



STATE OF MAINE
COMMISSION ON GOVERNMENTAL ETHICS
AND ELECTION PRACTICES
135 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0135

To: Commissioners
From: Jonathan Wayne, Executive Director
Date: July 1, 2013
Re: Recommended Findings of Violation and Penalties against Stavros Mendros,
Peter Robinson and the Lewiston Casino PACs

I. SUMMARY

This memorandum explains the recommended findings of violation and penalties against Stavros Mendros, Peter Robinson, and the two political action committees (PACs) they formed in 2010 and 2011 to promote a casino in Lewiston through a citizen initiative. The investigation by the Commission staff has determined that the PACs knowingly misrepresented the sources of roughly \$412,000 in out-of-state contributions that they received to influence the outcome of a ballot question. The PACs reported that GT Source, a Georgia corporation, was the sole source of the \$412,000 in contributions. In fact, GT Source did not contribute any funds to the PACs. The entire out-of-state funding (actually totaling around \$388,000) came from two Maryland companies and one Oklahoma businessman who are all involved in the gambling industry: Wild West Gaming, Incentovation, LLC, and Chase Burns (an owner of a gambling software company). Nearly all of this money was channeled through a Maine corporation, M Five, Inc., which was formed six weeks before the election and would have been the owner/operator of the casino if the citizen initiative had passed.

Throughout this investigation, Mr. Mendros and Mr. Robinson claimed that they believed GT Source was the original source of the contributions. However, the Commission staff has concluded that there is no plausible basis for believing that the funds came from GT Source. Mr. Mendros and Mr. Robinson knew or, at the very least, reasonably should have known that the funds came from other sources.

Mr. Mendros, Mr. Robinson and other investors in the proposed casino would have been in a position to realize millions of dollars in return for their investment if the citizen initiative had passed. A new casino also would have had a significant and long-lasting impact on the cities of Lewiston and Auburn and the surrounding communities. Yet the residents of those communities were kept in the dark about who was funding the two PACs promoting the casino. Because the PACs misreported the sources of their campaign funding, voters statewide were denied meaningful information as they decided whether to approve a new casino in Lewiston.

Given the information obtained by the staff during the investigation, it is implausible to believe that the PACs did not know or were confused about the sources of their funding. The PACs were led by seasoned political operators such as Mr. Mendros, who understood that they had a legal duty to provide accurate campaign finance information to the public prior to the election. Instead, their campaign finance reports misled the people of Lewiston/Auburn and the rest of Maine, and the misrepresentations continued in statements made to the press prior to the election and well after the election in statements to the Commission staff.

Despite having ample opportunities to do so, Mr. Mendros and Mr. Robinson have never forthrightly explained or documented where the PACs' political funding came from. The Commission staff interviewed Mr. Mendros once and Peter Robinson twice. Over the course of half a year, we asked them five times to provide bank documents to support their financial reporting, but throughout this investigation they did not provide a single check or bank statement. In fact, Mr. Mendros even discouraged others from providing information or cooperating with the staff, claiming that the Commission lacked jurisdiction and was on a fishing expedition. The money trail was only finally established through the use of the Commission's subpoena power to obtain bank records from five bank accounts – three of which were outside of Maine, requiring applications to trial courts in two states. Once the Commission staff obtained the bank records, it became clear that determining the identity of the source of the contributions was not

difficult. Had Mr. Mendros and Mr. Robinson taken the PACs' responsibilities seriously, they could have accurately reported the actual source of the out-of-state funding at the time the reports were filed. Even giving them the benefit of the doubt, they could have easily found out where the funds came from at the outset of this investigation. Instead, Mr. Mendros and Mr. Robinson evaded the staff's requests for bank records and persisted in providing false information to the Commission and the staff about the source of the funds.

The misreporting of the PACs' funders is a serious breach of Maine's donor disclosure laws. The public was misled, and an important principle of transparency to the public was violated. Both Mr. Mendros and Mr. Robinson were able to obtain accurate information about the source of the contributions from the beginning of the campaign to get the citizen initiative on the ballot and neither took the necessary steps to make sure that the PACs' reports were accurate. In addition, Mr. Mendros, in particular, took steps to thwart the Commission's investigation by telling others not to cooperate with the Commission staff. We therefore recommend findings of violation and assessment of civil penalties totaling \$32,500.

II. RESULTS OF COMMISSION STAFF'S INVESTIGATION

Complaint by Casinos*NO!*

On December 23, 2011, the Ethics Commission received a complaint from Dennis Bailey of Casinos*NO!* (Attachment 8) requesting that the Commission investigate whether GT Source Corporation was actually the source of seven contributions totaling roughly \$412,000 reported by the PACs. The complaint was based on a proposed and unexecuted Option Agreement between a limited liability company formed by Mr. Mendros and the other investors in the casino, Great Falls Recreation & Redevelopment, LLC,¹ and a

¹ The casino investors formed a limited liability company called Great Falls Recreation & Redevelopment, LLC. This LLC purchased the option to buy Bates Mill Building No. 5 from the City of Lewiston. Mill No. 5 was to be the site of the new casino. This LLC will be referred to in this memo as Great Falls, LLC. Mr. Mendros is listed as its manager in its filings with the Maine Secretary of State, and Mr. Mendros' residence is listed as the LLC's principal address.

newly established Maine corporation, M Five, Inc. formed by three out-of-state individuals in the gambling industry (Attachment 10). In the proposed agreement, it was contemplated that M Five, Inc. would make an initial \$5,000,000 payment and make 40 quarterly payments based on a percentage of the casino's revenue to Great Falls, LLC. Thus, if Maine voters had approved a casino in Lewiston, Mr. Mendros and the other investors would likely have received a significant personal gain.²

Attachment 1 to this memo is a chart of the relevant organizations and their principals. The organizations are also shown in a diagram of cash flow on page 13.

