

September 25, 2018

Federal Election Commission
Office of Complaints Examination & Legal Administration
Attn: Donna Rawls, Paralegal
1050 First Street, NE
Washington, DC 20463

Re: MUR 7458 – Response to Complaint of Frances A. Noe

Dear Ms. Rawls:

I write on behalf of Respondents Arizona Republican Party and its treasurer, Bob Lettieri (the “Party”), and Debbie Lesko for Congress and its treasurer, Ashley Ragan (the “Lesko Campaign”) in response to the complaint filed with the Commission filed by Frances A. Noe. For the reasons discussed below, there is no reason to believe that the Party made, or the Lesko Campaign accepted, any direct or in-kind contribution in connection with the Lesko Campaign’s use of certain Party office space.

FACTUAL BACKGROUND

Representative Lesko is a candidate for United States Representative for the Eighth District of Arizona in the upcoming November 6, 2018 general election, and Debbie Lesko for Congress is her principal campaign committee. Representative Lesko previously was a candidate for the same office in a special primary election held on February 27, 2018, a special general election held on April 24, 2018, and a regular primary election held on August 28, 2018.

On or around June 27, 2018 the Lesko Campaign and the Party entered into an arms-length agreement pursuant to which the Lesko Campaign would sublease a portion of a strip mall space leased by the Party at 10050 West Bell Road in Sun City, Arizona, effective July 1, 2018. *See* Decl. of Brian Murray, Ex. 1. In accordance with the sublease agreement, the Lesko Campaign has occupied approximately one hundred square feet of office space and been permitted use of the Party’s telephone and Internet connections in exchange for rental payments of \$250 per month. *See id.* ¶ 5. Specifically, one Lesko Campaign staffer is stationed in a small makeshift cubicle that consumes an estimated thirty square feet; additional areas are sometimes utilized to store other campaign materials or to provide temporary work areas for interns. *See id.* ¶ 7. The sole campaign staffer at the site is a paid employee of the Lesko Campaign, which is exclusively responsible for his compensation, and the Lesko Campaign does not engage the services of Party employees at the site for its own purposes. *See id.* ¶ 8. The Lesko Campaign’s remittances of the rental payments have been properly and timely disclosed in its reports to the Commission.¹

¹ Relevant excerpts of the Lesko Campaign’s pre-primary report, which covers the time period between July 1, 2018 (when the lease began) and August 8, 2018, is attached hereto as Exhibit A.

LEGAL ISSUES

The complaint's theory that the Party made and the Lesko Campaign accepted prohibited and/or unreported in-kind contributions in the form of office space finds no factual sustenance. Prior to the commencement of the lease on July 1, 2018, the Lesko Campaign did not occupy or operate any campaign office in the Sun City building or any other Party premises. While Lesko Campaign personnel would sometimes visit the Sun City building and hold occasional impromptu meetings there, no portion of the structure was designated for, or used by, the Lesko Campaign as a campaign office. *See* Murray Decl. ¶ 9. As the Commission has previously recognized, candidates' incidental and sporadic use of party facilities does not engender a reportable in-kind contribution. *See* MUR 6049 (Kosmas for Congress, *et al.*), Factual & Legal Analysis at 10-11 (candidate's use of party building for a campaign event did not indicate that candidate maintained an office in the space).

In June 2018, the Lesko Campaign decided that it wished to establish a permanent presence in the Sun City building. To that end, the Lesko Campaign and the Party negotiated the sublease agreement, pursuant to which the Lesko Campaign would pay the Party \$250 per month in exchange for the use of some 100 square feet of office space. *See* Murray Decl. ¶ 5. The terms of the sublease encapsulate the parties' bargained-for agreement and are consistent with the fair market value of comparable commercial office space in the same geographic area. *See id.* All rental payments have been, and will continue to be, fully and timely disclosed to the Commission. There accordingly is no plausible basis for inferring that the Party made or that the Lesko Campaign accepted any prohibited or unreported contribution. *See* 11 C.F.R. § 100.52(d)(1) (an in-kind contribution results only from "the provision of any goods or services without charge or at a charge that is less than the usual and normal charge for such goods or services"); MUR 6830 (Burlington County Republican Committee, *et al.*), Factual & Legal Analysis at 5 (finding that no in-kind contribution resulted if candidate paid to the party committee the "fair-market value of the rent" of the office space it occupied, adding that "[i]n any event, the record indicates that any potential benefit the [candidate committee] may have derived from the use of the space likely would have been modest because the satellite office was a small operation at all relevant times and it appears that the [candidate] did not use any additional [party committee] resources").

