

FEDERAL ELECTION COMMISSION
FIRST GENERAL COUNSEL’S REPORT

MUR 7957

DATE COMPLAINT FILED: Feb. 1, 2022

DATES OF NOTIFICATIONS: Feb. 3, 2022;

June 2, 2022

DATE OF LAST RESPONSE: Mar. 21, 2022

DATE ACTIVATED: June 28, 2022

EPS:

EXPIRATION OF SOL: July 1, 2026 –

June 15, 2027¹

ELECTION CYCLES: 2020, 2022

COMPLAINANT:

Foundation for Accountability and Civic Trust

RESPONDENTS:

Marie Newman

Marie Newman for Congress and

Holly Giarraputo in her official capacity

Iymen Chehade

**RELEVANT STATUTES
AND REGULATIONS:**

52 U.S.C. § 30104(b)(5)(A)

52 U.S.C. § 30114(b)

11 C.F.R. § 104.3(b)

11 C.F.R. § 113.1(g)(1)(ii)

INTERNAL REPORTS CHECKED:

Disclosure Reports

FEDERAL AGENCIES CHECKED:

None

I. INTRODUCTION

The Complaint in this matter alleges that Representative Marie Newman and her principal campaign committee, Marie Newman for Congress and Holly Giarraputo in her official capacity as treasurer (the “Committee”), converted campaign funds to personal use in violation

¹ The end date of the statute of limitations in this matter is based on the most recent payment made by Newman for Congress to Iymen Chehade. As of the date this report was circulated to the Commission, the most recent payment was made on June 15, 2022. *FEC Disbursements: Filtered Results*, FEC.GOV, https://www.fec.gov/data/disbursements/?data_type=processed&committee_id=C00636670&recipient_name=Chehade&two_year_transaction_period=2022 (last visited Sep. 26, 2022) (reflecting filtered disbursements by Marie Newman for Congress in 2021 and 2022 to “Chehade”).

1 of the Federal Election Campaign Act of 1971, as amended (the “Act”), when the Committee
2 made payments to Iymen Chehade, an academic and artist. The Committee disclosed the
3 payments as salary, but the Complaint alleges that the Respondents converted the funds to
4 personal use because their true purpose was to settle a lawsuit Chehade brought against
5 Newman. The lawsuit concerned a contract in which Newman allegedly agreed to hire Chehade
6 to her congressional staff, a contract that is also the subject of an open ethics inquiry in the U.S.
7 House of Representatives. The terms of the settlement are not public. The facts alleged by the
8 Complaint also suggest that the Committee may have reported inaccurate purposes for the
9 disbursements it made to Chehade.

10 Newman and the Committee contend that they hired Chehade to write foreign policy
11 briefings “as part of the settlement” between Chehade and Newman, suggesting that Chehade
12 performed legitimate work for the Committee and therefore payments to him for salary were
13 justified. They also assert, however, that it would not have been personal use even if the
14 Committee paid Chehade to settle the lawsuit, as it related directly to Newman’s election to
15 federal office.

16 The available information indicates that Chehade was hired by and has done some work
17 for the Committee but that some portion of the Committee’s payments to him was likely for
18 settlement, rather than the reported purpose of salary. Yet, neither purpose would result in
19 conversion of campaign funds to personal use because either the funds were used for legitimate
20 salary, which is not personal use, or they were used to settle a lawsuit related to a campaign,
21 which is also not personal use given the facts in this matter. As a result, we recommend that the
22 Commission find no reason to believe that the Committee, Newman, and Chehade violated
23 52 U.S.C. § 30114(b). However, because the Committee reported the entirety of the payments as

1 salary and it appears that some portion may have been solely a settlement payment, we
2 recommend that the Commission find reason to believe that the Committee violated 52 U.S.C.
3 § 30104(b)(5)(A) and authorize the use of compulsory process.