Legal Duty of PACs to Report Contributors

The relevant statutes are contained in Attachment 3.

Duty to file reports. PACs are legally required to register with the Commission and to file financial reports. (21-A M.R.S.A. §§ 1053 & 1059)

Duty to report contributors. PACs must report the contributions that they have received: "The reports must contain ... [the] [n]ames, occupations, places of business and mailing addresses of contributors who have given more than \$50 to the political action committee in the reporting period and the amount and date of each contribution" (21-A M.R.S.A. § 1060(6))

Reports are late if they do not substantially comply. Under 21-A. M.R.S.A. § 1062-A(2), "[a] campaign finance report is not timely filed unless a properly signed or electronically submitted copy of the report, substantially conforming to the disclosure requirements of this subchapter, is received by the commission by 11:59 p.m. on the date it is due."

² The agreement is signed by all of the members of Great Falls, LLC. No representatives of M Five, Inc. had signed the copy of the proposed agreement obtained by Casinos*NO!*

Material misrepresentations. Maine campaign finance law contains a general provision prohibiting PACs, candidates, and others from making material false statements to the Commission:

Material false statements. A person that makes a material false statement or that makes a statement that includes a material misrepresentation in a document that is required to be submitted to the commission, or that is submitted in response to a request by the commission, may be assessed a penalty not to exceed \$5,000.

(21-A M.R.S.A. § 1004-A(5))

Two Casino PACs Formed by Stavros Mendros and Peter Robinson

Green Jobs for ME PAC

Green Jobs for ME was the first PAC formed in support of the Lewiston casino citizen initiative. On its registration form filed on May 19, 2010 (Attachment 4), the PAC listed Stavros Mendros as its manager and Peter Robinson as its treasurer. Most of the financial activity of Green Jobs for ME was conducted during the signature-gathering phase for the citizen initiative from June to December 2010. The early funding for the PAC was provided by local investor-promoters of the casino project (Mr. Mendros, Mr. Robinson, Dr. Ronald Chicoine, Timothy Poutre, Stephen Roop, Florentia Mendros and others).

Green Jobs for ME was successful in collecting enough signatures to get the citizen initiative on the ballot. After the Legislature declined in June 2011 to enact the legislation, Green Jobs for ME made some campaign-related expenditures in August-September 2011. Then, the PAC ceased financial activity on September 22, 2011.

People of Lewiston Auburn Committee

Approximately three weeks before the November 8, 2011 election, Mr. Mendros and the casino proponents formed a second PAC named the People of Lewiston Auburn Committee (Attachment 5), which was the only PAC supporting the initiative after Green Jobs for ME terminated. However, as explained below, this PAC never actually received cash contributions and never made any direct payments to vendors for campaign services.

William Welch (former Chief of the Lewiston Police Department) was listed on the PAC's registration as the treasurer of the PAC. Laurent F. Gilbert, Sr., who was the mayor of Lewiston at the time of the election, was listed as a principal officer. Along with Mr. Welch and Mayor Gilbert, Mr. Mendros and Mr. Robinson were listed as primary fundraisers and decision-makers for the new PAC. Mr. Robinson functioned as the treasurer of People of Lewiston Auburn Committee, even though he was not named as the treasurer. He filed the PACs' campaign finance reports.

The Contributions Reported by the PACs

In their campaign finance reports (Attachments 6 and 7), the two PACs reported receiving seven cash contributions totaling roughly \$412,000 from GT Source Corporation, a manufacturer and supplier of video gambling equipment, such as video slot machines, based in Kennesaw, Georgia. Dwayne Graham is the Chief Executive Officer of GT Source Corporation.

| Contributions from GT Source Reported by PACs | | | |
|--|---------------------------------------|---------------------|----------------------------------|
| Reported Date of Contribution | PAC Reporting the Contribution | Amount | Report |
| 8/12/2011 | Green Jobs for ME | \$5,000.00 | October Quarterly (10/5/2011) |
| 9/1/2011 | Green Jobs for ME | \$2,200.00 | October Quarterly (10/5/2011) |
| 9/22/2011 | Green Jobs for ME | \$26,000.00 | October Quarterly (10/5/2011) |
| 10/13/2011 | People of Lewiston Auburn Committee | \$25,000.00 | 11-Day Pre-General (10/28/2011) |
| 10/13/2011 | People of Lewiston Auburn Committee | \$140,000.00 | 11-Day Pre-General (10/28/2011) |
| 10/18/2011 | People of Lewiston Auburn Committee | \$160,000.00 | 11-Day Pre-General (10/28/2011) |
| 10/26/2011 | People of Lewiston Auburn Committee | \$53,419.73 | 42-Day Post-General (12/29/2011) |
| Total | | \$411,619.73 | |

Prior to the election, Mr. Graham made statements to the news media (discussed below) which falsely gave the impression that his company had donated money to the political campaign. When anti-casino groups raised questions prior to the election about his company's involvement, Mr. Graham did not return phone calls from news reporters. (See Attachment 9) After the election, he flatly refused to cooperate with this investigation.

The Actual Contributions (see diagram of cash flow on page 13 and Attachment 2)

The Commission staff's investigation confirmed that GT Source Corporation did not provide any money for the political campaign and that the PACs falsely reported that \$412,000 in political contributions came from GT Source. The staff bases this conclusion on a review of the bank records of the actual contributors and interviews with Ryan Hill and Scott Nash. They are the principals of the companies that did provide the funding – Wild West Gaming and M Five, Inc. These companies are described below on pages 9-11.

Except for one cash contribution, Wild West Gaming and M Five, Inc. did not give money directly to the PACs, as is shown on the table on page 8.³ Rather, the two companies made payments directly to two political consulting firms working for the PACs (Olympic Consulting, which is Mr. Mendros' firm, and Dome Messaging), which spent the money on the PACs' behalf. Also, a web design firm in Michigan (AG Artistic Consulting) received some small payments.

