

FEDERAL ELECTION COMMISSION Washington, DC 20463

August 3, 2022

BY EMAIL

USC Schwarzenegger Institute for State and Global Policy C/O Conyers Davis
635 Downey Way VPD 201
Los Angeles, CA 90089
conyers@schwarzeneggerinstitute.com

RE: MUR 7881

Dear Mr. Davis:

On March 1, 2021, the Federal Election Commission notified the USC Schwarzenegger Institute for State and Global Policy (the "Institute"), of a complaint alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended. On July 26, 2022, the Commission found no reason to believe that the Institute violated 52 U.S.C. § 30118(a) by making a prohibited corporate contribution. Accordingly, the Commission closed its file in this matter.

Documents related to the case will be placed on the public record within 30 days. *See* Disclosure of Certain Documents in Enforcement and Other Matters, 81 Fed. Reg. 50,702 (Aug. 2, 2016). The Factual and Legal Analysis, which explains the Commission's finding, is enclosed for your information.

If you have any questions, please contact Richard Weiss, the attorney assigned to this matter, at (202) 694-1021.

Sincerely,

Ana J. Peña-Wallace

Assistant General Counsel

Ana J. Pena-Wallace

Enclosure

Factual and Legal Analysis

1 2	FEDERAL ELECTION COMMISSION FACTUAL AND LEGAL ANALYSIS
3 4 5 6 7 8 9	Respondents: USC Schwarzenegger Institute for State and Global Policy Arnold Schwarzenegger Carol Folt Dana Goldman Christian Grose Conyers Davis
11	I. INTRODUCTION
12	This matter was generated by a Complaint alleging that grants funded by Arnold
13	Schwarzenegger and distributed by the University of Southern California Schwarzenegger
14	Institute for State and Global Policy (the "Institute") constituted excessive in-kind contributions
15	from Schwarzenegger to Joe Biden's 2020 principal campaign committee, Biden for President, in
16	violation of the Federal Election Campaign Act of 1971, as amended (the "Act"). The
17	Complaint also raises potential allegations that the grants were prohibited corporate in-kind
18	contributions from the Institute to Biden for President. Schwarzenegger donated \$2.5 million to
19	the Institute, which the Institute then used to make grants to state and local election
20	administrators to help them address the challenges of holding an election during the COVID-19
21	pandemic. The Complaint, however, alleges that the true purpose of the grants was to increase
22	votes for Biden in swing states to help him win the election. The Complaint further alleges that
23	Schwarzenegger remained in control of the funds after he made the donation to the Institute.
24	Respondents deny the allegations, asserting that the grants were made solely for the
25	purpose of increasing voter access in jurisdictions with demonstrated financial need, and not to
26	influence the outcome of any federal election. Further, Respondents contend that the Institute
27	awarded the grants based on objective criteria to states previously subject to Section 5 of the

MUR 7881 (USC Schwarzenegger Institute for State and Global Policy, *et al.*) Factual and Legal Analysis Page 2 of 12

- Voting Rights Act, and that the Institute ultimately awarded grants to all eligible applicants,
- 2 including both majority Republican and majority Democrat counties.

3 As discussed below, the available information does not provide a reasonable basis to

conclude that Respondents funded or awarded the grants at issue for the purpose of influencing a

federal election. The Complaint's chief support for the allegations is essentially limited to the

identities of the grant recipients, which included ten counties in Georgia and one in Arizona that

the Complaint alleges were important to Biden winning those states. Regardless of Respondents'

purpose for awarding the grants, however, there is no indication that they coordinated with any

candidate or committee.

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Accordingly, the Commission finds no reason to believe that Schwarzenegger made an excessive individual contribution, in violation of 52 U.S.C. § 30116(a)(1)(A). In addition, the Commission finds no reason to believe that the Institute made, and Institute officials Conyers Davis, Carol Folt, Dana Goldman, and Christian Grose impermissibly consented to, prohibited corporate contributions, in violation of 52 U.S.C. § 30118(a).

II. FACTUAL BACKGROUND

Arnold Schwarzenegger served as the 38th governor of California and is presently the Governor Downey Professor of State and Global Policy at the University of Southern California ("USC") and Chairman of the Institute. In 2012, Schwarzenegger committed \$20 million of his personal funds to USC and formed the Institute for the stated purpose of seeking bipartisan

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Compl. at 6, 29 (Feb. 23, 2021).