4 **II. FACTUAL BACKGROUND**

5 The Complaint alleges that Newman and Chehade signed a contract in 2018, pursuant to
6 which Newman agreed to hire him as part of her congressional staff if she was elected in the
7 2020 election cycle.² Chehade, in return, allegedly agreed that he would not compete against her
8 in the 2020 Democratic primary for Illinois's 3rd Congressional District.³ However, their
9 relationship soured, and Newman was elected but did not hire him as agreed.⁴ Chehade then
10 sued Newman for breach of contract.⁵

11 During the pendency of the litigation, the House Office of Congressional Ethics ("OCE")
12 began a review of the alleged agreement between Newman and Chehade.⁶ Newman and
13 Chehade eventually settled the lawsuit, and shortly thereafter the Committee began to report
14 paying him a salary.⁷ Meanwhile, OCE assessed that "there is substantial reason to believe that
15 Rep. Newman may have promised federal employment to a primary opponent for the purpose of
16 procuring political support," and referred the results of its initial investigation to the House
17 Committee on Ethics, where the matter is apparently still pending.⁸

² Compl. at 1-4 (Feb. 1, 2022).

³ *Id.* at 2-3.

⁴ *Id.* at 4, 6.

⁵ *Id.* at 4.

⁶ *Id.* at 4-6.

⁷ *Id.* at 6-7.

⁸ OFFICE OF CONGRESSIONAL ETHICS, UNITED STATES HOUSE OF REPRESENTATIVES, REPORT, Review No. 21-3052 at 3 (Cited by Compl. at 2 n.6) ("OCE Report"); Compl. at 9. OCE's report is available on the House

1 The following sections detail the relevant information about Newman and Chehade's
2 backgrounds, their alleged 2018 agreement, the resulting dispute and settlement, and Chehade's
3 work for the Committee. They also describe the Complaint's allegations and the information the
4 Committee and Newman submitted. Chehade was notified as a Respondent in this matter but did
5 not submit a response.⁹

6 **A. Newman and Chehade's Backgrounds**

7 Newman was an unsuccessful candidate in the Democratic primary for the 3rd
8 Congressional District of Illinois in 2018, when the events relevant to this matter began, and she
9 was elected to that seat in 2020.¹⁰ The Committee is her principal campaign committee.¹¹
10 Chehade is an artist and teaches at Columbia College Chicago and the School of the Art Institute
11 of Chicago.¹² He identifies as the Committee's Director of Foreign Policy and Research and has
12 been receiving salary payments from the Committee since July 1, 2021.¹³

Committee on Ethics website at <https://oce.house.gov/sites/congressionaethics.house.gov/files/documents/OCE%20Rev.%202021-3052%20Referral.pdf>, and the accompanying exhibits are available at <https://ethics.house.gov/sites/ethics.house.gov/files/documents/OCE%20Reports%20and%20Findings%20Exhibits.pdf>.

⁹ Compl. Notif. Letter at 1 (June 2, 2022).

¹⁰ Compl. at 2, 4.

¹¹ Marie Newman for Congress, Statement of Organization at 2 (Nov. 30, 2021).

¹² Iymen Chehade for Congress, *Meet Iymen*, <https://www.iymenchehadeforcongress.com/meet-iymen> (last visited Sep. 26, 2022).

¹³ *Id.*; Compl. at 7.

1 In 2022, following congressional redistricting, Newman ran in the Democratic primary
2 for the 6th Congressional District of Illinois, and Chehade became a candidate for her seat in the
3 3rd District.¹⁴ They were both defeated in their respective primaries.¹⁵

4 **B. Newman and Chehade's Employment Contract, Dispute, and Settlement**

5 The lawsuit Chehade brought against Newman has its roots in employment negotiations
6 they began in 2018, which, as discussed above, were also the subject of OCE's review.
7 According to OCE's report, after losing the 2018 primary, Newman began planning for a 2020
8 campaign.¹⁶ As part of that process, she met with Chehade, who Newman claims had valuable
9 foreign policy expertise.¹⁷ OCE assessed, however, that Newman was also aware that Chehade
10 was considering a run for the 3rd District seat.¹⁸ OCE reviewed a proposal Chehade sent to
11 Newman on October 27, 2018, purporting to summarize a discussion they had.¹⁹ It describes an
12 agreement under which Newman would hire Chehade as her Chief Foreign Policy Advisor and
13 he, in return, would not run as a candidate in the 3rd District.²⁰

