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FIRST GENERAL COUNSEL'S REPORT

SENSITIVE

MUR: 4998
DATE COMPLAINT FILED: April 10, 2000
DATE OF NOTIFICATION: April 17, 2000
DATE ACTIVATED: December 10, 2001

EXPIRATION OF STATUTE February 15, 2005
OF LIMITATIONS:

COMPLAINANT:

National Legal and Policy Center
by Peter Flaherty, president

RESPONDENTS:

Grassroots Enterprise, Inc. (f/k/a Grassroots.com)
League of Women Voters
League of Women Voters Educational Fund
Center for Governmental Studies
Democracy Network
Netfile.com
America Online
MyWay.com
Knight-Ridder, Inc.
Knight-Ridder Ventures LLC
Knight-Ridder.com, Inc.
P. Anthony Ridder
CNet Networks, Inc.

**RELEVANT STATUTES,
REGULATIONS, AND ADVISORY
OPINIONS:**

2 U.S.C. § 437f
2 U.S.C. § 431(9)(B)(ii)
2 U.S.C. § 441a(a)(7)(B)(i)
11 C.F.R. § 100.8(b)(3)
11 C.F.R. § 114.4(c)(5)(ii)
Advisory Opinion 1999-25 (DNet)
Advisory Opinion 1999-24 (EZone)

INTERNAL REPORTS CHECKED:

Disclosure Reports

FEDERAL AGENCIES CHECKED:

None

23-04-406-0692

I. GENERATION OF MATTER

Peter Flaherty, on behalf of the National Legal and Policy Center, filed a complaint with the Commission alleging that Grassroots.com, the League of Women Voters, the League of Women Voters Educational Fund, Democracy Network ("DNet"), and the Center for Governmental Studies violated the Federal Election Campaign Act of 1971, as amended ("the Act"). Materials attached to the complaint identified the following additional participants who appear to have been involved with Grassroots.com: Netfile.com, America Online, MyWay.com, Knight-Ridder, Inc., Knight-Ridder Ventures LLC, Knight-Ridder.com, Inc., P. Anthony Ridder, and CNet Networks, Inc.

II. BACKGROUND

A. The Formation of Democracy Network

Democracy Network, or DNet, is an Internet project that was created by the Center for Governmental Studies ("the Center"), a 501(c)(3) nonprofit corporation. The Center specializes in using communications technologies to provide information about government and elections on a nonpartisan basis. According to the Center, DNet's purpose is to improve the quality and quantity of voter information and to create a more educated and involved electorate. To operate DNet, the Center partnered with the League of Women Voters Educational Fund ("the League"). The League is also a 501(c)(3) nonprofit corporation, and its stated mission is to encourage active and informed participation of citizens in government.

DNet's website, www.dnet.org, provides detailed information on hundreds of federal, state, and local campaigns. DNet features statements by candidates, links to media articles, and other information about elections. Candidates are encouraged to debate with each other and respond to comments by visitors to the site. Viewers may use links on the site to contact

1 campaigns directly. DNet's coverage of elections has steadily expanded since it was created in
2 1996. In 1998, for example, DNet featured information on elections and ballot referenda in all
3 50 states, focusing primarily on state and local elections.

4 **B. The Advisory Opinion**

5 On September 1, 1999, DNet requested an advisory opinion from the Commission, asking
6 whether it could expand to include coverage of federal elections without making a contribution
7 or expenditure. In its request, DNet stated that all properly registered, bona-fide federal
8 candidates would be invited to participate in its service. Candidates would be given a password
9 to post statements on the website as well as respond to statements from other candidates and the
10 public. The League would screen statements for length and appropriateness, but not
11 substantively edit them. DNet would provide "candidate grids" that allow users to determine
12 which candidates posted positions on certain issues.

13 DNet also stated that if candidates have websites or e-mail addresses, DNet would post
14 links to them and allow viewers to send e-mail directly to the candidates. Candidates would not
15 be charged any fees to participate in DNet. Additionally, DNet would provide links to news and
16 editorials featuring candidates. Finally, DNet stated that America Online would use DNet in its
17 election coverage. On October 29, 1999, after considering the circumstances of the request, the
18 Commission concluded that DNet's proposed activities were permissible under the Act's
19 exemption for nonpartisan activity designed to encourage individuals to vote. See Advisory
20 Opinion 1999-25; 2 U.S.C. § 431(9)(B)(ii).¹

¹ On November 15, 1999, two weeks after issuing AO 1999-25, the Commission utilized the same reasoning in an Advisory Opinion issued to EZone, a for-profit entity that planned to engage in similar activities. See Advisory Opinion 1999-24.

