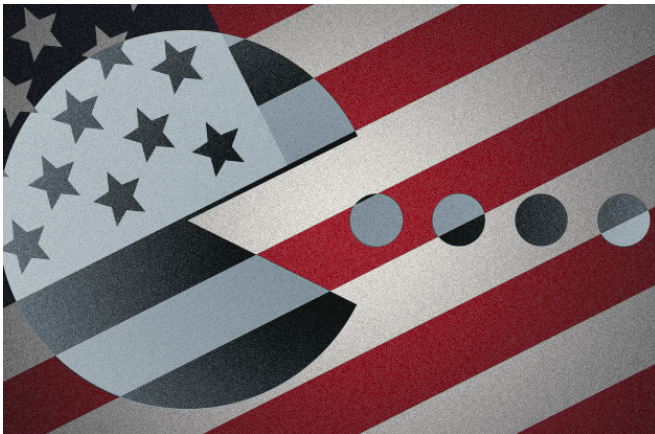


Super PAC Men: How Political Consultants Took a Texas Oilman on a Wild Ride

The head of a Texas oil dynasty joined the parade of wealthy political donors, aiming to flip the Senate to Republicans. By the time consultants were done with him, the war chest was drained and fraud allegations were flying.

by Robert Faturechi, ProPublica
March 19, 2015, 4 a.m.



(David Sleight/ProPublica)

This story was co-published with the Daily Beast and the Houston Chronicle.

Throughout the booms and busts of his Fort Worth oil empire and during his brother's notorious murder trial, Kenneth W. Davis Jr. largely kept to himself. At 89, he still does. He puts in full workdays at his small downtown office, with drapes drawn against the North Texas sun. He usually dines at an exclusive club across the street, often alone, using distinctive silverware set aside just for him.

Davis has long shut out politics, too. He remembers voting only three times – for Eisenhower, Goldwater and Reagan. Yet last year he thrust himself into the public eye by starting his own super PAC.

His group, Vote2ReduceDebt, aimed to move the needle in eight key U.S. Senate races by energizing disengaged conservative voters. It spent almost \$3 million to boost Republican candidates in the 2014 midterm election –

ranking it among the top right-leaning groups of its kind.

But now it's dead in the water, with its main operatives expelled amid questions about where the money went.

Even within the free-wheeling world of U.S. campaign finance, Vote2ReduceDebt stands out as a cautionary tale for donors, activists and voters.

Since the Supreme Court helped open the gates with the Citizens United ruling, unprecedented millions have flowed into super PACs, groups that can accept political donations of unlimited dollar amounts.

But, as Davis discovered, federal election laws do little to ensure these contributions are used as donors intended.

In addition to escaping donation limits, no rules prevent the people running super PACs from using contributions to hire themselves or companies owned by their relatives and other insiders.

The story of Vote2ReduceDebt is an egregious example of what can happen in the absence of such controls, but similar scenarios have played out on a smaller scale at dozens of PACs in the last three election cycles.

Vote2ReduceDebt collapsed amid allegations of faked campaign events, destroyed records, fabricated expenses, contracts routed to cronies and a plot to siphon the Texas oilman's money to a reality TV show. The characters in the melee include a former top Republican strategist, a onetime TV news anchorman, a peanut-truck magnate with dreams of becoming a NASCAR star and a refugee from an infamous Washington corruption scandal.

Until now, the debacle has remained hidden from public

view. In an interview, Davis would say only that he wasn't prepared for the reality of modern politics. He declined to discuss details and said he'd ordered his subordinates to keep quiet. ProPublica obtained internal records and e-mails, reviewed campaign filings and court records and interviewed participants, some of whom spoke on condition of anonymity.

Founded in May of last year, Vote2ReduceDebt raised its nearly \$3 million almost entirely from Davis, and spent just about all of it. Its filings with the Federal Election Commission list ads, phone banks and rallies for candidates in tight races, including Joni Ernst in Iowa and Cory Gardner in Colorado.

