



FEDERAL ELECTION COMMISSION
Washington, DC 20463

January 14, 2022

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Peter Waldron
1334 Tampa Road Suite 195
Palm Harbor, FL 34683

RE: MUR 6800

Dear Mr. Waldron:

This is in reference to the complaint you filed with the Federal Election Commission on March 25, 2014, concerning payments to Iowa state Senator Kent Sorenson in connection with his support of Ron Paul in the 2012 Iowa presidential caucus. Based on that complaint, on June 16, 2016, the Commission found that there was reason to believe the Ron Paul 2012 Presidential Campaign Committee Inc. and its treasurer in their official capacity ("Committee") knowingly and willfully violated 52 U.S.C. §§ 30118 and 30104(b)(5) and that Designer Goldsmiths, Inc., and Dimitri Kesari knowingly and willfully violated 52 U.S.C. § 30118, provisions of the Federal Election Campaign Act of 1971, as amended, and instituted an investigation of this matter. The Factual and Legal Analyses, which more fully explain the basis for the Commission's reason to believe findings, are enclosed. The Commission determined to take no action with respect to Kent Sorenson, and on March 19, 2019, closed the file as to him and as to Dimitri Kesari. After considering the circumstances of this matter, the Commission closed the entire file in this matter on January 11, 2022.

Documents related to the case will be placed on the public record within 30 days. See Disclosure of Certain Documents in Enforcement and Other Matters, 81 Fed. Reg. 50,702 (Aug. 2, 2016).

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The Federal Election Campaign Act of 1971, as amended, allows a complainant to seek judicial review of the Commission's dismissal of this action. *See* 52 U.S.C. § 30109(a)(8). If you have any questions, please contact me at mallen@fec.gov or (202) 694-1650.

Sincerely,

Lisa J. Stevenson
Acting General Counsel

Mark Allen

BY: Mark Allen
Assistant General Counsel

Enclosures
Factual and Legal Analyses

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.¹

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.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.

MUR 6800 (Ron Paul 2012 Presidential Campaign Committee, Inc.)
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with his wife, owner of Designer Goldsmiths, a Virginia corporation.⁴ Kent Sorenson was an Iowa State Senator during the relevant time.⁵ He is the sole principal of Grassroots Strategy, Inc. (“Grassroots”).⁶

On March 11, 2011, Sorenson became the first elected official in Iowa to endorse Bachmann’s candidacy.⁷ 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.”⁸ Sorenson was named the Bachmann Committee’s Iowa State Chairman as of the Bachmann Committee’s establishment in June 2011.⁹

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 \$73,000.¹⁰ Initially, Aaron Dorr (the brother of Chris Dorr, a Sorenson aide) reportedly acted as an intermediary between Sorenson and the Committee.¹¹ In an October 29 memorandum to 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\(jgrga3zehwupqh55oa0xrwne\)\)/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.

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

7 On November 19, Kesari had dinner with Sorenson and his wife at a restaurant in
8 Altoona, Iowa, during which Kesari gave a check to Sorenson's wife.¹⁵ The check, dated
9 December 26, 2011, is drawn on Designer Goldsmiths and is payable to "Grass Roots Strategies"
10 in the amount of \$25,000.¹⁶ Sorenson accepted the check but did not cash it, initially because he
11 was undecided about switching campaigns.¹⁷ Later, the check served as "concealed security
12 against the loss of anticipated payments for two months of work for [Bachmann], and as
13 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.*

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

3 On August 27, 2014, Sorenson entered a guilty plea to a two-count information in which
4 he admitted switching his support to the Ron Paul campaign “in exchange for concealed
5 payments that amounted to \$73,000” which “included monthly installments of approximately
6 \$8,000 each and were concealed by transmitting them to a film production company, then
7 through a second company, and finally to Sorenson and his spouse.”³³ Sorenson further stated
8 that he “knew that agents of [the Committee] would and did falsely omit his name and other
9 identifying information from required reports to the FEC.”³⁴ This was done in part to avoid
10 potential culpability under the Iowa State Ethics Rules prohibiting sitting Senators from
11 accepting payment from political committees.³⁵

12 The Committee’s response questions the basis for determining that the Complaint was an
13 original complaint and asserts that the Complaint does not specify “which provision of federal
14 law was violated as a result of the unsubstantiated hearsay allegations” contained in the
15 Complaint.³⁶

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 Committee Resp. at 2.

1 **III. LEGAL ANALYSIS**

2 **A. Prohibited Corporate In-Kind Contribution**

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

9 It is well-documented that Designer Goldsmiths, a corporation, gave through its officer
 10 and agent, Kesari, a \$25,000 corporate check to Sorenson to secure Sorenson’s endorsement and
 11 future services to the Committee.⁴⁰ The fact that the check from Designer Goldsmiths was not
 12 cashed is immaterial under the plain language of the definition of “contribution,” which includes
 13 “money,” a term which in turn expressly includes “checks . . . or any other negotiable
 14 instruments payable on demand.”⁴¹ Even if “checks” were not plainly included within the
 15 definition of contribution, the \$25,000 check would be considered a loan, and thus a
 16 contribution, because it was intended as a “form of security.”⁴² According to Sorenson’s sworn
 17 admission in connection with his criminal plea, the check acted as “concealed security against

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.

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).

