

**Exhibit B**

FEC, General Counsel's Report and Certification  
(Mar. 18, 2004)

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**FEDERAL ELECTION COMMISSION**  
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Washington, D.C. 20463

2004 MAR 15 P 2: 06

**FIRST GENERAL COUNSEL'S REPORT**

**SENSITIVE**

MUR: 5378  
DATE COMPLAINT FILED: July 17, 2003  
DATE OF NOTIFICATION: July 24, 2003  
DATE ACTIVATED: February 2, 2004  
EXPIRATION OF STATUTE OF LIMITATIONS:  
October 3, 2005

**COMPLAINANTS:**

John Hagelin  
Ralph Nader  
Patrick Buchanan  
Howard Phillips  
Winona LaDuke  
Natural Law Party  
Green Party of the United States  
Constitution Party

**RESPONDENT:**

Commission on Presidential Debates

**RELEVANT STATUTES  
AND REGULATIONS<sup>1</sup>**

2 U.S.C. § 431(9)(B)(ii)  
2 U.S.C. § 433  
2 U.C.S. § 434  
2 U.S.C. §§ 441a(a) and (f)  
2 U.S.C. § 441b(a)  
11 C.F.R. § 100.92  
11 C.F.R. § 100.154  
11 C.F.R. § 110.13  
11 C.F.R. § 114.4(f)

**INTERNAL REPORTS CHECKED:**

None

**FEDERAL AGENCIES CHECKED:**

None

<sup>1</sup> 11 C.F.R. §§ 100.92 and 100.154 were previously codified at §§ 100.7(b)(21) and 100.8(b)(23) during the 2000 election cycle.

24-04-407-3756

**I. INTRODUCTION**

In this matter, several third parties and their 2000 candidates challenge the eligibility of the Commission on Presidential Debates ("CPD") to stage presidential and vice-presidential debates, both retrospectively, in 2000 and prospectively, in 2004. Previously, in MURs 4987 and 5004, the Commission rejected eligibility challenges, and courts in the ensuing dismissal suits found in favor of the Commission. Complainants here repeat some of the same assertions made in the previous MURs. However, they also proffer what they term "newly obtained evidence" stemming from the CPD's decision to exclude third-party candidates from debate audiences in 2000. Complainants contend that as a result of the CPD's alleged ineligibility to stage candidate debates, the CPD has violated several provisions of the Federal Election Campaign Act of 1971, as amended (the "Act") from which it would otherwise be exempted. For the reasons discussed below, this Report recommends that the Commission find no reason to believe that the CPD violated the Act and close the file.<sup>2</sup>

**II. DISCUSSION**

Since 1988, the CPD, a nonprofit corporation, has staged candidate debates pursuant to 2 U.S.C. § 431(9)(B)(ii)'s safe harbor, which exempts from the definition of "expenditures" "nonpartisan activity designed to encourage individuals to vote or register to vote." Commission regulations provide that "[n]onprofit organizations described in 26 U.S.C. 501(c)(3) or (c)(4) and which do not endorse, support, or oppose political candidates or political parties may stage

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<sup>2</sup> On February 11, 2004, complainants filed a suit in federal district court against the Commission, alleging that it had not acted upon their complaint within the time prescribed by 2 U.S.C. §§ 437g(a)(8)(A) and (C). *Hagelin, et al. v. FEC*, Case No. 1:04cv00202 (HHK). Service of the complaint on the Commission was perfected on February 18, 2004.

1 candidate debates in accordance with this section and 11 C.F.R. 114.4(f).” 11 C.F.R.  
2 § 110.13(a)(1).<sup>3</sup> *See also* 11 C.F.R. §§ 100.92 and 100.154 (exempting funds used to defray  
3 costs incurred in staging candidate debates in accordance with the provisions of 11 C.F.R.  
4 §§ 110.13 and 114.4(f) from the definitions of “contribution” and “expenditure,” respectively).

5 Thus, if the debate staging organization meets the requirements of section 110.13(a)(1), and  
6 stages debates in accordance with sections 110.13(b) and (c) and 114.4(f), the organization’s  
7 activities are exempt from the definitions of “contribution” and “expenditure.”

