



In the Matter of	)	
Save Missouri Values;	)	
Cabell Hobbs,	)	MUR 8058
in his official capacity as	)	
Treasurer.	)	

## INTRODUCTION

The complaint in this matter (“Complaint”) alleges that SQI Limited, LLC (“SQI”) was not “the true source” of a \$300,000 contribution that SQI made to Save Missouri Values (“SMV”).

The Complaint alleges no violation by SMV in connection with the SQI contribution. Nor did SMV commit any violation. In fact, the Complaint does not even identify SMV as a respondent.

Accordingly, the Commission should find that the Complaints Examination and Legal Administration (“CELA”) office erroneously identified SMV as a respondent in this matter and immediately drop SMV as a respondent. Short of that, the Commission should find **no reason to believe** (“No RTB”) that SMV violated the Federal Election Campaign Act of 1971, as amended (“Act” or “FECA”), or the Commission’s regulations.

## DISCUSSION

### 1. CELA’s treatment of SMV as a respondent is procedurally improper.

SMV submits a response in this matter only because it received a “notification letter” from CELA informing SMV that “a complaint that indicates Save Missouri Values . . . may have violated the Federal Election Campaign Act of 1971, as amended” was filed.<sup>1</sup> However, this is not accurate,<sup>2</sup> and the notification letter is procedurally improper.

The Act and Commission regulations do not permit CELA to send a notification letter to a party that is not named as a respondent in an administrative complaint or to treat

<sup>1</sup> MUR 8058, Notification Letter dated Aug. 26, 2022.

<sup>2</sup> If this statement in the notification letter were accurate, then CELA should identify which provisions of the Act or Commission regulations SMV “may have violated,” or at least articulate some cognizable legal theory supporting the alleged violations. The letter does neither.

such an unnamed party as a respondent. Specifically, the Act requires the agency to “notify, in writing, any person alleged in the complaint to have committed [] a violation” and to provide such a person with an opportunity to respond.<sup>3</sup> The Commission’s regulations specifically require a complaint to “*clearly identify as a respondent each person or entity who is alleged to have committed a violation.*”<sup>4</sup> The regulations go on to provide that the Office of General Counsel (“OGC”) shall “*notify each respondent*” of the complaint.<sup>5</sup> The regulations do not authorize OGC to notify non-respondents of the complaint and to treat such persons or entities as if they were respondents based on OGC’s discretion.

Here, it was apparently so clear to the complainant that there is *zero evidence* of any violation by SMV that the complainant did not even bother to identify SMV as a respondent or to allege any wrongdoing by SMV. Notably, the complainant is an extremely sophisticated “repeat player” before the Commission as a complainant and plaintiff.<sup>6</sup>

Accordingly, there is no basis for the Commission to treat SMV as a respondent or to take any action against SMV, and SMV should be dropped immediately from this matter altogether.<sup>7</sup> Barring that, the Commission should obviously find No RTB against SMV since the complainant did not allege any violations by SMV.

## **2. SMV committed no violations.**

Related to the first point, it is impossible for SMV even to respond to the Complaint with precision since the Complaint alleges no violation by SMV. If OGC were to hurl an allegation or theory against SMV in a subsequent general counsel’s report that is unstated

---

<sup>3</sup> 52 U.S.C. § 30109(a)(1).

<sup>4</sup> 11 C.F.R. § 111.4(d)(1) (emphasis added).

<sup>5</sup> *Id.* § 111.5(a).

<sup>6</sup> Indeed, the Complaint was signed, and presumably authored, by a *veteran of the enforcement division of OGC*. Surely if the complainant had thought there was any good-faith argument to be made that SMV could have possibly committed a violation, it would have so alleged.

<sup>7</sup> Nor can SMV be treated as a respondent based on the Commission’s authority to pursue enforcement in “internally generated matters.” As we have explained in other matters, that enforcement authority is limited to referrals from the Audit and Reports Analysis Divisions, and this particular matter involves neither. *See* 11 C.F.R. § 111.8; Guidebook for Complainants and Respondents on the FEC Enforcement Process (May 2012) at 7, *available at* [https://www.fec.gov/resources/cms-content/documents/respondent\\_guide.pdf](https://www.fec.gov/resources/cms-content/documents/respondent_guide.pdf).

in the Complaint, that would be: (i) unauthorized by law;<sup>8</sup> (ii) akin to SMV responding to a Rorschach test since SMV cannot know in advance what OGC sees in the Complaint that OGC could use against SMV; and (iii) something that SMV would have no opportunity to respond to. The problems identified in (ii) and (iii) are precisely why, as stated in (i), the law does not allow for the Commission to pretend that non-respondents in complaints are respondents.

Nonetheless, to the extent that OGC or the Commission expects a response from SMV, SMV sees two potential issues raised by the Complaint that could relate to SMV's liability in this matter:<sup>9</sup>

**2.1. SMV did not knowingly accept a contribution made in the name of another.**

The Act provides that “no person shall knowingly accept a contribution made by one person in the name of another person.”<sup>10</sup>

The Complaint (at 1) alleges the \$300,000 contribution at issue was actually made by Herzog, “a Missouri company involved in the railway transport and contracting industries.”

