



**FEDERAL ELECTION COMMISSION**  
Washington, DC 20463

**VIA ELECTRONIC MAIL**

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April 8, 2022

RE: MUR 7310  
Mark Takai for Congress and Dylan  
Beesley in his official capacity

Dear Mr. Svoboda:

Based on a complaint filed with the Federal Election Commission on January 18, 2018, the Commission, on June 4, 2019, found that there is reason to believe that your client, Mark Takai for Congress and Dylan Beesley in his official capacity as treasurer, violated 52 U.S.C. § 30114(b) of the Federal Election Campaign Act of 1971, as amended, and instituted an investigation of this matter.

After considering all the information available to the Commission, the Office of General Counsel is prepared to recommend that the Commission find probable cause to believe that a violation has occurred.

The Commission may or may not approve the General Counsel's recommendation. Submitted for your review is a brief stating the position of the General Counsel on the legal and factual issues of the case. Within 15 days of your receipt of this notice, you may file a brief stating your position on the issues and replying to the General Counsel's Brief.<sup>1</sup> The General Counsel's Brief and any brief which you may submit will be considered by the Commission before proceeding to a vote of whether there is probable cause to believe a violation has occurred.

If you are unable to file a responsive brief within 15 days, you may submit a written request for an extension of time in exchange for a tolling agreement. All requests for extensions of time must be submitted in writing five days prior to the due date, and good cause must be demonstrated. In addition, the Office of General Counsel ordinarily will not give extensions beyond 20 days. The Office of General Counsel will not give extensions absent an agreement to toll the applicable statute of limitations.

<sup>1</sup> You may submit the brief electronically to [cela@fec.gov](mailto:cela@fec.gov), or to the staff attorney assigned to the matter, as applicable. Enforcement-related materials submitted only by mail will be deemed received when actually received by OGC staff, subject to delays due to the intermittent processing of mail.

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Mr. Svoboda

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You may also request additional information gathered by the Commission in the course of its investigation in this matter. *See* Agency Procedure for Disclosure of Documents and Information in the Enforcement Process, 76 Fed. Reg. 34,986 (June 15, 2011).

In addition, you may also request an oral hearing before the Commission. *See* Procedural Rules for Probable Cause Hearings, 72 Fed. Reg. 64,919 (Nov. 19, 2007); Amendment of Agency Procedures for Probable Cause Hearings, 74 Fed. Reg. 55,443 (Oct. 28, 2009). Hearings are voluntary, and no adverse inference will be drawn by the Commission based on a respondent's decision not to request such a hearing. Any request for a hearing must be submitted along with your reply brief and must state with specificity why the hearing is being requested and what issues the respondent expects to address. Where necessary, the Commission reserves the right to request from a respondent an agreement tolling any upcoming deadline, including any statutory deadline or other deadline found in 11 C.F.R. part 111. *See* Procedural Rules for Probable Cause Hearings, 72 Fed. Reg. at 64,920. The Commission will notify you within 30 days of your request for a hearing as to whether or not the request has been granted.

A finding of probable cause to believe requires that the Office of General Counsel attempt for a period of not less than 30, but not more than 90 days, to settle this matter through a conciliation agreement.

Should you have any questions, please contact Laura Conley, the attorney assigned to this matter, at (202) 694-1475 or [lconley@fec.gov](mailto:lconley@fec.gov).

Sincerely,

*Lisa Stevenson* <sup>CP</sup>

Lisa J. Stevenson  
Acting General Counsel

Enclosure

General Counsel's Brief

# BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of )  
Mark Takai for Congress and Dylan ) MUR 7310  
Beesley in his official capacity as )  
treasurer )

## GENERAL COUNSEL'S BRIEF

## I. STATEMENT OF THE CASE

12 This matter arose from a complaint alleging that Mark Takai for Congress and Dylan  
13 Beesley in his official capacity (the “Committee”) converted campaign funds to personal use  
14 after the death of Congressman Mark Takai in July 2016, when the Committee continued to pay  
15 Beesley and his company, Lanakila Strategies LLC (“Lanakila”), a monthly consulting fee of  
16 \$5,759 through December 2017, well after the six-month winding-down period established as a  
17 safe harbor by the Commission’s personal use regulations and despite the Committee conducting  
18 no apparent winding-down activities for much of 2017.<sup>1</sup>

19 In response to the Complaint, the Committee contended that it contracted with Lanakila  
20 to oversee the Committee’s wind-down, with no fixed end date, and pursuant to that agreement  
21 Beesley and Lanakila managed activities such as issuing contribution refunds, overseeing  
22 compliance services, making contributions, and “developing and discussing options for the  
23 Committee’s ultimate support of a new charitable foundation.”<sup>2</sup> Further, the Committee argued  
24 that the Commission’s regulations do not place a deadline on winding down campaign operations  
25 and that the Commission has “avoided questioning campaigns’ market-based decisions” so long  
26 as there “existed a genuine commercially reasonable relationship between the parties.”<sup>3</sup>

1 Compl. ¶ 27-30 (Jan. 18, 2018).

<sup>2</sup> Committee Resp. at 2, 5 (Mar. 14, 2018).

3 Committee Resp. at 3.

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1       On June 4, 2019, the Commission found reason to believe that the Committee violated  
2    52 U.S.C. § 30114(b).<sup>4</sup> The Commission found that the Committee offered no explanation for  
3    why it needed more than six months to wind down operations, that the services Lanakila  
4    apparently provided nearly all occurred in 2016 and early 2017, and the Committee had not  
5    “demonstrated how continued substantial monthly payments to Lanakila [following the wind-  
6    down period] relate to campaign or officeholder activities.”<sup>5</sup>

7       The Office of General Counsel (“OGC”) conducted an investigation to gather  
8    information about the payments the Committee made to Beesley and Lanakila and the services  
9    they performed. The information obtained during the investigation affirms the Commission’s  
10    reason-to-believe finding in that it shows that the Committee’s winding-down activities were  
11    largely complete by mid-March 2017, just after the six-month safe harbor period expired, and  
12    that the majority of the Committee’s payments to Beesley and Lanakila after that point  
13    constituted personal use because they did not reasonably result from campaign or officeholder-  
14    related activities. The Committee was largely dormant, Beesley and Lanakila had few remaining  
15    responsibilities, and the only significant task that remained — establishing a charitable  
16    foundation to receive most of the Committee’s remaining funds — was handled by the  
17    candidate’s widow, Sami Takai, and her father, Gary Kai. Accordingly, this Office is prepared  
18    to recommend that the Commission find probable cause to believe that the Committee violated  
19    52 U.S.C. § 30114(b) by converting campaign funds to personal use.

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<sup>4</sup>       Factual & Legal Analysis (“F&LA”) at 11, MUR 7310 (Mark Takai for Congress) (“Committee F&LA”) (finding reason to believe that Committee “violated 52 U.S.C. § 30114(b) by converting some portion of Committee payments to Lanakila from mid-2016 through December 2017 to personal use”).

<sup>5</sup>       *Id.* at 8-9.

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1     **II.     FACTS**

2         **A.     Takai's 2016 Re-Election Campaign**

3             Congressman Takai was elected to the U.S. House of Representatives in 2014 and  
 4     initially stood for re-election in the 2016 cycle.<sup>6</sup> Mark Takai for Congress, his principal  
 5     campaign committee, hired Beesley as a fundraising consultant in 2015 under a contract that was  
 6     later assigned to his company, Lanakila.<sup>7</sup> The contract covered responsibilities such as preparing  
 7     call sheets on fundraising targets; tracking calls, pledges, and contributions in the Committee's  
 8     database; analyzing call time data; reviewing and maintaining the Committee's fundraising  
 9     database; and coordinating and participating in meetings of the Finance Committee.<sup>8</sup> The fee for  
 10    this fundraising work was initially \$2,500 per month, later amended to \$4,000 per month through  
 11    March 31, 2016.<sup>9</sup>

12             In February 2016, the Committee and Lanakila signed a new contract (the "Strategic  
 13    Consulting Contract") for an additional set of tasks: Lanakila was now also responsible for  
 14    providing strategic and political consulting; branding, communications, and media affairs  
 15    consulting; and designing and executing Takai's 2016 campaign launch.<sup>10</sup> Lanakila's additional  
 16    fee for the Strategic Consulting Contract was \$4,000 per month, plus tax, for February and

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<sup>6</sup>         See *id.* at 2.

