



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

VIA ELECTRONIC AND FIRST CLASS MAIL

Chris Gober, Esq.
The Gober Group
P.O. Box 341016
Austin, TX 78734
cg@gobergroup.com
bknippa@jw.com

MAR 11 2019

RE: MURs 7001, 7002, 7003, 7009 & 7455
Ted Cruz for Senate and
Bradley Knippa, as Treasurer
Senator Rafael Edward "Ted" Cruz,
Heidi Cruz

Dear Mr. Gober:

On February 20, 2019 the Federal Election Commission accepted the signed conciliation agreement submitted on behalf of your client, Ted Cruz for Senate and Bradley Knippa in his official capacity as treasurer, in settlement of a violation of 52 U.S.C. § 30104(b)(E), a provision of the Federal Election Campaign Act of 1971, as amended ("the Act") and 11 C.F.R. § 104.3(d)(4). Accordingly, the Commission closed the file in this matter.

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). Information derived in connection with any conciliation attempt will not become public without the written consent of the respondent and the Commission. *See* 52 U.S.C. § 30109(a)(4)(B).

190444614485

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Ted Cruz for Senate, and) MURs 7001, 7002, 7003, 7009, and 7455
Bradley S. Knippa, in his official capacity)
as treasurer)

CONCILIATION AGREEMENT

This matter was initiated pursuant to several complaints and information ascertained by the Federal Election Commission ("Commission") in the normal course of carrying out its supervisory responsibilities. The Commission found reason to believe that Ted Cruz for Senate and Bradley S. Knippa, in his official capacity as treasurer, ("Respondents" or the "Committee") violated 52 U.S.C. § 30104(b)(3)(E) and 11 C.F.R. § 104.3(d)(4).

NOW, THEREFORE, the Commission and the Respondents, 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 Respondents 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. Respondents have had a reasonable opportunity to demonstrate that no action should be taken in this matter.

III. Respondents enter voluntarily into this agreement with the Commission.

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

1. Ted Cruz for Senate is the principal campaign committee of Senator Ted Cruz, a 2012 candidate for U.S Senate in Texas. Bradley S. Knippa is the Committee's treasurer.

16044461487

2. According to the Committee's 2012 July Quarterly, filed on July 15, 2012, and 2012 October Quarterly Report, filed October 15, 2012, Senator Cruz made loans to the Committee totaling \$1,064,000, which were disclosed as "personal funds."

3. The loans described in paragraph 2, however, were not the personal funds of Senator Cruz but were funds borrowed from the following commercial lenders. First, Senator Cruz obtained an \$800,000 margin loan from Goldman Sachs that was secured by assets in a brokerage account jointly held with his wife. Second, Senator Cruz obtained a line of credit from Citibank and withdrew \$264,000.

4. On January 14, 2016, the Committee filed a Form 99 with the Commission admitting that a margin loan and line of credit had been "inadvertently omitted" from the relevant FEC disclosure reports and providing the following information about the loans: "Goldman Sachs Margin Loan, Incurred 2012, 3% Floating Interest Rate; Citibank Line of Credit, Incurred in 2012, Prime plus floating Interest Rate."

5. Respondents contend that Senator Cruz disclosed on his public Financial Disclosure Report, which was filed with the U.S. Senate Select Committee on Ethics on May 15, 2013, that such loans originated from Goldman Sachs and Citibank.

6. Loans derived from advances on a candidate's brokerage account or other line of credit available to the candidate must be reported by the committee. 52 U.S.C. § 30104(b)(3)(E); 11 C.F.R. § 100.83(e). Commission regulations provide that a committee must disclose information about loans from the candidate to the committee on Schedule C, including the terms and identification of any endorser or guarantor. 11 C.F.R. § 104.3(a)(4)(iv). If the candidate finances a loan to the campaign with an underlying loan or line of credit, the committee must disclose on a Schedule C-1, among other things: (1) date, amount, and interest

19044461488

rate of the loan or line of credit; (2) name and address of the lending institution; and (3) types and value of collateral or other sources of repayment that secured the loan or line of credit. *Id.* § 104.3(d)(4).

V. Respondents violated 52 U.S.C. § 30104(b)(3)(E) and 11 C.F.R. § 104.3(d)(4) by inaccurately reporting on Schedule C that Senator Cruz used his personal funds to make \$1,064,000 in loans to the Committee and omitting the required Schedule C-1, identifying Goldman Sachs and Citibank as the underlying source of the loans.

VI. Respondents will take the following actions:

1. Respondents will pay a civil penalty to the Federal Election Commission in the amount of Thirty-Five Thousand Dollars (\$35,000), pursuant to 52 U.S.C.

§ 30109(a)(5)(A).

2. Respondents will cease and desist from violating 52 U.S.C. § 30104(b)(3)(E) and 11 C.F.R. § 104.3(d)(4).

3. Respondents will amend its disclosure reports to correctly disclose the source of funds loaned at issue.

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.

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

1002416444001

IX. Respondents 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:



Lisa J. Stevenson
Acting General Counsel

2/28/19

Date

FOR THE RESPONDENTS:



Bradley S. Khippa
Treasurer, Ted Cruz for Senate

2/27/19

Date

1004749-1400