

Attorney General of CA Targets Troop-Support Charity

09.05.19 | Linda J. Rosenthal, JD



The Attorney General of California issued a [July 24th press release](#) announcing the lawsuit against Sacramento-based Move America Forward, Inc. beginning in a remarkably understated manner.

Xavier Becerra has moved against this nonprofit, formed in 2004, that “sends care packages to combat troops” and describes itself on its website as the “nation’s [largest grassroots pro-troop organization](#) dedicated to support the brave men and women” of the Armed Forces.

“The lawsuit alleges that Move America Forward’s [marketing practices misled donors](#) about the nonprofit’s affiliations and charitable outreach,” the Attorney General explains in the press release. “Further, ... the charity used pictures and quotes of veterans without permission in order to seek donations.” AG Becerra won’t stand for “deceitful gimmicks” and “preying on donors’ support for military service members and veterans with deceptive marketing.”

Of course, as the Attorney General mentions in succeeding paragraphs of the press release, there was [much more to this enforcement action](#) than allegations of stretching the truth in charitable solicitations. Allegedly, rampant self-dealing has occurred with affiliated for-profit companies, topped off by substantial involvement with the political action committees of the principals and in support of political campaigns.

Linked to the press release is a copy of the 25-page [Complaint](#) filed in Sacramento Superior Court by the Attorney General. That document opening the litigation describes how Move America Forward, Inc. (along with its officers and directors and their deeply interrelated for-profit affiliates) had been, from the earliest days, concocting a murky stew of almost everything a charity should *not* be doing.

In a response posted on its website, Move America Forward, Inc. lashed out at the government action, calling the lawsuit a “[disgraceful effort of far-left politicians](#) to attack every conservative

they can.”

But the allegations of rampant violations of the federal charity ban on political activity were the icing on an already rancid cake.

Grabbing the Attention of the AG

In one of our early posts describing how to get on the radar screen of the state Attorney General charity investigators, we first succumbed to overdone food metaphors.

A Recipe for How To Get Noticed by the California Attorney General (May 1, 2015) is one of our favorites, describing how two charity trustees in Napa, California, had been “cooking up a hearty feast of trouble.” The misdeeds, fraud, and self-dealing included everything from soup to nuts; resulting in a “distasteful scent ... wafting out of the premises ... all the way to Sacramento” whereupon the Attorney General “crashed the party, just in time for dessert!”

Similarly, here, the range of alleged misconduct by Move America Forward, Inc. – and everyone and everything connected with it – is breathtaking.

The Attorney General's Allegations Here

The initial fact allegations in the Complaint by the Attorney General set the table, so to speak, of a carefully constructed facade by the principals. But it was a gloss of patriotic altruism masking a scheme to attract “charitable donations” to support not only a political agenda but also to generously enrich themselves and their politics-related business enterprises.

Two of the four directors/officers were co-founders in 2009 of the **Tea Party Express**. The tea partiers and the interrelated business ventures and political action committees all dwelled together free of charge, courtesy of 501(c)(3) Move America Forward, Inc. The principals drew salaries while also invoicing the 501(c)(3) entity for some of the most creative array of up-front and back-end fees and commissions imaginable.

As an example, there’s a tasty tidbit in the Attorney General’s Complaint about the key figure, Salvatore Russo, and his for-profit firm called The Campaign Store, LLC. Mr. Russo allegedly used this business to “intercept online donations, then charged fees ranging from 7.55% to 10.06% to transfer the remaining funds” back to Move America Forward’s bank account. “Campaign Store had no employees and did not add any value to the transactions”; it also enjoyed free rent until it was dissolved in 2016.

Between 2008 and 2014, Move America Forward, Inc. paid The Campaign Store, LLC, at least \$492,485.00 for “bank service charges.” That business also charged the 501(c)(3) additional fees for “order fulfillment” of the care packages for the troops. “The fees ranged from 7.95% to 13.15 percent of the order total” but did nothing other than act as an “online shopping cart.” It “added no value to the procurement, processing or shipping” of the care packages. In total, The Campaign Store, Inc. received about \$505,722 in these order fulfillment fees.

Of course, the Attorney General noted that organization’s website along with its government filings omit details of these cozy arrangements or that a significant chunk of the charitable contributions solicited were improperly siphoned off from the supposed purpose of troop-support into the

pockets of the principals and their affiliated businesses to advance their political causes. The deception started right away: on Move America Forward's Form 1023 seeking tax exemption, the creators falsely asserted that the members of the board would be independent and would not have any dealings with any "disqualified persons."

Conclusion

So grab a cup of coffee and a chocolate-covered doughnut and peruse **People v. Move America Forward, Inc., et al**: the Complaint for "Civil Penalties, An Accounting, a Constructive Trust, Restitution, Removal of Directors, and For Other Relief Arising From: (1) Breach of Fiduciary Duty, (2) Aiding and Abetting a Breach of Fiduciary Duty, (3) Self-Dealing, (4) Unjust Enrichment, (5) Deceptive and Misleading Solicitations and (6) Failing to Comply with Statutes and Regulations of the Attorney General."

But munch quickly; by about halfway through the document, you'll likely begin to feel a bit queasy – especially the bits about how they were too busy stuffing their own pockets to actually hold their own troop-support events, so they used photos of events held by other (legitimate) charities on their own (fraudulent) solicitation materials to grab more and more charitable dollars from unsuspecting donors.