

Democracy North Carolina

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April 19, 2013

HAND DELIVERED Monday, April 21, 2013

Mr. Larry Leake, Chair
Mr. Gary Bartlett, Executive Director
State Board of Elections
PO Box 27255
Raleigh, NC 27611-7255

Regarding Sweepstakes Industry
Campaign Contributions & Lobbyists

Dear Gentlemen,

I write to formally request that the State Board of Elections investigate possible violations of NC campaign finance laws regarding contributions related to individuals connected with sweepstakes cafés and the sweepstakes gambling industry, as well as their lobbyists in North Carolina. As background, I am attaching two recent reports by Democracy North Carolina, where I work:

- (1) "Sweepstakes Gambling Operator is Top Donor to NC Legislators," March 18, 2013
- (2) "McCrory Got \$70,000 from Donors Tied to Sweepstakes Gambling," March 26, 2013

The first report examines more than 60 contributions totaling over \$230,000 to North Carolina candidates and committees in the 2011-2012 election cycle from Chase Burns of Anadarko, Oklahoma. Mr. Burns is the owner of International Internet Technology. He was arrested on March 12, 2013, in connection with an illegal gambling operation centered in Florida involving about \$300 million. His company provides a network of sweepstakes cafés in North Carolina with daily software services. The "Seizure Affidavit" in the Florida investigation says nearly \$100 million in "illegal proceeds" flowed from North Carolina into Mr. Burns' bank accounts. (The North Carolina funds are not part of the \$300 million being investigated in Florida.)

Of particular note is the fact that many of the contributions from Mr. Burns to NC legislators are listed on the legislators' campaign disclosure reports with incorrect information in a manner that suggests the involvement of lobbyists from the Moore & Van Allen law firm, which Mr. Burns retained to lobby in North Carolina on his company's behalf. Various disclosure reports list the donor "Chase Burns" as an "attorney" with "Moore & Van Allen," or give the Moore & Van Allen office address in Cary for Mr. Burns, or include information about Tom Sevier, one of the retained lobbyists, in the block of information about Chase Burns, or give the job title of Mr. Sevier ("director of public affairs, Moore & Van Allen") as the occupation for Mr. Burns.

In addition, several contributions are identified on the legislators' disclosure reports as coming from "other political committees" or "outside sources" rather than from an individual, and the contributor is identified as "Chase Burns Trust" or even as "International Internet Technologies LLC."

On March 20, I presented details about these contributions and other details (such as discrepancies in the contribution and disclosure dates) to Kim Strach, Deputy Director of the State Board of Elections in charge of the Campaign Finance Division. Based on information and belief, further research by her staff indicates to me that Mr. Burns wrote dozens of checks on two

dates in September 2012, with his signature, the date and the amount – but the payee line was left blank. It also appears that more than one individual filled in the payee line (the handwriting is different on different checks) with the names of various candidates – and the checks were delivered weeks later, generally in mid and late October, 2012. In news accounts following the Democracy North Carolina report, a lobbyist with Moore & Van Allen, Brian Nick, said that “on a few occasions an employee [from Moore & Van Allen] delivered a campaign contribution to a candidate” [AP report, e.g., *Burlington Times-News*, March 20, 2013]. The law/lobbying firm severed ties with Mr. Burns in mid-March, immediately after he was arrested in connection with the Florida gambling scandal.

In addition, the checks for these contributions were written from the Midfirst Bank account of “Chase Burns Trustee for the Chase Burns Trust.” Investigators in Florida said in their 427-page “Seizure Affidavit” that this Midfirst Bank account received and transferred millions of dollars in “illegal proceeds” from Burns’ business customers as part of “a series of layered transactions” through which Burns “laundered the funds of the illegal gambling operation.”

Therefore, upon information and belief, it appears that Chase Burns (and possibly those assisting him) used a business account or an account that functioned as part of an alleged illegal business operation to make contributions to North Carolina candidates and committees, which would be a possible violation of North Carolina law.

The use of signed checks with blank payee lines raises additional concerns about possible violations of North Carolina laws that would apply in the case of a bag full of cash – totaling over \$150,000 – being delivered to one person or organization for distribution to various candidates and/or political committees. Violations of NC laws could include, for example, one or more contributions made in the name of another person, contributions made anonymously or with misleading attribution, contributions in excess of \$4,000 to an unregistered committee, contributions made by a business entity, contributions made or accepted without “a specific designation of the intended contributee chosen by the contributor,” and contributions solicited or made in exchange for material or financial benefit.

The second report I have attached focuses on multiple contributions in 2012 to gubernatorial candidate Pat McCrory that were made by 15 contributors related to the sweepstakes café industry, along with the PAC of another law firm (McGuireWoods) with lobbyists that represented a client in the industry (VS2, a video sweepstakes software/hardware company, similar to Burn’s IIT). The 15 donors include Chase Burns, his wife Kristin, another sweepstakes operator arrested in the Florida gambling scandal (John Fannin), his wife Dawn Brown, and 11 other individuals with residences in North and South Carolina, including some with arrest records for operating illegal video poker games.

Ten of these donors made contributions totaling \$34,000 that were recorded by the McCrory campaign on March 3, 2012. The same day, the McGuireWoods PAC donated \$4,000 and two other PACs of clients represented by McGuireWoods also contributed \$4,000 each. One of the individuals in the sweepstakes business, Neil Hoover, was incorrectly identified on McCrory’s disclosure report as a VP of McGuireWoods. Only one of the 10 individuals had an occupation or employer listed that might help the public know they worked in the electronic gaming business, namely David Hagie (whose name was misspelled as Hague) of “DPH Vending.”

Upon information and belief, this overall pattern of donations on March 3, with McGuireWoods apparently at the center of at least several, raises the concern that lobbyists or their supervised agents were involved in the collection, possession, transfer or delivery of “multiple contributions” to a gubernatorial candidate, which would be a possible violation of NC General Statute 163-278.13C.

Mr. Neil Hoover made another contribution to Pat McCrory on October 12, 2012, and again is listed as a “VP, McGuire Woods Consulting.” His business partner, Matthew Lewis, as well as David Hagie, also made donations of \$4,000 each that day.

It is important to note that owners of the VS2 sweepstakes company (including a North Carolina businessman) have also been arrested in recent months in connection with illegal gambling, in this case by authorities in Ohio. Upon information and belief, all 15 individuals involved in the three clusters of contributions to McCrory have ties to VS2 or Burns’ IIT software firms. A thorough investigation of all these contributions would examine and clarify that they originate from legal sources, not from business accounts, and do not involve lobbyists in an impermissible manner.

I respectfully submit this complaint and request for investigation as a North Carolina registered voter, in accordance with NCGS 163-278.22(7). Upon information and belief, I attest and affirm that the foregoing is a truthful statement of the facts, as I know them. Thank you for your assistance.

Sincerely,

Bob Hall