



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C.

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)

SQI Limited, LLC, *et al.*)

) MUR 8058
)
)

**STATEMENT OF REASONS OF CHAIRMAN SEAN J. COOKSEY AND
COMMISSIONERS ALLEN J. DICKERSON AND DARA LINDENBAUM**

This matter arose from a Complaint alleging that an unknown contributor used SQI Limited, LLC (“SQI”)¹ to make a \$300,000 contribution in the name of another to Save Missouri Values (“Save Missouri”),² in violation of the Federal Election Campaign Act of 1971, as amended (the “Act”).³ The Complaint bases its allegations on (1) the timing of SQI’s formation and subsequent contribution; (2) the overlap between SQI’s reported address and the address of other corporate entities; (3) SQI’s alleged lack of business activity, investments, assets, or income; and (4) SQI’s lack of publicly known activities.⁴ The Complaint further alleges that the likely contributor was related to Herzog Enterprises, Inc.,⁵ or its owners, executives, or employees.⁶

While acknowledging their corporate relationship, SQI and Herzog Enterprises denied the allegations, stating that SQI is one corporate entity in a legitimate quarry business.⁷ It is part of, and wholly owned by, Herzog Enterprises, and it was initially capitalized through inter-company

¹ “SQI” is an acronym for “Strategic Quarry Investments.” Response of SQI Limited, LLC, *et al.* at 1 (Nov. 11, 2022), MUR 8058 (SQI Limited, LLC, *et al.*).

² Save Missouri Values is an independent expenditure-only political committee (“IEOPC”). *See* Save Missouri Values, Statement of Org. (Apr. 9, 2021).

³ Complaint (Aug. 24, 2022), MUR 8058 (SQI Limited, LLC, *et al.*).

⁴ *Id.*

⁵ The Response of SQI Limited, LLC, *et al.* describes the business as follows: Herzog Enterprises, Inc. (“Herzog Enterprises”) is a Missouri corporation. Herzog Contracting is a Missouri corporation, organized on May 7, 1969, and is wholly owned by Herzog Enterprises. Herzog Transit is a Missouri corporation, organized on July 28, 1993, and is wholly owned by Herzog Enterprises. Herzog Technologies is a Missouri corporation, organized on December 13, 2010, and is wholly owned by Herzog Enterprises. Herzog Enterprises does not include all the affiliated companies. Some of the affiliated companies have Herzog in their names and some do not. Response of SQI Limited, LLC, *et al.* at 2 (Nov. 11, 2022), MUR 8058 (SQI Limited, LLC, *et al.*).

⁶ Complaint (Aug. 24, 2022), MUR 8058 (SQI Limited, LLC, *et al.*).

⁷ Response of SQI Limited, LLC, *et al.* at 2 (Nov. 11, 2022), MUR 8058 (SQI Limited, LLC, *et al.*).

transfers.⁸ According to the Respondents, SQI made the contribution from its own funds, and therefore, was the source of the contribution to Save Missouri.⁹ Based on the evidence, we agreed, and we rejected the Office of General Counsel’s (“OGC”) recommendation to find reason to believe a violation occurred and launch an investigation.¹⁰ This statement explains why.

I. Factual Background

SQI is a limited liability company (“LLC”) that organized in Missouri on April 13, 2022.¹¹ Herzog Enterprises manages SQI and is its sole member.¹² According to the Respondents, SQI’s business purpose is “to purchase, hold, lease, and manage quarry operations upon land owned or leased by SQI,” and it had already begun to perform such work.¹³ SQI owns and manages approximately 310 acres and, at the time of its response, was in final stages of acquiring an additional approximately 700 acres of land for quarrying operations.¹⁴ To fund SQI’s initial operations, affiliated companies within Herzog Enterprises made the initial capital contributions to SQI in the form of inter-company transfers.¹⁵ SQI and Herzog Enterprises state that no owners, executives, or employees of either Herzog Enterprises, SQI, or any other affiliated company made any contributions to SQI.¹⁶

On or around July 11, 2022, Brad Lager, the Chief Executive Officer for Herzog Enterprises, directed SQI to make a contribution to Save Missouri after various communications with a fundraising consultant for Save Missouri, who provided Lager with relevant information for completing the contribution and a wire transfer of funds.¹⁷ As part of the paperwork for making the contribution, SQI representatives informed Save Missouri that SQI is taxed as a corporation.¹⁸ Save Missouri subsequently reported the contribution from SQI on its 2022 12-Day Pre-Election Primary Report.¹⁹

The Complaint was filed on August 24, 2022.²⁰ Based on the circumstantial evidence of SQI’s formation and the timing of the contribution, SQI’s lack of publicly known business activity,

⁸ *Id.*

⁹ *Id.* at 3.

¹⁰ Certification (Feb. 29, 2024), MUR 8058 (SQI Limited, LLC, *et al.*).

¹¹ Response of SQI Limited, LLC, *et al.* at 2 (Nov. 11, 2022), MUR 8058 (SQI Limited, LLC, *et al.*).

¹² *Id.*

¹³ *Id.* at 6.

¹⁴ *Id.* at 2.

¹⁵ *Id.* at 3.

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ Response of Save Missouri Values at 5 (Nov. 9, 2022), MUR 8058 (SQI Limited, LLC, *et al.*).

¹⁹ Save Missouri Values, 2022 12-Day Pre-Election Primary Report at 7 (Jul. 21, 2022), *available at* <https://www.fec.gov/data/committee/C00776385/?tab=filings&cycle=2022#reports>.