The routine filings give no hint of turmoil. But inside the PAC's Fort Worth headquarters, the group's director, Randy Hill, and its senior political consultant, Patrick Davis (no relation to Kenneth), were accusing each other of gross misconduct, according to documents and interviews.

Patrick Davis, 47, was a one-time political director for the National Republican Senatorial Committee, a professorial type who has worked on dozens of national and local campaigns. Hill, also 47, is a gregarious Fort Worth native known in the trucking industry for inventing a trailer that dries peanuts during transport.

The allegations of fraud started in dueling memos that went to the older Davis and the group's board of directors. Hill claimed Patrick Davis was faking expense reports and trying to award contracts to phantom companies. Davis' camp said Hill was hatching a plan to defraud the oilman out of \$4 million, and alleged the PAC's attorney may have been in on a cover-up.

Both sides denied all wrongdoing, leaving it to their elderly patron to figure out if someone was trying to swindle him. The PAC imploded before he could.

"What you have here is a pretty classic case of the sort of problems one can run into when they're not familiar with politics and arrive with a pot of money," said Trevor Potter, a former Republican FEC chairman.

"Consultants are attracted like bees to honey to situations like these," Potter said.

Ken Davis was only one in a throng of wealthy people who tried to influence national politics after the Supreme Court signaled that many of the past restrictions on

independent political spending violated free speech guarantees.

While super PACs don't have to abide by the \$5,000 limit on individual contributions that applies to regular PACs, they do have to disclose their donors, unlike the political nonprofits that have become known as dark money groups.

In all, super PACs spent nearly \$1.5 billion in the 2012 and 2014 elections. They accelerated the surge of money into politics and stoked confusion among donors and voters alike. Many are short-lived groups with similar sounding names and fund-raising appeals crafted to arouse fury at the opposition.

Some super PAC operatives have spent portions of the donations on their own businesses or have illegally coordinated with candidates. Last month, a former campaign manager for a Republican congressional candidate in Virginia admitted to prosecutors that he got an ostensibly independent super PAC he helped run to pay his mother's company \$138,000 for work that was never performed.

Attempts to more strongly regulate super PAC spending have foundered. The FEC has repeatedly urged Congress to ban organizers from using donor money for personal purposes. In those recommendations, the FEC said that while current campaign finance laws "are sometimes adequate to address these types of unauthorized disbursements, sometimes they are not."

Larry Noble, the FEC's former top lawyer, said such abuse "adds to the cynicism the public has about politics." He said that lawmakers are wary about cracking down on super PACs for a simple reason – they depend on the groups to help their reelection campaigns, despite numerous examples of donors getting fleeced.

"It hasn't yet reached the critical mass where people are screaming about it," said Noble, now senior counsel at the Campaign Legal Center, a nonpartisan group that advocates for strong enforcement of campaign finance laws.

"Ironically, what could do something about it is a number of wealthier donors getting ripped off," he said. "They have more clout with legislators."

While Ken Davis donated to political causes over the years, those around him never expected him to jump into

the fray as he did in 2014.

Davis hardly comes off like an oil tycoon. He's slight and mild mannered, with a reputation for frugality. One of his few concessions is the fedora he always sports in public, a throwback to the decorum instilled by his father and namesake, who started out in the oil business as a laborer before striking it big selling supplies to wildcatters. The father became one of the richest men in Texas.

Vote2ReduceDebt had its origins in an open letter Ken Davis passed around early last year among people he knew. He warned that U.S. debt was "a looming crisis that needs to be recognized." The letter went on to blast Obamacare, "work permits for illegals" and "the artful misrepresentations of charlatans whose agenda is crushing the promise of American opportunities."

Ken Davis was prepared to spend some money to press his brand of righteous conservatism. He turned to his brother, T. Cullen Davis.

