BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

American Ethane Co., LLC
John Houghtaling
Conservative Louisiana and Charles R. Spies in his official capacity as treasurer
Mike Johnson for Louisiana and William Vanderbrook in his official capacity as treasurer

SECOND GENERAL COUNSEL’S REPORT

I. ACTIONS RECOMMENDED

We recommend that the Commission: (1) authorize pre-probable cause conciliation with American Ethane Co., LLC and John Houghtaling in connection with violations of 52 U.S.C. §§ 30118(a) and 30121; (2) dismiss the allegations as to Bold Strategies, LLC; Kyle Ruckert; Conservative Louisiana and Charles R. Spies in his official capacity as treasurer; Mike Johnson for Louisiana and William Vanderbrook in his official capacity as treasurer; and Konstantin Nikolaev; (3) approve the attached proposed conciliation agreement; and (4) close the file as to Bold Strategies, LLC; Kyle Ruckert; Conservative Louisiana and Charles R. Spies in his official capacity as treasurer; Mike Johnson for Louisiana and William Vanderbrook in his official capacity as treasurer; and Konstantin Nikolaev.

II. BACKGROUND

This matter arose from a complaint alleging that American Ethane, LLC violated the Federal Election Campaign Act of 1971, as amended (the “Act”), by making prohibited foreign
national contributions to federal political committees. The Complaint alleged that American Ethane, a U.S. corporation, and its American CEO, John Houghtaling, used funds from American Ethane’s foreign national principal shareholders, including respondent Konstantin Nikolaev, a Russian national and the controlling shareholder of American Ethane, to make contributions to Conservative Louisiana and Charles Spies in his official capacity as treasurer (“Conservative Louisiana”), an independent-expenditure only political committee (“IEOPC”), and Mike Johnson for Louisiana and William Vanderbrook in his official capacity as treasurer (the “Johnson Committee”) in 2018. Commission disclosure reports revealed that American Ethane also made additional federal political contributions.

In its Response to the Complaint, American Ethane denied that it used foreign funds to make contributions and instead asserted that the funds were “derived through a loan secured by Houghtaling Enterprises, now referred to as H Ventures, a corporate entity in which Houghtaling held a 100% ownership interest.” American Ethane’s Response did not explain the details of the loan further but stated that Houghtaling, and not American Ethane’s foreign national partners, was the only company official involved in the decision to make the contributions.

The Commission found reason to believe that American Ethane and Houghtaling violated 52 U.S.C. § 30121(a)(1)(A) by making prohibited foreign national contributions, or, in the

1 Compl. at 1 (Aug. 30, 2018).
2 Id.
4 Id. at 4, Houghtaling Decl. ¶ 5.
alternative, that American Ethane and Houghtaling violated 52 U.S.C. § 30118(a) by making prohibited corporate contributions. Additionally, the Commission took no action at that time as to the allegation that American Ethane and Houghtaling violated 52 U.S.C. § 30122 by making contributions in the name of another, and took no action at that time as to the other respondents.

The subsequent investigation sought to determine American Ethane’s tax status; the source of funds used to make the contributions, including the role of the “loan secured by Houghtaling Enterprises” described in American Ethane’s response; and the circumstances surrounding the decisions to make contributions.

For the reasons set forth below, we recommend that the Commission authorize pre-probable cause conciliation with American Ethane and Houghtaling for making and consenting to make prohibited foreign national and corporate contributions.

We further recommend that the Commission dismiss the allegations as to lobbyists Bold Strategies and Kyle Ruckert, Conservative Louisiana and Charles R. Spies in his official capacity as treasurer, Mike Johnson for Louisiana and William Vanderbrook in his official capacity as treasurer, and Konstantin Nikolaev, and close the file as to them.

III. RESULTS OF THE INVESTIGATION

During the investigation, we interviewed Houghtaling and Ruckert, owner of Bold Strategies and American Ethane’s lobbyist at the time of the contributions. We also reviewed

---

5 See Certification at 1 (July 25, 2019) (“Cert.”).

6 Id. The wording of American Ethane’s Response to the Complaint suggested that the contributions might have been made in the name of another, and thus prohibited under 52 U.S.C. § 30122. Therefore, the Commission’s Certification also instructed OGC to include a footnote in the Factual & Legal Analysis (“F&LA”) alerting American Ethane to the possibility that information regarding making contributions in the name of another could be sought. See Cert. at 2; F&LA at 4. American Ethane’s later responses, however, satisfactorily rebutted that theory of liability, and we recommend that the Commission dismiss the potential § 30122 violation.
financial records for American Ethane as well as written responses and documents provided in
response to the Commission’s requests for information.

The investigation revealed that American Ethane is taxed as a corporation; thus, the
evidence establishes that American Ethane violated 52 U.S.C. § 30118(a) by making $36,200 in
prohibited corporate contributions.

The investigation also revealed that the funds American Ethane used to make the
contributions were derived from loans from foreign entities to Amshale Energy, LLC, a part-
owner of American Ethane, four years before the contributions; and the evidence further
establishes that American Ethane had no domestic funds available to make those contributions.

