

October 6, 2009

By Electronic Mail and
U.S. Certified Mail/Return Receipt Requested

The Honorable Lorraine C. Miller
Clerk of the House of Representatives
U.S. Capitol, Room H154
Washington, D.C. 20515-6601
lorraine.miller@mail.house.gov

The Honorable Nancy Erickson
Secretary of the Senate
U.S. Capitol, Room S-312
Washington, D.C. 20510
nancy.erickson@sec.senate.gov

Subject: LDA & HLOGA Violations by “Center for Responsible Lending/Center for
Community Self-Help” (Senate ID No. 283630 and House ID No. 368350000)

Madam Clerk and Madam Secretary:

We are writing to report serious violations of the Lobbying Disclosure Act (LDA) and the Honest Leadership in Government Act (HLOGA) by a vast network of nonprofit and for-profit companies that are collectively referred to as the “Group Registrant” in this letter.

As will be shown below, the Group Registrant has systematically attempted to camouflage and hide its activities by improperly registering and filing for multiple legal entities on a consolidated basis in a manner that is not permitted by the law or your official LDA Guidance document. As a result, it is impossible to determine which legal entity is actually engaging in the lobbying activities that are being reported. The Group Registrant also has failed to file reports in which it is required to identify certain contributions and also to certify compliance by its constituent entities with lobbying and ethics rules which are subject to civil and possible criminal penalties for willful violations under HLOGA. This pattern of misconduct is mirrored by the failure of the Group Registrant’s employees who are listed as lobbyists to file their own individual reports in which they are supposed to report their individual contributions and certify their own compliance with lobbying and ethics rules. Finally, the same confused client descriptions also appear in the filings of some of the Group Registrant’s outside lobbyists, so that it is impossible in some cases to tell which legal entities they actually represent and the issues they lobbied.

In light of the Group Registrant’s track record of ignoring its lawful registration and reporting obligations, we also suggest that you investigate the public claim by the lawyer for the Group Registrant’s principal donor reported in BusinessWeek that it was possible to “exploit” what he described as “loopholes in the law” in order to have the Group Registrant avoid disclosing the donor’s \$15 million dollar contribution notwithstanding what appears to be the

The Honorable Lorraine C. Miller
The Honorable Nancy Erickson
October 6, 2009
Page 2

donor's likely participation in helping to plan the Group Registrant's lobbying strategies. According to the same BusinessWeek article, this donor bet and appears to have had the opportunity to win billions of dollars in profits if the Group Registrant was successful in its efforts to obtain passage of mortgage relief legislation that would have reduced the value of subprime mortgage assets that the donor was selling short.

We further suggest that you investigate whether the Group Registrant may have relied on these same "loopholes in the law" to avoid disclosing the names of other large donors that likely participated and profited from the Group Registrant's lobbying activities over the years (such as the Group Registrant's earlier support for legislation that helped facilitate the granting of loans to low-income borrowers that eventually led to the subprime mortgage crisis and economic meltdown of our national economy). Finally, given the Group Registrant's tendency to ignore its lawful reporting obligations, we suggest you review carefully and make sure that the Group Registrant has properly calculated and reported all of the lobbying activities of its far flung enterprises.

As recently recited by the United States Court of Appeals in upholding the constitutionality of the LDA and HLOGA disclosure provisions:

More than fifty years ago, the Supreme Court held that the public disclosure of "who is being hired, who is putting up the money, and how much" they are spending to influence legislation is "a vital national interest." *United States v. Harriss*, 347 U.S. 612, 625-26 (1954). Today, we consider a constitutional challenge to Congress' latest effort to ensure greater transparency, the Honest Leadership and Open Government Act of 2007. Because nothing has transpired in the last half century to suggest that the national interest in public disclosure of lobbying information is any less vital than it was when the Supreme court first considered the issue, we reject that challenge. [*National Association of Manufacturers v. Taylor*, No. 08-5085, slip op. at 2 (D.C. Cir. Sept. 12, 2009).]

