



FEDERAL ELECTION COMMISSION
Washington, DC 20463

June 1, 2021

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Allen J. Epstein

Orlando, FL 32808

RE: MUR 7324

Dear Mr. Epstein:

The Federal Election Commission (“Commission”) has considered the allegations contained in your complaint dated August 14, 2019, that were administratively severed into matter under review (“MUR”) 7313. *See* Letter to Allen J. Epstein from Kathryn Ross, FEC re: MUR 7637 (Sept. 24, 2020). The Commission found reason to believe that respondents David J. Pecker and American Media, Inc. knowingly and willfully violated 52 U.S.C. § 30118(a). The Factual and Legal Analysis, which formed a basis for the Commission’s finding, is enclosed for your information. On May 17, 2021, a conciliation agreement signed by A360 Media, LLC, as successor in interest to American Media, Inc. was accepted by the Commission and the Commission closed the file as to Pecker and American Media, Inc. A copy of the conciliation agreement is enclosed for your information. There were an insufficient number of votes to find reason to believe that the remaining respondents violated the Federal Election Campaign Act of 1971, as amended (the “Act”). Accordingly, on May 20, 2021, the Commission closed the file in MUR 7324. A Statement of Reasons providing a basis for the Commission’s decision will follow.

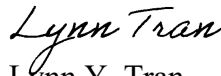
Documents related to the case will be placed on the public record within 30 days. *See* Disclosure of Certain Documents in Enforcement and Other Matters, 81 Fed. Reg. 50,702 (Aug. 2, 2016), effective September 1, 2016.

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The Act 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 Adrienne C. Baranowicz, the attorney assigned to this matter, at abaranowicz@fec.gov or (202) 694-1650.

Sincerely,

Lisa J. Stevenson
Acting General Counsel


By: Lynn Y. Tran
Assistant General Counsel

Enclosures:
Factual and Legal Analysis
Conciliation Agreement

FACTUAL AND LEGAL ANALYSIS

I. INTRODUCTION

In its Responses, AMI asserts that the press exemption and the First Amendment preclude investigation of the allegations and further contends that the payment to McDougal was a *bona fide* payment.³ After AMI's Responses were filed, however, AMI entered into a non-prosecution agreement with the Department of Justice ("DOJ") regarding the payment to McDougal.⁴

⁴ Letter from Robert Khuzami, Acting U.S. Attorney, S.D.N.Y., U.S. Dep’t of Justice, to Charles A. Stillman and James A. Mitchell, Counsel for American Media, Inc. (Sept. 20, 2018) (non-prosecution agreement between DOJ and AMI on September 21, 2018, including statement of admitted facts) (“AMI Non-Prosecution Agreement”).

As discussed below, the available information indicates that Pecker, Howard, and AMI paid McDougal \$150,000 to suppress her story from becoming public before the 2016 presidential election for the purpose of influencing that election. Accordingly, the Commission finds reason to believe that AMI and Pecker knowingly and willfully violated 52 U.S.C. § 30118(a) by making and consenting to make prohibited corporate in-kind contributions.

II. FACTUAL BACKGROUND

Trump declared his presidential candidacy on June 16, 2015, and registered Donald J. Trump for President, Inc. and Bradley T. Crate in his official capacity as treasurer (the “Trump Committee”), his principal campaign committee, with the Commission on June 29, 2015.⁵ Michael D. Cohen was an attorney for the Trump Organization.⁶ AMI was a publishing company headquartered in New York, New York.⁷ In 2016, one of AMI’s publications was the *National Enquirer* (the “*Enquirer*”), which is a weekly print and online tabloid publication.⁸ In August 2020, AMI reportedly was renamed A360 Media, LLC and plans were announced to

⁵ Alex Altman and Charlotte Alter, *Trump Launches Presidential Campaign with Empty Flair*, TIME (June 16, 2015), <https://time.com/3922770/donald-trump-campaign-launch/> (cited by MUR 7366 Compl. at 4); Trump Committee, Statement of Organization, FEC Form 1 (June 29, 2015).

⁶ MUR 7324 Compl. at 8 (referring to Cohen as a “top attorney” at the Trump Organization and as Trump’s “fix-it guy”).

⁷ See AMI, *About Us*, <https://web.archive.org/web/20200721110029/https://www.americanmediainc.com/about-us/overview> (last visited Oct. 22, 2020); AMI, *Contact Us*, <https://web.archive.org/web/20200830111333/https://www.americanmediainc.com/contact-us> (last visited Oct. 22, 2020); Del. Dept. of State, Div. of Corps., *General Information Name Search*, <https://icis.corp.delaware.gov/Ecorp/EntitySearch/NameSearch.aspx> (search entity name: American Media, Inc.) (last visited Oct. 22, 2020).

⁸ MURs 7324/7332 AMI Resp., Aff. of Dylan Howard ¶ 11. Publicly available information indicates that AMI announced on April 18, 2019, that it planned to sell the *Enquirer* to an individual named James Cohen; however, that sale reportedly was not finalized. See *National Enquirer to Be Sold to Owner of Magazine Distributor*, REUTERS (Apr. 18, 2019), <https://www.reuters.com/article/us-national-enquirer-m-a/national-enquirer-to-be-sold-to-owner-of-magazine-distributor-idUSKCN1RU25I>; Sarah Ellison and Jonathan O’Connell, *As a Sale of the National Enquirer Collapses, Some Wonder if the Tabloid is Too Hot to Handle*, THE WASHINGTON POST (Aug. 25, 2020), https://www.washingtonpost.com/lifestyle/media/as-a-sale-of-the-national-enquirer-collapses-some-wonder-if-the-tabloid-is-too-hot-to-handle/2020/08/25/0777e954-e6e3-11ea-97e0-94d2e46e759b_story.html.

