012;
- 4 • \$16,000 on April 9;
- 5 • \$8,000 on May 4;
- 6 • \$8,000 on June 12; and
- 7 • \$8,000 on July 27.³⁴

8 According to the Independent Investigator, "the deposits could be construed to reflect payments
9 of \$8,000 per month from February through July of 2012, with the first payment, \$33,000, being
10 an \$8,000 monthly payment and \$25,000 to reflect the uncashed check Senator Sorenson
11 received just before he joined the Ron Paul campaign."³⁵

12 On August 27, 2014, Sorenson entered a guilty plea to a two-count information in which
13 he admitted switching his support to the Ron Paul campaign "in exchange for concealed
14 payments that amounted to \$73,000" which "included monthly installments of approximately
15 \$8,000 each and were concealed by transmitting them to a film production company, then
16 through a second company, and finally to Sorenson and his spouse."³⁶ Sorenson further stated
17 that he "knew that agents of [the Committee] would and did falsely omit his name and other
18 identifying information from required reports to the FEC."³⁷ This was done in part to avoid

³⁴ Independent Investigator's Report at 59-60.

³⁵ *Id.*

³⁶ DOJ Press Release; Statement of Facts ¶14. As part of his plea agreement, Sorenson also admitted giving false testimony to the independent investigator appointed by the Iowa State Ethics Committee. Plea Agreement at 1, *Sorenson*, 4:14-cr-103 (S.D. Iowa Aug. 27, 2014) ("Plea Agreement").

³⁷ Statement of Facts ¶17.

potential culpability under the Iowa State Ethics Rules prohibiting sitting Senators from accepting payment from political committees.³⁸

Sorenson filed a Designation of Counsel form but did not submit a response in this matter. Kesari filed a response stating that he cannot adequately address the Complaint due to its lack of specific factual and legal allegations.³⁹ The Committee's response questions the basis for determining that the Complaint was an original complaint and asserts that the Complaint does not specify "which provision of federal law was violated as a result of the unsubstantiated hearsay allegations" contained in the Complaint.⁴⁰

III. LEGAL ANALYSIS

A. Sufficiency of Complaint

Under Commission regulations, complaints "shall" provide the full name and address of the complainant and be sworn to and signed before a notary, and "should" (a) clearly identify as a respondent each person or entity who is alleged to have committed a violation; (b) provide identification of the source of information which gives rise to the complainant's beliefs, if not based on personal knowledge; (c) contain a clear and concise recitation of the facts which describe a violation of a statute or regulation over which the Commission has jurisdiction; and (d) provide documentation supporting the facts alleged if such documentation is known to the complainant.⁴¹ Although the body of the Complaint does not go into great factual detail, the attachments describe a scenario wherein a corporation, with the consent of its officer, paid for services provided to the Committee by Sorenson. And although the Complaint does not

³⁸ *Id.* ¶ 18.

³⁹ Kesari Resp. at 1.

⁴⁰ Committee Resp. at 2.

⁴¹ 11 C.F.R. § 111.4(d)(1)-(4).

specifically name which provisions of the Act may have been violated, that is not required under the Act or Commission implementing regulations. Rather, a complaint is sufficient if its recitation of facts *describes* a violation, a standard met here. Therefore, the Respondents' contention that the Complaint provides no factual and legal allegations that would merit a response is not supported.

B. Prohibited Corporate In-Kind Contribution

The Act prohibits a corporation from making a contribution in connection with any election to any political office.⁴² Likewise, it is unlawful for any candidate, political committee, or other person to knowingly accept or receive a prohibited contribution, and for any officer or director of a corporation to consent to any contribution.⁴³ "Contribution" includes any gift, subscription, loan, advance, or deposit of money or anything of value made by any person for the purpose of influencing any election for federal office, including in-kind contributions.⁴⁴

It is well-documented that Designer Goldsmiths, a corporation, gave through its officer and agent, Kesari, a \$25,000 corporate check to Sorenson to secure Sorenson's endorsement and future services to the Committee.⁴⁵ In doing so, Designer Goldsmiths made a contribution to the Committee in violation of section 30118 (formerly section 441b).⁴⁶ The fact that the check from Designer Goldsmiths was not cashed is immaterial under the plain language of the definition of "contribution," which includes "money," a term which in turn expressly includes "checks . . . or

⁴² 52 U.S.C. § 30118 (formerly 2 U.S.C. § 441b(a)).

⁴³ *Id.*

⁴⁴ 52 U.S.C. § 30101(8)(A)(ii) (formerly 2 U.S.C. § 431(8)(A)(ii)); 11 C.F.R. § 100.52(d).

⁴⁵ *See supra* at 4-5.

⁴⁶ *See, e.g.,* Conciliation Agreement at 4-7, MUR 6447 (Steele for Maryland, Inc.) (individual made in-kind contributions by paying for services on behalf of committee).

1 any other negotiable instruments payable on demand.”⁴⁷ Even if “checks” were not plainly
2 included within the definition of contribution, the \$25,000 check would be considered a loan,
3 and thus a contribution, because it was intended as a “form of security.”⁴⁸ According to
4 Sorenson’s sworn admission in connection with his criminal plea, the check acted as “concealed
5 security against the loss of anticipated payments for two months of work for [Bachmann], and as
6 concealed security for future concealed payments of approximately \$8,000 per month from
7 [Paul] after Sorenson switched his support from [Bachmann] to [Paul].”⁴⁹ Therefore, providing
8 the check on the Paul Committee’s behalf was a contribution to the Paul Committee.

9 Moreover, given that Kesari — an officer and co-owner of Designer Goldsmiths —
10 delivered the check to Sorenson, it appears that he provided his “consent” to the corporate
11 contribution, and thus violated section 30118 (formerly section 441b) in that capacity.⁵⁰
12 Furthermore, given the facts demonstrating that at least four senior Committee officials —
13 Benton, Tate, Kesari, and Coburn — were made aware of Sorenson’s demands before the
14 Designer Goldsmiths check was delivered and later authorized payments from the Committee to
15 Sorenson (using ICT as a conduit to mask the payments), it appears that the Committee
16 knowingly accepted the in-kind contribution from Designer Goldsmiths.

⁴⁷ 11 C.F.R. § 100.52(c). Under 11 C.F.R. § 110.1(b)(6), “a contribution [is] considered to be made when the contributor relinquishes control over the contributions.” *See* Advisory Op. 2012-07 (Feinstein for Senate), 4-5 (contributors “made” contributions as of the date they mailed checks or presented credit card information to be charged).

⁴⁸ 11 C.F.R. § 100.52(b) (emphasis added).

⁴⁹ Statement of Facts ¶ 12.

⁵⁰ *See, e.g.*, Conciliation Agreement at 5, MUR 6234 (Arlen B. Cenac, Jr., *et al*) (corporate officer consented to making prohibited contribution).

1 Accordingly, we recommend that the Commission find reason to believe that Designer
2 Goldsmiths, Kesari, and the Committee violated 52 U.S.C. § 30118(a) (formerly 2 U.S.C.
3 § 441b(a)) by making, consenting to, and knowingly accepting a prohibited corporate in-kind
4 contribution.

5 **C. Failure to Properly Report Disbursements**

6 The Act and Commission regulations require political committees to report the name and
7 address of each person to whom they make expenditures or other disbursements aggregating
8 more than \$200 per calendar year or per election cycle for authorized committees, as well as the
9 date, amount, and purpose of such payments.⁵¹ These reporting requirements are intended to
10 ensure public disclosure of “where political campaign money comes from and how it is spent.”⁵²
11 Neither the Act nor the Commission’s relevant implementing regulations address the concepts of
12 ultimate payees, vendors, agents, contractors, or subcontractors in this context.⁵³ The
13 Commission has determined, however, that merely reporting the immediate recipient of a
14 committee’s payment will not satisfy the requirements of section 30104(b)(5) (formerly section
15 434(b)(5)) when the facts indicate that the immediate recipient is merely a conduit for the
16 intended recipient of the funds.

⁵¹ 52 U.S.C. § 30104(b)(5), (6) (formerly 2 U.S.C. § 434(b)(5), (6)); 11 C.F.R. § 104.3(b)(4)(i), (vi) (authorized committees); *id.* § 104.9(a), (b) (political committees).

⁵² *Buckley v. Valeo*, 424 U.S. 1, 66 (1976); *see also Citizens United v. FEC*, 558 U.S. 310, 369-71 (2010) (describing importance of disclosure requirements to serve informational interest, because “transparency enables the electorate to make informed decisions and give proper weight to different speakers and messages”).

⁵³ Advisory Op. 1983-25 (Mondale for President) at 2. The Commission has since addressed the requirements of section 30104(b)(5) (formerly section 434(b)(5)) in certain situations not applicable to these facts. *See* Reporting Ultimate Payees of Political Committee Disbursements, 78 Fed. Reg. 40,625, 46,026 (July 8, 2013) (clarifying committee’s obligations to report “ultimate payees” in three specific scenarios: reimbursements to individuals who advance personal funds to pay committee expenses; payments to credit card companies; and candidates who use personal funds to pay committee expenses without reimbursement).

1 For instance, in MUR 4872 (Jenkins), a committee hired a vendor — Impact Mail — to
2 perform phone bank services on the committee's behalf. When the committee discovered that
3 David Duke's name and phone number appeared on caller identification for calls placed by
4 Impact Mail's phone bank, the committee wanted to prevent any association with Duke and
5 sought to terminate its relationship with Impact Mail.⁵⁴ When this proved difficult, the
6 committee took measures to conceal its relationship with Impact Mail by routing its payments to
7 Impact Mail through a second, unrelated vendor, Courtney Communications, and reporting
8 Courtney Communications as the payee on disclosure reports.⁵⁵ Although Courtney
9 Communications was a vendor that provided media services for the committee during the period
10 in question, Impact Mail was not a subvendor of Courtney Communications because Courtney
11 Communications "had no involvement whatsoever with the services provided by Impact Mail."⁵⁶
12 Its only role was "to serve as a conduit for payment to Impact Mail so as to conceal the
13 transaction with Impact Mail."⁵⁷

14 Likewise, in MUR 3847 (Stockman), the Commission found probable cause to believe
15 that Friends of Steve Stockman violated section 434(b)(5) by paying at least one vendor through
16 a conduit, Political Won Stop ("PWS"), an unincorporated proprietorship run by two officials of
17 Friends of Steve Stockman.⁵⁸ The Commission rested its determination on the facts that PWS's

⁵⁴ Conciliation Agreement at 2-3, MUR 4872 (Jenkins).

⁵⁵ *Id.* at 3-4.

⁵⁶ *Id.*

⁵⁷ *Id.* at 4. Even though a committee may satisfy recordkeeping requirements by retaining a payee's "invoices and the Committee's canceled checks issued in payment," *see* AO 1983-25 at 2-3, a committee does not satisfy its disclosure obligations under section 30104(b)(5) (formerly section 434(b)(5)) by merely relying on those documents when the committee has previously instructed the payee to pass payments along to a third party that was not involved in the provision of services by the payee. Conciliation Agreement at 3, MUR 4872 (Jenkins).