In the present case, the legal entities that comprise the Group Registrant have disregarded their lawful reporting requirements under the LDA and HLOGA with the result that the public is unable to determine "who is being hired, who is putting up the money, and how much" they are spending to influence legislation that benefits the Group Registrant and its donors. Given the "vital national interest" in disclosure in the case of an organization whose lobbying activities arguably are at the heart of our national economic meltdown, we are asking you to conduct a thorough investigation, require amended filings, and consider referral to the Department of Justice for further review and the imposition of appropriate sanctions for what appear in some instances to be willful violations of the LDA and HLOGA.

Background

The Group Registrant originally described itself in its LD-1 registration form filed in 2003 with the group name "Center for Responsible Lending/Center for Community Self-Help." This designation was shortened to the "Center for Responsible Lending/Center for Self-Help" in more recent LD-2 filings even though there was never any notice or amendment to its LD-1

Registration form. The identification numbers originally assigned by the Senate and House have stayed the same, namely: Senate ID No. 283630; and House ID No. 368350000.

Although it is possible that the Group Registrant intends this combined registration and its joint reports to include legal entities called the Center for Responsible Lending (CRL) and the Center for Community Self Help (CCSH), there is no way to tell this for sure, since there are no separate registrations and reports for these entities as required by the law and your official LDA Guidance instructions. It is equally possible that the filings of the Group Registrant include lobbying activities of other "Self Help" entities given the various descriptions that are provided in the reports filed by some of its outside lobbying firms. These filings by the Group Registrant's outside lobbying firms include references to their clients as the "Self Help Credit Union/Center for Responsible Lending" and "Self Help Credit Union" and simply "Self Help".

Attachment 1 is a chart that shows graphically the vast array of for-profit and nonprofit "Self Help" organizations that are part of or affiliated with the Group Registrant. It shows their complete legal names based on public information from various sources (since the Group Registrant does not make available to the public a complete description of this vast network in any one place). Whatever their names, the Group Registrant and its outside lobbyists have failed to register and file separate reports as required by the law and your official LDA Guidance instructions. The public is entitled to full disclosure and should not have to guess.

As described below, these violations are not minor or insignificant given the size and scope of lobbying activities being conducted by the Group Registrant. In 2007, for example, the Group Registrant apparently had four or more listed lobbyists on staff, utilized the services of three outside lobbying organizations, and reported total lobbying expenditures of \$640,000 on its LD-2 filings. In 2008, the Group Registrant had two or more listed lobbyists on staff, utilized six outside lobbying firms, and reported lobbying expenditures of \$880,000 on its LD-2 filings. So far in 2009, the Group Registrant continued to have two or more listed lobbyists on staff, utilized three outside lobbying firms, and reported lobbying expenditures totaling \$320,000 on its LD-2 filings for the first two quarters of 2009.

As reported on their LD-2 filings for 2009, the Group Registrant lobbied Congress and a number of agencies on a wide variety of banking issues. In addition to the two lobbyists listed on their LD-2 filings for 2009, the Group Registrant previously listed three lobbyists who were never terminated on Line 23, and it is unclear if these three individuals are still employed by the Groups Registrant.

In addition to these publicly reported lobbying activities for LDA purposes, the Group Registrant engaged in substantial research and other activities in support of its lobbying activities as evidenced by the extensive advocacy and legislative information made available to the public on its websites and its extensive grassroots lobbying activities seeking to have the general public contact Congress in support of its lobbying agenda. See, for example, CRL's Take Action/Current Campaigns home page at "<http://www.responsiblelending.org/take-action/current-campaigns/>" where a variety of issues and grassroots lobbying activities are described.

The actual lobbying activities of the Group Registrant were extensive. For example, in 2007 and 2008, the Group Registrant reported activities involving fifty-four separate bills under the Banking Issue Code involving the Senate, House, Department of Defense, Federal Deposit Insurance Commission, Federal Reserve System, Housing & Urban Development, Nation Credit Union Administration, Office of the Comptroller of the Currency, Office of Thrift Supervision, Government Accountability Office, Federal Housing Finance Board, Department of Treasury, and Office of Management and Budget. In the first half of 2009, the Group Registrant reported activities involving fourteen separate bills involving the Senate, House, and most of these same agencies.