merge it with Accelerate 360, a logistics firm.⁹ Pecker was the President and Chief Executive Officer of AMI until the merger and reportedly became an executive advisor to the new company.¹⁰ Howard was AMI's Vice President and Chief Content Officer and reportedly left the company on March 31, 2020.¹¹ From 2013 to 2017, Howard was the Editor in Chief of the *Enquirer*.¹² Karen McDougal is a model and actress.¹³

The available information indicates that during Trump's 2016 presidential campaign, AMI and its executives, Pecker and Howard, paid \$150,000 to Karen McDougal to purchase the rights to her claim that she engaged in a relationship with Trump beginning in 2006. AMI entered into a Non-Prosecution Agreement with DOJ on September 21, 2018.¹⁴ In that Non-Prosecution Agreement, AMI admitted that it made the payments to McDougal to ensure that she did not publicize her allegations and "thereby influence [the 2016 presidential] election."¹⁵

A. Pecker Enters into Agreement with Trump Committee Representatives

According to AMI's Non-Prosecution Agreement, in August 2015, Pecker met with members of the Trump Committee and Michael Cohen.¹⁶ AMI admitted that, at that meeting,

⁹ Ben Smith, National Enquirer *Chief David Pecker Loses Top Job in Company Merger*, N.Y. TIMES (Aug. 21, 2020), <https://www.nytimes.com/2020/08/21/business/media/david-pecker-ami-ceo.html> ("NY Times Aug. 21 Article").

¹⁰ MURs 7324/7332 AMI Resp. at 1, n.1.

¹¹ MURs 7324/7332 AMI Resp. at 1, n.1; Lukas I. Alpert, National Enquirer *Parent Parts Ways with Dylan Howard*, WALL ST. J. (Apr. 6, 2020), <https://www.wsj.com/articles/national-enquirer-parent-parts-ways-with-dylan-howard-11586229089>.

¹² MURs 7324/7332 AMI Resp., Aff. of Dylan Howard ¶ 2.

¹³ MUR 7366 Compl. at 3 (citing Compl. for Declaratory Relief, *McDougal v. American Media, Inc.*, No. BC698956 (Cal. Super. Ct. Los Angeles Cnty. Mar. 20, 2018) ("McDougal Complaint").

¹⁴ AMI Non-Prosecution Agreement at 3.

¹⁵ See AMI Non-Prosecution Agreement, Ex. A ¶ 3.

¹⁶ AMI Non-Prosecution Agreement, Ex. A ¶ 3.

1 “Pecker offered to help deal with negative stories about [Trump’s] relationships with women by,
2 among other things, assisting the campaign in identifying such stories so they could be purchased
3 and their publication avoided.”¹⁷ Further, “Pecker agreed to keep Cohen apprised of any such
4 negative stories.”¹⁸

5 **B. AMI Payment to Karen McDougal**

6 In June 2016, an attorney representing a model believed to be McDougal, reportedly
7 contacted an editor at the *Enquirer* about the potential sale of the rights to a story about the
8 model’s alleged relationship with Trump.¹⁹ According to AMI, Pecker and the editor then
9 informed Cohen about the model’s story and the editor began negotiations to obtain the rights to
10 her story “[a]t Cohen’s urging and subject to Cohen’s promise that AMI would be reimbursed.”²⁰

11 On July 19, 2016, Trump became the Republican presidential nominee.²¹ AMI and
12 McDougal entered into a contract on August 6, 2016,²² whereby AMI purchased the “Limited
13 Life Story Rights” to the story of McDougal’s relationship with “any then-married man” in
14 exchange for the payment of \$150,000.²³ In addition, McDougal agreed to be featured on two
15 AMI-owned magazine covers and work with a ghostwriter to author monthly columns for AMI

¹⁷ AMI Non-Prosecution Agreement, Ex. A ¶ 3.

¹⁸ AMI Non-Prosecution Agreement, Ex. A ¶ 3.

¹⁹ AMI Non-Prosecution Agreement, Ex. A ¶ 4; MUR 7366 Compl. at 4-5.

²⁰ AMI Non-Prosecution Agreement, Ex. A ¶ 4; MUR 7332 Compl. at 3-4; MUR 7366 Compl. at 4-5.

²¹ Alexander Burns and Jonathan Martin, *Donald Trump Claims Nomination, with Discord Clear but Family Cheering*, N.Y. TIMES (July 19, 2016), <https://www.nytimes.com/2016/07/20/us/politics/donald-trump-rnc.html>.

²² The contract was allegedly sent to McDougal on August 5, 2016, and she signed the contract the next morning. McDougal Complaint ¶¶ 48-55.

²³ MURs 7324/7332 AMI Resp., Aff. of Dylan Howard, Ex. A; *id.*, Ex. B (amending McDougal’s agreement with AMI so that she could “respond to legitimate press inquiries regarding the facts of her alleged relationship with Donald Trump”).

1 publications; however, AMI was not obligated to publish her columns.²⁴ Davidson allegedly
 2 told McDougal that AMI would purchase her story with the purpose of not publishing it because
 3 of Pecker's friendship with Trump.²⁵ On August 10, 2016, AMI sent a \$150,000 payment to
 4 Davidson for the rights to McDougal's story.²⁶ McDougal alleges that as early as October 2016,
 5 AMI staff appeared to lack interest in the columns that McDougal agreed to have published in
 6 her name.²⁷ However, it does appear that AMI ultimately published several columns under
 7 McDougal's name.²⁸ In late August and September 2016, Cohen requested to Pecker that AMI
 8 assign Cohen the "limited life rights portion" of AMI's agreement, which "included the
 9 requirement that the model not otherwise disclose her story."²⁹ Pecker agreed to assign the life
 10 rights to an entity Cohen created for a payment of \$125,000.³⁰ The assignment agreement was
 11 drawn up, and on September 30, 2016, Pecker signed the agreement, which transferred the
 12 limited life rights to McDougal's story to an entity set up by Cohen.³¹

13 AMI acknowledges in the DOJ Non-Prosecution Agreement that the payment of
 14 \$150,000 was substantially more than AMI would normally have agreed to pay because it relied

²⁴ MURs 7324/7332 AMI Resp., Aff. of Dylan Howard, Ex. A at 1; *see also* MUR 7332 First Amend. Compl. at 6 (citing McDougal Complaint ¶ 59).