<sup>7</sup>         Joint Production at 00001 (DB Advisors consulting agreement covering June 1 – December 31, 2015); *id.* at 04022 (DB advisors agreement covering July 1 – December 31, 2015); *id.* at 00009 (showing assignment). Lanakila Strategies LLC is registered in Hawaii as a domestic limited liability company, and Beesley is its sole member. State of Hawaii, Dept. of Commerce and Consumer Affairs, Business Registration Division, Lanakila Strategies LLC, File No. 134933C5, <https://hbe.ehawaii.gov/documents/business.html?fileNumber=134933C5&view=info>.

<sup>8</sup>         Joint Production at 00001; *id.* at 04022. All documents produced to the Commission in this matter were provided collectively by Beesley, Lanakila, and the Committee.

<sup>9</sup>         *Id.* at 00001-02 (showing initial rate of payment); *id.* at 04023 (showing rate of \$4,000 per month beginning July 1, 2015); *id.* at 00014 (showing extension of term to March 31, 2016).

<sup>10</sup>         *Id.* at 00019 (Consulting Agreement dated February 10, 2016).

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1 March 2016, and then \$5,500 per month, plus tax, until the agreement's termination on June 30,  
 2 2016.<sup>11</sup>

3 Documents produced by the Committee indicate that Beesley engaged in a variety of  
 4 activities for the Committee during this period, including holding calls with vendors and  
 5 Committee staff;<sup>12</sup> attending meetings;<sup>13</sup> organizing a fundraiser;<sup>14</sup> meeting with the candidate;<sup>15</sup>  
 6 and preparing him for campaign events.<sup>16</sup> For example, an April 11, 2016, invitation for an "all  
 7 consultants call" suggests that Beesley dealt with a wide range of Committee vendors, including  
 8 consultants for fundraising;<sup>17</sup> advertising;<sup>18</sup> direct mail;<sup>19</sup> digital fundraising and

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<sup>11</sup> *Id.* at 00019-20, 00024.

<sup>12</sup> *E.g., id.* at 00072 (showing April 1, 2016, call with NewBlue Digital); *id.* at 00073 (showing April 3, 2016, call regarding "press help"); *id.* at 00176 (showing April 11, 2016, appointment for "Y Call TIme [sic]" and indicating that "3pm to 6pm is Dylan"); *id.* at 00184 (showing April 11, 2016, appointment for Team Takai: Hawaii Finance Call); *id.* at 00421 (showing May 6, 2016, appointment for "KMT: NewBlue Digital Call").

<sup>13</sup> *E.g., id.* at 00122 (showing calendar invitation for April 6, 2016, lunch with Gary Kai).

<sup>14</sup> *E.g., id.* at 00172-73 (showing Beesley as point of contact for fundraiser information). This document shows a May 4 fundraiser without identifying the year. However, based on the stated individual contribution limit of \$2,700, it would have occurred during the 2016 election cycle. *Id.*; see FEC, Archive of Contribution Limits, <https://www.fec.gov/help-candidates-and-committees/candidate-taking-receipts/archived-contribution-limits/> (last visited Apr. 7, 2022).

<sup>15</sup> *E.g.,* Joint Production at 00261 (April 17, 2016, calendar invitation for "KMT/DB Catch-up Call"). It is unclear whether all calendar invitations produced by the Committee are for events Beesley personally attended. In some cases, it appears he had calendar invitations for events attended by Congressman Takai. *E.g., id.* at 00295 (calendar invitation for "DCCC's Red to Blue Committee Meeting" including a note that "KMT attendance" had been confirmed).

<sup>16</sup> *Id.* at 00388-89 (April 30, 2016, memo from Beesley to Takai preparing him for an interview).

<sup>17</sup> *Id.* at 00180; Eckert & Associates, *About Us*, <https://eckertassoc.com/about> (last visited Apr. 7, 2022).

<sup>18</sup> Joint Production at 00180; Snyder Pickerill SP, *Services*, <https://spmediagroup.com/services/> (last visited Apr. 7, 2022).

<sup>19</sup> Joint Production at 00180; The Strategy Group, *The Difference is Strategy*, <https://strategygroup.com/work/> (last visited Apr. 7, 2022).

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1 communications;<sup>20</sup> compliance;<sup>21</sup> and polling and campaign strategy.<sup>22</sup> A detailed memo from  
 2 Beesley to “Team Takai” dated April 11, 2016, also indicates some involvement in areas such as  
 3 campaign staffing, office space, finances, events, and assessing primary and general election  
 4 challengers.<sup>23</sup>

5 **B. The Committee’s Activities During the Period Between Takai’s Withdrawal  
 6 from the Election and March 15, 2017**

7 On May 19, 2016, Congressman Takai announced that he was no longer seeking  
 8 re-election due to a serious illness.<sup>24</sup> He withdrew from the race on June 1, 2016.<sup>25</sup> Shortly  
 9 thereafter, he and Beesley amended the Strategic Consulting Contract. The updated agreement  
 10 retained Lanakila’s obligations to provide strategic and political consulting, and branding,  
 11 communications, and media affairs consulting, but it removed the responsibility for designing  
 12 and executing the campaign launch and replaced it with a directive to “[o]versee the wind down”  
 13 of the Committee.<sup>26</sup> There was no change to Lanakila’s monthly fee of \$5,500 plus tax,<sup>27</sup> but the

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<sup>20</sup> Joint Production at 00180; New Blue Interactive, *Our Work*, <https://www.newblueinteractive.com/our-work/> (last visited Apr. 7, 2022).

<sup>21</sup> Joint Production at 00180; CFO Consultants, *Home*, <http://www.cfoconsults.com/> [<https://web.archive.org/web/20160215180245/http://www.cfoconsults.com/>]. Although it appears that the complete name for this vendor is CFO Consulting Group, throughout the Joint Production it is referred to as “CFO Compliance,” so for consistency it is referred to as CFO Compliance in this Brief.

<sup>22</sup> Joint Production at 00180; Normington, Petts & Associates, *Home*, <https://www.normingtonpetts.com/> (last visited Apr. 7, 2022).

<sup>23</sup> Joint Production at 00178-79.

<sup>24</sup> Committee F&LA at 3.

<sup>25</sup> Joint Production at 00565 (signed and dated Candidate Withdrawal Form).

<sup>26</sup> Compare *id.* at 00019 (Consulting Agreement dated February 10, 2016), with *id.* at 00026 (First Amendment to Consulting Agreement dated June 14, 2016).

<sup>27</sup> See *id.* at 00027 (describing fees).

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1 updated contract removed the set term of the agreement and instead provided that it would  
 2 continue until terminated by the Committee or Lanakila.<sup>28</sup>

3           The Committee's wind down initially progressed quickly. A June 9, 2016, memo from  
 4 Beesley to Congressman Takai and his wife, Sami Takai, indicates that Beesley had already  
 5 terminated or renegotiated some of the Committee's vendor agreements, as well as its lease,<sup>29</sup>  
 6 and that the Committee hired a new employee, Paula MacCutcheon, who was "handling the day-  
 7 to-day operations with oversight from [Beesley]."<sup>30</sup> The memo also identifies outstanding items,  
 8 such as terminating an insurance policy, seeking a refund of a security deposit, and refunding  
 9 contributions.<sup>31</sup> The Committee was also considering sending out a mailer and undertaking  
 10 some digital and social media work.<sup>32</sup>

11           Beesley updated the Takais on the wind down a week later, in a June 18, 2016, memo.  
 12 He reported that he was, among other tasks, working with MacCutcheon to prepare and send  
 13 refunds; coordinating replacement of Takai's yard signs; considering a data sale or swap; and  
 14 had taken over as treasurer of Takai's leadership PAC, Mahalo PAC.<sup>33</sup>

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<sup>28</sup>       *Compare id.* at 00019, *with id.* at 00026. Beesley described this change in a memo to the Congressman and Sami Takai as allowing him to "help you through the end of your term, or until you decide it's time to end the contract." *See id.* at 00590 (memo from Beesley to Congressman and Sami Takai dated June 18, 2016).

