

## MYSTERY MONEY

How a loophole could allow foreign money to flow into super PACs through secretive shell companies





#### **ACKNOWLEDGMENTS**

This report was written by Research Director Michael Beckel and Research Associate Amisa Ratliff. Design by Communications Associate Sydney Richards.

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#### **ABOUT ISSUE ONE**

Issue One is the leading crosspartisan political reform group in Washington. We unite Republicans, Democrats, and independents in the movement to increase transparency, strengthen ethics and accountability, and reduce the influence of big money in politics. Issue One's ReFormers Caucus of more than 200 former members of Congress, governors, and Cabinet officials is the largest bipartisan coalition of its kind ever assembled to advocate for solutions to fix our broken political system.

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## MYSTERY MONEY

#### BY MICHAEL BECKEL & AMISA RATLIFF

#### **INTRODUCTION**

oney laundering schemes to illegally funnel foreign money into super PACs through shell companies threaten the integrity of our political system.

Since the Supreme Court's *Citizens United* decision in 2010 paved the way for the super PAC era, there has been a proliferation of corporate super PAC donors — including scores of opaque and obscure companies that allow the people behind them to remain hidden. Such secretive entities provide especially ideal cover for foreigners wishing to evade the existing prohibition on their involvement in U.S. elections.

A new Issue One analysis shows why this loophole needs to be closed. Issue One's extensive examination of campaign finance records identified a number of super PAC contributions from limited liability companies (LLCs) and other opaque business entities that raise eyebrows and reveal blind spots in existing transparency rules.

While some of the corporate super PAC contributions investigated by Issue One could be linked to the people behind them, these connections could only be found by unearthing little-known public records — cumbersome steps that few members of the public or press have the time to do. And concerningly, in some cases, it was impossible to learn from public records alone the true sources of the funds involved or the identities of the people controlling these obscure companies. Indeed, many of the cryptic companies identified by Issue One are registered in Delaware, which has been <u>described</u> by the Institute on Taxation and Economic Policy as "one of the easiest jurisdictions in the world to set up an untraceable shell company."

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#### SHELL COMPANY SHENANIGANS

While super PACs are required by law to publicly reveal their donors, sometimes the donors they list are little more than opaque shell companies.

Among the notable super PAC contributions from obscure and opaque groups this election cycle were the following:

- River Birch LLC and Willow LLC two companies tied to Jim Ward and Fred Heebe, a pair of Louisiana businessmen who have been accused of bribing a politician in New Orleans have contributed \$300,000 since 2015 to a super PAC called New Horizons USA that has mostly aided Democrats in Louisiana, including \$50,000 last October. Strangely, \$200,000 in contributions from these two LLCs that were reported to state regulators appear to be missing from the super PAC's federal campaign finance filings, which should have been identical to its state-level reports.
- East Coast Plumbing LLC, a little-known
   New Jersey-based company that appears to
   be associated with New York City <u>billionaire</u>
   Steven Roth who has served as an
   economic adviser to President Donald Trump
   — contributed \$250,000 in November to the
   Senate Leadership Fund, a super PAC that
   supports Republican Senate candidates.
- A mysterious New York-based company called **Tomfoolery LLC**, which, in campaign finance filings, simply listed a 60-story

If foreign actors seize on this loophole, they are likely to go unnoticed and unthwarted.

skyscraper in New York City as its address and could not be conclusively linked to any particular person, contributed \$75,000 earlier this year to **Lone Star Forward**, a liberal super PAC active in Texas.

- A Democratic super PAC called Mind the Gap collected \$50,000 last year from an obscure 501(c)(4) "social welfare" nonprofit called MTG Research, which formed in Delaware just a month prior to giving away these funds and will never be required to publicly disclose its donors.
- A little-known Delaware-based company called Victory Marketing LLC that said it performed \$40,500 worth of services for a super PAC called Action Coalition PAC between October 2017 and March 2019 was actually part of a scheme that bilked conservative donors to the tune of tens of millions of dollars, according to federal prosecutors.

#### Why is super PAC donor transparency important?

Transparency allows the public to assess who is behind the political ads they see from super PACs. It also helps empower the public and the press to hold politicians and special interests accountable. When super PACs simply list opaque shell companies or secretive dark money groups as contributors, the public is left in the dark about the true identity of the sources of the money being spent to influence elections.

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#### Are all contributions from LLCs suspicious?

No, not all LLCs are suspicious. In most states, it's easy to determine the actual people behind an LLC. But in some states — most notably **Delaware** and **Wyoming** — public records need not identify any living, breathing people associated with LLCs, essentially making them black boxes.