Cullen had a complicated past, one that spawned true crime books and TV shows. Amid a bitter separation with his wife in 1976, three eyewitnesses accused him of donning a wig, breaking into the mansion where his estranged wife was living, shooting to death her boyfriend and her 12-year-old daughter from another marriage, and wounding his wife and a friend of hers.

He was dubbed the wealthiest man ever charged with murder anywhere. During a 13-week trial that transfixed Texas, his lawyer hammered at his wife's sex life, drug use and credibility, and won an acquittal.

Within months Cullen was in trouble again. The FBI recorded him discussing a list of people he wanted killed, including the judge in his divorce proceedings. "Do the judge, then his wife," Cullen said. An undercover informant later showed Cullen a staged photo of the judge stuffed in a car trunk.

Again, a jury didn't convict him – Cullen claimed that he'd just been playing along to help the FBI investigate the informant.

The drama and a bust in the oil industry took its toll on the family business. In the mid 1980s, Kendavis Industries International ended up in bankruptcy court. But Ken Davis remained wealthy, and through it all, he stood by Cullen, maintaining his innocence and entrusting him to run his charitable organization.

After beating the charges, Cullen renounced his fast-living ways and became a born-again Christian. He joined a local church and got involved with the Council for National Policy, an invitation-only club for prominent members of the country's religious right.

It was those social circles that Cullen mined for his brother's foray into politics.

Cullen Davis first recruited a friend from church named Lynn Scarborough, a Dallas-based communications consultant who also runs a group that focuses on emergency preparedness. In an interview, Scarborough said she was impressed by Ken Davis' passion for his cause.

Initially, the two of them were going to launch a nonprofit that could do some political advocacy but would focus on educating the public, Scarborough said, but "then a lot of other voices came in, and he made other decisions."

Ken Davis, she said, began meeting with political consultants his brother found through his Council for National Policy connections. Others who got involved were locals with no experience in politics. The oilman was persuaded to scrap the nonprofit and start a super PAC.

Scarborough, who briefly led the PAC before being replaced by the newcomers, said some of the consultants were drawn more by Ken Davis' money than his message.

"They're looking at how to make an income," she said. "For some people, politics is a business."

By May, the PAC had its team together.

Mike Snyder, a locally famous ex-anchorman for Dallas-Fort Worth's NBC station, was running media strategy. Janeé Hill, a motivational speaker, handled outreach.

Randy Hill, Janeé's husband, was hired to be the PAC's executive director. Along with his business acumen – Hill once said his peanut transport system moved 80 percent of the nation's crop – he was well connected. Then-Gov. Rick Perry had appointed him to the state's emerging technologies committee.

Hill's father had been Wal-Mart's chief ethics officer, and was invited to join the PAC's board. Gary Hill found the PAC's patron to be "very eccentric." When they first

met, he recalled in an interview, Ken Davis told him the nametag on his sport coat was on the wrong side, ripped it off and fixed it onto the other side. But he joined the board anyway.

Patrick Davis, the group's senior consultant, had the most political experience among the hires. He served as the political director for the National Republican Senatorial Committee during the 2004 cycle and had helped run dozens of local, state and national campaigns.

Through his lawyer, Davis said he was attracted to the Fort Worth group because the national debt had long been an interest of his. And his style appealed to the oilman. He would often kick off conference calls by leading a prayer, asking for the Lord's guidance in being responsible stewards of their patron's money.

But very quickly, fissures appeared.

In his July memo to the board, Randy Hill alleged irregularities in Patrick Davis' reimbursement requests. He wasn't turning in receipts, Hill wrote, and some expenses didn't track, such as a bill for an Iowa hotel stay that had been prepaid and a bill for a plane ticket even though Davis had driven to his destination.

Hill also questioned whether events organized by Davis were all they claimed to be. At an Iowa phone bank, Hill said, a caller admitted they were just "pretending to make phone calls" for the benefit of the campaign's video cameras.

Hill was particularly concerned about Patrick Davis' associate. She was combative with the rest of the staff and acting erratically, he said, so he began looking into her past.

