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August 26, 2021

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**Re: MUR 7464; Response to Factual and Legal Analysis and Request for Pre-Probable Cause Conciliation from Independence and Freedom Network, Inc. and LZP, LLC**

Dear Ms. Peña-Wallace:

Independence and Freedom Network, Inc. and Ray McVeigh, in his official capacity as Director (“IFN”), and LZP, LLC and James G. Ryan, in his official capacity as registered agent (“LZP”) (collectively, the “Respondents”), respondents in the above-referenced Matter Under Review, hereby respond, by and through the undersigned counsel, to the Commission’s Reason to Believe (“RTB”) finding and Factual and Legal Analysis (“F&LA”).

This letter provides Respondents’ position regarding the legal rationale set forth in the F&LA and the Commission’s RTB finding that Respondents violated 52 U.S.C. § 30122 and 11 C.F.R. § 110.1(g)(5), provisions of the Federal Election Campaign Act of 1971, as amended (the “Act”), and the Commission’s regulations. It also provides additional background on Respondents’ purposes and activities, as the F&LA makes certain assertions regarding such activities which are incomplete, misleading, and in some cases incorrect.

As explained below, the allegations in the Complaint and the F&LA are similar to allegations made in a number of MURs dismissed by the Commission over the last five years because respondents lacked prior notice of the appropriate legal standard.<sup>1</sup> Because the conduct alleged here predated the Commission’s release of three of these MURs most applicable to the facts in this case, including the controlling Statement of Reasons in those MURs, this matter should be dismissed for the same reason. In addition, just as in those MURs, where the

<sup>1</sup> See generally, MURs 6485 (W Spann LLC), 6487 & 6488 (F8, LLC), 6711 (Specialty Investments Group, Inc.), 6930 (SPM Holdings LLC), 6968 (Tread Standard LLC), 6995 (Right to Rise), 7014, 7017, 7019 & 7090 (DE First Holdings), 6969 (MMWP12 LLC), and 7031 & 7034 (Children of Israel, LLC).

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individuals who participated in making the contribution acknowledged their role, IFN has publicly acknowledged its role here through public IRS filings, and by asking the recipient committee, Honor and Principles PAC (“HP PAC”), to amend its reports filed with the Commission.<sup>2</sup>

Should the Commission conclude that a dismissal is not warranted in this matter, we would respectfully request to engage in pre-probable cause conciliation, as all of the facts and information germane to the RTB finding and the F&LA are provided herein. Moreover, the Respondents have dissolved and no longer have bank accounts or any funds. It would therefore be a waste of the Commission’s resources to pursue any further investigation in this matter.

## **I. FACTUAL BACKGROUND**

### **A. Independence and Freedom Network, Inc.**

IFN was a nonprofit social welfare organization exempt from federal taxation under to Section 501(c)(4) of the Internal Revenue Code. It was incorporated in the State of Ohio on April 13, 2017 by James G. Ryan, a corporate attorney at the law firm of Bailey Cavaleri in Columbus, Ohio, who also serves as IFN’s registered agent.<sup>3</sup> Mr. Ryan has created and provided counsel to hundreds of corporations and limited liability companies in Ohio since 1993, and has served as the registered agent to more than 150 of such entities.<sup>4</sup> He is an expert in Ohio corporate law issues.<sup>5</sup>

IFN was governed by its Bylaws, which states that “all corporate powers will be exercised by or under the authority of the Board of Directors, which will also control all the business and affairs of the Corporation.”<sup>6</sup> IFN’s sole Director was Ray McVeigh, who formally adopted the Bylaws on April 27, 2017.<sup>7</sup>

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<sup>2</sup> See Email from Raymond McVeigh to Lisa Lisker (Aug. 18, 2021) (attached as Exhibit A).

<sup>3</sup> See IFN Articles of Incorporation, Business Search, Ohio Sec. of State (April 13, 2017), <https://bizimage.ohiosos.gov/api/image/pdf/201710303302>.

<sup>4</sup> See Ohio Sec. of State, Business Search, Search by Agent or Registrant Name “James G. Ryan”, <https://businesssearch.ohiosos.gov/#>.

<sup>5</sup> See James G. Ryan Bio, <http://baileycav.com/people/james-g-ryan/>.

<sup>6</sup> See IFN Bylaws, at 2, <https://s3.documentcloud.org/documents/6144815/Independence-and-Freedom-Network-Inc-1024.pdf>.

<sup>7</sup> See IFN Bylaws, at 13; see also Affidavit of Raymond McVeigh ¶ 3 (Aug. 23, 2021) (hereinafter, the “McVeigh Affidavit”).

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IFN filed its IRS Form 1024, *Application for Recognition of Exemption under Section 501(c)(4) of the Internal Revenue Code*, on November 15, 2017,<sup>8</sup> and received its IRS Determination Letter granting 501(c)(4) tax-exempt status on April 13, 2018.<sup>9</sup> IFN's activities and operational information, as reflected in its Form 1024 Application for Exemption, states:

The Organization was not formed for the private gain of any person, but for the purpose of bringing about civic betterments and social improvements. More specifically, Independence and Freedom Network was found to promote solutions to pressing public policy issues related to individual liberty and the expansion of personal freedom.<sup>10</sup>

IFN's Form 1024 explains that its planned activities include research and policy analysis, public education, issue advocacy and grassroots lobbying activities.<sup>11</sup> IFN's 2018 IRS Form 990 annual tax return states that its mission is "to promote solutions to pressing public policy problems related to individual liberty and the expansion of personal freedom."<sup>12</sup> Likewise, IFN's Articles of Incorporation state that one of its purposes is "to promote the common good and general welfare of the citizens of the United States of America."<sup>13</sup>

In 2018, IFN raised \$2,936,702 in contributions and grants and had \$2,822,777 in expenses, the majority of which was spent in furtherance of its social welfare major purpose.<sup>14</sup> Also included in IFN's expenses for 2018 was \$1,120,000 in contributions to Section 527 political organizations, which accounted for 39.6 percent of its overall spending that year.<sup>15</sup> In March 2018, which included the "four-day period" underscored in the Complaint and F&LA, IFN raised \$1,230,000.<sup>16</sup> All of these donations were raised by IFN prior to March 28, 2018, the

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<sup>8</sup> See IFN Form 1024, *Application for Recognition of Exemption under Section 501(c)(4) of the Internal Revenue Code* (November 15, 2017); <https://s3.documentcloud.org/documents/6144815/Independence-and-Freedom-Network-Inc-1024.pdf>; see also McVeigh Affidavit ¶ 4.

