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FEDERAL ELECTION COMMISSION

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FIRST GENERAL COUNSEL'S REPORT

SENSITIVE

MURs: 5403, 5427, 5440, 5466¹
Statute of Limitations: January 2009

MUR 5403 (filed Jan. 15, 2004)

COMPLAINANTS: Center for Responsive Politics; The Campaign Legal Center; Democracy 21

RESPONDENTS: America Coming Together and Carl Pope, as Treasurer; Joint Victory Campaign and Janice Ann Enright, as Treasurer; Leadership Forum; The Media Fund

MUR 5427 (filed Mar. 10, 2004)

COMPLAINANT: Bush-Cheney '04, Inc.

RESPONDENTS: Joint Victory Campaign 2004 and Janice Ann Enright, as Treasurer; The Media Fund

MUR 5440 (filed Mar. 31, 2004)

COMPLAINANT: Bush-Cheney '04, Inc.

RESPONDENTS: America Coming Together and Carl Pope, as Treasurer; America Votes; Environment 2004 and Miranda Anderson, as Treasurer; League of Conservation Voters and Gwendolyn M. Sommer, as Treasurer; The Media Fund; Moveon.org Voter Fund and Wesley Boyd, as Treasurer; Moving America Forward; New Democratic Network and Simon Rosenberg, as Treasurer; Partnership for America's Families; The Sierra Club and Craig Haegele, as Treasurer; Joint Victory Campaign 2004 and Janice Ann Enright, as Treasurer; Voices for Working Families

¹ Collectively, the complaints in these MURs identify nearly 75 entities and individuals who may have violated the Act. This Report focuses only on the organizational Respondents listed below, which most visibly raise the common legal issues highlighted in the complaints. The remaining Respondents (including individual officers of these organizations, donors, and candidates) and issues (including coordinated expenditures) will be addressed in subsequent General Counsel's Reports. We anticipate that such Reports will include both "no-RTB" and RTB recommendations.

MUR 5466 (filed June 22, 2004)

COMPLAINANTS: Center for Responsive Politics; The Campaign Legal Center,
Democracy 21

RESPONDENT: America Coming Together and Carl Pope, as Treasurer

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I. INTRODUCTION

In recent months, the Commission has received several complaints alleging that various "527 organizations" are flouting federal campaign finance laws by spending millions of dollars, raised outside the limitations and prohibitions of the Act, to influence the upcoming federal elections. The complaints also allege that these organizations are failing to report properly their activity to the Commission. Given the common issues among the complaints and the ongoing alleged violations, the Office of General Counsel is presenting these matters to the Commission in a single Report.

Most of the organizations (listed below at p.6) were explicitly created to conduct massive voter mobilization and advertising campaigns to influence the upcoming presidential election. Indeed, many of the organizations unequivocally state that they aim to elect or defeat President Bush, and their fundraising solicitations directly appeal to prospective donors' interest in influencing the election. For example, a solicitation from the president of America Coming Together states:

Here's what America Coming Together is all about. It's about people like you and me making a personal commitment to defeating George W. Bush and electing strong progressive candidates at all levels of government – federal, state, and local.

Appendix A at 5. In addition, most of the Respondent organizations claim to focus their activities, and indeed do operate overwhelmingly, in "swing states," where the presidential election is most competitive, and many have connections to federal candidates and/or national party committees. Finally, while many of the organizations have federal accounts, the bulk of their activity is funded with millions of dollars in nonfederal funds that are not reported to the Commission.

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1 The Respondents addressed in this Report generally do not deny that their major purpose
2 is to influence the outcome of the 2004 elections. Nonetheless, Respondents argue that, as a
3 matter of law, their activities do not result in violations of the Act. Generally, the organizations
4 assert that they (or their nonfederal accounts) are not "political committees" because they have
5 not made more than \$1,000 in "expenditures," as those terms are defined under the Act.
6 Therefore, they contend that they are not required to report their receipts and disbursements nor
7 to adhere to the Act's limitations and prohibitions on contributions. Furthermore, the
8 Respondents commonly argue that they engage in get-out-the-vote activities, not express
9 advocacy of federal candidates. The Respondents also generally deny coordinating their
10 activities with federal candidates and national party committees.

11 Based on publicly available information, there is reason to believe that certain
12 Respondents are failing to abide by the Act's contribution limitations and prohibitions and
13 reporting requirements. Some Respondents, it appears, may be political committees, but have
14 failed to register as such, while other Respondents have both a federal (*i.e.*, a registered political
15 committee) and a nonfederal account, but do not appear to be allocating properly.

16 The appendices to this Report list each Respondent's mission statement, officers (and/or
17 directors), and source of funds, and provide examples of its solicitations and advertisements.
18 The following chart identifies, by appendix, each Respondent discussed in this Report, notes its
19 legal structure, and references whether we recommend further action with respect to it at this
20 time.

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Appendix	Respondent	Structure	Action recommended at this time?
A	America Coming Together and Carl Pope, as Treasurer	political committee w/related 527	Yes
B	America Votes, Inc.	527 (no federal acct)	No
C	Environment 2004 and Miranda Anderson, as Treasurer	political committee w/related 527	Yes
D	Joint Victory Campaign 2004 and Janice Ann Enright, as Treasurer	joint fundraising committee (political committee w/related 527)	Yes
E	The Leadership Forum	527 (no federal acct)	Yes
F	League of Conservation Voters Action Fund and Gwendolyn M. Sommer, as Treasurer	political committee w/related 527 and related 501(c)(4) and 501(c)(3) entities	Yes
G	The Media Fund	527 (no federal acct)	Yes
H	MoveOn PAC and Wes Boyd, as Treasurer	political committee w/related 527 and related 501(c)(4) entity	Yes
I	Moving America Forward	527 (no federal acct)	Yes
J	New Democrat Network and Simon Rosenberg, as Treasurer	political committee w/related 527	Yes
K	Partnership for America's Families	527 (no federal acct)	No
L	The Sierra Club Political Committee and Craig Haegele, as Treasurer	political committee w/related 527 and related 501(c)(4) and 501(c)(3) entities	No
M	Voices for Working Families	527 (no federal acct)	No

2 **II. ANALYSIS**

3 As analyzed below, the Respondents as to which this Office recommends making reason
4 to believe findings fall into either of two general categories: first, organizations that operate as

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1 political committees but are not registered with the Commission as a political committee; or
2 second, organizations that have a registered political committee as part of a family of
3 organizations, but which nonetheless may be violating the Act and regulations. *See* Advisory
4 Opinion 2003-37 (the "ABC AO"). We recommend that the Commission take no action at this
5 time against certain other Respondents because the limited information we have been able to
6 locate does not yet permit us to make recommendations.

