FEDERAL ELECTION COMMISSION
999 E Street, N.W.
Washington, D.C. 20463

FIRST GENERAL COUNSEL'S REPORT

MUR: 6296
DATES COMPLAINT AND SUPPLEMENT FILED: 5/20/2010 and 7/26/2010
DATES OF NOTIFICATION: 5/26/2010 and 8/6/2010
LAST RESPONSE RECEIVED: 8/31/2010
DATE ACTIVATED: 8/4/2010

COMPLAINTANT: Charles R. Grice, Jr.

RESPONDENTS:
Kenneth R. Buck
Buck for Colorado and Kenneth Salazar, in his official capacity as treasurer
Perry Buck
Hensel Phelps Construction
Cache Bank and Trust
Jerry Morgensen
Americans for Job Security
Campaign for Liberty
Declaration Alliance

RELEVANT STATUTES
2 U.S.C. § 441a(a)(1)(A)

AND REGULATIONS:
2 U.S.C. § 441a(f)
2 U.S.C. § 441b
2 U.S.C. § 441c
11 C.F.R. § 109.20

INTERNAL REPORTS CHECKED: Disclosure Reports
AGENCIES CHECKED: Internal Revenue Service

I. INTRODUCTION

This matter involves Kenneth R. Buck, the 2010 Republican candidate for Senate in Colorado. The complaint alleges a variety of violations of the Federal Election Campaign Act of 1971, as amended ("the Act"), primarily that Buck and Buck for Colorado and Kenneth Salazar, in his official capacity as treasurer ("the Committee"), accepted excessive in-kind contributions
in the form of coordinated advertisements disseminated by several incorporated advocacy
groups, and that a bank made an excessive contribution to Buck, which he then improperly
loaned to the Committee. The complaint also alleges that Hensel Phelps Construction Co. and its
chairman Jerry Morgensen made prohibited and/or excessive contributions to Buck. As set forth
below, the facts alleged do not satisfy the requirements to find coordinated advertisements, an
excessive bank loan, an improper candidate loan, or excessive or prohibited contributions.
Therefore, we recommend that the Commission: (1) find no reason to believe that Kenneth R.
Buck and Buck for Colorado and Kenneth Salazar, in his official capacity as treasurer, violated
2 U.S.C. §§ 441a(f) or 441b by accepting excessive or prohibited corporate contributions;
(2) find no reason to believe that Perry Buck and Jerry Morgensen violated 2 U.S.C.
§ 441a(a)(1)(A) by making excessive contributions; (3) find no reason to believe that Hensel
Phelps Construction Co. violated 2 U.S.C. § 441b and 441c by making prohibited corporate and
federal contractor contributions; (4) find no reason to believe that Cache Bank and Trust violated
2 U.S.C. §§ 441a or 441b by making an excessive or prohibited corporate contribution; and (5)
find no reason to believe that Americans for Job Security, Campaign for Liberty, and Declaration
Alliance violated 2 U.S.C. § 441b by making prohibited corporate contributions in the form of
coordinated communications.\(^1\) We also recommend that the Commission close the file.

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\(^1\) Complainant has requested that his complaint be withdrawn. See Letter from Charles R. Grice, Jr., to Jeff Jordan, dated August 30, 2010. The Commission, however, is empowered to review a complaint properly filed with it and to take action that it deems appropriate under the Act. 2 U.S.C. § 437g(a)(1) and 11 C.F.R. § 111.4. A request to withdraw a complaint will not prevent the Commission from taking appropriate action under the Act. See Letter from CELA to Mr. Grice, dated September 21, 2010. See also MUR 6250 (Hastert), FGCR, at n.1.
II. FACTS AND LEGAL ANALYSIS

