



May 29, 2020

Federal Election Commission
Office of Complaints Examination
and Legal Administration
1050 First Street, N.E.
Washington, D.C. 20002

AMENDED

Re: MUR 7464/Amended Complaint

Dear Sir or Madam:

Please find under cover of this letter an amended complaint in MUR 7464. We file this amended complaint to supplement the information complainants provided in CREW's original complaint, dated August 8, 2018. In the time during which CREW's complaint has been pending, new information relevant to CREW's original complaint has come to light, necessitating an update to the complaint. CREW submits this amended complaint to add this new information. Accordingly, the amended complaint includes new parties, new allegations, and additional exhibits (*see* Am. Compl. ¶¶ 1, 2, 9, 10, 17, 18, 19, 20, 22, 23, and 24).

In addition, please note the changed address below. Please use the new address in any further correspondence.

Sincerely,

Noah Bookbinder
Executive Director Executive Director
Citizens for Responsibility and Ethics
in Washington
1101 K Street, N.W., Suite 201
Washington, D.C. 20005
(202) 408-5565 (phone)
(202) 588-5020 (fax)
nbookbinder@citizensforethics.org

Encls.

FEDERAL ELECTION COMMISSION

In the matter of:

LZP, LLC

Independence and Freedom Network

Ray McVeigh, director, Independence and Freedom Network,
in his official capacity and in his personal capacity

MUR 7464

Honor and Principles PAC

Lisa Lisker, treasurer, Honor and Principles PAC

in her official capacity as treasurer and in her personal capacity

Unknown Respondent (or Respondents)

AMENDED COMPLAINT

1. Citizens for Responsibility and Ethics in Washington (“CREW”) and Noah Bookbinder bring this amended complaint before the Federal Election Commission (“FEC”) seeking an immediate investigation and enforcement action against LZP, LLC, Independence and Freedom Network, its director, Ray McVeigh, Honor and Principles PAC, its treasurer, Lisa Lisker, and an Unknown Respondent (or Respondents) for direct and serious violations of the Federal Election Campaign Act (“FECA”).

Summary

2. The FECA prohibits making and knowingly accepting a contribution in the name of another person, as well as knowingly permitting one’s name to be used to effect a contribution in the name of another person. This complaint primarily concerns a remarkable four-day period in late March 2018 in which a conduit contribution scheme that violated the FECA seemingly commenced. Those four days started with the formation of a federal super PAC called Honor and Principles PAC, followed the next day by the establishment in Ohio of a nonprofit limited

liability company, LZP, LLC (“LZP”). The day after that, LZP made a \$175,000 contribution to Honor and Principles PAC, even though it has no known business activity and it is virtually impossible that it generated sufficient income to pay for the contribution in just one day.

Completing the cycle, the day after Honor and Principles PAC received the money, it spent \$163,838 on an independent expenditure advertisement criticizing an Ohio state representative and endorsing his primary opponent. LZP, which was Honor and Principles PAC’s only ever donor, made three more contributions to the super PAC in 2018. Within days of two of those contributions from LZP, Honors and Principles PAC paid for voter calls, direct mail, and other media buys. This appears to be a prototypical example of a conduit contribution scheme in which an Unknown Respondent (or Unknown Respondents) used LZP as a conduit to make contributions to Honor and Principles PAC, which then spent the money on political ads. These apparent violations of law deprive the public of important information and should be investigated.

Complainants

3. Complainant CREW is a non-profit corporation, organized under section 501(c)(3) of the Internal Revenue Code. CREW is committed to protecting the right of citizens to be informed about the activities of government officials and to ensuring the integrity of government officials. CREW is dedicated to empowering citizens to have an influential voice in government decisions and in the governmental decision-making process. CREW uses a combination of research, litigation, and advocacy to advance its mission.

