

1 **FEDERAL ELECTION COMMISSION**
2
3 **FIRST GENERAL COUNSEL'S REPORT**
4

5 **MUR 8038**

6 DATE COMPLAINT FILED: July 25, 2022

7 DATE OF NOTIFICATIONS: July 28, 2022

8 LAST RESPONSE RECEIVED: Oct. 3, 2022

9 DATE ACTIVATED: Nov. 10, 2022

10
11 STATUTE OF LIMITATIONS: Feb. 22, 2027

12 ELECTION CYCLE: 2022
13

14 **COMPLAINANT:**

Saurav Ghosh

Campaign Legal Center

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17 **RESPONDENTS:**

Angel Staffing, Inc.

Protect and Serve PAC and Charles Gantt in
his official capacity as treasurer

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20
21 **RELEVANT STATUTE
22 AND REGULATION:**

52 U.S.C. § 30119

11 C.F.R. § 115.2(a)

23
24
25 **INTERNAL REPORTS CHECKED:**

Disclosure Reports

26
27 **AGENCIES CHECKED:**

28 **I. INTRODUCTION**

29 The Complaint in this matter alleges that Angel Staffing, Inc. (“Angel Staffing”), a
30 federal government contractor, made a \$250,000 political contribution to an independent
31 expenditure-only political committee, Protect and Serve PAC and Charles Gantt in his official
32 capacity as treasurer (the “Committee”) during the 2022 election cycle in violation of the Federal
33 Election Campaign Act of 1971, as amended (the “Act”). Respondents confirm that the
34 contribution was made to the Committee by wiring funds from an account belonging to Angel
35 Staffing but contend that because such account held funds that Angel Staffing’s President
36 and CEO, Shannon Ralston had loaned the company, the Committee should have reported
37 Ralston as the contributor. After receiving notification of the Complaint in this matter, Ralston’s

1 counsel requested that the Committee amend its April Quarterly Report to reflect Ralston as the
2 source of the contribution, which the Committee subsequently did.

3 As set forth below, the available information indicates that the contribution was properly
4 attributed to Angel Staffing because the funds it used to make the contribution were its own and
5 no longer the personal funds of Shannon Ralston once she had loaned the funds to Angel
6 Staffing. Accordingly, we recommend that the Commission find reason to believe that Angel
7 Staffing made a prohibited government contractor contribution in violation of 52 U.S.C.
8 § 30119(a)(1) and 11 C.F.R. § 115.2(a). Since the available information does not establish
9 whether the Committee solicited the contribution from Angel Staffing or knew that it was a
10 federal contractor, we recommend the Commission take no action at this time as to the
11 Committee.

12 **II. FACTUAL BACKGROUND**

13 Angel Staffing is a medical staffing company incorporated in Texas that recruits medical
14 professionals for both public and private inpatient treatment facilities and provides disaster relief
15 healthcare workers in Texas and elsewhere.¹ Shannon Ralston is Angel Staffing's President and
16 CEO and is listed as the "Government Contract Point of Contact" on the company's website.²
17 Angel Staffing is a government contractor that has received over \$154 million in federal
18 government contracts since 2008; its federal government contractor status is clearly stated on its
19 website.³ As of February 2022, it had nine open contracts with various subagencies of the

¹ Angel Staffing Resp. at 1 (Oct. 3, 2022); see *Taxable Entity Search*, TEX. COMPTROLLER OF PUB. ACCTS., <https://mycpa.cpa.state.tx.us/coa/> (search "Angel Staffing Incorporated" under "Entity Name") (last visited Feb. 8, 2023) (listing Angel Staffing's state of formation as Texas).

² Angel Staffing Resp. at 1; *Shannon Ralston*, ANGEL STAFFING, <https://angelstaffing.net/shannon-ralston/> (last visited Feb. 8, 2023).

³ Compl. ¶ 8 (July 25, 2022) (citing *Recipient Profile Angel Staffing Inc., Inc.*, USASPENDING.GOV, <https://www.usaspending.gov/recipient/9c52d6ca-2b68-010f-8773-187e5e7a0ca3-P/all> (last visited Feb. 8, 2023)); *Past*

1 United States Department of Defense, including the Air Force, Army, and Defense Health
 2 Agency.⁴

3 Protect and Serve PAC is an independent expenditure-only political committee that first
 4 registered with the Commission on August 22, 2019.⁵ On its original 2022 April Quarterly
 5 Report, the Committee reported that it received a \$250,000 contribution from Angel Staffing on
 6 February 22, 2022.⁶ In its Response, the Committee states that it attributed the contribution to
 7 Angel Staffing because “‘Angel Staffing Incorporated’ was the entity reflected on the wire
 8 documentation received by [the Committee]’s bank that accompanied the transfer.”⁷ The
 9 \$250,000 contribution represents 95% of the Committee’s fundraising for the 2022 election
 10 cycle.⁸

11 In its Response, Angel Staffing acknowledges that the contribution originated from an
 12 account held by Angel Staffing.⁹ However, Angel Staffing argues that the contribution
 13 should have been attributed to Ralston because Ralston used Angel Staffing’s “non-repayable

Performance, ANGEL STAFFING, <https://angelstaffing.net/past-performance/> (last visited Feb. 8, 2023); *Government Eligibility*, ANGEL STAFFING, <https://angelstaffing.net/government-eligibility/> (last visited Feb. 8, 2023).

⁴ Compl. ¶ 9; *Id.*, Attach. A (chart reflecting “Angel Staffing Inc, Federal Contracts Open at the Time of Its Contribution to Protect and Serve PAC”); see *Advanced Search Results: Angel Staffing Incorporated*, USASPENDING.GOV, <https://www.usaspending.gov/search/?hash=8a5dd70cceedbce12ae9051604053007> (last visited Feb. 8, 2023) (showing all government contracts awarded to Angel Staffing, with nine contracts open in February 2022).