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1 the loss of anticipated payments for two months of work for [Bachmann], and as concealed
2 security for future concealed payments of approximately \$8,000 per month from [Paul] after
3 Sorenson switched his support from [Bachmann] to [Paul].”⁴³ Furthermore, given the facts
4 demonstrating that at least four senior Committee officials — Benton, Tate, Kesari, and Coburn
5 — were made aware of Sorenson’s demands before the Designer Goldsmiths check was
6 delivered and later authorized payments from the Committee to Sorenson (using ICT as a conduit
7 to mask the payments), it appears that the Committee knowingly accepted the in-kind
8 contribution from Designer Goldsmiths.

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

12 **B. Failure to Properly Report Disbursements**

13 The Act and Commission regulations require political committees to report the name and
14 address of each person to whom they make expenditures or other disbursements aggregating
15 more than \$200 per calendar year or per election cycle for authorized committees, as well as the
16 date, amount, and purpose of such payments.⁴⁴ These reporting requirements are intended to
17 ensure public disclosure of “where political campaign money comes from and how it is spent.”⁴⁵
18 Neither the Act nor the Commission’s relevant implementing regulations address the concepts of

⁴³ Statement of Facts ¶ 12.

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”).

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1 ultimate payees, vendors, agents, contractors, or subcontractors in this context.⁴⁶ The
2 Commission has determined, however, that merely reporting the immediate recipient of a
3 committee's payment will not satisfy the requirements of section 30104(b)(5) (formerly section
4 434(b)(5)) when the facts indicate that the immediate recipient is merely a conduit for the
5 intended recipient of the funds.⁴⁷

6 For instance, in MUR 4872 (Jenkins), a committee hired a vendor — Impact Mail — to
7 perform phone bank services on the committee's behalf. When the committee discovered that
8 David Duke's name and phone number appeared on caller identification for calls placed by
9 Impact Mail's phone bank, the committee wanted to prevent any association with Duke and
10 sought to terminate its relationship with Impact Mail.⁴⁸ When this proved difficult, the
11 committee took measures to conceal its relationship with Impact Mail by routing its payments to
12 Impact Mail through a second, unrelated vendor, Courtney Communications, and reporting
13 Courtney Communications as the payee on disclosure reports.⁴⁹ Although Courtney
14 Communications was a vendor that provided media services for the committee during the period
15 in question, Impact Mail was not a subvendor of Courtney Communications because Courtney

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).

⁴⁷ 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).

⁴⁸ Conciliation Agreement at 2-3, MUR 4872 (Jenkins).

⁴⁹ *Id.* at 3-4.

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Communications “had no involvement whatsoever with the services provided by Impact Mail.”⁵⁰
Its only role was “to serve as a conduit for payment to Impact Mail so as to conceal the
transaction with Impact Mail.”⁵¹

As in MUR 4872 (Jenkins), here the Committee used ICT merely “to serve as a conduit
for payment”⁵² — thereby concealing the true, intended recipient of the disbursements. The
Committee made the decision to hire Sorenson and negotiated the terms of his compensation,⁵³
and Sorenson took no direction from ICT nor performed any work for ICT.⁵⁴ 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.

C. The Violations Were Knowing and Willful

The Act prescribes additional penalties for violations that are knowing and willful.⁵⁵ 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.”⁵⁶ A finding of
knowing and willful does not require proving knowledge of the specific statute or regulation the

⁵⁰ *Id.*

⁵¹ *Id.* at 4; *see also* MUR 3847 (Stockman) (finding probable cause that committee violated section 434(b)(5) when it paid at least one vendor through a conduit).

⁵² Conciliation Agreement at 4, MUR 4872 (Jenkins).

⁵³ *See supra* at 2-6.

⁵⁴ Independent Investigator’s Report at 60-61; Statement of Facts ¶¶ 14, 16, 17, 21.

⁵⁵ *See* 52 U.S.C. §§ 30109(a)(5)(B) and (d) (formerly 2 U.S.C. §§ 437g(a)(5)(B) and 437g(d)).

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

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respondent allegedly violated.⁵⁷ Instead, it is sufficient to demonstrate that a respondent “acted voluntarily and was aware that his conduct was unlawful.”⁵⁸ This may be shown by circumstantial evidence from which the respondents’ unlawful intent reasonably may be inferred.⁵⁹ 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 . . .”⁶⁰

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.”⁶¹ 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 identifying information from required reports to the FEC.”⁶² Even without Sorenson’s testimony we can reasonably infer unlawful intent from the bare facts of the Committee’s scheme to secure Sorenson’s support before the primary and pay him for his services during 2012, which included

⁵⁷ *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)).

⁵⁸ *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)).

⁵⁹ *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)).

⁶⁰ *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)).

⁶¹ Statement of Facts ¶¶ 14-18.

⁶² *Id.* ¶¶ 14-17.

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1 filing false reports with the Commission and using multiple corporations (Designer Goldsmiths,
2 ICT, and Grassroots) as conduits and benefactors.⁶³

3 Accordingly, the Commission finds reason to believe that the violations of 52 U.S.C.
4 § 30118 (formerly 2 U.S.C. § 441b) and 52 U.S.C. § 30104(b)(5) (formerly 2 U.S.C.
5 § 434(b)(5)) as set forth above were committed knowingly and willfully.⁶⁴

⁶³ *Id.* ¶ 16.

⁶⁴ 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.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

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Factual and Legal Analysis – Kesari, Designer Goldsmiths

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

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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

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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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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 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

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)).