⁵⁸ *See* General Counsel's Brief at 33-37, MUR 3847 (Stockman).

1 principals held positions with the campaign; PWS was not incorporated; there was no formal
2 contract between PWS and the campaign; PWS was devoted largely to the Stockman campaign,
3 worked out of that campaign's headquarters, and used its facilities; and the principals of PWS
4 held themselves out to the public as officials of the Stockman campaign.⁵⁹ The Commission
5 concluded that these facts reflected that PWS served merely as an intermediary, and thus, under
6 section 30104(b)(5) (formerly 434(b)(5)), the committee was required to report the true purpose
7 and recipients of the payments made through PWS.⁶⁰

8 As in MURs 4872 (Jenkins) and 3847 (Stockman), here the Committee used ICT merely
9 "to serve as a conduit for payment"⁶¹ — thereby concealing the true, intended recipient of the
10 disbursements. The Committee made the decision to hire Sorenson and negotiated the terms of
11 his compensation,⁶² and Sorenson took no direction from ICT nor performed any work for ICT.⁶³
12 Given the weight of the evidence, and in particular Sorenson's sworn admissions in the parallel
13 criminal matter, it is clear that the Committee routed payments through ICT to avoid disclosing
14 that Sorensen was the intended recipient. Accordingly, we recommend that the Commission find
15 reason to believe that the Committee violated 52 U.S.C. § 30104(b)(5) (formerly 2 U.S.C.
16 § 434(b)(5)) when it failed to properly report to the Commission its payments to Sorenson.

⁵⁹ Conciliation Agreement at 6-7, MUR 3847 (Stockman).

⁶⁰ General Counsel's Brief at 37, MUR 3847 (Stockman); Conciliation Agreement at 7, MUR 3847 (Stockman).

⁶¹ Conciliation Agreement at 4, MUR 4872 (Jenkins).

⁶² *See supra* at 3-7.

⁶³ Independent Investigator's Report at 60-61; Statement of Facts ¶¶ 14, 16, 17, 21.

D. The Violations Were Knowing and Willful

The Act prescribes additional penalties for violations that are knowing and willful.⁶⁴ A violation of the Act is knowing and willful if the “acts were committed with full knowledge of all the relevant facts and a recognition that the action is prohibited by law.”⁶⁵ A finding of knowing and willful does not require proving knowledge of the specific statute or regulation the respondent allegedly violated.⁶⁶ Instead, it is sufficient to demonstrate that a respondent “acted voluntarily and was aware that his conduct was unlawful.”⁶⁷ This may be shown by circumstantial evidence from which the respondents’ unlawful intent reasonably may be inferred.⁶⁸ For example, a person’s awareness that an action is prohibited may be inferred from “the [person’s] elaborate scheme for disguising their . . . political contributions”⁶⁹

According to Sorenson’s sworn admissions in connection with his plea agreement, his actions related to the alleged violations were “done willfully and knowingly with the specific intent to violate the law.”⁷⁰ Likewise, his testimony indicates that Kesari and other agents of the

⁶⁴ See 52 U.S.C. §§ 30109(a)(5)(B) and (d) (formerly 2 U.S.C. §§ 437g(a)(5)(B) and 437g(d)).

⁶⁵ 122 Cong. Rec. 12,197, 12,199 (May 3, 1976).

⁶⁶ *United States v. Danielczyk*, ___ F. Supp. 2d ___, 2013 WL 124119, *5 (E.D. Va. Jan. 9, 2013) (quoting *Bryan v. United States*, 524 U.S. 184, 195 & n.23 (1998) (holding that, to establish a violation is willful, government needs to show only that defendant acted with knowledge that conduct was unlawful, not knowledge of specific statutory provision violated)).

⁶⁷ *Id.* (citing jury instructions in *United States v. Edwards*, No. 11-61 (M.D.N.C. 2012), *United States v. Acevedo Vila*, No. 08-36 (D.P.R. 2009), *United States v. Fieger*, No. 07-20414 (E.D. Mich. 2008), *United States v. Alford*, No. 05-69 (N.D. Fla. 2005)).

⁶⁸ *Cf. United States v. Hopkins*, 916 F.2d 207, 213 (5th Cir. 1990) (quoting *United States v. Bordelon*, 871 F.2d 491, 494 (5th Cir. 1989)).

⁶⁹ *Hopkins*, 916 F.2d at 214-15. As the *Hopkins* court noted, “It has long been recognized that ‘efforts at concealment [may] be reasonably explainable only in terms of motivation to evade’ lawful obligations.” *Id.* at 214 (quoting *Ingram v. United States*, 360 U.S. 672, 679 (1959)).

⁷⁰ Statement of Facts ¶¶ 14-18.

1 Committee knew the \$25,000 in-kind contribution and subsequent payments to Sorenson were
2 illegal. Sorenson describes the Committee's efforts (through Kesari and other agents) to ensure
3 that payments to Sorenson were "concealed from the FEC and the public . . .," and states that it
4 was prearranged that "agents of [the Committee] would and did falsely omit his name and other
5 identifying information from required reports to the FEC."⁷¹ Even without Sorenson's testimony
6 we can reasonably infer unlawful intent from the bare facts of the Committee's scheme to secure
7 Sorenson's support before the primary and pay him for his services during 2012, which included
8 filing false reports with the Commission and using multiple corporations (Designer Goldsmiths,
9 ICT, and Grassroots) as conduits and benefactors.⁷²

10 Accordingly, we recommend that the Commission find reason to believe that the
11 violations of 52 U.S.C. § 30118 (formerly 2 U.S.C. § 441b) and 52 U.S.C. § 30104(b)(5)
12 (formerly 2 U.S.C. § 434(b)(5)) as set forth above were committed knowingly and willfully.⁷³

⁷¹ *Id.* ¶¶ 14-17.

⁷² *Id.* ¶ 16.

⁷³ *See* MUR 4872 (Jenkins) (knowing and willful violation of section 30104(b)(5) (formerly section 434(b)(5))).

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4 IV. RECOMMENDATIONS

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1. Find reason to believe Ron Paul 2012 Presidential Campaign Committee Inc., and Lori Pyeatt in her official capacity as treasurer violated 52 U.S.C. § 30118 (formerly 2 U.S.C. § 441b) by knowingly accepting a prohibited corporate in-kind contribution.
2. Find reason to believe Designer Goldsmiths, Inc., violated 52 U.S.C. § 30118 (formerly 2 U.S.C. § 441b) by making a prohibited corporate in-kind contribution.
3. Find reason to believe Demitri Kesari violated 52 U.S.C. § 30118 (formerly 2 U.S.C. § 441b) by consenting to the making of a prohibited corporate in-kind contribution.
4. Find reason to believe Ron Paul 2012 Presidential Campaign Committee Inc., and Lori Pyeatt in her official capacity as treasurer violated 52 U.S.C. § 30104(b)(5) (formerly 2 U.S.C. § 434(b)(5)) by failing to properly report its disbursements to the Commission.
5. Find reason to believe that all of the above violations were knowing and willful.
6. Take no action at this time with respect to Kent Sorenson.
7. Approve the attached Factual and Legal Analysis.

MUR 6800 (Ron Paul 2012 Presidential Campaign Committee, Inc.)

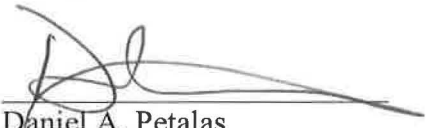
First General Counsel's Report

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1 8. Approve the appropriate letters.

2
3 9. Authorize compulsory process, as necessary.

4
5
6 10/08/11
7 Date


Daniel A. Petalas
Associate General Counsel for Enforcement

10
11 Peter Blumberg /DAP
12 Peter Blumberg
13 Assistant General Counsel

14
15 Peter Reynolds /DAP
16 Peter Reynolds
17 Attorney

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20
21 Attachments: Factual and Legal Analysis – Committee
22 Factual and Legal Analysis – Kesari, Designer Goldsmiths
23 Plea Agreement
24 Factual Basis for Plea
25 Information
26

FEDERAL ELECTION COMMISSION**FACTUAL AND LEGAL ANALYSIS**

RESPONDENTS: Ron Paul 2012 Presidential Campaign Committee Inc. MUR: 6800
and Lori Pyeatt in her official capacity as treasurer

I. INTRODUCTION

This matter was generated by a complaint filed by Peter Waldron alleging that Ron Paul 2012 Presidential Campaign Committee, Inc., and Lori Pyeatt in her official capacity as treasurer (the "Committee"), Kent Sorenson, Dimitri Kesari, and Designer Goldsmiths, Inc., violated the Act in connection with payments made to then-Iowa State Senator Sorenson.

As discussed in greater detail below, the Commission finds reason to believe the Committee knowingly accepted a prohibited corporate in-kind contribution in violation of 52 U.S.C. § 30118 (formerly 2 U.S.C. § 441b(a)). The Commission further finds reason to believe the Committee violated 52 U.S.C. § 30104(b) (formerly 2 U.S.C. § 434(b)(5)) by failing to report properly its disbursements to the Commission. The Commission also finds that these violations were knowing and willful.

II. FACTS

The Committee was Representative Ron Paul's authorized committee during his 2012 presidential campaign.¹ Kesari was the Committee's Deputy Campaign Manager² and, along with his wife, owner of Designer Goldsmiths, a Virginia corporation.³ Kent Sorenson was an

¹ Statement of Organization (May 13, 2011).

² Compl. at 1.

³ *Id.*, Ex. 2.

MUR 6800 (Ron Paul 2012 Presidential Campaign Committee, Inc.)
Factual and Legal Analysis – Committee

1 Iowa State Senator during the relevant time.⁴ He is the sole principal of Grassroots Strategy, Inc.
2 (“Grassroots”).⁵

3 On March 11, 2011, Sorenson became the first elected official in Iowa to endorse
4 Bachmann’s candidacy.⁶ Sorenson then began assisting the Bachmann campaign by “providing
5 strategic advice about the Iowa political landscape, recommending staff members to the
6 campaign, recruiting other Iowa legislators to the Bachmann cause, and making communications
7 on the campaign’s behalf.”⁷ Sorenson was named the Bachmann Committee’s Iowa State
8 Chairman as of the Bachmann Committee’s establishment in June 2011.⁸

9 In October 2011, however, Sorenson began secretly negotiating with Committee officials
10 to switch his support to Ron Paul in exchange for concealed payments that amounted to
11 \$73,000.⁹ Initially, Aaron Dorr (the brother of Chris Dorr, a Sorenson aide) reportedly acted as
12 an intermediary between Sorenson and the Committee.¹⁰ In an October 29 memorandum to
13 Committee Campaign Manager John Tate, Aaron Dorr outlined the financial commitments
14 required to retain Sorenson’s (and Chris Dorr’s) services.¹¹ The memorandum refers to a

⁴ *Id.* at 1.