⁵ Protect & Serve PAC, Original Statement of Organization at 1 (Aug. 22, 2019), <https://docquery.fec.gov/pdf/790/201908229163096790/201908229163096790.pdf>.

⁶ Protect & Serve PAC, Original 2022 April Quarterly Report, Sched. A at 6 (April 15, 2022), <https://docquery.fec.gov/pdf/555/202204159496293555/202204159496293555.pdf>. No other political committees have reported contributions from Angel Staffing. The Committee has reported no other contributions from corporations or other apparent federal contractors. See *Protect and Serve PAC: Raising*, FEC.GOV, <https://www.fec.gov/data/committee/C00716704/?tab=raising#individual-contribution-transactions> (last visited Jan. 17, 2022).

⁷ Protect and Serve PAC Resp. at 1.

⁸ See *Protect and Serve PAC: Raising*, FEC.GOV, <https://www.fec.gov/data/committee/C00716704/?tab=raising#individual-contribution-transactions> (last visited Jan. 17, 2022).

⁹ Angel Staffing Resp. at 2 (“Once Ms. Ralston consulted with her attorneys and tax advisors and received assurances regarding the permissibility of using [Angel Staffing’s] nonrepayable drawing account to make her personal contribution, she approved a \$250,000 wire transfer to [the Committee] using that account on February 22, 2022.”).

1 drawing account” that contained her personal funds to make the contribution.¹⁰ Angel Staffing
2 produced no documents relating to the account in which the funds were held but states that the
3 account “contained a large payroll loan [Ralston] made to her company the prior week.”¹¹ In an
4 affidavit, Ralston states that she “ran into some processing difficulties with [her] bank” while
5 attempting to make a contribution to the Committee.¹² Because Steve Michael, a consultant for
6 the Committee, had expressed an urgent need for the contribution due to the proximity of the
7 March 1, 2022 primary election, Ralston:

8 explored alternative ways to make [her] personal contribution
9 using another bank account . . . [and] sought the guidance of [her]
10 attorneys and tax consultant prior to using Angel Staffing’s non-
11 repayable drawing account to effectuate [her] personal contribution
12 to [the Committee], to ensure that the contribution would be made
13 from my personal funds stemming from my payroll loan.¹³

14 Accordingly, Ralston made the contribution via a wire transfer from an account belonging to
15 Angel Staffing.¹⁴

16 Both the Committee and Angel Staffing state that the Committee’s treasurer reported the
17 contributor as “Angel Staffing Incorporated” because this was the entity reflected on the wire
18 documentation the Committee received.¹⁵ Both respondents, however, contend that the
19 contribution should have been attributed to Ralston because they assert that the funds transferred
20 from Angel Staffing to the Committee were Ralston’s personal funds that were housed in an

¹⁰ *Id.* at 3-4.

¹¹ *Id.*

¹² Angel Staffing Resp., Attach. (Ralston Aff.) ¶ 4 [hereinafter Ralston Aff.]; *see also* Angel Staffing Resp. at 2 (“Ralston attempted to make her \$250,000 contribution to [the Committee] using one of her personal bank accounts, but ran into some processing difficulties with her bank.”).

¹³ Ralston Aff. ¶¶ 5-6.

¹⁴ *Id.* ¶ 7; Angel Staffing Resp. at 3.

¹⁵ Angel Staffing Resp. at 3; Protect & Serve PAC Resp. at 1 (Sept. 13, 2022).

1 account that they refer to as a non-repayable corporate drawing account.¹⁶ Ralston attests that,
2 after she was notified of the Complaint in this matter, she “directed [her] attorneys to request that
3 [the Committee] amend its report to reflect the \$250,000 contribution as coming from [her]
4 personally and not Angel Staffing”;¹⁷ the Committee subsequently amended its 2022 April
5 Quarterly Report to conform with this understanding.¹⁸ To date, the Committee has not refunded
6 the contribution.

7 **III. LEGAL ANALYSIS**

8 **A. Relevant Law**

9 The Act and the Commission’s regulations prohibit contributions to political committees
10 by any person who enters into a contract with the United States or its departments or agencies for
11 “furnishing any material, supplies, or equipment,” if payment on such contract “is to be made in
12 whole or in part from funds appropriated by Congress.”¹⁹ Such contributions are barred for the
13 period between (1) the earlier of commencement of negotiations or when requests for proposal
14 are sent out, and (2) the later of the completion of performance on or termination of negotiations
15 for the contract.²⁰ The prohibition covers contributions to any political party, political
16 committee, federal candidate, or “any person for any political purpose or use.”²¹ The Act also
17 bars any person from knowingly soliciting a contribution from a federal contractor during the
18 prohibited period.²²

¹⁶ Angel Staffing Resp. at 3; Protect & Serve PAC Resp. at 1.

¹⁷ Ralston Aff. ¶ 9.

¹⁸ Protect & Serve PAC Resp. at 1; Protect & Serve PAC, Amended 2022 April Quarterly Report, Sched. A at 6 (Sept. 10, 2022), <https://docquery.fec.gov/pdf/591/202209109528388591/202209109528388591.pdf>.

¹⁹ 52 U.S.C. § 30119(a)(1); 11 C.F.R. § 115.2(a).

²⁰ 11 C.F.R. § 115.1(b).

²¹ *Id.* § 115.2(a).

²² 52 U.S.C. § 30119(a)(2); 11 C.F.R. § 115.2(c).

