Dear Ms. Utrecht:

On October 20, 2004 and June 10, 2005, your client, New Democrat Network, was notified that the Federal Election Commission found reason to believe that NDN Political Fund violated 2 U.S.C. §§ 433, 434, 441a(f) and 441b(a), provisions of the Federal Election Campaign Act of 1971, as amended, or, in the alternative, that New Democrat Network and Simon Rosenberg, in his official capacity as treasurer, violated 2 U.S.C. §§ 434, 441a(f), and 441b(a) and 11 C.F.R. §§ 102.5, 104.10, 106.1 and 106.6 by failing to allocate certain expenses. The Commission subsequently conducted an investigation and severed these allegations into a new matter, MUR 5755. After considering the circumstances of this matter, however, the Commission determined to exercise its prosecutorial discretion and take no further action on November 14, 2007.

At the same time, in MUR 5440, the Commission found no reason to believe that New Democrat Network and Simon Rosenberg, in his official capacity as treasurer, violated 2 U.S.C. §§ 434(b) and 441a(a)(1) by making and failing to report excessive contributions in the form of coordinated communications to DNC Services Corporation/Democratic National Committee and Andrew Tobias, in his official capacity as treasurer, or to John Kerry for President, Inc. and Robert Farmer, in his official capacity as treasurer. Accordingly, the Commission closed the file in both matters on November 14 and 16, 2007. The Factual and Legal Analysis explaining the Commission’s decision is enclosed.

If you have any questions, please contact me at (202) 694-1650.

Sincerely,

[Signature]

Julie McConnell
Acting Assistant General Counsel

Enclosure
Factual and Legal Analysis
FEDERAL ELECTION COMMISSION

FACTUAL AND LEGAL ANALYSIS

MURs 5440 and 5755

Respondent: New Democrat Network and Simon Rosenberg, in his official capacity as Treasurer

I. MUR 5755

A. BACKGROUND

This matter centers on allegations that NDN Political Fund ("NDN") is a political committee under the Federal Election Campaign Act of 1971, as amended ("the Act"), and failed to register and report with the Commission and to comply with the Act's contribution limits and source prohibitions. See 2 U.S.C. §§ 434, 441a(a)(1)(C) and 441b(a). In its response to the complaint, NDN asserted that it was a bona fide membership organization with a separate segregated fund ("SSF"), rather than a political committee, because it did not meet the statutory threshold for political committee status or have as its major purpose the nomination or election of federal candidates.

Because of NDN's affiliation with a federal political committee, New Democrat Network – PAC ("NDN PAC"), the Commission found reason to believe that NDN and NDN PAC were operating as a single political committee with federal and non-federal accounts, and had violated the Act by failing to allocate federal funds to pay for advertisements that promoted, supported, attacked or opposed President Bush. The Commission subsequently made supplemental reason to believe findings that NDN violated 2 U.S.C. §§ 433, 434, 441a(f), and 441b(a) by failing to register and report as a political committee and continued the investigation on alternative theories.
Based on the information obtained in the course of the investigation, the Commission takes no further action as to New Democrat Network and Simon Rosenberg, in his official capacity as Treasurer, and closes the file in this matter.

B. FACTS

NDN is organized under Section 527 of the Internal Revenue Code. At the time of the activity investigated in this matter, NDN was structured as a membership organization with a SSF, NDN PAC. During the 2004 election cycle, the website shared by NDN and NDN PAC stated that the organization’s mission was 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.” In furtherance of this goal, NDN endorsed and made contributions to state and local candidates, while NDN PAC, a multincandidate committee, endorsed and contributed to federal candidates. Since 1996, NDN and NDN PAC have endorsed 400 nonfederal candidates, while NDN PAC and NDN’s former federal account have endorsed 125 federal candidates.

During the 2004 cycle, NDN spent a total of $12,524,063, including approximately $5.8 million for the production and placement of three media campaigns consisting of 37 television,
radio, and Internet advertisements. Specifically, NDN funded a variety of issue advocacy
advertisements, including four advertisements criticizing the Republican candidate or praising
his Democratic opponent in the Kentucky gubernatorial race; a series of Spanish-language
television, radio, and Internet advertisements directed at Hispanic voters in states with a
substantial Hispanic population, including Florida, Arizona, Nevada, New Mexico, Colorado,
Pennsylvania, and Wisconsin; and television advertisements aired in three Western states that
criticized Republican handling of the economy. Many of these advertisements had no references
to federal candidates, but were instead aimed at promoting the Democratic “brand” among
Hispanic and Latino voters and voters in Alaska, Oklahoma, and Colorado.

