



FEDERAL ELECTION COMMISSION
Washington, DC 20463

By U.S. Mail

Dimitri Kesari, Registered Agent
Designer Goldsmith, Inc.
203-A Harrison St S.E.
Leesburg, VA 20175

JUN 30 2016

RE: MUR 6800
Designer Goldsmith, Inc.

Dear Mr. Kesari:

On June 16, 2016, the Federal Election Commission found that there is reason to believe Designer Goldsmith, Inc., violated 52 U.S.C. § 30118, a provision of the Federal Election Campaign Act of 1971, as amended ("the Act"). The Factual and Legal Analysis, which more fully explains the Commission's finding, is attached for your information.

You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office within 15 days of your receipt of this letter. Where appropriate, statements should be submitted under oath. In the absence of additional information, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

Please note that you have a legal obligation to preserve all documents, records and materials relating to this matter until such time as you are notified that the Commission has closed its file in this matter. *See* 18 U.S.C. § 1519.

If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. *See* 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, the Commission will not entertain requests for pre-probable cause conciliation after briefs on probable cause have been mailed to the respondent.

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Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

This matter will remain confidential in accordance with 52 U.S.C. § 30109(a)(4)(B) and § 30109(a)(12)(A) unless you notify the Commission in writing that you wish the investigation to be made public. Please be advised that, although the Commission cannot disclose information regarding an investigation to the public, it may share information on a confidential basis with other law enforcement agencies.²

For your information, we have enclosed a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Peter Reynolds, the staff attorney assigned to this matter, at (202) 694-1650.

On behalf of the Commission,

A handwritten signature in dark ink, appearing to read "Matthew Petersen", written in a cursive style.

Chairman Matthew Petersen

Enclosures

Factual and Legal Analysis
Procedures
Designation of Counsel Form

² The Commission has the statutory authority to refer knowing and willful violations of the Act to the Department of Justice for potential criminal prosecution, 52 U.S.C. § 30109(a)(5)(C), and to report information regarding violations of law not within its jurisdiction to appropriate law enforcement authorities. *Id.* § 30107(a)(9).

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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.¹

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.² Kesari was the Committee's Deputy Campaign Manager³ and, along

¹ Although the body of the Complaint does not go into great factual detail, the Complaint, along with the provided attachments, describe a scenario, wherein a corporation, with the consent of its officer, paid for services provided to the Committee by Sorenson. The submission also refers to payments from the Committee, through an intermediary, to Sorenson. A complaint is sufficient if its recitation of facts *describes* a violation, a standard met here. See 11 C.F.R. § 111.4(d)(3). Therefore, the Respondents' contention that the Complaint provides no factual and legal allegations that would merit a response is not supported.

² Statement of Organization (May 13, 2011).

³ Compl. at 1.

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1 with his wife, owner of Designer Goldsmiths, a Virginia corporation.⁴ Kent Sorenson was an
2 Iowa State Senator during the relevant time.⁵ He is the sole principal of Grassroots Strategy, Inc.
3 (“Grassroots”).⁶

4 On March 11, 2011, Sorenson became the first elected official in Iowa to endorse
5 Bachmann’s candidacy.⁷ Sorenson then began assisting the Bachmann campaign by “providing
6 strategic advice about the Iowa political landscape, recommending staff members to the
7 campaign, recruiting other Iowa legislators to the Bachmann cause, and making communications
8 on the campaign’s behalf.”⁸ Sorenson was named the Bachmann Committee’s Iowa State
9 Chairman as of the Bachmann Committee’s establishment in June 2011.⁹

10 In October 2011, however, Sorenson began secretly negotiating with Committee officials
11 to switch his support to Ron Paul in exchange for concealed payments that amounted to
12 \$73,000.¹⁰ Initially, Aaron Dorr (the brother of Chris Dorr, a Sorenson aide) reportedly acted as
13 an intermediary between Sorenson and the Committee.¹¹ In an October 29 memorandum to
14 Committee Campaign Manager John Tate, Aaron Dorr outlined the financial commitments

⁴ *Id.*, Ex. 2.

⁵ *Id.* at 1.

⁶ See IOWA SEC’Y OF STATE, [http://sos.iowa.gov/search/business/\(S\(jrga3zehwupqh55oa0xrwne\)\)/summary.aspx](http://sos.iowa.gov/search/business/(S(jrga3zehwupqh55oa0xrwne))/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.

⁷ Independent Investigator’s Report at 39.

⁸ *Id.* at 39-40.

⁹ Sorenson was listed as the State Chairman on internal e-mails as early as May 2011. Independent Investigator’s Report at 41.

¹⁰ DOJ Press Release; Compl., Ex. 1.

¹¹ Compl., Ex. 1.

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required to retain Sorenson's (and Chris Dorr's) services.¹² The memorandum refers to a 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.¹³ 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.¹⁴

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.¹⁵ The check, dated December 26, 2011, is drawn on Designer Goldsmiths and is payable to "Grass Roots Strategies" in the amount of \$25,000.¹⁶ Sorenson accepted the check but did not cash it, initially because he was undecided about switching campaigns.¹⁷ 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

¹² *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.*

¹³ *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.*

¹⁴ Compl., Ex. 1.