<sup>9</sup> See IFN IRS Determination Letter (April 13, 2018), <https://s3.documentcloud.org/documents/6144815/Independence-and-Freedom-Network-Inc-1024.pdf>; see also McVeigh Affidavit ¶ 5.

<sup>10</sup> See IFN Form 1024, Addendum, at 1.

<sup>11</sup> See IFN Form 1024, Addendum, at 1-3.

<sup>12</sup> See IFN 2018 IRS Form 990 (November 15, 2019), at 1,

<https://s3.documentcloud.org/documents/6773070/Independence-and-Freedom-Network-Inc-2018-990.pdf>.

<sup>13</sup> See IFN Articles of Incorporation, *supra* n. 1, at 5; see also McVeigh Affidavit ¶ 6.

<sup>14</sup> See IFN 2018 IRS Form 990, at 1.

<sup>15</sup> See IFN 2018 IRS Form 990, Schedule C.

<sup>16</sup> See IFN Bank Statement (March 30, 2018).

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date IFN made its first transfer to the bank account of its nonprofit disregarded entity, LZP, an entity it controlled one hundred percent.<sup>17</sup>

Due to a lack of fundraising during the COVID-19 pandemic, IFN decided to wind up its affairs and dissolve at the end of 2020 in accordance with its Articles of Incorporation.<sup>18</sup> IFN filed a Certificate of Dissolution with the Ohio of Secretary State’s Office on December 30, 2020 and subsequently closed its bank accounts.<sup>19</sup> IFN’s dissolution was adopted by Mr. McVeigh, IFN’s sole Director, via unanimous written consent on December 17, 2020.<sup>20</sup>

### **B. Independence and Freedom Network’s Establishment of LZP, LLC**

In early-2018, IFN was engaged in several different projects and sought to separate and organize its spending for purposes of simplifying its accounting procedures.<sup>21</sup> After reviewing the relevant law and performing comprehensive due diligence, IFN believed that establishing an Ohio nonprofit LLC as a disregarded entity would be its best option to accomplish that purpose.<sup>22</sup> IFN understood that under Ohio corporate law, “[a] limited liability company may be formed for any purpose or purposes for which individuals lawfully may associate themselves, including for any profit or nonprofit purpose...”<sup>23</sup> Furthermore, IFN was aware that under Ohio law, “a single member limited liability company that operates with a nonprofit purpose...shall be treated as part of the same legal entity as its nonprofit member, and all assets and liabilities of that single member limited liability company shall be considered to be that of the nonprofit member.”<sup>24</sup>

While IFN understood a disregarded entity to be an entity disregarded as separate from an organization for federal income tax purposes, it was under the impression—based on its due diligence—that any nonprofit LLC it might eventually create would be considered to be part of the same legal entity pursuant to Ohio state corporate law.<sup>25</sup> IFN had explored the possibility of contributing a portion of its funds to some like-minded Section 527 political organizations with disclosure obligations, and it wanted to make sure that by creating a nonprofit LLC to better internally structure this giving for accounting purposes, it would not run afoul of any state or

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<sup>17</sup> See IFN Bank Statement (March 30, 2018).

<sup>18</sup> See McVeigh Affidavit ¶ 14.

<sup>19</sup> See IFN Certificate of Dissolution, Business Search, Ohio Sec. of State (December 30, 2020), <https://bizimage.ohiosos.gov/api/image/pdf/202036405238>.

<sup>20</sup> See IFN Certificate of Dissolution, at 7.

<sup>21</sup> See McVeigh Affidavit ¶ 7.

<sup>22</sup> See McVeigh Affidavit ¶ 8.

<sup>23</sup> Ohio Rev. Code § 1705.02; see also McVeigh Affidavit ¶ 8.

<sup>24</sup> Ohio Rev. Code § 5701.14; see also McVeigh Affidavit ¶ 8.

<sup>25</sup> See McVeigh Affidavit ¶ 8-9.

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federal laws governing earmarked contributions or the making of a contribution in the name of another person.<sup>26</sup>

Specifically, when considering potential donations to Section 527 organizations registered with the Commission as IE-Only Committees, IFN believed that the Commission would defer to state corporate law—as it had done consistently in numerous contexts<sup>27</sup>—and not treat an Ohio nonprofit LLC established and controlled by IFN as a separate legal entity for purposes of the Act’s prohibition on making a contribution in the name of another.<sup>28</sup> In short, IFN never believed a nonprofit LLC that was fully controlled by IFN could even be considered to be a conduit for a contribution in the name of another to an IE-Only Committee because they would both be part of the same legal entity.<sup>29</sup>

Operating under these good faith assumptions and intentions, IFN instructed Mr. Ryan to create LZP, which he did on March 27, 2018.<sup>30</sup> LZP was a single-member nonprofit LLC whose sole member was IFN, a 501(c)(4) nonprofit corporation. As noted in the F&LA, LZP was treated as a disregarded entity for federal income tax purposes and was not considered a corporate LLC. Accordingly, LZP was publicly disclosed on IFN’s 2018 IRS Form 990 tax return as a disregarded entity wholly owned and controlled by IFN.<sup>31</sup> As an entity wholly owned and controlled by IFN, LZP shared the same organizational purposes as IFN. In late 2020, Mr. McVeigh instructed Mr. Ryan to file a Certificate of Dissolution for LZP, which he did on December 23, 2020.<sup>32</sup> LZP closed its bank account at the same time.<sup>33</sup>

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<sup>26</sup> See McVeigh Affidavit ¶ 8-9.

<sup>27</sup> The Commission has historically deferred to the “well established principle[s] of [state] corporate law” when addressing the intricacies of corporate organizational structures. See FEC’s Motion for Summary Judgment, *FEC v. Kalogianis*, No. 06-68 (Feb. 28, 2007) at 18. For example, in Advisory Opinion 1981-50, the Commission concluded that “[p]artnerships are generally recognized as a type of voluntary, unincorporated business organization pursuant to state law, and their legal character is determined with reference to state law.” Advisory Opinion 1981-50 (Hansell, Post, Brandon & Dorsey), at 2.

<sup>28</sup> 52 U.S.C. § 30122.

<sup>29</sup> See McVeigh Affidavit ¶ 9.

<sup>30</sup> See LZP Articles of Organization, Business Search, Ohio Sec. of State (March 27, 2018), <https://bizimage.ohiosos.gov/api/image/pdf/201808600966>; see also McVeigh Affidavit ¶ 10.

<sup>31</sup> See IFN 2018 IRS Form 990 at 5 (answering “Yes” to question 33 asking “Did the organization own 100% of an entity disregarded as separate from the organization?”); *id.* at Schedule R (listing LZP as IFN’s only disregarded entity and noting that IFN is the “Direct controlling entity”).