23-04-406-0694

C. Developments after the Advisory Opinion

In February 2000, four months after the Commission issued the Advisory Opinion, the Center for Governmental Studies agreed to transfer ownership of DNet to Grassroots.com, Inc. ("Grassroots"). Grassroots, a for-profit, nonpartisan media and technology corporation, was founded in September 1999 by a former president of the Center. The contract transferring ownership from the Center to Grassroots stated that Grassroots could not alter the nonpartisan nature of DNet and that the League would maintain central responsibility for operating the website.²

At the time it acquired DNet, Grassroots's stated mission was to provide a comprehensive and nonpartisan political action website. Grassroots's website, for example, listed news and information on timely political topics, encouraged users to debate issues in chat rooms, and allowed individuals to contact their elected officials. See Attachment 1—archived pages of Grassroots's website.³ Grassroots also offered election-related services to candidates through its subsidiaries, which included filing software produced by Netfile.com. Grassroots used contractors and partners, such as MyWay.com and CNet Networks, to maintain its website. Grassroots was funded by numerous investors, including P. Anthony Ridder and the Knight-Ridder companies.

² Soon after Grassroots acquired ownership of DNet, the Commission received an advisory opinion request from Voter.com (AOR 2000-9). Voter.com, a propriety corporation, offered services similar to DNet, yet it charged candidates to post information on its website. Voter.com, questioning the continuing validity of the DNet advisory opinion, sought to confirm that a proprietary corporation *must* charge candidates to post statements on its website to avoid making a contribution. A number of organizations submitted comments in opposition to Voter.com's request, including Grassroots, the Democratic and Republican National Committees, and FreedomChannel.com. Voter.com withdrew its request before the Commission considered it.

³ Grassroots's website has changed dramatically since the complaint was filed. To view the website as it existed at the time of the alleged violations, this Office utilized archived pictures from www.archive.org.

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After the 2000 elections, Grassroots decided to change its mission to focus exclusively on providing Internet-based advocacy software to the political marketplace. Grassroots made vast changes to its website, removing all interactive political content. Subsequently, in February 2001, Grassroots transferred ownership of DNet to the League. Grassroots, which has since changed its name from Grassroots.com to Grassroots Enterprise, Inc., was to provide continuing financial and technical support to DNet through 2001.

III. COMPLAINT AND RESPONSES⁴

The complaint makes four general allegations. First, the complaint asserts that DNet may not rely on the advisory opinion because it misled the Commission by stating that DNet would be supported by nonprofit organizations. Second, the complaint argues that DNet itself is something of value and that candidates in turn receive free benefits from DNet and its corporate partners by participating in the service. Third, the complaint alleges that because Grassroots accepts political advertisements and is supported by Knight-Ridder, DNet no longer falls into the exemption for nonpartisan activity. Finally, the complaint alleges that DNet illegally coordinated with candidates by assisting with their campaigns.

In a joint response, Grassroots, the Center, the League, and Netfile.com argue that "DNet today remains 'indistinguishable in all its material aspects' to the DNet that asked for and received the Advisory Opinion." These respondents also state that they acted in good faith when they requested an advisory opinion, claiming they did not mislead the Commission about the

⁴ This section summarizes the voluminous complaint and responses, which are hundreds of pages long with attachments. Relevant specific allegations and responses are discussed in the next section.

1 nonprofit status of DNet's sponsors.⁵ Additionally, Grassroots asserts that it has a "nonpartisan
2 mission" and has not altered the nonpartisan nature of DNet. Finally, these respondents assert
3 that they did not illegally coordinate with candidates.