1 Commission regulations and precedent provide for circumstances in which otherwise
2 prohibited entities, such as federal contractors, may nonetheless make or facilitate political
3 contributions. In the context of the corporate contribution ban at 52 U.S.C. § 30118, although
4 contributions drawn on corporate accounts are generally prohibited, the Commission has created
5 an exception where contributions drawn on a “non-repayable drawing account” of a
6 corporation’s employee or stockholder are permissible. To clarify this distinction, the
7 Commission in 1978 released a Notice to All Candidates and Committees stating:

8 The Commission distinguishes among three types of corporate
9 accounts used by employees: 1) repayable drawing accounts,
10 2) non-repayable drawing accounts and, [*sic*] 3) expense accounts.
11 Contributions made from drawing accounts that the employee is
12 responsible to repay will be considered corporate contributions for
13 the outstanding period of the draw, however, contributions made
14 from non-repayable drawing accounts established to permit
15 personal draws against salary, profits[,] or commissions will be
16 considered personal contributions. Contributions written against
17 standard expense accounts are prohibited as corporate
18 contributions.²³

19 Consistent with the Notice, the Commission promulgated regulations state that separate
20 segregated funds may collect contributions via checks “combining contributions with other
21 payments,” such as membership dues and other fees, so long as the check is “drawn on the
22 contributor’s personal checking account or on a *non-repayable corporate drawing account* of the
23 individual contributor.”²⁴ Though the regulations do not define the term “non-repayable
24 corporate drawing account,” the Commission’s Notice and the September 1978 Commission
25 newsletter summarizing it make clear that the term refers to accounts held by corporations but

²³ FEC, Notice to All Candidates and Committees (Aug. 28, 1978) *see also* FEC, RECORD vol. 4 no. 9, Sept. 1978 at 1, https://www.fec.gov/resources/record/1978/september_1978_record.pdf (describing the Notice).

²⁴ *Id.* § 102.6(c)(3) (emphasis added).

1 “established to permit [employees’] personal draws against [their own] salary, profits[,] or
 2 commissions.”²⁵

3 Relying on the Notice, in Advisory Opinion 1979-19 (Cattleman’s Action Legislative
 4 Fund), the Commission stated that “[c]ombined political contributions and payments to [the
 5 requesting political committee] drawn on a corporate account which is a nonrepayable drawing
 6 account of an individual . . . member are not considered prohibited corporate contributions,
 7 although checks on other types of corporate accounts are prohibited corporate contributions.”²⁶

8 Under analogous circumstances, in the context of a law firm that was also a federal contractor,
 9 the Commission advised that partners of the firm could nonetheless make contributions via
 10 automated electronic payroll deductions specifically because the contributed funds would be
 11 taken from assets (here, payroll owed to the partners) belonging to the individual partners rather
 12 than to the firm.²⁷

²⁵ FEC, Notice to All Candidates and Committees (Aug. 28, 1978) FEC, RECORD vol. 4 no. 9, Sept. 1978 at 1, https://www.fec.gov/resources/record/1978/september_1978_record.pdf; *see also* Thompson Reuters, *Glossary: Draw on Commission*, PRACTICAL LAW, <https://content.next.westlaw.com/practical-law/document/Ibfe151e489e811e498db8b09b4f043e0/Draw-on-Commission> (last visited Feb. 8, 2022) (stating that a non-repayable (or non-recoverable) drawing account is a “fixed amount paid in advance of earning commissions” that “functions . . . as a minimum guaranteed periodic payment to [an] employee”). The Glossary goes on to explain that, “if the actual commissions earned in a given draw period exceed the draw amount, the employer pays the difference. However, even if the employee does not earn commissions that equal or exceed the draw amount in a given draw period, nothing is owed to the employer and the draw deficit is not applied against future commissions or other amounts payable to the employee.” *Id.* In short, the draw account represents an asset to the employee, and a liability to the company.

²⁶ Advisory Opinion (“AO”) 1979-19 at 2 (Cattleman’s Action Legislative Fund) (“AO 1979-19”); *see also* AO 1981-04 at 2 (Nat’l Soc’y of Prof. Engineers PAC) (“[I]f any individual member of the Society conducts his or her business as a corporation, then the combined dues payment and political contribution from that member must be drawn on an individual account or on a non-repayable drawing account which the individual maintains with the corporation.”); AO 1982-11 at 2 (Am. Chiropractic Assoc. PAC) (“[I]f any individual member of the Association conducts his or her professional practice as a corporation, then the combined dues payment and political contribution from that member must be drawn on an individual account or on a non-repayable drawing account which the individual maintains with the corporation.”).

²⁷ AO 2005-20 at 3 (Pillsbury Winthrop Shaw Pittman LLP). Though the Opinion does not explicitly state that electronic payroll deductions are analogous to non-repayable corporate drawing accounts, the Opinion discusses how the requesting partnership has no control over the recipient of funds transferred out from its payroll account, which is determined solely and exclusively by the partners to whom payment is owed. *Id.*

1 **B. The Commission Should Find Reason to Believe That Angel Staffing Made a**
2 **Prohibited Government Contractor Contribution**

3 As discussed above, the \$250,000 contribution to the Committee dated February 22,
4 2022, was made from funds drawn on an account belonging to Angel Staffing, a government
5 contractor.²⁸ Respondents do not dispute that the funds were drawn from an account belonging
6 to Angel Staffing, nor do they dispute that Angel Staffing was a government contractor at the
7 time the contribution was made.²⁹ Therefore, the Committee appears to have accurately reported
8 the contributor as Angel Staffing in its original 2022 April Quarterly Report filed April 15, 2022.