Indeed, the second PAC (People of Lewiston Auburn Committee) never received or spent any money and did not even have a bank account. It was essentially a reporting vehicle for money that M Five, Inc. paid to Dome Messaging. This financial arrangement is unusual and not the most conducive to accurate reporting because of the risk of miscommunication and other errors. Nevertheless, the Commission staff is not prepared to consider it a legal violation.

³ This table does not show money which the PACs received from in-state sources such as the local casino investor group or Great Falls, LLC.

| Actual Political Contributions from Out-of-State Donors | | | |
|--|------------------|------------------------|--------------------------|
| Date of Payment (from bank statements) | Payor | Payee | Amount |
| 8/12/2011 | Wild West Gaming | Olympic Consulting | \$1,277.20 |
| 8/16/2011 | Wild West Gaming | AG Artistic Consulting | \$855.00 |
| 8/19/2011 | Wild West Gaming | Olympic Consulting | \$2,502.00 |
| 8/29/2011 | Wild West Gaming | AG Artistic Consulting | \$332.20 |
| 9/24/2011 | Wild West Gaming | AG Artistic Consulting | \$437.50 |
| 9/22/2011 | Wild West Gaming | Green Jobs for ME | \$26,000.00 ⁴ |
| 10/05/2011 | M Five, Inc. | Dome Messaging | \$80,000.00 |
| 10/14/2011 | M Five, Inc. | Dome Messaging | \$30,000.00 |
| 10/18/2011 | M Five, Inc. | Dome Messaging | \$70,000.00 |
| 10/26/2011 | M Five, Inc. | Dome Messaging | \$45,000.00 |
| 11/03/2011 | M Five, Inc. | Dome Messaging | \$130,000.00 |
| 11/08/2011 | M Five, Inc. | Dome Messaging | \$1,250.00 |
| 11/10/2011 | M Five, Inc. | AG Artistic Consulting | \$552.50 |
| 11/10/2011 | M Five, Inc. | AG Artistic Consulting | 43.75 |
| Total | | | \$388,220.15 |

⁴ On September 22, 2011, Wild West Gaming made a wire transfer of \$121,000 to Great Falls, LLC. The LLC transferred \$26,000 to Green Jobs for ME to be used for political purposes. (The information we received was that the other \$95,000 paid by Wild West Gaming was to purchase the option to buy the mill building.)

The Actual Sources of Contributions to the PACs

Wild West Gaming

Wild West Gaming is the business name of a Maryland limited liability company (WWG Technologies, LLC) controlled by Ryan Hill and Scott Nash, both residents of Maryland.⁵ Mr. Hill and Mr. Nash are business partners who have worked together on a variety of commercial ventures. They provided information and documents to the Commission after they received notice of the Commission's subpoena for the bank records of Wild West Gaming and M Five, Inc. They engaged Maine attorney Kate R. Knox, Esq. to assist them in cooperating with the Commission's investigation.

According to Mr. Hill and Mr. Nash, Wild West Gaming receives its income from leasing video gambling machines to three clients that are licensed by the State of Maryland to conduct gambling operations. Mr. Hill and Mr. Nash have an ownership interest in one of the clients, the Crooked I restaurant and casino in Chesapeake Beach, Maryland.

Wild West Gaming has an on-going business relationship with GT Source Corporation and has purchased video gambling machines from GT Source Corporation. The two businesses are two separate entities.

The Commission subpoenaed the bank records for Wild West Gaming for the period of June 1, 2011 to January 31, 2012. After reviewing all the records, the staff saw no evidence that GT Source Corporation paid any money to Wild West Gaming during this period.

Through a letter from their attorney, Ryan Hill and Scott Nash confirmed that:

- GT Source provided no money to Wild West Gaming to be used for the political campaign in support of the Lewiston casino, and

⁵ According to Mr. Hill and Mr. Nash, Wild West Gaming is a wholly owned subsidiary of Incentovation, LLC, which itself is owned by two other companies:

- Hill Development Group, owned by Ryan and Sarah Hill, has a 70% share of Incentovation and
- CDR, LLC, owned by Scott Nash, has a 30% share.

- All the money Wild West Gaming contributed for the political campaign came from existing business operations of Wild West Gaming and its parent company, Incentovation.

Please see May 15, 2013 letter from Kate R. Knox, Esq. (Attachment 16).

M Five, Inc.

M Five, Inc. is a Maine corporation that was formed in September 2011 for the purposes of developing and operating the casino. Articles of Incorporation were filed with the Secretary of State of Maine on September 22, 2011. If voters had approved the Lewiston citizen initiative, M Five, Inc. would have applied for the state license to operate the casino. Because voters rejected the initiative, the corporation did not begin commercial operations. M Five, Inc. did not open an office in Maine.

The bank account for M Five, Inc. was at the Sandy Spring Bank of Olney, Maryland. The mailing address for the account was the residence of Ryan and Sarah Hill in Bethesda, Maryland. The authorized signers on the account were Ryan and Sarah Hill, and Scott Nash – all residents of Maryland.

Who Provided Financing to M Five, Inc.

The Commission staff reviewed the bank records for M Five, Inc. for the period of October 3, 2011 (when the account was opened) to January 31, 2012. It received a total of \$461,000 in cash. The bank records show that M Five, Inc. received no money from GT Source Corporation. Rather, the corporation received the total amounts shown in the following table. (See Attachment 3 for itemized receipts by M Five, Inc.)

| Cash Received by M Five, Inc. (total from each source) | | |
|---|---------------|--|
| \$261,000 | 56.6% | Wild West Gaming (Scott Nash and Ryan Hill) |
| \$50,000 | 10.8% | Incentovation (Scott Nash and Ryan Hill) |
| \$150,000 | 32.5% | Chase Burns (an individual in the gambling business) |
| \$461,000 | 100.0% | Total |

Who Owns M Five, Inc.