Thus, the investigation, which required extensive fact-gathering and research, has established
that American Ethane made $66,200 in prohibited foreign national contributions — the $36,200
in contributions mentioned above, plus a $15,000 donation to a state political action committee
and a $15,000 contribution to an IEOPC. Further, while the evidence could support proceeding
against Ruckert and Bold Strategies for knowingly providing substantial assistance in the
solicitation, making, acceptance, or receipt of the foreign national contributions, we recommend
the Commission exercise its discretion and dismiss the potential violations. Finally, the evidence
does not support proceeding against any of the other respondents.

A. The Source of Funds Used to Make American Ethane’s Contributions

In 2014, Houghtaling established American Ethane in Louisiana as a business to liquefy
and export ethane. American Ethane and Houghtaling confirmed that American Ethane is taxed

8 John Houghtaling Report of Investigation, Jan. 14, 2020 (“Houghtaling ROI”); see also Louisiana
Secretary of State,
as a corporation. Houghtaling sought investors, and through his Russian wife, met interested
Russian investors. Through an entity called Amshale Energy, LLC, Houghtaling and three
Russian investors, Andrey Kunatbaev, Mikhail Yuriev, and Konstantin Nikolaev, borrowed
funds to purchase 47.5% of the outstanding shares of American Ethane. (Houghtaling, using
his solely owned corporation HE Ventures, indirectly owned 7.125% of American Ethane via his
interest in Amshale Energy.) The remaining 52.5% of American Ethane’s shares were owned by
a Russian individual, Alexander Voloshin, (2.500002%) and another LLC owned by Russians,
primarily Roman Abramovich (49.999998%).

To purchase its 47.5% interest in American Ethane, Amshale Energy first borrowed
$18,750,000 from Eucla Investments Ltd. of the British Virgin Islands (“BVI”) in a transaction
secured by the shares of American Ethane. Then, in an unsecured transaction, Amshale Energy
borrowed an additional $5,000,000 from Bluebell Investments, another BVI corporation, to buy
additional shares. Both Eucla Investments and Bluebell Investments are partly owned by some

(American Ethane incorporation registration).

10 Houghtaling ROI at 1.
ownership).
12 Id.
loans); Original Eucla Loan and Guaranty Agreement at 5 (bates stamped AEC001002).
14 Second Supp., Attach. (Bluebell loan documents).
of American Ethane’s Russian owners.\textsuperscript{15} American Ethane’s initial capitalization is shown in the chart below:

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|c|c|}
\hline
\textbf{Owner} & \textbf{% interest} & \textbf{Subowners} & \textbf{Nationality} & \textbf{Source of Funds} \\
\hline
Amshale Energy LLC & 47.5\% & HE Ventures (Houghtaling) 7.125\% & American & Loan from Eucla Investments ($18,750,000) (foreign) \\
 & & Foreign investors 40.375\% & Russian & Loan from Bluebell Investments ($5,000,000) (foreign) \\
Alexander Voloshin & 2.500002\% & N/A & Russian & Unknown \\
Alternative LLC & 49.999998\% & Roman Abramovich, \textit{et al.} & Russian & Unknown \\
\hline
\end{tabular}
\caption{American Ethane Initial Capitalization}
\end{table}

In 2016, Houghtaling, as managing member of Amshale Energy, filed for Chapter 11 bankruptcy on behalf of Amshale Energy to prevent investor Roman Abramovich from foreclosing on the Eucla Investments loan that Amshale Energy used to purchase its initial shares of American Ethane.\textsuperscript{16} On April 17, 2017, the bankruptcy court accepted a settlement agreement between Amshale Energy and Eucla Investments and dismissed the case.\textsuperscript{17} After the bankruptcy

\textsuperscript{15} See Second Supp. Attach. (Eucla and Bluebell loan documents); Houghtaling ROI at 2.

\textsuperscript{16} Supp. Resp. at 9; Houghtaling ROI at 1; see also \textit{In re Amshale Energy, LLC}, No. 16-33754 (Bankr. N.D. Tex., Dallas Div. 2016).

\textsuperscript{17} Supp. Resp. at 9-11, Attach. 24.
settlement and at the time of the 2018 contributions at issue, Houghtaling’s share of American
Ethane had increased from 7.125% to 11.125%.18

At all times relevant to this matter, American Ethane had never generated income, had
only its original investment funds to spend, and some of these funds were used to make the
political contributions at issue.19 The original investment funds were used to operate the
company since its inception, including development of its facilities in Houston, Texas.20

Although American Ethane has entered into agreements to construct ships21 and a pipeline, as
well as agreements to export ethane to China in the future,22 the company did not move beyond
the business development stage and had not made any sales of ethane in either its domestic or
overseas operations.23 Accordingly, at the time of the contributions at issue, American Ethane

---


19 In an interview, Houghtaling told this Office that American Ethane’s operating account was composed of
funds from the original investment in American Ethane and that the company did not have any other source of funds
other than the investments. Houghtaling ROI at 2; see also Supp. Resp. at 9 (“John Houghtaling, through
Houghtaling Enterprises, guaranteed the funds that were invested into the company, which were later minimally
used for contributions through the general operating account.”). American Ethane stated that the funds from the
general operating account were part of the approved bankruptcy restructuring and that “[a]ll political contributions
by American Ethane” were made from this operating account. Supp. Resp. at 11; see also Resp. at 4 (“[a]ll political
contributions by American Ethane were made . . . from this operational account subject to the reorganization”).

