



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

Paul Kilgore
Freedom's Defense Fund
824 S Milledge Avenue, Suite 101
Athens, GA 30605

AUG 22 2018

RE: MUR 7467

Dear Mr. Kilgore:

In the normal course of carrying out its supervisory responsibilities, the Federal Election Commission (the "Commission") became aware of information suggesting that Freedom's Defense Fund and you, in your official capacity as treasurer, (the "Committee") may have violated the Federal Election Campaign Act of 1971, as amended (the "Act") and Commission regulations. On November 17, 2017, the Commission notified you that the Committee was being referred to the Office of General Counsel for possible enforcement action under 52 U.S.C. § 30109. On August 7, 2018, the Commission found reason to believe that the Committee violated 52 U.S.C. § 30104(b)(4)(H)(iii), (b)(8) and (g), and 11 C.F.R. §§ 104.3(d), 104.4, 104.11, in connection with \$1,305,317.65 in reporting violations. The Factual and Legal Analysis, which more fully explains the Commission's findings, is enclosed for your information.

We have also enclosed a brief description of the Commission's procedures for handling possible violations of the Act. In addition, please note that you have a legal obligation to preserve all documents, records and materials relating to this matter until such time as you are notified that the Commission has closed its file in this matter. See 18 U.S.C. § 1519. This matter will remain confidential in accordance with 52 U.S.C. § 30109(a)(4)(B) and 30109(a)(12)(A) unless you notify the Commission in writing that you wish the matter to be made public. Please be advised that, although the Commission cannot disclose information regarding an investigation to the public, it may share information on a confidential basis with other law enforcement agencies.¹

In order to expedite the resolution of this matter, the Commission has authorized the Office of the General Counsel to enter into negotiations directed towards reaching a conciliation agreement in settlement of this matter prior to a finding of probable cause to believe. Pre-probable cause conciliation is not mandated by the Act or the Commission's regulations, but is a

¹ The Commission has the statutory authority to refer knowing and willful violations of the Act to the Department of Justice for potential criminal prosecution, 52 U.S.C. § 30109(a)(5)(C), and to report information regarding violations of law not within its jurisdiction to appropriate law enforcement authorities. *Id.* § 30107(a)(9).

voluntary step in the enforcement process that the Commission is offering to you as a way to resolve this matter at an early stage and without the need for briefing the issue of whether or not the Commission should find probable cause to believe that you violated the law. Enclosed is a conciliation agreement for your consideration

If you are interested in engaging in pre-probable cause conciliation, please contact Ana Peña-Wallace, the attorney assigned to this matter, at (202) 694-1650 or (800) 424-9530, within seven days of receipt of this letter. During conciliation, you may submit any factual or legal materials that you believe are relevant to the resolution of this matter. Because the Commission only enters into pre-probable cause conciliation in matters that it believes have a reasonable opportunity for settlement, we may proceed to the next step in the enforcement process if a mutually acceptable conciliation agreement cannot be reached within sixty days. *See* 52 U.S.C. § 30109(a), 11 C.F.R. Part 111 (Subpart A). Conversely, if you are not interested in pre-probable cause conciliation, the Commission may conduct formal discovery in this matter or proceed to the next step in the enforcement process. Please note that once the Commission enters the next step in the enforcement process, it may decline to engage in further settlement discussions until after making a probable cause finding.

Pre-probable cause conciliation, extensions of time, and other enforcement procedures and options are discussed more comprehensively in the Commission's "Guidebook for Complainants and Respondents on the FEC Enforcement Process," which is available on the Commission's website at http://www.fec.gov/em/respondent_guide.pdf.

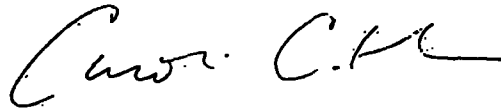
MUR 7476 (Freedom's Defense Fund)

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If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed Designation of Counsel form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

We look forward to your response.

On behalf of the Commission,



Caroline C. Hunter
Chair

Enclosures

Factual and Legal Analysis

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1 **FEDERAL ELECTION COMMISSION**

2 **FACTUAL AND LEGAL ANALYSIS**

3 **RESPONDENT:** Freedom's Defense Fund and MUR 7467
4 Paul Kilgore in his official
5 capacity as treasurer
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7

8 **I. INTRODUCTION**
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16 The
17 Commission opened a matter under review and found reason to believe that FDF violated
18 52 U.S.C. § 30104(b)(4)(H)(iii), (8), and (g)(2), and 11 C.F.R. §§ 104.3(d), 104.4, and 104.11.

19 **II. FACTUAL BACKGROUND**

20 FDF is a multi-candidate committee that has been filing reports with the Commission
21 since July 2004.¹ Scott Mackenzie was its treasurer from its inception through September 2017,
22 when he was replaced by the current treasurer, Paul Kilgore.²

¹ See Statement of Organization (June 7, 2004). The Commission has reviewed issues with FDF's reporting in past election cycles. An audit of FDF's 2008 activity resulted in the Commission pursuing an enforcement action for FDF's failure to file 24- and 48-hour reports. See Conciliation Agreement (July 9, 2012), MUR 6555. The Commission also audited FDF for activity from the 2012 election cycle and found that it had failed to file 24- and 48-hour reports. See Final Audit Report and Certification, A13-14, *In the Matter of the Proposed Final Audit Report on the Freedom's Defense Fund* (Dec. 7, 2017).