9 However, the respondents contend that the contribution should have been attributed to
10 Ralston because, even though the funds were drawn on an account held in the name of Angel
11 Staffing, the account was a “nonrepayable drawing account of ASI” that was comprised of
12 Ralston’s personal funds resulting from a payroll loan Ralston had made to Angel Staffing.³⁰
13 Angel Staffing attaches to its Response a copy of the loan agreement between Ralston and Angel
14 Staffing.³¹ The loan agreement states that the loan had a term of 6 months payable monthly at
15 0% interest unless Angel Staffing failed to repay the loan before December 31, 2022, at which
16 time an interest rate of 1% per year would take effect.³² It further indicates that the entire loan

²⁸ See *supra* notes 3, 9-14 and accompanying text.

²⁹ Angel Staffing Resp. at 2 (“Once Ms. Ralston . . . received assurances regarding the permissibility of using [Angel Staffing’s] nonrepayable drawing account to make her personal contribution, she approved a \$250,000 wire transfer to [the Committee] using that account on February 22, 2022.”); *id.* (“[A] significant portion of [Angel Staffing’s] annual revenue derives from federal and state government contracts.”); Protect & Serve PAC Resp. at 1 (““Angel Staffing Incorporated” was the entity reflected on the wire documentation received by Respondent’s bank that accompanied the transfer.”).

³⁰ Angel Staffing Resp. at 3-4.

³¹ *Id.*, Attach. B [hereinafter Loan Agreement].

³² Loan Agreement ¶ 1.4-.5. As a note, the agreement is inconsistent as to whether the loan was for \$4 million or \$5 million. Compare *id.* at preamble (“WHEREAS, Borrower has applied to Maker for a Loan to enable Borrower to borrow 4,000,000 (four million dollars”), with *id.* ¶ 1.1 (“The Maker agrees to extend, subject to the conditions hereof, and Borrower agrees to take, a Loan . . . totaling five million.”). Here, the exact amount of the loan is immaterial to the allegations at issue.

1 amount would be made available to Angel Staffing, stating that “[i]t is contemplated that
2 Borrower will borrow the entire loan amount [\$4 million] at closing” and does not appear to
3 impose limitations on how the company could use the funds.³³ While the agreement addresses
4 “[d]raws,” it contemplates only receipt of funds by Angel Staffing as “Borrower,” and does not
5 address the possibility that Ralston, as the “Maker” of the loan, could take any draws herself.³⁴

6 The circumstances presented here are significantly distinguishable from the non-
7 repayable drawing accounts from which the Commission has approved contributions, and Angel
8 Staffing’s attempts to draw an analogy between the loan in this matter to funds in a non-
9 repayable drawing account of the type the Commission has previously approved are not
10 persuasive. A non-repayable drawing account is an account in which a company places funds
11 guaranteed and owed to an employee, which the company is not entitled to use;³⁵ therefore, the
12 Commission has determined that such funds are attributable to the employee, not the corporation,
13 and could be used to make a contribution without violating the corporation contribution ban.³⁶
14 The circumstances presented here are the opposite as they involve an account in which an
15 employee provided funds for the company’s use. Here, Ralston provided the funds to Angel
16 Staffing and, although the Response indicates that the loan was “largely to cover payroll costs,”
17 the loan agreement itself puts no limitations on how Angel Staffing could use those funds.³⁷
18 Accordingly, until those funds were repaid to Ralston, they belonged to Angel Staffing to spend
19 as it determined. Angel Staffing’s Response appears to acknowledge that the account in question

³³ Loan Agreement ¶ 1.3.

³⁴ *Id.*

³⁵ *See supra* note 25 and accompanying text; *see also* Angel Staffing Resp. at 3 (defining “nonrepayable drawing accounts” as “accounts that are maintained by an employer . . . but are accessible by an individual and are not replenished by the employer when they are drawn down (i.e., they are “nonrepayable” by the employer”).

³⁶ *See supra* notes 26-27 and accompanying text.

³⁷ Angel Staffing Resp. at 2; Loan Agreement.

1 differs from the nonrepayable drawing accounts that the Commission has previously approved
2 when it argues that the Angel Staffing's account "was *materially indistinguishable* from the
3 nonrepayable drawing accounts sanctioned by the Commission for years."³⁸

4 Indeed, the fundamental distinction of contributions made via non-repayable corporate
5 drawing accounts that justifies their exemption from the corporate contribution prohibition is the
6 fact that the funds in the account do not belong to the entity that deposited them there — here,
7 Shannon Ralston. Instead, from the moment of deposit, the assets belong to the beneficiary of
8 such funds — here, Angel Staffing. And as the Commission has advised, contributions made
9 from accounts other than the very narrow exception of non-repayable drawing accounts, in which
10 the corporation deposits funds for an employee's use, will constitute prohibited contributions
11 when they come from prohibited sources.³⁹ Accordingly, we recommend the Commission find
12 reason to believe that Angel Staffing made a prohibited contribution to the Committee in
13 violation of 52 U.S.C. § 30119(a)(1) and 11 C.F.R. § 115.2(a).

14 **C. The Commission Should Take No Action at This Time as to the Committee**

15 It is unclear whether the Committee would have known, or should have known, that
16 Angel Staffing was a federal contractor at the time it solicited funds from Ralston. Ralston's
17 affidavit states both she and the Committee's consultant believed that the \$250,000 contribution
18 to the Committee was from Ralston, not Angel Staffing.⁴⁰ The Committee's treasurer then
19 reported the contribution based on the entity identified on the wire transfer associated with the

³⁸ Angel Staffing Resp. at 4 (emphasis added).

³⁹ See AO 1979-19 at 2 ("[C]hecks on other types of corporate accounts [other than non-repayable drawing accounts] are prohibited corporate contributions."). Further, Angel Staffing's Response raises questions of whether the contribution, now attributed to Ralston in the Committee's amended disclosure report, is a contribution by Angel Staffing made in the name of another. Given the circumstances presented here, and the recommendation to find reason to believe as to the federal contractor contribution, we do not recommend additional findings at this time.