Similarly, membership solicitations obtained from NDN and five large donors included
no references to federal candidates. A representative e-mail solicitation sent to prospective
members requested money to “create our successful media campaigns, advocate for our powerful
agenda, support the best candidates in the toughest races across the country, and launch efforts to
meet the conservative challenge by building a new progressive infrastructure.”

Membership renewal notices asked members to donate to fund NDN’s efforts “to fight for our
values and our modern agenda,” “expand[] its sophisticated, aggressive and sophisticated ad
campaign aimed at the Hispanic Community,” and “respond to the conservative message
machine and... build our own robust progressive infrastructure.”

According to Rosenberg, his oral fundraising solicitations to prospective
donors closely followed the language in NDN’s public communications and e-mail solicitations.

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3 In addition, based on IRS reports, NDN contributed approximately $137,200 to state and local candidates
and spent approximately $886,623 on polling during the 2004 cycle, with the remainder of its disbursements for
consulting, research and administrative expenses. See Forms 8872 and 990: see also 2004 Expenditure by Class.
Expenditure by Class, AR 0171: 2004 Expenditure by Class.
Indeed, documents and interrogatory responses obtained from five large donors revealed no references to federal candidates in NDN’s oral or written solicitations.

C. ANALYSIS

Evidence uncovered during the investigation does not support proceeding on any theory of liability. At issue is whether NDN failed to register and report with the Commission as a political committee and to comply with the Act’s contribution limits and source prohibitions or, in the alternative, operated as a political committee with federal and nonfederal accounts and failed to allocate expenditures for certain communications between these accounts. As discussed above, NDN focused the vast majority of its media spending on generic, party-building advertisements. Only one advertisement produced by NDN, the “Nombre” advertisement, might be subject to the reach of 11 C.F.R. § 100.22(b). Further, NDN’s fundraising solicitations contained no references to federal candidates. Thus, the evidence does not clearly establish that NDN met the statutory threshold for political committee status, or that it had the nomination or election of a federal candidate as its major purpose. In addition, because NDN was a membership organization with a SSF during the 2004 election cycle, rather than a political committee with federal and nonfederal accounts, allocation is not a viable, stand-alone theory. As a result, the Commission exercises its prosecutorial discretion and takes no further action in this matter.

(1) Political Committee Status

Any organization that receives contributions or makes expenditures in excess of $1,000 during a calendar year and whose major purpose is the nomination or election of a federal candidate, or which is under the control of a federal candidate, qualifies as a political committee.

Evidence Obtained During the Investigation is Insufficient to Establish that NDN Made Expenditures

The Supreme Court has interpreted the term “expenditure,” for communications made independently of a candidate or candidate’s committee, to include only “expenditures for communications that in express terms advocate the election or defeat of a clearly identified candidate for federal office.” See *Buckley*, 424 U.S. at 14; Supplemental Explanation and Justification, Political Committee Status, 72 Fed. Reg. 5595, 5606 (Feb. 7, 2007). Under the Commission’s regulations, a communication contains express advocacy when it uses phrases such as “vote for the President,” “re-elect your Congressman, or “Smith for Congress,” or uses campaign slogans or individual words, “which in context can have no other reasonable meaning than to urge the election or defeat of one or more clearly identified candidate(s).” See 11 C.F.R. §100.22(a); *Buckley*, 424 U.S. at 44 n.52; see also *MCFL*, 479 U.S. at 249. The second part of this regulation encompasses a communication that, when taken as a whole or with limited reference to external events, “could only be interpreted by a reasonable person as containing advocacy of the election or defeat of one or more clearly identified candidate(s) because” it contains an “electoral portion” that is “unmistakable, unambiguous, and suggestive of only one meaning” and “reasonable minds could not differ as to whether it encourages actions to elect or defeat one or more clearly identified candidate(s) or encourages some other kind of action.” See 11 C.F.R. §100.22(b). In its discussion of then-newly

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*Certain other activities, such as GOTV and ballot access, also may qualify as expenditures under the Act, even when made independently of a candidate or candidate’s committee. See, e.g., AO 2006-20 (Unity 08).*
promulgated section 100.22, the Commission stated that “communications discussing or
commenting on a candidate’s character, qualifications or accomplishments are considered
express advocacy under new section 100.22(b) if, in context, they have no other reasonable
meaning than to encourage actions to elect or defeat the candidate in question.” *Express
Advocacy; Independent Expenditures; Corporate and Labor Organization Expenditures*, 60 Fed.
Reg. 35292, 35295 (July 6, 1995).\(^5\)

It could be argued that the “Nombre” advertisement at issue in this matter may fall within
the regulatory reach of 11 C.F.R. § 100.22(b). It is entirely candidate-centered, and it alleges
that President Bush received preferential treatment during Vietnam and favored specific interests
for improper or insufficient reasons. It also refers to several issues and does so only in the
context of attacking President Bush in the eight weeks preceding the 2004 Presidential election.
The advertisement may also include a reference to the election (“Beware this is not the end”
combined with a close-up image of President Bush), and it directs the viewer to “listen to what I
say,” “Beware of the name Bush,” “Be careful, Iraq is a failure,” and “Join the Democratic
Movement.”