7 **A. Certain Respondents Appear to be Required to Register as Political**
8 **Committees**

9 The Respondents addressed in this section—The Media Fund, the Leadership Forum, and
10 Moving America Forward—have not registered as "political committees," nor are they
11 associated with registered political committees. Nonetheless, it appears that these organizations
12 may be "political committees" subject to the contribution limitations, source prohibitions, and
13 reporting requirements of the Act. *See* 2 U.S.C. §§ 431(4)(A), 433, 434, 441a, and 441b.

14 The Act defines a "political committee" as any committee, club, association, or other
15 group of persons that receives contributions or makes expenditures aggregating in excess of
16 \$1,000 during a calendar year. 2 U.S.C. § 431(4)(A). To address overbreadth concerns, the
17 Supreme Court has held that only organizations whose major purpose is campaign activity, such
18 as the nomination or election of a candidate, can be political committees. *See, e.g., Buckley v.*
19 *Valeo*, 424 U.S. 1, 79 (1976) ("*Buckley*"); *FEC v. Massachusetts Citizens for Life*, 479 U.S. 238,
20 262 (1986) ("*MCFL*"). *But see Akins v. FEC*, 101 F.3d 731, 740-42 (D.C. Cir. 1996), *vacated on*
21 *other grounds*, 524 U.S. 11 (1998) ("major purpose" test applies only to independent
22 expenditures, not direct contributions).

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1 The Commission and the courts have long taken the view that an organization can satisfy
2 *Buckley's* "major purpose" test in at least two ways: (1) through sufficient spending on
3 campaign activity, *see MCFL*, 479 U.S. at 262-264 (political committee status would be
4 conferred on MCFL, a 501(c)(4) organization, if its independent spending were to become so
5 extensive that the group's major purpose may be regarded as campaign activity); and (2) through
6 its public statements of purpose, *see, e.g., FEC v. Malenick*, 310 F.Supp.2d 230, 234-35 (D.D.C.
7 2004) (organization evidenced "major purpose" through its own materials, which stated the
8 organization's goal of supporting the election of Republican Party candidates for federal office,
9 and through efforts to get prospective donors to consider supporting federal candidates); *FEC v.*
10 *GOPAC, Inc.*, 917 F. Supp. 851, 859 (D.D.C. 1996) ("organization's [major] purpose may be
11 evidenced by its public statements of its purpose or by other means....").²

12 The Media Fund, the Leadership Forum, and Moving America Forward are all Section
13 527 organizations that file reports with the IRS. A 527 organization is "a party, committee,
14 association, fund, or other organization (whether or not incorporated) organized and operated
15 primarily for the purpose of directly or indirectly accepting contributions or making
16 expenditures, or both, for an exempt function." 26 U.S.C. § 527(e)(1). The "exempt function"
17 of 527 organizations is the "function of influencing or attempting to influence the selection,
18 nomination, election or appointment of any individual to any Federal, State, or local public office
19 or office in a political organization," or the election or selection of Presidential or Vice
20 Presidential electors. 26 U.S.C. § 527(e)(2).

² Various Commissioners have expressed different opinions about whether the "major purpose" test looks to campaign activity, both federal and nonfederal, or must relate to the election of federal candidates. *Compare* Statement of Reasons of Commissioner Thomas in Pre-MUR 395 (College Republicans) at 2 ("major purpose" may encompass federal or nonfederal campaign activity) *and* Advisory Opinions 1996-3 and 1995-11 *with* Statement of Reasons of Commissioners Mason, Wold and Smith in Pre-MUR 395 (College Republicans) at 3-4 ("major purpose" must relate to election of federal candidate).

1 While an organization's 527 status may not be dispositive as to the question of whether it
2 meets the "major purpose" test, the choice does amount to a formal public acknowledgement of
3 the organization's purpose.³ When, as here, 527 status is combined with other evidence that the
4 organization's purpose is to influence *federal* elections, there is at the very least reason for
5 investigating whether the group meets the major purpose test and whether it has crossed the
6 \$1,000 threshold in expenditures or contributions.⁴

7 1. The Media Fund

8 The Media Fund ("TMF") is a Section 527 organization and reports to the IRS pursuant
9 to the Internal Revenue Code. TMF does not maintain a federal account. In its filing with the
10 IRS, TMF states that its purpose is "[t]o communicate with the public on issues that relate to the
11 election of candidates for federal, state or local office or the legislative process in a manner that
12 does not expressly advocate the election or defeat of a particular candidate." Appendix G at 1.
13 Notwithstanding this statement of purpose, TMF has made public statements indicating that the
14 organization's major purpose is to influence federal elections.

15 The website of TMF emphasizes its goal of "ensur[ing] that a Democratic message
16 focused on issues of concern to all Americans will be on the air during the critical period
17 between the end of the primaries and the Democratic Convention when the Republicans'

³ In the pending rulemaking involving this same subject, the Commission has considered whether to adopt a regulation that would make 527 status a proxy for the major purpose test, subject to limited exceptions. The posture of this matter is quite different. The question here is not whether it is appropriate to presume anything as a matter of law based on 527 status, but only whether 527 status supports a decision to investigate whether a group's major purpose is influencing federal elections. As noted, we believe that 527 status, coupled with any other facts indicating that the group's activities concern federal (and not purely other kinds of) elections, warrants further investigation.

⁴ At this preliminary stage, the Commission need not resolve the issue of whether expenditures by unregistered groups for communications that promote, support, attack, or oppose federal candidates should also count toward the \$1,000 threshold. Indeed, if evidence establishes that a Respondent has crossed the \$1,000 threshold under settled understandings of the terms "contribution" or "expenditure," it may never be necessary to address the question for purpose of these matters.