MUR 7881 (USC Schwarzenegger Institute for State and Global Policy, *et al.*) Factual and Legal Analysis Page 3 of 12

- solutions to various public policy issues.² The Institute is a part of USC's School of Public
- 2 Policy, which is a 501(c)(3) non-profit corporation.³
- On September 23, 2020, the Institute announced a grant program for local election
- 4 officials throughout the country to receive funding to assist with the challenges related to
- 5 opening and staffing polling sites, COVID-19, and the election.⁴ The grants were funded by a
- 6 \$2.5 million donation from Schwarzenegger⁵ and were distributed to 33 counties in eight states.⁶
- 7 Schwarzenegger wrote an open letter, posted on the grant program's website, that announced the
- 8 grants and described the motivation behind funding the program:
- I am making grants available for local and state elections officials who want to reopen polling stations they closed because of a lack of funding. These grants are completely non-partisan and will be offered to those who demonstrate the greatest need and ability to close gaps in voting access. I don't care if you are an independent authority, a Democratic elections official, or a Republican elections official I just don't want a

single American to lose their ability to vote because of a lack of funding.⁷

² Carla Rivera, *USC And Arnold Schwarzenegger To Launch Policy Think Tank*, L.A. TIMES (Aug. 2, 2012), https://www.latimes.com/local/la-xpm-2012-aug-02-la-me-0802-usc-gift-20120802-story.html.

³ Resp. at 3 (Apr. 16, 2021).

⁴ USC Schwarzenegger Institute Initiates Democracy Grants for Voting Access and Election Administration, USC SOL PRICE SCHOOL OF PUBLIC POLICY, https://priceschool.usc.edu/democracy-grants-for-voting-access-and-election-administration/ (last visited Aug. 3, 2021).

⁵ Compl. at 2.

Id. at 9, 26 (indicating that the Institute awarded grants to 33 counties in eight states: Alabama (1), Arizona (1), Georgia (10), Mississippi (1), North Carolina (10), South Carolina (2), Texas (2), Virginia (6)). The Complaint provides information that the Institute awarded a total of \$1,745,636 to twelve specific counties and states that the amounts for the remaining 21 counties is presently unknown. *Id.* at 20-22.

Arnold Schwarzenegger's Letter to Election Officials, USC SCHWARZENEGGER INSTITUTE, https://polling.accessgrants.org/ (last visited Aug 11, 2021).

MUR 7881 (USC Schwarzenegger Institute for State and Global Policy, *et al.*) Factual and Legal Analysis Page 4 of 12

The grant application form echoed Schwarzenegger's letter, stating that the "awarded 1 2 grants are non-partisan and will be awarded to those who demonstrate the greatest need and ability to close gaps in voting access."8 3 Carol Folt is the President of USC. Dana Goldman is the interim Dean of USC's School 4 of Public Policy. 10 Christian Grose is Academic Director of the Institute and oversaw the 5 6 election grants program. 11 Convers Davis is the Global Director of the Institute and participated in the grant awards process. 12 Schwarzenegger, the Institute, Folt, Goldman, Grose, and Davis 7 8 together filed a joint Response in this matter denving the allegations. 13 9 The Complaint alleges that the true purpose of the election grants program was for 10 Schwarzenegger to make "partisan election grants to settle his personal and political scores with 11 Donald Trump," and that the "election grants were meant to hide his campaign contributions to

awarded by the Institute, ten were awarded to historically Democratic-leaning counties in

Joe Biden."¹⁴ In support of this contention, the Complaint asserts that of the 33 election grants

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Bemocracy Grants for Voting Access & Election Administration: Call for Proposals, USC SCHWARZENEGGER INSTITUTE, https://web.archive.org/web/20201007000853/https://pollingaccessgrants.org/ (July 2, 2021).

⁹ Carol Folt Biography, USC OFFICE OF THE PRESIDENT, https://www.president.usc.edu/biography/ (last visited Aug. 3, 2021).

Dana Goldman, USC SOL PRICE SCHOOL OF PUBLIC POLICY, https://priceschool.usc.edu/people/dana-goldman/ (last visited Aug. 3, 2021).