20 Supp. Resp. at 8. American Ethane states that the loans were used to fund the design and development of
infrastructure in the U.S., to allow the transport and sale of ethane, and that the company has a “burn rate” of more
than $350,000 per month in operational expenses. Id.

21 See ABS, AEC collaborate on ultra large ethane carriers, SAFETY4SEA (Sept. 19, 2019),

22 In November 2017, Houghtaling and Chinese officials participated in a “signing ceremony” in China to
celebrate American Ethane’s export contract. See Local Attorney and CEO of American Ethane Signs $26 Billion
Gas Deal with China As Trump Watches, BIZ NEW ORLEANS (Nov. 9, 2017), https://www.bizneworleans.com/local-

23 Houghtaling ROI at 1. American Ethane’s website portrays a company still in a developmental stage with
“conditional binding contracts” to supply ethane to China. See https://www.americanethane.com/about-us/. Its
“latest news” is more than a year old. See https://www.americanethane.com/blog/.
had not generated any income from its business activities and was funding its business operations
solely through the funds in its operating account, which funded both the company’s business
operations and the contributions at issue.

B. How the Contributions Were Made

Shortly after signing ethane export contracts with officials in China in November 2017,
Houghtaling contacted Kyle Ruckert of Bold Strategies, American Ethane’s Washington
lobbyist, and told Ruckert that American Ethane was interested in making approximately
$75,000 in political contributions. As emails provided by American Ethane show, after this
initial discussion, Ruckert began communicating with Houghtaling; Raymond Ballard, American
Ethane’s comptroller and treasurer; Melissa Pierce, Houghtaling’s executive assistant; and two
outside attorneys about recommended contribution recipients and amounts. The emails, which
date from December 7, 2017, to April 2, 2018, show that Ruckert and Ballard communicated
most frequently regarding the timing and amount of the contributions. The emails also show
that when approving the contributions suggested by Ruckert, Houghtaling specified that the
checks would be from American Ethane. Houghtaling and American Ethane stated that all
individuals on the emails are U.S. citizens and that, other than Daniel Davillier, American
Ethane’s outside General Counsel, and Charline Gipson, an associate attorney, no other persons

---

24 Houghtaling ROI at 2.
26 Id.
27 Id. at 5-6.
were involved in the discussions or decisions concerning the contributions. Ruckert also stated that he dealt directly with Houghtaling, Pierce, and Ballard in connection with the contributions and identified only one occasion when Houghtaling asked him to meet with one of the Russian investors. Ruckert stated that he could not recall the name of the Russian investor, and they did not discuss any contributions during that meeting. The emails provided by American Ethane show only that Houghtaling, Ruckert, Ballard, and Pierce wrote or received them, and there is no evidence that any of American Ethane’s foreign national investors played a role in the decision to make the contributions. Additionally, Houghtaling states that he did not need American Ethane’s Board to approve specific contributions because the funds used to make the contribution were part of his general Board-approved budget.  

American Ethane, at Houghtaling’s direction, made the following contributions:

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Date Issued</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bill Cassidy for US Senate</td>
<td>Jan. 29, 2018</td>
<td>$1,000</td>
</tr>
<tr>
<td></td>
<td>Mar. 31, 2018 (reported)</td>
<td>$600</td>
</tr>
<tr>
<td>John Kennedy for US</td>
<td>April 3, 2018</td>
<td>$8,100 (3 checks)</td>
</tr>
</tbody>
</table>

---

28 Id. at 3.


30 Id.

31 Houghtaling ROI at 2. Houghtaling states that the American Ethane Board of Directors approved an initial operating budget in 2015, and he did not need Board approval in subsequent years for payments if they were within the parameters of the budget agreement. Id.


33 Id. at 105.

American Ethane attempted to make more political contributions, but those recipient committees never deposited American Ethane’s checks.