<sup>32</sup> See LZP Certificate of Dissolution, Business Search, Ohio Sec. of State (December 23, 2020), <https://bizimage.ohiosos.gov/api/image/pdf/202034205968>; see also McVeigh Affidavit ¶ 14.

<sup>33</sup> See McVeigh Affidavit ¶ 14.

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### C. Independence and Freedom Network's Transfers to LZP, LLC

The primary transaction at issue in this matter was a March 28, 2018 contribution of \$175,000 from LZP to HP PAC, a 527 organization registered with the Commission as an IE-Only Committee, the day after LZP was established as a nonprofit LLC on March 27, 2018. In late March 2018, IFN was interested in donating to HP PAC. However, as explained above, IFN sought to separate and organize this portion of its spending internally to simplify its accounting procedures, so IFN authorized Mr. Ryan to create LZP for that purpose.<sup>34</sup> Once LZP was registered as a nonprofit LLC and opened a bank account, IFN transferred \$180,000 from its bank account to LZP's bank account on March 28, 2018 to be used for the HP PAC contribution.<sup>35</sup> IFN authorized additional transfers to LZP of \$50,000 on April 6, 2018, \$6,000 on April 17, 2018,<sup>36</sup> and \$35,000 on October 17, 2018.<sup>37</sup> These transfers were subsequently used by LZP to contribute to HP PAC.<sup>38</sup>

As noted above, IFN never believed that LZP could even be considered a conduit for a contribution in the name of another to HP PAC because its due diligence and review of the relevant law reinforced the fact that IFN and LZP were the same legal entity.<sup>39</sup> If IFN had thought its desire to simplify and better organize its accounting procedures would result in an allegation that IFN made a contribution in the name of another in violation of the Act, IFN would have never approved the creation of LZP in the first place. Instead, IFN would have simply contributed directly to HP PAC from its main account, as it had done ten days earlier when it contributed \$850,000 to another IE-Only Committee registered with the Commission called Onward Ohio.<sup>40</sup>

The fact that IFN contributed directly to an IE-Only Committee just days before its initial transfer to LZP shows that it was not concerned about being revealed as a donor in public filings. In addition, IFN reflected both its \$850,000 contribution to Onward Ohio and LZP's \$270,000 contribution to HP PAC on Schedule C of its 2018 Form 990, which is also publicly available.<sup>41</sup> Indeed, IFN's decision to contribute to another IE-Only Committee through its main account, which it knew would be reflected on the recipient committee's public filings, demonstrates that

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<sup>34</sup> See McVeigh Affidavit ¶¶ 7, 10.

<sup>35</sup> See IFN Bank Statement (March 30, 2018); see also McVeigh Affidavit ¶ 11.

<sup>36</sup> See IFN Bank Statement (April 30, 2018).

<sup>37</sup> See IFN Bank Statement (October 30, 2018); see also McVeigh Affidavit ¶ 11.

<sup>38</sup> See LZP Bank Statements (March 30, 2018, April 30, 2018, and October 31, 2018); see also McVeigh Affidavit ¶ 12.

<sup>39</sup> See McVeigh Affidavit ¶ 9.

<sup>40</sup> See Onward Ohio (Committee ID C00629857), 2018 April Quarterly Report at 6, <https://docquery.fec.gov/pdf/981/201804159108118981/201804159108118981.pdf>.

<sup>41</sup> See IFN 2018 IRS Form 990, Schedule C.



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IFN's sole motivation in creating LZP and donating to HP PAC through LZP was for the accounting purposes cited above, and not for the purpose of concealing IFN's identity. The fact that IFN listed both Onward Ohio and HP PAC as recipients of contributions on its 2018 Form 990, even though IFN only directly contributed using its main account to Onward Ohio, also further bolsters IFN's position that it always considered LZP to be the same legal entity as IFN, and that LZP was therefore incapable of facilitating a contribution in the name of another.

## II. LEGAL ANALYSIS

### A. The Commission's Treatment of LLC Contributions to IE-Only Committees

In 2016, the Commission considered for the first time whether, and under what circumstances, a contribution from a closely held corporation or a corporate LLC violated the prohibition against making a contribution in the name of another at 52 U.S.C. § 30122.<sup>42</sup> In addressing a series of LLC contributions to IE-Only Committees during the 2012 election cycle in MURs 6485, 6487, 6488, 6711 and 6930, the Commission failed to find reason to believe a violation of Section 30122 of the Act occurred.

In the controlling Statement of Reasons, the Commission at the time concluded that “to vindicate the purpose underlying Section 30122 without violating First Amendment rights, the proper focus . . . is whether the funds used to make a contribution were intentionally funneled through a closely held corporation or corporate LLC for the purpose of making a contribution that evades the Act's reporting requirements, making the individual, not the corporation or corporate LLC, the true source of the funds.”<sup>43</sup> However, the Commission also concluded that because the issue was “one of first impression, and because past Commission decisions regarding funds deposited into corporate accounts may be confusing in light of recent legal developments, principles of due process, fair notice, and First Amendment clarity counsel against applying a standard to persons and entities that were not on notice of the governing norm.”<sup>44</sup> Accordingly, the Commission voted to exercise prosecutorial discretion and dismiss the matters, a result that the U.S. District Court for the District of Columbia determined was not contrary to law.<sup>45</sup> The D.C. Circuit has since concluded in a separate case that such dismissals pursuant to prosecutorial discretion are “not subject to judicial review.”<sup>46</sup>

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<sup>42</sup> See MURs 6485 (W Spann LLC), 6487 & 6488 (F8, LLC), 6711 (Specialty Investments Group, Inc.), 6930 (SPM Holdings LLC).

<sup>43</sup> Statement of Reasons of Chairman Matthew S. Petersen, and Commissioners Caroline C. Hunter and Lee E. Goodman at 2, MURs 6485, 6487, 6711, and 6930 (April 1, 2016).

<sup>44</sup> *Id.*

<sup>45</sup> See *Campaign Legal Center v. FEC*, No. 1:16-cv-00752, 2018 WL 2739920, at \*8 (D.D.C. June 7, 2018).

<sup>46</sup> *CREW v. FEC*, No. 17-5049, 2018 WL 2993249, at \*5 (D.C. Cir. June 15, 2018)

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In 2017 and 2018, the Commission dealt with a similar line of cases stemming from activity that took place during the 2016 election cycle. In MURs 6968, 6995, 7014, 7017, 7019, and 7090, the Commission was once again faced with allegations that certain LLCs served as vehicles for contributions in the name of another in violation of Section 30122 of the Act. Like the foregoing LLC matters from the 2012 election cycle, the complaints in these matters similarly arose from contributions made by a closely held corporation and corporate LLCs to IE-Only Committees. In each case, the Commission failed to find Reason to Believe a violation of Section 30122 occurred.