⁴⁰ Ralston Aff. ¶¶ 6-8.

1 contribution, which was “Angel Staffing Incorporated.”⁴¹ There is no information in the record
2 whether the consultant communicated with the treasurer about this contribution prior to the
3 disclosure report being filed. Under these circumstances and consistent with past agency
4 practice, it does not appear to be a prudent use of Commission resources to investigate further
5 regarding whether the Committee knew that Angel Staffing was a federal contractor.⁴² As in
6 similar matters, we therefore recommend the Commission take no action at this time with respect
7 to the Committee in the event that further information becomes available during the course of
8 conciliation with Angel Staffing.⁴³

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⁴¹ Protect & Serve PAC Resp. at 1.

⁴² The Commission has generally declined to pursue the recipient committees of prohibited government contractor contributions absent information indicating that the committee knew the contributor was a government contractor. *See, e.g.*, Certification (“Cert.”) ¶ 2 (May 23, 2017), MUR 7099 (Suffolk Construction Co., Inc., *et al.*) (taking no action as to the recipient committee); Cert. ¶ 2 (May 9, 2019), MUR 7451 (Ring Power Corp., *et al.*) (taking no action at this time as to the recipient committee).

⁴³ *See, e.g.*, First Gen. Counsel’s Rpt. (“FGCR”) at 12, MURs 7842, 7843, & 7846 (Marathon Petroleum Co., LP, *et al.*) (“As it is possible that the contributor respondents’ responses to the reason-to-believe findings could provide more information regarding the making of these contributions, consistent with past practice in similar matters, we recommend that the Commission take no action at this time with respect to [the recipient committees].”).

MUR 8038 (Angel Staffing, Inc., *et al.*)

First General Counsel's Report

Page 12 of 14

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3 **V. RECOMMENDATIONS**

4 1. Find reason to believe that Angel Staffing, Inc., made a prohibited government
5 contractor contribution in violation of 52 U.S.C. § 30119(a)(1) and 11 C.F.R.
6 § 115.2(a);

7 2. Take no action at this time as to Protect and Serve PAC and Charles Gantt in his
8 official capacity as treasurer;

9 3. Approve the attached Factual and Legal Analysis;

10 4. Authorize pre-probable cause conciliation with Angel Staffing, Inc.;

11 5. Approve the attached proposed conciliation agreement; and

ELW Edits 4/27/23

FEDERAL ELECTION COMMISSION**FACTUAL AND LEGAL ANALYSIS****RESPONDENTS:** Angel Staffing, Inc.**MUR 8038****I. INTRODUCTION**

This matter arises from a Complaint alleging that Angel Staffing, Inc. (“Angel Staffing”), a federal government contractor, made a \$250,000 political contribution to an independent expenditure-only political committee, Protect and Serve PAC and Charles Gantt in his official capacity as treasurer (the “Committee”) during the 2022 election cycle in violation of the Federal Election Campaign Act of 1971, as amended (the “Act”). The Respondent confirms that the contribution was made to the Committee by wiring funds from an account belonging to Angel Staffing but contends that because such account held funds that Angel Staffing’s President and CEO, Shannon Ralston had loaned the company, the Committee should have reported Ralston as the contributor. After receiving notification of the Complaint in this matter, Ralston’s counsel requested that the Committee amend its April Quarterly Report to reflect Ralston as the source of the contribution, which the Committee subsequently did.

As set forth below, the available information indicates that the contribution was properly attributed to Angel Staffing because the funds it used to make the contribution were its own and no longer the personal funds of Shannon Ralston once she had loaned the funds to Angel Staffing. Accordingly, the Commission finds reason to believe that Angel Staffing made a prohibited government contractor contribution in violation of 52 U.S.C. § 30119(a)(1) and 11 C.F.R. § 115.2(a).

1 II. FACTUAL BACKGROUND

2 Angel Staffing is a medical staffing company incorporated in Texas that recruits medical
3 professionals for both public and private inpatient treatment facilities and provides disaster relief
4 healthcare workers in Texas and elsewhere.¹ Shannon Ralston is Angel Staffing’s President and
5 CEO and is listed as the “Government Contract Point of Contact” on the company’s website.²
6 Angel Staffing is a government contractor that has received over \$154 million in federal
7 government contracts since 2008; its federal government contractor status is clearly stated on its
8 website.³ As of February 2022, it had nine open contracts with various subagencies of the
9 United States Department of Defense, including the Air Force, Army, and Defense Health
10 Agency.⁴

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13 Report, the Committee reported that it received a \$250,000 contribution from Angel Staffing on

¹ Angel Staffing Resp. at 1 (Oct. 3, 2022); see *Taxable Entity Search*, TEX. COMPTROLLER OF PUB. ACCTS., <https://mycpa.cpa.state.tx.us/coa/> (search “Angel Staffing Incorporated” under “Entity Name”) (last visited Feb. 8, 2023) (listing Angel Staffing’s state of formation as Texas).

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³ Compl. ¶ 8 (July 25, 2022) (citing *Recipient Profile Angel Staffing Inc., Inc.*, USASPENDING.GOV, <https://www.usaspending.gov/recipient/9c52d6ca-2b68-010f-8773-187e5e7a0ca3-P/all> (last visited Feb. 8, 2023)); *Past Performance*, ANGEL STAFFING, <https://angelstaffing.net/past-performance/> (last visited Feb. 8, 2023); *Government Eligibility*, ANGEL STAFFING, <https://angelstaffing.net/government-eligibility/> (last visited Feb. 8, 2023).