---

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Date Issued</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pelican PAC (Leadership PAC)</td>
<td>April 3, 2018&lt;sup&gt;35&lt;/sup&gt;</td>
<td>$5,000</td>
</tr>
<tr>
<td>Conservative Louisiana (IEOPC)</td>
<td>April 3, 2018&lt;sup&gt;36&lt;/sup&gt;</td>
<td>$15,000</td>
</tr>
<tr>
<td>Louisiana Citizens for Job Creators (state PAC supporting Jeff Landry)</td>
<td>April 3, 2018</td>
<td>$15,000</td>
</tr>
<tr>
<td>Mike Johnson for Congress</td>
<td>April 3, 2018&lt;sup&gt;38&lt;/sup&gt;</td>
<td>$6,100 (3 checks)</td>
</tr>
<tr>
<td>Garrett Graves for Congress</td>
<td>April 3, 2018&lt;sup&gt;39&lt;/sup&gt;</td>
<td>$5,400</td>
</tr>
<tr>
<td>Scalise Leadership Fund</td>
<td>July 19, 2018 (reported)</td>
<td>$10,000&lt;sup&gt;40&lt;/sup&gt;</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$66,200</strong></td>
</tr>
</tbody>
</table>

---


<sup>39</sup> See Garret Graves for Congress 2018 Amended Pre-Primary Report at 5, [http://docquery.fec.gov/pdf/365/201807139115402365/201807139115402365.pdf](http://docquery.fec.gov/pdf/365/201807139115402365/201807139115402365.pdf) (also indicating that the contribution was refunded on June 1, 2018).

<sup>40</sup> See Scalise Leadership Fund 2018 October Quarterly Report at 12, [https://docquery.fec.gov/cgi-bin/fecimg/?201810159124938824](https://docquery.fec.gov/cgi-bin/fecimg/?201810159124938824) (also indicating that the contribution was refunded on August 2, 2018).
American Ethane’s contribution checks stated on their face, “American Ethane Company, LLC” and listed a Houston, Texas address. Ruckert stated that he assumed American Ethane was a partnership and suggested to American Ethane contribution amounts consistent with those limits. Ruckert acknowledged that some committees questioned American Ethane’s corporate structure after receiving a contribution check, but he did not want to speculate why some committees did not deposit American Ethane’s checks.

IV. LEGAL ANALYSIS

A. American Ethane Made, and Houghtaling Consented to the Making of, Prohibited Corporate Contributions

The Act and Commission regulations prohibit corporations from making contributions to political committees (other than an IEOPC), in connection with a federal election. In addition, no officer or director of a corporation may consent to a corporate contribution to a federal candidate or their campaign. A corporation that is also a Limited Liability Company (“LLC”) and elects to be treated as a corporation by the Internal Revenue Service shall be considered a corporation under the Commission’s regulations.

American Ethane chose to be taxed as a corporation, and it admits that it made prohibited corporate contributions and Houghtaling, as American Ethane’s CEO, consented to the

43 Ruckert ROI at 1.
44 Id.
45 52 U.S.C. § 30118(a); 11 C.F.R. § 114.2(b); Advisory Op. 2010-11 (Commonsense Ten) at 2-3.
47 11 C.F.R. § 110.1(g)(3).
contributions. Houghtaling explained that when he and Ruckert discussed American Ethane making political contributions, Houghtaling did not consider that American Ethane, although a partnership, chose to be taxed as a corporation and was barred from making most direct contributions.\(^\text{49}\) According to Ruckert, no one at American Ethane told him that American Ethane could not make contributions because it was taxed as a corporation.\(^\text{50}\) American Ethane says the mistake was inadvertent and requests pre-probable cause conciliation to resolve this violation.

Accordingly, we recommend that the Commission authorize pre-probable cause conciliation with American Ethane Co., LLC and John Houghtaling on the ground that American Ethane made, and Houghtaling consented to making, $36,200 in prohibited corporate contributions.\(^\text{52}\)

B. American Ethane and Houghtaling Made Prohibited Foreign National Contributions

This matter also presents the question whether American Ethane, a domestic corporation majority-owned by foreign nationals, and its U.S. citizen CEO can make political contributions or donations with funds obtained through loans from foreign sources when American Ethane has

\(^\text{49}\) Houghtaling ROI at 2.

\(^\text{50}\) See Ruckert ROI at 1.

\(^\text{52}\) American and Ethane and Houghtaling suggest that the amount in violation is $16,500, which appears to be a mathematical error on their part and perhaps does not include contributions that were refunded to American Ethane. However, the evidence developed during the investigation shows that the total amount of prohibited corporate contributions is $36,200.
never generated domestic income. Under the Commission’s precedents, these contributions and donations violate the foreign national prohibition.

The Act prohibits any “foreign national” from directly or indirectly making a contribution or donation of money or other thing of value in connection with a federal, state, or local election, making a contribution or donation to a committee of a political party, or making an expenditure.\textsuperscript{53} The Act’s definition of “foreign national” includes an individual who is not a citizen or national of the United States and who is not lawfully admitted for permanent residence as well as a “foreign principal” as defined in 22 U.S.C. § 611(b), which, in turn, includes a “partnership, association, corporation, organization, or other combination of persons organized under the laws of or having its principal place of business in a foreign country.”\textsuperscript{54}