Jersey Bay Holdings LLC, a low-profile company that appears to be tied to Uriel Cohen, an investor operating in the U.S. Virgin Islands with a scant history of previous political giving, contributed \$25,000 in November to America First Action, the main super PAC supporting Trump's reelection.

Additionally, at least two LLCs highlighted in this report appear to have been formed solely to make political expenditures:

- The Florida-based Race Fans for Trump 2020 LLC gave \$27,000 earlier this year to Patriots PAC of America, a super PAC that sponsored multiple <u>Trump-themed NASCAR</u> vehicles.
- The Hawaii-based Society of Young Women Scientists and Engineers LLC gave \$150,000 last year to 1820 PAC, a super PAC supporting the reelection of Sen. Susan Collins (R-ME). The Campaign Legal Center has already filed a complaint with the Federal Election Commission (FEC) alleging that this LLC violated campaign finance laws.

While Democratic and Republican FEC commissioners alike have said that intentionally using business entities such as LLCs to mask one's identity is illegal, enforcement actions against those who break this rule have been rare.

#### A BROKEN SYSTEM

The dozen case studies in this report together illustrate a broken campaign finance system

that allows deep-pocketed donors to remain anonymous and avoid scrutiny. Clearly, these cases are just the tip of the iceberg. And it's especially important to call attention to this issue now as the country enters the final months of the 2020 election, when even larger sums of money are expected to pour into super PACs and campaigns across the country.

Worryingly, if foreign actors seize on this loophole, they are likely to go unnoticed and unthwarted, which could be calamitous for the country. Congress and the FEC need to act now to prevent major scandals.

The Justice Department has already said that foreign actors have used shell companies to pump money into U.S. elections at least twice in recent years. In one case, scandal-plagued Malaysian financier Low Taek Jho allegedly provided money to rapper Pras Michel of the Fugees through shell companies to help bankroll a pro-Barack Obama super PAC in 2012. And in another, an unidentified Russian businessman allegedly was the true source of money donated to a pro-Trump super PAC in 2018 by a shell company associated with businessmen Lev Parnas and Igor Fruman, who became household names for their involvement in the Ukraine scandal.

#### WHAT CAN BE DONE?

Violations of the law are likely to continue until new laws and regulations are implemented, including more transparency for LLC super PAC donors and stiffer penalties for Americans who help foreign nationals use business entities like LLCs to evade anti-corruption laws. It is bad public policy to simply rely on a super PAC's

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word that the funds they receive — especially money from mysterious donors — are not from foreign nationals.

There are two main ways to stop foreigners from abusing LLCs and other business entities to influence our elections: Congress needs to strengthen the law, and the FEC needs to enhance existing transparency rules to help give the public more confidence that the law is being followed.

To strengthen the law, Congress should pass the <u>Shell Company Abuse Act</u> to stop foreigners from using tax loopholes to engage in illegal political activity. This commonsense, bipartisan proposal would make it a felony for Americans to establish — or help establish — business entities that conceal illegal political activities by foreign nationals. This includes the owners, officers, incorporation agents, and attorneys for companies, including LLCs.

The Shell Company Abuse Act has been sponsored by Sens. Richard Blumenthal (D-CT), Dick Durbin (D-IL), Chuck Grassley (R-IA), Lindsey Graham (R-SC), and Sheldon Whitehouse (D-RI).

Additionally, the FEC should bolster the public's confidence that foreigners aren't using business entities to illegally influence our elections by strengthening current regulations to shine more light on the people behind corporate super PAC donations.

The dozen case studies in this report together illustrate a broken campaign finance system that allows deep-pocketed donors to remain anonymous and avoid scrutiny.

Individuals have long been allowed to use certain LLCs to make donations to federal candidates. But these contributions are required by law to show both the name of the LLC and the name of the person, or people, responsible for the money. This same principle should be extended to corporate super PAC donors: The same amount of information should be publicly revealed regardless of whether an LLC gives money to a candidate or a super PAC. •

### Here's how super PACs could be even more transparent when reporting LLC donors:

When **Unite the Country** — the main super PAC supporting Democrat Joe Biden's presidential campaign in the primary — received \$100,000 in December from a Delaware-based LLC called **BPG Real Estate Services LLC**, <u>it voluntarily included a note</u> specifying that the money was actually from three men behind the company: Christopher Buccini, Robert Buccini, and David Pollin. All super PACs should embrace this practice.