The Group Registrant purports to conduct these extensive lobbying activities for the benefit of individual borrowers and consumers because CCSH, the organization at the very top of the pyramid, and CRL are both recognized under Section 501(c)(3) of the Internal Revenue Code. In reality, however, the greatest beneficiaries of the Group Registrant's lobbying activities may have been the businesses and investors who are involved in mortgage and other lending businesses that are subject to federal laws that the Group Registrant has worked so hard to influence. According to press reports (discussed below), the major contributors to the Group Registrant have earned billions of dollars from the subprime mortgage boom and financial crisis that followed; and they thus stood to gain from changes in federal policies to increase lending and to provide mortgage relief to low income families for which the Group Registrant has lobbied over the years.

Given the nature and scope of its lobbying activities, the Group Registrant as well as its employees who are listed lobbyists, its outside lobbying firms, and its principal contributors, are just the type of organizations and individuals for which public disclosure is required under the LDA; particularly the increased reporting requirements enacted as part of HLOGA they are ignoring which require both registrants and their employees to file semi annual reports describing their contributions and certifying compliance with lobbying and ethics rules.

The following is a brief summary of LDA and HLOGA violations that these organizations, their listed employee lobbyists, and their outside lobbying firms appear to have perpetrated. Given the nature and extent of these violations, additional investigation, corrective filings, and possible referral to the Department of Justice is warranted.

1. Improper Joint Registrations and Filings by Group Registrant

Under the LDA, there is no provision that allows for the joint registration and consolidated reporting of lobbying activities by separate legal entities on a group basis in the manner in which the Group Registrant has done. Pursuant to your official LDA Guidance instructions, in situations like this, the "parent" and each subsidiary or subordinate organization must make its own determination if its own employees meet the definition of a lobbyist, and then determine if each legal entity meets the registration threshold with respect to its own lobbying expenses. If so, separate registrations and reports are required for each legal entity.

A single or consolidated filing by the “parent” may be appropriate when there are multiple subsidiaries and the lobbyists address the same issues for all, but only if the “lobbyists all act under the close control of the parent.” In such a situation, the “parent” would need to disclose that the listed lobbyists are employees of the other legal entities (if that is the case), and the other legal entities would need to be identified as affiliated organizations (keeping in mind that the policy of the LDA is to promote disclosure of real parties in interest).

It is clear that the Group Registrant has not followed these procedures in its LD-1 registration or LD-2 lobbying activity reports by registering on a group basis as the “Center for Responsible Lending/Center for Community Self-Help” and then describing itself in later filings (without changing its registration) as “Center for Responsible Lending/Center for Self-Help.” This group registration strategy has the effect of camouflaging and hiding the actual individual entities that are engaged or being represented in their lobbying activities, which is one of the basic disclosure objectives of the LDA. Moreover, although there is a legal entity with the name “Center for Responsible Lending,” there is not even a legal entity with the name Center for Self-Help” of which we are aware. The public is entitled to have information about the lobbying activities of the Group Registrant reported separately by each individual legal entity in accordance with the law and the Group Registrant should be required to reregister and refile all of its reports in conformance with your official LDA Guidance instructions.

2. Failure of Group Registrant to Disclose Major Donors
Who Likely Helped Plan its Lobbying Activities

One of the key LDA reporting revisions that was enforced by HLOGA, and which was just upheld in the *National Association of Manufacturers* litigation, is the requirement for registrants to report the names of their major donors who help formulate their lobbying strategy. As noted in the introduction, we question the attempt to exploit “loopholes in the law” by the primary donor to the Group Registrant in an apparent effort to avoid disclosure of the donor’s name in the Group Registrant’s LD-2 filings for 2007 and possibly other years. Attachment 2 is a news report from BusinessWeek dated October 12, 2007, which carries the following headline:

A Subprime Bet for Paulson? A hedge fund that has cleaned up by shorting subprime has given \$15 million to a nonprofit lobbying for passage of bankruptcy legislation.