4 The other respondents in this matter, which had business relationships with Grassroots
5 and DNet, also deny violating the Act. America Online ("AOL"), for example, states that it has
6 only a limited connection to DNet and points out that the complaint did not name AOL as a
7 respondent. AOL states that it has an agreement with the Center to allow DNet's content to be
8 used on AOL's website. AOL does not pay DNet for the content, though AOL does sell non-
9 political advertising on screens that feature DNet content. AOL asserts that its involvement is
10 nonpartisan and complies with previous advisory opinions. Finally, AOL argues that its election
11 activities are permissible under the Act's exemption for news coverage and under the 1996
12 Communications Act.

13 Similarly, the Knight-Ridder respondents acknowledge that they own stock in Grassroots,
14 but assert that "nothing in the complaint alleges any conduct that constitutes a potential or actual
15 violation of federal election law." Zip2 Corporation, a wholly owned subsidiary of MyWay.com
16 Corporation, argues that it should not be named as a respondent because it is a technical
17 contractor to Grassroots and has not engaged in the alleged wrongdoing. CNet Networks, Inc.
18 states that it is not affiliated with the respondents, though it notes that a subsidiary, CNet Radio,
19 provided programming for a radio station that aired a show produced by Grassroots.

⁵ In sworn affidavits, officials from the League and Grassroots state that they had no contact with one another before the advisory opinion was issued. In fact, they note that Grassroots did not even incorporate until after the advisory opinion was requested.

IV. ANALYSIS

The allegations in this matter primarily concern activities discussed in the DNet advisory opinion (1999-25). The respondents were entitled to rely on that advisory opinion, provided that (1) they were involved in the specific transaction approved by the Commission, or (2) they were involved in a transaction that is materially indistinguishable from the one approved by the Commission. See 2 U.S.C. § 437f(c). If either of these criteria is satisfied, and the respondents have acted in good faith, then the Act creates a "safe harbor." *Federal Election Commission v. National Rifle Ass'n*, 254 F.3d 173, 185-6, (D.C. Cir. 2001).

In the DNet advisory opinion, the Commission analyzed the following six factors before concluding that DNet's proposed activities were permissible under the Act's exemption for nonpartisan activity designed to encourage individuals to vote. See 2 U.S.C. § 431(9)(B)(ii).

- The nature of DNet and its sponsoring organizations;
- the standards for inviting candidates and the degree of participation by each candidate;
- the audience targeted;
- the selection of materials that come from sources other than the campaign;
- the degree of coordination between DNet and campaigns; and
- the communications of DNet itself.

The following analysis reexamines each of these factors in light of information currently available to the Commission. Overall, the facts demonstrate that DNet's current activities are materially indistinguishable from the specific activities approved by the Commission in the advisory opinion. Accordingly, this Office does not recommend opening an investigation.

A. The Nature of DNet and Its Sponsoring Organizations

The paramount factor in the DNet advisory opinion was that DNet and its sponsors were nonpartisan entities. In approving the proposed activity, the Commission prominently and

23-04-406-40-22

1 explicitly noted that DNet was created to provide information about elections and the electoral
2 process on a nonpartisan basis. In the present matter, the complaint alleges that DNet's
3 acquisition by a for-profit company materially altered the nature of DNet and its sponsoring
4 organizations. Yet the facts demonstrate that both DNet and its sponsoring organizations have
5 remained nonpartisan.

6 In the DNet advisory opinion, the Commission noted that both of DNet's then-sponsors,
7 the League and the Center, were 501(c)(3) nonprofit corporations. Under the tax code, such
8 organizations are prohibited from intervening directly or indirectly in any political campaign on
9 behalf of any candidate. *See* 26 U.S.C. § 501(c)(3); 26 C.F.R. § 1.501(c)(3)-1(c)(3)(iii).⁶ Thus,
10 the League's and the Center's 501(c)(3) statuses provided a basis for concluding that DNet would
11 be used only for nonpartisan activity. And a basis still exists for concluding that DNet is used
12 only for nonpartisan activity, as the League continued to manage the day-to-day operation of the
13 website even after Grassroots bought DNet.