A. Coordination

1. Factual Background

Kenneth R. Buck is the Republican nominee for Senate in Colorado. His authorized committee is respondent Buck for Colorado and Kenneth Salazar, in his official capacity as treasurer ("Buck Committee" or the "Committee"). The complaint and supplemental complaint allege that around March 2009 or in the first half of 2009, Buck held interviews with prospective campaign consultants. Complaint at 3, Supplemental Complaint at 2. The complaint asserts that Buck was accompanied by Jerry Morgensen, the chairman of the board of Hensel Phelps Construction Co. ("Hensel Phelps") and a friend of Buck's. Hensel Phelps is a Greeley, Colorado, based construction company and federal government contractor. The complaint alleges that Buck informed the prospective consultants that Morgensen would contribute or spend up to or invest $1 million or more on Buck's campaign, "presumably as an independent expenditure." Complaint at 3, Supplemental Complaint at 2. Further, the complaint maintains that Morgensen confirmed at the interviews that he was planning to "invest" $1 million or more in connection with Buck's campaign. Complaint at 3. The supplemental complaint alleges that thereafter, pursuant to Buck's instructions, at least $1 million has been contributed by Hensel Phelps employees and/or Morgensen and "funneled" by Morgensen and/or Hensel Phelps and other individuals to three 501(c) non-profit corporations: Americans for Job Security ("AJS"),
Campaign for Liberty ("CFL"), and Declaration Alliance ("DA").

In support of its allegations about Buck and Morgensen's relationship, the Supplemental Complaint cites to a news article stating that landline and cell phone records from Buck's office at the Weld County District Attorney's Office reflected dozens of calls placed to Hensel Phelps Construction headquarters in Greeley in March, April and May 2009. Supplemental Complaint at 2.

The complaint and its supplement further allege that the funds were then used by these organizations to disseminate advertisements supporting Buck and opposing other candidates. Id. Specifically, the complaint alleges that starting in January 2010, the respondent 501(c) organizations began to disseminate the following advertising in Colorado regarding the Senate election. Specifically:

- In January 2010, CFL aired a television ad attacking one of Buck's primary opponents that reportedly cost $329,000. Complaint at 3, Complaint Exh. J.
- In February and March 2010, DA spent approximately $158,000 on a television ad attacking one of Buck's primary opponents. Id., Complaint Exh. I.
- In April 2010, AJS began disseminating television ads and literature promoting Buck that cost at least $294,080. Id., Complaint Exh. L.

The complaint argues that these organizations paid for the advertisements with "excessive" contributions from Buck supporters who had already reached the individual contribution limit with direct contributions to Buck's campaign. Complaint at 3-4. The complaint and supplemental complaint also mention the involvement of Jonathan Hotaling in the alleged effort to direct Buck supporters to make contributions to the respondent non-profit groups. The complaint, however, stated that Hotaling was an employee or agent of respondent Declaration Alliance, and thus Hotaling was never individually notified of the complaint or supplemental complaint. We subsequently learned that Hotaling is not affiliated with DA. However, because the allegations regarding Hotaling were made in connection with Declaration Alliance, and there were few and vague facts alleged about him specifically, we did not notify him separately. The supplemental complaint also makes an unrelated assertion that Hotaling and his company Liberty Service Corporation were involved in an effort to disqualify Buck's opponent, Jane Norton, from the primary election ballot. We do not address this issue as it does not allege or implicate any potential violation of the Act.
complaint alleges that Morgensen and/or Hensel Phelps funneled these “contributions” from  
Buck supporters to the groups, “intending to benefit Buck.” Complaint at 3. The complaint  
further alleges “upon information and belief” that Buck advised Morgensen and/or other  
contributors to make “excessive contributions” to these organizations. Id. The complaint argues  
that Hensel Phelps’ effort to “funnel” contributions to AJS, CFL and DA resulted in illegal  
coordination, excessive in-kind contributions, and prohibited corporate and government  
contractor contributions.

In further support of its coordination allegations, the complaint cites to an April 13, 2010,  
article in which Buck’s campaign consultant, Walter Klein, said that AJS had “taken more than  
$300,000 in [television] ads out to support Buck,” and that the ads would start running “this  
week through April 23.” Complaint at 3-4. The complaint states that Klein’s advance  
knowledge about the advertisements demonstrates an “improper coordinated expenditure by  
AJS.” Id. at 4.