⁵ See IOWA SEC’Y OF STATE, [http://sos.iowa.gov/search/business/\(S\(jgrga3zehwupqh55oa0xrwne\)\)/summary.aspx](http://sos.iowa.gov/search/business/(S(jgrga3zehwupqh55oa0xrwne))/summary.aspx) (last visited Aug. 26, 2014). According to its public filings with the Iowa Secretary of State, Sorenson incorporated Grassroots as a domestic for-profit corporation in 2010, listing himself as its incorporator/officer. Grassroots reports no other officers.

⁶ Independent Investigator’s Report at 39.

⁷ *Id.* at 39-40.

⁸ Sorenson was listed as the State Chairman on internal e-mails as early as May 2011. Independent Investigator’s Report at 41.

⁹ DOJ Press Release; Compl., Ex. 1.

¹⁰ Compl., Ex. 1.

¹¹ *Id.* According to the memo, Sorenson wanted \$8,000 per month through the fall of 2012 and \$100,000 to his Iowa leadership PAC. Chris Dorr wanted \$5,000 per month through April 2012. *Id.*

MUR 6800 (Ron Paul 2012 Presidential Campaign Committee, Inc.)
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previous meeting between Aaron Dorr and Jedd Coburn, the Committee's National Communications Director, in which they discussed the timing of Sorenson's switch from the Bachmann campaign to the Paul campaign.¹² On November 14, Jesse Benton, the Committee's Campaign Chairman, sent an e-mail to Aaron Dorr expressing interest in having Sorenson and Chris Dorr join the Paul campaign.¹³

On November 19, Kesari had dinner with Sorenson and his wife at a restaurant in Altoona, Iowa, during which Kesari gave a check to Sorenson's wife.¹⁴ The check, dated December 26, 2011, is drawn on Designer Goldsmiths and is payable to "Grass Roots Strategies" in the amount of \$25,000.¹⁵ Sorenson accepted the check but did not cash it, initially because he was undecided about switching campaigns.¹⁶ Later, the check served as "concealed security against the loss of anticipated payments for two months of work for [Bachmann], and as concealed security for future concealed payments of approximately \$8,000 per month from [Paul] after Sorenson switched his support from [Bachmann] to [Paul]."¹⁷ The check evidently was never cashed.¹⁸

¹² *Id.* Sorenson evidently also had conversations with Susan Geddes during this time about joining the Ron Paul campaign. Independent Investigator's Report at 56, Ex. 12. Sorenson told her that the fact that the Ron Paul campaign was offering him a substantial amount of money was a motivation to leave. *Id.*

¹³ Compl., Ex. 1.

¹⁴ *Id.*; Matea Gold, *Former Iowa State Senator Pleads Guilty in Ron Paul Endorsement-for-Pay Scheme*, WASH. POST, Aug. 27, 2014, available at <http://www.washingtonpost.com/blogs/post-politics/wp/2014/08/27/former-iowa-state-senator-pleads-guilty-in-ron-paul-endorsement-for-pay-scheme/> [hereinafter Gold, *Former State Senator Pleads Guilty*]. Sorenson's sworn Statement of Facts filed in connection with his plea places this dinner "on or about December 26, 2011." Stipulated Statement of Facts ¶ 11, *Sorenson*, 4:14-cr-103 (S.D. Iowa Aug. 27, 2014) ("Statement of Facts").

¹⁵ Independent Investigator's Report at 57, Ex. 42.

¹⁶ Statement of Facts ¶ 12.

¹⁷ *Id.*

¹⁸ Gold, *Former State Senator Pleads Guilty*.

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In a November 21 e-mail from Aaron Dorr to Benton, Aaron Dorr states that “[c]onsidering that Dimitri [Kesari] had dinner with Kent . . . I’ll assume that you guys are taking a more direct role in this process. . . . I’ll bow out and let you, John [Tate], Dimitri and Kent work this out.”¹⁹ In December 2011, Senator Sorenson had conversations with Eric Woolson, who had been hired in October to manage the Bachmann campaign in Iowa.²⁰ Sorenson told Woolson that “his family was short of money, his wife was pushing him to move to the Ron Paul campaign in order to obtain more money, and that the Ron Paul campaign was offering \$30,000 up front and \$8,000 per month for as long as Mr. Paul remained in the race.”²¹ Sorenson publicly switched his support to the Paul campaign on December 28, 2011.²²

On or about this date, Kesari and Sorenson agreed that the Committee would “secretly” pay Sorenson approximately \$8,000 per month from approximately January 2012 to approximately July 2012.²³ Following the Iowa Caucus, the Committee made several payments totaling \$82,375 to ICT, Inc., a business entity associated with a filmmaker, Noel “Sonny” Izon, and William Howard, an attorney located in Hyattsville, Maryland,²⁴ in the following amounts by date:

- \$38,125 on February 8, 2012;²⁵
- \$17,700 on April 3;²⁶

¹⁹ Compl., Ex. 1.

²⁰ Independent Investigator’s Report at 56.

²¹ *Id.*

²² *Id.* at 57.

²³ Statement of Facts ¶ 14.

²⁴ Independent Investigator’s Report at 60.

²⁵ Committee, 2012 March Monthly Report at 5858.

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- \$8,850 on May 2;²⁷
- \$8,850 on May 29;²⁸ and
- \$8,850 on June 27.²⁹

Shortly following each of those payments from the Committee to ICT, ICT sent wire transfers to Grassroots in the following amounts (which total \$73,000):

- \$33,000 on February 9, 2012;
- \$16,000 on April 9;
- \$8,000 on May 4;
- \$8,000 on June 12; and
- \$8,000 on July 27.³⁰

According to the Independent Investigator, “the deposits could be construed to reflect payments of \$8,000 per month from February through July of 2012, with the first payment, \$33,000, being an \$8,000 monthly payment and \$25,000 to reflect the uncashed check Senator Sorenson received just before he joined the Ron Paul campaign.”³¹

On August 27, 2014, Sorenson entered a guilty plea to a two-count information in which he admitted switching his support to the Ron Paul campaign “in exchange for concealed payments that amounted to \$73,000” which “included monthly installments of approximately

²⁶ Committee, 2012 May Monthly Report at 4317.

²⁷ Committee, 2012 June Monthly Report at 2459.

²⁸ *Id.* at 2801.

²⁹ Committee, 2012 July Monthly Report at 232.

³⁰ Independent Investigator’s Report at 59-60.

³¹ *Id.*

MUR 6800 (Ron Paul 2012 Presidential Campaign Committee, Inc.)
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\$8,000 each and were concealed by transmitting them to a film production company, then through a second company, and finally to Sorenson and his spouse.”³² Sorenson further stated that he “knew that agents of [the Committee] would and did falsely omit his name and other identifying information from required reports to the FEC.”³³ This was done in part to avoid potential culpability under the Iowa State Ethics Rules prohibiting sitting Senators from accepting payment from political committees.³⁴

The Committee’s response questions the basis for determining that the Complaint was an original complaint and asserts that the Complaint does not specify “which provision of federal law was violated as a result of the unsubstantiated hearsay allegations” contained in the Complaint.³⁵

III. LEGAL ANALYSIS

A. Sufficiency of Complaint

Under Commission regulations, complaints “shall” provide the full name and address of the complainant and be sworn to and signed before a notary, and “should” (a) clearly identify as a respondent each person or entity who is alleged to have committed a violation; (b) provide identification of the source of information which gives rise to the complainant’s beliefs, if not based on personal knowledge; (c) contain a clear and concise recitation of the facts which describe a violation of a statute or regulation over which the Commission has jurisdiction; and

³² DOJ Press Release; Statement of Facts ¶14. As part of his plea agreement, Sorenson also admitted giving false testimony to the independent investigator appointed by the Iowa State Ethics Committee. Plea Agreement at 1, *Sorenson*, 4:14-cr-103 (S.D. Iowa Aug. 27, 2014) (“Plea Agreement”).

³³ Statement of Facts ¶ 17.

³⁴ *Id.* ¶ 18.

³⁵ Committee Resp. at 2.

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(d) provide documentation supporting the facts alleged if such documentation is known to the complainant.³⁶ Although the body of the Complaint does not go into great factual detail, the attachments describe a scenario wherein a corporation, with the consent of its officer, paid for services provided to the Committee by Sorenson. And although the Complaint does not specifically name which provisions of the Act may have been violated, that is not required under the Act or Commission implementing regulations. Rather, a complaint is sufficient if its recitation of facts *describes* a violation, a standard met here. Therefore, the Respondents' contention that the Complaint provides no factual and legal allegations that would merit a response is not supported.

B. Prohibited Corporate In-Kind Contribution

The Act prohibits a corporation from making a contribution in connection with any election to any political office.³⁷ Likewise, it is unlawful for any candidate, political committee, or other person to knowingly accept or receive a prohibited contribution, and for any officer or director of a corporation to consent to any contribution.³⁸ "Contribution" includes any gift, subscription, loan, advance, or deposit of money or anything of value made by any person for the purpose of influencing any election for federal office, including in-kind contributions.³⁹

It is well-documented that Designer Goldsmiths, a corporation, gave through its officer and agent, Kesari, a \$25,000 corporate check to Sorenson to secure Sorenson's endorsement and

³⁶ 11 C.F.R. § 111.4(d)(1)-(4).

³⁷ 52 U.S.C. § 30118 (formerly 2 U.S.C. § 441b(a)).

³⁸ *Id.*

³⁹ 52 U.S.C. § 30101(8)(A)(ii) (formerly 2 U.S.C. § 431(8)(A)(ii)); 11 C.F.R. § 100.52(d).

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future services to the Committee.⁴⁰ The fact that the check from Designer Goldsmiths was not cashed is immaterial under the plain language of the definition of “contribution,” which includes “money,” a term which in turn expressly includes “checks . . . or any other negotiable instruments payable on demand.”⁴¹ Even if “checks” were not plainly included within the definition of contribution, the \$25,000 check would be considered a loan, and thus a contribution, because it was intended as a “form of security.”⁴² According to Sorenson’s sworn admission in connection with his criminal plea, the check acted as “concealed security against the loss of anticipated payments for two months of work for [Bachmann], and as concealed security for future concealed payments of approximately \$8,000 per month from [Paul] after Sorenson switched his support from [Bachmann] to [Paul].”⁴³ Furthermore, given the facts demonstrating that at least four senior Committee officials — Benton, Tate, Kesari, and Coburn — were made aware of Sorenson’s demands before the Designer Goldsmiths check was delivered and later authorized payments from the Committee to Sorenson (using ICT as a conduit to mask the payments), it appears that the Committee knowingly accepted the in-kind contribution from Designer Goldsmiths.

Accordingly, the Commission finds reason to believe that the Committee violated 52 U.S.C. § 30118(a) (formerly 2 U.S.C. § 441b(a)) by knowingly accepting a prohibited corporate in-kind contribution.

⁴⁰ See *supra* at 3-4.