14 Contrary to the complaint's assertions, Grassroots's for-profit status is irrelevant; what
15 matters is whether its activities are nonpartisan. This exact issue was the focus of the
16 Commission's advisory opinion in EZone, which also pertained to a nonpartisan voter-
17 information website, like DNet. *See* Advisory Opinion 1999-24 (EZone) (issued after the DNet
18 advisory opinion). Unlike DNet, however, EZone was a for-profit company. Even with this
19 notable difference, the Commission still stated that EZone's activities would be permissible
20 under the Act. The Commission reached this conclusion by analyzing the same factors as it did

⁶ Indeed, courts have held that 501(c)(3) organizations are prohibited even from nonpartisan political activity that indirectly supports candidates. *See Association of the Bar of the City of New York v. Internal Revenue Service*, 858 F.2d 876 (2nd Cir. 1988) (revoking the tax-exempt status of a bar association that used objective, nonpartisan criteria to rate judicial candidates as either "approved" or "not approved").

23-04-406-0699

1 in the DNet advisory opinion and by noting that EZone was not affiliated with any candidate,
2 political party, PAC, or advocacy group. Thus, the nonpartisan nature of EZone—not its
3 corporate status—was the crucial factor in the Commission's analysis.

4 Comparing itself to EZone, Grassroots asserts that it too is a nonpartisan company. First,
5 according to Grassroots's response to the complaint, "nonpartisanship is the guiding principle for
6 Grassroots." Second, the response notes that Grassroots's editorial policy (attached to both the
7 complaint and response) is replete with language assuring that its activities are conducted in a
8 nonpartisan manner. Finally, the contract transferring ownership of DNet explicitly states that
9 Grassroots may not alter the "absolutely nonpartisan nature" of the website.⁷

10 The overall purpose and content of DNet does not appear to have changed after
11 Grassroots acquired it. Other than design changes, this Office found no noticeable differences on
12 the DNet site since Grassroots gained ownership. Additionally, an examination of both DNet's
13 and Grassroots's websites showed that neither deviated from their editorial policy, which
14 requires austere nonpartisanship. Finally, this Office notes that the League of Women Voters, a
15 nonprofit organization, has maintained central responsibility for operating DNet. Therefore, the
16 nonpartisan nature of DNet has not materially changed since the advisory opinion was issued.

17 **B. Standards for Inviting Candidates and the Degree of Participation by Each**
18 **Candidate**

19 In the DNet advisory opinion, the Commission examined DNet's standards for inviting
20 candidates to participate in its service. Specifically, the Commission noted that DNet would

⁷ Although Grassroots claims to be nonpartisan, its assertions are called into question by a series of nonfederal donations that Grassroots made to both national parties. In the summer of 2000, after the complaint was filed, Grassroots donated \$50,000 in nonfederal funds to the Democratic National Committee and \$15,000 in nonfederal funds to the Republican National Committee. This Office is unaware of the circumstances of these donations or any rationale for why a nonpartisan organization would engage in such activities. Nonetheless, the websites themselves appear to have remained nonpartisan.

1 invite all ballot-qualified candidates in non-presidential elections.⁸ For presidential elections,
2 DNet provided for limited restrictions that complied with other Commission regulations, such as
3 for voter guides. *See* 11 C.F.R. § 114.4(c)(5)(ii). Invited candidates would be allowed to post
4 statements, responses, and links to their campaign websites. Space allocation for candidate
5 statements would be based on objective criteria.

6 Grassroots's response to the complaint attached DNet's updated policies for inviting
7 federal candidates to participate in its service. Although the policies for inviting presidential
8 candidates do not appear to have changed, there has been a slight modification to the policy for
9 inviting non-presidential federal candidates. This change involves elections where there are
10 more than 15 ballot-qualified candidates. In these situations, instead of inviting all candidates to
11 participate, "the League will attempt to limit participation ... through the consistent and non-
12 arbitrary application of reasonable and objective criteria."

13 The "consistent, non-arbitrary" factors that the League states it will use in elections
14 involving more than 15 ballot-qualified candidates include demonstrating popular support as
15 reflected in an independent poll, recognition by the media as a significant candidate, and
16 qualification for available matching funds. These factors are consistent with the Commission's
17 regulations on debates, which allow sponsoring organizations to limit participation through "pre-
18 established, objective criteria." *See* 11 C.F.R. §§ 110.13 and 114.4(f); *see also* MURs 4987,
19 5004, and 5021. Moreover, this Office examined DNet's archives and found that the covered
20 federal races included numerous candidates from a wide variety of political parties. Therefore,

⁸ The Commission cited Advisory Opinion 1999-7, which approved the State of Minnesota's request to use the state's website to provide hyperlinks to all ballot-qualified candidates' websites.