8 Complainants, who challenge only the CPD’s eligibility to stage debates pursuant to  
9 2 U.S.C. § 431(9)(B)(ii) and 11 C.F.R. § 110.13(a)(1), contend that the CPD’s alleged  
10 ineligibility subjects it to provisions of the Federal Election Campaign Act of 1971, as amended  
11 (the “Act”), from which it would otherwise be exempt. Specifically, complainants allege that the  
12 CPD, as a corporation, cannot legally make contributions or expenditures, *see* 2 U.S.C.  
13 § 441b(a). By inference, complainants appear to allege that CPD made prohibited corporate  
14 contributions to the Bush-Cheney and Gore-Lieberman campaigns in connection with the 2000  
15 debates. Alternatively, they allege, the CPD is a political committee, in which case its failure to  
16 register and report pursuant to 2 U.S.C. §§ 433 and 434 is a continuing violation of the Act.  
17 Under this theory, by inference, complaints allege CPD made excessive contributions to the  
18 Bush-Cheney and Gore-Lieberman campaigns in 2000. They also allege that CPD received  
19 excessive and corporate contributions. *See* 2 U.S.C. §§ 441a(a), 441a(f) and 441b(a). Complaint  
20 at 2, 4, 7-8.

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<sup>3</sup> 11 C.F.R. §§ 114.4(f)(1) and (3) provide that corporations staging debates in accordance with 11 C.F.R. § 110.13 may use their own funds to do so, and may also accept donations from other corporations and labor organizations for the purpose of staging the debates.

1 Complainants seek to attack the CPD's eligibility to stage nonpartisan debates by  
2 asserting that the CPD is in fact a partisan organization that "by its consistent pattern of  
3 exclusionary behavior and actions, did 'endorse, support or oppose political candidates or  
4 political parties.'" Complaint at 7, 9. In support, complainants advance two arguments. First,  
5 complainants maintain that "[t]he CPD was founded, and is controlled by the Republican and  
6 Democratic Parties and their representatives," *id.* at 4-5, citing the alleged partisan composition  
7 of CPD's board of directors and the CPD's founding by co-chairs who were, at that time,  
8 chairmen of the Republican National Committee ("RNC") and the Democratic National  
9 Committee ("DNC"), respectively. These assertions, however, were previously advanced in  
10 MURs 4987 and 5004. In those MURs, the Commission found no reason to believe that the CPD  
11 had violated the Act, and in subsequent section 437g(a)(8) dismissal suits brought by the MUR  
12 4987 and 5004 complainants, courts found for the Commission.<sup>4</sup> Complainants' first argument,  
13 therefore, should be rejected.

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<sup>4</sup> In *Buchanan v. FEC*, 112 F.Supp.2d 58 (D.D.C. 2000), *aff'd on different grounds*, No. 00-5337 (D.C. Cir. September 29, 2000) ("*Buchanan*"), brought by complainants in MUR 4987, the court stated that "the General Counsel found, and the FEC agreed, that plaintiffs failed to provide enough evidence to establish a reason to believe that the CPD" did not meet the eligibility requirements of 11 C.F.R. § 110.13(a)(1), noting that, among other things, the "General Counsel determined that plaintiffs' evidence failed to show . . . that the 'CPD is controlled by' the two major parties." 112 F.Supp.2d at 70-71. The court further stated that the evidence submitted by plaintiffs included the founding of the CPD in 1985 by its two co-chairs who were then the respective chairmen of the RNC and the DNC and the composition of CPD's board as consisting largely of current and former elected officials of the two major parties and party activists. *Id.* at 71. The court concluded that "[b]ased on the factual record before it, the FEC did not abuse its discretion in finding that there was no 'reason to believe' that the CPD currently 'do[es] not endorse, support, or oppose political candidates or political parties.' 11 C.F.R. § 110.13(a)(1)." In *Natural Law Party v. FEC*, Civ. Action No. 00CV02138 (D.D.C. September 21, 2000), *aff'd on different grounds*, No. 00-5338 (D.C. Cir. September 29, 2000), brought by complainants in MUR 5004, the court found for the Commission on the merits based on the reasoning set forth in *Buchanan*. (See Tabs D-G attached to the Response); see also *Becker v. FEC*, 230 F.3d 381 (1<sup>st</sup> Cir. 2000) (rejecting challenge by Ralph Nader and others to the Commission's debate regulations). Similar arguments were also rejected by the Commission in MUR 5207, although the matter focused more on CPD's specific selection criteria and less on CPD's eligibility to be a sponsoring organization. Although the MUR 5207 complainant subsequently brought a section 437g(a)(8) suit in the Western District of Washington, the district court dismissed the suit on procedural grounds and the Ninth Circuit affirmed the dismissal.