²⁰ Complaint (Aug. 24, 2022), MUR 8058 (SQI Limited, LLC, *et al.*).

and the apparent relationship between it and other Herzog corporate entities, the Complaint alleged a scheme to make a contribution in the name of another.²¹ OGC recommended that the Commission find reason to believe that unknown respondents and SQI violated 52 U.S.C. § 30122 by making and knowingly permitting one's name to be used to make a contribution in the name of another.²² OGC further recommended that the Commission authorize the use of compulsory process as to these potential violations.²³ Lastly, OGC recommended the Commission take no action at this time as to Herzog Enterprises and Save Missouri pending the results of the investigation.²⁴

II. Legal Framework

The Act prohibits a person from making a contribution in the name of another person, knowingly permitting his or her name to be used to effect such a contribution, or knowingly accepting such a contribution.²⁵ The term “person” for purposes of the Act and Commission regulations includes partnerships, corporations, and “any other organization or group of persons.”²⁶ A “contribution” includes “any gift, subscription, loan, advance, or deposit of money or anything of value made by any person for the purpose of influencing any election for Federal office.”²⁷

The Commission's regulations include two examples of activities that constitute making a contribution in the name of another:

- (i) Giving money or anything of value, all or part of which was provided to the contributor by another person (the true contributor) without disclosing the source of money or the thing of value to the recipient candidate or committee at the time the contribution is made; or
- (ii) Making a contribution of money or anything of value and attributing as the source of the money or thing of value another person when in fact the contributor is the source.²⁸

Separately, IEOPCs like Save Missouri are permitted to solicit and raise unlimited contributions, including contributions from corporations and labor unions.²⁹ But like all political committees, IEOPCs are required to file periodic disclosure reports with the Commission that

²¹ *Id.*

²² First General Counsel's Report at 3 (Dec. 6, 2023), MUR 8058 (SQI Limited, LLC, *et al.*).

²³ *Id.*

²⁴ *Id.*

²⁵ 52 U.S.C. § 30122.

²⁶ 52 U.S.C. § 30101(11); 11 C.F.R. § 100.10.

²⁷ 52 U.S.C. § 30101(8)(A)(i).

²⁸ 11 C.F.R. § 110.4(b)(2)(i)–(ii).

²⁹ *See Citizens United v. FEC*, 558 U.S. 310 (2010); *SpeechNow.org v. FEC*, 599 F.3d 686 (D.C. Cir. 2010); Advisory Op. 2010-11 (Commonsense Ten).

accurately report all contributions received and disbursements made.³⁰ Unlike LLCs with single members or those taxed as partnerships who must attribute contributions to those members,³¹ LLCs that elect to be taxed as corporations do not have special attribution rules and are instead treated as corporations.³²

III. Legal Analysis

In the case of alleged conduit contributions made through an organization, and in the absence of direct evidence of a violation, the Commission considers the weight of the circumstantial evidence surrounding the contribution, as well as any response or rebuttal evidence provided.³³ As the Commission has stated, “a complaint may be dismissed if it consists of factual allegations that are refuted with sufficiently compelling evidence provided in the response to the complaint.”³⁴

So too here. The Complaint’s allegations are based on circumstantial evidence derived from the timing of SQI’s formation and the subsequent contribution, its relationship with Herzog Enterprises, and the lack of publicly available information about SQI’s business activity. In response, Respondents have persuasively rebutted the Complaint’s circumstantial evidence by explaining that the funds used for the contribution originated with SQI, which was formed and initially capitalized for the purpose of operating a quarry business.³⁵ The SQI Response details how SQI was initially funded, how the contribution was made from SQI’s existing funds, and how Save Missouri appropriately disclosed SQI as the contributor.³⁶ To substantiate its explanation that SQI is a business entity capitalized for business purposes, SQI provided copies of real estate sales agreements and special warranty deeds.³⁷ On balance, Respondents persuasively rebutted the allegations by demonstrating that the funds used for the contribution belonged to SQI and were initially transferred to it for business purposes. Thus, Save Missouri appropriately disclosed SQI as the contributor.

Accordingly, the Commission voted against OGC’s recommendations and instead dismissed the complaint.³⁸

³⁰ 52 U.S.C. § 30104(a), (b); 11 C.F.R. § 104.3(a), (b).

³¹ See 11 C.F.R. § 110.1(g)(2)-(4).

³² See 11 C.F.R. § 110.1(g)(3).

³³ Factual & Legal Analysis at 10 (June 10, 2021), MUR 7464 (LZP, LLC).

³⁴ Statement of Reasons of Commissioners David M. Mason, Karl J. Sandstrom, Bradley A. Smith & Scott E. Thomas at 1-2 (Dec. 21, 2000), MUR 4960 (Hillary Rodham Clinton).

³⁵ Response of SQI Limited, LLC, *et al.* at 2–3 (Nov. 11, 2022), MUR 8058 (SQI Limited, LLC, *et al.*).

³⁶ *Id.*

³⁷ *Id.* at Exhibits E (Corporate Special Warranty Deed), F (Corporate Special Warranty Deed), and G (Real Estate Sale Contract).


³⁸ Certification (Feb. 29, 2024), MUR 8058 (SQI Limited, LLC, *et al.*).



Sean J. Cooksey
Chairman

April 2, 2024

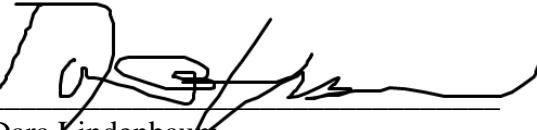
Date



Allen J. Dickerson
Commissioner

April 2, 2024

Date



Dara Lindenbaum
Commissioner

April 2, 2024

Date