²⁵ MUR 7332 First Amend. Compl. at 5 (citing McDougal Complaint ¶ 47); MUR 7366 Compl. at 5 (same).

²⁶ *See* AMI Non-Prosecution Agreement, Ex. A ¶ 5.

²⁷ McDougal Complaint ¶¶ 57-60.

²⁸ MURs 7324/7332 AMI Resp. at 8 ("To date, AMI's publications have published approximately twenty-five (25) columns and articles either bylined or featuring Ms. McDougal across its publications, and AMI has requested additional columns from her.").

²⁹ *See* AMI Non-Prosecution Agreement, Ex. A ¶ 6.

³⁰ AMI Non-Prosecution Agreement, Ex. A ¶ 6.

³¹ AMI Non-Prosecution Agreement, Ex. A ¶ 6.

upon Cohen’s commitment that AMI would be reimbursed.³² Further, AMI admits that its “principal purpose in entering into the agreement was to suppress the model’s story so as to prevent it from influencing the election” and that “[a]t no time during the negotiation for or acquisition of [McDougal’s] story did AMI intend to publish the story or disseminate information about it publicly.”³³ AMI has admitted that, “[a]t all relevant times, [it] knew that corporations such as AMI are subject to federal campaign finance laws, and that expenditures by corporations, made for purposes of influencing an election and in coordination with or at the request of a candidate or campaign, are unlawful.”³⁴

C. The Complaints and Responses

The Complaints in MURs 7324, 7332, and 7366 allege that there is reason to believe that, by paying McDougal \$150,000, AMI made a prohibited corporate contribution because the payment was not included within the scope of the press exemption and was an expenditure made for the purpose of influencing the 2016 presidential election that was coordinated with an agent of Trump.³⁵ The MUR 7332 Complaint further alleges that AMI’s payment to McDougal was an

³² AMI Non-Prosecution Agreement, Ex. A ¶ 5 (“AMI agreed to pay the model \$150,000 — substantially more money than AMI otherwise would have paid to acquire the story — because of Cohen’s assurances to Pecker that AMI would ultimately be reimbursed for the payment.”).

³³ *See id.*

³⁴ *Id.*, Ex. A ¶ 8.

³⁵ MUR 7324 Compl. at 14-15; MUR 7332 Compl. at 8; MUR 7366 Compl. at 7-9.

excessive contribution to the Trump Committee.³⁶ Pecker is named in the Complaints in his capacity as an officer of AMI at the time of the payments.

All but one of the Responses filed in this matter pre-date AMI's subsequent public admissions and clarifications made in connection with its Non-Prosecution Agreement.³⁷

Generally, AMI's Responses to the Complaints in these matters assert that the payment to McDougal was exempt from regulation under the press exemption.³⁸ Alternatively, AMI argues that the payment to McDougal "was compensation for *bona fide* content for AMI's publications, to license her name and image, and for a limited life story right, not 'for the purpose of influencing an election.'"³⁹ In addition, AMI argues that payments for silence are not contributions or expenditures because silence is not a "thing of value" under the Act, the payment was for a legitimate business purpose,⁴⁰ and the MUR 7324 and 7332 Complaints fail to show how the McDougal payment was coordinated with an agent of the Trump Committee.⁴¹

³⁶ MUR 7332 Compl. at 8.

³⁷ The two Responses filed after the Non-Prosecution Agreement, plea agreements, and congressional testimony were in response to the Complaint in MUR 7637, which has been merged in relevant part into MUR 7324. AMI's Response in MUR 7637 asserted that, "The record establishes that [AMI] purchased a story right from Karen McDougal and employed her to perform modeling and related journalistic services, which she performed." MUR 7637 AMI Resp. at 1. AMI's MUR 7637 Response does not reference its Non-Prosecution Agreement.

³⁸ MURs 7324/7332 AMI Resp. at 1-2, nn.1-2 ; MUR 7332 AMI Supp. Resp. at 3-4. In defending its payment to McDougal, AMI quotes an article in *The New Yorker* that states that the *Enquirer* has "'paid for interviews and photographs'" since its inception and that "'the tabloid has paid anywhere from a few hundred dollars to six figures for scoops.'" MURs 7324/7332 AMI Resp. at 16-17 (quoting 2017 New Yorker Article).

³⁹ MURs 7324/7332 AMI Resp. at 2; *see also* MUR 7637 AMI Resp. at 1 (asserting that it employed McDougal's performance of "journalistic services").

⁴⁰ MUR 7332 AMI Supp. Resp. at 5-7. AMI also contends that as of April 13, 2018, AMI had published 25 columns involving McDougal and had requested additional columns. MURs 7324/7332 AMI Resp. at 8.

⁴¹ MUR 7332 AMI Supp. Resp. at 7-9; MURs 7324/7332 AMI Resp. at 31-32.

1 **III. LEGAL ANALYSIS**

2 The available information indicates that AMI paid \$150,000 to McDougal for the purpose
3 of influencing the 2016 presidential election by preventing a potentially damaging story about
4 Trump from becoming public before the election. Although AMI contends in its Response that
5 its payment to McDougal concerned the business and editorial decisions of a press entity and
6 thus are not subject to Commission regulation, the available information indicates that AMI
7 subsequently disclaimed any argument that the payment to McDougal was made in connection
8 with AMI's business or editorial functions and admitted that AMI's payments were made to
9 benefit Trump's campaign. The press exemption is therefore inapplicable. Thus, the available
10 information supports the conclusion that AMI's payment constituted an in-kind contribution to
11 Trump and the Trump Committee.