14 On December 26, 2018, Newman and Chehade signed a contract requiring Newman, in
15 the event of her election, to employ Chehade as part of her congressional staff as her Chief

¹⁴ Francia Garcia Hernandez, *Sean Casten Handily Defeats Marie Newman in 6th Congressional District Primary*, CHICAGO SUN TIMES (June 28, 2022), <https://chicago.suntimes.com/elections/2022/6/28/23187421/sean-casten-carries-slim-lead-in-6th-congressional-district-race-against-marie-newman-as-votes>.

¹⁵ Illinois State Board of Elections, 2022 General Primary, <https://elections.il.gov/ElectionOperations/ElectionVoteTotals.aspx?T=637970333152491050> (last visited Sep. 26, 2022).

¹⁶ *See* OCE Report at 8.

¹⁷ *Id.* at 8-9.

¹⁸ *Id.* at 8-11.

¹⁹ *Id.* at 9-10; *id.*, Ex. 4.

²⁰ *Id.*, Ex. 4 at 2. The bulk of the document details Chehade's proposed position, including the term, salary, and duties, as well as certain policy positions Newman would commit to support. *Id.*, Ex. 4 at 2-3. Although Newman told OCE that she was "outraged" by the proposal from Chehade, OCE found that claim was "not supported by the documentary evidence." *Id.* at 10.

1 Foreign Policy Advisor and either District Director or Legislative Director.²¹ It does not
2 mention Chehade's prospective candidacy. When asked why she entered the contract so far in
3 advance of the 2020 election, Newman pointed to, among other reasons, Chehade's foreign
4 policy expertise and her background working with startups, where signing contracts years in
5 advance is common.²²

6 Newman was elected to the 3rd District seat in 2020 but did not immediately hire
7 Chehade.²³ She told OCE that this decision was based on a "series of very strong red flags."²⁴
8 She recounted one phone call in mid-2019, in which he hung up, saying that he could not work
9 with her anymore, which she assumed was the end of their relationship.²⁵ On January 19, 2021,
10 however, Chehade sued Newman for breach of contract, stating in his complaint that "[i]n an
11 effort to induce Chehade not to run against her in the primary, Newman offered Chehade
12 employment . . . Chehade accepted the offer."²⁶ He sought specific performance on the
13 employment contract, damages for lost salary, litigation costs and fees, and other remedies.²⁷

14 On June 17, 2021, OCE reportedly notified Newman that it had opened a preliminary
15 review of her agreement with Chehade.²⁸ On June 29, 2021, Newman and Chehade filed a joint
16 stipulation in federal court dismissing Chehade's suit with prejudice,²⁹ and at some point the

²¹ *Id.*, Ex. 1 at 1, 4.

²² *Id.*, Ex. 3 at 26:7-30:19.

²³ *Id.* at 12.

²⁴ *Id.*, Ex. 3 at 42:9-11. For example, she believed her campaign advisors did not want to work with him, and she described disagreements in which he would grow angry and scream at her. *Id.*, Ex. 3 at 43:21-45:1.

²⁵ *Id.*, Ex. 3 at 45:15-46:6.

²⁶ Compl., Ex. A ¶¶ 8-9.

²⁷ *Id.*, Ex. A at 6 (reciting prayer for relief).

²⁸ OCE Report at 3.

²⁹ Joint Stipulation of Dismissal at 1, *Chehade v. Newman*, 1:21-cv-01036 (N.D. Ill. June 29, 2021).