<sup>29</sup>       *Id.* at 00570 (stating that Beesley had negotiated a revised agreement with New Blue Interactive and terminated a contract with Eckert & Associates); *id.* at 03446 (May 31, 2016 letter from Beesley to New Blue Interactive memorializing change in agreement); *id.* at 03447 (June 1, 2016 letter from Beesley to Eckert & Associates memorializing contract termination).

<sup>30</sup>       *Id.* at 00570 (stating that MacCutcheon "has hit the ground running").

<sup>31</sup>       *Id.* at 00570-71.

<sup>32</sup>       *Id.* at 00571-72.

<sup>33</sup>       *Id.* at 00590-92. A leadership PAC is "a political committee that is directly or indirectly established, financed, maintained or controlled by a candidate for Federal office or an individual holding Federal office but which is not an authorized committee of the candidate or individual and which is not affiliated with an authorized committee of the candidate or individual, except that [a] leadership PAC does not include a political committee of a political party." 11 C.F.R. § 100.5(e)(6).

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1        The June 18 memo also suggests that Beesley was aware that certain uses of campaign  
 2 funds were prohibited. For example, he stated that he had confirmed that a mailer the Committee  
 3 was contemplating was “an acceptable wind down expenditure.”<sup>34</sup> He also advised the Takais  
 4 that they could donate remaining funds to a charity, so long as it did not compensate Takai’s  
 5 family or his official or campaign staffs.<sup>35</sup>

6        In mid-July 2016, Beesley provided Congressman Takai with a further status update. It  
 7 shows that all remaining letters on contribution refunds had been prepared, and that there was  
 8 some work remaining to dispose of signage, oversee a website redesign, and conduct a data clean  
 9 up.<sup>36</sup> It also indicates that Beesley expected to have a “[c]atch-up meeting” with Takai, although  
 10 it is unclear whether the meeting took place.<sup>37</sup> Congressman Takai passed away on July 20,  
 11 2016.<sup>38</sup>

12        Calendar invitations for the rest of 2016 show Beesley engaged in calls and meetings that  
 13 appear to be Committee business.<sup>39</sup> Beesley became the Committee’s treasurer on September 8,  
 14 2016, at the request of Sami Takai, with no adjustment in compensation.<sup>40</sup> Documents in the  
 15 record also show that Beesley was working with the Committee’s vendors to complete tax

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<sup>34</sup>        Joint Production at 00592.

<sup>35</sup>        *Id.* at 00593.

<sup>36</sup>        *Id.* at 02308-09 (Memo from Beesley to Congressman Takai dated July 18, 2016); *see id.* at 03575 (email from Congressman Takai to Beesley containing directions on refunding contributions).

<sup>37</sup>        *Id.* at 02309.

<sup>38</sup>        Associated Press, *Mark Takai, First-Term Congressman from Hawaii, Dies at 49*, N.Y. TIMES, July 20, 2016.

<sup>39</sup>        *E.g.*, Joint Production at 02361 (showing September 9, 2016, meeting “re KMT Bank Account”).

<sup>40</sup>        Committee Resp. at 2; Joint Production at 02399 (Letter to Bank of Hawai’i describing Beesley’s appointment); Mark Takai for Congress, Amended Statement of Organization at 1 (Sept. 8, 2016), <https://docquery.fec.gov/pdf/784/201609089030751784/201609089030751784.pdf>.

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1 documents and close out invoices,<sup>41</sup> issuing additional refunds,<sup>42</sup> disposing of Committee  
 2 assets,<sup>43</sup> and reviewing draft disclosure forms to be filed with the Commission.<sup>44</sup> Between  
 3 November 2016 and February 2017, Beesley worked with NGP Van, a platform the Committee  
 4 used to track some financial and compliance data, to cancel email and online contribution  
 5 services the Committee was receiving, with the result that the Committee's quarterly bill from  
 6 NGP Van dropped from \$3,000 to \$750.<sup>45</sup>

7 The Committee's disclosure forms show that the last payroll payment to MacCutcheon  
 8 was disbursed on October 14, 2016,<sup>46</sup> but Beesley was not conducting the Committee's business  
 9 alone after that point. CFO Compliance, a vendor, was responsible for preparing the  
 10 Committee's disclosure reports, which Beesley reviewed, and it also assisted Beesley with using  
 11 NGP Van.<sup>47</sup> Emails around the end of 2016 and early 2017 also indicate that Sami Takai was

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<sup>41</sup> Joint Production at 02400 (November 2016 emails between Beesley and Allison Murray of CFO Compliance regarding Form 1099s); *id.* at 02422-25 (November 2016 – February 2017 emails between Beesley and NGP Van regarding amended contract and invoice); *id.* at 02488 (December 2016 email from Beesley to Perkins Coie asking about balance due).

<sup>42</sup> *Id.* at 02403 (November 26, 2016, letter from Beesley to donor showing refund of contribution); *id.* at 02434 (December 2016 email from Beesley to Sami Takai regarding follow up calls for uncashed refund checks); *id.* at 02438 (December 16, 2016, letter from Beesley to contributor regarding uncashed refund check).

<sup>43</sup> *E.g.*, *id.* at 03878 (September 12, 2016, letter from Beesley to another campaign regarding in-kind donation of wood and PVC pipes to hold campaign signs).

<sup>44</sup> *Id.* at 02411 (showing emails in November and December 2016 between Beesley and Allison Murray of CFO Compliance regarding a report for Mahalo PAC, Takai's leadership PAC).

<sup>45</sup> *Id.* at 03955 (August 1, 2016, invoice to Committee showing quarterly fee of \$3,000) *id.* at 03999 (February 1, 2017, invoice to Committee showing new rate of \$250 per month); *id.* at 02422-25 (emails among Edie Zornes of NGP Van, Beesley, and others discussing new pricing of \$250 per month).

<sup>46</sup> Mark Takai for Congress, 2016 Year-End Report at 11 (Jan. 31, 2017), <https://docquery.fec.gov/pdf/183/201701319042137183/201701319042137183.pdf#navpanes=0>.

<sup>47</sup> *E.g.*, Joint Production at 03233 (January 2017 emails showing Murray sending Committee's 2016 Year-End Report for Beesley's review); *id.* at 02463 (CFO Compliance providing instructions on entering re-issued refund checks in NGP Van).

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1 responsible for issuing some of the Committee's checks and authorizing payment on invoices  
 2 from vendors, including Lanakila.<sup>48</sup>

3 By the end of 2016, approximately five months into the safe harbor period, documents  
 4 produced by the Committee and its disclosure reports both suggest that there was little wind-  
 5 down work remaining. For example, the Committee had reported issuing 71 contribution  
 6 refunds in July 2016,<sup>49</sup> but by the end of that year refunds had slowed to a trickle — the  
 7 Committee issued only three in December 2016.<sup>50</sup>

8 On December 23, 2016, Beesley met with Sami Takai about the “campaign wind-  
 9 down.”<sup>51</sup> Notes indicate that the meeting covered an idea for a student leader development  
 10 institute and plans for “file/paper retention.”<sup>52</sup> It also covered contribution refunds, of which the  
 11 notes say there were a “[h]andful remaining,” a suggestion to terminate Mahalo PAC, and the  
 12 question of whether Sami Takai would like to transfer most of the Committee’s remaining  
 13 \$400,000 “to [the] charitable vehicle you settled on?”<sup>53</sup> The Committee also produced what

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<sup>48</sup> *Id.* at 02434 (December 8, 2016, email from Sami Takai asking Beesley “[D]o I need to pay anything to NGP? And what about to you?”); *id.* at 02473 (December 21, 2016, email from Sami Takai to Beesley giving authorization for payment of a Lanakila invoice).