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## CASE STUDIES

12 notable super PAC donations that illustrate blind spots with existing transparency rules



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## LARGE POLITICAL CONTRIBUTIONS FROM COMPLETELY UNKNOWN SOURCES

#### Tomfoolery LLC

In February 2020, an obscure New York-based company called Tomfoolery LLC contributed \$75,000 to Lone Star Forward, a super PAC active in Texas that supported Democrat Cristina Tzintzún Ramirez, a labor organizer and writer, during her unsuccessful Senate campaign.

Public records alone provide scant information — and no resolution — about who directed this super PAC contribution, which accounted for more than a quarter of the roughly \$276,000 raised by Lone Star Forward. During the Democratic Senate primary, in which Tzintzún Ramirez finished third, she pledged not to accept support from "corporations or corporate PACs."

The only clue in campaign finance records about who is behind Tomfoolery LLC is an address at 28 Liberty Street, a 60-story skyscraper in New York City whose many clients include multiple firms that specialize in incorporation services, meaning countless companies that do not have a physical office at that address could use it as their own. The FEC records do not list a suite number.

An Issue One review of business records uncovered two separate companies with the name Tomfoolery LLC that have links to 28 Liberty Street — one formed in New York in 2004 and one formed in Delaware in 2017.

New York business records list a Tomfoolery LLC based at an address in Monroe County, about a five-hour drive from New York City. According to property tax records, this address is a single-family home owned by Thomas Kanzler and Jeri Teller-Kanzler, the director of cybersecurity at Avangrid Inc., an energy company previously known as Iberdrola USA that is owned by Spanish energy giant Iberdrola. Some of Avangrid's business filings list as its registered

A review of public records alone cannot determine who made the donation to the Lone Star Forward super PAC using Tomfoolery LLC.

agent the firm National Registered Agents Inc, at 28 Liberty Street in New York City — the same address that Tomfoolery LLC used in its FEC filing.

Meanwhile, Delaware business records show that a separate company also named Tomfoolery LLC was formed there in 2017. These records list this company's registered agent as The Corporation Trust Company, a business that specializes in forming corporations and LLCs. Delaware business records obtained by Issue One show that this Tomfoolery LLC's "authorized person" is currently listed as Justyn Volesko, co-founder and managing partner at AJ Wealth, a financial planning firm in New York City based at 28 Liberty Street — the address of the skyscraper listed on the FEC records for Tomfoolery LLC.

Because many LLCs aren't required to divulge much information publicly, a review of public records alone cannot determine which of these LLCs made the donation to the Lone Star Forward super PAC, or at whose direction the donation came.

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#### MTG Research

In May 2019, an obscure Delaware-based organization called MTG Research donated \$50,000 to a Democratic-aligned super PAC called Mind the Gap — a little-known group operated by a trio of academics at Stanford University and primarily funded by a network of Silicon Valley donors.

In its articles of incorporation, which were filed in April 2019, MTG Research describes itself as a 501(c)(4) "social welfare" nonprofit focused on "fostering the civic involvement and engagement of underrepresented or historically disadvantaged populations."

Even when MTG Research files its first tax return with the IRS — which won't happen until long after the 2020 election is over — that document will not detail who funded its operations.

It's not clear if any of the Stanford academics behind Mind the Gap — Barbara Fried, Paul Brest, and Graham Gottlieb — are also associated with MTG Research. The only person listed on the group's incorporation records is Pat Moore, a former Obama White House lawyer who now works at Hemenway & Barnes, a Boston-based law firm that has also been paid for legal services by the Mind the Gap super PAC.

Where did MTG Research get \$50,000 in less than two months to give to the Mind the Gap super PAC? Nothing in the public record can answer that question. And even when MTG Research files its first tax return with the IRS — which won't happen until long after the 2020 election is over — that document will not detail who funded its operations.

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## BUSINESS ENTITIES THAT APPEAR TO HAVE BEEN FORMED TO MAKE POLITICAL EXPENDITURES

#### Society of Young Women Scientists and Engineers LLC

On December 31, 2019, a mysterious LLC called Society of Young Women Scientists and Engineers donated \$150,000 to 1820 PAC, a super PAC that is supporting the reelection of Sen. Susan Collins (R-ME).

The Hawaii-based LLC had formed just five weeks earlier, on November 26. The company does not appear to have a website or business revenue, which led the Campaign Legal Center to conclude that there was reason to believe that the group, and any of its contributors, broke the law by using a shell company to hide the true identity of the donor or donors.