Commission regulations also prohibit any person from knowingly soliciting, accepting, or receiving a contribution from a foreign national\textsuperscript{55} and provide that “[n]o person shall knowingly provide substantial assistance in the solicitation, making, acceptance, or receipt of a contribution or donation prohibited by” 11 C.F.R. § 110.20(b)-(d) and (g).\textsuperscript{56} The Commission has said that substantial assistance “means active involvement in the solicitation, making, receipt or acceptance of a foreign national contribution or donation with an intent to facilitate successful

\begin{footnotes}
\item[53] 52 U.S.C. § 30121(a)(1); \textit{see also} 11 C.F.R. § 110.20(b), (c), (f).
\item[54] 52 U.S.C. § 30121(b)(2); 22 U.S.C. § 611(b)(3); \textit{see also} 11 C.F.R. § 110.20(a)(3).
\item[55] 11 C.F.R. § 110.20(g); \textit{see also} 52 U.S.C. § 30121(a)(2) (not including the “knowingly” standard). To solicit means “to ask, request, or recommend, explicitly or implicitly, that another person make a contribution, donation, transfer of funds, or otherwise provide anything of value.” 11 C.F.R. § 110.20(a)(6) (citing 11 C.F.R. § 300.2(m)).
\item[56] 11 C.F.R. § 110.20(h)(1).
\end{footnotes}
completion of the transaction.”\textsuperscript{57} The Act defines “contribution” as “any gift, subscription, loan, advance, or deposit of money or anything of value made by any person for the purpose of influencing any election for Federal office.”\textsuperscript{58} Commission regulations define “knowingly” as (i) having actual knowledge that funds originated from a foreign national, (ii) being aware of facts that would lead a reasonable person to conclude that there is a substantial probability that the source of the funds is a foreign national, or (iii) being aware of facts that would lead a reasonable person to inquire whether the source of the funds is a foreign national but failed to conduct a reasonable inquiry.\textsuperscript{59}

Commission regulations implementing the Act’s foreign national prohibition further provide:

A foreign national shall not direct, dictate, control, or directly or indirectly participate in the decision-making process of any person, such as a corporation, labor organization, political committee, or political organization with regard to such person’s Federal or non-Federal election-related activities, such as decisions concerning the making of contributions, donations, expenditures, or disbursements . . . or decisions concerning the administration of a political committee.\textsuperscript{60}

Moreover, a domestic subsidiary or affiliate of a foreign national corporation is permitted to make contributions (when corporate contributions are otherwise permitted) if the funds are


\textsuperscript{58} 52 U.S.C. § 30101(8)(A)(i).

\textsuperscript{59} 11 C.F.R. § 110.20(a)(4); see also Contributions E&J at 69,941 (“The formal rules at 11 C.F.R. § 110.20(a)(4) . . . contain three standards of knowledge [which] focus on the source of the funds at issue.”).

\textsuperscript{60} 11 C.F.R. § 110.20(i); see Factual and Legal Analysis at 6, MUR 7122 (American Pacific Int’l Capital, Inc.) (finding reason to believe foreign nationals “violated 52 U.S.C. § 30121(a)(1)(A) by participating in decisions involving election-related activities”).
generated solely by their domestic operations and if no foreign nationals are involved in the
decision to make the contribution. The evidence developed during the investigation demonstrates that all of American
Ethane’s contributions and donations violated the Act’s prohibited foreign national prohibition. In MUR 2892, the Commission conciliated under similar facts. Respondent Y.Y. Valley Corp. and its wholly owned property, the Royal Hawaiian Country Club (“RHCC”), were U.S. corporations incorporated in Hawaii but majority-owned by foreign nationals. When the corporations made political contributions, neither corporation was generating income, so their operating funds, including those used for its contributions, were from either capital contributions and/or loans from Y.Y. Valley’s owners, four out of five of whom were foreign nationals. Another respondent in that matter, West Beach Estates, was also an American corporation majority-owned by foreign nationals and used proceeds from a foreign loan to make political contributions.

To determine whether the contributions by these U.S. corporations constituted prohibited foreign national contributions, the Commission specifically adopted the law developed for

---


62 See 11 C.F.R. § 110.20(i); Advisory Op. 2006-15; see, e.g., MUR 6093 (Transurban Grp.), F&LA at 3-4.


64 Gen. Counsel’s Report, MUR 2982 at 4 (“RHCC Report”) (available in the Voting Ballot Matters folder, as are all cited documents in MUR 2982).

65 Conciliation Agreement, MUR 2892 (RHCC) at ¶6.

66 Conciliation Agreement, MUR 2892 (West Beach Estates) at ¶6.
foreign-owned, domestic subsidiary contributions, determining that it represented “a parallel
situation.” Specifically, the Commission considered the source of the funds and the
nationalities of the decision-makers in concluding that the funds at issue represented foreign
country contributions. The Commission entered into conciliation with Y.Y. Valley, RHCC, and
West Beach Estates on the theory that these American corporations used foreign funds to make
political contributions in Hawaii.