1 parties settled the case, although the exact timing and terms of the settlement are not public.³⁰
 2 Newman declined to discuss the terms with OCE, saying that “[i]t’s a sealed matter,”³¹ and
 3 Chehade did not cooperate with OCE’s review due to what OCE described as “concerns over
 4 violating a nondisclosure agreement signed as part of the lawsuit’s eventual settlement.”³²

5 On July 1, 2021, the Committee began reporting payments to Chehade for the purpose of
 6 salary and has continued paying him in varying amounts for that purpose as follows:³³

Disbursement Date	Payment Amount	Payment Purpose
July 1, 2021	\$5,000	Salary
July 13, 2021	\$7,500	Salary
Aug. 13, 2021	\$7,500	Salary
Sept. 15, 2021	\$7,500	Salary
Sept. 28, 2021	\$2,000	Salary
Oct. 15, 2021	\$2,000	Salary
Oct. 19, 2021	\$5,500	Salary
Nov. 15, 2021	\$7,500	Salary
Dec. 1, 2021	\$2,000	Salary
Dec. 15, 2021	\$7,500	Salary
Jan. 14, 2022	\$7,500	Salary
Feb. 15, 2022	\$7,500	Salary
Feb. 17, 2022	\$2,000	Salary
Mar. 15, 2022	\$7,500	Salary
Apr. 15, 2022	\$7,500	Salary
May 2, 2022	\$2,000	Salary
May 13, 2022	\$7,500	Salary
June 15, 2022	\$7,500	Salary
Total	\$103,000	

7

³⁰ Newman and Committee Resp. at 2 (Mar. 22, 2022) (“Resp.”).

³¹ OCE Report, Ex. 3 at 58:2-9.

³² *Id.* at 11.

³³ *FEC Disbursements: Filtered Results*, FEC.GOV, https://www.fec.gov/data/disbursements/?data_type=processed&committee_id=C00636670&recipient_name=Chehade (last visited Sep. 26, 2022) (showing disbursements by the Committee to recipient “Chehade”). The payments were disbursed to “Hamman Chehade,” which appears to be the same person as Iymen Chehade. See OCE Report, Ex. 1 at 1 (signed employment agreement between “Iymen Hamman Chehade” and Newman).

1 During this time period, the most the Committee paid in salary to any other employee in a single
2 month was \$6,235.21 in February 2022.³⁴ That same month, the Committee paid Chehade
3 \$9,500, as reflected above, and other Committee employees received salaries ranging from
4 \$1,816.99 to \$4,199.64.³⁵

5 Chehade identifies as the Committee's Director of Foreign Policy and Research.³⁶ The
6 Committee has provided the press with two briefing papers he prepared in that position: 12 pages
7 of policy recommendations related to Palestine and Israel and 9 pages related to Kashmir.³⁷ As
8 part of its review, OCE interviewed Newman's campaign manager, who stated that Chehade had
9 "a few deliverables as part of the settlement that he sends to me" but did not further elaborate on
10 his position with or work for the Committee.³⁸

11 C. Complaint and Response

12 The Complaint argues that the contentious history between Newman and Chehade makes
13 it "extremely unlikely" that she would employ him, and that the purported salary payments were
14 instead made to settle the lawsuit.³⁹ The Complaint puts forward a number of factors to

³⁴ See *FEC Disbursements: Filtered Results*, FEC.GOV, https://www.fec.gov/data/disbursements/?data_type=processed&committee_id=C00636670&two_year_transaction_period=2022&min_date=07%2F01%2F2021&max_date=06%2F30%2F2022&disbursement_description=Salary (last visited Sept. 26, 2022) (listing Committee's disbursements for salary between July 1, 2021, and June 30, 2022).

³⁵ *Id.* These ranges exclude one individual who received a single payment of \$1,392.80 in February 2022. Based on the Committee's payments in subsequent months, it appears that payment may have been for a new employee who was not paid for the entire month of February 2022. See *id.*

³⁶ Iymen Chehade for Congress, *Meet Iymen*, <https://www.iymenchehadeforcongress.com/meet-iymen> (last visited Sep. 26, 2022).