⁴¹ 11 C.F.R. § 100.52(c). Under 11 C.F.R. § 110.1(b)(6), “a contribution [is] considered to be made when the contributor relinquishes control over the contributions.” See Advisory Op. 2012-07 (Feinstein for Senate), 4-5 (contributors “made” contributions as of the date they mailed checks or presented credit card information to be charged).

⁴² 11 C.F.R. § 100.52(b) (emphasis added).

⁴³ Statement of Facts ¶ 12.

MUR 6800 (Ron Paul 2012 Presidential Campaign Committee, Inc.)
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1 **C. Failure to Properly Report Disbursements**

2 The Act and Commission regulations require political committees to report the name and
3 address of each person to whom they make expenditures or other disbursements aggregating
4 more than \$200 per calendar year or per election cycle for authorized committees, as well as the
5 date, amount, and purpose of such payments.⁴⁴ These reporting requirements are intended to
6 ensure public disclosure of “where political campaign money comes from and how it is spent.”⁴⁵
7 Neither the Act nor the Commission’s relevant implementing regulations address the concepts of
8 ultimate payees, vendors, agents, contractors, or subcontractors in this context.⁴⁶ The
9 Commission has determined, however, that merely reporting the immediate recipient of a
10 committee’s payment will not satisfy the requirements of section 30104(b)(5) (formerly section
11 434(b)(5)) when the facts indicate that the immediate recipient is merely a conduit for the
12 intended recipient of the funds.

13 For instance, in MUR 4872 (Jenkins), a committee hired a vendor — Impact Mail — to
14 perform phone bank services on the committee’s behalf. When the committee discovered that
15 David Duke’s name and phone number appeared on caller identification for calls placed by
16 Impact Mail’s phone bank, the committee wanted to prevent any association with Duke and

⁴⁴ 52 U.S.C. § 30104(b)(5), (6) (formerly 2 U.S.C. § 434(b)(5), (6)); 11 C.F.R. § 104.3(b)(4)(i), (vi) (authorized committees); *id.* § 104.9(a), (b) (political committees).

⁴⁵ *Buckley v. Valeo*, 424 U.S. 1, 66 (1976); *see also Citizens United v. FEC*, 558 U.S. 310, 369-71 (2010) (describing importance of disclosure requirements to serve informational interest, because “transparency enables the electorate to make informed decisions and give proper weight to different speakers and messages”).

⁴⁶ Advisory Op. 1983-25 (Mondale for President) at 2. The Commission has since addressed the requirements of section 30104(b)(5) (formerly section 434(b)(5)) in certain situations not applicable to these facts. *See Reporting Ultimate Payees of Political Committee Disbursements*, 78 Fed. Reg. 40,625, 46,026 (July 8, 2013) (clarifying committee’s obligations to report “ultimate payees” in three specific scenarios: reimbursements to individuals who advance personal funds to pay committee expenses; payments to credit card companies; and candidates who use personal funds to pay committee expenses without reimbursement).

MUR 6800 (Ron Paul 2012 Presidential Campaign Committee, Inc.)
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sought to terminate its relationship with Impact Mail.⁴⁷ When this proved difficult, the committee took measures to conceal its relationship with Impact Mail by routing its payments to Impact Mail through a second, unrelated vendor, Courtney Communications, and reporting Courtney Communications as the payee on disclosure reports.⁴⁸ Although Courtney Communications was a vendor that provided media services for the committee during the period in question, Impact Mail was not a subvendor of Courtney Communications because Courtney Communications “had no involvement whatsoever with the services provided by Impact Mail.”⁴⁹ Its only role was “to serve as a conduit for payment to Impact Mail so as to conceal the transaction with Impact Mail.”⁵⁰

Likewise, in MUR 3847 (Stockman), the Commission found probable cause to believe that Friends of Steve Stockman violated section 434(b)(5) by paying at least one vendor through a conduit, Political Won Stop (“PWS”), an unincorporated proprietorship run by two officials of Friends of Steve Stockman.⁵¹ The Commission rested its determination on the facts that PWS’s principals held positions with the campaign; PWS was not incorporated; there was no formal contract between PWS and the campaign; PWS was devoted largely to the Stockman campaign, worked out of that campaign’s headquarters, and used its facilities; and the principals of PWS

⁴⁷ Conciliation Agreement at 2-3, MUR 4872 (Jenkins).

⁴⁸ *Id.* at 3-4.

⁴⁹ *Id.*

⁵⁰ *Id.* at 4. Even though a committee may satisfy recordkeeping requirements by retaining a payee’s “invoices and the Committee’s canceled checks issued in payment,” *see* AO 1983-25 at 2-3, a committee does not satisfy its disclosure obligations under section 30104(b)(5) (formerly section 434(b)(5)) by merely relying on those documents when the committee has previously instructed the payee to pass payments along to a third party that was not involved in the provision of services by the payee. Conciliation Agreement at 3, MUR 4872 (Jenkins).

⁵¹ *See* General Counsel’s Brief at 33-37, MUR 3847 (Stockman).

MUR 6800 (Ron Paul 2012 Presidential Campaign Committee, Inc.)
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held themselves out to the public as officials of the Stockman campaign.⁵² The Commission concluded that these facts reflected that PWS served merely as an intermediary, and thus, under section 30104(b)(5) (formerly 434(b)(5)), the committee was required to report the true purpose and recipients of the payments made through PWS.⁵³

As in MURs 4872 (Jenkins) and 3847 (Stockman), here the Committee used ICT merely “to serve as a conduit for payment”⁵⁴ — thereby concealing the true, intended recipient of the disbursements. The Committee made the decision to hire Sorenson and negotiated the terms of his compensation,⁵⁵ and Sorenson took no direction from ICT nor performed any work for ICT.⁵⁶ Given the weight of the evidence, and in particular Sorenson’s sworn admissions in the parallel criminal matter, it is clear that the Committee routed payments through ICT to avoid disclosing that Sorensen was the intended recipient. Accordingly, the Commission finds reason to believe that the Committee violated 52 U.S.C. § 30104(b)(5) (formerly 2 U.S.C. § 434(b)(5)) when it failed to properly report to the Commission its payments to Sorenson.

D. The Violations Were Knowing and Willful

The Act prescribes additional penalties for violations that are knowing and willful.⁵⁷ A violation of the Act is knowing and willful if the “acts were committed with full knowledge of

⁵² Conciliation Agreement at 6-7, MUR 3847 (Stockman).

⁵³ General Counsel’s Brief at 37, MUR 3847 (Stockman); Conciliation Agreement at 7, MUR 3847 (Stockman).

⁵⁴ Conciliation Agreement at 4, MUR 4872 (Jenkins).

⁵⁵ *See supra* at 2-6.

⁵⁶ Independent Investigator’s Report at 60-61; Statement of Facts ¶¶ 14, 16, 17, 21.

⁵⁷ *See* 52 U.S.C. §§ 30109(a)(5)(B) and (d) (formerly 2 U.S.C. §§ 437g(a)(5)(B) and 437g(d)).

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all the relevant facts and a recognition that the action is prohibited by law.”⁵⁸ A finding of knowing and willful does not require proving knowledge of the specific statute or regulation the respondent allegedly violated.⁵⁹ Instead, it is sufficient to demonstrate that a respondent “acted voluntarily and was aware that his conduct was unlawful.”⁶⁰ This may be shown by circumstantial evidence from which the respondents’ unlawful intent reasonably may be inferred.⁶¹ For example, a person’s awareness that an action is prohibited may be inferred from “the [person’s] elaborate scheme for disguising their . . . political contributions”⁶²

According to Sorenson’s sworn admissions in connection with his plea agreement, his actions related to the alleged violations were “done willfully and knowingly with the specific intent to violate the law.”⁶³ Likewise, his testimony indicates that Kesari and other agents of the Committee knew the \$25,000 in-kind contribution and subsequent payments to Sorenson were illegal. Sorenson describes the Committee’s efforts (through Kesari and other agents) to ensure that payments to Sorenson were “concealed from the FEC and the public . . . ,” and states that it was prearranged that “agents of [the Committee] would and did falsely omit his name and other

⁵⁸ 122 Cong. Rec. 12,197, 12,199 (May 3, 1976).

⁵⁹ *United States v. Danielczyk*, ___ F. Supp. 2d ___, 2013 WL 124119, *5 (E.D. Va. Jan. 9, 2013) (quoting *Bryan v. United States*, 524 U.S. 184, 195 & n.23 (1998) (holding that, to establish a violation is willful, government needs to show only that defendant acted with knowledge that conduct was unlawful, not knowledge of specific statutory provision violated)).

⁶⁰ *Id.* (citing jury instructions in *United States v. Edwards*, No. 11-61 (M.D.N.C. 2012), *United States v. Acevedo Vila*, No. 08-36 (D.P.R. 2009), *United States v. Fieger*, No. 07-20414 (E.D. Mich. 2008), *United States v. Alford*, No. 05-69 (N.D. Fla. 2005)).

⁶¹ *Cf. United States v. Hopkins*, 916 F.2d 207, 213 (5th Cir. 1990) (quoting *United States v. Bordelon*, 871 F.2d 491, 494 (5th Cir. 1989)).

⁶² *Hopkins*, 916 F.2d at 214-15. As the *Hopkins* court noted, “It has long been recognized that ‘efforts at concealment [may] be reasonably explainable only in terms of motivation to evade’ lawful obligations.” *Id.* at 214 (quoting *Ingram v. United States*, 360 U.S. 672, 679 (1959)).

⁶³ Statement of Facts ¶¶ 14-18.

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1 identifying information from required reports to the FEC.”⁶⁴ Even without Sorenson’s testimony
2 we can reasonably infer unlawful intent from the bare facts of the Committee’s scheme to secure
3 Sorenson’s support before the primary and pay him for his services during 2012, which included
4 filing false reports with the Commission and using multiple corporations (Designer Goldsmiths,
5 ICT, and Grassroots) as conduits and benefactors.⁶⁵

6 Accordingly, the Commission finds reason to believe that the violations of 52 U.S.C.
7 § 30118 (formerly 2 U.S.C. § 441b) and 52 U.S.C. § 30104(b)(5) (formerly 2 U.S.C.
8 § 434(b)(5)) as set forth above were committed knowingly and willfully.⁶⁶

⁶⁴ *Id.* ¶¶ 14-17.

⁶⁵ *Id.* ¶ 16.

⁶⁶ *See* MUR 4872 (Jenkins) (knowing and willful violation of section 30104(b)(5) (formerly section 434(b)(5))).

FEDERAL ELECTION COMMISSION
FACTUAL AND LEGAL ANALYSIS

RESPONDENTS: Dimitri Kesari

MUR: 6800

Designer Goldsmiths, Inc.

I. INTRODUCTION

This matter was generated by a complaint filed by Peter Waldron alleging that Ron Paul 2012 Presidential Campaign Committee, Inc., and Lori Pyeatt in her official capacity as treasurer (the “Committee”), Kent Sorenson, Dimitri Kesari, and Designer Goldsmiths, Inc., violated the Act in connection with payments made to then-Iowa State Senator Sorenson.