¹⁵ *Id.* 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").

¹⁶ Independent Investigator's Report at 57, Ex. 42.

¹⁷ Statement of Facts ¶ 12.

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[Paul] after Sorenson switched his support from [Bachmann] to [Paul].”¹⁸ The check evidently was never cashed.¹⁹

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.”²⁰ In December 2011, Senator Sorenson had conversations with Eric Woolson, who had been hired in October to manage the Bachmann campaign in Iowa.²¹ 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.”²² Sorenson publicly switched his support to the Paul campaign on December 28, 2011.²³

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 2012.²⁴ 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,

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ Compl., Ex. 1.

²¹ Independent Investigator’s Report at 56.

²² *Id.*

²³ *Id.* at 57.

²⁴ Statement of Facts ¶ 14.

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and William Howard, an attorney located in Hyattsville, Maryland,²⁵ in the following amounts
by date:

- \$38,125 on February 8, 2012;²⁶
- \$17,700 on April 3;²⁷
- \$8,850 on May 2;²⁸
- \$8,850 on May 29;²⁹ and
- \$8,850 on June 27.³⁰

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 27.³¹

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

²⁵ Independent Investigator’s Report at 60.

²⁶ Committee, 2012 March Monthly Report at 5858.

²⁷ Committee, 2012 May Monthly Report at 4317.

²⁸ Committee, 2012 June Monthly Report at 2459.

²⁹ *Id.* at 2801.

³⁰ Committee, 2012 July Monthly Report at 232.

³¹ Independent Investigator’s Report at 59-60.

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an \$8,000 monthly payment and \$25,000 to reflect the uncashed check Senator Sorenson received just before he joined the Ron Paul campaign.”³²

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 \$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.”³³ 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.”³⁴ This was done in part to avoid potential culpability under the Iowa State Ethics Rules prohibiting sitting Senators from accepting payment from political committees.³⁵

Kesari filed a response stating that he cannot adequately address the Complaint due to its lack of specific factual and legal allegations.³⁶

III. LEGAL ANALYSIS

A. 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,

³² *Id.*

³³ 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”).

³⁴ Statement of Facts ¶ 17.

³⁵ *Id.* ¶ 18.

³⁶ Kesari Resp. at 1.

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

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1 or other person to knowingly accept or receive a prohibited contribution, and for any officer or
2 director of a corporation to consent to any contribution.³⁸ “Contribution” includes any gift,
3 subscription, loan, advance, or deposit of money or anything of value made by any person for the
4 purpose of influencing any election for federal office, including in-kind contributions.³⁹

5 It is well-documented that Designer Goldsmiths, a corporation, gave through its officer
6 and agent, Kesari, a \$25,000 corporate check to Sorenson to secure Sorenson’s endorsement and
7 future services to the Committee.⁴⁰ In doing so, Designer Goldsmiths made a contribution to the
8 Committee in violation of section 30118 (formerly section 441b).⁴¹ The fact that the check from
9 Designer Goldsmiths was not cashed is immaterial under the plain language of the definition of
10 “contribution,” which includes “money,” a term which in turn expressly includes “checks . . . or
11 any other negotiable instruments payable on demand.”⁴² Even if “checks” were not plainly
12 included within the definition of contribution, the \$25,000 check would be considered a loan,
13 and thus a contribution, because it was intended as a “form of security.”⁴³ According to
14 Sorenson’s sworn admission in connection with his criminal plea, the check acted as “concealed
15 security against the loss of anticipated payments for two months of work for [Bachmann], and as
16 concealed security for future concealed payments of approximately \$8,000 per month from

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.

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).

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[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 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.

B. 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

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).

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*, 917 F. Supp. 2d 573, 579, 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)).

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1 circumstantial evidence from which the respondents' unlawful intent reasonably may be
2 inferred.⁵⁰ For example, a person's awareness that an action is prohibited may be inferred from
3 "the [person's] elaborate scheme for disguising their . . . political contributions"⁵¹

4 According to Sorenson's sworn admissions in connection with his plea agreement, his
5 actions related to the alleged violations were "done willfully and knowingly with the specific
6 intent to violate the law."⁵² Likewise, his testimony indicates that Kesari (individually and in his
7 capacity as principal of Designer Goldsmiths) knew the \$25,000 in-kind contribution was illegal.
8 Even without Sorenson's testimony we can reasonably infer unlawful intent from the bare facts
9 of the scheme to secure Sorenson's support before the primary and pay him for his services
10 during 2012, which included filing false reports with the Commission and using multiple
11 corporations (Designer Goldsmiths, ICT, and Grassroots) as conduits and benefactors.⁵³

12 Accordingly, the Commission finds reason to believe that the violations of 52 U.S.C.
13 § 30118 (formerly 2 U.S.C. § 441b) as set forth above were committed knowingly and
14 willfully.⁵⁴

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)).

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))).