While the Commission again recognized that “under certain circumstances, the name-of-another prohibition applies to contributions to Super PACs by closely held corporations and corporate LLCs,”<sup>47</sup> the controlling Statement of Reasons also acknowledged the fact that the “conduct alleged in these complaints occurred before ‘the relevant notice date,’”<sup>48</sup> referring to April 1, 2016, the date of their 2016 LLC Statement. The Commission noted that April 1, 2016 was the date “we issued our prior LLC Statement, which first articulated the correct legal standard in these types of matters.”<sup>49</sup> In dismissing the Section 30122 allegations in these complaints as an exercise of prosecutorial discretion, the Commission explained that “the same considerations of due process, fair notice, and First Amendment clarity, which informed our decision to exercise prosecutorial discretion in those prior matters, also apply here.”<sup>50</sup>

Around the same time, the Commission was dealing with another series of LLC-related cases that were somewhat like the prior matters, but with some important distinctions.<sup>51</sup> In the previous LLC matters, the Commission considered the question of whether closely held corporations and LLCs taxed as corporations violated the Act’s ban on straw donor contributions by making contributions to IE-Only Committees. Like those matters, the respondents in MURs 6969, 7031 and 7034 included LLCs that were alleged to have made, and IE-Only Committees were alleged to have accepted, straw donor contributions in violation of the Act. However, unlike the LLCs in the prior matters, the LLCs identified in MURs 6969, 7031 and 7034 did not opt to be taxed like corporations, raising the question of how these contributions should be attributed.<sup>52</sup>

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<sup>47</sup> Statement of Reasons of Chair Caroline C. Hunter and Commissioner Matthew S. Petersen at 8, MURs 6968, 6995, 7014, 7017, 7019, and 7090 (July 2, 2018).

<sup>48</sup> *Id.* at 3.

<sup>49</sup> *Id.*

<sup>50</sup> *Id.*

<sup>51</sup> See generally, MURs 6969 (MMWP12 LLC), 7031 & 7034 (Children of Israel).

<sup>52</sup> Statement of Reasons of Chair Caroline C. Hunter and Commissioner Matthew S. Petersen at 1-2, MURs 6969, 7031, and 7034 (September 13, 2018).



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Specifically, these matters involved (1) an LLC treated as a disregarded entity whose sole member was another LLC taxed as a partnership and owned by two individuals through living trusts; and, (2) an LLC whose sole member was a living trust. In the controlling Statement of Reasons, the Commission recognized that “[a] contribution from an LLC that elects to be taxed as a partnership, or that does not elect to be taxed as either a partnership or corporation, is treated as a contribution from a partnership; contributions from an LLC with a single natural person member (that does not elect corporate taxation) are attributed to the sole member.”<sup>53</sup> The Commission added that, “[i]n turn, contributions by partnerships are attributed to the partnership itself and (generally) to each partner in proportion to their ownership shares.”<sup>54</sup>

However, while the Commission determined that the LLC contributions at issue in these MURs should have been attributed to each LLC’s natural person owners, they voted to dismiss the matters as an exercise of prosecutorial discretion because the “respondents did not have prior notice of the relevant legal interpretation.”<sup>55</sup> In doing so, they concluded that “while the Commission’s existing attribution regulations at 11 C.F.R. § 110.1(g) apply to the reporting of these contributions, several factors counsel in favor of exercising our prosecutorial discretion, including considerations of due process, fair notice, and First Amendment clarity.”<sup>56</sup> In short, the respondents in these matters did not have prior notice of the correct legal standard regarding LLC contributions to IE-Only Committees when such LLCs are treated as disregarded entities or partnerships. The Commissioners pointed to this lack of fair notice as the reason for their vote to dismiss the matters, stating that “[t]he Supreme Court has observed that ‘[a] fundamental principle in our legal system is that laws which regulate persons or entities must give fair notice of conduct that is forbidden or required.’”<sup>57</sup>

It is important to note that the Commission’s decision and the controlling Statement of Reasons in MURs 6968, 6995, 7014, 7017, 7019, and 7090 were not made public until July 6, 2018.<sup>58</sup> Likewise, the Commission’s decision in MURs 6969, 7031, and 7034 was not released until July 13, 2018,<sup>59</sup> and while then-Vice Chair Weintraub issued her Statement of Reasons on

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<sup>53</sup> *Id.* at 5 (citing 11 C.F.R. § 110.1(g)).

<sup>54</sup> *Id.* (citing 11 C.F.R. 110.1(e)).

<sup>55</sup> *Id.*

<sup>56</sup> *Id.* at 2.

<sup>57</sup> *Id.* at 6 (citing *FCC v. Fox Television Stations*, 567 U.S. 239, 253 (2012); Statement of Reasons of Vice Chairman Donald F. McGahn II and Commissioners Caroline C. Hunter and Matthew S. Petersen at 23, MUR 6081 (July 25, 2013) (“[D]ue process requires that the public know what is required ex ante, and that the Commission acknowledge and provide the public with prior notice of any regulatory change.”)).

<sup>58</sup> See FEC Weekly Digest, Week of July 2-July 6, 2018 (July 6, 2018), <https://www.fec.gov/updates/week-july-2-july-6-2018/>.

<sup>59</sup> See FEC Weekly Digest, Week of July 9-July 13, 2018 (July 13, 2018), <https://www.fec.gov/updates/week-july-2-july-6-2018/>.

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July 13, 2018,<sup>60</sup> the controlling Statement of Reasons was not made public until September 13, 2018.<sup>61</sup> All of these decisions, and the resulting guidance and legal standards were publicly released after the transactions and reporting that gave rise to the Complaint in the current matter.

**B. It Would Be Unfair to Pursue Enforcement Against Independence and Freedom Network and LZP, LLC**

As noted above, when the Commission considered MURs 6485, 6487, 6711, and 6930 in 2016, three Commissioners wrote that pursuing enforcement against the respondents in those cases would have been “manifestly unfair because Commission precedent does not provide adequate notice regarding the application of section 30122 to closely held corporations and corporate LLCs or the proper standards for its application.”<sup>62</sup> Those Commissioners reasoned that:

[T]his is the first occasion the Commission has examined whether it is possible for individuals to violate section 30122 by contributing in the names of their closely held corporations and corporate LLCs. Based on Commission precedent, the regulated community may have reasonably concluded that the answer to that question was “no.” Therefore, because Respondents did not have prior notice of the legal interpretation discussed above, we determined that applying section 30122 to Respondents would be inconsistent with due process principles.<sup>63</sup>

Likewise, when the Commission considered MURs 6968, 6995, 7014, 7017, 7019, and 7090, matters that also dealt with contributions from corporations and corporate LLCs, two Commissioners voted to dismiss the allegations in the complaints “for the same reasons set forth” in their 2016 LLC Statement, namely, that ““because Respondents did not have prior notice of the legal interpretation discussed above, . . . applying section 30122 to Respondents would be inconsistent with due process principles.””<sup>64</sup>

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<sup>60</sup> Statement of Reasons of Vice Chair Ellen L. Weintraub, MURs 6969, 7031, and 7034 (July 13, 2018).