³⁷ Lynn Sweet, *Rep. Marie Newman, in a Democratic Primary with Rep. Sean Casten, Faces Political Damage from Ethics Probe*, CHICAGO SUN TIMES (Dec. 12, 2021), <https://chicago.suntimes.com/columnists/2021/12/12/22831391/rep-marie-newman-democratic-primary-rep-sean-casten-faces-political-damage-ethics-probe> (cited at Compl. at 3 n.9).

³⁸ OCE Report, Ex. 2 at 17:3-6.

³⁹ Compl. at 6-12.

1 highlight the unusual nature of the payments, specifically that (1) Newman settled with Chehade
2 soon after she learned of OCE's review, thereby preventing him from cooperating with OCE, and
3 the payments to him began shortly thereafter; (2) the payments were not made on the same
4 schedule as payments to other campaign staff; (3) he was paid more than double what other
5 staffers were making at some points; and (4) Chehade has reportedly stated that his position with
6 the Committee will continue through 2022, despite the fact that he launched his own campaign
7 for Congress in December 2021.⁴⁰ The Complaint also asserts that that Newman's campaign
8 manager told OCE that the salary payments are related to the settlement.⁴¹ Based on all of these
9 factors, the Complaint claims that the payments to Chehade were personal use because they were
10 not made for campaign purposes but rather to settle the lawsuit.⁴²

11 Newman and the Committee assert that they hired Chehade "as part of the settlement"
12 and that he has provided legitimate services to the Committee.⁴³ They purport to have hired him
13 because Newman recognized that Chehade's "experience and expertise in foreign policy issues
14 could be profitably employed in her campaign."⁴⁴ Newman and the Committee further contend
15 that "[e]mploying a campaign advisor in an arm's length transaction, when he demonstrably
16 provides services to the campaign, is the classic case of an expense that the Commission leaves
17 to the discretion of the candidate and the campaign."⁴⁵ They also assert that, even if the

⁴⁰ *Id.*

⁴¹ *Id.* at 11; *see supra* note 38 and accompanying text.

⁴² Compl. at 9-11.

⁴³ Resp. at 2-4. Newman and Chehade characterize the Complaint as a "transparent attempt to use the Commission to publicize allegations, unrelated to the [Federal Election Campaign] Act and outside Commission jurisdiction, which Representative Newman is defending in the appropriate forum, and which themselves have no merit." *Id.* at 1. The OCE Report does not allege violations of the Act or the Commission's regulations.

⁴⁴ *Id.* at 2.

⁴⁵ *Id.* at 3.

1 campaign had “simply paid [Chehade] to settle the suit” it would still not constitute personal use
2 because the suit “arose entirely from Representative Newman’s election to office” and the
3 payments to Chehade would not have occurred if she had not been elected.⁴⁶

4 III. LEGAL ANALYSIS

5 Under the Act, contributions may be used for, *inter alia*, “otherwise authorized
6 expenditures in connection with the campaign for Federal office of the candidate,” “for ordinary
7 and necessary expenses incurred in connection with duties of the individual as a holder of
8 Federal office,” or “for any other lawful purpose,” unless prohibited by the Act.⁴⁷ The
9 Commission has stated that “candidates have wide discretion over the use of campaign funds,”
10 but no person may convert such funds to personal use.⁴⁸

11 The Act and the Commission’s regulations set out certain expenses that are per se
12 personal use, while others, such as legal expenses, are evaluated on a case-by-case basis to
13 determine if funds were used “to fulfill any commitment, obligation, or expense of a person that
14 would exist irrespective of the candidate’s election campaign or individual’s duties as a holder
15 of Federal office.”⁴⁹ The Commission has stated that “[i]f the candidate can reasonably show

⁴⁶ *Id.* The Response also contends that the Complaint applies the wrong personal use standard to the payments to Chehade because it asserts that they must be made at fair market value and for bona fide services, a standard used only for payments to a candidate’s family members. It also asserts that the Complaint offers no evidence that Chehade was paid more than fair market value. *Id.* at 3-4.

⁴⁷ 52 U.S.C. § 30114(a).