* * *

In sum, there is no reason to believe that any of the Respondents violated any provision of the Federal Election Campaign Act or the Commission's implementing regulations. The Commission accordingly should dismiss the complaint in its entirety without further action.

Respectfully,

/s/ Kory Langhofer
Kory Langhofer

Exhibit A

100-444444-100

**FEC
FORM 3****REPORT OF RECEIPTS
AND DISBURSEMENTS**
For An Authorized Committee

Office Use Only

1. NAME OF COMMITTEE (in full) TYPE OR PRINT ▼ Example: If typing, type over the lines.

12FE4M5

DEBBIE LESKO FOR CONGRESS

ADDRESS (number and street)

PO BOX 45388



Check if different than previously reported. (ACC)

PHOENIX

AZ

85064

CITY ▲

STATE ▲

ZIP CODE ▲

2. FEC IDENTIFICATION NUMBER ▼

C C00663914

3. IS THIS REPORT



NEW (N)

OR



AMENDED (A)

STATE ▼ DISTRICT

AZ

08

4. TYPE OF REPORT (Choose One)

(a) Quarterly Reports:



April 15 Quarterly Report (Q1)



July 15 Quarterly Report (Q2)



October 15 Quarterly Report (Q3)



January 31 Year-End Report (YE)



Termination Report (TER)

(b) 12-Day PRE-Election Report for the:



Primary (12P)



General (12G)



Runoff (12R)



Convention (12C)



Special (12S)

Election on

MM / DD / YYYY
08 / 28 / 2018

in the State of

AZ

(c) 30-Day POST-Election Report for the:



General (30G)



Runoff (30R)



Special (30S)

Election on

MM / DD / YYYY

in the State of

5. Covering Period

MM / DD / YYYY
07 / 01 / 2018

through

MM / DD / YYYY
08 / 08 / 2018

I certify that I have examined this Report and to the best of my knowledge and belief it is true, correct and complete.

RAGAN, ASHLEY, ,

Type or Print Name of Treasurer

Signature of Treasurer

RAGAN, ASHLEY, ,

[Electronically Filed]

Date

MM / DD / YYYY
08 / 16 / 2018

NOTE: Submission of false, erroneous, or incomplete information may subject the person signing this Report to the penalties of 52 U.S.C. §30109.

Office
Use
Only**FEC FORM 3**
(Revised 05/2016)

**SCHEDULE B (FEC Form 3)
ITEMIZED DISBURSEMENTS**Use separate schedule(s)
for each category of the
Detailed Summary PageFOR LINE NUMBER:
(check only one)

PAGE 30 OF 35

<input checked="" type="checkbox"/> 17	<input type="checkbox"/> 18	<input type="checkbox"/> 19a	<input type="checkbox"/> 19b
<input type="checkbox"/> 20a	<input type="checkbox"/> 20b	<input type="checkbox"/> 20c	<input type="checkbox"/> 21

Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.

NAME OF COMMITTEE (In Full)

DEBBIE LESKO FOR CONGRESS

Full Name (Last, First, Middle Initial)

A. I360, LLC

Mailing Address 29374 NETWORK PLACE

City
CHICAGOState
ILZip Code
60673-1293Purpose of Disbursement
DIGITAL ADVERTISING

Candidate Name

Category/
Type

Office Sought:

☐ House
☐ Senate
☐ President

Disbursement For: 2018

☒ Primary ☐ General
☐ Other (specify) ▼

State:

District:

Date of Disbursement

MM	DD	YYYY
07	26	2018

FEC Identification Number

C

Amount of Each Disbursement this Period

2500.00

Transaction ID : B783DDB5B6315428ABD7

☐ Memo Item**B. ARIZONA REPUBLICAN PARTY**

Mailing Address 3501 N 24TH ST

City
PHOENIXState
AZZip Code
85016-6607Purpose of Disbursement
RENT

Candidate Name

ARIZONA REPUBLICAN PARTYCategory/
Type

Office Sought:

☐ House
☐ Senate
☐ President

Disbursement For: 2018

☒ Primary ☐ General
☐ Other (specify) ▼

State:

District:

Date of Disbursement

MM	DD	YYYY
07	31	2018

FEC Identification Number

C C00008227

Amount of Each Disbursement this Period

250.00

Transaction ID : BDC8CF8B8952D46B2AB5

☐ Memo Item**C. INCOMPLIANCE**Mailing Address 2211 EAST HIGHLAND
SUITE 210City
PHOENIXState
AZZip Code
85016Purpose of Disbursement
ACCOUNTING/COMPLIANCE SERVICES

Candidate Name

Category/
Type

Office Sought:

☐ House
☐ Senate
☐ President

Disbursement For: 2018

☒ Primary ☐ General
☐ Other (specify) ▼

State:

District:

Date of Disbursement

MM	DD	YYYY
08	01	2018

FEC Identification Number

C

Amount of Each Disbursement this Period

3500.00

Transaction ID : B64CB6ACC5E0C446DBD7

☐ Memo Item

SUBTOTAL of Disbursements This Page (optional).....

6250.00

TOTAL This Period (last page this line number only).....

Declaration of Brian Murray

I, Brian Murray, do upon oath declare as follows:

1. I am over 18 years of age and am competent to testify in this matter.
2. I make this declaration based upon my own personal knowledge.
3. I am a partner at Summit Consulting Group, which has provided general consulting services to Debbie Lesko for Congress (the "Lesko Campaign") since December 2017.
4. In or around June 2018, the Lesko Campaign determined that it was interested in utilizing office space leased by the Arizona Republican Party (the "Party") in a strip mall located at 10050 West Bell Road in Sun City, Arizona.
5. The Party and the Lesko Campaign accordingly negotiated a sublease agreement, pursuant to which the Party would provide the Lesko Campaign a portion of the office space, as well as utility services such as telephone and Internet, beginning on July 1, 2018. In exchange, the Lesko Campaign would pay rent to the Party at a rate of \$250 per month. The \$250 rental rate was the product of arms-length negotiations between the committees and reflects a good faith assessment of the fair market value of the subleased premises.
6. A true and correct copy of the sublease agreement is attached hereto as Exhibit 1.
7. The Lesko Campaign occupies an estimated 100 square feet of the space, which consists of a makeshift cubicle for one campaign staffer as well as additional small areas used to store campaign materials or to provide temporary work areas for interns.
8. The campaign staffer stationed at the office space is compensated exclusively by the Lesko Campaign, and, to the best of my knowledge, the Lesko Campaign has never enlisted the services of Party employees at the site for its own purposes.
9. Prior to July 1, 2018, the Lesko Campaign held occasional meetings at the Sun City building, but no portion of the site (or any other Party property) was designated for, or used as, dedicated office space specifically for the Lesko Campaign.

1007441007001

I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 26th day of September, 2018.

Brian Murray



Exhibit 1

10047410901



June 27, 2018

Debbie Lesko for Congress
Attn: Brian Murray
Delivered via e-mail

To Whom It May Concern:

The Arizona Republican Party agrees to provide your campaign with a portion of our West Valley office, located at 10050 W Bell Road, Sun City, AZ 85351, effective July 1, 2018.

The AZ GOP will invoice Lesko for Congress for \$250 per month, payable by the last day of each month. This agreement shall remain in place until one or both parties wishes to terminate. Once terminated, this agreement shall remain in effect until the final day of the month of termination, and a final month's payment will be made.

Thank you and please contact us with any questions.

Sincerely,

Kyle Pierce
Executive Director, AZGOP

10050 W BELL RD
SUN CITY, AZ 85351