The donor is identified as Paulson & Co. The article states the positions of the donor and CRL that the \$15 million contribution to 2007 would be used to “help homeowners” and to help “provide legal aid to homeowners facing mortgage foreclosure” -- not to lobby. The article, however, goes on to describe the enormous “windfall” profits that could inure to the donor, if the Group Registrant was successful in its lobbying efforts in support of certain bankruptcy legislation that would devalue existing subprime mortgage assets that the donor was apparently selling short. According to the article, the donor also “was working to develop” and asked CRL to join a “broad coalition of consumer groups to advocate passage of the bankruptcy bill.”

Of particular importance, the BusinessWeek article reported the following comments by the donor's lawyer:

Stanley Brand, founder of the Brand Law Group in Washington, says that the arrangement seems to pass ethical scrutiny both under tax rules and under the new federal lobbying disclosure laws passed this year. As long as the Center for Responsible Lending keeps clear accounts of what the \$15 million contribution is financing, he says, it can continue to lobby on Capitol Hill without registering as a lobbyist for the hedge fund or jeopardizing its nonprofit tax status. "There are loopholes in the law, and people find ways to exploit them," Brand says.

Given the magnitude of this \$15 million "subprime bet" to obtain billions in windfall profits as described in the BusinessWeek article, it seems appropriate for you to investigate whether this was a valid loophole and, if so, to make sure that this and other contributions were actually segregated and used exclusively for nonlobbying purposes. Moreover, if this loophole is valid and was legally exploited, then perhaps you should suggest that Congress act to close it, because these are just the types of contributions and connections for which there is a "vital national interest" in favor of disclosure; particularly given the apparent connection of CRL and its donors to the subprime mortgage crisis, the national economic meltdown and possible profiteering.

In this regard, it is important to note that most of CRL's other support in 2007 came from another single source that similarly had an enormous business stake in the outcome of the Group Registrant's lobbying activities over the years. According to CRL's IRS Form 990 for 2007, it's total revenue was \$18.8 million and it's total expenses were \$16.7 million. Although the names of its donors are masked on the public version of its IRS Form 990, Schedule B ("Schedule of Contributors") for 2007, it shows that contributions of \$15 million and \$6 million were received from two sources, for a total of \$21 million that year. See Attachment 3.

The \$15 million amount, of course, matches the contribution by Paulson & Co. reported in the BusinessWeek article. Although the identity of the \$6 million donor in 2007 is not publicly disclosed by CRL in the public version of its Schedule B for its IRS Form 990 for 2007, the IRS Form 990 for the Sandler Foundation for its fiscal year ended June 30, 2007 indicates a contribution of \$6 million to CRL. See Attachment 4 (which also shows that the Sandler Foundation's total assets increased from approximately \$625 million to \$1.5 billion during its fiscal year ended June 30, 2007).

Attachment 5 is a New York Times article dated December 25, 2008, titled, "Once Trusted Mortgage Pioneers, Now Scrutinized." This article describes Herbert Sandler as the "founder" of CRL. The article states that the "Sandlers' giving intersected most directly with their business interests in 2002 when they helped create an advocacy group for low-income borrowers called the Center for Responsible Lending." The article describes how their bank, the

World Savings Bank, made enormous profits from what have become known as subprime loans before their bank was sold to Wachovia at the height of the housing boom in 2006.

Of particular interest, the article notes that Herbert Sandler was interested in the establishing CRL at the outset in order to extend the work that CCSH had accomplished in North Carolina on a “national scale” and that there was a disagreement at the outset with the staff of the organization over their lobbying goals. The “Correction” note at the end of the article emphasizes even further the degree of involvement that the Sandlers had on CRL’s lobbying strategy even though they apparently did not always agree. Although the article focuses on their involvement in CRL’s state lobbying activities, it seems likely and certainly worth questioning whether they similarly were involved in CRL’s federal lobbying activities over the years for purposes of triggering LDA and HLOGA disclosures; particularly given their enormous financial interest in federal policy shifts that favored increased lending and mortgage relief to low-income individuals on whose behalf CCSH and CRL were lobbying.