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1 financial advantage is greatest." Appendix G at 1. Although TMF claims that its advertisements
2 help define issues for local, state, and federal elections, all of the advertisements funded by it to
3 date (of which we are aware) clearly identify George Bush, John Kerry, or both, and either
4 oppose George Bush or promote John Kerry. See Appendix G at 2.

5 Moreover, while TMF's goal (quoted above) of airing its "Democratic message" refers to
6 "issues of concern," there is no context other than the presidential election in which it would
7 make any sense to posit that "the Republicans' financial advantage is greatest" "between the end
8 of the primaries and the Democratic Convention." First, the "end of the primaries" must refer to
9 the presidential primaries, because several states' Congressional, state, and local primaries are
10 actually *after* the Democratic convention. Second, in terms of any other federal or nonfederal
11 election, much less any public debate about "issues" or pending legislation, there is nothing
12 special about that time that would make the "Republicans' financial advantage" any greater than
13 at any other time. Thus, TMF's own statements demonstrate that its major purpose is not just
14 influencing elections, and not just influencing federal elections, but influencing the presidential
15 election.

16 Indeed, TMF reportedly spent more than \$24 million on advertisements in "swing" states
17 between mid-March and late May, including \$2.4 million in advertisements in Florida.

18 Appendix G at 2. All of TMF's advertisements (of which we are aware) oppose President Bush,
19 and some of them additionally promote John Kerry. See Complaint, MUR 5427; Appendix G at
20 2.

21 TMF raises funds through the Joint Victory Campaign, whose solicitations state:

22 **Donate to the Victory Campaign 2004 Today!**

23 **Yes! I want to help change the course of the country away from those who**
24 **support the Bush Republican radical agenda and help deliver victories at**

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1 the local, state, and federal level across the country. I am committed to
2 Victory Campaign 2004's unprecedented national strategy to support an
3 aggressive and innovative grassroots program combined with a
4 sophisticated and powerful media to expose the real Bush Republicans and
5 foster a discussion of the issues that are vital to this nation. I understand
6 that Victory Campaign 2004 exclusively supports the work of America
7 Coming Together and The Media Fund. Please use my contribution to
8 communicate a strong message to define the issues for 2004 local, state,
9 and national elections and create a wave of political change.

10 Appendix D at 2. The Joint Victory Campaign transferred \$12.775 million to TMF as of the first
11 quarter of 2004. Appendix D at 2.

12 Because there is evidence that TMF has as its major purpose influencing the presidential
13 election, and because there is evidence indicating that it has received and spent more than \$1,000
14 in contributions and expenditures, an investigation is warranted into whether it has violated the
15 Act by failing to register and report as a political committee.

16 2. Leadership Forum

17 The Leadership Forum is a Section 527 organization. The Leadership Forum does not
18 maintain a federal account.

19 The Leadership Forum was founded in 2002 with substantial assistance from the
20 National Republican Congressional Campaign Committee,⁵ but until recently has remained
21 dormant. The Leadership Forum, in its filing with the IRS, states that its purpose is "to engage
22 in nonfederal political activities on state and local levels and to engage in dialogue on issues of
23 importance to all Americans." Appendix E at 1. Yet public statements by the Forum's officers
24 indicate its major purpose may nonetheless be to influence federal elections. For example, the

⁵ Most of the NRCC's involvement, however, occurred prior to November 6, 2002 and therefore cannot be considered when determining if the NRCC established, financed, maintained, or controlled the Leadership Forum. See 11 C.F.R. § 300.2(c)(3); see also MUR 5338 (Commission found no RTB because post-November 2002 NRCC involvement was insufficient to demonstrate that the Forum was established, financed, maintained, or controlled by the NRCC).

1 Forum's president, Susan Hirschmann, stated that the organization has begun raising money in
2 earnest to counter the millions of dollars already raised by Democratic groups that have publicly
3 stated their desire to defeat President Bush. "If the FEC fails to enact regulations, 'it will be
4 abundantly clear that 527s are going to play a major role in the election,' Hirschmann said. 'We
5 do not want to see Soros and the unions and the liberal Democrat 527s go unanswered.'" *See*
6 Appendix E at 1. Likewise, the Forum's vice president, Bill Paxon, said that the organization is
7 playing "catch up" to these Democratic groups. *See id.*

8 Although there is no indication that current federal officeholders are soliciting funds for
9 the Leadership Forum, their participation in the organization's activities—and the involvement
10 of others with ties to the national party—are consistent with the group's public statements
11 indicating that the Leadership Forum's major purpose may be influencing federal elections. For
12 example, the Leadership Forum's officers and advisory board include former Members of
13 Congress, former aides to Republican Party leaders, and others with extensive connections to the
14 national party leadership. *See* Appendix E at 1-2. In addition, current congressional leaders,
15 including House Speaker Dennis Hastert, are appearing at Leadership Forum events this summer.
16 *See* Appendix E at 2.

17 According to its IRS disclosure reports, the Leadership Forum has raised hundreds of
18 thousands of dollars from corporations, and has spent more than \$1,000. *See* Exhibit E at 2.
19 Accordingly, there is sufficient information to investigate whether the Leadership Forum is a
20 federal political committee that has not properly registered and reported with the Commission.

21 3. Moving America Forward

22 Moving America Forward ("MAF") is a Section 527 organization and does not maintain
23 a federal account. In its filing with the IRS, MAF states that its purpose is "[t]o influence

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1 election of candidates for public office through partisan training, issue education, voter
2 registration and voter turnout." Appendix I at 1. Notwithstanding this statement of purpose,
3 MAF has made public statements indicating that the organization's major purpose is to influence
4 federal elections.

5 Founder Bill Richardson has said that MAF does not plan to run ads or endorse
6 candidates for federal office; however, he has also said that the goals of the organization include
7 partisan Democratic voter registration and mobilization that will affect federal elections.
8 Richardson wrote an article, explaining that MAF "will conduct on-the-ground operations to turn
9 out the Hispanic vote and win [Arizona, Florida, New Mexico and Nevada] for our Democratic
10 presidential nominee." See Appendix I at 1. Another article quotes Richardson as saying that
11 "the objective" of MAF "is going to be to win back the White House and to increase our
12 numbers in the Senate." See Appendix I at 1.