1 Second, complainants point to “newly obtained evidence.” Complaint at 2. According to  
2 the complaint, before the first presidential debate in 2000, “the CPD leadership decided to  
3 exclude all third-party candidates from attending the presidential debate as audience members,” a  
4 “decision also applied to all three of the presidential debates and presumptively the vice-  
5 presidential debates.” *Id.* at 5. The complaint further alleges that CPD’s general counsel  
6 prepared and distributed a “face book” of third-party candidates so that CPD personnel could  
7 spot and deny the candidates access to the debate hall even if they had tickets. *Id.* The  
8 complainants support these allegations with references to excerpted deposition testimony,  
9 appended to the complaint, of a CPD co-chair, Frank J. Fahrenkopf, Jr., and of CPD’s general  
10 counsel, Lewis K. Loss, both of whom were involved in the exclusion decision.<sup>5</sup>

11 The crux of complainants’ claim is that the CPD’s decision to exclude third-party  
12 candidates from the 2000 debate audiences was a partisan maneuver. This allegation rests on a  
13 deposition statement from Mr. Loss that “[the CPD’s] concern was that if a third-party candidate  
14 who had not qualified for participation in the debate went to the trouble to get a ticket and attend  
15 the debate that it would be for the purpose of campaigning in some way, which seemed to imply  
16 the potential for disruption.” Complaint at 6.<sup>6</sup> From this, complainants derive the conclusion

17 <sup>5</sup> These depositions were taken during discovery in a lawsuit filed by Ralph Nader against the CPD in 2000. According to press accounts, Nader sued the CPD in federal district court in Massachusetts, alleging that although he had a ticket to an auxiliary room outside the debate hall to view the debate, he was escorted by security personnel off the college campus where the debate was being held. Nader, who settled the case, reportedly received \$25,000 and a letter of apology from the CPD. Will Lister, *Nader Claims Victory in Debate Suit Settlement*, THE ASSOCIATED PRESS, April 17, 2002; Maria Recio, *Nader Settles Debate Lawsuit*, THE FORT WORTH STAR-TELEGRAM, April 18, 2002. Thus, the evidence is not exactly “newly obtained.” In fact, the exclusion of Nader from the audience of the Boston debates was referred to in passing in the complaint in MUR 5207.

<sup>6</sup> According to CPD’s Responses to Interrogatories in the Nader lawsuit, debate tickets “were distributed the day of the debate to invited guests of the [CPD], the University of Massachusetts, and the campaigns of those participating in the presidential debate.” (Tab M to the Response at 12)

1 that the CPD “intended the exclusion of all third-party candidates from the debate hall to deny  
2 these candidates and their parties any ‘campaigning’ opportunities.” *Id.* According to  
3 complainants, although the major party candidates engaged in significant campaigning by  
4 attending and participating in the televised debates, “the CPD’s decision was clearly intended to  
5 deny third-party candidates any media coverage in the debate hall and/or deny them ready  
6 availability to the approximately 1,700 news reporters attending the debates.” *Id.* Thus, “the  
7 CPD acted as a partisan organization to intentionally provide the Republican and Democratic  
8 Candidates and Parties with valuable benefits that it denied to all other third-party candidates and  
9 their parties, including Complainants.” *Id.*

10 In its response, the CPD first notes that the Commission’s regulations do not suggest that  
11 eligibility to sponsor candidate debates depends on who is permitted to sit in the debate audience  
12 and that the federal election laws do not oblige the CPD to admit candidates not qualifying for  
13 participation in the debates to the audience so that they can engage in campaigning. Response at  
14 3-4. But “[e]ven if there were some theoretical set of facts where the question of who sits in the  
15 audience were relevant to an organization’s eligibility to serve as a staging organization,” *id.* at 4,  
16 (emphasis in the original), the CPD contends that, under the circumstances, “it is evident that the  
17 decision alleged in the complaint was made for the purpose of preventing disruption of the live  
18 international television broadcast of the debate,” and “had nothing to do with partisanship.”  
19 Response at 5.

20 The Response states (and attaches corroborating documentation at Tabs I-L) that “in the  
21 period leading up to the first presidential debate in 2000, Mr. Nader and his supporters engaged  
22 in conduct that reasonably led the CPD to be concerned about the risk of disruption of the live  
23 internationally televised debate,” including large rallies, cries of “Let Ralph Debate,” certain