<sup>49</sup> Mark Takai for Congress, Oct. 2016 Quarterly Report at 19-43 (Oct. 15, 2016), <https://docquery.fec.gov/pdf/855/201610159032636855/201610159032636855.pdf#navpanes=0>.

<sup>50</sup> Mark Takai for Congress, 2016 Year-End Report at 15-17 (Dec. 31, 2016), <https://docquery.fec.gov/pdf/183/201701319042137183/201701319042137183.pdf#navpanes=0>.

<sup>51</sup> Joint Production at 02474 (showing handwritten notes of meeting topics); *id.* at 02485 (calendar invitation for “Mtg w Sami Takai” on December 23, 2016).

<sup>52</sup> *Id.* at 02474.

<sup>53</sup> *Id.*; see *id.* at 03459-60 (showing apparent script and notes for Beesley making calls about uncashed refund checks in December 2016); *id.* at 03513 (showing apparent call list for December 2016 regarding outstanding refund checks). The statement regarding funds to be directed to charity almost certainly refers to the Committee, as Mahalo PAC’s 2016 Year-End Report shows its cash on hand was just over \$1,000. Mahalo PAC, 2016 Year-End Report at 2 (Jan. 13, 2017), <https://docquery.fec.gov/pdf/988/201701139041385988/201701139041385988.pdf>. The Committee’s reported cash-on-hand was approximately \$398,000. Mark Takai for Congress, 2016 Year-End Report at 2 (Jan. 31, 2017), <https://docquery.fec.gov/pdf/183/201701319042137183/201701319042137183.pdf>.

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1 appear to be handwritten notes related to the meeting, which state “501(c)(3) – GK setting up,”  
 2 likely referring to the role of Gary Kai, Sami Takai’s father, in establishing the charity.<sup>54</sup>

3           In January 2017, Beesley informed Murray of CFO Compliance that, even if Sami Takai  
 4 opted to keep Mahalo PAC open, he did not “expect there will be much activity.”<sup>55</sup> That same  
 5 month, Sami Takai decided to terminate the PAC.<sup>56</sup> Documents indicate that there was also  
 6 discussion around this time of shutting down the Committee. Beesley informed Murray that  
 7 “[w]e are thinking shutdown of the main committee by March 31” and noted that when he met  
 8 with Sami Takai the previous month “the nonprofit hadn’t been set up yet and there are still a  
 9 few small outstanding things I need to finish on refunds and the recordkeeping.”<sup>57</sup> He asked  
 10 CFO Compliance to extend its contract through March 31st or the Committee’s termination and  
 11 negotiated to reduce CFO Compliance’s monthly fee from \$1,250 to \$500.<sup>58</sup>

12           Beesley contacted Sami Takai in January 2017 to follow up on their December meeting.  
 13 He posed several questions about checks and invoices, including asking for approval of  
 14 Lanakila’s February bill.<sup>59</sup> He also informed Sami Takai of the change in CFO Compliance’s  
 15 rates “until we close out the committee,”<sup>60</sup> and noted they could “initiate a partial transfer of the  
 16 majority of the excess funds whenever the nonprofit vehicle has been established and you are

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<sup>54</sup>           Joint Production at 03953; Committee Resp. at 1 n.1 (explaining relationship between Sami Takai and Gary Kai).

<sup>55</sup>           Joint Production at 03209.

<sup>56</sup>           *Id.* at 03230.

<sup>57</sup>           *Id.* at 03258 (January 2017 emails between Beesley and Murray).

<sup>58</sup>           *Id.* at 03259-60; *see id.* at 02479 (showing CFO’s November and December 2016 invoices were each \$1,250).

<sup>59</sup>           *Id.* at 03225 (attaching invoice for \$5,759.16 for “Strategic Consulting Services” to be provided February 1-28, 2017).

<sup>60</sup>           *Id.* Beesley apparently misstated the new rate as \$750 per month, rather than \$500 per month as he had agreed with Murray. *Id.*; *id.* at 03259.

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1 ready to move. No rush, just wanted you to know that this is still an option.”<sup>61</sup> Other documents  
 2 produced by the Committee appear to show that, by this point in late January 2017, there were  
 3 only 10 refund checks outstanding,<sup>62</sup> and Beesley made calls and prepared letters to re-issue  
 4 some of those checks.<sup>63</sup> CFO Compliance continued to prepare the Committee’s disclosure  
 5 reports, with Beesley reviewing them.<sup>64</sup>

6           In February 2017, seven months after Congressman Takai’s death, Beesley informed  
 7 Sami Takai that “as promised” he had worked with CFO Compliance “to close out Mahalo PAC”  
 8 and asked for a meeting “to talk final steps.”<sup>65</sup> The meeting apparently took place on March 15,  
 9 2017.<sup>66</sup> At the end of March, Murray emailed Beesley “to check in about the campaign  
 10 account.”<sup>67</sup> She wrote that she recalled him “mentioning that the goal was to close out by the  
 11 end of March” and asked whether they were “still on track for that.”<sup>68</sup> Beesley replied that  
 12 “Sami hasn’t set up the foundation yet. Honestly, I think it could be a few more months because  
 13 she doesn’t seem to be in a hurry.”<sup>69</sup>

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<sup>61</sup>           *Id.* at 03225.

<sup>62</sup>           *Id.* at 03231-32.

<sup>63</sup>           *E.g.*, *id.* at 03262 (unsigned letter dated January 27, 2017); *id.* at 03514-15 (showing what appear to be notes of calls made on January 26, 2017, regarding refunds); *id.* at 03523-25 (showing checks for reissued refunds, dated January 27, 2017).

<sup>64</sup>           *Id.* at 03233 (January 2017 emails between Beesley and Murray regarding Committee’s year-end report).

<sup>65</sup>           *Id.* at 03283-85. Mahalo PAC terminated on April 15, 2017. Mahalo PAC, Termination Report (Apr. 15, 2017), <https://docquery.fec.gov/pdf/660/201704159052252660/201704159052252660.pdf>; Letter from Joshua Rebollozo, FEC, to Dylan Beesley, Mahalo PAC (Apr. 25, 2017), <https://docquery.fec.gov/pdf/106/201704250300085106.pdf> (stating that the Commission has accepted the Committee’s termination).

<sup>66</sup>           Joint Production at 03333. Emails between Beesley and Sami Takai show that the meeting was at one point planned for March 13, 2017. *Id.* at 03284. However, Beesley’s calendar shows it was scheduled for March 15, 2017. *Id.* at 03333.

<sup>67</sup>           *Id.* at 03332.

<sup>68</sup>           *Id.*

<sup>69</sup>           *Id.*

1                   **C.     The Committee's Activities after March 15, 2017**

2                   Beesley's duties for the Committee appear to have been minimal after his March 15,  
 3                   2017, meeting with Sami Takai. He exchanged occasional emails with CFO Compliance about  
 4                   Committee payments,<sup>70</sup> wrote checks to a small number of vendors, including Lanakila,<sup>71</sup> and  
 5                   reviewed quarterly disclosure reports that CFO Compliance had prepared (all of which contained  
 6                   minimal or no receipts and limited disbursements, mostly to Lanakila).<sup>72</sup> He occasionally  
 7                   corresponded with Sami Takai about Committee business, largely payments to Lanakila, CFO  
 8                   Compliance, and NGP Van.<sup>73</sup> Finally, he appears to have handled some one-time tasks, such as  
 9                   looking for someone to take leftover disposable phones,<sup>74</sup> filing a notice with the State of  
 10                   Hawaii,<sup>75</sup> and reopening the Committee's NGP Van account after it was cut off, a situation he  
 11                   explained to CFO Compliance as "my fault because I left the negotiations with our former  
 12                   account rep unresolved."<sup>76</sup> He requested to reopen the account only one week per month, so that  
 13                   CFO Compliance could enter expenses and prepare reports, which would apparently reduce the

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<sup>70</sup>                   *E.g.*, *id.* at 03335 (April 2017 emails between Beesley and Murray).