Buck and the Committee respond that the complaint makes many conclusory allegations  
but contains no facts. Specifically, Buck and the Committee respond in affidavits that “they  
have not cooperated with, consulted with, acted in concert with, requested, or suggested that  
Declaration Alliance, Campaign for Liberty, Americans for Job Security or Hensel Phelps  
Construction, or any of their employees, officers, directors, or agents make any public  
communications supporting Buck’s candidacy.” Buck and Buck Committee Response,  
Affidavits of Walter Klein, ¶ 2, Buck, ¶ 2, Perry Buck, ¶ 2, and Kenneth Salazar, ¶ 2.³  
AJS states that its “issue advocacy” communications were made without any cooperation,  
consultation or concert with or at request or suggestion of Buck, his agents, his campaign or its

³ In a news article regarding the campaign consultant interviews described in the complaint, Buck stated that he is  
“very certain that there was no conversation about an independent expenditure in that meeting. The whole  
conversation had to do with the campaign.” Allison Sherry, Denver Post, “501c’s [sic] make presence known in  
agents, or any political party committee or its agents. Affidavit of President Steven DeMaura at 1-2, see also Affidavit of Amber Blondin at 1. Specifically, no one at the campaign was involved in decisions regarding which media outlet to use, or the timing, frequency, size or prominence of the communication, and AJS did not communicate with Buck or agents about the communications at issue at all. AJS Response at 2-3. Further, AJS argues that the materials do not republish any campaign information and the vendor was vetted to ensure that there were no common vendors between AJS and a party or campaign committee in a particular state or market. DeMaura Affidavit at 1.

Regarding the Buck campaign manager’s press statement that AJS would be running ads in support of Buck and the ads “should start running” in the near future, AJS responds that its ads were sent to television stations four days before Klein made the statement. AJS Response at 1-2, Blondin Affidavit. AJS states that information about the ad was available to anyone who asked the station for it. AJS Response at 2-3. Further, all information in the ad was gathered from publicly available sources. DeMaura Affidavit at 1.

DA responds that it has not communicated directly or indirectly with anyone at the Buck campaign at any time. DA Response, ¶1. According to DA, its ads were developed independently, and DA obtained information for them from publicly available sources. Id., ¶2, 3. DA also maintains that there is no common vendor between DA and any campaign, and media buys are public record and can be known by anyone contacting stations. Id., ¶5, 6. DA also states that its ads are not electioneering communications, and do not advocate supporting or rejecting any candidate. Id., ¶2.

CFL states that it ran an issue ad, which complimented Buck for completing a survey form sent to all Colorado candidates, with no involvement of anyone mentioned in the complaint. CFL Response, Affidavit of President John Tate, ¶4, 6. CFL also maintains that it did not
communicate with the Buck campaign or anyone known to be associated with it prior to running
the ad, and it created, produced, and ran the ad independent of any candidate or political party.

In response to the allegation that he or Hensel Phelps funneled money from Buck
supporters to the groups above, Morgensen attests that he is not the CEO of Hensel Phelps or a
member of Buck's finance or fundraising committee as alleged by the complainant. Hensel
Phelps and Morgensen Response, Morgensen Affidavit, ¶ 1, 3. Morgensen states that he
attended one meeting in March 2009 with Buck and a prospective campaign consultant, but he
“did not make a statement or imply in any way that [he] would invest one million dollars or more
in Mr. Buck's Senate campaign at this meeting or during any other meeting or conversation.”

