

# Democracy North Carolina

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For Release March 18, 2013; updated April 30, 2013

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## Sweepstakes Gambling Operator is Top Donor to NC Legislators; Donations with Ties to McCrory's Law Firm Raise Questions

The man at the center of a national gambling scandal that caused Lt. Gov. Jennifer Carroll of Florida to resign last week played a surprisingly large – and mysterious – role in financing North Carolina politicians in 2012, according to new research by the election reform group Democracy North Carolina:

- Chase E. Burns, owner of International Internet Technologies LLC of Anadarko, OK, is the single biggest individual donor to General Assembly candidates in the 2012 election cycle, giving a total of \$172,500 to ~~63 current members of the legislature and four other legislative candidates~~ \$177,000 to 64 current members of the legislature and six other legislative candidates who lost. In addition, Burns donated \$30,000 to the NC Republican House Caucus and \$25,000 to the NC Republican Senate Caucus committees within the NC Republican Party.

The top legislative recipients of Burns' donations are Senate leader Phil Berger (\$8,000), House Speaker Thom Tillis (\$6,500), and 21 legislators who each got \$4,000 (19 Republicans and 2 Democrats).

- Several of the donations are identified as being delivered or otherwise tied to lobbyists with Moore & Van Allen, the law firm where Gov. Pat McCrory was employed throughout 2012 and the firm Burns retained to lobby for IIT. Burns and his wife, Kristin, each donated \$4,000 to McCrory, **bringing their total donations to ~~\$235,500~~ \$240,000 for NC's 2012 election.**

- The variety of ways that Burn's contributions are identified on disclosure reports by different candidates suggests they were written from a separate bank account which may have included company funds, not just the personal money of Burns or his wife. It is illegal in North Carolina for business funds to be used to make contributions to candidates or political parties.

According to Florida prosecutors, Chase Burns supplied the internet sweepstakes machines and made millions of dollars from the allegedly illegal gambling operation that used a charity for veterans as its front enterprise. He and his wife were arrested in Oklahoma on charges including racketeering and conspiracy.

The ~~\$235,500~~ \$240,000 that Democracy North Carolina traced to Chase Burns is at least \$60,000 more than the amount previous media stories said he gave to North Carolina candidates and party committees. "The media relied on a data file of reports reviewed by the State Elections Board but the Board has not even processed all the reports from the 2010 election, much less those for the 2012 cycle," said Bob Hall, executive director of Democracy North Carolina. "We went through the legislators' disclosure reports, one by one, to determine how much he donated."

Burns has extensive operations in North Carolina and IIT has been involved in separate litigation in state courts after its sweepstakes machines were threatened with seizure as part of a crack-down on gambling in Guilford County. The NC Supreme Court ruled in December that the IIT machines violated the state's ban on video-poker gambling, but the industry continues to modify

sweepstakes machines in North Carolina and lobby for protection in the General Assembly. International Internet Technologies was represented by lobbyists and attorneys for Moore & Van Allen from June 1, 2012, until the scandal broke last week and the firm dropped IIT as a client.

**A chart of Burns' donations is located at the end of this release.**

Some background stories from the Associated Press and other media about Burns are at:

<http://www.newsobserver.com/2013/03/14/2749111/internet-gambling-owner-arrested.html>

<http://www.newsobserver.com/2013/03/14/2748773/fla-charity-probe-to-next-focus.html>

<http://www.newsobserver.com/2013/03/13/2746528/fla-lt-gov-quits-tied-to-firm.html>

<http://www.wcnc.com/news/NC-governor-No-contact-with-arrested-contributor-198507001.html>

<http://www.wcnc.com/news/iteam/Governor-elects-former-law-firm-lobbies-for-video-sweepstakes.html>

Democracy North Carolina's research turned up these findings:

- A disclosure report for Sen. Brent Jackson lists a Nov. 2, 2012 donation of \$2,500 from Chase Burns and identifies him as an "attorney" with "Moore & Van Allen," the law firm that Burns hired to lobby for his sweepstakes operation. Gov. Pat McCrory, who worked for Moore & Van Allen throughout 2012, told the Associated Press he has never met Burns and knows nothing about IIT, but he refuses to disclose who his clients were at the law firm.
- A disclosure report for Rep. Elmer Floyd identifies a Sept. 17, 2012, donation of \$2,500 as coming from "Chase Burns, Trustee Acct for Chase Burns" and adds the name "Tom Sevier" and his phone number after Burns' correct Oklahoma address; but the donor's job title and employer are listed as "Director of Public Affairs, Moore & Van Allen." Tommy Sevier is Moore & Van Allen's Director of State Public Affairs and one of the firm's three lobbyists representing IIT.
- A 48-hour disclosure report for Rep. Garland Pierce lists a Nov. 1, 2012, donation of \$1,000 from Chase Burns but gives his address as 430 Davis Drive, Ste. 500, Morrisville, NC and phone as 919-286-8085 – the office address and direct phone line for lobbyist Tommy Sevier.
- A disclosure report for Rep. Joe Tolson identifies Burns as an "Attorney" for a Nov. 13, 2012, donation of \$1,000. Sen. Fletcher Hartsell's report lists Burns' address in North Carolina at "PO Box 130, Anadarko, NC" for the \$4,000 donation he received on Oct. 9, 2012.
- A 48-hour disclosure report for Rep. Charles Graham lists a Sept. 17, 2012, donation of \$2,500 from "Chase Burns, Trustee for Chase Burns Trust" and, for the source, it skips the box labeled "Individual," checks the box labeled "Other" and fills in the source as "Chase Burns Trust." For some reason, the donation is disclosed on Nov. 6 and not in the Third Quarter Report for receipts in September. Rep. Kelly Alexander's report says he also "received" \$2,500 from Burns on Sept. 17 but it is listed as "dep." (deposited) on Nov. 1 and disclosed after the election.
- A 48-hour disclosure report for Rep. Marvin Lucas lists an Oct. 31, 2012, donation of \$2,500 from "International Internet Technologies, LLC" with the correct Oklahoma address; the report checks the box "Other Political Committee" as the source of the funds. However, funds from a LLC are business funds and may not be used to make a campaign donation under NC law.
- A disclosure report for Rep. John Szoka lists an Oct. 20, 2012, donation of \$1,000 from "Chase Burns Trust." The donation is listed in the section of the report for "Contributions from Other Political Committees" and it is identified incorrectly as a donation from a "PAC."

- A disclosure report for Sen. Neal Hunt lists an Oct. 17, 2012, donation of \$4,000 from “Chase Burns Trust, c/o Chase Burns.” Sen. Wesley Meredith’s report also lists receiving \$4,000 simply from “Chase Burns Trust” on Oct. 12, 2012. Both donations are listed as coming from an “Outside Source,” rather than from an individual or political committee.
- Similarly, a disclosure report for Rep. Jason Saine lists a Sept. 19, 2012, donation of \$1,000 from “The Chase Burns Trust” and says it comes from an “Outside Source,” rather than from an individual or political committee.
- The donations to Speaker Thom Tills, Sen. Martin Nesbitt, and Rep. Winkie Wilkins identify Burns simply as “Trustee” for the “Charles Burns Trust” or “Chase Burns Trust.”

Hall says the repeated confusion of Burns with a Moore & Van Allen attorney-lobbyist suggests that at least some donations were delivered by a Moore & Van Allen lobbyist. State law prohibits a lobbyist from bundling checks from different donors and delivering them to one candidate, but it doesn’t bar the lobbyist from distributing multiple checks one at a time to various legislators. “The distinction may be lost on the general public,” said Hall, “but it’s kept in place to allow a lobbyist to deliver checks from a client or client’s PAC to various lawmakers.”

Hall also said that the many references to the Trust Fund or LLC as the source of funds for Burns’ donations raise questions about whether business funds were used in the donations and whether the trust fund was established to make it easier for an Oklahoma businessman to contribute to legislators at the suggestion of a North Carolina agent.

“The number of suspicious donations and pattern of incorrect disclosure deserve a clear and complete explanation from Moore & Van Allen and Mr. Burns,” said Hall.

Hall noted that the media had a difficult time identifying the scope of Burns’ donations in North Carolina because most campaign disclosure reports are not filed electronically, many are hand-written, and it is impossible to conduct a comprehensive computerized search of the records. The State Board of Elections posts reports on its website in a PDF format that is cumbersome and not searchable. It eventually keys the information into a database and conducts a “desk audit” to determine if each report’s income, expenses, and bank account balances add up correctly.

“The public’s basic right to know who is giving how much money to whom is blocked by the inability of the Board of Elections to process reports in a timely manner and present them in an accessible format,” Hall said. “The General Assembly should address this failure by providing better funding to the agency and also require large campaigns to file reports electronically.”

He pointed out that funding for temporary data-entry staff was cut years ago, and the agency cannot fulfill its legal mandate, which says (NC General Statute 163-278.24): “*Within four months after the date of each election or referendum, the Executive Director shall examine or cause to be examined each statement filed with the Board under this Article, and, referring to the election or referendum, determine whether the statement conforms to law and to the truth.*”

Hall also noted the coincidence of a video-poker vendor suddenly emerging as a large donor to NC candidates in 2012, giving mostly to incumbent Republican legislators. A decade ago, Robert E. Huckabee III, owner of Southland Amusement, a video-poker vendor based in Wilmington, suddenly began giving tens of thousands to General Assembly candidates, mostly Democratic incumbents. Huckabee’s donations were at the center of a fundraising scandal involving then-Speaker Jim Black, which triggered a sweeping investigation and landed Black in federal prison.