<sup>71</sup>                   *Id.* at 03424-26 (April 2017 checks to NGP Van, CFO Compliance, and Lanakila); *id.* at 03427-28 (May 2017 checks to CFO Compliance and Lanakila); *id.* at 03429-30 (June 2017 checks to CFO Compliance and Lanakila); *id.* at 03374-75 (July 2017 check to CFO Compliance); *id.* at 03376 (July 2017 check to Lanakila); *id.* at 03377-79 (August 2017 checks to CFO Compliance and Lanakila); *id.* at 03380-82 (September 2017 checks to CFO Compliance and Lanakila); *id.* at 03445 (October 2017 checks to CFO Compliance and Lanakila); *id.* at 03433-34 (November 2017 checks to CFO Compliance and Lanakila); *id.* at 03435-36 (December 2017 checks to CFO Compliance and Lanakila).

<sup>72</sup>                   *Id.* at 03337 (April 2017 emails regarding "Q1 FEC report"); *id.* at 03365 (July 2017 emails regarding "Q2 FEC report"); *id.* at 03383 (October 2017 emails regarding "Q3 FEC report"); *see* Mark Takai for Congress, April 2017 Quarterly Report (Apr. 5, 2017); Mark Takai for Congress, July 2017 Quarterly Report (July 15, 2017); Mark Takai for Congress, October 2017 Quarterly Report (Oct. 13, 2017).

<sup>73</sup>                   Joint Production at 03354-55 (April 20, 2017, email between Beesley and Sami Takai regarding invoice from NGP Van); *id.* at 03357 (April 22, 2017, email from Beesley to Sami Takai regarding checks).

<sup>74</sup>                   *Id.* at 03363 (May 2017 emails with Sami Takai).

<sup>75</sup>                   *Id.* at 03451 (form dated June 1, 2017, indicating that the Committee continued in operation but no longer had employees).

<sup>76</sup>                   *Id.* at 03392.

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1 Committee's payments to NGP Van from \$250 to \$150 per month.<sup>77</sup> Throughout this period, he  
2 continued to bill the Committee and be paid Lanakila's full monthly fee of \$5,759.16.<sup>78</sup>

3 All told, between March 15, 2017, and the end of that year the Committee reported  
4 making 31 disbursements totaling \$64,405.70.<sup>79</sup> Ten of those disbursements were made to  
5 Lanakila, for a total of \$57,591.60, or approximately 89% of the Committee's total  
6 disbursements during that time.<sup>80</sup> The remaining disbursements were payments to CFO  
7 Compliance, NGP Van, and a recurring \$35 charge to Google Apps for "web expenses."<sup>81</sup> By  
8 comparison, during the winding-down period from July 20, 2016, to March 15, 2017, the  
9 Committee made 78 disbursements, including a number of reissued contribution refunds, totaling  
10 \$103,733.14; of this amount, payments to Lanakila totaled \$46,193.80, or approximately 45% of  
11 the total.<sup>82</sup>

12 The charity intended to receive the Committee's remaining funds was not established in  
13 2017, and documents produced by the Committee support the notes from Beesley and Sami  
14 Takai's December 2016 meeting stating that Gary Kai was setting up the organization.  
15 Specifically, in May 2017, Kai contacted Beesley and Sami Takai to ask whether campaign

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<sup>77</sup> *Id.* at 03394-95 (December 2017 emails between Beesley and NGP Van showing request to reopen account one week per month); *id.* at 03784 (showing NGP Van billed Committee \$250 per month for May – October 2017); *id.* at 03785 (showing NGP Van billed Committee \$150 for a "1 week temporary reopen" in December 2017).

<sup>78</sup> *Supra* note 71 (listing checks and invoices to Lanakila between April and December 2017); Committee F&LA at 4.

<sup>79</sup> *FEC Disbursements: Filtered Results*, FEC.GOV, [https://www.fec.gov/data/disbursements/?data\\_type=processed&committee\\_id=C00548131&min\\_date=03%2F15%2F2017&max\\_date=12%2F31%2F2017](https://www.fec.gov/data/disbursements/?data_type=processed&committee_id=C00548131&min_date=03%2F15%2F2017&max_date=12%2F31%2F2017) (Committee disbursements filtered for date range 03/15/2017 – 12/31/2017).

<sup>80</sup> *Id.*

<sup>81</sup> *Id.*

<sup>82</sup> *FEC Disbursements: Filtered Results*, FEC.GOV, [https://www.fec.gov/data/disbursements/?data\\_type=processed&committee\\_id=C00548131&min\\_date=07%2F20%2F2016&max\\_date=03%2F15%2F2017](https://www.fec.gov/data/disbursements/?data_type=processed&committee_id=C00548131&min_date=07%2F20%2F2016&max_date=03%2F15%2F2017) (Committee disbursements filtered for date range 07/20/2016 – 03/15/2017). Of the \$103,733.14 total, \$13,200 is attributable to contribution refunds that the Committee voided and reissued during the winding-down period. *Id.*

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1 funds could be “deposited in an account for an entity that will be seeking approval as a  
 2 501c3?”<sup>83</sup> Beesley responded “long time no talk,” indicated that he would check on  
 3 requirements for transferring the funds, and asked Kai which entity the contribution would go  
 4 to.<sup>84</sup> In response, Kai stated “[w]e are in the process of creating one which could be done in a  
 5 few days. The lengthy process is getting the IRS 501c3 designation.”<sup>85</sup> Beesley then informed  
 6 him that “[t]his much is clear to me — we can make a contribution to a 501c3” and also wrote  
 7 that the Committee could make charitable contributions under certain circumstances.<sup>86</sup> He asked  
 8 Sami Takai if he should contact counsel to approve the arrangement.<sup>87</sup> It is unclear whether she  
 9 responded, and documents produced by the Committee do not show any further involvement by  
 10 Beesley or Lanakila in establishing the 501(c)(3) organization.

#### 11           **D.       Press Coverage and Renegotiation of Lanakila's Contract**

12           On January 10, 2018, the *Honolulu Star Advertiser* reportedly contacted Beesley to  
 13 comment on the Committee's continued payments to Lanakila 18 months after Congressman  
 14 Takai's death.<sup>88</sup> He is quoted as stating that, following the Congressman's death, “the campaign  
 15 continues to have surplus funds and filing obligations with the Federal Election Commission”  
 16 and that it “needs some personnel to continue to manage its affairs and meet these and other  
 17 obligations until it finally disposes of its funds and terminates its registration.”<sup>89</sup>

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83           Joint Production at 03359.

84           *Id.*

85           *Id.* at 03360.

86           *Id.* at 03361.

87           *Id.*

88           Nanea Kalani, *Payments by Takai's Campaign Questioned*, HONOLULU STAR ADVERTISER, Jan. 12, 2018 (stating that Beesley was “[r]eached for comment by phone Wednesday,” which would have been January 10, 2018).

89           *Id.*

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1        The next day, January 11, 2018, the K. Mark Takai Foundation registered as a nonprofit  
 2 corporation with the State of Hawaii.<sup>90</sup> The foundation was later granted federal tax-exempt  
 3 status under Internal Revenue Code Section 501(c)(3), with an effective date of January 11,  
 4 2018.<sup>91</sup> On January 24, 2018, the Committee amended its Statement of Organization to  
 5 designate Gary Kai as its Deputy Treasurer.<sup>92</sup>

6        Lanakila received its usual fee of \$5,759.16 for January 2018, due to an invoice Beesley  
 7 had submitted and paid the prior month.<sup>93</sup> Aside from a calendar invitation reflecting that  
 8 Beesley had a call about "Next Steps on Complaint," which potentially refers to this matter, his  
 9 activities for the Committee that month continued to be limited.<sup>94</sup> He prepared a letter and check  
 10 for a single outstanding refund from the Committee's account<sup>95</sup> and paid the CFO Compliance  
 11 bill.<sup>96</sup> He did not, however, appear to invoice the Committee for Lanakila's full fee in February,  
 12 nor did he send an invoice for Lanakila's full fee the following month.