4. In furtherance of its mission, CREW seeks to expose unethical and illegal conduct of those involved in government. One way CREW does this is by educating citizens regarding the

integrity of the electoral process and our system of government. Toward this end, CREW monitors the campaign finance activities of those who run for federal office and those who make expenditures to influence federal elections, and publicizes those who violate federal campaign finance laws through its website, press releases, and other methods of distribution. CREW also files complaints with the FEC when it discovers violations of the FECA. Publicizing campaign finance violations and filing complaints with the FEC serves CREW's mission of keeping the public informed about individuals and entities that violate campaign finance laws and deterring future violations of campaign finance law.

5. In order to assess whether an individual or entity is complying with federal campaign finance law, CREW needs the information contained in disclosure reports political committees must file pursuant to the FECA, 52 U.S.C. § 30104; 11 C.F.R. § 104.1 *et seq.* CREW is hindered in its programmatic activity when an individual or entity fails to disclose campaign finance information in reports required by the FECA.

6. CREW relies on the FEC's proper administration of the FECA's reporting requirements because the FECA-mandated disclosure reports are the only source of information CREW can use to determine if an individual or entity is complying with the FECA. The proper administration of the FECA's reporting requirements includes mandating that all disclosure reports required by the FECA are properly and timely filed with the FEC. CREW is hindered in its programmatic activity when the FEC fails to properly administer the FECA's reporting requirements.

7. Complainant Noah Bookbinder is the executive director of Citizens for Responsibility and Ethics in Washington. At all times relevant to the complaint, he has been and

remains a citizen of the United States and a registered voter and resident of Maryland. As a registered voter, Mr. Bookbinder is entitled to receive information contained in disclosure reports required by the FECA, 52 U.S.C. § 30104; 11 C.F.R. § 104.1 *et seq.* Mr. Bookbinder is harmed when an individual, candidate, political committee, or other entity fails to report campaign finance activity as required by the FECA. Mr. Bookbinder is further harmed when the FEC fails to properly administer the FECA's reporting requirements, limiting his ability to review campaign finance information.

Respondents

8. LZP, LLC is a Domestic Nonprofit Limited Liability Company organized and registered in Ohio. LZP, LLC, Articles of Organization for a Domestic Limited Liability Company, <https://bit.ly/2HCJKAy>. LZP was formed and/or incorporated on March 27, 2018. *Id.*

9. Independence and Freedom Network is a social welfare nonprofit organized under section 501(c)(4) of the tax code. Independence and Freedom Network, 2018 Form 990, <https://bit.ly/2PrFR6m>. LZP is a “disregarded entity” of Independence and Freedom Network. *Id.*, Schedule R, Part I. A disregarded entity is “[a]n entity wholly owned by the organization that is generally not treated as a separate entity for federal tax purposes.” Internal Revenue Service, 2019 Instructions for Form 990 Return of Organization Exempt From Income Tax, Glossary, at 60, <https://www.irs.gov/pub/irs-pdf/i990.pdf>. Independence and Freedom Network directly controls LZP. Independence and Freedom Network, 2018 Form 990, Schedule R, Part I.

10. Ray McVeigh is the sole director of Independence and Freedom Network. *Id.*, Part VII, Section A, Line 1.

11. Honor and Principles PAC is an independent expenditure-only committee (“super PAC”) established on March 26, 2018. Honor and Principles PAC, FEC Form 1, Statement of Organization (Mar. 26, 2018), <https://bit.ly/3ch2R1p>.

12. Lisa Lisker is treasurer of Honor and Principles PAC. *Id.*

13. Unknown respondent (or respondents) are the true source or sources of funds LZP transferred to Honor and Principles PAC, as well as the conduit or conduits, if any, through which such funds passed before being contributed to LZP.

Factual Allegations

14. Honor and Principles PAC was established on March 26, 2018. One day later, on March 27th, LZP was formed and/or incorporated.