1 public statements by Mr. Nader, and protests outside of, and a break-in into the CPD's  
2 Washington, D.C. offices by Nader supporters. Response at 4. In this context, the isolated  
3 reference in the Loss testimony to "campaigning" does not appear to be partisan, particularly  
4 where Mr. Loss links it to "the potential for disruption"; "disruption" indicates disorderly  
5 conduct, not a mere presence in an audience or access to reporters. Moreover, other sworn  
6 testimony of Mr. Loss, that he "had some serious reservations about a scenario of admitting such  
7 a candidate and trying to control the disruption in the context of this particular event with a live  
8 television broadcast," indicates that he was concerned about the potential for disruption, not  
9 partisan opportunities. *See* excerpt from Deposition of Lewis K. Loss at 48 (appended to the  
10 complaint). *See also* excerpt from Deposition of Frank J. Fahrenkopf, Jr. at 45 (appended to the  
11 complaint) (he thought Mr. Nader might "stand up in the audience, stand up on a chair and say,  
12 oh, I could be on that stage, why won't you let me on the stage. That's what I was concerned  
13 about. And I felt that would be extremely disruptive").

14 The issue presented by the complaint is not whether CPD's exclusion decision was a  
15 good one, or even whether its fears of disruption were well-founded. The issue is whether there  
16 is a sufficient basis to conclude the decision may have been animated by partisanship. There is  
17 not. The complaint's allegations as to the CPD's motivation are based entirely upon taking the  
18 word "campaigning" from its context in the surrounding circumstances and of the sentence in  
19 which it appears, and asserting that this word, in and of itself, establishes a partisan motivation.  
20 The CPD, on the other hand, has presented substantial information indicating that its decision  
21 was based on concerns of potential disruption during live television broadcasts, not partisanship.  
22 Moreover, CPD's position draws additional support from other sworn testimony, quoted above,  
23 of Mr. Fahrenkopf and Mr. Loss. *See* Statement of Reasons in MUR 5141 (Moran for Congress,

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1 issued March 11, 2002) (“mere speculation . . . will not be accepted as true,” and “a complaint  
 2 may be dismissed if it consists of factual allegations that are refuted by sufficiently compelling  
 3 evidence produced in responses to the complaint”). Because the complaint’s mistaken reliance  
 4 upon a single word, divorced from context, provides no grounds in this matter to question CPD’s  
 5 past or continuing eligibility to stage debates, there is no basis upon which to investigate whether  
 6 it has forfeited the statutory and regulatory exemptions available to eligible staging organizations  
 7 and, therefore, there is no reason to investigate the CPD’s alleged violations of the Act’s  
 8 contribution and expenditure prohibitions and limitations, or its alleged failure to register and  
 9 report as a political committee.

10 Based on the above, this Office recommends that the Commission find no reason to  
 11 believe that the Commission on Presidential Debates violated 2 U.S.C. §§ 433, 434, 441a(a),  
 12 441a(f), or 441b(a), and close the file.

13 **III. RECOMMENDATIONS**

- 14 1. Find no reason to believe that the Commission on Presidential Debates violated 2 U.S.C.
- 15 §§ 441b(a), 441a(a), 441a(f), 433, or 434.
- 16
- 17 2. Approve the appropriate letters.
- 18
- 19 3. Close the file.
- 20

21 Lawrence H. Norton  
 22 General Counsel

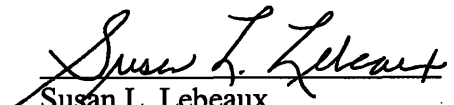
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27 BY: Rhonda J. Vosdighy LLC  
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MUR 5378  
First General Counsel's Report

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Susan L. Lebeaux  
Assistant General Counsel

  
Ruth Heilizer  
Attorney

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
John Hagelin;	)	MUR 5378
Ralph Nader;	)	
Patrick Buchanan;	)	
Howard Phillips;	)	
Winona LaDuke;	)	
Natural Law Party;	)	
Green Party of the United	)	
States;	)	
Constitution Party.	)	

CERTIFICATION

I, Mary W. Dove, Secretary of the Federal Election Commission, do hereby certify that on March 18, 2004 the Commission decided by a vote of 5-0 to take the following actions in MUR 5378:

1. Find no reason to believe that the Commission on Presidential Debates violated 2 U.S.C. §§ 441b(a), 441a(a), 441a(f), 433, or 434.
2. Approve the appropriate letters, as recommended in the General Counsel's Report dated March 12, 2004.
3. Close the file.

(Continued)

24.04.407.3766

Federal Election Commission  
Certification for MUR 5378  
March 18, 2004

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Commissioners Mason, McDonald, Smith, Thomas,  
and Weintraub voted affirmatively for the decision.

Commissioner Toner recused himself with respect to  
this matter and did not vote.

Attest:

*March 18, 2004*  
Date

*Mary W. Dove*  
Mary W. Dove  
Secretary of the Commission

24.04.407.3767