13        In March 2018, Beesley and Gary Kai exchanged emails in which they renegotiated  
 14 Lanakila's monthly fee from \$5,759.16 to \$750. Kai asked, "What would you consider a  
 15 reasonable amount of compensation-the lower the better for obvious reasons," to which Beesley

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<sup>90</sup>        Hawaii Business Express, *K. Mark Takai Foundation*, <https://hbe.ehawaii.gov/documents/business.html?fileNumber=287547D2&view=info> (last visited Apr. 7, 2022).

<sup>91</sup>        Determination Letter from Internal Revenue Service to K. Mark Takai Foundation (Mar. 27, 2018), <https://apps.irs.gov/app/eos/detailsPage?ein=824524922&name=K%20Mark%20Takai%20Foundation&city=Honolulu&state=HI&countryAbbr=US&dba=&type=CHARITIES.%20DETERMINATIONLETTERS.%20COPYOFRETURNS&orgTags=CHARITIES&orgTags=DETERMINATIONLETTERS&orgTags=COPYOFRETURNS> (last visited Apr. 7, 2022).

<sup>92</sup>        Mark Takai for Congress, Amended Statement of Organization at 4 (Jan. 24, 2018), <https://docquery.fec.gov/pdf/176/201801249090602176/201801249090602176.pdf>.

<sup>93</sup>        Joint Production at 03435.

<sup>94</sup>        *Id.* at 03401.

<sup>95</sup>        *Id.* at 03461.

<sup>96</sup>        *Id.* at 03437.

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1 initially responded, “I thought a little less than half of my current \$5759.”<sup>97</sup> Beesley indicated  
 2 that he had prepared a document setting the fee at \$2,500 per month, which appears to refer to a  
 3 draft contract extension that amends the fee but does not adjust Lanakila’s duties to the  
 4 Committee or the unlimited term of the contract.<sup>98</sup> Kai responded, however, that “I am not sure  
 5 that I could recommend that to Sami [Takai]” and asked how many hours per week Beesley was  
 6 working for the Committee.<sup>99</sup> Beesley did not answer the question and instead stated that while  
 7 he preferred “not to take anything” the “FEC says the campaign has to pay me at fair market  
 8 value.”<sup>100</sup> He then proposed \$750 a month, which he said “puts me just a little ahead of the  
 9 accountants at \$500 per month.”<sup>101</sup> Kai agreed,<sup>102</sup> and it appears that another amended  
 10 agreement was prepared that, again, changed only the fee and left Lanakila’s duties and the  
 11 unlimited term of the contract unchanged.<sup>103</sup> The Committee paid Lanakila \$750 per month for  
 12 February, March, and April 2018 before ceasing payments to it.<sup>104</sup> The Committee reported  
 13 disbursing \$250,000 to the K. Mark Takai Foundation on April 27, 2018, leaving it with  
 14 approximately \$36,000 cash on hand.<sup>105</sup>

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<sup>97</sup> Supp. Production at 004086.

<sup>98</sup> *Id.*; *see id.* at 004088-89 (proposed Second Amendment to Consulting Agreement).

<sup>99</sup> *See id.* at 004085-86.

<sup>100</sup> *Id.* at 004085.

<sup>101</sup> *Id.*

<sup>102</sup> *Id.* at 004105.

<sup>103</sup> Joint Production at 00029-30 (signed only by Beesley).

<sup>104</sup> *Id.* at 03440 (February and March 2018); *id.* at 03781 (April 2018).

<sup>105</sup> Mark Takai for Congress, July 2018 Quarterly Report at 2, 8 (July 15, 2018), <https://docquery.fec.gov/pdf/694/201807159115687694/201807159115687694.pdf>.

1     **III.    LEGAL ANALYSIS**2       **A.      Personal Use**

3           The Federal Election Campaign Act of 1971, as amended (the “Act”), provides that a  
 4     contribution accepted by a candidate may not be converted to personal use.<sup>106</sup> The Act and the  
 5     Commission’s regulations set out certain expenses that are *per se* personal use, while others are  
 6     evaluated on a case-by-case basis to determine if funds have been used “to fulfill any  
 7     commitment, obligation, or expense of a person that would exist irrespective of the candidate’s  
 8     election campaign or individual’s duties as a holder of Federal office.”<sup>107</sup> Under this analysis,  
 9     the Commission may determine that all or only a portion of the relevant payments were  
 10    converted to personal use.<sup>108</sup> The Commission has stated that “[i]f the candidate can reasonably  
 11    show that the expenses at issue resulted from campaign or officeholder activities, the  
 12    Commission will not consider the use to be personal use.”<sup>109</sup>

13           The Commission’s regulations further provide that funds in a campaign account may be  
 14    used for certain non-campaign purposes, including the “ordinary and necessary expenses  
 15    incurred in connection with the recipient’s duties as a holder of Federal office,” such as “[t]he  
 16    costs of winding down the office of a former Federal officeholder for a period of 6 months after

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<sup>106</sup>       52 U.S.C. § 30114(b).

<sup>107</sup>       *Id.*; 11 C.F.R. § 113.1(g).

<sup>108</sup>       The Commission’s regulations anticipate that a disbursement may be only partially converted to personal use. *See, e.g.*, 11 C.F.R. § 113.1(g)(1)(ii)(C) (“If a committee uses campaign funds to pay expenses associated with travel that involves both personal activities and campaign or officeholder-related activities, the incremental expenses that result from the personal activities are personal use” unless timely reimbursed.); *see also* F&LA at 10, MUR 7292 (Clifford “Cliff” B. Stearns, *et al.*) (finding reason to believe “that at least certain disbursements may constitute impermissible personal use of campaign funds in whole or in part”).

<sup>109</sup>       Expenditures; Reports by Political Committees; Personal Use of Campaign Funds, 60 Fed. Reg. 7,862, 7,867 (Feb. 9, 1995) (“Personal Use E&J”).

1 he or she leaves office," as well as "any other lawful purpose, unless such use is personal use."<sup>110</sup>

2 The Commission has also applied the six-month safe harbor period to winding down costs

3 associated with a former officeholder's campaign office.<sup>111</sup> Specifically, the Commission has

4 advised that winding-down costs include "the 'necessary administrative costs' of terminating a

5 campaign or congressional office, such as office space rental, staff salaries and office

6 supplies."<sup>112</sup> Although the Commission's regulations provide for a six-month safe harbor after

7 leaving office, the Commission has explained that this "does not preclude a former officeholder

8 who can demonstrate that he or she has incurred ordinary and necessary winding down expenses

9 more than six months after leaving office from using campaign funds to pay those expenses."<sup>113</sup>

10 **B. The Committee Appears to Have Engaged in Ordinary and Necessary**  
 11 **Winding-Down Activities from July 2016 through March 15, 2017**

12 Congressman Takai passed away while in office on July 20, 2016. Accordingly, the six-

13 month winding-down period would have begun at that time and expired in late January 2017,

14 unless the Committee continued to incur "ordinary and necessary" winding-down expenses.<sup>114</sup>

15 The record in this matter shows that Beesley and Lanakila were engaged in winding-

16 down activities for the Committee following Takai's withdrawal from the race and potentially as

17 late as Beesley's March 15, 2017, meeting with Sami Takai "to talk final steps," as thoroughly

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<sup>110</sup> 11 C.F.R. § 113.2(a)(2), (e).

<sup>111</sup> Committee F&LA at 7-8; Advisory Opinion 2013-05 at 3 (Gallegly).

<sup>112</sup> Advisory Opinion 2013-05 at 3 (Gallegly); *see* Advisory Opinion 1993-06 at 1, 5-6 (Panetta) (advising that committee could use campaign funds for expenses such as "telephone and clerical costs of winding down previous campaign activity" up to six months after officeholder resigned).