12 As such, AMI and Pecker appear to have violated the Act by making and consenting to
13 making a corporate contribution in the form of a payment from AMI to McDougal. As explained
14 below, the record indicates that there is reason to believe that this violation was knowing and
15 willful.

16 **A. Press Exemption**

17 Under the Act, a "contribution" includes "any gift, subscription, loan, advance, or deposit
18 of money or anything of value made by any person for the purpose of influencing any election
19 for Federal office,"⁴² and an "expenditure" includes "any purchase, payment, distribution, loan,
20 advance, deposit, or gift of money or anything of value, made by any person for the purpose of
21 influencing any election for Federal office."⁴³ Under Commission regulations, the phrase

⁴² 52 U.S.C. § 30101(8)(A).

⁴³ 52 U.S.C. § 30101(9)(A).

“anything of value” includes all in-kind contributions.⁴⁴ In-kind contributions include, among other things, coordinated expenditures.⁴⁵ The Act’s definition of “expenditure” does not include “any news story, commentary, or editorial distributed through the facilities of any broadcasting station, newspaper magazine, or other periodical publication, unless such facilities are owned or controlled by any political party, political committee, or candidate.”⁴⁶ This exemption is called the “press exemption” or “media exemption.”⁴⁷ Costs covered by the exemption are also exempt from the Act’s disclosure and reporting requirements.⁴⁸

AMI admitted in its Non-Prosecution Agreement with DOJ that its actions were not undertaken in connection with any press function but were rather to benefit the Trump Committee.⁴⁹ Similarly, AMI’s assertion in its Response that it developed renewed interest in McDougal’s story because she had “elevated her profile” by launching her own beauty and

⁴⁴ 11 C.F.R. § 100.52(d)(1).

⁴⁵ 52 U.S.C. § 30116(a)(7)(B)(i) (treating as contributions any expenditures made “in cooperation, consultation, or concert, with, or at the request or suggestion of, a candidate,” the candidate’s authorized committee, or their agents); *see* 11 C.F.R. § 109.20 (defining “coordination”); *see also* *Buckley v. Valeo*, 424 U.S. 1, 46-47 (1976).

⁴⁶ 52 U.S.C. § 30101(9)(B)(i). Commission regulations further provide that neither a “contribution” nor an “expenditure” results from “[a]ny cost incurred in covering or carrying a news story, commentary, or editorial by any broadcasting station (including a cable television operator, programmer or producer), Web site, newspaper, magazine, or other periodical publication, including any Internet, or electronic publication” unless the facility is “owned or controlled by any political party, political committee, or candidate.” 11 C.F.R. §§ 100.73, 100.132.

⁴⁷ Advisory Op. 2011-11 (Colbert) at 6 (“AO 2011-11”); Advisory Op. 2008-14 (Melothe) at 3 (“AO 2008-14”).

⁴⁸ AO 2011-11 at 6, 8-10 (discussing costs that are within this exemption and also costs that are not).

⁴⁹ AMI Non-Prosecution Agreement, Ex. A ¶ 5 (“Despite the cover and article features to the agreement, AMI’s principal purpose in entering into the agreement was to suppress the model’s story so as to prevent it from influencing the election. At no time during the negotiation for or acquisition of the model’s story did AMI intend to publish the story or disseminate information about it publicly.”). *Compare* MURs 7324/7332 AMI Resp. at 20-21 with AMI Non-Prosecution Agreement at 1-3, Ex. A ¶ 3 (stating that “AMI accepts and acknowledges as true the facts” contained in Exhibit A and summarizing AMI’s obligations to provide truthful information to DOJ as part of the Non-Prosecution Agreement).

1 fragrance line⁵⁰ is directly refuted by AMI’s subsequent admission in its Non-Prosecution
 2 Agreement that its “principal purpose in entering into the agreement was to suppress
 3 [McDougal’s] story so as to prevent it from influencing the election” and that “[a]t no time
 4 during the negotiation for or acquisition of [McDougal’s] story did AMI intend to publish the
 5 story or disseminate information about it publicly.”⁵¹ As a result, the Commission need not—
 6 and does not—make any determination whether the press exemption would apply to AMI’s
 7 conduct absent these admissions disclaiming a journalistic or editorial purpose and admitting that
 8 it made or facilitated the payment to McDougal for the express purpose of assisting the Trump
 9 Committee.⁵² The press exemption does not apply to the payment at issue.

10 **B. The Commission Finds Reason to Believe that AMI’s Payment to McDougal**
 11 **Was a Prohibited Corporate Contribution**

12 1. The Commission Finds Reason to Believe that AMI’s Payment to
 13 McDougal Was a Coordinated Expenditure

14 a. Coordination

15 The Act and Commission regulations prohibit corporations from making contributions to
 16 candidate committees in connection with a federal election.⁵³ Likewise, it is unlawful for any
 17 candidate, candidate committee, or other person to knowingly accept or receive such a prohibited
 18 contribution, and for any officer or director of a corporation to consent to any such
 19 contribution.⁵⁴ The Commission has consistently found that payments by a third party that are

⁵⁰ MURs 7324/7332 AMI Resp. at 6.

⁵¹ AMI Non-Prosecution Agreement, Ex. A ¶ 5.

⁵² *Id.* at 1-3 (stating that “AMI accepts and acknowledges as true the facts” contained in Exhibit A).

⁵³ 52 U.S.C. § 30118(a); 11 C.F.R. § 114.2(b).