Her name was Italia Federici. A decade earlier, Federici figured in the Jack Abramoff lobbying scandal, which contributed to the resignation of House Majority Leader Tom Delay and led to the criminal convictions of 21 people, including a House member who admitted taking bribes.

Federici was accused of using her position as head of a conservative environmental advocacy group to serve as intermediary between Abramoff and her friend, Deputy Interior Secretary Steven Griles. Abramoff funneled \$500,000 to her group, offered her box seats to NFL games and paid for her meals and parties at his

D.C. restaurant. In return, she allegedly exploited her romantic relationship with Griles to get Abramoff inside information and to lobby for his tribal clients.

When she testified before the Senate Indian Affairs committee, North Dakota Democratic Sen. Byron Dorgan accused her of being involved in "one of the most disgusting tales of greed and avarice" and mocked her denial of a quid pro quo: "I come from a really small town, but I think I can spot a pretty big lie from time to time."

Federici pleaded guilty in 2007 to tax evasion and obstructing a Senate investigation. She was given probation for her crimes and moved back to Colorado, where she'd lived before Washington.

There, her problems continued. The IRS accused her of being delinquent on more than \$250,000, which her lawyer said was the result of a penalty assessed against her in connection with the Abramoff scandal. Her Boulder landlord told ProPublica she kicked her out for not paying several months of rent. "She doesn't have clear boundaries between truth and fiction," said the landlord, Diane Dvorin.

Through her attorney, Federici said she was truthful and moved out promptly after not being able to make rent.

In 2012, Federici and Patrick Davis met while working to promote Newt Gingrich's presidential campaign in Colorado. Davis had moved to Colorado and set up his own consulting firm after finishing his stint at the Republican senatorial committee.

Davis' work was at times controversial after he left Washington. In 2008 he led a nonprofit that backed the presidential campaign of former Arkansas Gov. Mike Huckabee. It was blasted by other conservatives for allegedly making robo-calls to voters in multiple states that masqueraded as polls and suggested that a rival candidate, Sen. John McCain, "voted to use unborn babies in medical research." The group was widely denounced, including by Huckabee's campaign.

While he was working for Vote2ReduceDebt, Davis was also running the campaign of Annette Bosworth, a South Dakota physician making a bid for the Senate. Bosworth, who got 6 percent of the vote in the Republican primary last year, faces trial on a dozen felony counts of perjury and filing false statements in connection with allegedly forged names on nominating petitions.

Before Davis was running Bosworth's campaign, records

show he got paid a consulting fee by a PAC that boosted one of her opponents, a fact Bosworth’s attorney said was never disclosed to her.

Through his attorney, Davis said the relationship was disclosed, and that the calls on behalf of Huckabee were not push polls, but rather educational calls. The attorney said Davis had no knowledge of the alleged crimes committed by Bosworth.

In his July 2014 memo, Randy Hill asked for Davis and Federici to be fired.

The next day, Patrick Davis wrote a memo of his own to the board. In it, he alleged that after a June 5 Vote2ReduceDebt rally, as they drove to the Midland, Texas airport, Hill told him about a secret plan.

At the time, Hill was in talks with television executives to create a reality show about his quest to start a NASCAR racing team. He already had a website billing himself as “The Entrepreneur... Chasing the Dream,” encouraging visitors to follow along as he recruited a driver, sponsors and a spot on the racing circuit. He told colleagues this would be good publicity for the PAC – he’d emblazon his racecars with the Vote2ReduceDebt logo and take them on tour.

But Patrick Davis alleged that Hill took it a step further in their conversation. In order to start filming, Hill said, he needed to get a team together, and that required money he didn’t have. Hill missed his first deadline with NBC, and though he was granted an extension, time was running out.

By Davis’ account, Hill offered him a trade of sorts. He would make Patrick Davis “a character in his reality TV show.” And Patrick Davis would help Hill get \$4 million out of the PAC: half a million for PAC promotions, and the rest going toward racing expenses including drivers and pit crews. Ken Davis, recently hospitalized, would be told the money was going towards legitimate get-out-the-vote operations.