<sup>113</sup> Personal Use E&J at 7,873.

<sup>114</sup> *Id.*

1 detailed above.<sup>115</sup> For example, they terminated Committee vendor agreements,<sup>116</sup> refunded  
 2 contributions,<sup>117</sup> and disposed of Committee assets.<sup>118</sup> However, as discussed below, after the  
 3 March 15, 2017, meeting Beesley and Lanakila engaged in only minimal winding-down  
 4 activities, and the campaign was virtually ready to terminate except for the simple matter of  
 5 waiting to donate remaining funds to a foundation that was to be set up by Sami Takai and Gary  
 6 Kai. Following that meeting, when Committee vendor CFO Compliance asked Beesley about  
 7 the “campaign account” and whether they were on track with the “goal . . . to close out by the  
 8 end of March,” the only remaining winding-down issue he raised was that “Sami hasn’t set up  
 9 the foundation yet.”<sup>119</sup>

10           **C. Beesley and Lanakila Had Little Involvement in the Committee’s Wind**  
 11           **Down after March 15, 2017**

12           After March 15, 2017, Beesley and Lanakila appear to have had only minimal duties and  
 13 responsibilities with respect to the Committee.<sup>120</sup> The Committee argues generally that Lanakila  
 14 was responsible for “developing and discussing options for the Committee’s ultimate support of  
 15 a new charitable foundation” that “Representative Takai’s spouse had considered using the  
 16 Committee’s remaining cash-on-hand to finance.”<sup>121</sup> But when asked to provide the  
 17 Commission with documents and accounts of conversations related to the eventual K. Mark  
 18 Takai Foundation, the Committee only referred the Commission generally to its Response and

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<sup>115</sup> See *supra* Part II.B.

<sup>116</sup> E.g., *supra* note 29 and accompanying text.

<sup>117</sup> E.g., *supra* note 31 and accompanying text.

<sup>118</sup> E.g., *supra* note 36 and accompanying text.

<sup>119</sup> Joint Production at 03332.

<sup>120</sup> See *supra* Part III.C.

<sup>121</sup> Committee Resp. at 2, 5.

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1 document production in this matter.<sup>122</sup> And in the thousands of pages of documents it produced  
 2 to the Commission, there is no indication that Beesley and Lanakila were responsible for this  
 3 final element of the wind-down effort.

4 Instead, the documents show that responsibility for the foundation rested with Sami Takai  
 5 and Gary Kai. This is substantiated by the notes related to Beesley's December 2016 meeting  
 6 with Sami Takai, which state "501(c)(3) – GK setting up,"<sup>123</sup> Beesley's email informing CFO  
 7 Compliance that "Sami hasn't set up the foundation yet,"<sup>124</sup> and the May 2017 emails in which  
 8 Kai asked Beesley and Sami Takai if campaign funds could be transferred to "an entity that will  
 9 be seeking approval as a 501c3" and indicated that "/w/e are in the process of creating one."<sup>125</sup>  
 10 Indeed, those May 2017 emails are the only instance in which Beesley seems to have been drawn  
 11 into discussion about the foundation, and then only apparently to check with an attorney on  
 12 requirements for transferring campaign funds.<sup>126</sup> It is unclear from the email exchange whether  
 13 Beesley ever requested such an opinion.

14 The evidence collected during the Commission's investigation therefore indicates that  
 15 Lanakila and Beesley had largely completed their responsibilities to the Committee on the  
 16 timeline Beesley had suggested to CFO Compliance, and that after mid-March 2017, the only  
 17 winding-down task remaining was not one for which Beesley and Lanakila were responsible.  
 18 The Committee was effectively dormant waiting for Kai and Sami Takai to act, except for

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<sup>122</sup> The Committee was asked to, for the relevant time period, "describe in detail any oral communications had by any officer, employee, consultant, representative, or agent of Mark Takai for Congress regarding the K. Mark Takai Foundation" and provide "copies of all documents and communications regarding the K. Mark Takai Foundation." Written Responses ¶¶ 10-11.

<sup>123</sup> Joint Production at 03953.

<sup>124</sup> *Id.* at 03332.

<sup>125</sup> *Id.* at 03359-60 (emphasis added).

<sup>126</sup> *Id.* at 03359-61.

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1 limited administrative tasks, such as approving the brief disclosure reports that CFO Compliance  
 2 prepared and issuing checks to a small number of vendors. In fact, Beesley had personally  
 3 overseen reductions in fees for two of those vendors as the Committee had less need of the  
 4 services they provided — CFO Compliance's fee went from \$1,250 to \$500 per month,<sup>127</sup> and  
 5 NGP Van's fee initially dropped from \$3,000 to \$750 quarterly, with a further reduction to \$150  
 6 per month in late 2017 after the Committee's access was cut off and Beesley had to request it be  
 7 restored on a limited basis.<sup>128</sup> A third vendor, Google Apps, received a nominal payment of  
 8 \$34.90 per month. The Committee's only other vendor was Lanakila, and it continued to collect  
 9 its full monthly fee of \$5,759.16 until January 2018.

10 **D. The Committee's Payments to Beesley and Lanakila After March 15, 2017  
 11 Were Partially Converted to Personal Use**

12 The Committee argues that it was not bound to a set winding-down period, because the  
 13 regulation establishing that period covers only the official office, not the campaign, of a former  
 14 officeholder.<sup>129</sup> However, the Commission has previously applied the winding-down period to a  
 15 candidate's campaign materials and office and "has not sanctioned an open-ended winding down  
 16 period for campaign committees."<sup>130</sup> Additionally, the six-month period is a safe harbor, not an  
 17 absolute bar to spending campaign funds beyond that point. As noted above, a candidate or  
 18 committee can continue to spend campaign funds past six months so long as they are used for  
 19 ordinary and necessary winding-down expenses. Here, however, Beesley and Lanakila's  
 20 winding-down responsibilities appear to have been largely complete after mid-March 2017,

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<sup>127</sup> *Supra* note 58 and accompanying text.

<sup>128</sup> *Supra* notes 45 and 77 and accompanying text.

<sup>129</sup> Committee Resp. at 3.

<sup>130</sup> Committee F&LA at 8 n.41.

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1 leaving only the few administrative tasks Beesley handled while waiting for the foundation to be  
2 established.

3 Moreover, even if the expiration of the winding-down period did not apply, the  
4 Commission would still consider whether the expenditures to Beesley and Lanakila constitute  
5 personal use under the irrespective analysis — that is, whether the payments fulfill a  
6 commitment, obligation, or expense that would exist irrespective of the candidate's campaign or  
7 duties as a federal officeholder.<sup>131</sup> The available evidence suggests that following the March 15,  
8 2017, meeting, Beesley's obligations to the Committee were largely complete, as the only  
9 remaining winding-down project was handled by Sami Takai and Gary Kai. Additionally,  
10 because the candidate was deceased and Beesley, on the Committee's behalf, had accordingly  
11 terminated or significantly reduced its relationships with all of its vendors except Lanakila, there  
12 was no reasonable expectation that new responsibilities would arise over time as might be the  
13 case, for example, with a consultant kept on retainer between cycles in expectation of a future  
14 campaign.

15 That Lanakila and Beesley were being paid for work they were largely no longer  
16 performing for the Committee after mid-March 2017 is underscored by Beesley's email  
17 exchanges with Gary Kai about the reduction in Lanakila's monthly fee.<sup>132</sup> The record in this  
18 matter does not indicate that Beesley and Lanakila's responsibilities to the Committee underwent  
19 any significant changes between mid-to-late 2017, when Beesley was invoicing the Committee  
20 for \$5,759.16 a month, and March 2018, when he and Kai renegotiated Lanakila's fee. And in

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<sup>131</sup> *Id.* at 8; 52 U.S.C. § 30114(b); 11 C.F.R. § 113.1(g)(1)(ii).

<sup>132</sup> See Supp. Production at 004085-86 (Beesley first proposing a monthly fee of \$2,500, which Kai rejected, and then proposing \$750 per month and advising Kai "the campaign has to pay me at fair market value").