Like Y.Y. Valley and RHCC, American Ethane, a U.S. corporation majority-owned by
foreign nationals, had no domestically generated income and made political contributions using
funds obtained through loans to shareholders for the purpose of capitalizing American Ethane.
Moreover, the entities loaning the funds to Amshale Energy, the initial partnership created to
purchase shares of American Ethane, are themselves foreign and owned by foreign nationals.
Thus, the funds American Ethane used to make contributions and donations were not generated
from domestic operations and instead originated from foreign sources, in violation of the Act.

In response, American Ethane and Houghtaling argue that because they have guaranteed
the loans used to fund American Ethane, those funds it used to make the contributions are
domestic. They assert that American Ethane and Houghtaling are 100% liable if American

---

67 RHCC Report at 8.

68 Id. at 7-8; Cert., MUR 2892, Jan. 11, 1994 (authorizing conciliation with Y.Y. Valley and RHCC on
foreign national prohibition violation); Conciliation Agreement, July 21, 1994; see also MUR 2892, Conciliation
Agreement (West Beach Estates), March 15, 1994.

69 See Houghtaling ROI at 2; see also Supp. Resp. at 9, 11.

70 See Second Supp.,Attach. (Eucla and Bluebell loan documents); Houghtaling ROI at 2.

Ethane defaults on the loans used to initially capitalize the company. They also argue that Houghtaling has not been paid by American Ethane but has put in “sweat equity,” that is, his foregone income represents domestic funds. None of these arguments are persuasive.

Houghtaling’s loan guarantee does not affect the character of the funds actually contributed or donated. Furthermore, the loan documents are clear that all of the borrowers, including the foreign national owners of Amshale Energy, guaranteed the loans, not just Houghtaling and HE Ventures, pursuant to joint-and-several liability. American Ethane has also argued that the bankruptcy proceeding “restructured and re-collateralized” the loans, which somehow caused the funds to change character and become domestic. They point to the Bankruptcy Court’s apparent acceptance of American Ethane’s valuation based on its future construction plans and export contracts. But whether a Bankruptcy Court accepts a valuation based on future contracts does not change the initial source of the company’s funds and does not make the corporation’s current funds domestic under the Act.

72 Id.
73 Supp. Resp. at 12. Houghtaling’s primary occupation is heading the Gauthier, Murphy, and Houghtaling Law Firm in Louisiana. See https://gmhatlaw.com/.
74 See American Ethane loan documents, Original – Eighth Amended Agreement, attached to March 2020 response: (“THIS LOAN AGREEMENT (as it may be amended, supplemented or otherwise modified from time to time, this “Agreement”) is entered into ... by and between Amshale Energy, LLC, a Texas limited liability company (“Borrower”), Houghtaling Enterprises, LLC, a Louisiana limited liability company (the “Houghtaling Guarantor”), M.Z. Yuriev, Konstantin Nikolaev and A.K. Kanatbaev (collectively, the “Guarantors,” each, a “Guarantor” and, together with Borrower, the “Loan Parties” and each, a “Loan Party” and Eucla Investments Limited, a company duly incorporated under the laws of the British Virgin Islands (“Lender”)... Section 1.5 Guaranty (a) To induce Lender to make the Loan, each Guarantor hereby, jointly and severally, absolutely, unconditionally and irrevocably guarantees, as primary obligor and not merely as surety, the full and punctual payment when due, whether at stated maturity or earlier ...
76 Id. at 9-10.
77 American Ethane and Houghtaling do not elaborate on their argument that Houghtaling’s “sweat equity”
American Ethane and Houghtaling cite to Advisory Opinion 2000-17 (Extendicare) to argue that because only Houghtaling made decisions about the contributions and no foreign national participated in the decision-making, the contributions are permissible.\(^\text{78}\) That AO, however, concerns the administration and formation of a domestic subsidiary’s separate segregated fund and not whether domestic funds will be used to make contributions.\(^\text{79}\) More on point are the Commission’s precedents involving domestic subsidiaries, which separately analyze both the nationalities of the decision-makers of the subsidiary’s election-related spending decisions \textit{and} the source of the funds used to make contributions.\(^\text{80}\)

American Ethane and Houghtaling acknowledge that the $66,200 in political contributions came from the funds that were originally invested in American Ethane.\(^\text{81}\) And because American Ethane had never generated any income, there is no amount of domestic funds that could cover the contributed amounts.\(^\text{82}\) Although the available information does not suggest that American Ethane intended to inject foreign funds into American elections, American Ethane constitutes American Ethane’s domestic funds, nor are we aware of any authority that would support that argument.

\(^{\text{78}}\) Compl. Resp. at 3.

\(^{\text{79}}\) See Advisory Op. 2000-17 (Extendicare).

\(^{\text{80}}\) “Thus, in order for a domestic subsidiary of a foreign national to make donations or disbursements in connection with a State or local election, the donations or disbursements may not be derived from the foreign national’s funds and no foreign national may have any decision-making authority concerning the making of donations or disbursements.” Advisory Op. 2006-15 at 2-3 (TransCanada); Advisory Op. 1992-16 (Nansay Hawaii, Inc.) (U.S. subsidiary of foreign corporation had domestically generated income from which to make contributions); \textit{Cf.} F&LA at 7, MUR 7141 (Beverly Hills Residents and Businesses to Preserve our City) (finding no foreign national contribution violation but relying on fact that U.S. subsidiary of foreign corporation borrowed funds from U.S. lender to make contributions).