<sup>61</sup> Statement of Reasons of Chair Caroline C. Hunter and Commissioner Matthew S. Petersen at 1-2, MURs 6969, 7031, and 7034 (September 13, 2018).

<sup>62</sup> Statement of Reasons of Chairman Matthew S. Petersen, and Commissioners Caroline C. Hunter and Lee E. Goodman at 8, MURs 6485, 6487, 6711, and 6930 (April 1, 2016).

<sup>63</sup> *Id.* at 13.

<sup>64</sup> Statement of Reasons of Chair Caroline C. Hunter and Commissioner Matthew S. Petersen at 12, MURs 6968, 6995, 7014, 7017, 7019, and 7090 (July 2, 2018).

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In MURs 6969, 7031, and 7034, the Commission considered alleged Section 30122 violations by LLCs in a different context. Unlike the prior matters, which focused solely on allegations that corporations and corporate LLCs served as straw donors, the respondents in MURs 6969, 7031, and 7034 were treated as disregarded entities or partnerships. Accordingly, just as the Commission in 2016 addressed for the first time whether, and under what circumstances, a contribution from a closely held corporation or corporate LLC could be in violation of Section 30122, the Commission in MURs 6969, 7031, and 7034 considered, for the first time whether, and under what circumstances, a contribution from an LLC treated as a disregarded entity or partnership could be in violation of Section 30122. Indeed, the release of the controlling Statement of Reasons in these matters on September 13, 2018 was the first time the Commission provided the correct legal standard with respect to the applicability of Section 30122 to LLCs treated as disregarded entities or partnerships.

It should also be noted that while the release of the controlling Statement of Reasons in MURs 6969, 7031, 7034 on September 13, 2018 provided notice to the regulated community, for the first time, of the applicability of Section 30122 to contributions from disregarded entity and partnership LLCs to IE-Only Committees, and the method of reporting such contributions, it only provided guidance with respect to disregarded entity and partnership LLCs that are organized for-profit and have natural person members. As explained above, LZP was a single-member nonprofit LLC treated as a disregarded entity whose sole member was IFN, a 501(c)(4) nonprofit corporation.

The Commission's regulations state that, "[a] contribution by an LLC that elects to be treated as a partnership by the Internal Revenue Service pursuant to 26 CFR 301.7701-3, or does not elect treatment as either a partnership or a corporation pursuant to that section, shall be considered a contribution from a partnership pursuant to 11 CFR 110.1(e)."<sup>65</sup> Section 110.1(e) of the Commission's regulations, which addresses "contributions by partnerships," states, in pertinent part, that "[a] contribution by a partnership shall be attributed to the partnership and to each partner...in direct proportion to his or her share of the partnership profits..."<sup>66</sup> With respect to contributions to IE-Only Committees from for-profit LLCs that have one or more natural person members who share in the LLC's profits, these attribution requirements are quite clear. Indeed, then-Vice Chair Weintraub was correct when she said, "there should be no confusion that the law prohibits individuals from using such entities [referring to disregarded entities] to make contributions in the name of another."<sup>67</sup>

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<sup>65</sup> 11 C.F.R. § 110.1(g)(2).

<sup>66</sup> 11 C.F.R. § 110.1(e)

<sup>67</sup> Statement of Reasons of Vice Chair Ellen L. Weintraub, at 2, MURs 6969, 7031, and 7034 (July 13, 2018).

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Conversely, a single member nonprofit LLC with a nonprofit corporate member does not involve any natural persons or individuals. Moreover, by definition and law, a nonprofit LLC with a single 501(c)(4) nonprofit corporate member does not have profits. This is because a nonprofit LLC takes on the nonprofit characteristics of its sole nonprofit corporate member, and its activities must be in line with those of the nonprofit corporate member.<sup>68</sup> In this case, LZP took on the characteristics of its nonprofit corporate member, IFN, which is organized under 26 U.S.C. § 501(c)(4). Section 501(c)(4) of the Internal Revenue Code (the “Code”) makes clear that a social welfare organization is “not organized for profit” and does not permit any “net earnings [to] inure[] to the benefit of any private shareholder or individual.”<sup>69</sup> Accordingly, IFN and Mr. McVeigh believed that the Commission’s attribution regulation governing partnership contributions at 11 C.F.R. § 110.1(e) would not be applicable because it requires attribution of underlying partners “in direct proportion to his or her share of partnership profits.”<sup>70</sup> In this case, LZP had no “partnership profits,” so it was reasonable for IFN and Mr. McVeigh to assume that no attribution of LZP’s single nonprofit corporate member, IFN, would be required.

The F&LA dismisses out of hand LZP’s argument, contained in its response to the initial Complaint, that it was not required to attribute its HP PAC contributions to IFN because of IFN’s nonprofit corporate form and the fact that LZP did not have any “partnership profits.”<sup>71</sup> The F&LA asserts that the “regulations direct that the partnership contribution must be attributed to both the partnership and all partners in proportion to their shares,”<sup>72</sup> and goes on to explain that “[b]ecause there would not be multiple partners under the LZP’s current organizational structure, the share of the contributions attributable to LZP’s single member would be 100%.”<sup>73</sup> As an initial matter, the F&LA conveniently ignores the rest of the regulatory language in 11 C.F.R. § 110.1(e)(1) when it says “in proportion to their shares,”<sup>74</sup> as the actual regulation states, “in direct proportion to his or her share of the partnership profits.”<sup>75</sup>

In taking this position and citing 11 C.F.R. 110.1(e) and (g) as support, the F&LA fails to recognize that such regulations only explicitly contemplate the attribution requirement when partnerships contributions can be attributed “in direct proportion to his or her share of partnership profits.”<sup>76</sup> In concluding that “the share of the contributions attributable to LZP’s single member would be 100%,” the F&LA is unilaterally assigning shareable “profits” to LZP,

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<sup>68</sup> See IRS Announcement 99-102, 1999-43 I.R.B. 545.

<sup>69</sup> 26 U.S.C. § 501(c)(4)(A)-(B).

<sup>70</sup> 11 C.F.R. § 110.1(e); see also McVeigh Affidavit ¶ 13.

