

STATE ETHICS COMMISSION
205 Jesse Hill Jr. Dr., SE
Suite 478 East Tower
Atlanta, Georgia 30334

COMPLAINT

ALLEGING A VIOLATION OF THE ETHICS IN GOVERNMENT ACT.

I. PERSON BRINGING COMPLAINT

Name: William S. Simon

Address:

Phone: H: W:

II PARTY AGAINST WHOM COMPLAINT IS BROUGHT

Name: Reed for Lt. Governor, Inc.

Address: P.O. Box 956125
Duluth, GA 30095

Phone: 678-957-0000 **Contact Number:** 678-957-0000

Title of office held or being sought (if applicable): Lt. Governor of Georgia

III STATEMENT OF FACTS:

The allegations of violations of the Ethics in Government Act which were committed by the Ralph Reed Campaign for Lt. Governor are described in the attached pages.

VERIFICATION BY OATH OR AFFIRMATION

STATE OF _____

COUNTY OF _____

I, _____, being duly sworn, depose (affirm) and say that the information in this Complaint is true, and correct to the best of my knowledge and belief.

Signature of person bringing complaint

Sworn to and subscribed before me on _____ 20 ____.

Notary Public

My commission expires _____, 20_____.

PENALTIES: False swearing

A person to whom a lawful oath or affirmation has been administered or who executes a document knowing that it purports to be an acknowledgement of a lawful oath or affirmation commits false swearing when, in any matter or thing other than a judicial proceeding, he knowingly and willfully makes a false statement. A person convicted of false swearing shall be punished by a fine of not more than \$1,000 or by imprisonment for not less than one nor more than five years, or both.

ALLEGATION #1: Failure to report expenses or contributions in-kind in violation of OCGA Section 21-5-41 of The Ethics in Government Act

Discussion

In 2005, **Reed for Lt. Governor, Inc. (“Reed”)** reported monthly fees of \$4,000 per month to the law firm of **McKenna, Long, & Aldridge (“MLA”)** for purposes of legal advice. The Reed campaign has ceased making these payments as of the March 31, 2006 campaign disclosure, and does not disclose payments for any other legal counsel.

If the legal fees from MLA are no longer being billed to Reed, then they must be disclosed as an in-kind contribution and would clearly exceed the maximum contribution allowed.

If the legal fees from MLA were billed to Reed, but this occurred after the date for which this disclosure was due, the disclosure must be amended to reflect the cost of these legal services during the first quarter of 2006.

ALLEGATION #2: Failure to report corporate in-kind contributions of personnel and resources in violation of OCGA Sections 21-5-3.1 and 21-5-41 of The Ethics in Government Act

Discussion

Employees from one of Ralph Reed's privately-owned companies, **Century Strategies, LLC**, regularly perform work for the Reed for Lt. Governor campaign. These tasks include scheduling, errand running, and general consulting.

In fact, I believe it will be discovered that the campaign's physical office will be located in the same building where Century Strategies, LLC is located, if not the same suite number. This will make it highly probable that resources and personnel have been “commingled” between the Reed campaign and Reed's company.

Yet, the Reed for Lt. Governor campaign reports **no in-kind contributions** for what likely amounts to tens of thousands of dollars in in-kind contributions from Century Strategies, LLC.

ALLEGATION #3: Manipulating contributions in an attempt to circumvent contribution limit laws in violation of OCGA Section 21-5-41 of The Ethics in Government Act

Discussion

In 2005, the Reed for Lt. Governor campaign disclosed contributions in the amount of **\$602.50 for five months** from Lou Sobh Automotive for a leased truck for campaign activities. In the final month of 2005, the amount is decreased to **\$180**.

In 2006, **the same lease payments are disclosed as \$601.50**. This small shift in amounts allows the payments to fit below the \$5,000 contribution limit for the primary election. This indicates an attempt on the part of the Reed campaign to accept and hide contributions beyond the limit. Or, at minimum, it is an act of collusion between the Reed Campaign and Lou Sobh Automotive to manipulate contribution amounts.