About the Institute: Our Team, USC SCHWARZENEGGER INSTITUTE, http://schwarzeneggerinstitute.com/about-the-institute-leadership (last visited Aug. 3, 2021); Jordan Wilkie, Concerns About Private Funding For Elections Have Little Grounding In Truth, CAROLINA PUBLIC PRESS (June 15, 2021), https://schwarzeneggerinstitute.com/about-the-institute-leadership">https://schwarzeneggerinstitute.com/about-the-institute-leadership (last visited Aug. 3, 2021); Jordan Wilkie, Concerns About Private Funding For Elections Have Little Grounding In Truth, CAROLINA PUBLIC PRESS (June 15, 2021), https://schwarzeneggerinstitute.com/about-the-institute-leadership (last visited Aug. 3, 2021); Jordan Wilkie, Concerns About Private Funding For Elections Have Little Grounding In Truth, CAROLINA PUBLIC PRESS (June 15, 2021), https://schwarzeneggerinstitute.com/about-the-institute-leadership (last visited Aug. 3, 2021); Jordan Wilkie, Concerns About Private Funding For-elections-have-little-grounding-in-truth/erinstitute.com/about-the-institute-leadership.

¹² Compl. at 3.

¹³ Resp. at 1.

¹⁴ *Id.* at 2.

MUR 7881 (USC Schwarzenegger Institute for State and Global Policy, *et al.*) Factual and Legal Analysis Page 5 of 12

- 1 Georgia, and one to Maricopa County, Arizona, and were key to the outcome, in favor of Biden,
- 2 in those counties. 15
- 3 The Complaint further alleges that that Respondents specifically solicited the ten counties
- 4 in Georgia and Maricopa County, Arizona, to apply for grants as a form of "gerrymandering,"
- 5 whereby "Schwarzenegger deliberately packed money into Democratic counties because he
- 6 wanted to increase Biden's statewide votes," ¹⁶ and that the Institute's public claims of making
- 7 the grant program widely available were untrue. 17 As additional support for the apparent
- 8 political motivations in awarding the grants, the Complaint points to Schwarzenegger's public
- 9 comments disparaging Trump and his candidacy, and news reports concerning a dispute between
- 10 Schwarzenegger and Trump. 18
- And, in order to "cover-up" these targeted grants, the Complaint alleges that the Institute
- 12 awarded grants to ten historically Republican-leaning counties in North Carolina, ¹⁹ asserting that
- "Georgia was a swing state and in play, whereas North Carolina was not." The Institute
- distributed 12 additional grants to counties in Texas, Mississippi, Alabama, Virginia, and South

¹⁵ *Id.* at 9-16.

¹⁶ Compl. at 3-4, 13-14.

¹⁷ *Id.* at 3-4.

Compl. at 2.

A review of public election results from those ten counties in North Carolina indicates that two were historically Democratic-leaning and eight historically Republican-leaning. *See* 2012 North Carolina Presidential Election Results, POLITICO (Nov. 19, 2012), https://www.politico.com/2012), https://www.politico.com/2016-election/results/map/president/north-carolina/; 2020 North Carolina County Results, POLITICO, https://www.politico.com/2020-election/results/north-carolina/ (last visited Aug. 24, 2021).

Compl. at 16-18; see List of Grant Recipients, USC SCHWARZENEGGER INSTITUTE, https://pollingaccessgrants.org/ (last visited Aug. 11, 2021).

MUR 7881 (USC Schwarzenegger Institute for State and Global Policy, *et al.*) Factual and Legal Analysis Page 6 of 12

- 1 Carolina, representing five historically Democratic-leaning counties, three historically
- 2 Republican-leaning counties, and three historically mixed counties. ²¹
- The Response contends that grantees were determined by a "robust application process"
- 4 and that "[e]ach grant application was reviewed by a committee of experts, including USC
- 5 faculty, who determined each county's eligibility with key program criteria and demonstrated
- 6 financial need."²² The Institute's grant application stated that the grants would be allocated to
- 7 "jurisdictions needing support for the operation of polling."²³ The application further required
- 8 that the recipients be located in states previously covered by Section 5 of the Voting Rights Act,
- 9 which thereby limited the pool of potential recipients to 15 states.²⁴ More specifically, the grant
- application form stated that applications would be assessed based on the grantee's ability to
- "open or re-open physical polling places" or infrastructure for vote-by-mail, and a demonstrated
- 12 need and ability to increase voting access for "populations otherwise facing the greatest
- difficulty in casting a valid ballot."²⁵

Id. at 21-22; see List of Grant Recipients, USC SCHWARZENEGGER INSTITUTE, https://pollingaccessgrants.org/ (last visited Aug. 11, 2021).

²² Resp. at 2.

Democracy Grants for Voting Access & Election Administration: Call for Proposals, USC SCHWARZENEGGER INSTITUTE, https://web.archive.org/web/20201007000853/https://pollingaccessgrants.org/ (last visited Aug. 11, 2021).