As discussed in greater detail below, the Commission finds reason to believe Designer Goldsmiths made a prohibited corporate in-kind contribution in violation of 52 U.S.C. § 30118 (formerly 2 U.S.C. § 441b(a)). The Commission also finds reason to believe Kesari violated the same provision of the Act by consenting to a prohibited corporate contribution. The Commission also finds that these violations were knowing and willful.

II. FACTS

The Committee was Representative Ron Paul’s authorized committee during his 2012 presidential campaign.¹ Kesari was the Committee’s Deputy Campaign Manager² and, along with his wife, owner of Designer Goldsmiths, a Virginia corporation.³ Kent Sorenson was an

¹ Statement of Organization (May 13, 2011).

² Compl. at 1.

³ *Id.*, Ex. 2.

MUR 6800 (Ron Paul 2012 Presidential Campaign Committee, Inc.)
Factual and Legal Analysis – Kesari, Designer Goldsmiths

Iowa State Senator during the relevant time.⁴ He is the sole principal of Grassroots Strategy, Inc.
 (“Grassroots”).⁵

On March 11, 2011, Sorenson became the first elected official in Iowa to endorse
 Bachmann’s candidacy.⁶ Sorenson then began assisting the Bachmann campaign by “providing
 strategic advice about the Iowa political landscape, recommending staff members to the
 campaign, recruiting other Iowa legislators to the Bachmann cause, and making communications
 on the campaign’s behalf.”⁷ Sorenson was named the Bachmann Committee’s Iowa State
 Chairman as of the Bachmann Committee’s establishment in June 2011.⁸

In October 2011, however, Sorenson began secretly negotiating with Committee officials
 to switch his support to Ron Paul in exchange for concealed payments that amounted to
 \$73,000.⁹ Initially, Aaron Dorr (the brother of Chris Dorr, a Sorenson aide) reportedly acted as
 an intermediary between Sorenson and the Committee.¹⁰ In an October 29 memorandum to
 Committee Campaign Manager John Tate, Aaron Dorr outlined the financial commitments
 required to retain Sorenson’s (and Chris Dorr’s) services.¹¹ The memorandum refers to a

⁴ *Id.* at 1.

⁵ See IOWA SEC’Y OF STATE, [http://sos.iowa.gov/search/business/\(S\(jgrga3zehwupqh55oa0xrwne\)\)/summary.aspx](http://sos.iowa.gov/search/business/(S(jgrga3zehwupqh55oa0xrwne))/summary.aspx) (last visited Aug. 26, 2014). According to its public filings with the Iowa Secretary of State, Sorenson incorporated Grassroots as a domestic for-profit corporation in 2010, listing himself as its incorporator/officer. Grassroots reports no other officers.

⁶ Independent Investigator’s Report at 39.

⁷ *Id.* at 39-40.

⁸ Sorenson was listed as the State Chairman on internal e-mails as early as May 2011. Independent Investigator’s Report at 41.

⁹ DOJ Press Release; Compl., Ex. 1.

¹⁰ Compl., Ex. 1.

¹¹ *Id.* According to the memo, Sorenson wanted \$8,000 per month through the fall of 2012 and \$100,000 to his Iowa leadership PAC. Chris Dorr wanted \$5,000 per month through April 2012. *Id.*

MUR 6800 (Ron Paul 2012 Presidential Campaign Committee, Inc.)
Factual and Legal Analysis – Kesari, Designer Goldsmiths

1 previous meeting between Aaron Dorr and Jedd Coburn, the Committee’s National
2 Communications Director, in which they discussed the timing of Sorenson’s switch from the
3 Bachmann campaign to the Paul campaign.¹² On November 14, Jesse Benton, the Committee’s
4 Campaign Chairman, sent an e-mail to Aaron Dorr expressing interest in having Sorenson and
5 Chris Dorr join the Paul campaign.¹³

6 On November 19, Kesari had dinner with Sorenson and his wife at a restaurant in
7 Altoona, Iowa, during which Kesari gave a check to Sorenson’s wife.¹⁴ The check, dated
8 December 26, 2011, is drawn on Designer Goldsmiths and is payable to “Grass Roots Strategies”
9 in the amount of \$25,000.¹⁵ Sorenson accepted the check but did not cash it, initially because he
10 was undecided about switching campaigns.¹⁶ Later, the check served as “concealed security
11 against the loss of anticipated payments for two months of work for [Bachmann], and as
12 concealed security for future concealed payments of approximately \$8,000 per month from
13 [Paul] after Sorenson switched his support from [Bachmann] to [Paul].”¹⁷ The check evidently
14 was never cashed.¹⁸

¹² *Id.* Sorenson evidently also had conversations with Susan Geddes during this time about joining the Ron Paul campaign. Independent Investigator’s Report at 56, Ex. 12. Sorenson told her that the fact that the Ron Paul campaign was offering him a substantial amount of money was a motivation to leave. *Id.*

¹³ Compl., Ex. 1.

¹⁴ *Id.*; Matea Gold, *Former Iowa State Senator Pleads Guilty in Ron Paul Endorsement-for-Pay Scheme*, WASH. POST, Aug. 27, 2014, available at <http://www.washingtonpost.com/blogs/post-politics/wp/2014/08/27/former-iowa-state-senator-pleads-guilty-in-ron-paul-endorsement-for-pay-scheme/> [hereinafter Gold, *Former State Senator Pleads Guilty*]. Sorenson’s sworn Statement of Facts filed in connection with his plea places this dinner “on or about December 26, 2011.” Stipulated Statement of Facts ¶ 11, *Sorenson*, 4:14-cr-103 (S.D. Iowa Aug. 27, 2014) (“Statement of Facts”).

¹⁵ Independent Investigator’s Report at 57, Ex. 42.

¹⁶ Statement of Facts ¶ 12.

¹⁷ *Id.*

¹⁸ Gold, *Former State Senator Pleads Guilty*.

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In a November 21 e-mail from Aaron Dorr to Benton, Aaron Dorr states that “[c]onsidering that Dimitri [Kesari] had dinner with Kent . . . I’ll assume that you guys are taking a more direct role in this process. . . . I’ll bow out and let you, John [Tate], Dimitri and Kent work this out.”¹⁹ In December 2011, Senator Sorenson had conversations with Eric Woolson, who had been hired in October to manage the Bachmann campaign in Iowa.²⁰ Sorenson told Woolson that “his family was short of money, his wife was pushing him to move to the Ron Paul campaign in order to obtain more money, and that the Ron Paul campaign was offering \$30,000 up front and \$8,000 per month for as long as Mr. Paul remained in the race.”²¹ Sorenson publicly switched his support to the Paul campaign on December 28, 2011.²²

On or about this date, Kesari and Sorenson agreed that the Committee would “secretly” pay Sorenson approximately \$8,000 per month from approximately January 2012 to approximately July 2012.²³ Following the Iowa Caucus, the Committee made several payments totaling \$82,375 to ICT, Inc., a business entity associated with a filmmaker, Noel “Sonny” Izon, and William Howard, an attorney located in Hyattsville, Maryland,²⁴ in the following amounts by date:

- \$38,125 on February 8, 2012;²⁵
- \$17,700 on April 3;²⁶

¹⁹ Compl., Ex. 1.

²⁰ Independent Investigator’s Report at 56.

²¹ *Id.*

²² *Id.* at 57.

²³ Statement of Facts ¶ 14.

²⁴ Independent Investigator’s Report at 60.

²⁵ Committee, 2012 March Monthly Report at 5858.

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- \$8,850 on May 2;²⁷
- \$8,850 on May 29;²⁸ and
- \$8,850 on June 27.²⁹

Shortly following each of those payments from the Committee to ICT, ICT sent wire transfers to Grassroots in the following amounts (which total \$73,000):

- \$33,000 on February 9, 2012;
- \$16,000 on April 9;
- \$8,000 on May 4;
- \$8,000 on June 12; and
- \$8,000 on July 27.³⁰

According to the Independent Investigator, “the deposits could be construed to reflect payments of \$8,000 per month from February through July of 2012, with the first payment, \$33,000, being an \$8,000 monthly payment and \$25,000 to reflect the uncashed check Senator Sorenson received just before he joined the Ron Paul campaign.”³¹

On August 27, 2014, Sorenson entered a guilty plea to a two-count information in which he admitted switching his support to the Ron Paul campaign “in exchange for concealed payments that amounted to \$73,000” which “included monthly installments of approximately

²⁶ Committee, 2012 May Monthly Report at 4317.

²⁷ Committee, 2012 June Monthly Report at 2459.

²⁸ *Id.* at 2801.

²⁹ Committee, 2012 July Monthly Report at 232.

³⁰ Independent Investigator’s Report at 59-60.

³¹ *Id.*

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\$8,000 each and were concealed by transmitting them to a film production company, then through a second company, and finally to Sorenson and his spouse.”³² Sorenson further stated that he “knew that agents of [the Committee] would and did falsely omit his name and other identifying information from required reports to the FEC.”³³ This was done in part to avoid potential culpability under the Iowa State Ethics Rules prohibiting sitting Senators from accepting payment from political committees.³⁴

Kesari filed a response stating that he cannot adequately address the Complaint due to its lack of specific factual and legal allegations.³⁵

III. LEGAL ANALYSIS

A. Sufficiency of Complaint

Under Commission regulations, complaints “shall” provide the full name and address of the complainant and be sworn to and signed before a notary, and “should” (a) clearly identify as a respondent each person or entity who is alleged to have committed a violation; (b) provide identification of the source of information which gives rise to the complainant’s beliefs, if not based on personal knowledge; (c) contain a clear and concise recitation of the facts which describe a violation of a statute or regulation over which the Commission has jurisdiction; and (d) provide documentation supporting the facts alleged if such documentation is known to the

³² DOJ Press Release; Statement of Facts ¶14. As part of his plea agreement, Sorenson also admitted giving false testimony to the independent investigator appointed by the Iowa State Ethics Committee. Plea Agreement at 1, *Sorenson*, 4:14-cr-103 (S.D. Iowa Aug. 27, 2014) (“Plea Agreement”).

³³ Statement of Facts ¶ 17.

³⁴ *Id.* ¶ 18.

³⁵ Kesari Resp. at 1.

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complainant.³⁶ Although the body of the Complaint does not go into great factual detail, the attachments describe a scenario wherein a corporation, with the consent of its officer, paid for services provided to the Committee by Sorenson. And although the Complaint does not specifically name which provisions of the Act may have been violated, that is not required under the Act or Commission implementing regulations. Rather, a complaint is sufficient if its recitation of facts *describes* a violation, a standard met here. Therefore, the Respondents' contention that the Complaint provides no factual and legal allegations that would merit a response is not supported.