13 MAF's largest contributions came from unions, although dozens of individuals have
14 contributed small amounts. MAF has made more than \$1,000 in disbursements for political
15 consulting, office supplies, and other items, though it asserts that it has never made any payment
16 for "public communications," as defined by Commission regulations. See Appendix I at 2;
17 Response of MAF in MUR 5440 at 2. Given Richardson's statements indicating that MAF seeks
18 to influence federal elections, and given that the organization has raised and spent over \$1,000,
19 there is sufficient information to investigate whether it should register and report with the
20 Commission as a political committee.

21 4. Summary

22 In sum, allegations in the complaints, along with publicly available information, merit an
23 investigation into whether TMF, the Leadership Forum, and MAF qualify as political committees

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1 that should register and report with the Commission. Therefore, this Office recommends that the
2 Commission find reason to believe that The Media Fund, the Leadership Forum, and Moving
3 America Forward violated 2 U.S.C. §§ 433, 434, 441a(f), and 441b(a) by failing to register as
4 political committees with the Commission; by failing to report their contributions and
5 expenditures; by knowingly accepting contributions in excess of \$5,000; and by knowingly
6 accepting corporate and/or union contributions.

7 Although the complaints also make the same allegations against other organizations that
8 similarly are not registered with the Commission as political committees (*e.g.*, Moveon.org Voter
9 Fund), these other organizations appear to serve as the nonfederal accounts of federal political
10 committees. While we analyze these other organizations in the next section under an allocation
11 theory, we nonetheless leave open the possibility that the foregoing analysis could be applied to
12 these organizations if an investigation were to uncover evidence that, instead of violating
13 allocation requirements, these non-registered entities should themselves be registered as political
14 committees.

15 **B. Certain Respondents Do Not Appear to be Complying with the Act and**
16 **Regulations, as Interpreted by the Commission in AO 2003-37**

17 The Respondents addressed in this section either are, or are associated with, registered
18 political committees. Specifically, some of these Respondents (America Coming Together
19 ("ACT") and New Democrat Network) appear to be nonconnected political committees with
20 federal and nonfederal accounts, as described in 11 C.F.R. § 102.5; the federal accounts of these
21 committees are registered with the Commission and regularly file disclosure reports.⁶ Some
22 other Respondents (MoveOn.org Voter Fund, Environment2004, and the League of Conservation

⁶ ACT registered with the Commission on July 29, 2003. Appendix A at 1. The New Democrat Network registered on June 18, 1996. Appendix J at 1.

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1 Voters 527) are Section 527 organizations and appear to be the nonfederal accounts of associated
2 political committees registered with the Commission.⁷ Another Respondent (Joint Victory
3 Campaign 2004) is the joint fundraising committee of ACT and TMF.⁸ All of these
4 Respondents' political committees not only must comply with the Act's contribution limitations,
5 source prohibitions, and reporting requirements, but they also must comply with applicable
6 statutory and regulatory provisions as interpreted in AO 2003-37, which addresses the
7 application of the Act and regulations to various campaign activities of a registered political
8 committee. In addition to addressing these Respondents' political committees, this Report will
9 address their associated Section 527 organizations, which appear to act as the nonfederal
10 accounts of their related political committees.⁹

11 In the ABC AO, the Commission analyzed numerous activities proposed by Americans
12 for a Better Country ("ABC"), a registered political committee, including communications
13 referring to a clearly identified federal candidate, voter identification and registration activities,
14 get-out-the-vote ("GOTV") activities, and fundraising. The Commission determined that many
15 of these activities were covered by existing allocation regulations in 11 C.F.R. Part 106. AO
16 2003-37 at 2. Specifically, the Commission concluded that:

- 17 • Communications by a registered political committee, including fundraising
18 communications, that promote, support, attack, or oppose ("PASO") a clearly
19 identified federal candidate are "expenditures" that must be paid for with federal
20 funds;

⁷ MoveOn PAC registered on October 29, 1998. Appendix H at 1. Environment2004 registered on April 9, 2003. Appendix C at 1. The League of Conservation Voters Action Fund registered on February 23, 1993. Appendix F at 1.

⁸ The federal account (Victory Campaign 2004) of this joint fundraising committee registered with the Commission on November 14, 2003. Appendix D at 1.

⁹ All political committees under the Act are Section 527 organizations under the tax code; however, the reverse is not true. Here, we use "Section 527 organizations" as an abbreviation for those entities that are subject to that section of the tax code, but are not registered political committees under the Act.

- 1 • Communications by a registered political committee for voter mobilization
2 activities, even if they are not coordinated with a candidate and do not refer to any
3 clearly identified federal candidate, must be funded at least partially with federal
4 funds;¹⁰
- 5 • Funds received by a registered political committee from solicitations that
6 promote, support, attack, or oppose federal candidates and "convey a plan" to
7 promote, support, attack, or oppose federal candidates are treated as contributions;
8 and
- 9 • Voter registration efforts of a registered political committee that target particular
10 groups of voters must either be allocated or paid from federal funds.

11 See AO 2003-37 at 2-4, 9-10, 13, 15, and 20.

12 We discuss the following Respondents under the analysis in the ABC AO because their
13 activities "are indistinguishable in all ... material aspects" from the activities addressed in that
14 advisory opinion.¹¹ 2 U.S.C. § 437f(c)(1)(B). All of the Respondents listed below appear to
15 have financed some of their activities using nonfederal funds when those activities were required
16 to be funded with at least some federal funds. In addition, many of the organizations appear to
17 have raised funds that would qualify as federal contributions but were instead deposited into their
18 nonfederal accounts and not reported to the Commission. Although we address the activities of
19 these Respondents' political committees and 527 entities, we do not make any recommendations
20 at this time regarding any of these Respondents' associated 501(c)(3) or 501(c)(4) organizations.