Id., ¶ 5. Morgensen further states that his contributions to Buck have been within campaign
contribution limits, and that Buck never advised him “to make contributions in excess of federal
limits.” Id., ¶¶ 6, 7. He also attests that he has not been involved in any financial transaction
with DA and CFL. Id., ¶¶ 8, 9. As to AJS, he attests that he does not know how much money

2. Analysis

The complaint alleges that many Hensel Phelps employees, Morgensen, and/or other
Buck supporters made contributions to Ken Buck's campaign up to permissible limits then made
“excessive” donations to AJS, CFL and DA so that these groups could produce and disseminate
advertisements in support of Buck, or attacking his opponents. The complaint suggests that
Buck and his committee engaged in coordinated activity with Morgensen to accomplish this
plan. Based on the available information, it does not appear that Hensel Phelps and Morgensen
made excessive contributions to Buck and the Committee.
Under the Act, no person may make a contribution, including an in-kind contribution, to
a candidate and his authorized political committee with respect to any election for Federal office
which, in the aggregate, exceeds $2,400. 2 U.S.C. § 441a(a)(1)(A); see 2 U.S.C. § 431(8)(a)(i),
11 C.F.R. § 100.52(d)(1). Moreover, corporations and government contractors are prohibited
from making any federal political contributions. 2 U.S.C. §§ 441b and 441c.

There is no information indicating that Hensel Phelps, a corporation, made any political
contribution to Buck or the Committee. Further, Morgensen attests, and disclosure reports
confirm, that his contributions to Buck are within the individual contribution limits. Therefore,
we recommend that the Commission find no reason to believe that Hensel Phelps Construction
Co. violated 2 U.S.C. §§ 441b or 441c by making prohibited corporate contributions or
collections by a government contractor. We also recommend that the Commission find no
reason to believe that Jerry Morgensen violated 2 U.S.C. § 441a(a)(1)(A) by making excessive
contributions.

The remaining issue is whether the advertisements paid for by the 501(c) corporations —
AJS, CFL, and DA — were independent expenditures, or were coordinated with Buck and
thereby, resulted in prohibited contributions. The Act defines in-kind contributions as, inter alia,
expenditures by any person “in cooperation, consultation, or concert, with, or at the request or
suggestion of, a candidate, his authorized political committees, or their agents . . . .” 2 U.S.C.
§ 441a(a)(7)(B)(i). The Commission’s regulations provide a three-prong test to determine
whether a communication is coordinated. All three prongs of the test must be satisfied to support
a conclusion that coordinated communication occurred. See 11 C.F.R. § 109.21(a).

The first prong of the test provides that the communication must be paid for by a person
other than the Federal candidate, the candidate’s authorized committee, political party
committee, or any agent of the foregoing. 11 C.F.R. § 109.21(a)(1). For purposes of a
coordination and analysis, "agent" is defined as, "any person who has actual authority, either express or implied, to engage in [certain activities set forth below, inter alia]." 11 C.F.R. § 109.3(a).

Here, the payment prong is met as AJS, CFL, and DA paid for the advertisements at issue. The content prong need not be decided because the conduct prong does not appear to be satisfied.4

The conduct prong of the coordination test requires that the parties have engaged in conduct that meets any of the following standards: (1) the communication is created, produced or distributed at the request or suggestion or consent of a candidate, his authorized committee, or an agent of the foregoing; (2) the candidate, authorized committee, or agent is materially involved in decisions regarding the content, intended audience, means or mode of communication; (3) there is substantial discussion about the communication between the person paying for the communication and the candidate, the authorized committee, or an agent; (4) the person paying for the communication and the campaign share common vendors; or (5) the communication is paid for by a person or by the employer of a person who was an employee or independent contractor of the candidate or candidate's committee. 11 C.F.R. § 109.21(d)(2)-(5).

The complaint's allegations regarding CFL, DA and AJS fail to satisfy the conduct prong. At most, the complaint alleges that "upon information and belief" Buck and/or Morgensen informed Buck supporters to make donations to these groups. Buck attests that he has not cooperated with, consulted with, acted in concert with, requested, or suggested that these groups or any of their employees, officers, directors, or agents make any public communication supporting his candidacy. Buck Affidavit, ¶ 2. In addition, AJS, CFL and DA specifically state that they did not communicate with Buck or anyone from his campaign regarding the ads.