Proceeding with further investigation and enforcement against an organization for a
single advertisement that only arguably falls within 11 C.F.R. § 100.22(b), however, is not the
best use of the Commission’s resources, particularly given that the Commission has an ongoing
rulemaking to address the impact of *WRTL II* on this regulation. *See Electioneering
Communications*, 72 Fed. Reg. 169 (Aug. 31, 2007). Because no other communications publicly

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\(^5\) *In FEC v. Wisconsin Right to Life*, 127 S.Ct. 2652, 2667 (2007) (“*WRTL II*”), the Supreme Court held that
“an ad is the functional equivalent of express advocacy,” and thus constitutionally regulable as an electioneering
communication under 2 U.S.C. § 441b(b)(2), if the ad is susceptible of no reasonable interpretation other than as an
appeal to vote for or against a specific candidate.” The Court examined whether the advertisement had “indicia of
express advocacy” such as the “mention [of] an election, candidacy, political party, or challenger” or whether it
“take[s] a position on a candidate’s character, qualifications, or fitness for office.” *Id.*
disseminated by NDN even arguably fall within the ambit of 11 C.F.R. § 100.22, the evidence obtained during the investigation is insufficient to establish that NDN made "expenditures" under the Act.

(b) NDN Did Not Receive Contributions under the Act

Solicitations clearly indicating that the funds received will be used to target the election or defeat of a clearly identified candidate for federal office will result in contributions under the Act. See 2 U.S.C. § 431(8)(A); see also FEC v. Survival Educ. Fund, Inc., 65 F.3d 285, 295 (2d Cir. 1995).

The Commission uncovered no membership or fundraising solicitations clearly indicating that the funds received would be used to target the election or defeat of a clearly identified federal candidate. Indeed, the membership solicitations obtained from NDN and five large donors included no references to federal candidates. A representative e-mail solicitation sent to prospective members requested money to "create our successful media campaigns, advocate for our powerful agenda, support the best candidates in the toughest races across the country, and launch efforts to meet the conservative challenge by building a new progressive infrastructure."

Membership renewal notices asked members to donate to fund NDN's efforts "to fight for our values and our modern agenda," "expand[] its sophisticated, aggressive and sophisticated ad campaign aimed at the Hispanic Community," and "respond to the conservative message machine and... build our own robust progressive infrastructure."

In addition, documents and interrogatory responses obtained from five large donors revealed no references to federal candidates in NDN's oral or written solicitations. As a result, NDN did not receive contributions that would trigger registration and reporting requirements as a political committee.
(c) **NDN Does Not Meet the Major Purpose Test**

To address overbreadth concerns, the Supreme Court has held that only organizations whose major purpose is campaign activity can potentially qualify as political committees under the Act. See *Buckley*, 424 U.S. at 79; *MCFL*, 479 U.S. at 262. The Commission has long applied the Court's major purpose test in determining whether an organization is a "political committee" under the Act. See *Political Committee Status: Supplemental Explanation and Justification*, 72 Fed. Reg. 5595, 5597, 5601 (2007).

As discussed above, the vast majority of NDN's advertisements had no references to federal candidates, but were instead aimed at promoting the Democratic "brand" among Hispanic and Latino voters and voters in Alaska, Oklahoma, and Colorado. Moreover, NDN spent approximately $40,682, or less than one percent of its total disbursements, to produce and place the "Nombre" advertisement on two Spanish-language websites. See Letter from Lyn Utrécht to Julie McConnell (Jun. 22, 2006); Similarly, NDN's solicitations demonstrated no federal major purpose, but rather requested money to "create our successful media campaigns, advocate for our powerful agenda, support the best candidates in the toughest races across the country, and launch efforts to meet the conservative challenge by building a new progressive infrastructure," "to fight for our values and our modern agenda," "expand[] its sophisticated, aggressive and sophisticated ad campaign aimed at the Hispanic Community," and "respond to the conservative message machine and... build our own robust progressive infrastructure." Given these facts, it is implausible that the major purpose of NDN was the nomination or election of federal candidates.