⁴ Compl. ¶ 9; *Id.*, Attach. A (chart reflecting “Angel Staffing Inc, Federal Contracts Open at the Time of Its Contribution to Protect and Serve PAC”); see *Advanced Search Results: Angel Staffing Incorporated*, USASPENDING.GOV, <https://www.usaspending.gov/search/?hash=8a5dd70cceedbce12ae9051604053007> (last visited Feb. 8, 2023) (showing all government contracts awarded to Angel Staffing, with nine contracts open in February 2022).

⁵ Protect & Serve PAC, Original Statement of Organization at 1 (Aug. 22, 2019), <https://docquery.fec.gov/pdf/790/201908229163096790/201908229163096790.pdf>.

MUR 8038 (Angel Staffing, Inc.)
Factual and Legal Analysis
Page 3 of 10

1 February 22, 2022.⁶ In its Response, the Committee states that it attributed the contribution to
2 Angel Staffing because “‘Angel Staffing Incorporated’ was the entity reflected on the wire
3 documentation received by [the Committee]’s bank that accompanied the transfer.”⁷ The
4 \$250,000 contribution represents 95% of the Committee’s fundraising for the 2022 election
5 cycle.⁸

6 In its Response, Angel Staffing acknowledges that the contribution originated from an
7 account held by Angel Staffing.⁹ However, Angel Staffing argues that that the contribution
8 should have been attributed to Ralston because Ralston used Angel Staffing’s “non-repayable
9 drawing account” that contained her personal funds to make the contribution.¹⁰ Angel Staffing
10 produced no documents relating to the account in which the funds were held but states that the
11 account “contained a large payroll loan [Ralston] made to her company the prior week.”¹¹ In an
12 affidavit, Ralston states that she “ran into some processing difficulties with [her] bank” while
13 attempting to make a contribution to the Committee.¹² Because Steve Michael, a consultant for

⁶ Protect & Serve PAC, Original 2022 April Quarterly Report, Sched. A at 6 (April 15, 2022), <https://docquery.fec.gov/pdf/555/202204159496293555/202204159496293555.pdf>. No other political committees have reported contributions from Angel Staffing. The Committee has reported no other contributions from corporations or other apparent federal contractors. See *Protect and Serve PAC: Raising*, FEC.GOV, <https://www.fec.gov/data/committee/C00716704/?tab=raising#individual-contribution-transactions> (last visited Jan. 17, 2022).

⁷ Protect and Serve PAC Resp. at 1.

⁸ See *Protect and Serve PAC: Raising*, FEC.GOV, <https://www.fec.gov/data/committee/C00716704/?tab=raising#individual-contribution-transactions> (last visited Jan. 17, 2022).

⁹ Angel Staffing Resp. at 2 (“Once Ms. Ralston consulted with her attorneys and tax advisors and received assurances regarding the permissibility of using [Angel Staffing’s] nonrepayable drawing account to make her personal contribution, she approved a \$250,000 wire transfer to [the Committee] using that account on February 22, 2022.”).

¹⁰ *Id.* at 3-4.

¹¹ *Id.*

¹² Angel Staffing Resp., Attach. (Ralston Aff.) ¶ 4 [hereinafter Ralston Aff.]; see also Angel Staffing Resp. at 2 (“Ralston attempted to make her \$250,000 contribution to [the Committee] using one of her personal bank accounts, but ran into some processing difficulties with her bank.”).

MUR 8038 (Angel Staffing, Inc.)
Factual and Legal Analysis
Page 4 of 10

1 the Committee, had expressed an urgent need for the contribution due to the proximity of the
2 March 1, 2022 primary election, Ralston:

3 explored alternative ways to make [her] personal contribution
4 using another bank account . . . [and] sought the guidance of [her]
5 attorneys and tax consultant prior to using Angel Staffing’s non-
6 repayable drawing account to effectuate [her] personal contribution
7 to [the Committee], to ensure that the contribution would be made
8 from my personal funds stemming from my payroll loan.¹³

9 Accordingly, Ralston made the contribution via a wire transfer from an account belonging to
10 Angel Staffing.¹⁴

11 The available information indicates that the Committee’s treasurer reported the contributor
12 as “Angel Staffing Incorporated” because this was the entity reflected on the wire documentation
13 the Committee received.¹⁵ Respondent, however, contends that the contribution should have
14 been attributed to Ralston because they assert that the funds transferred from Angel Staffing to
15 the Committee were Ralston’s personal funds that were housed in an account that they refer to as
16 a non-repayable corporate drawing account.¹⁶ Ralston attests that, after she was notified of the
17 Complaint in this matter, she “directed [her] attorneys to request that [the Committee] amend its
18 report to reflect the \$250,000 contribution as coming from [her] personally and not Angel
19 Staffing”;¹⁷ the Committee subsequently amended its 2022 April Quarterly Report to conform
20 with this understanding.¹⁸ To date, the Committee has not refunded the contribution.

¹³ Ralston Aff. ¶¶ 5-6.

¹⁴ *Id.* ¶ 7; Angel Staffing Resp. at 3.

¹⁵ Angel Staffing Resp. at 3.

¹⁶ Angel Staffing Resp. at 3.

¹⁷ Ralston Aff. ¶ 9.

¹⁸ Protect & Serve PAC, Amended 2022 April Quarterly Report, Sched. A at 6 (Sept. 10, 2022), <https://docquery.fec.gov/pdf/591/202209109528388591/202209109528388591.pdf>.