¹⁰ We use the term "voter mobilization activity" to refer generally to voter identification, voter registration, and GOTV activities. See 11 C.F.R. § 106.6(b)(2)(iii). The expenses for voter mobilization activity must be allocated between the federal and nonfederal accounts of the committee based on the ratio of federal expenditures to total federal and nonfederal disbursements made by the committee during the two-year federal election cycle. AO 2003-37 at 4 (citing 11 C.F.R. § 106.6(c)). Communications made by a political committee for voter mobilization activities that refer to more than one clearly identified federal candidate—or to federal candidates and nonfederal candidates (or the entire ticket)—must be allocated to each such candidate according to the benefit reasonably expected to be derived. AO 2003-37 at 3 (citing 11 C.F.R. § 106.1).

¹¹ The interpretation of the Act "by the FEC through its regulations and advisory opinions is entitled to due deference and is to be accepted by the court unless demonstrably irrational or clearly contrary to the plain meaning of the statute." *FEC v. Ted Haley Cong. Comm.*, 852 F.2d 1111, 1115 (9th Cir. 1988). These Respondents have also been on notice as to the Commission's interpretations of the applicable statutory and regulatory provisions since at least February 19, 2004—the date on which the ABC AO was issued. Because the Commission publicly releases this Office's drafts of advisory opinions and solicits public comment before issuing advisory opinions, Respondents were aware of the potential impact that ABC's request could have on their activities before it was issued.

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1 1. **ACT**

2 ACT is structured as an unincorporated political committee with federal and nonfederal
3 accounts. The federal account is registered with the Commission as a political committee and
4 the nonfederal account is a Section 527 organization.¹² ACT is therefore structured exactly like
5 ABC. While the ABC AO request was pending, ACT not only commented on it,¹³ but ACT
6 submitted its own request for an advisory opinion (AOR 2004-5). Subsequently, less than two
7 weeks after the Commission issued the ABC AO, ACT withdrew its own request "in light of the
8 Commission's issuance of Advisory Opinion 2003-37, which addresses principal issues raised in
9 ACT's request."¹⁴ Letter from Judith L. Corley and Laurence E. Gold (Counsel for ACT) to
10 General Counsel (Feb. 27, 2004). ACT therefore acknowledged that the ABC AO's
11 interpretation of the Act and regulations applied to ACT's conduct.¹⁵

12 ACT's fundraising solicitations indicate that contributions will be used to attack or
13 oppose a clearly identified federal candidate – indeed, several expressly advocate the defeat of
14 George Bush. ACT's online contribution form states, "YES, I want to help implement ACT's
15 strategy to mobilize voters, defeat George W. Bush, and elect progressive candidates. Please use
16 my contribution to restore democracy in 2004!" Appendix A at 5. ACT's direct mail

¹² In its filing with the IRS, ACT's 527 organization asserts that its purpose is "[t]o support candidates and committees at the national, state and local levels and to support national voter mobilization efforts." Appendix A at 1.

¹³ Letter from Judith L. Corley and Laurence E. Gold (Counsel for ACT) to General Counsel (Feb. 4, 2004) (emphasizing, at page 17, that "the allocation rules the Commission has promulgated in Part 106 of its regulations are still good law").

¹⁴ Moreover, ACT submitted comments to the Commission in response to the pending notice of proposed rulemaking regarding political committee status, which recognized that "in the recent ABC opinion, the FEC did not eliminate, even if it revised, the allocation process for nonparty committees." Letter from Judith L. Corley and Laurence E. Gold (Counsel for ACT) to Mai T. Dinh (Apr. 5, 2004)

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1 fundraising solicitations focus almost exclusively on the 2004 Presidential race. For example,
2 the envelopes used by ACT to mail its fundraising solicitations state, "17 States, 25,000
3 Organizers, 200,000 Volunteers, 17 Million Doors Knocked on ... and a one-way ticket back to
4 Crawford, Texas." Appendix A at 5. The February 2004 version of ACT's direct mail
5 solicitation states, "[I]f we can count on your personal support and active participation, 2004 will
6 be a year of America Coming Together and George W. Bush going home." Appendix A at 5.
7 Similarly, the June 2004 version of ACT's solicitation asserts:

8 To keep their grasp on the White House and win other critical key
9 House, Senate and local races, the Bush campaign and Republican
10 National Committee and their powerful special interest allies are
11 amassing a political fortune. By Election Day, they will have
12 raised and spent over half a billion dollars to hold on to power.
13 **We can't match them dollar-for-dollar. But, we can – and**
14 **must – match them door-for-door. And in many critical states**
15 **we'll be at work in places where the Kerry Campaign and the**
16 **Democratic Party simply don't have the resources to operate.**

17
18 Appendix A at 5 (emphasis in original). The Action Plan included in ACT's fundraising
19 solicitations confirms these statements, declaring, "We know how many votes we need to defeat
20 President Bush and elect progressive candidates and we're organizing a massive, interconnected
21 program of voter contact to go out and find those votes." Appendix A at 5.

22 Because these solicitations constitute public communications that promote, support,
23 attack or oppose a clearly identified federal candidate, they must be funded from ACT's federal
24 account. See ABC AO at 9-10. ACT, however, appears to have used its nonfederal account to
25 pay for the majority of its fundraising efforts. ACT's disclosure reports indicate that it uses a
26 98-2 ratio to allocate fundraising disbursements between its nonfederal and federal accounts.
27 Appendix A at 5. Assuming (as we are not aware of others) that ACT made a substantial portion
28 of its fundraising disbursements in connection with the type of solicitations discussed above, it

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1 appears that the 98-2 ratio is not appropriate, and therefore that ACT has improperly used
2 nonfederal funds for federal expenditures in violation of the Act and regulations, as interpreted
3 by the Commission in AO 2003-37.