4 The content standard requires that the communication be either an electioneering communication, a public communication that disseminates, distributes, or republishes campaign materials, a public communication that expressly advocates, or a public communication that refers to a Senate candidate in the relevant jurisdiction 90 days or fewer before the election. 11 C.F.R. § 109.21(c). It appears that the ads in this case were disseminated more than 90 days before the August 10, 2010, Colorado primary election; thus, the only relevant content standard would be an express advocacy public communication.
AJS also sufficiently rebuts the only specific fact alleged in the complaint, namely that
there must have been coordination because Buck’s campaign consultant Walter Klein knew that
AJS would be running a pro-Buck ad in the near future. AJS states that the ad was sent to the
television station four days earlier, at which point it became available to anyone who inquired.
Thus, the campaign’s advance knowledge of the advertisement does not sufficiently establish the
conduct required to find coordination.

Given the complaint’s lack of facts regarding Buck’s conduct, Buck’s response that he
was not involved with the communications at issue, and AJS’s, CFL’s and DA’s specific,
definitive responses that they had no contact with Buck, his Committee or anyone known to be
associated with Buck, there is not enough information to find that the advertisements were
coordinated.

Moreover, in order to find coordination based on Morgensen’s actions, the facts alleged
would need to establish that Morgensen was Buck’s or the Committee’s agent. The complaint
does not allege any facts to suggest that Morgensen was acting as the agent of either. Morgensen
states that he has never been a member of the finance or fundraising committee of Buck’s
Committee, as alleged in the complaint. Further, other available information does not indicate
that Morgensen had a role in Buck’s campaign. The complaint cites a few facts tying
Morgensen to Buck – the 2009 meeting or meetings with prospective campaign consultants and
phone calls in 2009 – but these facts are not adequate to establish that Morgensen had authority
to act or was acting on behalf of Buck or the Committee regarding advertisements disseminated
in 2010, nearly a year later. Thus, Morgensen’s actions, if any, appear to be independent of
Buck and are not relevant to a coordination analysis.

As to AJS, Morgensen’s and AJS’s affidavits leave open the possibility that Morgensen
communicated with AJS about Buck and solicited or contributed money to AJS perhaps for the
purpose of disseminating advertising to support Buck. This would not violate the Act, however,
unless Morgensen was Buck’s agent or the Committee’s agent. Once again, the available
information indicates that Morgensen’s actions, if any, were independent.

In sum, even if Morgensen solicited donations to the 501(c) corporations so that they
would disseminate pro-Buck materials, there would not be a reason to believe the Act had been
violated absent allegations or information connecting Morgensen to Buck or the Committee. The
complaint and supplemental complaint, however, do not allege sufficient facts indicating that
Morgensen was an agent of Buck’s or even worked on his campaign; thus, there is no
information tying Buck and his Committee to the communications disseminated by DA, CFL,
and AJS.

Therefore, we recommend that the Commission find no reason to believe that Americans
for Job Security, Campaign for Liberty, or Declaration Alliance violated 2 U.S.C. § 441b by
making prohibited in-kind corporate contributions in the form of coordinated communications,
and no reason to believe that Kenneth R. Buck and Buck for Colorado and Kenneth Salazar, in
his official capacity as treasurer, violated 2 U.S.C. § 441b by accepting prohibited corporate in-
kind contributions in the form of coordinated communications.