1 **III. LEGAL ANALYSIS**

2 **A. Relevant Law**

3 The Act and the Commission’s regulations prohibit contributions to political committees
4 by any person who enters into a contract with the United States or its departments or agencies for
5 “furnishing any material, supplies, or equipment,” if payment on such contract “is to be made in
6 whole or in part from funds appropriated by Congress.”¹⁹ Such contributions are barred for the
7 period between (1) the earlier of commencement of negotiations or when requests for proposal
8 are sent out, and (2) the later of the completion of performance on or termination of negotiations
9 for the contract.²⁰ The prohibition covers contributions to any political party, political
10 committee, federal candidate, or “any person for any political purpose or use.”²¹ The Act also
11 bars any person from knowingly soliciting a contribution from a federal contractor during the
12 prohibited period.²²

13 Commission regulations and precedent provide for circumstances in which otherwise
14 prohibited entities, such as federal contractors, may nonetheless make or facilitate political
15 contributions. In the context of the corporate contribution ban at 52 U.S.C. § 30118, although
16 contributions drawn on corporate accounts are generally prohibited, the Commission has created
17 an exception where contributions drawn on a “non-repayable drawing account” of a
18 corporation’s employee or stockholder are permissible. To clarify this distinction, the
19 Commission in 1978 released a Notice to All Candidates and Committees stating:

20 The Commission distinguishes among three types of corporate
21 accounts used by employees: 1) repayable drawing accounts,

¹⁹ 52 U.S.C. § 30119(a)(1); 11 C.F.R. § 115.2(a).

²⁰ 11 C.F.R. § 115.1(b).

²¹ *Id.* § 115.2(a).

²² 52 U.S.C. § 30119(a)(2); 11 C.F.R. § 115.2(c).

1 2) non-repayable drawing accounts and, [*sic*] 3) expense accounts.
2 Contributions made from drawing accounts that the employee is
3 responsible to repay will be considered corporate contributions for
4 the outstanding period of the draw, however, contributions made
5 from non-repayable drawing accounts established to permit
6 personal draws against salary, profits[,] or commissions will be
7 considered personal contributions. Contributions written against
8 standard expense accounts are prohibited as corporate
9 contributions.²³

10 Consistent with the Notice, the Commission promulgated regulations state that separate
11 segregated funds may collect contributions via checks “combining contributions with other
12 payments,” such as membership dues and other fees, so long as the check is “drawn on the
13 contributor’s personal checking account or on a *non-repayable corporate drawing account* of the
14 individual contributor.”²⁴ Though the regulations do not define the term “non-repayable
15 corporate drawing account,” the Commission’s Notice and the September 1978 Commission
16 newsletter summarizing it make clear that the term refers to accounts held by corporations but
17 “established to permit [employees’] personal draws against [their own] salary, profits[,] or
18 commissions.”²⁵

19 Relying on the Notice, in Advisory Opinion 1979-19 (Cattleman’s Action Legislative
20 Fund), the Commission stated that “[c]ombined political contributions and payments to [the

²³ FEC, Notice to All Candidates and Committees (Aug. 28, 1978); *see also* FEC, RECORD vol. 4 no. 9, Sept. 1978 at 1, https://www.fec.gov/resources/record/1978/september_1978_record.pdf (describing the Notice).

²⁴ *Id.* § 102.6(c)(3) (emphasis added).

²⁵ FEC, Notice to All Candidates and Committees (Aug. 28, 1978); FEC, RECORD vol. 4 no. 9, Sept. 1978 at 1, https://www.fec.gov/resources/record/1978/september_1978_record.pdf; *see also* Thompson Reuters, *Glossary: Draw on Commission*, PRACTICAL LAW, <https://content.next.westlaw.com/practical-law/document/Ibfe151e489e811e498db8b09b4f043e0/Draw-on-Commission> (last visited Feb. 8, 2022) (stating that a non-repayable (or non-recoverable) drawing account is a “fixed amount paid in advance of earning commissions” that “functions . . . as a minimum guaranteed periodic payment to [an] employee”). The Glossary goes on to explain that, “if the actual commissions earned in a given draw period exceed the draw amount, the employer pays the difference. However, even if the employee does not earn commissions that equal or exceed the draw amount in a given draw period, nothing is owed to the employer and the draw deficit is not applied against future commissions or other amounts payable to the employee.” *Id.* In short, the draw account represents an asset to the employee, and a liability to the company.

1 requesting political committee] drawn on a corporate account which is a nonrepayable drawing
2 account of an individual . . . member are not considered prohibited corporate contributions,
3 although checks on other types of corporate accounts are prohibited corporate contributions.”²⁶
4 Under analogous circumstances, in the context of a law firm that was also a federal contractor,
5 the Commission advised that partners of the firm could nonetheless make contributions via
6 automated electronic payroll deductions specifically because the contributed funds would be
7 taken from assets (here, payroll owed to the partners) belonging to the individual partners rather
8 than to the firm.²⁷

9 **B. The Commission Finds Reason to Believe That Angel Staffing Made a**
10 **Prohibited Government Contractor Contribution**

11 As discussed above, the \$250,000 contribution to the Committee dated February 22,
12 2022, was made from funds drawn on an account belonging to Angel Staffing, a government
13 contractor.²⁸ Respondent does not dispute that the funds were drawn from an account belonging
14 to Angel Staffing, nor do they dispute that Angel Staffing was a government contractor at the

²⁶ Advisory Opinion (“AO”) 1979-19 at 2 (Cattleman’s Action Legislative Fund) (“AO 1979-19”); *see also* AO 1981-04 at 2 (Nat’l Soc’y of Prof. Engineers PAC) (“[I]f any individual member of the Society conducts his or her business as a corporation, then the combined dues payment and political contribution from that member must be drawn on an individual account or on a non-repayable drawing account which the individual maintains with the corporation.”); AO 1982-11 at 2 (Am. Chiropractic Assoc. PAC) (“[I]f any individual member of the Association conducts his or her professional practice as a corporation, then the combined dues payment and political contribution from that member must be drawn on an individual account or on a non-repayable drawing account which the individual maintains with the corporation.”).