In his memo, Patrick Davis wrote that he would never go along with such a scheme because it would have “required lying to Mr. Ken Davis which was something I was not going to do.”

The board and Ken Davis had to decide whom to believe. Patrick Davis warned the leadership that if they sided with Hill, they would risk future disaster. “In other cases

where I’ve occasionally been ignored, clients have really created problems for themselves,” he wrote.

For her part, Federici began pressuring Snyder, who was in charge of media strategy, and the PAC’s attorney, Chris Gober, who was looking into the allegations. One evening in July, she sent Gober a barrage of text messages. She demanded he turn over video from a PAC event she believed would play in their favor. He emailed the texts the same evening to Ken Davis.

“SECURE THE EVIDENCE YOU’VE BEEN NOTIFIED FOR A MONTH EXISTS,” Federici texted in all caps, according to the email. “If you think I’m cowed in any way, think again. I will ferociously expose you and anyone else I feel is complicit in destroying documentation about the fleecing (of) this family.”

“Screw with this PAC at your peril...Who do you think you are?... If you want to sue me/us... Do it! Otherwise, do your fucking job and stop being Mike Snyder’s bitch.”

“WTF. I could care less about your Harvard ‘creds,’” she continued, even though the attorney said he didn’t respond. “Do. Your. Job. We asked for docs and recorded material weeks ago. How impotent are you? Or is it criminal. Your choice.”

In an interview, Hill said the reality TV show scam was a figment of Patrick Davis’ imagination, one that Davis fabricated to distract from his own fraud. He said the board decided to side with him, voting to fire Davis and Federici.

But he said he was called into Ken Davis’ office and berated.

“Nobody fires anybody until I tell ‘em to,” the oilman said, according to Hill.

That afternoon, Hill said, Patrick Davis flew in and met privately with Ken Davis. The next day Hill was fired.

Patrick Davis remained and his influence grew. According to records and interviews, he pushed for multiple six-figure payments to organizations run by him or his close associates.

He convinced the PAC to hire a Virginia company called ccAdvertising for calls to voters, at a price of about \$230,000, records show. Davis’ attorney, Cleta Mitchell, said that Davis has a “long term business and personal

relationship” with the company’s owner. Mitchell declined to respond to questions about whether Davis received personal benefit from the contract.

At least three of the outside companies Davis recommended to Vote2ReduceDebt were run by one of his business associates, Joel Arends, an attorney and political operative based in South Dakota. Davis and Arends have known each other for two decades through various Republican campaigns. Most recently, they had worked together on the South Dakota primary in which their candidate got indicted and blamed Arends for the allegedly falsified filings.

Hill said that one proposal from Patrick Davis involved a cross-country bus tour using a company linked to Arends that was so obscure it didn’t have a website. On another occasion, Davis pushed for the PAC’s printing services to be handled by Arends. Davis said through his lawyer that he felt Arends would be faster and cheaper than other options.

Vote2ReduceDebt didn’t go with Patrick Davis’ suggestions on either of those jobs, but did heed his advice when choosing who to hire for a \$200,000 contract to produce voter rallies. Davis again picked Arends, who ran a company called Red State Productions. Davis’s lawyer said in a statement that Red State “is a skilled political campaign services provider with years of experience and excellent results over many campaigns.”

While Arends had worked with campaigns in the past, Red State’s website, which displays photos of big political rallies featuring Republican stars such as Rep. Michelle Bachmann and Newt Gingrich, was created a couple of days before Red State pitched the \$200,000 deal to Vote2ReduceDebt, domain registration records show. The company was incorporated in South Dakota a few days after the pitch.

Red State’s events, according to the website, “are widely attended, photographed and reported.” A search of online databases turned up no previous record of payments to Red State Productions by a candidate or political committee. The D.C. number for the company has since been disconnected. The address listed on its website is for a service on Washington’s K Street lobbying corridor that provides mail drops and temporary office space.