<sup>71</sup> MUR 7464, Response to Complaint from LZP, LLC, at 5-7.

<sup>72</sup> MUR 7464 (LZP, LLC), F&LA at 15 (citing 11 C.F.R. 110.1(e), (g)).

<sup>73</sup> *Id.*

<sup>74</sup> *Id.*

<sup>75</sup> 11 C.F.R. § 110.1(e)(1).

<sup>76</sup> 11 C.F.R. § 110.1(e)(1).

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an entity that by law does not have any profits. This critical fact—that LZP was a nonprofit LLC with a nonprofit corporate member with no profits—is relegated to a single footnote in the F&LA.<sup>77</sup>

In addition, with respect to the requirement that disregarded entity and partnership LLCs, including LLCs with single natural person members, provide attribution information to recipients of their contributions under 11 C.F.R. 110.1(g)(5), the F&LA pushes a theory that these requirements were applicable “on their face” to contributions to IE-Only Committees by citing the Commission’s 1999 Rulemaking on the *Treatment of Limited Liability Companies Under the Federal Election Campaign Act*,<sup>78</sup> a regulation that was adopted more than ten years before the birth of IE-Only Committees post-*Citizens United*, and which focused on “identifying prohibited contributions from foreign national or government contractor sources.”<sup>79</sup> If the closed LLC matters since the 2012 election cycle are any indication, it was not at all clear prior to the release of the foregoing controlling Statements of Reasons that “[t]he Commission’s regulations concerning the attribution of LLC contributions apply on their face to all such LLC contributions irrespective of recipient.”<sup>80</sup>

In sum, finding any probable cause to believe that IFN and LZP violated Section 30122 would be manifestly unfair and inconsistent with due process principles because they did not have adequate notice of the potential application of Section 30122 to a contribution to an IE-Only Committee from a nonprofit LLC treated as a disregarded entity with a single nonprofit corporate member. Not only was the correct legal standard applicable to disregarded entity and partnership LLC contributions to IE-Only Committees first announced almost six months after the activity giving rise to the Complaint in this matter—in the form of the controlling Statement of Reasons in MURs 6969, 7031, 7034—but, when such guidance was ultimately released, it was not even directly applicable to the unique structure of LZP due to its nonprofit purpose and the nonprofit corporate form of its sole member. We therefore respectfully request that the Commission exercise its prosecutorial discretion here, as the Commission did with respect to the LLC MURs cited above, without finding probable cause that IFN or LZP committed a violation of 52 U.S.C. § 30122 and 11 C.F.R. § 110.1(g)(5).

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<sup>77</sup> MUR 7464 (LZP, LLC), F&LA at 15 n. 56.

<sup>78</sup> *Treatment of Limited Liability Companies Under the Federal Election Campaign Act*, 64 Fed. Reg. 37,397, 37,398 – 37,399 (July 12, 1999).

<sup>79</sup> MUR 7464 (LZP, LLC), F&LA at 14 n. 53.

<sup>80</sup> MUR 7464 (LZP, LLC), F&LA at 14.

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### C. The Commission Must Prove Scierter to Establish a Section 30122 Violation

The Act provides that “[n]o person shall make a contribution in the name of another person or knowingly permit his name to be used to effect such a contribution, and no person shall knowingly accept a contribution made by one person in the name of another person.”<sup>81</sup> The Commission’s implementing regulation supplements the statute by also prohibiting the aiding and abetting of impermissible contribution-in-the-name-of-another schemes. That implementing regulation states, in pertinent part:

#### § 110.4 Contributions in the name of another; cash contributions

- (a) [Reserved]
- (b) *Contributions in the name of another.* (1) No person shall—
  - (i) Make a contribution in the name of another;
  - (ii) Knowingly permit his or her name to be used to effect that contribution;
  - (iii) Knowingly help or assist any person in making a contribution in the name of another; or
  - (iv) Knowingly accept a contribution made by one person in the name of another.

Importantly, each prohibited action set forth in (b)(i) - (iv) requires the Commission to prove scierter to establish a violation of the contribution-in-the-name-of-another prohibition. To be clear, despite the absence of “knowingly” in paragraph (b)(i), no person can be found in violation of (b)(i), (b)(ii), (b)(iii), or (b)(iv) unless the Commission first proves that a source transmitted property to another with the intent to mask the identity of the true source.

This scierter requirement was discussed in detail in the controlling Statement of Reasons in MURs 6485, 6487, 6711, and 6930, in which those Commissioners explained:

[T]he proper focus in these matters is whether the funds used to make a contribution were intentionally funneled through a closely held corporation or corporate LLC for the purpose of making a contribution that evades the Act’s reporting requirements, making the individual, not the corporation or corporate LLC, the true source of the funds. Thus, in matters alleging section 30122 violations against such entities, the Commission will examine whether the available evidence establishes the requisite purpose.<sup>82</sup>

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<sup>81</sup> 52 U.S.C. § 30122.

<sup>82</sup> Statement of Reasons of Chairman Matthew S. Petersen, and Commissioners Caroline C. Hunter and Lee E. Goodman at 2, MURs 6485, 6487, 6711, and 6930 (April 1, 2016).



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Therefore, the Commission's test for determining whether a contribution was made in the name of another should effectively have two prongs:

1. First, an examination of whether a source transmitted property to another with the purpose that it be used to make or reimburse a contribution; and,
2. Second, an examination of whether that source transmitted property to another with the intent to mask the identity of the true source.

While this scienter requirement may not be favored by certain Commission members and staff, it is nonetheless required to distinguish impermissible Section 30122 contributions from conduit contributions transferred lawfully. For example, contributors often make conduit contributions through platforms such as WinRed or ActBlue that satisfy the first prong of the test, but every conduit contribution effectuated through those platforms certainly does not constitute an impermissible contribution in the name of another. In short, intent matters.

In this case, Mr. McVeigh makes clear through his affidavit that IFN's intent in creating LZP was to simplify and better organize IFN's various projects for accounting purposes.<sup>83</sup> IFN never intended to use LZP as a means to conceal contributions from IFN. In fact, IFN's lack of concern for publicly disclosing IFN as a donor is buttressed by the fact that IFN contributed directly, and in a much larger amount, to Onward Ohio, another IE-Only Committee registered with the Commission that publicly disclosed the receipt of IFN's contribution on its 2018 April Quarterly Report. IFN also reflected its contribution to Onward Ohio, and LZP's contribution to HP PAC on its publicly available 2018 Form 990, which further demonstrates that IFN never had the intent of masking the identity of the true source of LZP's contribution to HP PAC.