B. Prohibited Corporate In-Kind Contribution

The Act prohibits a corporation from making a contribution in connection with any election to any political office.³⁷ Likewise, it is unlawful for any candidate, political committee, or other person to knowingly accept or receive a prohibited contribution, and for any officer or director of a corporation to consent to any contribution.³⁸ "Contribution" includes any gift, subscription, loan, advance, or deposit of money or anything of value made by any person for the purpose of influencing any election for federal office, including in-kind contributions.³⁹

It is well-documented that Designer Goldsmiths, a corporation, gave through its officer and agent, Kesari, a \$25,000 corporate check to Sorenson to secure Sorenson's endorsement and future services to the Committee.⁴⁰ In doing so, Designer Goldsmiths made a contribution to the

³⁶ 11 C.F.R. § 111.4(d)(1)-(4).

³⁷ 52 U.S.C. § 30118 (formerly 2 U.S.C. § 441b(a)).

³⁸ *Id.*

³⁹ 52 U.S.C. § 30101(8)(A)(ii) (formerly 2 U.S.C. § 431(8)(A)(ii)); 11 C.F.R. § 100.52(d).

⁴⁰ *See supra* at 3-4.

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Committee in violation of section 30118 (formerly section 441b).⁴¹ The fact that the check from Designer Goldsmiths was not cashed is immaterial under the plain language of the definition of “contribution,” which includes “money,” a term which in turn expressly includes “checks . . . or any other negotiable instruments payable on demand.”⁴² Even if “checks” were not plainly included within the definition of contribution, the \$25,000 check would be considered a loan, and thus a contribution, because it was intended as a “form of security.”⁴³ According to Sorenson’s sworn admission in connection with his criminal plea, the check acted as “concealed security against the loss of anticipated payments for two months of work for [Bachmann], and as concealed security for future concealed payments of approximately \$8,000 per month from [Paul] after Sorenson switched his support from [Bachmann] to [Paul].”⁴⁴ Therefore, providing the check on the Paul Committee’s behalf was a contribution to the Paul Committee.

Moreover, given that Kesari — an officer and co-owner of Designer Goldsmiths — delivered the check to Sorenson, it appears that he provided his “consent” to the corporate contribution, and thus violated section 30118 (formerly section 441b) in that capacity.⁴⁵ Accordingly, the Commission finds reason to believe that Designer Goldsmiths and Kesari

⁴¹ See, e.g., Conciliation Agreement at 4-7, MUR 6447 (Steele for Maryland, Inc.) (individual made in-kind contributions by paying for services on behalf of committee).

⁴² 11 C.F.R. § 100.52(c). Under 11 C.F.R. § 110.1(b)(6), “a contribution [is] considered to be made when the contributor relinquishes control over the contributions.” See Advisory Op. 2012-07 (Feinstein for Senate), 4-5 (contributors “made” contributions as of the date they mailed checks or presented credit card information to be charged).

⁴³ 11 C.F.R. § 100.52(b) (emphasis added).

⁴⁴ Statement of Facts ¶ 12.

⁴⁵ See, e.g., Conciliation Agreement at 5, MUR 6234 (Arlen B. Cenac, Jr., *et al*) (corporate officer consented to making prohibited contribution).

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violated 52 U.S.C. § 30118(a) (formerly 2 U.S.C. § 441b(a)) by making and consenting to a prohibited corporate in-kind contribution.

C. The Violations Were Knowing and Willful

The Act prescribes additional penalties for violations that are knowing and willful.⁴⁶ A violation of the Act is knowing and willful if the “acts were committed with full knowledge of all the relevant facts and a recognition that the action is prohibited by law.”⁴⁷ A finding of knowing and willful does not require proving knowledge of the specific statute or regulation the respondent allegedly violated.⁴⁸ Instead, it is sufficient to demonstrate that a respondent “acted voluntarily and was aware that his conduct was unlawful.”⁴⁹ This may be shown by circumstantial evidence from which the respondents’ unlawful intent reasonably may be inferred.⁵⁰ For example, a person’s awareness that an action is prohibited may be inferred from “the [person’s] elaborate scheme for disguising their . . . political contributions”⁵¹

According to Sorenson’s sworn admissions in connection with his plea agreement, his actions related to the alleged violations were “done willfully and knowingly with the specific

⁴⁶ See 52 U.S.C. §§ 30109(a)(5)(B) and (d) (formerly 2 U.S.C. §§ 437g(a)(5)(B) and 437g(d)).

⁴⁷ 122 Cong. Rec. 12,197, 12,199 (May 3, 1976).

⁴⁸ *United States v. Danielczyk*, ___ F. Supp. 2d ___, 2013 WL 124119, *5 (E.D. Va. Jan. 9, 2013) (quoting *Bryan v. United States*, 524 U.S. 184, 195 & n.23 (1998) (holding that, to establish a violation is willful, government needs to show only that defendant acted with knowledge that conduct was unlawful, not knowledge of specific statutory provision violated)).

⁴⁹ *Id.* (citing jury instructions in *United States v. Edwards*, No. 11-61 (M.D.N.C. 2012), *United States v. Acevedo Vila*, No. 08-36 (D.P.R. 2009), *United States v. Fieger*, No. 07-20414 (E.D. Mich. 2008), *United States v. Alford*, No. 05-69 (N.D. Fla. 2005)).

⁵⁰ *Cf. United States v. Hopkins*, 916 F.2d 207, 213 (5th Cir. 1990) (quoting *United States v. Bordelon*, 871 F.2d 491, 494 (5th Cir. 1989)).

⁵¹ *Hopkins*, 916 F.2d at 214-15. As the *Hopkins* court noted, “It has long been recognized that ‘efforts at concealment [may] be reasonably explainable only in terms of motivation to evade’ lawful obligations.” *Id.* at 214 (quoting *Ingram v. United States*, 360 U.S. 672, 679 (1959)).

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1 intent to violate the law.”⁵² Likewise, his testimony indicates that Kesari (individually and in his
2 capacity as principal of Designer Goldsmiths) knew the \$25,000 in-kind contribution was illegal.
3 Even without Sorenson’s testimony we can reasonably infer unlawful intent from the bare facts
4 of the scheme to secure Sorenson’s support before the primary and pay him for his services
5 during 2012, which included filing false reports with the Commission and using multiple
6 corporations (Designer Goldsmiths, ICT, and Grassroots) as conduits and benefactors.⁵³

7 Accordingly, the Commission finds reason to believe that the violations of 52 U.S.C.
8 § 30118 (formerly 2 U.S.C. § 441b) as set forth above were committed knowingly and
9 willfully.⁵⁴

⁵² Statement of Facts ¶¶ 14-18.

⁵³ *Id.* ¶ 16.

⁵⁴ See MUR 4872 (Jenkins) (knowing and willful violation of section 30104(b)(5) (formerly section 434(b)(5)).

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF IOWA

UNITED STATES OF AMERICA,)	
)	Case No. 4:14-cr-103
v.)	
)	PLEA AGREEMENT
KENT LEROY SORENSON,)	
)	
Defendant.)	

The United States of America (also referred to as “the Government”), the State of Iowa (also referred to as “the State”), and the Defendant, KENT LEROY SORENSON, and Defendant’s attorney, enter into this Plea Agreement.

A. CHARGES

1. Subject Offense[s]. Defendant will waive Indictment (by executing a separate waiver of Indictment form) and plead guilty to Counts One and Two of a Criminal Information charging, in Count One, a violation of Title 2, United States Code Section 434(a)(1), 434(b)(5)(A) & 437g(d)((1)(A)(i), and Title 18, United States Code, Section 2, that is willfully causing false reports of federal campaign expenditures to the Federal Election Commission; and, in Count Two, a violation of Title 18, United States Code, Section 1519, that is falsifying records in contemplation and relation to a federal investigation, intending to obstruct that investigation.

2. No Charges to be Dismissed. There are no charges to be dismissed.

3. No Further Prosecution. The Government agrees that Defendant will not be charged by the Public Integrity Section of the Criminal Division of the United States Department of Justice with any other federal criminal offense arising from or directly relating to this investigation. The State agrees that Defendant will not be charged in the State of Iowa with any

paragraph and this Plea Agreement do not apply to (1) any criminal act occurring after the date of this agreement, (2) any crime of violence, or (3) any criminal offense which Defendant did not fully disclose to law enforcement during Defendant's interviews pursuant to any proffer or other agreements with the United States.

4. Non-Prosecution of Defendant's Spouse. The Government agrees that Defendant's current spouse will not be charged by the Public Integrity Section of the Criminal Division of the United States Department of Justice with any federal criminal offense arising from or directly relating to this investigation. The State agrees that Defendant's current spouse will not be charged in the State of Iowa with any State or local criminal offense arising from or directly relating to this investigation. This paragraph and this Plea Agreement do not apply to (1) any criminal act occurring after the date of this agreement, (2) any crime of violence, or (3) any criminal offense which Defendant did not fully disclose to law enforcement during Defendant's interviews pursuant to any proffer or other agreements with the United States.

B. MAXIMUM PENALTIES

5. Maximum Punishment. Defendant understands that the Count One of the Criminal Information to which Defendant is pleading guilty carries a maximum sentence of up to five years in prison; a maximum fine of \$250,000; costs of prosecution, if applicable; and a term of supervised release of three years. Defendant understands that the Count Two of the Criminal Information to which Defendant is pleading guilty carries a maximum sentence of up to twenty years in prison; a maximum fine of \$250,000; costs of prosecution, if applicable; and a term of supervised release of three years. A mandatory special assessment of \$100 per count also must be imposed by the sentencing court.

6. Supervised Release--Explained. Defendant understands that, during any period

of supervised release or probation, Defendant will be under supervision and will be required to comply with certain conditions. If Defendant were to violate a condition of supervised release, Defendant could be sentenced up to four years in prison, without any credit for time previously served.

7. Detention. Provided that Defendant does not violate any conditions of Defendant's pretrial release, and does not appear to be mentally at risk to harm himself or any other person, the Government agrees to recommend that Defendant may remain on pretrial release pending imposition of sentence and will recommend that Defendant be permitted to self-report to serve any term of imprisonment imposed by the Court.

C. NATURE OF THE OFFENSE -- FACTUAL BASIS

8. Elements Understood. Defendant understands that to prove the offense alleged under Count 1 (Causing False Expenditure Reports to the Federal Election Commission), the Government would be required to prove beyond a reasonable doubt the following elements:

- (a) Defendant caused false reports to the Federal Election Commission of expenditures by an authorized campaign committee of a federal candidate to a person;
- (b) the false reporting of expenditures aggregated \$25,000 or more in a calendar year; and
- (c) Defendant acted willfully, that is, knowing that the conduct was unlawful.

Defendant further understands that to prove the offense alleged under Count 2 (Falsification of records in Contemplation of or Relation to a Federal Investigation), the Government would be required to prove beyond a reasonable doubt the following elements:

- (a) Defendant knowingly falsified a document, record, or tangible object;
- (b) Defendant did so with the intent to impede, obstruct, or influence, and in contemplation of or in relation to a matter; and

- (c) the matter was within the jurisdiction of the Federal Bureau of Investigation or the Federal Election Commission, which are departments or agencies of the United States.