Just one name is listed on the <u>incorporation</u> <u>records</u> of the LLC: Jennifer Lam, who is identified as the manager of the LLC as well as its agent. According to an investigation by the <u>Honolulu Civil Beat</u>, this is likely Tiffany Jennifer Lam, the wife of <u>Martin Kao</u>, who is the CEO of <u>Navatek</u>, a Honolulu-based engineering company that recently received an \$8 million

defense contract in Maine. The couple has also each contributed the legal maximum of \$5,600 to Collins' reelection campaign.

In a complaint filed with the FEC in February, the Campaign Legal Center cited Society of Young Women Scientists and Engineers' lack of a website, social media accounts, or business record, as well as the short period of time between the LLC's formation and its contribution to argue there is little evidence the group had sufficient income to cover the contribution to 1820 PAC "without an infusion of funds provided to them for that purpose."

The Campaign Legal Center further argued that the group should register as a political committee and disclose its donors because there is no record of Society of Young Women Scientists and Engineers "conducting any significant activities other than making contributions since its formation."

#### Race Fans for Trump 2020 LLC

A short-lived super PAC called Patriots PAC of America spent tens of thousands of dollars promoting President Donald Trump's reelection around the Daytona 500 in February. The super PAC sponsored multiple NASCAR vehicles emblazoned with Trump's name and campaign logo, although one of them did not compete in Daytona due to a traffic accident en route.

Henry John "Hank" Foley of Daytona Beach, Florida, a Delta Airlines pilot, <u>registered the Patriots PAC of America</u> super PAC with the FEC on January 10. NASCAR driver <u>Tim Viens</u>, a

vocal Trump supporter who was slated to drive the vehicle that had to be scratched, was also listed on the form as the PAC's "designated agent."

Over the course of three days in early February, Patriots PAC of America <u>received \$27,000</u> from a Florida-based company called Race Fans for Trump 2020 LLC — which had been <u>formed by Foley just a few days earlier</u> — and <u>paid \$25,000 to Mike Harmon Racing</u> for NASCAR sponsorships.

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Within two weeks, Race Fans for Trump 2020 LLC <u>dissolved</u>. And shortly afterwards, on March 2, Patriots PAC of America also <u>shut down</u>, with Race Fans for Trump 2020 LLC accounting for 99% of the money the group raised.

In May, Brendan Fischer of the Campaign Legal Center told *The Daily Beast* that "there are some apparent legal violations here" because "it seems apparent that the \$27,000 came from a source other than the LLC, which does not appear to have any legitimate business or investment revenue."

FEC commissioners <u>have warned</u> that if a corporate entity is "created and operated for the sole purpose of making political contributions," that could raise flags for possible enforcement actions.

Where did Race Fans for Trump 2020 LLC get \$27,000 to donate to this super PAC in just a few days? It's not clear.

Florida business records <u>indicate</u> that Race Fans for Trump 2020 LLC had just three members:

- Alpha 1 Management LLC (a company <u>Foley</u> created in <u>November 2019</u>),
- Specter Enterprise LLC (a company <u>formed</u> in <u>November 2019</u> by Wendell Dallarosa, a former Daytona Beach police officer who now lives in Port Orange, Florida), and
- Safe Marketing Group (a company without much of a paper trail that is also listed as a member of a separate LLC Foley created in February 2020).

The only detail known about Safe Marketing Group — which is not registered with the Florida Secretary of State's office — is its address, which is in an industrial warehouse office park in Port Orange, Florida. The same address is also listed on Facebook by Viens, the NASCAR driver, as a way for fans to contact him.

Viens and Safe Marketing Group appear to share this address with <u>SubSafe</u>, a plastic food

Where did Race Fans for Trump 2020 LLC get \$27,000 to donate to this super PAC in just a few days?

storage container company that earned national attention after its founders — Adam and Desiree Haller — made a \$100,000 deal on ABC's "Shark Tank" last year. Notably, Viens previously partnered with Desiree Haller on a company called Boat Gadget, which sold a device marketed as "the ultimate 10-in-1 boat tool."

Neither Viens, Foley, nor the Hallers have histories of making large federal-level political contributions, although Viens was going to put down \$25,000 for the deposit for the NASCAR vehicle that Patriots PAC of America had to pull from the race in Daytona. Meanwhile, Dallarosa has contributed about \$22,000 to Republican candidates and groups in recent years.

While Patriots PAC of America is no more, Foley launched a second super PAC earlier this year called Patriots of America PAC, which continues to tout Viens and Trump-themed NASCAR vehicles, including spending another \$350,000 on racing sponsorships in June.