23-04-406-0701

DNet's standards for inviting candidates and the degree of participation by candidates do not appear to have materially changed from the advisory opinion.

C. The Audience Targeted

An additional factor that led the Commission to conclude that DNet's activities were permissible was that DNet would be available to the general public and not be targeted toward a selected group of persons or a particular party. Making an analogy to get-out-the-vote activities, the advisory opinion noted that DNet made no effort to determine the political party or candidate preference of the viewers. *See* 11 C.F.R. § 100.8(b)(3). Grassroots, however, did collect information on its viewers if the viewers gave it permission to do so. According to Grassroots's privacy statement, which was attached to the response to the complaint, viewers may obtain personalized news and information by providing personal information such as political affiliation.

Although Grassroots may have collected information on viewers' party affiliation, there is no allegation or evidence that DNet did the same. The privacy policy on DNet's website states that any information gathered by its servers is for reference purposes only. Moreover, the complaint makes no allegation that DNet targets one particular party or group of candidates. *See* 11 C.F.R. § 100.8(b)(3). Indeed, any person with access to the Internet may use DNet without providing any personal information. Therefore, the audience targeted by DNet has not materially changed since the advisory opinion was issued.

D. Selection of Materials that Come from Sources Other than the Campaign

In addition to allowing candidates to post information on the website, DNet provides ballot and voting information, political news, and links to editorial endorsements by newspapers. The Commission approved of this activity in the advisory opinion, provided that no attempt was

23-04-406-0702

1 made to skew editorials or other information in favor of a particular candidate. The complaint
2 notes that Knight-Ridder made a substantial investment in Grassroots and that the Knight-Ridder
3 president and CEO sits on the board of directors of Grassroots. According to the complaint, the
4 close corporate and financial ties between Grassroots and a major media company prevent DNet
5 from providing a representative sample of editorial endorsements.

6 Grassroots responds to the allegation by stating that its choices of links to newspapers and
7 editorials did not change after it acquired DNet. Grassroots also states that DNet provides links
8 to over 400 newspapers, which include competitors of Knight-Ridder (Knight-Ridder publishes
9 31 daily newspapers in 28 markets). This Office has examined DNet's site, which appears to
10 have a comprehensive list of newspapers that can be accessed. Additionally, even if DNet only
11 featured links to Knight-Ridder newspapers, there is still no allegation or evidence that these
12 newspapers were collectively biased toward an identifiable political affiliation. Therefore, the
13 selection of materials that come from sources other than the campaign is materially
14 indistinguishable from the facts set forth in the advisory opinion.

15 **E. Degree of Coordination between DNet and Campaigns**

16 The DNet advisory opinion made clear that DNet would be serving a "passive function"
17 and would not be discussing the candidate's "plans, projects, or needs." See 2 U.S.C.
18 § 441a(a)(7)(B)(i). The complaint asserts that DNet was transformed to an active participant in
19 campaigns after being acquired by Grassroots. Specifically, the complaint alleges that DNet and
20 Grassroots provide free website services, e-mail, and advertising to candidates. Grassroots and
21 DNet respond that no free services were offered to candidates, although fee-based services were
22 available to campaigns from Grassroots's website.

23-04-406-0703

1 An examination of DNet's website demonstrates that no free services were provided to
2 candidates. Although DNet allows candidates to post biographical information and issue
3 positions on its website, this is precisely the activity approved by the Commission in the advisory
4 opinion. Accordingly, there is no basis for the complaint's allegation that DNet provided free
5 websites to candidates simply because candidates could post such information there.