² See Amended Statement of Organization (Sept. 13, 2017)
<http://docquery.fec.gov/pdf/062/201709139074682062/201709139074682062.pdf>.

1 RAD sent Requests for Additional Information ("RFAIs") to FDF regarding its 2015
2 Mid-Year, 2015 Year-End, 2016 April Quarterly, 2016 July Quarterly, 2016 October Quarterly,
3 2016 Pre-General, and 2016 Post-General Reports.³ FDF did not file responses to any of the
4 RFAIs, but did file amendments to these reports that appeared to address issues identified in the
5 RFAIs.⁴

6 RAD's referral included FDF's apparent failure to provide supporting schedules in
7 connection with outstanding debts and IEs, the failure to file 48-Hour Reports, and other IE
8 reporting inaccuracies.⁵ The amount in violation for the referable issues totals \$1,305,317.50 and
9 includes the following violations:

- 10 • failure to timely file 48-hour reports;
- 11
- 12 • failure to disclose IEs on Schedule E that had been disclosed on 48-hour reports;
- 13
- 14 • failure to clarify discrepancies between the amount of an IE on a 48-hour report
15 and the amount disclosed on a corresponding Schedule E;
- 16
- 17 • failure to disclose a debt on Schedule D for IEs that had been publicly
18 disseminated, but not yet paid for; and
- 19
- 20 • failure to continuously report outstanding debts and to clarify debt discrepancies.
- 21

22 The referable violations in each report are shown below.⁶

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³ See RFAIs dated May 10, 2016, May 18, 2016, October 4, 2016, December 2, 2016, and April 7, 2017.

⁴ Some of those amendments merely removed the transactions questioned in the initial RFAIs without providing any further explanation. RAD sent second RFAIs for the amendments filed for the 2015 Mid-Year, 2015 Year-End, 2016 April Quarterly, and 2016 July Quarterly Reports, raising questions about certain transactions previously disclosed and other changes on the amendments, but FDF has not responded to those subsequent RFAIs or filed any additional amendments. See RFAIs dated April 7, 2017.

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REPORT	REFERRED ISSUE
Amended 2015 Mid-Year	Failure to timely file 48-Hour Reports for \$177,606.74 in IEs disclosed on Schedule E
2015 Year-End	Failure to disclose \$30,612.83 in IEs on Schedule E that had been disclosed on 48-Hour Reports
Amended 2015 Year-End	Failure to disclose a debt on Schedule D for IEs totaling \$186,006.93 that had been disseminated and disclosed as memo entries, but not yet paid for
Amended 2016 April Quarterly	<ul style="list-style-type: none"> • Failure to continuously report outstanding debts owed to four individuals, totaling \$11,349 • Failure to clarify a debt discrepancy of \$25,980.82 • Failure to clarify an credit received for an outstanding debt owed to one vendor totaling \$5,206.79 • Failure to disclose a debt on Schedule D for IEs totaling \$94,377.69 that had been disseminated and disclosed as memo entries, but not yet paid for • Failure to file required 48-Hour Reports for \$294,682.27 in IEs disclosed on Schedule E
Amended 2016 July Quarterly	<ul style="list-style-type: none"> • Failure to disclose a debt on Schedule D for IEs totaling \$25,191.80 that had been disseminated and disclosed as memo entries, but not yet paid for • Failure to timely file 48-Hour Reports for \$52,537.79 in IEs disclosed on Schedule E
Amended 2016 October Quarterly	<ul style="list-style-type: none"> • Failure to clarify a credit received for an outstanding debt owed to one vendor totaling \$3,370.86 • Failure to disclose a debt on Schedule D for IEs totaling \$165,338 that had been disseminated and disclosed as memo entries, but not yet paid for • Failure to timely file required 48-Hour Reports for \$219,106.13 in IEs disclosed on Schedule E • Failure to clarify a \$13,950 discrepancy between amount of an IE on a 48-Hour Report and the amount on Schedule E

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3 The Office of General Counsel notified FDF's new treasurer of the referral, but FDF did

4 not submit a response.⁷

⁷ See Notification Ltr. (Nov. 17, 2017). RAD's records reflect that it had previously asked former FDF treasurer Scott Mackenzie about the status of the Committee's correction of the issues noted in RFAIs, but received no response from Mackenzie.