9. Factual Stipulations. Attached hereto as Attachment "A", and incorporated by reference herein, are factual stipulations entered into between the parties, including the factual stipulations of Defendant's offense conduct relating to each of the subject offenses. Defendant acknowledges that these statements are true. Defendant further agrees that these factual statements may be used by any party, including the United States, in any other proceeding, unless the Court should permit the Defendant to withdraw from this Plea Agreement prior to sentencing. Defendant understands that, during the change of plea hearing, the judge and the prosecutor may ask Defendant questions under oath about the offense to which Defendant is pleading guilty, in the presence of Defendant's attorney. Defendant understands that Defendant must answer these questions truthfully, and that Defendant can be prosecuted for perjury if Defendant gives any false answers.

10. Venue. Defendant agrees that venue for this case is proper for the United States District Court for the Southern District of Iowa.

D. SENTENCING

11. Sentencing Guidelines. Defendant understands that Defendant's sentence will be determined by the Court after considering the advisory United States Sentencing Guidelines, together with other factors set forth by law. The Sentencing Guidelines establish a sentencing range based upon factors determined to be present in the case, which include, but are not limited to the following:

- (a) The nature of the offenses to which Defendant is pleading guilty;

- (b) The amount of money involved;
- (c) Whether Defendant attempted to obstruct justice in the investigation or prosecution of the offense; and
- (d) Acceptance or lack of acceptance of responsibility.

Defendant understands that, under some circumstances, the Court may “depart” or “vary” from the Sentencing Guidelines and impose a sentence more severe or less severe than provided by the guidelines, up to the maximum in the statute of conviction. Defendant has discussed the Sentencing Guidelines with Defendant’s attorney.

12. Acceptance of Responsibility. The Government agrees to recommend that Defendant receive credit for acceptance of responsibility under USSG §3E1.1. The Government reserves the right to oppose a reduction under §3E1.1 if after the plea proceeding Defendant obstructs justice, fails to cooperate fully and truthfully with the United States Probation Office, attempts to withdraw Defendant’s plea, or otherwise engages in conduct not consistent with acceptance of responsibility. If the base offense level is 16 or above, as determined by the Court, the Government agrees that Defendant should receive a 3-level reduction, based on timely notification to the Government of Defendant’s intent to plead guilty.

13. Presentence Report. Defendant understands that the Court may defer a decision as to whether to accept this Plea Agreement until after a Presentence Report has been prepared by the United States Probation Office, and after Defendant’s attorney and the Government have had an opportunity to review and challenge the Presentence Report. The parties are free to provide all relevant information to the Probation Office for use in preparing a Presentence Report.

14. Evidence at Sentencing. The parties may make whatever comment and

evidentiary offer they deem appropriate at the time of sentencing and entry of plea, provided that such offer or comment does not violate any other provision of this Plea Agreement. Nothing in this Plea Agreement restricts the right of Defendant or any victim to make an allocution statement, to the extent permitted under the Federal Rules of Criminal Procedure, nor does this Plea Agreement convey any rights to appear at proceedings or make statements that do not otherwise exist.

15. Sentence to be Decided by Judge -- No Promises. This Plea Agreement is entered pursuant to Rule 11(c)(1)(A) of the Federal Rules of Criminal Procedure. Defendant understands that the final sentence, including the application of the Sentencing Guidelines and any upward or downward departures, is within the sole discretion of the sentencing judge, and that the sentencing judge is not required to accept any factual or legal stipulations agreed to by the parties. Any estimate of the possible sentence to be imposed, by a defense attorney or the Government, is only a prediction, and not a promise, and is not binding. Therefore, it is uncertain at this time what each Defendant's actual sentence will be.

16. No Right to Withdraw Plea. Defendant understands that Defendant will have no right to withdraw Defendant's plea if the sentence imposed, or the application of the Sentencing Guidelines, is other than what Defendant anticipated, or if the sentencing judge declines to follow the parties' recommendations.

17. Criminal History.

Defendant has represented to the United States that Defendant has two prior misdemeanor convictions for each of which he was sentenced to less than sixty days of imprisonment after suspensions of imprisonment. If the Defendant is found to have other criminal convictions, the Government may withdraw from this Plea Agreement.

E. FINES, COSTS, AND RESTITUTION

18. Fines and Costs. Issues relating to fines and/or costs of incarceration are not dealt with in this agreement, and the parties are free to espouse their respective positions at sentencing

19. Special Assessment. Defendant agrees to pay the mandatory special assessment of \$200 (\$100 per count) at or before the time of sentencing, as required by 18 U.S.C. § 3013.

20. Restitution. Defendant agrees that the Court should impose an order of restitution for all relevant conduct in an amount to be determined by the Court; that such order of restitution shall be due and payable immediately; and that if Defendant is not able to make full payment immediately, Defendant shall cooperate with the United States Probation Office in establishing an appropriate payment plan, which shall be subject to the approval of the Court, and thereafter in making the required payments. Any such payment plan does not preclude the Government from utilizing any collections procedures pursuant to the Federal Debt Collections Act and including the Treasury offset program.

21. Financial Statement. Defendant agrees to complete truthfully and in full a financial statement provided by the U.S. Attorney's Office, and return the financial statement to the U.S. Attorney's Office within 30 days of the filing of this Plea Agreement.

F. LIMITED SCOPE OF AGREEMENT

22. Limited Scope of Agreement. This Plea Agreement does not limit, in any way, the right or ability of the Government to investigate or prosecute Defendant for crimes occurring outside the scope of this Plea Agreement. Additionally, this Plea Agreement does not preclude the Government from pursuing any civil or administrative matters against Defendant, including, but not limited to, civil tax matters and civil forfeiture which arise from, or are related to, the

facts upon which this investigation is based.

23. Agreement Limited to Public Integrity Section and the State of Iowa. This Plea Agreement is limited to the Public Integrity Section of the Criminal Division of the United States Department of Justice and the State of Iowa, and cannot bind any other federal, state or local prosecuting, administrative, or regulatory authorities.

24. Victims not a party to this Agreement. Defendant understands that victims, if any, are not a party to this Plea Agreement, and that the "loss" and "restitution" amounts applicable to this criminal case do not resolve any claims that victims may have against Defendant. Defendant understands that victims remains free to pursue all lawful civil remedies they may deem appropriate.

G. WAIVER OF TRIAL, APPEAL AND POST-CONVICTION RIGHTS

25. Trial Rights Explained. Defendant understands that this guilty plea waives the right to:

- (a) Continue to plead not guilty and require the Government to prove the elements of the crime beyond a reasonable doubt;
- (b) A speedy and public trial by jury, which must unanimously find Defendant guilty before there can be a conviction;
- (c) The assistance of an attorney at all stages of trial and related proceedings, to be paid at Government expense if Defendant cannot afford to hire an attorney;
- (d) Confront and cross-examine adverse witnesses;
- (e) Present evidence and to have witnesses testify on behalf of Defendant, including having the court issue subpoenas to compel witnesses to testify on Defendant's behalf;
- (f) Not testify or have any adverse inferences drawn from the failure to testify (although Defendant also has the right to testify, if Defendant so chooses); and

- (g) If Defendant is convicted, the right to appeal, with the assistance of an attorney, to be paid at Government expense if Defendant cannot afford to hire an attorney.

26. Waiver of Appeal and Post-Conviction Review. Defendant knowingly and expressly waives any and all rights to appeal Defendant's conviction in this case, including a waiver of all motions, defenses and objections which Defendant could assert to the charge(s) or to the court's entry of judgment against Defendant; except that both Defendant and the United States preserve the right to appeal any sentence imposed by the district court, to the extent that an appeal is authorized by law. Also, Defendant knowingly and expressly waives any and all rights to contest Defendant's conviction in any post-conviction proceedings, including any proceedings under 28 U.S.C. § 2255. These waivers are full and complete, except that they do not extend to the right to appeal or seek post-conviction relief based on grounds of ineffective assistance of counsel or prosecutorial misconduct not known to Defendant, or reasonably knowable, at the time of entering this Plea Agreement.

H. VOLUNTARINESS OF PLEA AND OPPORTUNITY TO CONSULT WITH COUNSEL

27. Voluntariness of Plea. Defendant represents that Defendant's decision to plead guilty is Defendant's own, voluntary decision, and that the following is true:

- (a) Defendant has had a full opportunity to discuss all the facts and circumstances of this case with Defendant's attorney, and Defendant has a clear understanding of the charges and the consequences of this plea, including the maximum penalties provided by law.
- (b) No one has made any promises or offered any rewards in return for this guilty plea, other than those contained in this written agreement.
- (c) No one has threatened Defendant or Defendant's family to induce this guilty plea.

- (d) Defendant is pleading guilty because in truth and in fact Defendant is guilty and for no other reason.

28. Consultation with Attorney. Defendant has discussed this case and this plea with Defendant's attorney and states that the following is true:

- (a) Defendant states that Defendant is satisfied with the representation provided by Defendant's attorney.
- (b) Defendant has no complaint about the time or attention Defendant's attorney has devoted to this case nor the advice the attorney has given.
- (c) Although Defendant's attorney has given Defendant advice on this guilty plea, the decision to plead guilty is Defendant's own decision. Defendant's decision to enter this plea was made after full and careful thought, with the advice of Defendant's attorney, and with a full understanding of Defendant's rights, the facts and circumstances of the case, and the consequences of the plea.

I. GENERAL PROVISIONS

29. Entire Agreement. This Plea Agreement, and any attachments, is the entire agreement between the parties. Any modifications to this Plea Agreement must be in writing and signed by all parties.

30. Public Interest. The parties state this Plea Agreement is in the public interest and it takes into account the benefit to the public of a prompt and certain disposition of the case and furnishes adequate protection to the public interest and is in keeping with the gravity of the offense and promotes respect for the law.

31. Execution/Effective Date. This Plea Agreement does not become valid and binding until executed by each of the individuals (or their designated representatives) shown below.

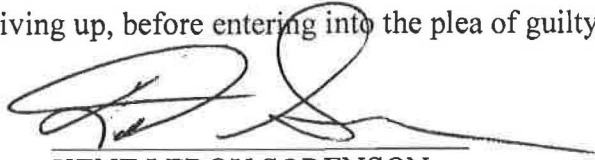
32. Consent to Proceedings by Video-Conferencing. Defendant consents to any proceedings in this case, including his plea proceedings, sentencing proceedings, or any other

proceedings, being conducted by video-conferencing technology in use within the Southern District of Iowa if approved by the Court.