⁴⁸ Explanation and Justification for Expenditures; Reports by Political Committees; Personal Use of Campaign Funds, 60 Fed. Reg. 7,862, 7,867 (Feb. 9, 1995) (“Personal Use E&J”); 52 U.S.C. § 30114(b)(1).

⁴⁹ 52 U.S.C. § 30114(b)(1); 11 C.F.R. § 113.1(g).

1 that the expenses at issue resulted from campaign or officeholder activities, the Commission will
2 not consider the use to be personal use.”⁵⁰

3 The Act and Commission regulations require authorized committees to provide the
4 purpose of each reported disbursement.⁵¹ Commission regulations define “purpose” as a “brief
5 statement or description of why the disbursement was made.”⁵² The Commission has
6 determined that the description of purpose should allow “a person not associated with the
7 committee [to] easily discern why the disbursement was made when reading the name of the
8 recipient and the purpose.”⁵³ Examples of sufficient statements of purpose include: dinner
9 expense, media, salary, travel expenses, and catering costs.⁵⁴

10 **A. The Commission Should Find No Reason to Believe that the Committee,**
11 **Newman, and Chehade Converted Campaign Funds to Personal Use**

12 The alleged personal use in this matter consists of \$103,000 in payments the Committee
13 made to Chehade between July 2021 and June 2022. The Complaint and Response suggest two
14 purposes for these payments: 1) salary for Chehade’s work on Newman’s campaign, as
15 indicated by the Committee’s reporting to the Commission and Chehade’s title and preparation
16 of policy papers, or 2) a settlement of Chehade’s suit against Newman, as indicated by the
17 allegedly anomalous timing and size of the payments, the past disputes between Newman and
18 Chehade, and the statements by Newman’s campaign manager and the Response that Chehade’s

⁵⁰ Personal Use E&J at 7,867.

⁵¹ 52 U.S.C. § 30104(b)(5)(A); 11 C.F.R. § 104.3(b)(4)(i).

⁵² 11 C.F.R. § 104.3(b)(4)(i)(A).

⁵³ Statement of Policy: “Purpose of Disbursement” Entries for Filings with the Commission, 72 Fed. Reg. 887, 888 (Jan. 9, 2007) (“Purpose Statement of Policy”).

⁵⁴ *Id.*

1 work for the Committee was “part of the settlement.”⁵⁵ Neither purpose, however, would have
2 resulted in campaign funds being converted to personal use on the facts of this matter.

3 First, to the extent the payments were salary, a personal use allegation would rest on the
4 Complaint’s claim that Chehade was paid significantly more than other Committee employees,
5 an assertion for which the Committee’s disbursement data could offer some support.⁵⁶ However,
6 the Commission has stated that committees have “latitude to retain services and compensate staff
7 within commercially reasonable bounds.”⁵⁷

8 In MUR 6275 (Massa for Congress, *et al.*), the Commission considered whether a staffer
9 had performed sufficient work to justify a large payment the campaign made to him and, if he
10 did not, whether that indicated the funds were converted to personal use.⁵⁸ The Commission,
11 pointing to the latitude of campaigns to compensate their staff, dismissed the personal use
12 allegation because the available evidence suggested that “at least some portion of the payment
13 was legitimate compensation” for the staffer’s work, and it would be “wasteful and unwarranted”
14 for the Commission to pursue the issue because the payment was also the subject of an ongoing
15 litigation between the parties.⁵⁹

16 Here, although the available record is limited, Chehade does appear to have done work to
17 justify salary payments by preparing policy papers.⁶⁰ Further, it is not clear from the available
18 information that he was paid a disproportionate salary compared to other Committee employees.

⁵⁵ *Supra* Section II.B-C.

⁵⁶ *Supra* notes 33-35 and accompanying text.

⁵⁷ Factual & Legal Analysis (“F&LA”) at 3, MUR 6275 (Massa for Congress, *et al.*) (Dec. 19, 2014).

⁵⁸ *Id.* at 1; F&LA at 1-2, MUR 6275 (Massa for Congress, *et al.*) (Jan. 6, 2011).