Resp. at 2-3; *see also* Democracy Grants for Voting Access & Election Administration: Call for Proposals, USC SCHWARZENEGGER INSTITUTE, https://web.archive.org/web/20201007000853/https://pollingaccessgrants.org/ (last visited Aug. 11, 2021).

Democracy Grants for Voting Access & Election Administration: Call for Proposals, USC SCHWARZENEGGER INSTITUTE, https://web.archive.org/web/20201007000853/https://pollingaccessgrants.org/ (last visited Aug. 11, 2021).

MUR 7881 (USC Schwarzenegger Institute for State and Global Policy, *et al.*) Factual and Legal Analysis Page 7 of 12

- According to the Response, every eligible county that applied was awarded a grant. ²⁶
- 2 The Institute announced the grants on the Institute's website,²⁷ on the USC Sol Price School of
- 3 Public Policy website, ²⁸ the grant program's own website, ²⁹ and on Schwarzenegger's Twitter
- 4 account.³⁰ The grant program was also widely covered by national news media.³¹
- 5 The Response asserts that the Institute's grants were not political contributions under the
- 6 Act because their purpose was to increase nonpartisan voter access and not to influence a federal
- 7 election.³² More specifically, the Response argues that the Complaint misdescribes the political

Resp. at 4. Respondents assert that each grant application was subject to a three-step nonpartisan review process: (1) a committee of USC faculty and staff; (2) individual experts in the field of election administration, voting rights and public policy; and (3) an objective criterion review of population size and the total amount of its requested budget. *See id.*

Schwarzenegger Institute Announces Democracy Grants for Voting Access & Election Administration, USC Schwarzenegger Institute (Sept. 25, 2020), https://schwarzenegger.usc.edu/institute-in-action/article/schwarzenegger-institute-announces-democracy-grants-for-voting-access-elect.

USC Schwarzenegger Institute Initiates Democracy Grants for Voting Access and Election Administration, USC SOL PRICE SCHOOL OF PUBLIC POLICY, (https://priceschool.usc.edu/democracy-grants-for-voting-access-and-election-administration/ (last visited Aug. 12, 2021).

See supra note 7.

See Arnold (@Schwarzenegger), TWITTER (SEPT. 23, 2020, 5:30 PM), https://twitter.com/schwarzenegger/status/1308881570045071361?lang=en. Schwarzenegger has 4.9 million followers on his verified Twitter account.

See, e.g., Jessica Napoli, Arnold Schwarzenegger Offers To Pay For Reopening Of Polling Places In The South: 'I'm A Fanatic About Voting', FOX NEWS, https://www.foxnews.com/entertainment/arnold-schwarzenegger-pay-reopening-polling-places-south (Sept. 3, 2020); Mike Murphy, MARKET WATCH, Voting 'Fanatic' Arnold Schwarzenegger Offers To Pay To Reopen Closed Polling Places, https://www.forbes.com/sites/mattperez/2020/09/23/schwarzenegger-offers-local-election-officials-funding-to-reopen-polling-places/?sh=455e6dba443b.

Resp.at 2-3; Democracy Grants for Voting Access & Election Administration: Call for Proposals, USC SCHWARZENEGGER INSTITUTE, https://web.archive.org/web/20201007000853/https://pollingaccessgrants.org/ (last visited Aug. 3, 2021).

MUR 7881 (USC Schwarzenegger Institute for State and Global Policy, *et al.*) Factual and Legal Analysis Page 8 of 12

- 1 makeup of the recipients and that, in fact, the counties receiving grants did not lean Democratic
- 2 or pro-Biden as heavily as claimed by the Complaint.³³

III. LEGAL ANALYSIS

- 4 Under the Act, a "contribution" includes any "gift, subscription, loan, advance, or deposit
- 5 of money or anything of value made by any person for the purpose of influencing any election
- 6 for Federal office."³⁴ The term "anything of value" includes all in-kind contributions, such as
- 7 "the provision of any goods or services without charge or at a charge that is less than the usual
- 8 and normal charge."³⁵ In-kind contributions include "coordinated expenditures," that is,
- 9 expenditures "made by any person in cooperation, consultation or in concert, with, or at the
- request or suggestion of, a candidate, his [or her] authorized committees, or their agents."³⁶
- 11 They also include coordinated communications, as determined by a three-part test set out in the
- 12 Commission's regulations.³⁷
- The Act prohibits corporations from making contributions to federal candidates, and
- 14 likewise bars candidates, political committees (other than independent expenditure-only political
- 15 committees and committees with hybrid accounts), and other persons, from knowingly accepting

³³ See Resp. at 4-6.