We are unable to explain why the total amount of individual contributions listed on Schedule B of CRL’s 2007 IRS Form 990 exceeds its total reported revenue and expense for the year. However, it helps make the point that there was no other identified source of income to fund its lobbying activities in that year, if that is the accounting loophole on which CRL’s donors were relying to avoid being disclosed in CRL’s LD-2 filings. Also, we suggest that perhaps there should be a point under the LDA and HLOGA whereby donors that provide virtually all of an organization’s support can not avoid disclosure, just because the organization employs accounting schemes to otherwise fund its lobbying activities, possibly from contributions from the same sources in prior years. Although we lack the facts to speak with certainty about what transpired, the magnitude and import of these contributions and the business ties between CRL’s major donors and CRL’s advocacy issues certainly warrant your further review and investigation to see if they should have been disclosed.

The foregoing information is provided for 2007 by way of example. Going back a few years, CRL’s IRS Form 990 for 2005 shows gross contributions of \$7.75 million, which came from three donors listed on Schedule B in the amounts of \$5.2 million, \$2.5 million and \$50,000. See Attachment 6. CRL’s IRS Form 990 for 2006 shows contributions of \$6 million, of which \$2.5 million came from one donor listed on Schedule B. See Attachment 7. Finally, CRL’s IRS Form 990 for 2008 shows gross contributions of \$6.5 million, with \$5.2 million coming from one donor and two donors giving \$500,000 each as shown on Schedule B. See Attachment 8. Although there is no public information to indicate whether any of these donors in other years were Paulson & Co., the IRS Form 990 for the Sandler Family Supporting Foundation for its fiscal year ended June 30, 2006, shows a grant of \$2.7 million to CRL. See Attachment 9. Likewise the IRS Form 990 for the Sandler Foundation for its fiscal year ended June 30, 2008, shows a grant of \$2.7 million to CRL. See Attachment 10.

We are mindful that the LDA and HLOGA require more than just substantial contributions to require a registrant to disclose the names of its donors on Line 25 of its LD-2 reports. Prior to 2008, disclosure was required on Line 25 of LD-2 of the names of substantial contributors who “in whole or major part plan, supervise, or control” a registrant’s lobbying

activities. As a result of HLOGA, beginning in 2008, disclosure was required on Line 25 of LD-2 of any substantial contributor who “actively participates in the planning, supervision, or control” of a registrant’s lobbying activities.

Although there is no further explanation in your official LDA Guidance instructions regarding pre-2008 standard, examples are provided for the language substituted by HLOGA, which requires the disclosure of any substantial contributor who participate in “decisions about selecting or retaining lobbyists, formulating priorities among legislative issues, designing lobbying strategies, performing a leadership role in forming an ad hoc coalition, and other similarly substantive planning or managerial roles, such as serving on a committee with responsibility over lobbying decisions.”

Although we have no direct information about the involvement of these major donors in planning CRL’s lobbying activities, these sample news reports indicate that Herbert Sandler had a founding role in establishing CRL in 2002 and was substantially involved in CRL’s state lobbying activities; so his federal involvement seems likely and certainly appropriate for questioning. They also indicate that Paulson & Co. was trying to persuade the Group Registrant to join a broader lobbying coalition. In neither case, were these news reports disputed with respect to these facts as far as we are aware. Given the size of their contributions and the billions in dollars in business profits that potentially were connected to the lobbying successes of CRL, it certainly seems appropriate to inquire directly if these and other large donors helped formulate the Group Registrant’s lobbying activities. If nothing else, the statement by the lawyer for Paulson & Co. -- that “there are loopholes in the law, and people find ways to exploit them” -- is worthy of your examination.