4 ACT similarly allocates its voter mobilization activities by using a 98-2 allocation ratio.
5 See Appendix A at 5. It is unclear whether ACT may use *any* nonfederal funds to fund its voter
6 drive activity or, if it can, what the proper allocation ratio is. Some reports indicate that ACT's
7 voter registration efforts are targeted to previously identified Democratic voters, geographic
8 areas that lean Democratic, and demographic groups that traditionally have voted Democratic;
9 however, as was the case in the ABC AO, this type of activity requires allocation between ACT's
10 federal and nonfederal accounts. See Appendix A at 3; AO 2003-37 at 11-13. In addition, other
11 press reports suggest that ACT's canvassing communications may expressly advocate the defeat
12 of President Bush, or attack or oppose the Bush administration. See Appendix A at 2. Any such
13 communications must be funded entirely with federal funds. 11 C.F.R. § 102.5(a)(1)(i).

14 Even if some of ACT's voter registration efforts are generic, rather than candidate-
15 specific, ACT appears to have overstated the nonfederal share of its voter registration expenses
16 by applying an improper allocation ratio. The costs of ACT's fundraising solicitations, discussed
17 *supra*, must be treated as federal expenditures and included in the numerator for purposes of
18 calculating the allocation ratio under the "funds expended" method set forth in § 106.6(c).
19 Because ACT appears to have considered such expenses to be nonfederal disbursements and
20 included them in the denominator, it appears to have improperly calculated its allocation ratio.
21 As a result, ACT and Carl Pope, as Treasurer, appear to have understated the federal share of any
22 allocable voter registration expenses, as well as administrative costs and improperly used

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1 nonfederal funds for the purpose of influencing a federal election. *See* MUR 5466, Compl. at ¶
2 25-34.

3 **2. MoveOn PAC and MoveOn.org Voter Fund**

4 MoveOn PAC is a political committee registered with the Commission and MoveOn.org
5 Voter Fund ("MOVF") is a 527 organization that files reports with the IRS.¹⁶ MoveOn.org is an
6 entity organized under Section 501(c)(4) of the tax code.

7 MOVF, which is not registered as a political committee, ran a television advertising
8 campaign in 67 media markets in 17 so-called "battleground states," beginning in March 2004.
9 Appendix H at 2. All of these ads (of which we are aware) constitute public communications
10 that attack or oppose a clearly identified federal candidate—President Bush—and must be
11 funded from federal funds. According to publicly available information:

- 12 • In Florida, Maine, Minnesota, and Nevada, MOVF will (or has) run its "Child's
13 Pay" ad which criticizes President Bush for the budget deficit. Appendix H at 3.
14
- 15 • In most states, the MOVF ad will focus (or has focused) on jobs issues, including
16 overtime pay and outsourcing, and the economic insecurity purportedly felt by
17 many working families. The MOVF ad program criticizes President Bush for his
18 policies related to these issues. Appendix H at 2-3.
19

20 Just like the registered political committee and non-federal account whose activities were
21 addressed in the ABC AO, the activity at issue in this MUR is conducted by MoveOn PAC and
22 MOVF, which, while nominally separate, appear to operate as federal and nonfederal accounts of
23 a single committee that has established both types of accounts pursuant to 11 C.F.R. § 102.5.
24 MOVF admits on its website (and in its response) that it is running and paying for television
25 advertisements. MOVF Response in MUR 5440 at 7. These ads, which constitute public

¹⁶ In its filing with the IRS, MOVF asserts that its purpose is "[t]o educate voters on the positions, records, views, and qualifications of candidates for public office and to stimulate interest in voting." Appendix H at 1.

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1 communications that attack or oppose a clearly identified federal candidate (President Bush),
2 must be paid for with federal funds.¹⁷ AO 2003-37 at 9. As a result, MoveOn PAC and Wesley
3 Boyd, as Treasurer, and MoveOn.org Voter Fund appear to have improperly used nonfederal
4 funds for the purpose of influencing a federal election.

5 **3. Joint Victory Campaign 2004**

6 Joint Victory Campaign 2004 ("JVC 2004") is a registered joint fundraising committee
7 for ACT and TMF with federal and nonfederal accounts.¹⁸ The online fundraising solicitation
8 used by JVC 2004 indicates that contributions will be used to attack or oppose the "Bush
9 Republican radical agenda" and "expose the real Bush Republicans." Appendix D at 2. Based
10 on disbursements for printing and postage listed in its year-end and quarterly reports, and
11 assuming that JVC 2004 distributes similar fundraising solicitations by direct mail, its
12 solicitations constitute public communications that promote, support, attack or oppose a clearly
13 identified federal candidate, and do not identify any other federal or nonfederal candidates or
14 elections, and therefore must be funded from JVC's federal account. See AO 2003-37 at 9-10
15 and 15.

16 Because JVC 2004's solicitation also promotes, supports, attacks, or opposes federal
17 candidates and conveys a plan (or indicates that the funds received will be used) to promote,
18 support, attack, or oppose federal candidates, any funds received should be treated as

¹⁷ Not only did MOVF pay for the advertisements with nonfederal funds, but it reported the payments to the Commission as electioneering communications. However, because MoveOn PAC and MOVF appear to operate as federal and nonfederal accounts of a single committee, any communication either one of them might make that would otherwise qualify as an electioneering communication (and that promotes, supports, attacks, or opposes a clearly identified federal candidate) is an expenditure, not an electioneering communication. 11 C.F.R. § 100.29(c)(3). Thus, the ads should have been paid for by MoveOn PAC, not MOVF, and should not have been reported as electioneering communications.

¹⁸ The federal account of JVC 2004 is registered as "Victory Campaign 2004," while the nonfederal account retains the name "Joint Victory Campaign 2004." In its filing with the IRS, Joint Victory Campaign 2004 asserts that it is "[a] joint fundraising committee for two organizations organized under Section 527 of the Internal Revenue Code." Appendix D at 1.

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1 contributions and deposited entirely in a federal account. *See* AO 2003-37 at 15 and 20.
2 Consequently, JVC 2004 would not be able to allocate fundraising expenses based on the ratio
3 between the funds received and deposited in its federal and nonfederal accounts, as it has been
4 doing, because all funds received from this solicitation would have been federal. In any event,
5 JVC 2004's current 99-1 nonfederal to federal ratio to allocate fundraising expenses does not
6 appear to reflect accurately its ratio between nonfederal and federal receipts, or the subsequent
7 use of the funds for nonfederal and federal activities, assuming that its other solicitations, like the
8 online solicitation, appear to mention only a single federal candidate, and convey a plan (or
9 indicate that the funds will be used) to promote, support, attack, or oppose federal candidates.
10 Appendix D at 2. Therefore, there is reason to believe that the allocation ratio used by JVC and
11 Janice Ann Enright, as Treasurer, understates the appropriate share of federal funds.¹⁹

12 **4. Environment2004 PAC and Environment2004**

13 Environment2004 is a Section 527 organization.²⁰ Environment2004 PAC is an
14 associated political committee registered with the Commission.