In interviews with the staff, Scott Nash and Ryan Hill disclosed that M Five, Inc. is owned by three business entities and two individuals. The following table shows the number of shares held by each owner and the percentage of cash provided by that owner.

| Owner | # of Shares | Percentage of Ownership | Percentage of M Five, Inc. Receipts |
|--------------------|--------------------|--------------------------------|--|
| Incentovation, LLC | 400 | 34.8% | 10.8% |
| Wild West Gaming | 300 | 26.1% | 56.6% |
| GT Source Corp. | 200 | 17.4% | 0% |
| Chase Burns | 150 | 13.0% | 32.5% |
| Scott Nash | 100 | 8.7% | 0% |
| Total | 1,150 | 100.0% | 100.0% |

As you can see from the chart, shares of stock were allocated on a basis other than provision of cash. Ryan Hill and Scott Nash confirmed through their attorney that M Five, Inc. awarded 200 shares of stock to GT Source Corporation “for helping develop the initial Lewiston Casino business plan and for its expertise that would have been needed in the event that the referendum had been successful.” (Knox letter, Attachment 16, at 1-2)

Bank Records Obtained by Commission Staff

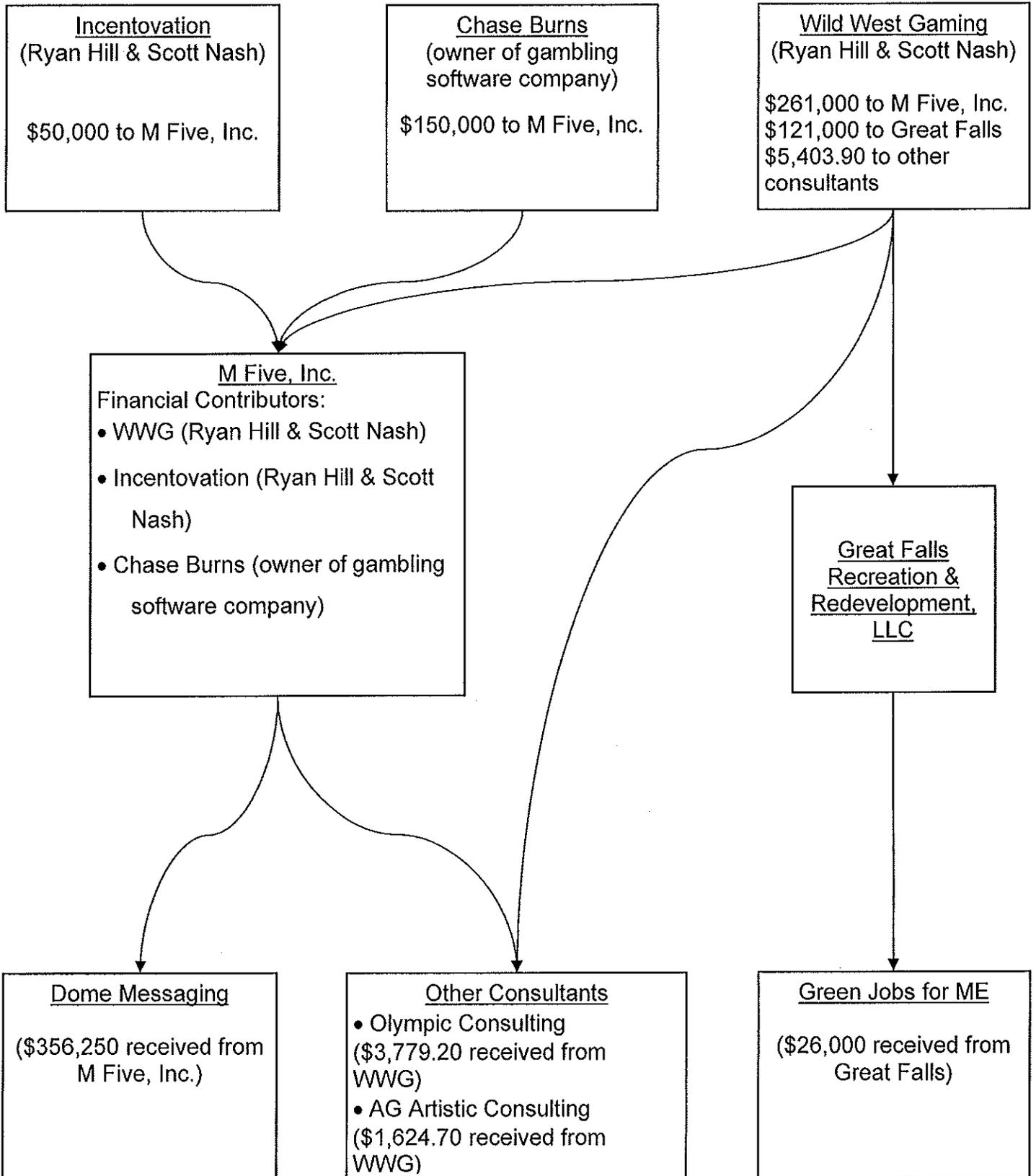
After many unfulfilled requests from the staff, it became apparent that Stavros Mendros and Peter Robinson would not provide any bank records to the Commission. In June 2012, the Commission staff determined that it must use the agency’s subpoena power to verify whether GT Source Corporation provided the campaign funds to the PACs. The Commission staff followed the trail of money through five accounts in Maine, Maryland, and Washington D.C. To obtain records from the Sandy Spring Bank in Olney, Maryland, it was necessary to apply for an order from the Maine Superior Court and a subpoena from the Circuit Court for Montgomery County in Rockville, Maryland.