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## MYSTERIOUS LLCs LINKED TO SPECIFIC INDIVIDUALS THANKS TO OBSCURE RECORDS

#### East Coast Plumbing LLC

In November 2019, the Senate Leadership Fund — the main super PAC supporting Republican Senate candidates — reported receiving \$250,000 from an obscure Lodi, New Jersey-based company called East Coast Plumbing LLC.

From the campaign finance filing alone, it's not immediately clear who is behind this contribution. But extensive research by Issue One suggests the company is associated with New York City billionaire Steven Roth, who has served as an economic adviser to President Donald Trump.

The address listed for East Coast Plumbing LLC in the super PAC's campaign finance filing — Route 17 & 17 Robinson Road — is a onestory industrial building owned by Interstate Properties, a company based in nearby Paramus, New Jersey.

Interstate Properties' Paramus address is shared with <u>Vornado Realty Trust</u>, one of the

<u>largest property owners</u> in New York City. Vornado's CEO and board chairman is billionaire <u>Steven Roth</u>, who emerged last year as a <u>major Republican donor</u>.

Vornado also <u>co-owns two skyscrapers</u> with the Trump Organization, and in 2017, it was even reportedly <u>one of the finalists</u> for the now-stalled project to redesign the FBI's Washington, D.C., headquarters.

Another piece of evidence that suggests Roth is connected to this super PAC contribution: Jay Beckoff, Vornado Realty Trust's senior compliance manager, is listed as the "authorized signatory" on East Coast Plumbing LLC's 2010 certificate of formation, which Issue One obtained from the Delaware Secretary of State's office. Unfortunately, this document is not required to identify the company's owner.

#### Jersey Bay Holdings LLC

In November 2019, America First Action — the super PAC that President Donald Trump's campaign <u>has endorsed</u> as the sole "approved outside non-campaign group" supporting his 2020 reelection — <u>received \$25,000</u> from an obscure company called Jersey Bay Holdings LLC, which appears to be tied to an investor operating in the U.S. Virgin Islands with a scant history of political giving.

"Jersey Bay" likey refers to a body of water off the island of St. Thomas in the U.S. Virgin Islands in the Caribbean, which were once described by Newsweek as "a slice of paradise that some experts consider the nation's one and only, officially sanctioned, full-blown offshore tax shelter."

Corporate <u>records obtained by Issue One</u> from the Delaware Secretary of State's office show

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that Jersey Bay Holdings LLC — which has no website and little presence online — was formed in Delaware in March 2017. The company's certificate of formation was <u>signed by Uriel</u> <u>Cohen</u>, an investor and securities trader with more than 15 years of experience in the financial industry.

Jersey Bay Holdings LLC's New York City address in campaign finance records matches that of Alpine Global Management, an investment firm Cohen co-founded that is associated with a cluster of similarly named companies in the U.S. Virgin Islands. Cohen also founded White Bay Group, an investment firm in the U.S. Virgin Islands.

Cohen's sole known prior federal-level political contribution was \$1,800 in 2016 to Virgin Islands Del. Stacey Plaskett, a Democrat.

America First Action received \$25,000 from an obscure company called Jersey Bay Holdings LLC, which appears to be tied to an investor operating in the U.S. Virgin Islands with a scant history of political giving.

#### Wasatch Partners LLC

In October 2019, a low-profile company called Wasatch Partners LLC made a \$25,000 donation to New Day for America, the super PAC that supported the unsuccessful 2016 presidential run of former Gov. John Kasich (R-OH) and continues to help Kasich advance his political ambitions.

Without the property records
tying Wasatch Partners
to Bob Walter and George
Bennett, there wouldn't be
any indication of the true
source behind the LLC's
donation.

Obscure real estate records uncovered by Issue One revealed who controls Wasatch Partners LLC: Bob Walter, founder of the multi-billion-dollar healthcare services company Cardinal Health, and George Bennett, a former Cardinal Health executive who still works with Walter at Talisman Capital Partners, the private investment company for the Walter family.

Without the property records tying Wasatch Partners to Walter and Bennett, there wouldn't be any indication of the true source behind the LLC's donation. Ohio business records simply list lawyers from the Cleveland-based firm BakerHostetler as the representatives of Wasatch Partners LLC. Those documents don't provide any information about the members or owners of the LLC, which was originally incorporated in January 2000 under the name Deer Run South LLC.