⁵⁴ 52 U.S.C. § 30118(a); 11 C.F.R. § 114.2(b), (d)-(e).

intended to influence an election and are “coordinated” with a candidate, authorized committee, or agent thereof are “coordinated expenditures” that result in a contribution by the person making the expenditure to the candidate or political committee with whom the expenditure was coordinated.⁵⁵

The available information indicates that AMI’s payment to McDougal was “coordinated” with the campaign because, according to AMI, it was made “in cooperation, consultation or concert with, or at the request or suggestion” of Cohen, whom AMI believed was an agent for the Trump Committee.⁵⁶ AMI has admitted in its Non-Prosecution Agreement with DOJ that it made its payment to McDougal “in cooperation, consultation, and concert with, and at the request and suggestion of one or more members or agents of a candidate’s 2016 presidential campaign, to ensure that a woman did not publicize damaging allegations about that candidate before the 2016 presidential election and thereby influence that election.”⁵⁷ Accordingly, the AMI payment to McDougal meets the definition of “coordinated” in 11 C.F.R. § 109.20(a) in that they were made in cooperation, consultation or concert with, or at the request or suggestion of the Trump Committee. The coordinated payments would constitute in-kind contributions from AMI to the Trump Committee if they were “expenditures,” that is, made for the purpose of influencing Trump’s election.

⁵⁵ See 11 C.F.R. § 109.20(a)-(b); *see, e.g.*, Conciliation Agreement ¶¶ IV.7-11, V.1-2, MUR 6718 (Sen. John E. Ensign) (Apr. 18, 2013) (acknowledging that third parties’ payment, in coordination with a federal candidate, of severance to a former employee of the candidate’s authorized committee and leadership PAC resulted in an excessive, unreported in-kind contribution by the third parties to the candidate and the two political committees); Factual & Legal Analysis at 30-33, MURs 4568, 4633, and 4634 (Triad Mgmt. Servs., Inc.) (finding reason to believe that by offering fundraising support, campaign management consulting services, and support for advertising campaigns through “political audits,” a corporation made, and multiple committees knowingly received, prohibited or excessive in-kind contributions in the form of coordinated expenditures).

⁵⁶ 52 U.S.C. § 30116(a)(7)(B)(i); 11 C.F.R. § 109.20(a)-(b).

⁵⁷ AMI Non-Prosecution Agreement, Ex. A ¶ 2.

b. For the Purpose of Influencing an Election

The “purpose” of influencing a federal election is a necessary element in defining whether a payment is a “contribution” or “expenditure” under the Act and Commission regulations.⁵⁸ In analyzing whether a payment made by a third party is a “contribution” or “expenditure,”⁵⁹ the Commission has concluded that “the question under the Act is whether” the donation, payment, or service was “provided for the purpose of influencing a federal election [and] not whether [it] provided a benefit to [a federal candidate’s] campaign.”⁶⁰ The electoral purpose of a payment may be clear on its face, as in payments to solicit contributions or for communications that expressly advocate for the election or defeat of a specific candidate, or inferred from the surrounding circumstances.⁶¹

With respect to the McDougal payment, it is unnecessary to infer the circumstances behind the payment; AMI has already acknowledged, in a sworn agreement, that the purpose of paying McDougal was to prevent her story from influencing the election. In the AMI Non-Prosecution Agreement, AMI explicitly admits that its “principal purpose in entering into the

⁵⁸ See 52 U.S.C. § 30101(8)(A)(i), (9)(A)(i).

⁵⁹ 52 U.S.C. § 30101(8)(A)(i), (9)(A)(i).

⁶⁰ Factual & Legal Analysis at 6, MUR 7024 (Van Hollen for Senate).

⁶¹ See, e.g., Advisory Op. 2000-08 (Harvey) at 1, 3 (“AO 2000-08”) (concluding private individual’s \$10,000 “gift” to federal candidate would be a contribution because “the proposed gift would not be made but for the recipient’s status as a Federal candidate”); Advisory Op. 1990-05 (Mueller) at 4 (“AO 1990-05”) (explaining that solicitations and express advocacy communications are for the purpose of influencing an election and concluding, after examining circumstances of the proposed activity, that federal candidate’s company newsletter featuring discussion of campaign resulted in contributions); Advisory Op. 1988-22 (San Joaquin Valley Republican Associates) at 5 (concluding third party newspaper publishing comments regarding federal candidates, coordinated with those candidates or their agents, thereby made contributions because “the financing of a communication to the general public, not within the ‘press exemption,’ that discusses or mentions a candidate in an election-related context and is undertaken in coordination with the candidate or his campaign is ‘for the purpose of influencing a federal election’”); Factual & Legal Analysis at 17-20, MURs 4568, 4633, and 4634 (Triad Mgmt. Servs., Inc.) (finding reason to believe corporation and related nonprofit organizations made contributions by providing federal candidates with “uncompensated fundraising and campaign management assistance” and “advertising assistance[,]” including spending “several million dollars” on coordinated advertisements).

agreement [with McDougal] was to suppress the model’s story” and “to ensure that [she] did not publicize damaging allegations about [Trump] before the 2016 presidential election and thereby influence that election.”⁶² Further, AMI admits that the payment to McDougal was part of an overarching scheme in “assisting [the] campaign” in identifying and purchasing “negative stories about [his] relationships with women” to prevent their publication.⁶³

Thus, the available information supports the conclusion that AMI’s payment to McDougal was coordinated with the Trump Committee and was made for the purpose of influencing Trump’s election, resulting in AMI making “coordinated expenditures” under the Act.

2. The Commission Finds Reason to Believe that AMI’s Payment to McDougal Was a Prohibited Corporate In-Kind Contribution to the Trump Committee

Because the available information indicates that AMI’s payment to McDougal was a coordinated expenditure made for the purpose of influencing the 2016 election, the record supports a reason to believe finding that the payment constituted an in-kind contribution from AMI to the Trump Committee.⁶⁴ Further, because the payment was an in-kind contribution to the Trump Committee, it was subject to the contribution limits and prohibitions set forth in the Act and Commission regulations.⁶⁵ The Act and Commission regulations prohibit corporations

⁶² AMI Non-Prosecution Agreement, Ex. A ¶¶ 2, 5.

⁶³ *Id.* ¶ 3.

⁶⁴ *See* 11 C.F.R. § 109.20(b).