During the investigation, the commission received the following financial records:

| Account Holder | Financial Institution | Type of Record | How Obtained |
|---|--|---|---|
| Great Falls Recreation & Redevelopment, LLC | TD Bank, N.A. Lewiston, ME | All account activity for 6/1/2011-1/31/2012 | Two subpoenas |
| Great Jobs for ME PAC | TD Bank, N.A. Lewiston, ME | All account activity for 6/1/2011-1/31/2012 | Subpoena |
| Dome Messaging | Congressional Federal Credit Union Washington, D.C. | Selected wire transfers from M Five, Inc. | Provided by Dome Messaging after letter requests |
| WWG Technologies, LLC | Sandy Spring Bank Olney, MD | All account activity for 6/1/2011-1/31/2012 | Subpoena and court applications |
| M Five, Inc. | Sandy Spring Bank Olney, MD | All account activity for 6/1/2011-1/31/2012 | Subpoena, and court applications; account statements provided by Scott Nash and Ryan Hill |

The most relevant of these bank documents have been provided to you and to Mark Walker, Esq., attorney for the PACs, to demonstrate that the funding for the political campaign did not come from GT Source Corporation and came, instead, from Wild West Gaming, Incentovation, and Chase Burns, an Oklahoma businessman who owns a gambling software company. Because the bank records contain “financial information not normally available to the public,” they are treated as confidential investigative working papers, pursuant to 1 M.R.S.A. § 1003(3-A)(A).

Diagram of Cash Flow



False Statements by Stavros Mendros and Peter Robinson concerning Sources of Funding

During this investigation, Mr. Mendros and Mr. Robinson have consistently contended that the “original source” of this funding was GT Source Corporation. Their contention is false as proven by bank records obtained by the Commission and by the statements from Mr. Hill and Mr. Nash.

Requests by the Commission Staff

The Commission staff made the following requests for information and documents:

- On December 28, 2011, the Commission staff notified the PACs that Casinos*NO!* had requested an investigation and that the request would be scheduled for the Commission’s January 25, 2012 meeting (Attachment 18). We requested information and documents, as part of the Commission staff’s preliminary gathering of factual information, in order to advise you whether we believed an investigation was appropriate under the Commission’s statutes. The PACs hired attorney Mark L. Walker to represent them. Mr. Robinson submitted a letter dated January 11, 2012, but provided no supporting documents of any kind (Attachment 12).
- The Commission sent a second request on January 13, 2012 seeking bank records and other documents to support the PACs’ explanations (Attachment 19). On January 23, 2012 (two days before your meeting), Mr. Walker provided a brief letter in response, but no documents (Attachment 13). The next day, Mr. Walker and Mr. Robinson met with the Commission staff. Mr. Robinson provided some correspondence from the PACs’ political consulting firm, Dome Messaging, in order to support the PACs’ expenditures, but no bank documentation concerning contributions received by the PACs (Attachment 14).
- On January 25, 2012, you met to decide whether to authorize a full investigation of this matter. After hearing comments by Mr. Robinson and Mr. Walker and considering the written submissions, you directed staff to conduct an investigation. (Attachment 17) At your February 29, 2012 meeting, the staff

reported back to you during executive session concerning the expenditures of the PACs.

- The Commission staff then began focusing its investigation on the sources of the funding for the PACs' political campaign. We made a request to the PACs on March 30, 2012, again seeking bank documents supporting the reported contributions and other documents (Attachment 20). At this point in the investigation, we believed that there was a possibility that GT Source Corporation had, in fact, provided the political funding. After not receiving a response, we made a narrower request on May 10, 2012, in order to move the investigation forward (Attachment 20). After still not receiving a response, we made a written request for the same information and documents on May 31, 2012 (Attachment 20).
- The Commission received a response from Mr. Walker, dated June 28, 2012, which consisted of nothing more than a 1½ page letter reiterating the same claims about the "original source" of the funds and no bank documentation (Attachment 13). At this point, the Commission staff gave up on receiving any further substantive response from Stavros Mendros and Peter Robinson.

Contextual Information Provided by Mr. Mendros and Mr. Robinson

On seven occasions during this investigation, the Commission and the staff heard Mr. Mendros' and Mr. Robinson's version of how the campaign operated.⁶ They said that Mr. Mendros and the other local investors formed a limited liability company, Great Falls, LLC, for purposes of promoting a casino in Lewiston. Great Falls, LLC made payments for business purposes (*e.g.*, purchasing an option from the City of Lewiston to buy Bates Mill Building #5 for purposes of developing a casino) and for campaign purposes (*e.g.*, circulating petitions for signatures).

⁶ These responses have included a letter dated January 11, 2012 letter from Mr. Robinson, letters from Mark Walker dated January 23, 2012 and June 28, 2012, public presentations by Mr. Robinson and Mr. Walker at your January 25, 2012 meeting arguing for no investigation, interview responses by Peter Robinson on January 24 and October 10, 2012, and interview responses by Stavros Mendros on February 14, 2012.

Stavros Mendros managed the Lewiston casino initiative from its inception, including both campaign and non-campaign activities. Mr. Mendros was the member of the Great Falls, LLC who was in contact with the PACs' political consultant, Dome Messaging. He was also the member who was in touch with the principals of M Five, Inc., Scott Nash, Ryan Hill, and Dwayne Graham.

From the start of the enterprise, Mr. Mendros and the other local investors in Great Falls, LLC always intended to find some other entity to develop the casino project. They did not intend to develop the casino themselves. As they looked for potential developers, they encouraged the developers to meet with Lewiston officials. They could not find someone in Maine who was interested. (They did not disclose how many developers were consulted.)

Scott Nash, Ryan Hill, and Dwayne Graham became interested in the project. They met with Lewiston officials during the summer of 2011. There were extensive negotiations between them and Mr. Mendros, which included multiple drafts of contracts. No final written agreement was reached. M Five, Inc. was formed on September 20, 2011. M Five, Inc. provided funding for the political campaign based on "a gentlemen's agreement," according to Mr. Mendros. The funding for the political campaign was less than anticipated and arrived later than Mr. Mendros and Mr. Robinson wanted. Because time was short, the funding for the campaign was paid by M Five, Inc. directly to political consultant Dome Messaging, rather than through the People of Lewiston Auburn PAC.