IFN's intent in creating LZP, as established by Mr. McVeigh's affidavit, was for accounting purposes, not to mask the identity of the true source of LZP's contributions to HP PAC.<sup>84</sup> In the absence of such intent or purpose, the Commission must dismiss this matter without further action.

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<sup>83</sup> See McVeigh Affidavit ¶¶ 7-8.

<sup>84</sup> See McVeigh Affidavit ¶¶ 7-8.

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**D. Independence and Freedom Network Should Not Be Compelled to Disclose Its Donors to the Commission**

Respondents submitted copies of both IFN's and LZP's bank statements for the months of March, April, and October 2018 to the Office of General Counsel ("OGC") on July 22, 2021.<sup>85</sup> The bank statements for IFN were partially redacted to remove the names and addresses of donors to IFN. In response to Respondents' submission of IFN's redacted bank statements, OGC stated that "the Commission made reason to believe findings regarding contributions in the name of another, which requires us to investigate the source of the contributions, including the names of the contributors."<sup>86</sup> OGC added that "[w]e request unredacted documents instead to allow us to conduct the investigation."<sup>87</sup> In requesting unredacted copies of IFN's bank statements, OGC is essentially requiring that IFN provide an unredacted Form 990 Schedule B, effectively treating IFN as if it were an FEC-regulated political committee. The Supreme Court recently stated that such compelled disclosure must survive "exacting scrutiny," which requires "a substantial relation between the disclosure requirement and a sufficiently important governmental interest," and that it must also be "narrowly tailored to the government's asserted interest."<sup>88</sup>

In this case, the complainants initially alleged that an "Unknown Respondent" made a contribution to HP PAC in the name of LZP.<sup>89</sup> Once IFN filed its 2018 Form 990, it became clear to the complainants that IFN was indeed the source of LZP's funds, as they stated in their Amended Complaint: "Independence and Freedom Network reported 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."<sup>90</sup> In short, IFN was the sole "Unknown Respondent."

It is therefore unclear what OGC is seeking when it requests unredacted copies of IFN's bank statements and asserts that the Commission's reason to believe finding "requires us to investigate the source of the contributions, including the names of the contributors." To be clear, there is no longer an "Unknown Respondent" to investigate in order to determine the source of the contributions to HP PAC. Engaging in a fishing expedition to determine the identity of IFN's donors, when both the complainants and OGC are now fully aware of the source of LZP's contributions to HP PAC, hardly serves a "sufficiently important governmental interest" and is

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<sup>85</sup> See Email from J. Tyrrell to A. Peña-Wallace (July 22, 2021).

<sup>86</sup> Email from A. Peña-Wallace to J. Tyrrell (July 23, 2021).

<sup>87</sup> *Id.*

<sup>88</sup> See *Americans for Prosperity Foundation v. Bonta*, 594 U.S. \_\_\_, slip op. at 12 (2021)

<sup>89</sup> See generally, MUR 7464, Complaint (August 9, 2018).

<sup>90</sup> MUR 7464, Amended Complaint, at 7 (May 29, 2020).

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not “narrowly tailored to [OGC’s] asserted interest” in getting to the “true source”<sup>91</sup> of LZP’s contribution to HP PAC because both the complainants and the Commission already know that to be IFN.

Moreover, both the Amended Complaint and the F&LA erroneously point to a \$271,000 donation reflected on Schedule B of IFN’s 2018 Form 990, and LZP’s income amount reflected on Schedule R of IFN’s Form 990 as “support [for] the allegation that LZP’s contribution was derived from a single source.”<sup>92</sup> As an initial matter, the Commission only found reason to believe LZP violated 52 U.S.C. § 30122 “by allowing its name to be used to make contributions in the name of another,”<sup>93</sup> and that IFN violated the same section of the Act “by making, and allowing LZP’s name to be used to make, contributions in the name of another.”<sup>94</sup> It did not find reason to believe an unknown respondent violated this provision by making a contribution to LZP in the name of IFN. Furthermore, the entire impetus for the complaint in this matter was a “remarkable four-day period” which “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,” and then “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.”<sup>95</sup>

In finding reason to believe that LZP violated 52 U.S.C. § 30122, the F&LA points to two of these facts to support its conclusion: (1) the temporal proximity between LZP’s formation and its first contribution to HP PAC; and, (2) because LZP did not reference its sole nonprofit corporate member, IFN, in its response to the complaint, or the way in which its sole corporate member procured its assets, the Commission was “unable to conclude that those assets were provided to LZP for any other lawful purpose and not for the purpose of making a political contribution.”<sup>96</sup> No such facts exist when considering IFN’s transfers to LZP, as IFN was created almost a year earlier, on April 13, 2017, and IFN raised \$1,230,000 in donations before it even made its first transfer to LZP on March 28, 2018. Further, if complainants and OGC want to use the amount of a donation as the sole basis for inferring a Section 30122 violation, then we would note that none of the donations raised by IFN prior to its initial transfer to LZP on March 28, 2018 was for \$180,000, which was the amount IFN initially transferred to LZP.<sup>97</sup>

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<sup>91</sup> The F&LA makes clear that “the concern of the law is the true source from which a contribution to a candidate or committee originates...” MUR 7464, F&LA at 9.

<sup>92</sup> MUR 7464, F&LA at 4.

<sup>93</sup> MUR 7464 (LZP), F&LA at 1.

<sup>94</sup> MUR 7464 (IFN), F&LA at 1.

<sup>95</sup> MUR 7464, Amended Complaint at 1-2.

<sup>96</sup> MUR 7464, F&LA at 12-13.

<sup>97</sup> See IFN Bank Statement (March 30, 2018).

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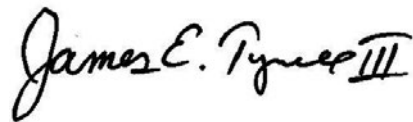
In short, because it is clear through public filings and sworn testimony that IFN was the “true source” behind LZP’s contributions to HP PAC, there is simply not a “sufficiently important governmental interest” to justify OGC’s request for IFN’s unredacted bank statements disclosing its donors’ identities.

### III. CONCLUSION

We respectfully request that the Commission follow previous precedent and conclude that it would be “manifestly unfair” to pursue enforcement against IFN and LZP since they did not have adequate notice regarding the application of 52 U.S.C. § 30122 to the contributions at issue. Furthermore, we request that the Commission promptly close this matter because IFN and Mr. McVeigh never created or transmitted funds to LZP with the intent to mask the identity of the true source.

Thank you for your consideration of this matter, and please do not hesitate to contact me directly at (202) 344-4522 with any questions.