²⁷ AO 2005-20 at 3 (Pillsbury Winthrop Shaw Pittman LLP). Though the Opinion does not explicitly state that electronic payroll deductions are analogous to non-repayable corporate drawing accounts, the Opinion discusses how the requesting partnership has no control over the recipient of funds transferred out from its payroll account, which is determined solely and exclusively by the partners to whom payment is owed. *Id.*

²⁸ *See supra* notes 3, 9-14 and accompanying text.

1 time the contribution was made.²⁹ Therefore, the Committee appears to have accurately reported
2 the contributor as Angel Staffing in its original 2022 April Quarterly Report filed April 15, 2022.

3 However, Respondent contends that the contribution should have been attributed to
4 Ralston because, even though the funds were drawn on an account held in the name of Angel
5 Staffing, the account was a “nonrepayable drawing account of ASI” that was comprised of
6 Ralston’s personal funds resulting from a payroll loan Ralston had made to Angel Staffing.³⁰
7 Angel Staffing attaches to its Response a copy of the loan agreement between Ralston and Angel
8 Staffing.³¹ The loan agreement states that the loan had a term of 6 months payable monthly at
9 0% interest unless Angel Staffing failed to repay the loan before December 31, 2022, at which
10 time an interest rate of 1% per year would take effect.³² It further indicates that the entire loan
11 amount would be made available to Angel Staffing, stating that “[i]t is contemplated that
12 Borrower will borrow the entire loan amount [\$4 million] at closing” and does not appear to
13 impose limitations on how the company could use the funds.³³ While the agreement addresses
14 “[d]raws,” it contemplates only receipt of funds by Angel Staffing as “Borrower,” and does not
15 address the possibility that Ralston, as the “Maker” of the loan, could take any draws herself.³⁴

²⁹ Angel Staffing Resp. at 2 (“Once Ms. Ralston . . . received assurances regarding the permissibility of using [Angel Staffing’s] nonrepayable drawing account to make her personal contribution, she approved a \$250,000 wire transfer to [the Committee] using that account on February 22, 2022.”); *id.* (“[A] significant portion of [Angel Staffing’s] annual revenue derives from federal and state government contracts.”).

³⁰ Angel Staffing Resp. at 3-4.

³¹ *Id.*, Attach. B [hereinafter Loan Agreement].

³² Loan Agreement ¶ 1.4-.5. As a note, the agreement is inconsistent as to whether the loan was for \$4 million or \$5 million. Compare *id.* at preamble (“WHEREAS, Borrower has applied to Maker for a Loan to enable Borrower to borrow 4,000,000 (four million dollars”), with *id.* ¶ 1.1 (“The Maker agrees to extend, subject to the conditions hereof, and Borrower agrees to take, a Loan . . . totaling five million.”). Here, the exact amount of the loan is immaterial to the allegations at issue.

³³ Loan Agreement ¶ 1.3.

³⁴ *Id.*

1 The circumstances presented here are significantly distinguishable from the non-
2 repayable drawing accounts from which the Commission has approved contributions, and Angel
3 Staffing’s attempts to draw an analogy between the loan in this matter to funds in a non-
4 repayable drawing account of the type the Commission has previously approved are not
5 persuasive. A non-repayable drawing account is an account in which a company places funds
6 guaranteed and owed to an employee, which the company is not entitled to use;³⁵ therefore, the
7 Commission has determined that such funds are attributable to the employee, not the corporation,
8 and could be used to make a contribution without violating the corporation contribution ban.³⁶
9 The circumstances presented here are the opposite as they involve an account in which an
10 employee provided funds for the company’s use. Here, Ralston provided the funds to Angel
11 Staffing and, although the Response indicates that the loan was “largely to cover payroll costs,”
12 the loan agreement itself puts no limitations on how Angel Staffing could use those funds.³⁷
13 Accordingly, until those funds were repaid to Ralston, they belonged to Angel Staffing to spend
14 as it determined.

15 Indeed, the fundamental distinction of contributions made via non-repayable corporate
16 drawing accounts that justifies their exemption from the corporate contribution prohibition is the
17 fact that the funds in the account do not belong to the entity that deposited them there — here,
18 Shannon Ralston. Instead, from the moment of deposit, the assets belong to the beneficiary of
19 such funds — here, Angel Staffing. And as the Commission has advised, contributions made

³⁵ See *supra* note 25 and accompanying text; see also Angel Staffing Resp. at 3 (defining “nonrepayable drawing accounts” as “accounts that are maintained by an employer . . . but are accessible by an individual and are not replenished by the employer when they are drawn down (i.e., they are “nonrepayable” by the employer”).

³⁶ See *supra* notes 26-2725 and accompanying text.

³⁷ Angel Staffing Resp. at 2; Loan Agreement.

MUR 8038 (Angel Staffing, Inc.)
Factual and Legal Analysis
Page 10 of 10

1 from accounts other than the very narrow exception of non-repayable drawing accounts, in which
2 the corporation deposits funds for an employee's use, will constitute prohibited contributions
3 when they come from prohibited sources.³⁸ Accordingly, the Commission finds reason to
4 believe that Angel Staffing made a prohibited contribution to the Committee in violation of 52
5 U.S.C. § 30119(a)(1) and 11 C.F.R. § 115.2(a).

³⁸ See AO 1979-19 at 2 (“[C]hecks on other types of corporate accounts [other than non-repayable drawing accounts] are prohibited corporate contributions.”).