15. The next day, March 28th, LZP made a \$175,000 contribution to Honor and Principles PAC. Honor and Principles PAC, FEC Form 3X, 2018 April Quarterly Report, at 6 (Apr. 15, 2018), <https://bit.ly/2yDPh9T>. LZP is the only contributor reported by Honor and Principles PAC on its 2018 April Quarterly Report. *Id.*

16. On March 29, 2018, LZP’s contribution to Honor and Principles PAC was used to pay \$163,838 to Target Enterprises, LLC, a “strategic media placement company,” for a “Non Federal IE-Media Buy.” *Id.*; Target Enterprises, About, <https://bit.ly/2J8IjJG>. Soon after, an ad criticizing Ohio state Representative Larry Householder (R-72) and endorsing his primary opponent, Kevin Black, began airing on Ohio television stations. Twitter, Medium Buying, Apr. 1, 2018, <https://bit.ly/2qwXSUD>; Ohio House of Representatives, Representative Larry Householder (R), <https://bit.ly/2HNB2PV>; Black announces for 72nd House District, Coshocton Tribune, Feb. 9, 2018, <https://ohne.ws/2J1do1A>.

17. LZP LLC contributed an additional \$50,000 to Honor and Principles PAC on April 6, 2018 and \$10,000 on April 18, 2018. Honor and Principles PAC, FEC Form 3X, 2018 July Quarterly Report, at 6 (July 14, 2018), <https://bit.ly/2VoLMwV>. Between April 4, 2018 and April 18, 2018, Honor and Principles PAC paid \$49,000 to SOM Media, LLC for “non federal voter calls” and “non federal-direct mail” as well as \$15,000 to Target Enterprises LLC for “non federal-media buy.” *Id.* at 7-8. In October 2018, LZP contributed \$35,000 to Honor and Principles PAC, which the super PAC used to pay for legal work and compliance consulting. Honor and Principles PAC, FEC Form 3X, 2018 Post-General Report, at 6, 7 (Dec. 6, 2018), <https://bit.ly/382LgYn>. LZP was Honor and Principles PAC’s only ever donor, giving a total of \$270,000 during the 2018 election. Honor and Principles PAC, Receipts, 2017-2018, Federal Election Commission, <https://bit.ly/2PoMkPC>.

18. Honor and Principles PAC’s disclosure reports provide little information about LZP. The only information provided is that LZP’s address is 10 West Broad St., Columbus, OH 43215. Honor and Principles PAC, FEC Form 3X, 2018 April Quarterly Report. As LZP’s Ohio registration indicates, that is also the address of LZP’s registered agent, James G. Ryan, a lawyer at the firm Bailey Cavalieri in Columbus. LZP, LLC, Articles of Organization for a Domestic Limited Liability Company; Bailey Cavalieri, James G. Ryan, Member, <https://bit.ly/2qMoZKu>. It is also the address listed by Honor and Principles PAC for SOM Media LLC, which was incorporated in Ohio on January 31, 2018 by a different lawyer from Bailey Cavalieri. Honor and Principles PAC, FEC Form 3X, 2018 July Quarterly Report; SOM Media, LLC, Articles of Organization for a Domestic Limited Liability Company, <https://bit.ly/2VsbAZ9>; Bailey Cavalieri, Robert B. Berner, Member, <https://bit.ly/2T2pP5c>.

19. In November 2019, Independence and Freedom Network filed its 2018 Form 990 tax return with the Internal Revenue Service, listing LZP as a disregarded entity. Independence and Freedom Network, 2018 Form 990, Schedule R, Part I, Line 1. Independence and Freedom Network reported that LZP's "total income" in 2018 was \$271,000, meaning that all but \$1,000 of the money LZP took in was transferred to Honor and Principles PAC. *Id.* One of the contributors listed on Independence and Freedom Network's Schedule of Contributors, which reports contributions totaling \$5,000 or more from any one contributor without disclosing identifying information, gave \$271,000, suggesting that the money LZP received and passed on may have come from a single source. *Id.*, Schedule B, Additional Data Table.

20. On information and belief, LZP did not generate sufficient income in the one day between its formation and the date on which it contributed \$175,000 to Honor and Principles PAC to account for the contribution. LZP does not appear to conduct any business, and it does not have a presence on the Internet. Rather, it appears an Unknown Respondent (or Respondents) provided the \$175,000 to LZP to make the initial contribution to Honor and Principles PAC. Further, Unknown Respondent (or Respondents) appear to have provided LZP with all the money it transferred to Honor and Principles PAC during the 2018 election.