⁵⁹ F&LA at 3, MUR 6275 (Massa for Congress, *et al.*) (Dec. 19, 2014).

⁶⁰ Resp. at 2; *see* OCE Report, Ex. 2 at 17:3-6.

1 This is the case because, as described below, it appears that some portion of the payments was
2 made as a financial settlement, meaning that Chehade's true salary might have been comparable
3 or less than the amounts paid to other staffers. In any event, as stated above, there is evidence
4 that he performed legitimate work for the Committee and campaigns are afforded wide latitude
5 in the amounts that they pay staffers for their services.

6 Second, to the extent the payments to Chehade were instead made to settle the lawsuit,
7 that purpose would also be permissible on these facts. Whether legal expenses constitute
8 personal use is assessed on a case-by-case basis using the irrespective test.⁶¹ The Commission
9 has recognized that permissible legal expenses go beyond those needed simply to ensure
10 compliance with the Act and could include, for example, a committee that "incur[s] legal
11 expenses in its capacity as the employer of the campaign staff."⁶² Additionally, although the
12 Commission's personal use analyses of legal expenses are often focused on the costs of
13 representation,⁶³ other types of legal expenses are also permissible so long as they would not
14 exist irrespective of the campaign or officeholder duties. Notably, in Advisory Opinion 2013-11
15 (Miller), the Commission approved the use of campaign funds to pay a judgment against a U.S.
16 Senate candidate in a lawsuit related to his candidacy.⁶⁴

⁶¹ 11 C.F.R. § 113.1(g)(1)(ii)(A); *see* Personal Use E&J at 7868 (stating that legal expenses are not permissible merely because they impact the campaign or officeholder status and that, for example, "legal expenses associated with a divorce or charges of driving under the influence of alcohol will be treated as personal"); Advisory Opinion 2003-17 at 7 (Treffinger) (advising that campaign funds could not be used to pay for legal fees related to "alleged breaches of public trust and public fraud in the abuse of [the candidate's] county office").

⁶² Personal Use E&J at 7868.

⁶³ *E.g.*, F&LA at 1-2, MUR 7390 (Donald J. Trump, *et al.*) (finding no reason to believe on personal use allegations relating to representation of Donald Trump, Donald Trump Jr., and Trump's principal campaign committee in connection with investigations into Russia's intervention in the 2016 presidential election).

⁶⁴ Advisory Opinion 2013-11 at 3 (Miller). In contrast, in MUR 6128 (Craig for U.S. Senate), the Commission found probable cause to believe that a candidate converted campaign funds to personal use when he paid for legal fees to overturn a conviction for allegations unrelated to his campaign or officeholder duties. GC Br.

1 Payments to Chehade made in settlement of the lawsuit would not have existed
2 irrespective of Newman's campaign or officeholder duties. Based on the information that is
3 publicly available, the lawsuit concerned Newman's agreement to employ Chehade in her
4 congressional office and the terms of the contract were contingent on her election, suggesting the
5 settlement resulted from campaign or officeholder activities.

6 In sum, based on the available information, it does not appear that the Committee's
7 payments to Chehade, whether for work he performed or in settlement of the lawsuit, constituted
8 personal use. We therefore recommend that the Commission find no reason to believe that the
9 Committee, Newman, and Chehade violated 52 U.S.C. § 30114(b).

10 **B. The Commission Should Find Reason to Believe that the Committee**
11 **Reported Improper Purposes for Its Disbursements to Chehade**

12 Although the Committee was permitted to pay Chehade for the purpose of settling the
13 lawsuit, *i.e.*, as part of a financial settlement and not in return for work that he performed for the
14 Committee, describing any such payments as salary would not allow a person who was not
15 associated with the Committee to "easily discern why the disbursement was made" when reading
16 the reported purpose in combination with Chehade's name.⁶⁵