6 Similarly, there is also no evidence to substantiate the complaint's allegation that DNet
7 provides free e-mail to candidates. Contrary to the complaint's allegation, DNet's service is
8 different from the situation in another advisory opinion, 1996-2, where Compuserve planned to
9 provide free e-mail accounts to federal candidates. In Advisory Opinion 1996-2, the
10 Commission concluded that Compuserve's proposal was not consistent with 2 U.S.C. § 441b(a).
11 But unlike Compuserve, which usually charged a fee for e-mail accounts, all of DNet's services
12 are free. Additionally, to participate in DNet, candidates must already have their own e-mail
13 accounts, as DNet simply allows users to send messages directly from the website to a
14 candidate's pre-existing e-mail address. This function was explicitly approved by the
15 Commission in the advisory opinion.

16 In addition to alleging that DNet provided free services to candidates, the complaint
17 contends that DNet impermissibly assisted candidates with publicizing their campaigns. To
18 support the allegation, the complaint attached an e-mail message from a DNet administrator to a
19 congressional candidate. This e-mail message encourages the congressional candidate to take
20 advantage of "FREE advertising" by including DNet's web address in campaign material.

21 DNet's plea for candidates to distribute its website address and its claim of "free
22 advertising" do not necessarily violate the regulations. Read in context, the use of the term "free
23 advertising" appears to be mere puffery designed to encourage participation in DNet. Therefore,

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1 the totality of the circumstances indicates that DNet's contacts with candidates did not constitute
2 coordination nor violate the regulations that prohibit corporations who prepare voter guides from
3 discussing their distributions with candidates. *See* 2 U.S.C. § 441a(a)(7)(B)(i); 11 C.F.R.
4 § 114.4(c)(5)(ii)(A).⁹

5 Although DNet does not appear to have assisted candidates with their campaigns,
6 Grassroots has provided campaign-related services to candidates, though these services are fee-
7 based. Grassroots offers website design, filing software, and direct mail services to campaigns.
8 Grassroots advertises these services on its website, and Grassroots appears to have charged all
9 candidates its usual and normal fees for the services. Thus, Grassroots's services do not appear
10 to constitute an in-kind contribution. *See* 11 C.F.R. § 100.7(a)(1)(iii)(A). Although the advisory
11 opinion did not contemplate that the owner of DNet would be providing fee-based services to
12 candidates, such services do not materially affect the analysis because DNet and Grassroots's
13 activities appear to be distinct from one another.

14 Both DNet and Grassroots have separate websites, which are distinguishable from each
15 other in design and content. *See* Attachment 1. The two sites offer links to one another, but
16 those links are clearly marked. Most importantly, all fee-based services are offered only through
17 Grassroots's website. In fact, DNet's website does not even discuss Grassroots's services for
18 candidates. Thus, DNet's website has maintained a noticeable degree of separation from
19 Grassroots's website.

20 Correspondence between DNet and candidates also illustrates the separation between
21 DNet's activities and Grassroots's. For example, candidates invited to participate in DNet

⁹ The First Circuit has declared the regulations on voter guides unconstitutional to the extent that the regulations limit contact between candidates and persons preparing voter guides. *Clifton v. FEC*, 114 F.3d 1309 (1st Cir. 1997).

1 receive a letter from the League, not Grassroots. This letter, attached to the joint response,
2 mentions Grassroots only as "a non-partisan company whose mission is to revitalize civic
3 participation by connecting Americans with their political system in an open online forum."
4 Overall, therefore, the available information indicates that DNet has remained in a passive role,
5 consistent with the advisory opinion.

6 **F. Communications of DNet**

7 The final factor examined by the Commission in the DNet advisory opinion was the
8 communications of DNet itself. The Commission noted that DNet would not score or rate the
9 candidates, nor make any statement expressly advocating the election or defeat of candidates.
10 The complaint does not allege that DNet took sides in elections, nor are there indications that
11 DNet's communications were improper. For example, DNet's "candidate grids" only tell
12 viewers whether the candidate has posted an issue statement on a particular topic, just as the
13 advisory opinion noted. Nonetheless, the complaint contends that because Grassroots accepts
14 political advertising, the communications of DNet have been materially altered.

15 Grassroots's advertising policy, which applies to DNet, was attached to its response to the
16 complaint. This policy places numerous restrictions on "political advertisements," which are
17 defined as advertisements that express an opinion in support of or opposition to a candidate for
18 public office or a political party. For example, political advertisements are generally prohibited
19 on pages that contain candidate statements or biographies.¹⁰ Likewise, the policy prohibits
20 "content targeted advertising," defined as advertising targeted toward specific candidate pages
21 based on the content of such areas. Finally, according to a sworn affidavit by the editor-in-chief

¹⁰ In fact, AOL's response to the complaint states that its agreement to use DNet prohibits it from running political advertisements on pages that feature DNet content, with limited exceptions.