Mr. Robinson filed campaign finance reports for both PACs. He was the treasurer for Green Jobs for ME (the first PAC). He also completed the campaign finance reports for the second PAC (People of Lewiston Auburn Committee). Mr. Robinson said he went over the reports with the treasurer, Bill Welch, before submitting them.

In 2010, Mr. Robinson received advice from our former PAC/Party/Lobbyist Registrar Cindy Sullivan that if a business organization was formed to promote the initiative, the

Commission staff recommended disclosing the financiers of that business entity as the contributors so that the public knew who was paying the bills. Mr. Robinson acknowledges in his January 11, 2012 letter that he understood the same reporting procedures should be used in 2011 to disclose the financiers of M Five, Inc. So, he understood the duty of the PACs to disclose the ultimate sources of their financing.

False Statements concerning Sources of Funding

While conceding that some money flowed through M Five, Inc., Stavros Mendros and Peter Robinson have repeatedly stated that GT Source Corporation was the “original source” of the funding. Indeed, through one of their attorney’s letters, they stated that GT Source was the only outside major contributor. These are the exact statements the Commission has received:

However, the funding for the campaign came from GT Source. (Attachment 12 – 1/11/2012 Robinson letter, first page)

Mr. Graham at GT Source was providing the funding for the campaign. (Attachment 12 – 1/11/2012 Robinson letter, second page)

It was Mr. Mendros’ and Mr. Robinson’s understanding that GT Source was the original source of funds for this campaign, and they are not aware of any other sources of funding. (Attachment 13 – 1/23/2012 Walker letter, first page)

There were no “mysterious” sources of additional funding for this Referendum. ... GT Source was the only outside major contributor and was the original source of the vast majority of campaign funding. (Attachment 13 – 1/23/2012 Walker letter, first page)

GT Source was the original source of all funding. That was the accurate way to report. (Attachment 11 – comments by Mark Walker during 1/25/2012 presentation)

GT Source was the original source of funds. It flowed, on one occasion, through M Five to the PACs. (Attachment 11 – comments by Mark Walker during 1/25/2012 presentation)

The report still lists GT Source as the contributor because it was essentially flowing through M Five. M Five was not an entity with any assets. The source of the money was GT Source. (Attachment 11 – comments by Peter Robinson during 1/25/2012 presentation)

The original source of the contributions into the PAC was from GT Source. (Attachment 13 – 6/28/2012 Walker letter, first page)

Again, the original source of these contributions was believed to be from GT Source (Attachment 13 – 6/28/2012 Walker letter, first page)

The funds received into Table B were from GT Source, and were received among other financial transactions without clear identification other than an account number. (Attachment 13 – 6/28/2012 Walker letter, first page)

Each one of these 10 statements made to the Commission during the course of this investigation was false. GT Source Corporation provided no funding for the political campaign.

III. STAFF ANALYSIS AND RECOMMENDATION

Evidence that Misreporting was Knowing

The evidence produced in this investigation proves that the source of the PACs' campaign funds was not GT Source and strongly suggests that there was a knowing effort to mislead the public by identifying GT Source as the funder of the political campaign. At this point in the investigation, it is impossible to determine with 100% certainty specifically who was within the circle of people who knew the true identity of the donors. Certainly, Dwayne Graham knew that his company had not provided any political funding. Scott Nash and Ryan Hill knew that, as well. The Commission staff believes it is far more likely than not that Stavros Mendros was aware that GT Source Corporation had not provided any money for the political campaign. The evidence of intentionality is discussed in this section because it is relevant to the amount of penalties to be assessed (next section) and it will enhance the public's understanding of financial activities to influence their vote in November 2011.

Even if the misreporting of GT Source Corporation as the contributor was not deliberate, it was, nevertheless, a significant campaign finance violation. Mr. Mendros and Mr. Robinson had a duty to find out the actual contributors and to report them. Regardless whether their actions were intentional or negligent, they had the effect of misleading the public.

Stavros Mendros' Central Role as Manager, Investor, and Principal Negotiator

Mr. Mendros was the manager of Great Falls, LLC which

- had purchased from the City of Lewiston an option to purchase Bates Mill 5 and to develop the property as a casino, and
- was seeking to sell that option to out-of-state casino developers.

Of the local investors in Maine, it was principally Mr. Mendros who was negotiating with the principals of M Five, Inc. and Wild West Gaming regarding the sale of the option to purchase the mill building. As an investor and manager of the project, he had a personal

interest in knowing who owned and provided the financing for M Five, Inc. and Wild West Gaming. From a business perspective, it seems unlikely that Mr. Mendros would not have made a thorough inquiry into the ownership and financing of those firms.

Conduct During the Investigation

The conduct of Peter Robinson and Stavros Mendros during this investigation has been objectively uncooperative. They refused to provide bank documentation after five requests by the Commission. If Peter Robinson and Stavros Mendros genuinely believed that their campaign finance reporting was correct, providing documentary evidence that the funds came from GT Source should have been a simple matter.

Further, during our interviews of persons with knowledge of the PACs' financial activity, we received indications that Mr. Mendros had discouraged others from providing documents or information to the Commission in this investigation.

- During our interviews of Mr. Robinson, we asked why he did not bring bank documents that we had requested. Mr. Walker and Mr. Robinson implied that others involved in the PAC did not want to provide the bank documents and quoted Mr. Mendros as saying the Commission "did not have jurisdiction," and was essentially on a fishing expedition.
- Ryan Hill and Scott Nash told us that when they found out that the Commission staff was seeking information from Dwayne Graham, they questioned Mr. Graham as to why he did not cooperate and provide what we were seeking. They said that Dwayne Graham responded that the Commission did not have jurisdiction and that he would take care of it.
- Dwayne Graham flatly refused to cooperate with the investigation. After initially replying on December 29, 2011 that he would "look into" our request, he replied on January 5, 2012 that neither he nor GT Source Corporation would participate in the investigation. (Attachment 22) In April 2012, I called him and sent another letter. His terse response was "You already have my official response. Please stop contacting GT Source and myself." (Attachment 22) Mr. Graham's refusal to cooperate has delayed the investigation considerably.