Respectfully submitted,



James E. Tyrrell III  
*Counsel to Independence and Freedom Network,  
Inc. and Ray McVeigh, as Director, and LZP, LLC  
and James G. Ryan, as Registered Agent*

**Tyrrell III, James E.**

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**From:** Raymond McVeigh  
**Sent:** Wednesday, August 18, 2021 3:06 PM  
**To:** llisker@hdafeec.com  
**Subject:** Independence and Freedom Network

Caution: External Email

Lisa,

I am the former Director of Independence and Freedom Network (&ldquo;IFN&rdquo;), a 501(c)(4) organization that was active in 2018 and recently dissolved. In 2018, IFN created and controlled a nonprofit limited liability company called LZP, LLC, which made several contributions to a federal Super PAC for which you are the Treasurer, Honor and Principles PAC. As you are aware, a complaint was filed with the Federal Election Commission related to LZP&rsquo;s contributions to HP PAC in 2018. Based on the counsel IFN and LZP received at the time, we provided to you what we believed to be all the necessary documentation you would need to properly report these contributions. However, FEC guidance that was released after these transactions were made and reported in 2018 suggests that LZP&rsquo;s contributions to HP PAC should have potentially been attributed to its sole nonprofit corporate member, IFN. While the FEC&rsquo;s guidance was not directly applicable to IFN and LZP&rsquo;s unique corporate structure, in an abundance of caution, I am requesting that you file amended reports attributing LZP&rsquo;s contributions to HP PAC to IFN for the following contributions.

3/28/18 \$175,000 (reflected on 2018 April Quarterly)  
4/6/18 \$50,000 (reflected on 2018 July Quarterly)  
4/18/18 \$10,000 (reflected on 2018 July Quarterly)  
10/19/18 \$35,000 (reflected on 2018 Post-General)

All of these contributions are currently reflected as coming solely from LZP, LLC.

The amended reports should still list LZP, LLC as the donor, but there should be memo items for each of these that attribute 100% of the contributions to:

Independence and Freedom Network, Inc.  
P.O. Box 25342  
Alexandria, VA 22313

Thank you for your assistance in this matter. I welcome any questions you may have.

Sincerely,

Raymond C. McVeigh

**BEFORE THE FEDERAL ELECTION COMMISSION**

Affidavit of )  
 Raymond McVeigh ) MUR 7464  
 )  
 )

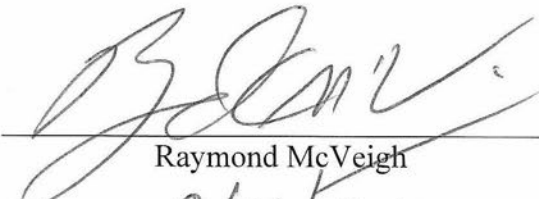
**AFFIDAVIT OF RAYMOND MCVEIGH**

I, Raymond McVeigh, of lawful age and a resident of the State of Michigan, do hereby affirm and state:

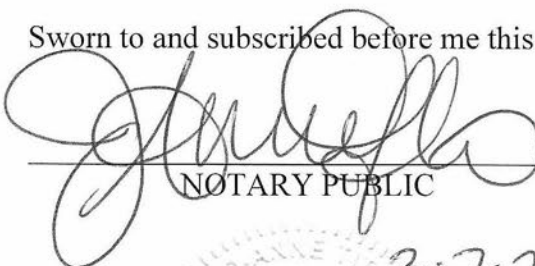
1. I was the sole Director of Independence and Freedom Network, Inc. ("IFN"), a 501(c)(4) social welfare organization that was incorporated in Ohio on April 13, 2017.
2. I served as the only Officer of IFN, holding the positions of President, Treasurer, and Secretary.
3. I adopted IFN's Bylaws on April 27, 2017, which stated that "all corporate powers will be exercised by or under the authority of the Board of Directors, which will also control all the business and affairs of the Corporation."
4. I submitted IFN's Form 1024 Application for Exemption Under Section 501(a) to the Internal Revenue Service ("IRS") on November 15, 2017.
5. I received IFN's Determination Letter of 501(c)(4) status in April 2018, which reflected an effective date of exemption of April 13, 2017.
6. During its existence, IFN engaged in an array of research, education, and issue advocacy activities focused on solutions to pressing public policy issues, which included making grants to other like-minded nonprofit and political organizations.
7. In March 2018, IFN was engaged in several different projects, and sought to better organize its spending for purposes of simplifying its accounting procedures. IFN reviewed the relevant law and performed comprehensive due diligence to determine the best way to accomplish this objective.
8. Based on its review of the relevant law and comprehensive due diligence, IFN concluded that creating a nonprofit LLC as IFN's disregarded entity would be the best option to simplify IFN's accounting procedures, as Ohio law allowed for nonprofit LLCs that are treated as the same legal entities as their nonprofit corporate members.



- 9. In light of its understanding that Ohio law treated a nonprofit LLC as the same legal entity as its nonprofit corporate member, IFN never believed that creating a nonprofit LLC as IFN's disregarded entity and using it to contribute to a political organization would implicate any campaign finance laws, let alone those governing the making of a contribution in the name of another.
- 10. IFN directed James G. Ryan, a corporate partner at the law firm of Bailey Cavalieri, to create LZP, LLC ("LZP") as its nonprofit disregarded entity on March 27, 2018.
- 11. IFN made transfers to LZP of \$180,000 on March 28, 2018, \$50,000 on April 6, 2018, \$6,000 on April 17, 2018, and \$35,000 on October 17, 2018.
- 12. As LZP's controlling member, IFN authorized LZP's contributions to Honor and Principles PAC ("HP PAC"), a federal independent expenditure-only committee, of \$175,000 on March 28, 2018, \$50,000 on April 6, 2018, \$10,000 on April 18, 2018, and \$35,000 on October 19, 2018.
- 13. When IFN authorized LZP's contributions to HP PAC, IFN was under the impression, based on its research and due diligence, that LZP's contributions would not need to be attributed to IFN because the Federal Election Commission had not yet specifically addressed how to report disregarded entity and partnership LLC contributions to independent expenditure-only committees and LZP and IFN were considered to be the same legal entity with shared assets. Accordingly, LZP did not provide any underlying attribution information to HP PAC's treasurer upon making the contributions to HP PAC.
- 14. In light of a lack of fundraising due to the COVID-19 pandemic in 2020, I authorized IFN and LZP's dissolution and closed both bank accounts in December 2020. Neither entity has any remaining assets.

  
 \_\_\_\_\_  
 Raymond McVeigh  
 Date: 8/26/2021

Sworn to and subscribed before me this 26<sup>th</sup> day of August, 2021

  
 \_\_\_\_\_  
 NOTARY PUBLIC

My commission expires: 3-7-24