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1 **III. LEGAL ANALYSIS**

2 The Federal Election Campaign Act of 1971, as amended ("Act") requires committee
3 treasurers to file reports of disbursements in accordance with the provisions of 52 U.S.C.
4 § 30104(b).⁸ This requirement includes reporting IEs made by political committees other than
5 authorized committees.⁹ Every political committee that makes IEs must report them in its
6 regularly scheduled disclosure reports in accordance with 11 C.F.R. § 104.3(b)(3)(vii).¹⁰ Such a
7 political committee must disclose on Schedule E the name of a person who receives any
8 disbursement during the reporting period in an aggregate amount or value in excess of \$200
9 within the calendar year in connection with an IE by the reporting committee.¹¹

10 In addition, a political committee that makes or contracts to make IEs aggregating
11 \$10,000 or more for an election in any calendar year, up to and including the 20th day before an
12 election, must report these expenditures within 48 hours.¹² These reports, known as 48-Hour
13 Reports, must be filed by the end of the second day "following the date on which a
14 communication that constitutes an independent expenditure is publicly distributed or otherwise
15 publicly disseminated."¹³ Additionally, "[e]very person must include in the aggregate total all
16 disbursements during the calendar year for independent expenditures, and all enforceable

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⁸ 52 U.S.C. § 30104(a)(1).

⁹ 52 U.S.C. § 30104(b)(4)(H)(iii), *see also* 11 C.F.R. § 104.3(b)(1)(vii).

¹⁰ 11 C.F.R. § 104.4(a).

¹¹ 11 C.F.R. § 104.3(b)(3)(ii). IEs of \$200 or less do not need to be itemized, though the committee must report the total of those expenditures on line (b) of Schedule E. 11 C.F.R. § 104.3(b)(3)(vii).

¹² 52 U.S.C. § 30104(g)(2); 11 C.F.R. § 104.4(b)(2).

¹³ 11 C.F.R. § 104.4(b)(2).

1 contracts, either oral or written, obligating funds for disbursements during the calendar year for
2 independents expenditures, where those independent expenditures are made with respect to the
3 same election for Federal office."¹⁴

4 The Act and Commission regulations also require political committees to disclose the
5 amount and nature of their outstanding debts and obligations until those obligations are
6 extinguished.¹⁵ A political committee must file separate schedules for debts owed by the
7 committee on a Schedule D with a statement explaining the circumstances and conditions under
8 which each debt and obligation was incurred and extinguished.¹⁶ A similar statement is required
9 where such debts and obligations are settled for less than their reported amount or value.¹⁷ A
10 debt of \$500 or less must be reported at the time that payment was made or within 60 days of the
11 date the political committee incurs the debt, whichever comes first, and a debt exceeding \$500
12 must be disclosed in the report that covers the date on which the debt was incurred.¹⁸ Where the
13 exact amount of a debt is unknown, the report shall state that the amount reported is an estimate
14 and the exact amount is to be disclosed in an amended report or on the report for a reporting
15 period in which such amount is determined.¹⁹ Debts and obligations that remain outstanding
16 shall be continuously reported until extinguished.²⁰

¹⁴ 11 C.F.R. § 104.4(f).

¹⁵ 52 U.S.C. § 30104(b)(8); 11 C.F.R. §§ 104.3(d), 104.11(a).

¹⁶ See 11 C.F.R. § 104.11(a).

¹⁷ 52 U.S.C. § 30104(b)(8); 11 C.F.R. §§ 104.3(d), 104.11(a).

¹⁸ 11 C.F.R. § 104.11(b).

¹⁹ *Id.*

²⁰ *Id.* § 104.11(a).

1 FDF's reports reveal a number of violations of the Act and Commission regulations in
2 connection with its reporting of IEs and debts in six different disclosure reports, including
3 amendments. First, it failed to timely file 48-hour reports for IEs totaling \$743,932.93, in
4 connection with IEs disclosed on its Amended 2015 Mid-Year, Amended 2016 April Quarterly,
5 Amended 2016 July Quarterly, and Amended 2016 October Quarterly Reports. Second, FDF
6 failed to disclose a total of \$30,612.83 in IEs on Schedule E of its 2015 Year-End Report that had
7 been previously disclosed on 48-hour reports. Third, the Committee failed to disclose or
8 continuously report \$482,263.42 in debts on Schedule D of its Amended 2015 Year-End,
9 Amended 2016 April Quarterly, Amended 2016 July Quarterly, and Amended 2016 October
10 Quarterly Reports regarding IEs it disseminated, but had not paid for yet. Finally, the
11 Committee's Amended 2016 April Quarterly and Amended 2016 October Quarterly Reports
12 contain \$34,558.47 in unexplained discrepancies in connection with some of its reported debts,
13 and its Amended 2016 October Quarterly Report contains \$13,950 in discrepancies between the
14 amounts of independent expenditures on a 48-hour report and the amount on the Schedule E.
15 The Committee has not provided an explanation for these errors.

16 Therefore, there is reason to believe that FDF violated 52 U.S.C. § 30104(b)(4)(H)(iii),
17 (g)(2) and 11 C.F.R. § 104.4 by either failing to report IEs or reporting them inaccurately, and
18 violated 52 U.S.C. § 30104(b)(8) and 11 C.F.R. §§ 104.3(d), 104.11, by failing to report all of its
19 debts and continuously report its outstanding debts and obligations.

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