Furthermore, the Reed for Lt. Governor campaign shows “deferred” payments of \$601.50 for the leased truck for January, February, and March of 2006. **Why** would a campaign defer payments on leased campaign truck for three months when **it has in excess of \$1 million cash on-hand?** I believe this indicates an attempt on the part of the Reed campaign to cook their campaign books in order to accept and hide contributions beyond the limit for the primary election.

ALLEGATION #4: Contributions that must be returned in accordance with OCGA Section 21-5-41 of The Ethics in Government Act

Discussion

The Reed for Lt. Governor has accepted \$47,000 in contributions designated for the primary run-off election.

However, qualifying is now closed and only two candidates are participating in that election. There will therefore be no runoff election and those contributions must be returned to the contributors in accordance with OCGA Section 21-5-43(d)

(Allegations continued on next page)

ALLEGATION #5: Expenditures to a company that the Candidate has direct ownership of and has converted the contributions into his own personal assets in violation of OCGA Section 21-5-33(c)

Discussion

According to the December 31, 2005 Campaign Disclosure filed by **Reed for Lt. Governor**, the following expenditures were made to an entity called **Millennium Marketing**:

Name and Address of Recipient	Date of Expenditure	Amount	Reason
Millennium Marketing 3555 Stately Oak Lane Duluth, GA 30097	08/21/2005	\$2,695.92	bumperstickers and palm c
Millennium Marketing 3555 Stately Oak Lane Duluth, GA 30097	08/28/2005	\$7,284.00	yardsigns
Millennium Marketing 3555 Stately Oak Lane Duluth, GA 30097	09/13/2005	\$338.00	lapel stickers
Millennium Marketing 3555 Stately Oak Lane Duluth, GA 30097	09/27/2005	\$1,352.00	palmcards
Millennium Marketing 3555 Stately Oak Lane Duluth, GA 30097	09/27/2005	\$775.00	palmcards and bumperstick
Millennium Marketing 3555 Stately Oak Lane Duluth, GA 30097	10/05/2005	\$2,680.59	ballons, footballs, bus.
Millennium Marketing 3555 Stately Oak Lane Duluth, GA 30097	10/19/2005	\$4,172.40	bumperstickers
Millennium Marketing 3555 Stately Oak Lane Duluth, GA 30097	11/02/2005	\$3,257.83	Mailer and postage
Millennium Marketing 3555 Stately Oak Lane Duluth, GA 30097	12/02/2005	\$650.00	photography

These expenditures total **\$22,555.74 to Millennium**.

Candidate Ralph Reed has ownership/management interest in several political consulting businesses operating with the State of Georgia. According to his main company Website, **CenStrat.com (see Exhibit A)**, these are the entities that he has **direct ownership/managerial control** over:

Century Strategies, LLC
Millennium Marketing

ALLEGATION #5 (cont)

Century Strategies, LLC is listed on the Georgia Secretary of State's Website, Corporations Division, as being a "Foreign Limited Liability Company." No corporate registration exists for Millennium Marketing, either foreign or domestic.

On the Website for Century Strategies, **the candidate, Ralph E. Reed, Jr.**, is described as follows:

"Ralph Reed is founder and president of Century Strategies [emphasis added], a public relations and public affairs firm with offices in Atlanta and Washington.

Millennium Marketing is described as follows from CenStrat.com:

"Our in-house direct mail team [emphasis added] designs, produces and delivers cutting edge constituency and voters contact mail along with fundraising mail that has helped our clients win presidential to state legislative elections."

Millennium Marketing is further described under the heading for one of the officers of Century Strategies, **Robert Randolph**, in this statement: from CenStrat.com

Robert Randolph is President of Century Strategies' direct marketing subsidiary, Millennium Marketing.