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1 of Grassroots, all advertisements were clearly marked as such so not to give the impression that
2 Grassroots or DNet sponsored the communication.

3 The DNet advisory opinion stated that DNet received funding from foundations and
4 charitable institutions. Nowhere in the advisory opinion, however, did the Commission state or
5 imply that funding by other sources, such as advertising, would be prohibited. In fact, the EZone
6 advisory opinion explicitly approved of commercial advertising on a voter-education website.
7 Additionally, Grassroots and DNet implemented numerous safeguards to ensure that
8 advertisements could not be imputed to DNet. Therefore, the communications of the DNet
9 website have not materially changed since the advisory opinion was issued.

10 **G. Conclusion**

11 Overall, the activities of DNet appear to be materially indistinguishable from the facts
12 approved by the Commission in Advisory Opinion 1999-25. Although some of the
13 circumstances underlying the advisory opinion have changed, these changes do not materially
14 deviate from the facts set forth in the advisory opinion.¹¹ Accordingly, the conduct of the
15 respondents in this matter who operated DNet would fall under the safe harbor provision of the
16 Act. See 2 U.S.C. § 437(c). Therefore, this Office recommends that the Commission find no
17 reason to believe that Grassroots, the Center, or the League violated the Act in connection with
18 DNet. This Office further recommends that the Commission find no reason to believe that DNet
19 itself violated the Act.

20 There is no indication that the other respondents in this matter may have violated the Act.
21 These other respondents, who were not specifically named by the complainant, only appear to

¹¹ After the complaint was filed, Grassroots transferred ownership of DNet back to the League—which has continually managed DNet throughout the years—thus making the current arrangement fit even more squarely within the circumstances involved in the Advisory Opinion.

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1 have some tangential relationship to DNet or Grassroots. MyWay.com and CNet Networks, for
2 example, apparently only provided technical support for the websites; Netfile provided electronic
3 filing services. America Online served as a distributor of DNet content, while P. Anthony Ridder
4 and the Knight-Ridder companies were investors in Grassroots. Therefore, this Office
5 recommends that the Commission find no reason to believe that any of the following respondents
6 violated the Act in connection with DNet: Netfile.com, America Online, MyWay.com, Knight-
7 Ridder, Inc., Knight-Ridder Ventures LLC, Knight-Ridder.com, Inc., P. Anthony Ridder, and
8 CNet Networks. This Office further recommends that the Commission close the file.

9 **V. RECOMMENDATIONS**

- 10 1. Find no reason to believe that Grassroots Enterprise, Inc., formerly known as
11 Grassroots.com, violated the Act in connection with DNet;
- 12 2. Find no reason to believe that the League of Women Voters or the League of Women
13 Voters Educational Fund violated the Act in connection with DNet;
- 14 3. Find no reason to believe that the Center for Governmental Studies violated the Act in
15 connection with DNet;
- 16 4. Find no reason to believe that DNet violated the Act;
- 17 5. Find no reason to believe that Netfile.com violated the Act in connection with DNet;
- 18 6. Find no reason to believe that America Online violated the Act in connection with
19 DNet;
- 20 7. Find no reason to believe that MyWay.com violated the Act in connection with DNet;
- 21 8. Find no reason to believe that Knight-Ridder, Inc., Knight-Ridder Ventures LLC,
22 Knight-Ridder.com, Inc., or P. Anthony Ridder violated the Act in connection with
23 DNet;
- 24 9. Find no reason to believe that CNet Networks violated the Act in connection with
25 DNet;
- 26 10. Approve the appropriate letters; and

23.04.406.0708

11. Close the file.

Date

1/9/13


Lawrence H. Norton
General Counsel


Rhonda J. Vosdigh
Associate General Counsel for Enforcement


Mark D. Shonkwiler
Assistant General Counsel


Brant S. Levine
Attorney

Attachment:

1. Archived pages of Grassroots's and DNet's websites in 2000

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