For his part, Bennett does not have a history

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of large contributions to Kasich's political committees. But Walter has long been a financial supporter of Kasich. Data from the National Institute on Money in Politics, which tracks state and federal campaign contributions, shows that

Walter contributed roughly \$32,000 to Kasich's gubernatorial campaigns between 2009 and 2013. And during Kasich's unsuccessful 2016 presidential bid, he donated \$500,000 to New Day for America.

#### Big Hen Group | LLC

Swing Left was <u>launched</u> in the wake of the 2016 election with the goal of mobilizing progressives to "swing" enough congressional districts for Democrats to win control of the House of Representatives in 2018. Today, its website says it <u>helps people find</u> "the most impactful things [they] can do to help Democrats win the most important elections."

Because it is <u>registered</u> with the FEC as a hybrid super PAC, Swing Left is allowed to collect contributions of unlimited size from just about any source — including individuals, labor unions, and companies. Since its formation, Swing Left has raised millions of dollars, including <u>\$12,000 earlier this year</u> from a little-known Delaware-based LLC called Big Hen Group I.

Big Hen Group I LLC does not have a website. Business records show it was registered in Delaware on October 5, 2004, the same day an LLC called Big Hen Group II was also registered. Neither business filing identifies the companies' owners; both simply list Incorporating Services Ltd., a company that specializes in incorporation services, as their registered agents.

Yet since its creation, Big Hen Group I LLC has emerged as a prolific political donor. In 2012, the company donated \$100,000 to an unsuccessful ballot measure in California that would have required genetically modified foods to be labeled. And over the past five years, it has contributed \$500,000 to Senate Majority PAC (SMP), the main super PAC supporting Democratic Senate candidates.

Who's behind the LLC? <u>Media articles</u> have <u>noted</u> that former Google CEO Eric Schmidt <u>controls</u> Big Hen Group, and that he has used the LLC to support political candidates and groups. But that's not something megadonors behind obscure LLCs often confirm on the record.

While LLCs that contribute to super PACs are not asked to provide additional information about the people behind them, if the same company donates to a federal candidate, party committee, or traditional PAC, it is required to provide the name of the person, or people, behind the contribution. To wit: Big Hen Group I LLC identified Schmidt as the true source behind its \$319,500 contribution to the Democratic National Committee last year.

If the same rule that currently applies to other political groups is extended to super PACs, the public won't be left in the dark about the true sources of money from opaque LLCs.

If the same rule that currently applies to other political groups is extended to super PACs, the public won't be left in the dark about the true sources of money from opaque LLCs.

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#### LLCs ASSOCIATED WITH CONTROVERSIAL DONORS

#### River Birch LLC and Willow LLC

River Birch LLC and Willow LLC — two companies tied to a pair of Louisiana landfill owners who have been accused of bribing a politician in New Orleans — have contributed \$300,000 since 2015 to a super PAC called New Horizons USA, including \$50,000 last October.

These contributions account for roughly 98% of the \$306,000 that New Horizons USA has raised since its formation, according to an Issue One analysis of Louisiana campaign finance filings.

The owners of River Birch LLC and Willow LLC are Jim Ward and his stepson Fred Heebe, who have been accused of bribing then-New Orleans Mayor Ray Nagin in the wake of Hurricane Katrina with \$20,000 in campaign cash funneled through shell companies they controlled in order to receive preferential treatment, according to a civil racketeering lawsuit that is slated to go to trial in November.

Ward and Heebe were also the subjects of a years-long criminal bribery investigation by the U.S. Department of Justice, which was ultimately abandoned after some of the prosecutors involved engaged in misconduct. River Birch LLC also faces a <u>lawsuit filed in 2012</u> by the state ethics board, which has been on hold because of the other litigation.

It is illegal to file false campaign finance reports with the FEC.

Ward and Heebe have <u>denied all wrongdoing</u> in the civil racketeering case, as has Nagin, who is currently serving a 10-year federal prison sentence for a separate bribery case.

Using shell companies to evade campaign contribution limits is illegal, but Ward acknowledged in a deposition that he and Heebe used multiple companies to give Nagin more than the legal limit because "we didn't want to go being as obvious as it — as it was."

Ahead of Louisiana's November 2015 election, New Horizons USA <u>spent \$17,000</u> on TV ads critical of one of the Republican candidates running for lieutenant governor, and in October 2018, New Horizons USA PAC <u>transferred</u> <u>\$200,000</u> to Gumbo PAC, a super PAC that spent heavily to help incumbent Democratic Gov. John Bel Edwards win reelection in 2019.