- When following up in August 2011 with the PACs' political consultant, Dome Messaging, concerning the consulting firm's lack of response to a previous request, the consulting firm replied that it had not provided the documents because Stavros Mendros said that he had handled it.

At the start of the investigation, we suspected that the slow and unhelpful responses by Stavros Mendros and Peter Robinson could have been due to factors such as post-election disappointment and the busy schedule of their attorney who is a solo practitioner. Now that the actual financial activity is known, the failure to provide bank documentation is more indicative of an intention to conceal that past statements in campaign finance reports were false.

Pattern of False Statements to the Public

In statements made to the press prior to the November 8, 2011 election, the local casino advocates provided a narrative that GT Source Corporation would be providing the out-of-state funding for the political campaign with the expectation of selling slot machines to the casino. After Green Jobs for ME filed the October 5, 2011 campaign finance report identifying the funder as GT Source Corporation, Dr. Ron Chicoine made the following comments to MaineToday Media:

Campaign finance reports filed last week show that the biggest contributor to the Question 3 campaign has been a gaming company from Georgia called GT Source. The company has donated \$33,200 out of total reported receipts of \$41,654 for the year. Chicoine said the company, which designs slot machines, hopes to sell slots to the casino.

(Portland Press Herald, Lewiston casino backers: Bates Mill No. 5 presents opportunity and challenge, October 9, 2011).

On October 23, 2011, the Lewiston Sun Journal published a news story, in which Dwayne Graham made statements to news reporter Scott Thistle seeming to confirm that his company had provided the money for the political campaign (Attachment 9).

A group hoping to set up a casino in Bates Mill No. 5 has received its first batch of corporate donations from an out-of-state company, according to state campaign finance reports.

Green Jobs for ME, a political action committee chaired by Stavros Mendros and formed to support bringing a casino to Bates Mill No. 5, is being partially funded by a Georgia-based maker of slot machines and other gaming equipment, a report on file with the Maine Ethics Commission shows.

Dwayne Graham, chief executive officer of GT Source Corp., a Kennesaw, Ga. company said Friday his company was helping finance the campaign because he liked the concept of revitalizing the mill and making the downtown more vibrant.

Graham also said his company saw the proposed casino as a chance to sell machines in Maine.

"That's what we would hope, it would be a new market for us to go into," Graham said. Graham said he visited the city in the spring and summer and liked what he saw, he also liked that much of the revenue from the casino would go to good causes.

"I fell in love with the place," Graham said. "I'm from a small town myself and I liked that much of the casino revenue would be going back into the community to things like veterans groups, Meals on Wheels and those kind of programs."

Voters statewide will decide a ballot question in November that, if approved, would legalize a casino with slot machines and table games in Lewiston's downtown.

So far Green Jobs for ME has been funded by individuals, most of them principal investors in the company that would set up and own the casino, Great Falls Recreation.

Graham said he hoped to help the campaign financially but said he wouldn't disclose how much.

"We're looking to help out as much as we can, but I do have a limit and I'm not going to discuss what that is." ...

(Attachment 9) It appears likely that at the time Mr. Graham made these statements to reporter Scott Thistle, he knew his statements were false or, at best, misleading. An

earlier, unpublished draft of the story quoted Stavros Mendros confirming that GT Source Corporation was the contributor, which Mr. Mendros described as “the largest slot machine manufacturer in the United States.” Mr. Thistle told me that this quote was removed from the story after Mr. Graham denied that his company was the largest U.S. slot machine manufacturer.

The apparent willingness to mislead voters continued into the week leading up to the election. On November 3, 2011, a news report by the Maine Public Broadcasting Network (MPBN) questioned whether the PACs’ campaign finance reports had correctly identified GT Source Corporation as the funder of the political campaign (Attachment 9). With just five days before the election, this information was important to the public’s assessment of the casino initiative. If Mr. Mendros confidently believed that the campaign finance reports were accurate, one would have expected the PACs’ spokespeople to confirm unequivocally that GT Source Corporation was the out-of-state donor. Instead, they were non-specific and even evasive in responding to MPBN. Dwayne Graham did not return the reporter’s phone calls. The two spokesmen for the casino campaign (former Mayor Larry Gilbert and Dr. Ron Chicoine) made references to “professionals who know this business” and “whoever will be the licensee” without identifying any company or individual by name.

Recent experience has made plain that any casino initiative in Maine will be scrutinized by the press and by casino opponents. Going into the last weeks of the political campaign, Mr. Mendros must have considered how the campaign would present the out-of-state funders to the public. This would have been an important public relations issue. It seems unlikely that the PACs would have identified GT Source as the outside funder – and have the impression falsely confirmed by Dwayne Graham – without any consultation by Mr. Mendros, given the high stakes in the election outcome for him personally and the other members of Great Falls, LLC.

Only Mr. Mendros and Mr. Robinson can explain their motive to put GT Source Corporation forward to the public as the funder for the political campaign, when, in fact,

the money came from businesses owned by Scott Nash and Ryan Hill and from Chase Burns. During the investigation, the staff did come across information that had the potential to create some negative public relations issues for the casino initiative campaign related to Chase Burns and to past business practices of Scott Nash, Ryan Hill and a former business partner. Otherwise, the staff is at a loss to understand the reason Mr. Mendros and Mr. Robinson concealed the identities of the actual funders of the campaign. Regardless of the motive, Maine voters were denied meaningful information concerning the likely casino developers as they decided whether to accept a casino in Lewiston.