If you conclude that this loophole was not available for the \$15 million contribution to CRL in 2007 or the numerous other multi-million dollar contributions indicated above,¹ then the public has a right to know this information and to have the Group Registrant refile its LD-2 reports for prior years to include this information on Line 25. If such a loophole exists, you should determine whether the Group Registrant kept strict account of all of the funds it received from all of its large donors who may have influenced its lobbying activities since 2003 to make sure it can be proved that none of their contributions were used for lobbying purposes, if that is the loophole that was being exploited. As noted above, CRL’s contributions from these two large donors as reported on Schedule B of its IRS Form 990 for 2007 exceeded its total reported revenue and expenses for that year, so some explanation seems to be in order. As noted above, if you conclude that this is indeed a loophole that permits disclosure, and there was strict accounting for every dollar to show other sources of the Group Registrant’s lobbying activities,

¹ It should be noted that there was no statutory exception to avoid reporting contributions from individuals prior to 2008. Also, CRL is not the type of broad membership organization where the names of its individual contributors would otherwise be constitutionally protected. See H.R. Report No. 104-339, at 18 (1995) .

then we recommend changes in the disclosure rules since this is the very type of information that is needed to protect our “vital national interest” for public disclosure about information about “who is being hired, who is putting up the money, and how much” they are spending to influence legislation.

3. Failure of Outside Lobbying Firms to Correctly Identify Their Client

Following the lead of their clients, the nine outside lobbying firms that have registered as lobbyists for these organizations since 2003 have variously listed their clients as follows: “Center for Responsible Lending”; “Self Help Credit Union/Center for Responsible Lending”; “Self Help Credit Union”; and “Self Help.” Although some of these designations may be accurate, others obviously are not since they either combine the names of more than one legal entity or use a name that does not correspond to any legal entity as listed on Attachment 1. The public is entitled to know which specific entity hired these nine outside lobbying firms and they should all be made to verify or correct the information they provided in order to reflect the actual identity of their clients in conformance with the law and your official LDA Guidance instructions.

4. Insufficient Descriptions of Specific Lobbying Issues by Group Registrant

In its LD-2 filings, the Group Registrant has ignored your official LDA Guidance instructions that explicitly state that a mere listing of bill numbers is insufficient when identifying specific lobbying issues. Moreover, the Registrant Group has failed to identify any specific administrative, regulatory or other Executive Branch lobbying matters (nonlegislative) on which it lobbied before all of the agencies and departments identified in its LD-2 reports. The public is entitled to this information and all of the Group Registrant’s LD-2 lobbying activity reports should be filed again with this information included.

5. Insufficient Descriptions of Specific Lobbying Issues by Outside Lobbying Firms

The issue descriptions in the LD-2 filings of the Group Registrant’s outside lobbyists also violate your official LDA Guidance instructions. For example, the Form LD-2 filings for one of the Group Registrant’s three outside lobbying firms in 2009 simply reports “Issues related to housing and the subprime mortgage industry” and “Issues related to subprime mortgage lenders” under the categories BAN (Banking), HOU (Housing), and CSP (Consumer Issues/Safety/Products). The public has no way to know what this outside lobbying firm did or how these so-called issue descriptions relate to the bill numbers that the Group Registrant listed under its single issue category of BAN (Banking). Moreover, whereas the only issue category reported by the Group Registrant in its 2009 LD-2 filings was BAN (Banking), the other two outside lobbying firms also listed issues in the additional categories of HOU (Housing), BNK (Bankruptcy). Finally, the 2009 LD-2 filings of the Group Registrant’s three outside lobbying firms report lobbying activities regarding bills, public laws and at least one agency (the “Consumer Financial Protection Agency”) that are not reflected on the Group Registrant’s filings. Given these discrepancies, it is suggested that the Group Registrant should be asked why it did not list these additional issues categories, bills, public laws and this outside agency if its listed lobbyists worked on the same matters as its three outside lobbying firms (which seems

likely). It is of course possible that the Group Registrant's lobbyists did not make contacts on these same issues, but absent a reasonable explanation like this, the filings of the outside lobbying firms and/or the Group Registrant should be made consistent where appropriate. Although we have not checked the filings for previous years, the Group Registrant and its outside lobbying firms should make sure there are no such inconsistencies in prior years as well that lack explanation.