Curiously, several large contributions and expenditures seem to be missing from New Horizons USA's federal campaign finance filings. For one, its \$200,000 contribution to Gumbo PAC was only reported in state campaign finance documents — filings that should have been identical to its federal ones. And a pair of \$100,000 contributions to New Horizons USA in October 2018 — one from River Birch LLC and another from Willow LLC — were also only reported in state campaign finance filings, not federal ones. It is illegal to file false campaign finance reports with the FEC.

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#### RS LLC

In less than three years, a little-known company called RS LLC — which has an almost-nonexistent online presence — has become a prolific political donor, including donating \$10,000 last year to the LGBTQ Victory Fund, a hybrid super PAC that works to elect "LGBTQ leaders at every level of government."

RS LLC was created in August 2017 by the Oklahoma-based Otoe-Missouria Tribe. According to <u>business records</u> filed in Kansas, its director is Ted Grant, the tribe's <u>vice</u> chairman.

Since then, RS LLC has contributed roughly \$160,000 to a mix of Democratic and Republican candidates and groups, according to data from the National Institute on Money in Politics, which tracks state and federal campaign contributions. Nearly half of this sum went to state attorney general candidates across the country, including Georgia, New Mexico, and Nevada.

What type of business is RS LLC exactly? Answering that question requires a tremendous amount of research.

Corporate records filed in Kansas describe RS LLC as an "arm" of the Otoe-Missouria Tribe, which has been an active player in the short-term, high-interest lending industry for roughly 10 years — sometimes offering short-term loans and installment loans with interest rates in the range of 400% to 700%.

Because of these exorbitant interest rates, lending companies associated with the Otoe-Missouria Tribe have earned the ire of state and federal regulators in recent years. New York banned some of their lending operations in 2014. Regulators in Connecticut fined the tribe and two of its companies \$1.5 million in 2015. And they've been the target of enforcement

actions by the Consumer Financial Protection Bureau, which the tribe <u>unsuccessfully appealed</u> to the U.S. Supreme Court in 2017.

Federal court records indicate that RS LLC is "a wholly owned subsidiary" of Red Stone Inc., another tribal entity created by the Otoe-Missouria Tribe. Both Red Stone Inc. and RS LLC are identified in court records as part of a network of tribal lending operations that a federal judge last year ruled were being used by an online-lending businessman for their immunity from U.S. usury laws in exchange for monetary payments.

The controversial nature of RS LLC has led at least one political candidate to part with money from the company. In 2018, Letitia James, the Democrat who is now New York's attorney general, refunded a \$10,000 contribution to RS LLC after the media raised questions about her accepting money from a lender whose operations were banned in the state.

The controversial nature of RS LLC has led at least one political candidate to part with money from the company.

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## AN OBSCURE LLC THAT IS PART OF A SHADOWY POLITICAL OPERATION

#### Demeter Analytics Services LLC

Since it was formed in 2013, an obscure super PAC called VFA PAC has raised about \$220,000 — all of it from a little-known company called Demeter Analytics Services LLC, including \$60,000 since April 2019. VFA PAC has never run any political ads. Instead, it has mostly used its money to purchase voter lists, which are then combined with consumer information to create profiles of voters for targeting by the political network built by conservative businessmen Charles and David Koch.

In November 2015, *Politico* described Demeter Analytics Services as "the holding company" for the data analytics firm i360, which has been called the Koch brothers' "data mine." In filings with the IRS over the years, Demeter Analytics Services has been described as a wholly owned subsidiary of multiple Koch-connected nonprofits, including the Kochs' flagship Freedom Partners Chamber of Commerce and, prior to that, a group called Themis Trust.

While the money flowing through Demeter Analytics Services can be tied to the Koch brothers' political network, it is virtually impossible to link the funds the LLC has donated to VFA PAC to a specific individual or group of people.

Through Themis Trust and the Freedom Partners Chamber of Commerce, the Koch network has paid roughly \$48 million to Demeter Analytics Services since its formation. FEC filings show that Demeter Analytics Services LLC also earned \$200,000 in list rental income from the unsuccessful 2016 presidential campaign of Republican Ben Carson, who now serves as the secretary of Housing and Urban Development.

While the money flowing through Demeter Analytics Services can be tied to the Koch brothers' political network, it is virtually impossible to link the funds the LLC has donated to VFA PAC to a specific individual or group of people. The Koch network has long been known for its innovative tactics to avoid disclosing donors, even inspiring a book called *Dark Money* by *New Yorker* reporter Jane Mayer.