Vote2ReduceDebt staffers were not pleased with Red State’s work, according to a lawsuit the super PAC filed in December to get the money back. One of the firm’s main

responsibilities was promoting rallies and getting people there. But most of the people who attended their rallies, the PAC alleged, were paid Vote2ReduceDebt staffers, with one rally only drawing seven outsiders.

Arends’ attorney did not respond to questions from ProPublica. His company has sued Vote2ReduceDebt for terminating the contract, and harming its reputation with future clients.

Mitchell, Davis’ attorney, said the events Red State organized were “very successful,” including one attended by more than 250 people and others that drew volunteers, elected officials and local activists.

Arends and Patrick Davis “are not in business together,” said Mitchell. Asked if Davis received a personal benefit from the work the PAC gave to Arends, Mitchell said: “If there were any business arrangements with any vendors, those arrangements would have been (and were) fully disclosed.”

Another move by Patrick Davis raised questions among some PAC colleagues. He secured payments of about \$410,000 from Vote2ReduceDebt – roughly a seventh of the total funds raised by the super PAC - to another PAC, one he and Federici had created in 2013.

Until the payment from Vote2ReduceDebt, their PAC, called Person to Person, had almost no contributions or activities. According to an invoice, other internal records and a person with knowledge of the transactions, the money was paid in expectation of a service: Person to Person would recruit 320 volunteers for door-knocking and phone work in Vote2ReduceDebt’s eight target states.

But Patrick Davis reported the money to the FEC as a contribution, not a fee for service. According to Noble, the former FEC attorney who reviewed the filings for ProPublica, that distinction allowed Person to Person to do whatever it wanted with the money and pay no taxes on it.

Person to Person quickly began spending its windfall. According to federal disclosure records compiled by the OpenSecrets website, more than \$115,000 has gone to Red State Productions and Patrick Davis’ consulting company.

In October, Vote2ReduceDebt parted ways with Davis. By then, records show, the super PAC had paid more

than \$875,000 – almost a third of its total spending – to companies and organizations owned or operated by Davis and Federici or their associates.

Both declined to be interviewed by ProPublica. In a recent interview with a conservative commentator for the Daily Caller, they said they are preparing the Person to Person PAC for the 2016 cycle. The host asked Patrick Davis if he believes that some conservative groups exist not to affect elections but to bilk donors.

“There is a problem, but Person to Person PAC is not participating in the problem,” Davis said.

Federici directed listeners to the group’s website, where they could log on and donate.

Mitchell, Patrick Davis’s lawyer, denied that Davis and Federici falsified reimbursement requests, faked phone banking events or were dishonest with Vote2ReduceDebt staff.

In fact, Mitchell described Federici as a whistleblower who took on dishonest employees within the PAC. She described one instance in which a PAC state director with a suspended license was secretly using one of the group’s employees as a chauffeur for five weeks.

“One lesson Tali learned from the experience of being dragged into the Abramoff mess was to be very cautious and to ask questions,” Mitchell said. “That was in large part what led her to blow the whistle... before a problem was created and funds were misused.”

Mitchell said Patrick Davis still does not understand why Vote2ReduceDebt terminated his consulting contract. “Had Person to Person PAC been allowed to complete the deployment project,” she said, it would have “met and exceeded” its promised volunteer numbers. Mitchell said Patrick Davis was correct in reporting the money as a contribution, and it was Vote2ReduceDebt that reported the payment incorrectly.

The breakdown of his super PAC has left Ken Davis with some ambivalence about entering election politics.

In a brief interview, he declined to discuss the allegations that he had been duped. He did acknowledge that he may have been in over his head and that he’s not sure the group had the impact he desired.

“I’m convinced there’s a lot of people that jumped into politics with the idea that they’re gonna make a change in the world and they’ve found out it ain’t that easy,”

Davis said. “Just because you think it’s needed doesn’t mean you can make it happen.”