³⁴ 52 U.S.C. § 30101(8); accord 11 C.F.R. § 100.52(a).

³⁵ 11 C.F.R. § 100.52(d) (listing examples of goods or services, such as securities, facilities, equipment, supplies, personnel, advertising services, membership lists, and mailing lists).

³⁶ 52 U.S.C. § 30116(a)(7)(B); 11 C.F.R. § 109.20; *see also* 52 U.S.C. § 30101(9)(A)(i) (defining the term "expenditure" to include "any purchase, payment, distribution, loan, advance, deposit, or gift of money or anything of value made by any person for the purpose of influencing any election for Federal office").

A communication is coordinated and thus treated as an in-kind contribution when it is: (1) paid for by a third-party; (2) satisfies one of five content standards; and (3) satisfies one of five conduct standards. 11 C.F.R. § 109.21(a).

MUR 7881 (USC Schwarzenegger Institute for State and Global Policy, *et al.*) Factual and Legal Analysis Page 9 of 12

- 1 or receiving corporate contributions.³⁸ The Act also provides that "any officer or any director of
- 2 any corporation" shall not "consent to any [prohibited] contribution or expenditure by the
- 3 corporation."³⁹ Further, the Act limits the amount an individual may contribute to an authorized
- 4 committee per election, which was \$2,800 during the 2020 cycle. 40

A. The Commission Finds No Reason to Believe that Schwarzenegger Made an Excessive Individual Contribution or that the Institute Made a Prohibited Corporate Contribution

The Complaint alleges that the grants funded by Schwarzenegger and made by the Institute were strategically awarded to counties in Georgia and Arizona to help Biden win those states and that the remaining recipients in other states were designed to conceal the true objective of the grant program and, therefore, that the grants should be treated as in-kind contributions to Biden for President.⁴¹

The available information does not suggest that Respondents acted with the purpose of influencing a federal election. As a threshold matter, Respondents maintain that the Institute awarded grants to all counties that applied and satisfied the criteria to show that they needed financial assistance.⁴² Moreover, there is no information to indicate that the Institute specifically targeted or otherwise influenced the counties that applied, and there is information that the

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⁵² U.S.C. § 30118(a); *accord* 11 C.F.R. § 114.2(a), (d). For purposes of the corporate contribution ban, the Act defines contribution in section 30118 to include the general definition set out above, as well as "any direct or indirect payment, distribution, loan, advance, deposit, or gift of money, or any services, or anything of value . . . to any candidate, campaign committee, or political party or organization, in connection with any election to any of the offices referred to in this section." 52 U.S.C. § 30118(b)(2).

³⁹ 52 U.S.C. § 30118(a).

⁵² U.S.C. § 30116(a)(1)(A); FEC, Contribution Limits for 2019-2020, https://www.fec.gov/updates/contribution-limits-2019-2020/ (stating inflation-adjusted amounts for 2020 cycle).

⁴¹ Compl. at 16-18.

See supra note 26.

MUR 7881 (USC Schwarzenegger Institute for State and Global Policy, *et al.*) Factual and Legal Analysis Page 10 of 12

- 1 Institute promoted the grant program widely. 43 It is also relevant that the grants appear to have
- 2 been awarded in a manner that is consistent with the Institute's stated purpose and past
- 3 initiatives. The Institute's stated mission is to advance "post-partisanship, where leaders put
- 4 people over political parties and work together to find the best ideas and solutions to benefit the
- 5 people they serve."44 The Institute has several areas of focus including environmental, health,
- 6 fiscal, educational and political policy.⁴⁵ Within the political policy area, the Institute has goals
- 7 of redistricting, open primaries, transparency, and voter participation.⁴⁶
- 8 The Complaint's allegation that that Respondents specifically invited the ten counties in
- 9 Georgia and Maricopa County, Arizona, to apply for grants to impact the election in favor of
- Biden is unsupported by the factual record.⁴⁷ The allegation here is not supported by any
- specific examples of outreach by the Institute to those recipient counties, but rather an
- 12 assumption that outreach must have occurred given the identity of the grant recipients, which
- allegedly favored Biden. The Complaint presumes, without providing any support, that the
- recipients of the grants would constitute a "random" selection of the eligible counties. 48
- However, based on the available information, it appears that the grant recipients were self-

⁴³ *See supra* notes 27-31.