B. Candidate Loan

1. Factual Background

On March 30, 2010, Buck loaned $100,000 to his Committee, and the Committee
disclosed the loan in its April 2010 Quarterly Report, Schedule C. The complaint alleges that
the source of the $100,000 was a $120,000 bank loan from Cache Bank based on collateral – a
townhouse – owned by Buck and his wife Pery Buck. Although the complaint does not specify

\[ \text{The Committee did not disclose the source of the loan in its report. On June 15, 2010, the Committee received an RFAI from BAD stating that it needed to disclose the source of the candidate’s $100,000 loan. The Committee filed an amended April 2010 Quarterly Report on July 20, 2010, stating that the loan came from personal funds. We do not recommend pursuing this reporting violation because it was not alleged in the complaint. The Committee corrected the problem in response to an RFAI.} \]
how the loan in question violates the Act, it appears to allege that this transaction constituted an
excessive or prohibited contribution from Cache Bank to Buck and the Committee based on
Morgensen’s status as a co-owner of the bank and because the alleged loan-to-collateral ratio
represents 71.5% of the assessed value ($167,852) of the townhouse. Complaint at 4.
The complaint also alleges that Perry Buck made an excessive contribution to Buck and
the Committee because she owns half of the house that was used as collateral for the Cache Bank
loan and, therefore, half the loan belongs to her and is either an excessive contribution by her to
the Committee or the use by Buck of funds to which he did not have legal title. See 11 C.F.R.
§§ 100.82(c), (e)(1)(ii), 100.33.
Buck responds that he obtained the $100,000 he loaned his campaign from the sale of
stock he inherited from his mother and not from any jointly owned property. Buck Affidavit,
¶ 5. Perry Buck attests that she did not make excessive contributions, either as monetary
contributions or in the form of security for a loan. Perry Buck Affidavit, ¶ 3. Morgensen, a
member of the board of Cache Bank and part owner, attests that he confirmed with bank
employees that the loan to Buck in December 2009 was made through normal procedures and
approved by the loan committee. Morgensen Affidavit, ¶ 11.
The complaint did not attach any documents concerning the Cache Bank loan. Instead, it
attaches documents regarding ownership of the townhouse and what appears to be a refinancing
loan obtained by the Bucks in November 2009. According to Morgensen, the Bucks obtained
the Cache Bank loan in 2008 for the purpose of buying out his brothers’ interest in the deceased
mother’s home, though neither respondent knows for sure how the proceeds from the loan were
used. Hensel Phelps and Morgensen Response at 6. Respondents maintain that the Bucks repaid
the $120,000 loan it owed to Cache Bank in full in November 2009, when the loan was
refinanced with another mortgage lender, AmTrust Bank, as reflected in the complaint attachment. *Id.*

2. Analysis

The complainant alleges that Cache Bank was the source of the $100,000 that Buck loaned to his Committee. Based on the available information, it appears that Complainant was simply incorrect about the source of the money used to fund Buck's loan to his committee. As discussed above, the Cache Bank loan cited by Complainant was unrelated to Buck's candidacy and repaid in full in November 2009. Further, Buck's uncontroverted testimony that the $100,000 came from the sale of stock he owned adequately rebuts the complaint allegation.

Therefore, we recommend that the Commission find no reason to believe that Kenneth R. Buck and Buck for Colorado and Kenneth Salazar, in his official capacity as treasurer, violated 2 U.S.C. §§ 441b and 441a(f) by accepting a prohibited or excessive contribution from Cache Bank and an excessive contribution from Perry Buck. We further recommend that the Commission find no reason to believe that Cache Bank violated 2 U.S.C. §§ 441a or 441b by making an excessive or prohibited corporate contribution and no reason to believe that Perry Buck violated 2 U.S.C. § 441a(a)(1)(A) by making an excessive contribution. Finally, we recommend that the Commission close the file in this matter.

III. RECOMMENDATIONS

1. Find no reason to believe that Kenneth R. Buck violated 2 U.S.C. §§ 441a(f) and 441b.

2. Find no reason to believe that Buck for Colorado and Kenneth Salazar, in his official capacity as treasurer violated 2 U.S.C. §§ 441a(f) and 441b.


5. Find no reason to believe that Hensel Phelps Construction violated 2 U.S.C. §§ 441b and 441c.
6. Find no reason to believe that Cache Bank and Trust violated 2 U.S.C. §§ 441a or 441b.


10. Approve the attached Factual and Legal Analyses.

11. Approve the appropriate letters.


11-1-2010

Christopher Hughey
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