Count I

21. The FECA and FEC regulations prohibit making a contribution in the name of another person and knowingly permitting one's name to be used to effect a contribution in the name of another person. 52 U.S.C. § 30122; 11 C.F.R. § 110.4(b).

22. An Unknown Respondent (or Respondents) made a \$175,000 contribution to Honor and Principles PAC in the name of LZP in violation of 52 U.S.C. § 30122 and 11 C.F.R. §

110.4(b). An Unknown Respondent (or Respondents) made three additional contributions, totaling \$95,000, to Honor and Principles PAC in the name of LZP in violation of 52 U.S.C. § 30122 and 11 C.F.R. § 110.4(b).

23. LZP, which is directly controlled by Independence and Freedom Network, by and through its sole director, Mr. McVeigh, correspondingly violated 52 U.S.C. § 30122 and 11 C.F.R. § 110.4(b) by knowingly permitting its name to be used to effect the initial \$175,000 contribution by Unknown Respondent (or Respondents) to Honor and Principles PAC as well as for the subsequent contributions of \$50,000, \$10,000, and \$35,000.

24. By causing LZP to violate 52 U.S.C. § 30122 and 11 C.F.R. § 110.4(b), Mr. McVeigh also personally violated 52 U.S.C. § 30122 and 11 C.F.R. § 110.4(b).

25. If these violations were knowing and willful, they are subject to criminal penalties and should be referred to the Department of Justice for investigation. 52 U.S.C. §§ 30109(a)(5)(C), 30109(d)(1).

Count II

26. The FECA and FEC regulations also prohibit knowingly accepting a contribution made by one person in the name of another person. 52 U.S.C. § 30122; 11 C.F.R. § 110.4(b).

27. Honor and Principles PAC and Ms. Lisker violated 52 U.S.C. § 30122 and 11 C.F.R. § 110.4(b) by knowingly accepting contributions made by Unknown Respondent (or Respondents) in the name of LZP.

28. If these violations were knowing and willful, they are subject to criminal penalties and should be referred to the Department of Justice for investigation. 52 U.S.C. §§ 30109(a)(5)(C), 30109(d)(1).

Conclusion

WHEREFORE, Citizens for Responsibility and Ethics in Washington and Noah Bookbinder request that the FEC conduct an investigation into these allegations, declare the respondents to have violated the FECA and applicable FEC regulations, and order respondents to correct these violations by amending Honor and Principles PAC's disclosures to identify and make public the source(s) of the contributions to the PAC. In addition, respondents request that the FEC impose sanctions appropriate to these violations and take such further action as may be appropriate, including referring this case to the Department of Justice for criminal prosecution.

Executive Director
Citizens for Responsibility
and Ethics in Washington
Noah Bookbinder
ON BEHALF OF COMPLAINANTS

Noah Bookbinder
Executive Director
Citizens for Responsibility and Ethics in
Washington
1101 K St. N.W., Suite 201
Washington, D.C. 20005
(202) 408-5565 (phone)
(202) 588-5020 (fax)

VERIFICATION

Citizens for Responsibility and Ethics in Washington and Noah Bookbinder verify that the statements made in the attached Complaint are, upon information and belief, true. Sworn pursuant to 18 U.S.C. § 1001.

Noah Bookbinder
Executive Director
Citizens for Responsibility and
Ethics in Washington
Noah Bookbinder

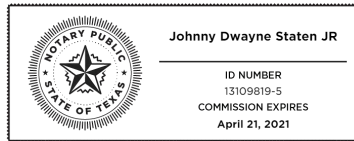
State of Texas, County of Dallas

Personally appeared before me, Noah David Bookbinder, Executive Director for Citizens for Responsibility and Ethics in Washington.

Sworn to and subscribed before me this 28th day of May, 2020.

J. D. Staten JR.

Notary Public



Notarized online using audio-video communication