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1 March 2018, Kai determined that he could not recommend paying Lanakila at even half of its  
 2 previous rate. Rather, the Committee agreed to pay Lanakila \$750 per month, which Beesley  
 3 offered after informing Kai that he had to receive the fair market value of his services.<sup>133</sup>

4 The Committee contends that the fee reduction resulted from “news articles wrongly  
 5 disparaging Mr. Beesley, Lanakila, and the campaign by suggesting the personal use of  
 6 campaign funds.”<sup>134</sup> But that rationale only suggests that the Committee was aware that the  
 7 continued \$5,759.16 payments to Lanakila did not appear appropriate more than 18 months after  
 8 Congressman Takai’s death. Additionally, the Committee argues that the fee reduction was a  
 9 response to “the establishment of the K. Mark Takai Foundation . . . which diminished the need  
 10 for the services Lanakila was providing to the Committee.”<sup>135</sup> The Committee offers no details,  
 11 however, on what “services” this refers to, whereas the documents the Committee produced in  
 12 this matter offer a clear picture — Beesley and Lanakila were performing only limited  
 13 administrative duties for the Committee, such as paying the few remaining vendors and signing  
 14 brief disclosure reports, until such time as Sami Takai and Gary Kai established the foundation.

15 Finally, the Committee argues that the Commission “has consistently declined to second-  
 16 guess candidate and campaign decision-making about whether they have overpaid their  
 17 consultants and staff” and should not do so here.<sup>136</sup> Certainly, the Commission has recognized  
 18 that candidates and committees have “latitude to retain services and compensate staff within

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<sup>133</sup> *Id.*

<sup>134</sup> Letter from Brian G. Svoboda and Shanna M. Reulbach, Counsel for the Committee, and William Pittard, Counsel for Lanakila and Beesley, to Laura Conley, FEC, at 1 (Aug. 20, 2021).

<sup>135</sup> *Id.*

<sup>136</sup> Committee Resp. at 3.

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1 commercially reasonable bounds,”<sup>137</sup> but that latitude does not extend to personal use.

2 Additionally, the personal use allegation in this matter is not a question of whether the

3 Committee was mistaken in its valuation of the work that Beesley and Lanakila would do under

4 the amended Strategic Consulting Contract. Rather, the issue is whether it was permissible for

5 Beesley and Lanakila to continue collecting a substantial monthly fee from the Committee for a

6 significant period of time past the point at which their work was all but complete, when there

7 was no reasonable prospect of increased work in the future, and when Beesley himself would

8 later assess the fair market value of that level of work at \$750 per month.

9 Moreover, the precedent the Committee relies on to support the permissibility of the

10 continued payments to Beesley and Lanakila is inapt or unpersuasive. The Committee points to

11 MUR 6275 (Massa for Congress, *et al.*), in which the Commission dismissed an allegation that a

12 \$40,000 payment made by a committee to the candidate’s congressional chief of staff was

13 personal use, either because it was obtained through deceit or because the recipient did not

14 perform sufficient work to justify the amount.<sup>138</sup> The Commission assessed that whether the

15 “value of [the chief of staff’s work] to the Committee reasonably supports the \$40,000 amount of

16 the payment . . . is sharply disputed and not readily ascertainable from the available evidence.”<sup>139</sup>

17 And while it determined that some portion of the payment was likely legitimate compensation, it

18 also concluded that “[a]dditional Commission action relating to the value of [the chief of staff’s]

19 services would be wasteful and unwarranted . . . particularly because the issue is currently being

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<sup>137</sup> F&LA at 3, MUR 6275 (Massa for Congress, *et al.*) (“Massa F&LA”).

<sup>138</sup> Committee Resp. at 4; Massa F&LA at 1, 3 (providing Commission’s rationale for dismissal following submission of Second General Counsel’s Report).

<sup>139</sup> Massa F&LA at 2.

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1 litigated by the parties.”<sup>140</sup> Here, by contrast, there is no parallel proceeding and there is clear,  
 2 significant documentary evidence indicating that Beesley and Lanakila were performing only  
 3 minimal work in return for substantial monthly payments after the winding-down period.

4 The Committee also points to two matters involving allegations of personal use in  
 5 payments made to family members of candidates, MUR 6864 (Nicholas Ruiz III for Congress, *et*  
 6 *al.*) and MUR 5701 (Bob Filner for Congress, *et al.*), contending that they show that in personal  
 7 use analyses “the Commission has looked simply to see whether there was some evidence to  
 8 support the level of payments.”<sup>141</sup> In MUR 6864, the candidate’s spouse received monthly  
 9 payments for providing accounting, management and compliance services to what the complaint  
 10 contended was a “virtually nonexistent campaign,”<sup>142</sup> and in MUR 5701, a candidate’s spouse  
 11 was paid to provide consulting and fundraising services through what the complaint argued was a  
 12 “sham” company.<sup>143</sup> In both matters, however, the Commission found no reason to believe that  
 13 funds were converted to personal use in part by evaluating whether the payments exceeded fair  
 14 market value for the services rendered.<sup>144</sup> Here, Beesley’s March 2018 emails with Gary Kai  
 15 directly state that he believed \$750 per month would provide Lanakila with the fair market value  
 16 of its services, even though prior to the *Honolulu Star Advertiser* article he had been invoicing  
 17 the Committee at \$5,759.16 a month, and in any case the available evidence shows that Beesley

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<sup>140</sup> *Id.* at 3.

<sup>141</sup> Committee Resp. at 4.

<sup>142</sup> F&LA at 2, MUR 6864 (Nicholas Ruiz III for Congress, *et al.*) (“Ruiz F&LA”).

<sup>143</sup> First Gen. Counsel’s Report at 1-2, MUR 5701 (Bob Filner for Congress, *et al.*) (“Filner FGCR”); Letter from Lawrence L. Calvert, Jr., FEC, to Juan Vargas, Complainant, MUR 5701 (Aug. 24, 2006) (indicating First General Counsel’s Report was “dispositive”).

<sup>144</sup> Ruiz F&LA at 5-6; Filner FGCR at 5.

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1 and Lanakila were continuing to collect their full payment even as they performed minimal work  
 2 for the Committee.<sup>145</sup>

3 **IV. CONCLUSION**

4 Based on all of the available evidence collected during the investigation and information  
 5 submitted by the Committee, it appears that after March 15, 2017, the Committee was largely  
 6 dormant awaiting the establishment of the charitable foundation by Kai and Sami Takai, and that  
 7 Beesley and Lanakila continued to collect monthly payments of \$5,759.16 for ten months despite  
 8 performing very limited work for the Committee. The record in this matter further indicates that  
 9 although the Committee terminated or reduced payments to other Committee vendors, it took no  
 10 such steps with regard to Lanakila, even though Beesley would later assess that \$750 per month  
 11 would provide fair market value for performing limited services for the Committee. Under these  
 12 circumstances, this Office is prepared to recommend that the Commission find probable cause to  
 13 believe that the Committee converted a portion of the continued payments to personal use in  
 14 violation of 52 U.S.C. § 30114(b).

15 April 8, 2022

16 Date

*Lisa Stevenson* *CP*

Lisa J. Stevenson  
Acting General Counsel

*Charles Kitcher* *CP*

Charles Kitcher  
Associate General Counsel for Enforcement

<sup>145</sup> The Committee also cites to MUR 7044 (Jodey Cook Arrington, *et al.*), which it contends shows that “even when someone else was employing the candidate, and questions of prohibited contributions and prohibited personal use were at stake . . . the Commission has looked simply to see whether the employment was *bona fide*.” Committee Resp. at 4. The *bona fide* standard plainly does not apply here, however, because Beesley and Lanakila were employed by the Committee, not a third party. *See* 11 C.F.R. § 113.1(g)(6)(iii) (stating that third party payments to a candidate that are compensation “shall be considered contributions unless . . . the compensation results from *bona fide* employment that is genuinely independent of the candidacy”).

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