J. SIGNATURES

33. Defendant. I have read all of this Plea Agreement and have discussed it with my attorney. I fully understand the Plea Agreement and accept and agree to it without reservation. I do this voluntarily and of my own free will. No promises have been made to me other than the promises in this Plea Agreement. I have not been threatened in any way to get me to enter into this Plea Agreement. I am satisfied with the services of my attorney with regard to this Plea Agreement and other matters associated with this case. I am entering into this Plea Agreement and will enter my plea of guilty under this Agreement because I committed the crime to which I am pleading guilty. I know that I may ask my attorney and the judge any questions about this Plea Agreement, and about the rights that I am giving up, before entering into the plea of guilty.

8/25/14
Date


KENT LEROY SORENSON

34. Defendant's Attorney. I have read this Plea Agreement and have discussed it in its entirety with my client. There is no Plea Agreement other than the agreement set forth in this writing. My client fully understands this Plea Agreement. I am satisfied my client is capable of entering into this Plea Agreement, and does so voluntarily of Defendant's own free will, with full knowledge of Defendant's legal rights, and without any coercion or compulsion. I have had full access to the Government's discovery materials, and I believe there is a factual basis for the plea. I concur with my client entering into this Plea Agreement and in entering a

plea of guilty pursuant to the Plea Agreement.

8/25/14
Date

F. Montgomery Brown
F. Montgomery Brown, Esq.
Brown & Scott, P.L.C.
1001 Office Park Road, Suite 108
West Des Moines, Iowa 50265
Telephone: 515/225-0101
Facsimile: 515/225-3737
Email: hskrfan@brownscott.com

35. United States. The Government agrees to the terms of this Plea Agreement.

Jack Smith
Chief, Public Integrity Section

8/25/14
Date

By:

Richard C. Pilger
Richard C. Pilger
Director, Election Crimes Branch
Robert J. Higdon, Jr.
Trial Attorney
Public Integrity Section
Criminal Division
U.S. Department of Justice
Telephone: 202-514-1412
Telefax: 202-514-3003
E-mail: richard.pilger@usdoj.gov
bobby.higdon@usdoj.gov

36. State of Iowa. The State of Iowa agrees to the terms of this Plea Agreement.

John P. Sarcone
Polk County Attorney

8-25-14
Date

By:

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IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF IOWA

UNITED STATES OF AMERICA,)	
)	
v.)	Criminal No. 4:14-cr-103
)	
KENT LEROY SORENSON,)	ATTACHMENT A
)	
Defendant.)	STIPULATED STATEMENT
)	OF FACTS

The parties agree and stipulate as follows:

BACKGROUND

1) At all relevant times, Kent Leroy Sorenson ("Sorenson") was a resident of the Southern District of Iowa, was an elected member of the Senate of the State of Iowa, and was the owner of Company Z.

2) At all relevant times, The Federal Election Campaign Act of 1971, as amended, Title 2, United States Code, Sections 431, et seq., ("Election Act") limited corruption and the appearance of corruption in the election of candidates for federal office, including the office of President of the United States, in pertinent part by providing for public disclosure of the expenditures by federal election campaigns:

- a. The Election Act required the authorized committee of a candidate for President of the United States to make reports to the Federal Election Commission ("FEC").
- b. The Election Act required the authorized committee of a candidate for President of the United States to report any expenditure by the committee over \$200 within the calendar year that the committee made to meet a candidate or

committee operating expense, together with the date, amount, and purpose of such operating expenditure.

c. The FEC in turn reported to the public the expenditures reported by the authorized committee of a candidate for President of the United States.

3) At all relevant times, the FEC was an agency and department of the United States with jurisdiction to enforce the Election Act, and to receive and publicly report accurate information to the public about expenditures to influence federal elections.

4) At all relevant times, the Federal Bureau of Investigation ("FBI") was an agency and department of the United States with jurisdiction to investigate criminal violations of the Election Act.

5) Political Committee 1 was the authorized political committee registered with the FEC as accepting contributions and making expenditures to further the nomination and election of Candidate A to the office of President of the United States during the 2012 federal election cycle.

6) Political Committee 2 was the authorized political committee registered with the FEC as accepting contributions and making expenditures to further the nomination and election of Candidate B to the office of President of the United States during the 2012 federal election cycle.

7) Political Committee 3 was a political action committee affiliated with Candidate A, and was allowed to contribute up to \$5,000 to authorized committees of federal candidates.

8) From in or about March 2011 to in or about December 2011, Sorenson publicly worked for the election of Candidate A to the office of President of the United in exchange for

\$7,000 to \$7,500 per month, first from Political Committee 3 and later from Political Committee 1, which passed through a political consulting company and Company Z.

OFFENSE CONDUCT

9) While Sorenson was working for the campaign of Candidate 1, representatives of Candidate 2 were attempting to persuade Sorenson to switch allegiance to Candidate 2.

10) From on or about October 29, 2011, to on or about December 26, 2011, Sorenson or his representative secretly negotiated directly and indirectly with agents of Political Committee 2 to switch his support to Candidate B in exchange for secret payments.

11) On or about December 26, 2011, Sorenson met with Political Operative D, an agent of Candidate B and Political Committee 2 at a restaurant in Altoona, Iowa; Political Operative D then and there gave Sorenson, through Sorenson's spouse, a check for \$25,000.00 ("the check"), in return for Sorenson's public support and work for Candidate B, which check was drawn on the account of Company X, which was in turn owned by the spouse of Political Operative D.

12) Sorenson accepted and held the check, rather than cashing it, initially because he was undecided on switching campaigns; later the check served as concealed security against the loss of anticipated payments for two months of work for Candidate A, and as concealed security for future concealed payments of approximately \$8,000 per month from Candidate B after Sorenson switched his public support from Candidate A to Candidate B.

13) On or about December 28, 2011, at a political event in Des Moines, Iowa, Sorenson publicly announced his switch of support and work from Candidate A to Candidate B.

14) At or about the time of Sorenson's switch to support of Candidate B, Political Operative D and Sorenson agreed that Political Committee 2 would secretly pay Sorenson

approximately \$8,000 per month from in or about January to in or about July 2012, and Political Committee 2 did thereafter, through the actions of Political Operative D and others, pay Sorenson approximately \$8,000 per month (totaling at least \$73,000 in calendar year 2012), and each payment was concealed from the FEC and the public by transmittal through, first, Film Production Company W (which was not affiliated with any federal candidate or committee and which did no work for federal candidates or committees), and second through Company Z, and then, finally, to Sorenson and his spouse.

15) On or about December 29, 2011, in response to criticism of his switch to the Candidate B, and in an effort to conceal the payments to compensate him for that switch, Sorenson gave interviews denying allegations that he, Sorenson, was receiving any money in return for his support of Candidate B, and noting that reports to be filed by Political Committee 2 with the FEC would show that Political Committee 2 made no payments to him.

16) Political Committee 2 filed regular reports with the FEC during calendar year 2012, which omitted any reference to the agreed expenditures of approximately \$73,000 to Sorenson, other than the concealing payments to Film Production Company W.

17) Sorenson knew that agents of Political Committee 2 would and did falsely omit his name and other identifying information from required reports to the FEC.

18) One of the reasons why Sorenson did not want payments to him from Political Committee 1 or Political Committee 2 disclosed to the FEC, and then by the FEC to the public, was because of possible interpretation of Iowa Senate Ethics Rules prohibiting sitting Senators from accepting payment from a political campaign, and on or about January 28, 2013, a former employee of Political Committee 1, filed a complaint against Sorenson with the Iowa Senate Ethics Committee, which, on or about May 1, 2013, asked the Chief Justice of the Iowa Supreme

Court to appoint an Independent Counsel to investigate some of the allegations contained in the complaint, who, on or May 10, 2013, appointed an Independent Counsel to the Iowa Senate Ethics Committee.

19) On or about February 18, 2013, a complaint was filed with the FEC alleging violations of federal campaign finance laws regarding payments made to Sorenson by Political Committee 1 and Political Committee 2.

20) On or about September 19, 2013, the Independent Counsel, took a sworn, transcribed, and videotaped deposition record from Sorenson, who then and there contemplated that both the FEC and the FBI were investigating the legality of the payments he received from Political Committee1 and Political Committee 2.

21) During the deposition, the Independent Counsel asked Sorenson numerous questions about any money that Sorenson received from either Political Committee 1 or Political Committee 2, and, Sorenson specifically and falsely denied being paid by either Political Committee in return for his endorsement of the respective candidates or for his work on their behalf, and further falsely described the entities used to conceal the payments to him, including falsely characterizing Film Production Company W as (a) a political consulting firm that was seeking assistance from Sorenson in scouting shooting locations, and (b) also assisting Sorenson in potentially seeking higher office.

22) For example, Sorenson made and caused a false transcript and videotape record during his sworn deposition in the following answers to the following questions for the purpose, among others, of impeding, obstructing, and influencing investigations by the FEC and FBI:

“Q. So when you say you were volunteering 50 hours a week, what do you mean?

A. I was either volunteering or I was working or I was – I mean, it was just – Listen, I don't believe I was paid to help [Candidate A]. But I did – I spent a lot of time helping [Candidate A].

Q. Let me ask this directly: Did the payments that [Company Z] received for – or from [Film Production Company W], have anything whatsoever to do with the [Candidate B] campaign?

A. No.”

23) The acts Sorenson took in furtherance of the offenses charged in this case, including the acts described as “Offense Conduct” above, were done willfully and knowingly with the specific intent to violate the law.

24) Sorenson acknowledges that the foregoing statement of facts does not (and is not intended to) describe every detail of his conduct relating to the offenses charged in this case.

8/27/14
Date

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COUNT 1

From or about February 2012 to in or about August 2012, in the Southern District of Iowa and elsewhere, the defendant, KENT LEROY SORENSON, willfully caused the authorized campaign committee of a candidate for the office of President of the United States to falsely report to the Federal Election Commission the disbursements to persons to whom that committee made expenditures, to wit, causing the committee to report to the Federal Election Commission disbursements to Film Production Company W that were in fact disbursements to defendant KENT LEROY SORENSON aggregating \$25,000 and more in calendar year 2012.

This is a violation of Title 2, United States Code, Sections 434(a)(1), 434(b)(5)(A) & 437g(d)((1)(A)(i), and Title 18, United States Code, Section 2.

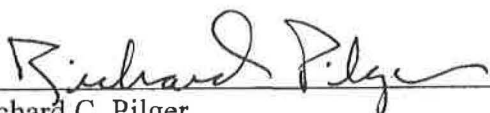
THE UNITED STATES FURTHER CHARGES:

COUNT 2

On or about September 19, 2013, in the Southern District of Iowa, the defendant, KENT LEROY SORENSON, knowingly, with the intent to impede, obstruct, and influence, and in relation to and contemplation of, the investigation and proper administration of matters within the jurisdiction of departments and agencies of the United States, concealed, covered up, falsified, and made a false entry in a record, document, and tangible object, to wit, providing false, sworn testimony in proceedings before the Independent Counsel to the Iowa Senate Ethics Committee, which proceedings were videotaped and transcribed, and which false statements the defendant well knew and contemplated were related to investigation by the Federal Bureau of Investigation and by the Federal Election Commission.

This is a violation of Title 18, United States Code, Section 1519.

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