SMV's fundraising consultant, Meredith Gibbons Shadwick, began soliciting a contribution to SMV from Herzog's Chairman and CEO Brad Lager around the time that SMV was formed in April 2021. Ms. Shadwick knew Mr. Lager to be a major donor to

---

<sup>8</sup> See 52 U.S.C. § 30109(a)(1) (providing only that the Commission may “conduct [a] vote on [a] complaint” in which “any person [is] alleged in the complaint to have committed [a] violation”); 11 C.F.R. § 111.7(a) (providing only that OGC “may recommend to the Commission whether or not it should find reason to believe that a respondent has committed or is about to commit a violation”) (emphasis added). As noted before, only a person who is “clearly identifi[ed] as a respondent” and “who is alleged to have committed a violation” in the complaint may be treated as a respondent. 11 C.F.R. § 111.4(d)(1) (emphasis added).

<sup>9</sup> In the unlikely event that OGC recommends finding RTB against SMV based on some other issue or theory not addressed in this response, SMV must be given a chance to respond before the Commission votes on the recommendation. See 11 C.F.R. § 111.6; see also MUR 6518 (Newt Gingrich), Statement of Reasons of Chairman Matthew S. Petersen and Commissioners Caroline C. Hunter and Lee E. Goodman at 14 (rebuking OGC for presenting information in a general counsel's report in an enforcement matter that was not included in the complaint and not providing respondents with an opportunity to respond to the information).

<sup>10</sup> 52 U.S.C. § 30122.

Republican causes.<sup>11</sup> Ms. Shadwick and Mr. Lager had ongoing discussions about contributing to SMV, but they did not discuss any specific amounts or whether the contribution would come from Mr. Lager personally or from his company.

Mr. Lager did not commit to making the contribution or the specific \$300,000 amount until shortly before the contribution at issue was made on July 11, 2022. Again, Ms. Shadwick did not discuss with Mr. Lager whether the contribution would come from Mr. Lager personally or from his company, since this detail did not matter for SMV's purposes.

At no point in their discussions did Ms. Shadwick ever hear Mr. Lager express any concerns about how the contribution would be publicly reported on SMV's FEC reports, nor did Ms. Shadwick or anyone else on SMV's behalf ever discuss with Mr. Lager making the contribution through a conduit.

When the \$300,000 contribution to SMV that Mr. Lager had committed to came in from SQI, representatives of SMV who saw the contribution simply assumed SQI was an operating entity of Herzog. It is commonly known that there are often a multitude of corporate entities by many different names within a corporate "family" for perfectly legitimate reasons wholly unrelated to campaign finance law.<sup>12</sup> Furthermore, representatives of SQI subsequently represented to SMV that SQI is, in fact, an operating entity and was not used as a conduit for the contribution.

In short, SMV had no reason to believe that the contribution from SQI was made in the name of another person or entity, as the Complaint alleges. Accordingly, there is no reason to believe that SMV violated 52 U.S.C. § 30122.

## **2.2. SMV reported the contribution properly.**

Under the Commission's regulations, which were promulgated long before the advent of IEOPCs and corporate contributions thereto:

---

<sup>11</sup> This is confirmed by FEC records: [https://www.fec.gov/data/receipts/individual-contributions/?contributor\\_name=brad+lager&two\\_year\\_transaction\\_period=2022&min\\_date=01%2F01%2F2021&max\\_date=12%2F31%2F2022](https://www.fec.gov/data/receipts/individual-contributions/?contributor_name=brad+lager&two_year_transaction_period=2022&min_date=01%2F01%2F2021&max_date=12%2F31%2F2022).

<sup>12</sup> The Commission need look no further than its own advisory opinions addressing corporate affiliation in the separate segregated fund context for examples of this.

- Contributions from LLCs that are taxed as partnerships must be attributed to the LLC's partners;
- Contributions from LLCs that are taxed as corporations are treated as corporate contributions, with no further attribution required; and
- Contributions from LLCs with only a single natural person member must be attributed to that member.<sup>13</sup>

As the Commission has acknowledged, for many years it was unclear whether the LLC attribution rules apply to contributions to IEOPCs.<sup>14</sup> However, earlier this year, the Commission adopted the enforcement posture that the LLC attribution rules do apply to such contributions.<sup>15</sup>

Representatives of SQI informed SMV that SQI is taxed as a corporation. Accordingly, under the Commission's regulations for LLC contributions, SMV was not required to further attribute the SQI contribution on SMV's FEC report or to inquire about any attribution of the contribution. Therefore, there is also no reason to believe that SMV violated 11 C.F.R. § 110.1(g)(4).

## CONCLUSION

For the reasons discussed above, SMV should not have been treated as a respondent in this matter; however, to the extent that SMV continues to be treated as a respondent, the Commission should find no reason to believe that SMV violated the FECA or the Commission's regulations.

---

<sup>13</sup> 11 C.F.R. § 110.1(g)(4).

<sup>14</sup> See, e.g., MUR 7454 (Blue Magnolia), Statement of Reasons of Chairman Allen Dickerson, Vice Chair Steven T. Walther, and Commissioners Shana M. Broussard and Ellen L. Weintraub ("In prior cases premised on similar facts, the Commission did not agree whether, following *Citizens United* and *SpeechNow.org v. FEC*, respondent committees had received adequate notice that the Commission's LLC reporting rules and conduit contribution rules applied to contributions made to the newly formed IEOPCs authorized by those judicial rulings.").

<sup>15</sup> See *id.*; see also *id.*, Statement of Reasons of Chairman Allen Dickerson.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris K. Gober", with a long horizontal flourish extending to the right.

Chris K. Gober

Eric Wang

Counsel to Save Missouri Values and

Cabell Hobbs, in his official capacity as Treasurer