15 Environment2004 describes itself as "a membership organization dedicated to ... shining
16 a spotlight on the anti-environmental record of President George W. Bush and his allies [and] to
17 assuring their defeat in 2004." Appendix C at 1. Although we do not know at this point if there
18 are any statements accompanying its online contribution form, which is available only to
19 members, the website prominently criticizes President Bush's environmental record. Appendix

¹⁹ Although JVC 2004 is the joint fundraising committee established by ACT and TMF, it solicited purported nonfederal funds of more than \$24 million on advertisements by TMF that attack or oppose President Bush or promote or support John Kerry. *See* Appendix D at 2; Appendix G at 2. An investigation may also reveal violations of the joint fundraising regulations found at 11 C.F.R. § 102.17.

²⁰ In its filing with the IRS, Environment2004 asserts that its purpose is "[t]o raise the profile of energy and environment as issues vital to the future of our nation and world, and build a nationwide grassroots network of activists that will work to assure that these issues remain in the forefront of the national agenda." Appendix C at 1.

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C at 3. Furthermore, Environment2004 has issued at least seven press releases denouncing President Bush's environmental policies. Appendix C at 1.

Environment2004, together with the League of Conservation Voters, also produced a television commercial that aired from May 18-25, 2004, which criticized President Bush's support for drilling off the coast of Florida, and contrasted Bush's positions unfavorably to those of John Kerry. Appendix C at 3. The 527 organization, in its second quarter 2004 IRS filing, stated that it spent approximately \$10,000 on media buys.²¹ Environment2004 PAC, in its filings for the same period, did not list any media buys. Thus, the communication appears to have been funded with nonfederal funds. This ad constitutes a public communication that attacks or opposes a clearly identified federal candidate—President Bush—and must be funded from federal funds. As a result, Environment2004 PAC and Miranda Anderson, as Treasurer, and Environment2004 (the 527 organization) appear to have improperly used nonfederal funds for the purpose of influencing a federal election.

5. League of Conservation Voters Action Fund and League of Conservation Voters 527

The League of Conservation Voters Action Fund ("LCV PAC") is a political committee registered with the Commission as the separate segregated fund of the League of Conservation Voters, Inc. ("LCV"), an entity organized under Section 501(c)(4) of the tax code that has also registered with the Commission as a Qualified Non-Profit Corporation. The League of Conservation Voters 527 ("LCV 527") is a 527 organization that files reports with the IRS.²²

²¹ According to its July 2004 IRS disclosure, Environment2004 took in \$194,096 in receipts and made \$254,607 in disbursements. Of these disbursements, approximately \$10,000 went to "advertising—paid media." Appendix C at 2-3.

²² In its filing with the IRS, LCV 527 asserts that its purpose is "[t]o inform voters on federal candidates' environmental votes and positions." Appendix F at 1.

1 The website that is shared by LCV, LCV PAC, and LCV 527 states: "Donations to LCV
2 may be used for political purposes, such as supporting or opposing candidates" and, "Your
3 contribution allows us to educate voters in key states about Bush's environmental record and the
4 corporate polluters who help fund his campaign." Appendix F at 2. Because this solicitation
5 promotes, supports, attacks, or opposes federal candidates and conveys a plan (or indicates that
6 the funds will be used) to promote, support, attack, or oppose federal candidates, any funds
7 received should be treated as contributions and reported to the Commission. AO 2003-37 at 20.
8 It is unclear at this point whether the League of Conservation Voters entities deposited all funds
9 received from this online solicitation into their federal account.

10 In addition, one of the League of Conservation Voters entities, together with
11 Environment2004, released a television commercial criticizing President Bush's position on
12 drilling off the coast of Florida. The commercial aired on CNN from May 18th through May
13 25th. Appendix F at 3. Because this ad constitutes a public communication that promotes,
14 supports, attacks, or opposes a clearly identified federal candidate, it must be funded from
15 federal funds. According to its second quarter disclosure reports filed with the IRS, one week
16 before this ad aired, the League of Conservation Voters 527 disbursed \$20,000 on a media buy,
17 which may have been used to pay for this commercial. Appendix F at 2. As a result, the League
18 of Conservation Voters Action Fund and Gwendolyn M. Sommer, as Treasurer, and the League
19 of Conservation Voters 527 appear to have improperly used nonfederal funds for the purpose of
20 influencing a federal election.

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6. New Democrat Network

The New Democrat Network ("NDN") is registered with the Commission, and has a federal ("NDN PAC") and nonfederal ("NDN 527") account.²³ The website shared by NDN PAC and NDN 527 states that the mission of NDN is to elect "public servants at all levels of government who believe that the Democratic Party needs to find ways to lead our country into a new era while holding true to our most cherished values." Appendix J at 1. NDN's advertising campaign includes anti-Bush advertisements aimed at Spanish-speaking persons, particularly in the swing states of Arizona, Florida, and Nevada. One television advertisement, attacking President Bush's lack of funding for higher education for minorities, features a girl asking, in Spanish, "President Bush, why did you break your promise?" Appendix J at 3.

In the first quarter of 2004, NDN 527 paid \$275,000 to ZGS Communications for polling services. Appendix J at 3. In the second quarter, NDN 527 listed \$1.2 million in disbursements to ZGS for production costs and media buys. Appendix J at 3. In contrast, every expenditure made by NDN PAC this year has been a contribution to a candidate or to another political committee, with the exception of \$172 for operating expenses. Appendix J at 3. Thus, it appears that NDN 527 paid for the ads. Because these ads are public communications that promote, support, attack, or oppose a clearly identified federal candidate, they must be funded from NDN's federal account. As a result, New Democrat Network and Simon Rosenberg, as Treasurer, and New Democrat Network (the 527 organization) appear to have improperly used nonfederal funds for the purpose of influencing a federal election.