6. Late Filings and Failure to File LD-203 Contribution Reports With Certifications by Group Registrant

One of the hallmark provisions of HLOGA is the requirement for each registered organization and each of its employees who are listed as lobbyists to file semiannual LD-203 contributions reports publicly disclosing campaign contributions and other payments that might be viewed by the public as being made for the purpose or having the effect of influencing or gaining the favor of public officials. These same reports also require the registrant to certify their compliance with the lobbying and ethics rules subject to civil and possibly criminal penalties for a willful violation.

In the present case, the Group Registrant did not file its initial contributions report for the first half of 2008 on time in July of 2008. Rather, its first semiannual LD-203 contributions report for the first six months of 2008 was not filed until February 2009, approximately six months late. Also, its year end LD-203 report for the last six months of 2008 was filed a month late. Finally, as of the date of this letter, the Group Registrant has not bothered to file its mid-year LD-203 for 2009.

The Group Registrant should be held accountable for its late filings and should be required to file its mid-year LD-203 report for 2009, with appropriate sanctions for these flagrant and repeated violations of the law. To the extent that separate LD-1 registrations and LD-2 lobbying activity reports may be required for the different legal entities that make up the Group Registrant, then separate semiannual LD-203 reports also should be required for each legal entity.

7. Late Filings and Failure to File LD-203 Contribution Reports by Group Registrant's Listed Lobbyists

In addition to the legal entity that is registered, HLOGA requires the filing of semiannual LD-203 contribution reports and certifications by each employee of a registered lobbying firm that is listed as a lobbyist. One of the more flagrant violations that we have uncovered is the complete failure of either of the two individuals who were listed in 2008 LD-2 filings of the Group Registrant to file their individual semiannual LD-203 contribution reports for 2008. Although both of these employees filed their semiannual LD-203 reports for 2009, one did not do so until almost a month after the due date. An additional lobbyist whose name is first listed in the Registrant's 2009 filings similarly has failed to file an LD-203 report by the required July 30, 2009 deadline. Finally, there are two additional employees who were listed as lobbyists in LD-2 filings of the Group Registrant for previous years who were never terminated on Line 23 that

failed to file their individual semiannual LD-203 contribution reports. The public is entitled to this information and these individual listed lobbyists should be made to file their reports and appropriately sanctioned for their flagrant and repeated violations of the law.

8. Possible Inadequacies in Group Registrant's Methodology for Capturing and Reporting the Costs of its Lobbying Activities

Finally, given the Group Registrant's general disregard for the requirements of the LDA and HLOGA, and your official LDA Guidance instructions, we question whether the Group Registrant is employing the correct methodology and properly calculating its total lobbying costs in its LD-2 filings. Under the circumstances, it would be appropriate for you to make sure the Group Registrant has included the amounts paid to its outside lobbying firms, association dues, the Group Registrant's employees listed as lobbyists, the amounts paid to other employees for all of their research and other activities that support and relate to the issues on which the Group Registrant is so vigorously lobbying (together with appropriate indirect expenses and overhead charges), and for outside vendors that help manage the Group Registrant's website, email advocacy, issue advertising, grassroots lobbying and all other aspects of its massive and far-flung lobbying operations. Although the Group Registrant is reporting its expenditures using Method B, the IRS rules are similar to the LDA requirements for calculating lobbying expenses, since the IRS similarly requires the inclusion of outside lobbying fees, in-house direct expenses, other research and supporting activities, and appropriate indirect expenses and overhead charges. Given the failure to abide by other legal requirements for reporting its lobbying expenses under the LDA, this is another area that should be checked.

* * * * *

For the reasons discussed above, we hereby respectfully request that you initiate an investigation into the clear violations described in this letter and also investigate the other areas that have been suggested in light of the pattern of violations demonstrated by the entities that make up the Group Registrant, their employees who have been listed as lobbyists, and their outside lobbying firms. We also recommend that you inquire whether the Group Registrant's donors have willfully joined in a scheme to prevent the disclosure of their names as lawfully required. Corrected filings should be required to provide the public with information to which it is lawfully entitled. If appropriate, these violations should be referred to the Department of Justice for further review and the imposition of appropriate sanctions.

We would appreciate your acknowledgement of this complaint. We are also glad to provide any additional information or assistance you may require.

Respectfully submitted,

Mike Flynn, President