Recommendations by Commission Staff

Late Filing of Reports

As noted above, “[a] campaign finance report is not considered timely filed unless a properly signed or electronically submitted copy of the report, substantially conforming to the disclosure requirements of this subchapter, is received by the Commission” (21-A M.R.S.A. § 1062-A(2)) The PACs filed three campaign finance reports on October 5 and 28, and December 20, 2011 that did not comply with 21-A M.R.S.A. § 1060(6), because the reports did not identify the names and addresses of contributors who gave more than \$50 to the committees. In addition, the reports do not contain the actual dates and amounts of the contributions. Therefore, the Commission should find that the PACs filed three reports late.

The “preliminary penalty” for a campaign finance report filed late by a PAC is determined according to a formula in 21-A M.R.S.A. § 1062-A(2), which is the product of three factors multiplied together: (1) the total contributions or expenditures for the filing period (whichever is greater); (2) a percentage (1%, 3%, or 5%, for the first, second or third violations); and (3) the number of days late. (21-A M.R.S.A. § 1062-A(3)) The maximum penalty for a late report is \$10,000, except if the financial activity reported late exceeds \$50,000, the maximum penalty is 1/5 of the amount reported late. (21-A M.R.S.A. § 1062-A(4)) The Commission may waive penalties in whole or in part, based

on mitigating circumstances or various considerations of proportionality of the preliminary penalty. (21-A M.R.S.A. § 1062-A(2))

The following table shows the calculation of the preliminary late-filing penalties and the reduction recommended by staff. As stated above, the staff believes that the reporting violations by the PACs. Nevertheless, the preliminary penalties based on the maximum amounts total around \$85,834. While the public was harmed greatly by not knowing the true source of the PACs' funding, we believe these penalties are disproportionate to that harm.

| Report Name | <u>Green Jobs for ME</u> | <u>People for Lewiston and Auburn Committee</u> | |
|--|---------------------------------------|---|--|
| | October Quarterly 7/1/11 - 9/30/11 | 11-Day Pre-General 10/1/11 - 10/25/11 | 42-Day Post-General 10/26/11 - 12/13/11 |
| Penalty Basis* | \$31,403.90 | \$180,765.43 | \$198,404.59 |
| Penalty Percentage | 1% | 1% | 3% |
| | \$314.04 | \$1,807.65 | \$5,952.14 |
| Number of Days Late** | 635 | 612 | 559 |
| Basis x Percentage x Days Late | \$199,414.77 | \$1,106,284.43 | \$3,327,244.97 |
| | | | |
| Maximum Penalty*** | \$10,000.00 | 20% of penalty basis | 20% of penalty basis |
| Preliminary Penalty Amount | \$10,000.00 | \$36,153.09 | \$39,680.92 |
| PRELIMINARY PENALTY TOTAL = \$85,834.00 | | | |
| Staff Recommended Reduction | 25% | 72.3% | 74.8% |
| Final Penalty Recommendation | \$7,500.00 | \$10,000.00 | \$10,000.00 |
| RECOMMENDED PENALTY TOTAL = \$27,500.00 | | | |

* 21-A M.R.S.A. § 1062-A(3).

** Days between the report due date and July 1, 2013.

*** 21-A M.R.S.A. § 1062-A(4).

The Commission staff recommends that you take the following actions at your July 29 meeting in connection with the late filing of three reports by the PACs:

- Violation #1 find that Green Jobs for ME filed its October 2011 quarterly campaign finance report late, because it failed to report contributions as required by 21-A M.R.S.A. § 1060(6);
- Penalty #1 assess a civil penalty of \$7,500 against Green Jobs for ME PAC for Violation #1;
- Violation #2 find that People of Lewiston and Auburn Committee filed its 11-day pre-election report late, because it failed to report contributions as required by 21-A M.R.S.A. § 1060(6);
- Penalty #2 assess a civil penalty of \$10,000 against People of Lewiston and Auburn Committee for Violation #2;
- Violation #3 find that People of Lewiston and Auburn Committee filed its 42-day pre-election report late, because it failed to report contributions as required by 21-A M.R.S.A. § 1060(6);
- Penalty #3 assess a civil penalty of \$10,000 against People of Lewiston and Auburn Committee for Violation #3.

Material False Statements

Under 21-A M.R.S.A. § 1004-A(5), “A person that makes a material false statement or that makes a statement that includes a material misrepresentation in a document that is required to be submitted to the commission, or that is submitted in response to a request by the commission, may be assessed a penalty not to exceed \$5,000.”

Stavros Mendros and Peter Robinson made seven material false statements to the Commission in documents requested by this Commission for purposes of gathering preliminary factual information and the subsequent investigation. These false statements were made in the January 11, 2012 letter by Peter Robinson (Exhibit 12) and the January 23 and June 28, 2012 letters (Exhibit 13) submitted by attorney Mark Walker on behalf of Stavros Mendros and Peter Robinson. (In both letters, Mr. Walker clearly states that he is writing on behalf of his clients Stavros Mendros and Peter Robinson.)

The seven material false statements in the letters convey that GT Source Corporation was the original source or contributor of money received by the PACs. These written statements are set out on pages 17-18 of this memorandum.⁷ The false statements by Stavros Mendros and Peter Robinson had the effect of delaying the Commission's investigation for more than one year. Had they disclosed their *actual* contributions (after performing any internal investigation that was necessary), the Commission could have concluded this matter in the early months of 2012. Instead, they persisted in making false claims about the funding source and failed to cooperate with the investigation. Thus, the Commission staff recommends assessing a penalty of \$5,000 against Stavros Mendros and Peter Robinson for making seven material false statements in the January 11 and 23, and June 28, 2012 letters.

Thank you for your consideration of this memorandum.

⁷ Please ignore the three oral statements by Peter Robinson and Mark Walker (made during their January 25, 2012 presentation to the Commission) that are also listed on pages 17-18.