²³ In its filing with the IRS, NDN 527 asserts that its purpose is "[f]undraising for Federal, State, and Local candidates." Appendix J at 1.

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7. Summary

Each of the aforementioned organizations appears to have spent significant nonfederal funds to influence the upcoming federal elections. In addition, some organizations appear to have raised funds that qualify as contributions, which must be reported, but were instead deposited into their nonfederal accounts. The available information warrants an investigation into whether these organizations complied with the Act and regulations, as interpreted by the Commission in the ABC AO.

Therefore, this Office recommends that the Commission find reason to believe that the following persons violated 2 U.S.C. §§ 434, 441a(f), 441b(a) and 11 C.F.R. §§ 102.5, 104.10, 106.1 and 106.6 by failing to attribute and report expenses between multiple federal candidates, by failing to allocate and report shared administrative and fundraising activities, and by using prohibited funds to pay for the federal share of those expenses, which may have resulted in prohibited and excessive contributions: ACT and Carl Pope, as Treasurer; MoveOn PAC and Wesley Boyd, as Treasurer; MoveOn Voter Education Fund; Joint Victory Campaign 2004 and Janice Ann Enright, as Treasurer; Environment 2004 PAC and Miranda Anderson, as Treasurer; Environment 2004 527; League of Conservation Voters Action Fund and Gwendolyn M. Sommer, as Treasurer; League of Conversation Voters 527; and the New Democrat Network and Simon Rosenberg, as Treasurer.

C. We Do Not Yet Have Sufficient Information About Certain Other Organizations to Make a Recommendation

We currently lack sufficient information regarding some of the Respondent organizations named in the complaints that may have engaged in activities to influence federal elections. The Office of General Counsel requires additional time to formulate recommendations. Accordingly,

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we recommend that the Commission take no action at this time against America Votes, Inc.; Partnership for America's Families; the Sierra Club; and Voices for Working Families. Our initial review continues as to these Respondents, however, and we will address them in a subsequent reports. These subsequent reports may include "no reason to believe" recommendations as to certain entities named in the complaints.

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21
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IV. RECOMMENDATIONS

MUR 5403:

1. Find reason to believe that The Media Fund and the Leadership Forum violated 2 U.S.C. §§ 433, 434, 441a(f), and 441b(a) by failing to register as a political committee with the Commission, by failing to report contributions and expenditures, by knowingly accepting contributions in excess of \$5,000, and by knowingly accepting corporate and/or union contributions;
2. Find reason to believe that America Coming Together and Carl Pope, as Treasurer, and Joint Victory Campaign and Janice Ann Enright, as Treasurer, violated 2 U.S.C. §§ 434, 441a(f), 441b(a) and 11 C.F.R. §§ 102.5, 104.10, 106.1 and 106.6 by failing to attribute and report expenses between multiple federal candidates, by failing to allocate and report shared administrative and fundraising activities and by using prohibited funds to pay for the federal share of those expenses, which may have resulted in prohibited and excessive contributions;
3. Approve the appropriate factual and legal analyses;
- 4.
5. Approve the appropriate letters.

MUR 5427:

1. Find reason to believe that The Media Fund violated 2 U.S.C. §§ 433, 434, 441a(f), and 441b(a) by failing to register as a political committee with the Commission, by failing to report contributions and expenditures, by knowingly accepting contributions in excess of \$5,000, and by knowingly accepting corporate and/or union contributions;
2. Find reason to believe that Joint Victory Campaign 2004 and Janice Ann Enright, as Treasurer, violated 2 U.S.C. §§ 434, 441a(f), 441b(a) and 11 C.F.R. §§ 102.5, 104.10, 106.1 and 106.6 by failing to attribute and report expenses between multiple federal candidates, by failing to allocate and report shared administrative and fundraising activities and by using prohibited funds to pay for the federal share of those expenses, which may have resulted in prohibited and excessive contributions;
3. Approve the appropriate factual and legal analyses;
- 4.
5. Approve the appropriate letters.

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MUR 5440:

1. Find reason to believe that The Media Fund and Moving America Forward violated 2 U.S.C. §§ 433, 434, 441a(f), and 441b(a) by failing to register as a political committee with the Commission, by failing to report contributions and expenditures, by knowingly accepting contributions in excess of \$5,000, and by knowingly accepting corporate and/or union contributions;
2. Find reason to believe that America Coming Together and Carl Pope, as Treasurer, MoveOn PAC and Wesley Boyd, as Treasurer, MoveOn Voter Fund, as Treasurer, Joint Victory Campaign 2004 and Janice Ann Enright, as Treasurer, Environment 2004 PAC and Miranda Anderson, as Treasurer, Environment 2004 527, League of Conservation Voters Action Fund and Gwendolyn M. Sommer, as Treasurer, League of Conversation Voters 527, and the New Democrat Network and Simon Rosenberg, as Treasurer, violated 2 U.S.C. §§ 434, 441a(f), 441b(a) and 11 C.F.R. §§ 102.5, 104.10, 106.1 and 106.6 by failing to attribute and report expenses between multiple federal candidates, by failing to allocate and report shared administrative and fundraising activities and by using prohibited funds to pay for the federal share of those expenses, which may have resulted in prohibited and excessive contributions;
3. Take no action at this time against America Votes, Inc., Partnership for America's Families, the Sierra Club, and Voices for Working Families;
4. Approve the appropriate factual and legal analyses;
- 5.
6. Approve the appropriate letters.

MUR 5466:

1. Find reason to believe that America Coming Together and Carl Pope, as Treasurer, violated 2 U.S.C. §§ 434, 441a(f), 441b(a) and 11 C.F.R. §§ 102.5, 104.10, 106.1 and 106.6 by failing to attribute and report expenses between multiple federal candidates, by failing to allocate and report shared administrative and fundraising activities and by using prohibited funds to pay for the federal share of those expenses, which may have resulted in prohibited and excessive contributions;
2. Approve the appropriate factual and legal analysis;
- 3.
4. Approve the appropriate letters.

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