**DONATIONS FROM CHASE BURNS TO  
NC POLITICIANS AND COMMITTEES**

**STATE SENATORS**

<b>Party</b>	<b>Dist.</b>	<b>Legislator</b>	<b>Amount</b>
Rep	42	Austin M. Allran	\$2,500
Rep	26	Phil Berger	\$8,000
Dem	14	Dan Blue	\$2,500
Rep	6	Harry Brown	\$4,000
Rep	46	Warren Daniel	\$1,000
Rep	50	Jim Davis	\$2,500
Rep	9	Thom Goolsby	\$1,000
Dem	40	Malcolm Graham	\$1,000
Rep	24	Rick Gunn	\$4,000
Rep	43	Kathy Harrington	\$4,000
Rep	36	Fletcher L. Hartsell, Jr.	\$4,000
Rep	47	Ralph Hise	\$2,500
Rep	15	Neal Hunt	\$4,000
Rep	10	Brent Jackson	\$2,500
Dem	3	Clark Jenkins	\$1,000
Dem	20	Floyd B. McKissick, Jr.	\$2,500
Rep	19	Wesley Meredith	\$4,000
Dem	49	Martin L. Nesbitt, Jr.	\$4,000
Rep	11	E. S. (Buck) Newton	\$1,000
Rep	8	Bill Rabon	\$4,000
Dem	28	Gladys A. Robinson	\$1,000
Rep	39	Bob Rucho	\$4,000
Rep	45	Dan Soucek	\$1,000
Dem	16	Josh Stein	\$4,000
Rep	29	Jerry W. Tillman	\$4,000
Dem	13	Michael P. Walters	\$2,500

**STATE REPRESENTATIVES**

Dem	58	Alma Adams	\$1,000
Dem	107	Kelly M. Alexander, Jr.	\$2,500
Rep	52	James L. Boles, Jr.	\$1,000
Rep	103	William Brawley	\$4,000
Dem	102	Becky Carney	\$2,500
Rep	20	Rick Catlin	\$1,000
Rep	25	Jeff Collins	\$2,500
Dem	100	Tricia Ann Cotham	\$1,000
Rep	19	Ted Davis, Jr.	\$1,000
Rep	80	Jerry C. Dockham	\$2,500

<b>Party</b>	<b>Dist.</b>	<b>Legislator</b>	<b>Amount</b>
Dem	43	Elmer Floyd	\$2,500
Dem	44	Rick Glazier	\$1,000
Dem	47	Charles Graham	\$2,500
Rep	112	Mike Hager	\$4,000
Dem	18	Susi H. Hamilton	\$2,500
Rep	79	Julia C. Howard	\$4,000
Rep	83	Linda P. Johnson	\$2,500
Rep	53	David R. Lewis	\$4,000
Dem	42	Marvin W. Lucas	\$2,500
Rep	8	Susan Martin	\$1,000
Rep	116	Tim D. Moffitt	\$4,000
Rep	111	Tim Moore	\$4,000
Dem	99	Rodney W. Moore	\$2,500
Rep	41	Tom Murry	\$2,500
Dem	48	Garland E. Pierce	\$1,000
Dem	34	Deborah K. Ross	\$2,500
Rep	97	Jason Saine	\$1,000
Rep	104	Ruth Samuelson	\$4,000
Rep	89	Mitchell S. Setzer	\$4,000
Rep	87	Edgar V. Starnes	\$4,000
Rep	51	Mike C. Stone	\$4,000
Rep	45	John Szoka	\$1,000
Rep	98	Thom Tillis	\$6,500
Dem	23	Joe P. Tolson	\$1,000
Rep	108	John A. Torbett	\$2,500
Rep	77	Harry Warren	\$2,500
Dem	2	W. A. (Winkie) Wilkins	\$1,000
Dem	27	Michael H. Wray	\$1,000
<b>LOSING LEGISLATIVE CANDIDATES</b>			
Dem	8	Mark Bibb	\$1,000
Dem	45	Eddie Dees	\$1,000
Rep	46	G. L. Pridgen	\$1,000
Dem	18	Doug Berger	\$1,000
Dem	4	Ed Jones	\$1,000
Dem	1	Stan White	\$1,000
<b>TOTAL TO LEGISLATIVE CANDIDATES</b>			\$177,000
NC Republican House Caucus			\$30,000
NC Republican Senate Caucus			\$25,000
Pat McCrory			\$4,000
Pat McCrory (from wife Kristin Chase)			\$4,000
<b>GRAND TOTAL</b>			\$240,000