The Freedom Partners Chamber of Commerce, which is now known as the Seminar Network Chamber of Commerce, is structured as a 501(c)(6) trade association, meaning it does not have to publicly disclose its members. According to CNN, it had more than 600 individual members who paid at least \$100,000 each in annual dues last year.

Delaware business records show that Demeter Analytics Services formed as a corporation in 2011 and was converted into an LLC in 2017. Its early directors and members included a number of current and former Koch Industries executives as well as Marc Short, who spent five years working as the president of Freedom Partners Chamber of Commerce and now serves as Vice President Mike Pence's chief of staff. After it became an LLC, Demeter Analytics Services has had less stringent reporting requirements about the people involved in its operations.

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### AN OPAQUE LLC USED IN A CONSPIRACY TO DEFRAUD DONORS

#### Victory Marketing LLC

FEC records show that an obscure Delaware-based company called Victory Marketing LLC performed roughly \$40,500 worth of phone banking, direct mail, and compliance consulting between October 2017 and March 2019 for a little-known super PAC called Action Coalition PAC.

Federal prosecutors, however, discovered that both Victory Marketing LLC and Action Coalition PAC were actually <u>part of a scam PAC network</u> that bilked conservative donors to the tune of tens of millions of dollars. Victory Marketing LLC did not, in fact, perform any actual services. Instead, it existed solely to <u>transfer funds</u> from deceived donors to bank accounts controlled by the fraudsters.

In March 2019, <u>William Tierney</u>, the Arizona man behind this <u>scam PAC network</u>, was <u>sentenced</u> to two years in prison for "conspiring to defraud tens of thousands of victims of more than \$1 million in connection with political action committees falsely purporting to support causes including autism awareness, law enforcement support, and the pro-life movement."

Campaign finance filings and Delaware business records made scrutiny of Victory Marketing LLC nearly impossible.

The address Victory Marketing LLC provided in FEC records was simply a box at a UPS store in Seaford, Delaware, a city of about 7,000 people in the southern part of the state. And the only two individuals listed on Victory Marketing LLC's certificate of formation were employees of a law firm hired by the LLC to perform incorporation services.

Victory Marketing LLC's certificate of formation also <u>lists</u> a company called A-1 Incorporators

LLC, which specializes in incorporation services, as its registered agent. But that firm simply <a href="lists">lists</a> another incorporation services firm, Corporations USA LLC, as its registered agent. And Corporations USA LLC <a href="lists">lists</a> its elf as its own registered agent — providing no clues as to who is behind Victory Marketing LLC, just layer after layer of opaque businesses.

Victory Marketing LLC did not, in fact, perform any actual services. Instead, it existed solely to transfer funds from deceived donors to bank accounts controlled by the fraudsters.

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#### **UNCOVERING MYSTERY MONEY**

### Issue One's tips for the best questions to ask when LLCs make super PAC contributions

1

Examine the company's online presence

- Does an online search of the LLC's name yield any meaningful information or news stories?
- Does the LLC have a website?
- Does the LLC have a social media presence?
- What results does a Twitter search of the company's name yield?
- What results does a Google x-ray search of .gov websites plus the company's name yield? How about a Google x-ray search of .xls files and .pdf files?
- Is the LLC registered in the state of its address listed in FEC filings?
  - If not, does the company's name yield any positive hits on OpenCorporates?
  - Is the company registered in Delaware?
- What, if anything, do the business records say about the primary purpose of the LLC?
- Whose **names** are **listed** on the articles of incorporation or any other business records?
  - Is the only name listed a lawyer or employee at a firm that specializes in incorporation services?
  - Do the filings list the LLC's actual members or owners?
- Investigate the people whose names are listed
  - What results do Google searches yield about these people?
  - How about Google x-ray searches of .gov websites?
  - Use FEC.gov, OpenSecrets.org, and FollowTheMoney.org to determine if they have made
    political contributions in their own name in the past.
- When was the LLC donor incorporated? How much time elapsed between the date of its incorporation and the date of its donation?

## 2

Examine the LLC's business records

3

Examine the LLC's address

- Is the LLC's address a **P.O. Box**? A space in an **industrial office park**? Someone's **home**?
- What results do online searches of the LLC's address including Google x-ray searches of .gov websites yield?
- Are other companies associated with this address?
- What do property records show about who owns the land associated with the address of the LLC?
- Use FEC.gov, OpenSecrets.org, and FollowTheMoney.org to learn if its address has ever appeared in federal or state campaign finance data or if the name of the LLC has appeared as an individual donor's employer.