⁶⁵ Under the Act, an individual may not make a contribution to a candidate with respect to any election in excess of the legal limit, which was \$2,700 per election during the 2016 election cycle. *See* 52 U.S.C. § 30116(a)(1)(A); 11 C.F.R. § 110.1(b)(1). However, as detailed below, these contributions were made by a corporation, not an individual.

1 from making contributions to candidate committees.⁶⁶ The Act and Commission regulations also
 2 prohibit candidates, candidate committees, or other persons from knowingly accepting or
 3 receiving such a prohibited contribution, and for any officer or director of a corporation to
 4 consent to making any such contribution.⁶⁷

5 The Commission has previously found violations of the Act by a corporation and its
 6 officers in connection with similar payments to third parties. In MUR 7248, the Commission
 7 found reason to believe that Cancer Treatment Centers of America and several of its corporate
 8 officers violated 52 U.S.C. § 30118 by making and consenting to prohibited corporate
 9 contributions where the corporate officers engaged in a reimbursement scheme whereby
 10 executives were reimbursed via bonuses for their political contributions.⁶⁸

11 While corporate contributions to candidate committees are *per se* prohibited and do not
 12 require proof of the contributor's knowledge of the violation, AMI has admitted to DOJ that it
 13 knew that corporations are prohibited from contributing to candidate committees like the Trump
 14 Committee.⁶⁹ The AMI Non-Prosecution Agreement states:

15 At all relevant times, AMI knew that corporations such as AMI are subject
 16 to federal campaign finance laws, and that expenditures by corporations,
 17 made for purposes of influencing an election and in coordination with or at
 18 the request of a candidate or campaign, are unlawful. At no time did AMI

⁶⁶ 52 U.S.C. § 30118(a); 11 C.F.R. § 114.2(b).

⁶⁷ 52 U.S.C. § 30118(a); 11 C.F.R. § 114.2(b), (d)-(e).

⁶⁸ Factual & Legal Analysis at 15-18, 21-22, MUR 7248 (Cancer Treatment Centers of America Global, Inc.); *see also* MUR 7027 (MV Transportation, Inc.) (conciliating violations of 52 U.S.C. § 30118 with a corporation and CEO that stemmed from a reimbursement scheme); MUR 6889 (Eric Byer) (finding reason to believe that a corporation and an executive violated section 30118 through a contribution reimbursement scheme) *see also* First Gen. Counsel's Rpt. at 18-19, 26, MUR 6766 (Jesse Jackson Jr.) (recommending that the Commission find reason to believe that certain unknown corporations and unknown corporate officers violated 2 U.S.C. § 441b (now 52 U.S.C. § 30118) by using corporate resources to pay down a candidate's personal credit card debt); Certification, MUR 6766 (Jesse Jackson Jr.) (Dec. 5, 2013) (finding reason to believe that the unknown corporations and corporate officers violated the Act).

⁶⁹ AMI Non-Prosecution Agreement, Ex. A ¶ 8.

1 report to the Federal Election Commission that it had made the \$150,000
2 payment to [McDougal].⁷⁰

3 Therefore, AMI has admitted that it made the payment to McDougal while knowing that it was
4 unlawful.⁷¹ Thus, the Commission finds reason to believe that AMI and Pecker violated
5 52 U.S.C. § 30118(a) by making and consenting to a prohibited corporate in-kind contribution.

6 **C. The Commission Finds Reason to Believe that the Violation Set Forth Above**
7 **Was Knowing and Willful**

8 The Act prescribes additional penalties for “knowing and willful” violations,⁷² which are
9 defined as “acts [that] were committed with full knowledge of all the relevant facts and a
10 recognition that the action is prohibited by law.”⁷³ This standard does not require knowledge of
11 the specific statute or regulation that the respondent allegedly violated; it is sufficient to
12 demonstrate that a respondent “acted voluntarily and was aware that his conduct was
13 unlawful.”⁷⁴ Such awareness may be shown through circumstantial evidence from which the

⁷⁰ *Id.*

⁷¹ See AMI Non-Prosecution Agreement, Ex. A ¶ 8 (“At all relevant times, AMI knew that corporations such as AMI are subject to federal campaign finance laws, and that expenditures by corporations, made for purposes of influencing an election and in coordination with or at the request of a candidate or campaign, are unlawful.”).

⁷² See 52 U.S.C. § 30109(a)(5)(B), (d).

⁷³ 122 Cong. Rec. 12,197, 12,199 (May 3, 1976); see, e.g., Factual & Legal Analysis at 3-4, MUR 6920 (Now or Never PAC, *et al.*) (applying “knowing and willful” standard); Factual & Legal Analysis at 17-18, MUR 6766 (Jesse Jackson, Jr., *et al.*) (same).

⁷⁴ *United States v. Danielczyk*, 917 F. Supp. 2d 573, 579 (E.D. Va. 2013) (quoting *Bryan v. United States*, 524 U.S. 184, 195 (1998) (holding that the government needs to show only that the defendant acted with knowledge that conduct was unlawful, not knowledge of the specific statutory provision violated, to establish a willful violation)).

respondent’s unlawful intent may be reasonably inferred,⁷⁵ including, for example, an “elaborate scheme for disguising” unlawful acts.⁷⁶

The available information supports a reason to believe finding that AMI and Pecker’s foregoing violation was knowing and willful because AMI, through its Non-Prosecution Agreement, admitted that it knew its actions were unlawful.⁷⁷ Furthermore, Pecker’s and Howard’s direct involvement in the negotiations indicate that Pecker was a party in a scheme to both hide the story and the payment.⁷⁸ As such, the information indicates that AMI and Pecker knew that AMI’s payment to McDougal violated the Act, and they acted voluntarily and with awareness of unlawfulness when they negotiated the agreement with McDougal and made the corresponding payment. Accordingly, the Commission finds reason to believe that the violation of the Act by AMI and Pecker, as set forth above, was knowing and willful.