17 The available information suggests that settlement was the purpose of at least some of the
18 payments made to Chehade. Newman and the Committee state that he was hired "as part of the
19 settlement," suggesting that there were other terms in the agreement, and Chehade's lawsuit

at 6-8, MUR 6128 (Craig for U.S. Senate); Certification ¶ 1.a (Feb. 9, 2012), MUR 6128 (Craig for U.S. Senate). The Commission authorized a civil suit in that matter, and the D.C. Circuit affirmed the District Court's grant of summary judgment to the Commission, stating that "[t]he allegations that gave rise to [Senator Craig's] guilty plea were the misdemeanor charges for disorderly conduct and interference with privacy that the State of Minnesota filed against him" and such allegations "did not concern the Senator's campaign activities or official duties." *FEC v. Craig for U.S. Senate*, 816 F.3d 829, 839 (D.C. Cir. 2016).

⁶⁵ See Purpose Statement of Policy at 888.

1 sought a variety of other financial compensation, including damages for lost wages, and
2 litigation costs and fees.⁶⁶ Additionally, the timing of the dismissal of the lawsuit relative to the
3 beginning of the payments, the significant size of the payments relative to those made to other
4 campaign staff, and the relatively small amount of work Chehade appears to have performed for
5 those payments weigh in favor of a finding that at least some portion of the \$103,000 was not
6 salary. Accordingly, we recommend that the Commission find reason to believe that the
7 Committee violated 52 U.S.C. § 30104(b)(5)(A) by reporting improper disbursement purposes.⁶⁷

8 **IV. INVESTIGATION**

9
10 Because it is unclear what portion of the payments from the Committee to Chehade was
11 made for salary and reported correctly, and what portion of the payments was made as part of a
12 financial settlement of the lawsuit and should have been reported as such, a limited investigation
13 is needed to collect information on the terms of the settlement and any related employment or
14 compensation agreements the Committee or Newman have entered into with Chehade. We
15 would seek documents reflecting the terms of the settlement and any related agreements and, if
16 needed, interviews with individuals likely to have knowledge of such terms, such as Chehade

⁶⁶ Resp. at 2; *supra* note 27 and accompanying text.

⁶⁷ See F&LA at 6-9, MURs 7291, 7449 (DNC) (noting “Legal / Legal Fees / Legal Services” as generally sufficient purpose descriptions but finding “legal and compliance consulting” an insufficient purpose for disbursements that were made for opposition research); MUR 6204 (Dallas County Republican Party) (finding reason to believe that respondent did not provide an adequate purpose for fifty disbursements totaling \$215,261); F&LA at 16, MUR 6134 (Cranley for Congress) (finding that respondent provided inadequate purposes for disbursements when a person not associated with respondent could not “easily discern why the disbursement was made when reading the name of the receipt with the purpose disclosed”).

1 and Newman's campaign manager. Although we plan to begin by requesting information
2 informally, we also recommend that the Commission authorize the use of compulsory process.⁶⁸

3 **V. RECOMMENDATIONS**
4

- 5 1. Find no reason to believe that Marie Newman for Congress and Holly Giarraputo
6 in her official capacity as treasurer violated 52 U.S.C. § 30114(b) by converting
7 campaign funds to personal use;
- 8 2. Find no reason to believe that Marie Newman violated 52 U.S.C. § 30114(b) by
9 converting campaign funds to personal use;
- 10 3. Find no reason to believe that Iymen Chehade violated 52 U.S.C. § 30114(b) by
11 converting campaign funds to personal use;
- 12 4. Find reason to believe that Marie Newman for Congress and Holly Giarraputo in
13 her official capacity as treasurer violated 52 U.S.C. § 30104(b)(5)(A) by reporting
14 improper disbursement purposes;
- 15 5. Approve the use of compulsory process;
- 16 6. Approve the attached Factual and Legal Analyses;
- 17 7. Approve the appropriate letters; and

⁶⁸ Certification ¶ 2.a, g (July 26, 2019), MURs 7291, 7449 (DNC, *et al.*) (finding reason to believe on purpose reporting violation and authorizing compulsory process).