\(^{\text{82}}\) See \textit{supra} n.22; see also AO 1992-16 (Nansay Hawaii, Inc.) (U.S. subsidiary of foreign corporation had domestically generated income from which to make contributions); F&LA at 7, MUR 7141 (Beverly Hills Residents and Businesses to Preserve our City) (finding no foreign national contribution violation but relying on fact that U.S.
has done just that. Therefore, American Ethane and Houghtaling made $66,200 in prohibited foreign national contributions, and we recommend that the Commission authorize pre-probable cause conciliation.

C. Bold Strategies and Kyle Ruckert

As the government relations consultant to American Ethane and Houghtaling, Ruckert suggested contribution recipients and amounts and handled the transmission of American Ethane’s checks to the committees. He states that he assumed American Ethane was a partnership and thus allowed to make political contributions, and that he suggested contribution amounts based on that assumption. Ruckert states that he was never told by Houghtaling that American Ethane was not a partnership. He also said that he knew American Ethane had Russian investors and met one. Ruckert said he stopped working for American Ethane and Houghtaling when news about American Ethane’s majority Russian ownership emerged.

Despite Ruckert’s knowledge that American Ethane had at least some foreign national ownership, we recommend that the Commission exercise its discretion and not make findings as to Ruckert or Bold Strategies for “knowingly provid[ing] substantial assistance in the

subsidary of foreign corporation borrowed funds from U.S. lender to make contributions).

83 Houghtaling ROI at 2; Ruckert ROI at 1.
84 Ruckert ROI at 1.
85 Id.
86 Id.
solicitation, making, acceptance, or receipt” of a foreign national contribution. Given his knowledge of American Ethane’s foreign investors and his position as a lobbyist, Ruckert should have made inquiries to ensure that the contributions he recommended did not violate the Act’s prohibitions on foreign national contributions. On the other hand, Ruckert’s primary contact at American Ethane was Houghtaling, the company’s American CEO, and Ruckert forwarded American Ethane’s contribution checks, which were drawn on a U.S. bank and imprinted with American Ethane’s Houston, Texas, address.

Additionally, as discussed above in connection with our recommendation as to American Ethane itself, the totality of the circumstances indicates that American Ethane was notably unclear about its own status as a corporation, as well as the role of its foreign national investors, when it expressed an interest to Ruckert in making political contributions. While the evidence suggests that the Commission could conclude that Ruckert’s role in recommending the contributions amounted to substantial assistance in the making of American Ethane’s foreign contributions, in light of the overall circumstances of the matter as well as prudential concerns,

---

88 See 11 C.F.R. § 110.20(h). “Substantial assistance” is “active participation in the solicitation . . . of a foreign national contribution or donation with an intent to facilitate successful completion of the transaction.” Contributions E&J at 69,945; see also Advisory Op. 2016-10 (Parker) at 3. Therefore, in defining “substantial assistance,” the Commission has explicitly added another intent-based standard on top of the “knowingly” requirement.

89 See 11 C.F.R. § 110.20(a)(4).

91 See Contributions E&J at 69,945. The Commission has found reason to believe for assisting in the making of a foreign national contribution where a respondent had more knowledge and activity than demonstrated by Ruckert. See Factual and Legal Analysis at 5-6, MUR 6528 (Michael Grimm for Congress, et al.) (finding reason to believe that respondent provided foreign national’s name to intermediary; requested that intermediary solicit foreign national for contribution; and informed foreign national that he could not contribute unless he used intermediary to conceal source of contribution); MUR 4530 (Hogan and Hartson) (pre-regulation, Commission found RTB and conciliated with law firm and two employees for their role in facilitating foreign national contributions, including filing U.S. incorporation documents for the purpose of making political contributions, opening a U.S. checking account, using a check with no name or address imprinted, and knowing that
proceeding to conciliation with American Ethane and Houghtaling on the foreign national contribution violations would appropriately vindicate the Commission’s interests. Thus, we recommend that the Commission dismiss the allegations that Bold Strategies, LLC or Kyle Ruckert violated the Act or regulations in connection with the foreign national contributions by American Ethane but caution them to make inquiries under similar circumstances in the future.92

D. Conservative Louisiana and Charles Spies and Mike Johnson for Louisiana and William Vanderbrook

The Act further prohibits persons from soliciting, accepting, or receiving a contribution or donation from a foreign national.93 The Commission’s regulations employ a “knowingly” standard.94 A person knowingly accepts a prohibited foreign national contribution or donation if that person has actual knowledge that funds originated from a foreign national, is aware of facts that would lead a reasonable person to conclude that there is a substantial probability that the funds originated from a foreign national, or is aware of facts that would lead a reasonable person to inquire whether the funds originated from a foreign national but failed to conduct a reasonable inquiry.95 The Commission considers pertinent facts in such an inquiry to be, in relevant part, a foreign address or a check written on a foreign bank.96

---

92 Because Ruckert was not an officer of American Ethane, he would not have liability for the corporate contributions by American Ethane.