⁷⁵ 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)). *Hopkins* involved a conduit contributions scheme, and the issue before the Fifth Circuit concerned the sufficiency of the evidence supporting the defendants’ convictions for conspiracy and false statements under 18 U.S.C. §§ 371 and 1001.

⁷⁶ *Id.* at 214-15. “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)).

⁷⁷ AMI Non-Prosecution Agreement, Ex. A ¶ 8 (admitting that AMI “knew that corporations such as [itself] are subject to federal campaign finance laws, and that expenditures by corporations, made for purposes of influencing an election and in coordination with or at the request of a candidate or campaign, are unlawful”).

⁷⁸ AMI Non-Prosecution Agreement, Ex. A ¶ 3.

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MURs 7324, 7332, 7366,
American Media, Inc.¹)
)

CONCILIATION AGREEMENT

This matter was generated by complaints filed by Common Cause, Free Speech for People, American Bridge 21st Century Foundation, and Allen J. Epstein. The Federal Election Commission found reason to believe that American Media, Inc. through its successor in interest, A360 Media, LLC (“AMI”) (“Respondent”) knowingly and willfully violated 52 U.S.C. § 30118(a) by making a prohibited corporate in-kind contribution by purchasing a story right from Karen McDougal in August 2016 and thereafter not publishing the story in consultation with an agent of Donald J. Trump.

NOW, THEREFORE, the Commission and the Respondent, having participated in informal methods of conciliation, prior to a finding of probable cause to believe, do hereby agree as follows:

I. The Commission has jurisdiction over the Respondent and the subject matter of this proceeding, and this agreement has the effect of an agreement entered pursuant to 52 U.S.C § 30109 (a)(4)(A)(i).

II. Respondent has had a reasonable opportunity to demonstrate that no action should be taken in this matter.

III. Respondent voluntarily enters into this agreement with the Commission.

IV. The pertinent facts in this matter are as follows:

¹ Through its successor in interest A360 Media, LLC.

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1. In 2016, at the time of the events giving rise to this matter, AMI was a *bona fide* media corporation headquartered in New York, New York, that published health, fitness, celebrity and investigative print and online magazines, tabloids and books. Among AMI's publications were the *National Enquirer* (the "*Enquirer*"), a weekly print and online tabloid publication in print since 1926, *Muscle & Fitness*, *Muscle & Fitness Hers*, *Men's Journal*, *Star Magazine*, *Radar Online*, *OK!*, and *US Weekly*. AMI has never been owned or controlled by a candidate or political party. It has a decades-long newsgathering practice of purchasing story rights.

2. David Pecker was the President and Chief Executive Officer of AMI until 2020 when AMI merged with another company to form a new company.

3. Dylan Howard was AMI's Vice President and Chief Content Officer. From 2013 to 2017, Howard was the Editor in Chief of the *Enquirer*.

4. Michael D. Cohen was an attorney for the Trump Organization.

5. Donald J. Trump for President, Inc. and Bradley T. Crate in his official capacity as treasurer (the "Trump Committee"), was then-presidential candidate Donald J. Trump's principal campaign committee.

6. In August 2015, David Pecker met with at least one member of the Trump Committee and Michael Cohen. At that meeting, Mr. Pecker offered to help deal with negative stories about Trump by, among other things, assisting the campaign in identifying such stories so they could be purchased and their publication avoided. Mr. Pecker agreed to keep Cohen apprised of any such stories.

7. In June 2016, an attorney representing Karen McDougal, who was attempting to sell her story of her alleged extramarital affair with Trump, contacted Dylan Howard at the

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Enquirer. David Pecker and Dylan Howard then informed Michael Cohen about the story. At Mr. Cohen's urging and subject to his promise that AMI would be reimbursed, AMI began negotiations to obtain the rights to her story. On June 20, 2016, Dylan Howard interviewed Karen McDougal about her story. Following the interview, AMI communicated to Mr. Cohen that it would acquire the story but not publish it, pursuant to an expectation of reimbursement by Michael Cohen.

8. AMI and Karen McDougal entered into a contract on August 6, 2016, whereby AMI purchased the "Limited Life Story Rights" to the story of Ms. McDougal's relationship with "any then-married man" in exchange for the payment of \$150,000. In addition, Ms. McDougal agreed to be featured on two AMI-owned magazine covers and work with a ghostwriter to author monthly columns for AMI publications; however, AMI was not obligated to publish her columns.

9. On August 10, 2016, AMI sent a \$150,000 payment to Karen McDougal's attorney Keith Davidson for the rights to Ms. McDougal's story, modeling services for magazine covers, and articles.

10. In late August and September 2016, consistent with prior conversations between them, Mr. Cohen called David Pecker and stated that he wanted to be assigned the limited life rights portion of AMI's agreement with Karen McDougal. Mr. Pecker agreed to assign the rights to Cohen for \$125,000. The assignment agreement was drawn up, and on September 30, 2016, prior to receiving payment, Mr. Pecker signed the agreement, which contemplated the transfer of the limited life rights portion of AMI's agreement to an entity that had been set up by Michael Cohen in return for a payment of \$125,000.

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11. However, in or about early October 2016, Mr. Pecker contacted Mr. Cohen and told him that the deal was off and that Mr. Cohen should tear up the assignment agreement. Thus, the sale was never consummated and AMI continued to own the story right until April 2018, when AMI renegotiated the limited life story right with Ms. McDougal, re-assigning the story right to her while retaining a financial interest in the story in the event she were to sell the story.

12. In addition to the sale of the limited life story right, Karen McDougal ultimately did perform journalistic services for AMI. AMI published articles written by Ms. McDougal in *OK! Magazine* and *Star Magazine* and featured her on the cover of *Muscle & Fitness Hers* (Spring 2017) and *Men's Journal* (September 2018). She modeled for photo shoots which were featured in print magazines and online. The publication of these articles was intended, at least in part, to keep Ms. McDougal from commenting publicly about her story and her agreement with AMI.