The address for Millennium Marketing, 3555 Stately Oak Lane, Duluth, GA 30097 is, according to the Website **WhitePages.com (see Exhibit B)**, the home address for Robert Randolph.

I believe I have provided ample evidence that "Millennium Marketing" is an in-house subsidiary of Century Strategies, LLC. Though Mr. Reed may not be the "president" of the operations of Millennium Marketing, the fact of his owning the parent company of Millennium Marketing (i.e., Century Strategies, LLC) points to Reed being in direct ownership control of Millennium; and, therefore, **Reed would be the recipient of any of the profit generated from Millennium Marketing's operations.**

For guidance of interpretation on this statute in the Ethics Act violation, I strongly urge the **Georgia State Ethics Commission** to review the federal case of the ***United States vs. Charles W. Walker, Sr.*** (Indictment #CR 104-59) which was tried by the U.S. Attorney's Office in the Southern District of Georgia, and concluded last June (2005) in an Augusta, Georgia courtroom.

ALLEGATION #5 (cont)

In Walker's case, then-State Senator Walker was found guilty of 126 of an original 137-count indictment that included mail fraud, conspiracy, theft by deception...**and one particular case of using campaign funds as personal assets.** It is this latter case which I feel is very relevant to my allegation against the Reed Campaign.

I have attached the 4-page excerpt from the federal indictment to this Complaint in **Exhibit C** for your review (the original indictment is 66-pages and is too large to include in this Complaint in its entirety). But, for summary purposes, the particulars of that case are as follows:

State Senator Charles Walker, Sr. (Augusta, Georgia) was a Georgia elected official and running for reelection in the year 2000. He owned/operated several businesses, one of which was **The Augusta Focus ("Focus")**, a weekly newspaper in the Augusta area.

In one of his campaign disclosures, Walker disclosed a payment of \$38,000 paid to the Focus for "media consulting." The investigation by the grand jury determined that, of that amount, approximately \$7,000 was for legitimate ads run in the newspaper, and the remainder (\$31,000) was fraudulently billed to Walker's campaign for "media consulting." It is this amount that Walker was found guilty of directing from his campaign account to his personal account in violation of OCGA 21-5-33(c).

In the case of Ralph Reed and Millennium Marketing, I will allow for the possibility that a portion of the \$22,555.74 paid to Millennium may have been for legitimate cost purposes in the purchase of campaign promotional material (e.g., palm cards, bumper stickers, balloons, etc.).

However, **ANY** excess paid above the actual cost would be counted as profit (whether \$5, \$500, or \$5000) and it is money that would find its way into Reed's own bank account since he owns/controls Millennium Marketing.

Additionally, if the **U.S. Postal Service** was used by Millennium to invoice the Reed Campaign, and/or the Reed Campaign used the Postal Service to send a check to the address shown for Millennium (3555 Stately Oak Lane Duluth, GA 30097), either of those acts **may** constitute mail fraud for using the mail service to commit illegal acts of laundering money to hide who the real recipient is. Granted, such violations of federal law, if valid, are likely outside of the jurisdiction of the State Ethics Commission.

ALLEGATION #5 (cont)

However, I strongly encourage the State Ethics Commission to carefully review the evidence I have presented and to fully investigate the part of this allegation that **is** within the scope of Georgia state ethics laws; that is, the conversion of campaign funds to personal assets.

(Allegations continue on the next page...)