94 11 C.F.R. § 110.20(g).

95 Id. § 110.20(a)(4).

96 Id. § 110.20(a)(5).
These committees, one an IEOPC and the other a candidate committee, received prohibited contributions from American Ethane. Both committees assert that they had no reason to question the legality of American Ethane’s contribution. The available facts indicate that there was no foreign address or foreign bank to alert recipients regarding the possibility of a foreign national contributor or contribution. On its face, American Ethane was a U.S. partnership with an American CEO, and had a U.S. address imprinted on the contribution checks. Moreover, according to lobbyist Ruckert, he suggested candidates and committees to American Ethane for contributions; there is no information that the contributions were solicited by the recipient committees. Thus, there is no information that the Johnson Committee knowingly received a prohibited foreign national contribution. Because Ruckert is a director at Conservative Louisiana, however, as well as American Ethane’s lobbyist, he had reason to know that the contribution from American Ethane may have included foreign national funds. But for the same reasons as those regarding his role in assisting American Ethane’s contributions, we do not recommend proceeding on this theory as proceeding only against American Ethane and Houghtaling appropriately vindicates the Commission’s authority under these facts.

Regarding the potential corporate contribution violation, Conservative Louisiana, as an IEOPC, was permitted to accept a corporate contribution, but the Johnson Committee, a candidate committee, was not. The Johnson Committee deposited American Ethane’s checks

---

97 See Conservative Louisiana Resp. at 3 (Mar. 15, 2019); Johnson Comm. Resp. at 3 (Mar. 15, 2019).

98 See Factual & Legal Analysis at 3, MURs 6931/6933 (Laffen 4 Senate) (Canadian address indicated foreign national contributions); dismissing allegation, however, based on timely refunding of contributions); Factual & Legal Analysis at 14, MURs 6078, et al. (Obama for America) (Dismissing allegations because potential foreign national contributions were limited in scope and amount, and there was insufficient information that the Committee acted irresponsibly).
totaling $6,100, noting on their Commission disclosure reports that they were from a partnership. 99 The Johnson Committee refunded the contributions a few months after receiving them following news reports suggesting that the contributions may have violated the ban on contributions from foreign nationals. 100 Under these circumstances, we recommend that the Commission dismiss the allegations that Conservative Louisiana and Charles Spies in his official capacity as treasurer and Mike Johnson for Louisiana and William Vanderbrook in his official capacity as treasurer violated the Act.

E. Konstantin Nikolaev

Nikolaev, a Russian national and one of American Ethane’s owners, did not respond to the Complaint. Nevertheless, the investigation has not revealed any information that he participated in the decision-making regarding American Ethane’s political contributions. Therefore, we recommend that the Commission dismiss the allegation that Konstantin Nikolaev violated the Act.

---

99 According to American Ethane and Houghtaling, the Johnson Committee did not seek further information about the contribution from American Ethane, an LLC. The Commission requires LLC contributors, however, to provide information to recipient committees as to how the contribution is to be attributed among the LLC’s members and to affirm to the recipient committee that it is permitted to make the contribution. 11 C.F.R. § 110.1(g)(5). It does not appear that American Ethane or Ruckert provided such information to the Johnson Committee.

100 Johnson Comm. Resp. at 3 (Mar. 15, 2019)
VI. RECOMMENDATIONS

1. Authorize pre-probable cause conciliation with American Ethane Co., LLC and John Houghtaling and approve the attached conciliation agreement;

2. Dismiss the allegations that Bold Strategies LLC and Kyle Ruckert violated the Act and issue a letter of caution;

3. Dismiss the allegations that Conservative Louisiana and Charles Spies in his official capacity as treasurer, Mike Johnson for Congress and William Vanderbrook in his official capacity as treasurer, and Konstantin Nikolaev violated the Act;

101 See MUR 7122 (Right to Rise).

102 See MUR 7374 (Wright 2016)

103 See MUR 6129 (ARDA-ROC PAC) (calculating separate corporate and foreign national opening settlement offers).
4. Dismiss the allegation that American Ethane Co., LLC, and John Houghtaling violated 52 U.S.C. § 30122 by making contributions in the name of another;

5. Close the file as to Bold Strategies LLC and Kyle Ruckert, Conservative Louisiana and Charles Spies in his official capacity as treasurer, Mike Johnson for Congress and William Vanderbrook in his official capacity as treasurer, and Konstantin Nikolaev; and

6. Approve the appropriate letters.

Lisa J. Stevenson
Acting General Counsel

Charles Kitcher
Acting Associate General Counsel for Enforcement

________________________
Lynn Y. Tran
Assistant General Counsel

________________________
Elena Paoli
Attorney