See USC Schwarzenegger Institute for State and Global Policy, Mission, USC SCHWARZENEGGER INSTITUTE, http://schwarzenegger.usc.edu/about-the-institute/mission (last visited Aug. 3, 2021).

⁴⁵ *Id*.

See USC Schwarzenegger Institute for State and Global Policy, *Political Reform*, USC SCHWARZENEGGER INSTITUTE, http://schwarzenegger.usc.edu/policy-areas/political-reform (last visited Aug. 3, 2021). Compl. at 3-4, 13-14.

⁴⁷ Compl. at 3-4, 13-14.

⁴⁸ *Id.* at 13 ("The 0.0000000221938762 probability of winning the UK National Lottery is significantly higher than the 0.000000000049 probability of USC Schwarzenegger Institute randomly selecting three Georgia counties to receive its grants.").

MUR 7881 (USC Schwarzenegger Institute for State and Global Policy, *et al.*) Factual and Legal Analysis Page 11 of 12

selected, and Respondents state that the Institute ultimately awarded grants to each eligible county that applied.⁴⁹ The awarding of grants to every qualified applicant is inconsistent with the Complaint's theory that grantees were selected based on political motivations. Further, the multiple ways in which the Institute announced the grants appears to controvert the speculative allegations in the Complaint that Respondents targeted counties that it deemed helpful to the alleged purpose of helping Biden win the election.

Moreover, regardless of Respondents' motives for awarding the grants, there is nothing to suggest that Respondents coordinated their actions with Biden or his campaign. The Complaint does not allege that any of the Respondents communicated with Biden or his campaign regarding the grants nor is the Commission aware of any such information. And there is nothing to suggest that Respondents provided a good or service to Biden or his campaign. The grants were not directly used to fund campaign work, and even if they had the effect of getting more Biden voters to the polls, as discussed above, the Institute's objective appears to have been for the purpose of aiding nonpartisan election administrators in carrying out the mechanics of voting during the COVID-19 pandemic rather than for the purpose of influencing an election.

Therefore, the Institute's grant program could be considered "nonpartisan activity designed to encourage individuals to vote or to register to vote," which is specifically excluded from the definition of an "expenditure," and thus from the definition of a "contribution." **

Accordingly, the available information does not indicate that Schwarzenegger or the Institute made prohibited or excessive contributions, and the Commission finds no reason to

⁴⁹ Resp. at 4.

See 52 U.S.C. §§ 30101(9)(B)(ii); 30101(8)(B)(vi); see also First Gen. Counsel's Rpt. at 4 & Cert. (Aug. 7, 2006), MUR 5684 (Sean Combs, et al.) (dismissing allegations of corporate and excessive contributions when

MUR 7881 (USC Schwarzenegger Institute for State and Global Policy, *et al.*) Factual and Legal Analysis Page 12 of 12

- believe that Schwarzenegger violated 52 U.S.C. § 30116(a)(1)(A),⁵¹ or that the Institute violated
- 2 52 U.S.C § 30118(a).
- 3 B. The Commission Find No Reason to Believe that Institute Officials Davis,
 4 Folt, Goldman, and Grose Impermissibly Consented to a Prohibited
 5 Corporate Contribution

The Complaint does not clearly explain how Davis, Folt, Goldman, and Grose are alleged

- 7 to have violated the Act, but the Complaint could be read to allege that they are officers and
- 8 directors at the Institute within the meaning of 52 U.S.C. § 30118(a) and therefore were
- 9 prohibited from consenting to prohibited corporate contributions.⁵² Although not all of these
- individuals appear to be officers or directors within the meaning of Section 30118(a), there is no
- evidence that the Institute made a prohibited contribution or that these individuals consented to
- 12 the making of a prohibited contribution. Therefore, the Commission finds no reason to believe
- that Davis, Folt, Goldman, and Grose violated 52 U.S.C. § 30118(a).

Citizen Change conducted a media campaign aimed at voter registration and mobilization that included clear and consistent statements as to its non- partisan motivation and goals).

The excessive contribution allegation is premised on the notion that Schwarzenegger maintained control of the funds and therefore made a contribution in the name of another with the Institute acting as the conduit. Compl. at 2, 7, 9, 32; *see* 52 U.S.C. § 30122. The corporate contribution allegation is premised on the Institute taking control of the funds. Compl. at 4.

⁵² 52 U.S.C. § 30118(a).