ALLEGATION #6: Expenditures to a fraudulently operating corporation in Georgia which is likely used to launder money to the candidate in violation of OCGA Section 21-5-33(2) & (c)

Discussion

The **Reed for Lt. Governor** campaign has regularly written checks for sums of money to a company called **American Marketing (“AM”)**. This is disclosed on the Reed disclosure for the period ending March 31, 2006:

Name and Address of Recipient	Date of Expenditure	Reason	Amount
American Marketing 3555 Stately Oak Lane Duluth, GA 30097	01/03/06	Bumper stickers	\$338.00
American Marketing 3555 Stately Oak Lane Duluth, GA 30097	01/13/06	Brochures	\$1675.00
American Marketing 3555 Stately Oak Lane Duluth, GA 30097	02/14/06	Yard signs & lapel stickers	\$2102.90
American Marketing 3555 Stately Oak Lane Duluth, GA 30097	03/04/06	Yardsigns	\$10852.00
American Marketing 3555 Stately Oak Lane Duluth, GA 30097	03/14/06	Invitations & mailing exp	\$5205.25
American Marketing 3555 Stately Oak Lane Duluth, GA 30097	03/24/06	envelopes	\$1392.81

These amounts total **\$21,565.96**. The address for AM is listed as:

**3555 Stately Oak Lane
Duluth, GA, 30097**

Coincidentally (or, likely, not coincidentally), this is the same address as Millennium Marketing that was discussed in Allegation #5.

AM has operated in various incarnations of the names **American Marketing, American Marketing, Inc.; American Marketing & Publishing, Inc.; AMP, Inc.** since (at least) 2002 at the above address (**see Exhibit D**, a copy of expenditures from federal campaign entities to American Marketing at this address in 2002).

Most recently (according to my **Exhibit E**) “**AMP, Inc.**” has become the **new name of Millennium Marketing**.

ALLEGATION #6: (cont)

The State Ethics Commission should take a close look at the following facts about American Marketing:

- 1) It is not registered as either a Domestic Corporation in the State of Georgia, nor is it registered as a Foreign Corporation in Georgia according to the Georgia Secretary of State's Online Corporations Database as of May 1, 2006. (**Note:** If a Corporation incorporates in Georgia, it is termed a "Domestic Corporation." If a Corporation incorporates in another state but operates in Georgia, it is required to register as a "Foreign Corporation" with the Georgia Secretary of State.)
- 2) Previously, AM **was** registered in the State of Virginia as a legal corporation there, but, as can be seen on the attached **EXHIBIT F** from the online database for Virginia Corporations, AM did not pay its corporation fees for all of 2005, and subsequently had its corporate charter terminated on February 28 of 2006 in Virginia.
- 3) According to the **City of Duluth's Planning & Zoning Department**, the mailing address for AM is not within the city limits of Duluth.

This is relevant because AM does not possess a business license to operate in Duluth, nor does it possess a license to operate in Gwinnett County (**See Exhibit G**, a letter from the business license office of Gwinnett County that was in response to my Open Records Act Request to verify this company's failure to possess a business license. It is likely, however, that due to my query with Paul Eppinga of the Gwinnett Business License Office regarding this matter, this company may now have a business license.)

These 3 facts point to the strong likelihood that the Reed Campaign is paying money to, at minimum, an illegally-operating company in the State of Georgia...a company that has both the mailing address of Robert Randolph, as well as e-mail contact information for Randolph within the Web domain of CenStrat.com (**See Exhibit H and look for Robert@censtrat.com on the right-side of the exhibit**). Robert Randolph is a person I've previously demonstrated in Allegation #5 to be connected to Ralph Reed via Millennium Marketing.

SQ, not only should payments from Reed's campaign to a company that fails to abide by state and local laws properly be cause for alarm by the people of Georgia (and, the State Ethics Commission), closer examination of this allegation also reveals a repeat of Allegation #5 in terms of **Ralph Reed being the direct recipient of profits** generated from American Marketing...a clear violation of OCGA Section 21-5-33(c) that prohibits the conversion of campaign contributions to become personal assets of the candidate.

And, if the U.S. Postal Service was used as the "official vehicle" to hide the laundering of these payments so that the profit generated from the business operation of this "campaign

vendor” could end-up in Ralph Reed’s personal pockets, then I believe that might constitute mail fraud, and this part of the matter should be turned over to the Postmaster General for an investigation into the misuse/abuse of the postal service.