13. In 2018, AMI entered into a non-prosecution agreement with the Department of Justice ("AMI Non-Prosecution Agreement") that related to AMI's general agreement to identify stories that were damaging to Donald J. Trump's presidential campaign so that they could be purchased and their publication avoided, including AMI's subsequent \$150,000 payment to Karen McDougal.

14. In the AMI Non-Prosecution Agreement, AMI acknowledged that the payment of \$150,000 was "substantially more than AMI otherwise would have paid to acquire the story" because of Michael Cohen's assurances that AMI would ultimately be reimbursed for the payment. Further, AMI admitted that its "principal purpose in entering into the agreement was to suppress [McDougal's] story so as to prevent it from influencing the election" and that "[a]t no

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time during the negotiation for or acquisition of [McDougal's] story did AMI intend to publish the story or disseminate information about it publicly.” As part of the Non-Prosecution Agreement, AMI admitted that, “[a]t all relevant times, [it] knew that corporations such as AMI are subject to federal campaign finance laws, and that expenditures by corporations, made for purposes of influencing an election and in coordination with or at the request of a candidate or campaign, are unlawful.”

15. Under the Federal Election Campaign Act of 1971, as amended (the “Act”), a “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,” and an “expenditure” includes “any purchase, payment, distribution, loan, advance, deposit, or gift of money or anything of value, made by any person for the purpose of influencing any election for Federal office.” 52 U.S.C. § 30101(8)(A), (9)(A).

16. Under Commission regulations, the phrase “anything of value” includes all in-kind contributions, which includes, among other things, coordinated expenditures. 52 U.S.C. § 30116(a)(7)(B)(i); 11 C.F.R. § 100.52(d)(1).

17. An expenditure is coordinated when it is made “in cooperation, consultation or concert with, or at the request or suggestion” a candidate or a candidate’s authorized committee and is considered an in-kind contribution to the candidate or candidate’s authorized committee with whom it was coordinated. 11 C.F.R. § 109.20.

18. Although the Act’s definition of “expenditure” does not include “any news story, commentary, or editorial distributed through the facilities of any broadcasting station, newspaper magazine, or other periodical publication, unless such facilities are owned or controlled by any

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political party, political committee, or candidate,” the Commission has concluded that this exemption, known as the “Press Exemption,” does not apply to AMI’s payment to Karen McDougal because, as stated in the AMI Non-Prosecution Agreement, “[a]t no time during the negotiation for or acquisition of [Karen McDougal’s] story did AMI intend to publish the story or disseminate information about it publicly,” it acquired the story “in consultation cooperation and concert with and at request or suggestion of one or more agents of [Trump’s] 2016 presidential campaign,” and AMI’s “principal purpose in entering into the agreement was to suppress [Karen McDougal’s] story so as to prevent it from influencing the election.” *See* 52 U.S.C. § 30101(9)(B)(i); 11 C.F.R. §§ 100.73, 100.132.

19. The Act and Commission regulations prohibit corporations from making contributions to candidate committees in connection with a federal election.
52 U.S.C. § 30118(a); 11 C.F.R. § 114.2(b).

20. The Act and Commission regulations also prohibit candidates, candidate committees, or other persons from knowingly accepting or receiving such a prohibited contribution and for any officer or director of a corporate to consent to making any such contribution. 52 U.S.C. § 30118(a); 11 C.F.R. § 114.2(b), (d)-(e).

21. AMI contends that, like all publishers, it has a well-established First Amendment and statutory right, which it has often practiced, to decline to publish stories, even after spending significant resources to develop those stories. AMI further contends that it believed its purchase of McDougal’s story right in 2016 and the decision not to publish the story were fully protected by the Press Exemption and the First Amendment because AMI is a well-established press entity regularly publishing magazines in print and online for decades. AMI further contends that the

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choice of an individual to sell their story right and of AMI to purchase that right and not publish the story would not necessarily result in a contribution under the Act.

V. Solely for the purpose of settling this matter expeditiously and avoiding litigation, with no admission as to the merit of the Commission's legal conclusions:

1. Respondent agrees not to contest that AMI's payment to Karen McDougal to purchase a limited life story right combined with its decision not to publish the story, in consultation with an agent of Donald J. Trump and for the purpose of influencing the election, constituted a prohibited corporate in-kind contribution in violation of 52 U.S.C. § 30118(a).

2. Respondent acknowledges the Commission's reason-to-believe finding that these violations were knowing and willful, but Respondent does not admit to the knowing and willful aspect of these violations.

VI. Respondent will take the following actions:

1. Respondent will cease and desist from violating 52 U.S.C. §§ 30118(a).

2. Respondent will pay a civil penalty to the Commission in the amount of One Hundred Eighty-Seven Thousand Five Hundred Dollars (\$187,500) pursuant to 52 U.S.C. § 30109(a)(5)(B).

VII. The Commission, on request of anyone filing a complaint under 52 U.S.C. § 30109(a)(1) concerning the matters at issue herein or on its own motion, may review compliance with this agreement. If the Commission believes that this agreement or any requirement thereof has been violated, it may institute a civil action for relief in the United States District Court for the District of Columbia.

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VIII. This agreement shall become effective as of the date that all parties hereto have executed the same and the Commission has approved the entire agreement.

IX. Respondent shall have no more than 30 days from the date this agreement becomes effective to comply with and implement the requirements contained in this agreement and to so notify the Commission.

X. This Conciliation Agreement constitutes the entire agreement between the parties on the matters raised herein, and no other statement, promise, or agreement, either written or oral, made by either party or by agents of either party, that is not contained in this written agreement shall be enforceable.

FOR THE COMMISSION:

Charles Kitcher

5/18/21

Charles Kitcher
Acting Associate General Counsel
for Enforcement

Date

FOR THE RESPONDENT:

2021-05-13 | 10:40

James Pascoe
Chief Legal Officer

Date