For all the foregoing reasons, the Commission declines to move forward on a political committee theory as a matter of prosecutorial discretion. See *Heckler v. Chaney*, 470 U.S. 821
For the same reasons, the Commission does not pursue an alternative corporate expenditure theory.

(2) Allocation

The evidence does not support proceeding on an allocation theory. During the 2004 cycle, NDN was organized as a membership organization with a SSF. Members paid a $35 annual membership fee and, in return, were given access to conference calls and members-only events and the opportunity to provide input on substantive decisions, such as the selection of candidates to be endorsed by NDN and NDN PAC and the composition of the organization's policy agenda. In addition, according to Rosenberg, NDN PAC paid for the costs of endorsing federal candidates and reimbursed NDN for expenses related to the federal portion of the website. See Rosenberg ROI at 4. Thus, because information obtained during the investigation indicates that NDN was a valid membership organization under 11 C.F.R § 100.134(e), rather than a political committee with federal and nonfederal accounts, allocation is not a viable basis for proceeding in this matter.

(3) Conclusion

Accordingly, the Commission exercises its prosecutorial discretion and takes no further action as to NDN Political Fund, formerly known as New Democrat Network and New Democrat Network – Non-Federal Account; New Democrat Network – PAC; New Democrat Network, the inactive Federal Account registered as Committee ID C00319772; and Simon Rosenberg, in his official capacity as treasurer of both committees, and closes the file in MUR 5755.
II. MUR 5440

A. INTRODUCTION

The complaint alleges that New Democrat Network and Simon Rosenberg, in his official capacity as treasurer ("NDN"), made and failed to report excessive contributions to John Kerry for President, Inc. and Robert Farmer, in his official capacity as treasurer ("Kerry for President"), and DNC Services Corporation/Democratic National Committee and Andrew Tobias, in his official capacity as treasurer ("DNC"), in the form of coordinated communications under 11 C.F.R. § 109.21. Specifically, the complainant alleges that NDN engaged in coordinated communications through the activities of Bill Richardson and Harold Ickes. Compl. at 26-27 and 31-32. The complaint, the responses to it, and the public record, however, contain insufficient information to warrant an investigation into whether NDN’s communications were made in cooperation, consultation, or concert with, or at the request or suggestion of Kerry for President or the DNC.

Under the Federal Election Campaign Act of 1971, as amended ("the Act"), payments for coordinated communications are made for the purpose of influencing a federal election, constitute in-kind contributions to the candidates or committees with whom or which they are coordinated, and must be reported as expenditures made by those candidates or committees. See 11 C.F.R. § 109.21(b)(1). Communications are coordinated with a candidate, an authorized committee, a political party committee, or agent thereof if they meet a three-part test: (1) the communication is paid for by a person other than a candidate, authorized committee, political party committee, or agent thereof; (2) the communication satisfies at least one of the four content

For the purposes of this section of the regulations, an "agent" is defined as "any person who has actual authority, either express or implied, to engage in any of a number of defined activities relating to the creation or production of a communication." See 11 C.F.R. § 109.3.
MURs 5755 and 5440 (New Democrat Network)  
Factual and Legal Analysis

1. standards described in 11 C.F.R. § 109.21(c), and (3) the communication satisfies at least one of the six conduct standards described in 11 C.F.R. § 109.21(d).

B. ANALYSIS

1. Alleged Coordination with Kerry for President

The complaint alleges that NDN engaged in coordinated communications with Kerry for President through the activities of Bill Richardson and Harold Ickes. See Compl. at 26-27, 31-32. According to the complaint, Bill Richardson was the chair of the Democratic National Convention and was an "advisor" to NDN, which ran Spanish-language advertisements that attacked or opposed President Bush during the 2004 cycle. See id.; see also NDN Resp. at 2-3.

2. Harold Ickes, the founder and President of The Media Fund, was a member of the DNC's Executive Committee and allegedly "coordinate[d] with New Democrat Network." Compl. at 27 and 59.

The allegations in the complaint satisfy the first two elements of the coordinated communications test under 11 C.F.R. § 109.21 but fail to provide a basis to investigate whether the conduct standard was met. Besides simply stating that Richardson was an "advisor" to NDN, the complaint fails to allege the type of conduct in which he engaged. See NDN Resp. at 2.

3. Similarly, with respect to Ickes, the complaint asserts that his organization, TMF,

*The content standards include: (1) electioneering communications; (2) public communications that disseminate campaign materials prepared by a candidate; (3) communications that expressly advocate the election or defeat of a clearly identified federal candidate; and (4) certain public communications distributed 120 days or fewer before an election, which refer to a clearly identified federal candidate (or political party). See 11 C.F.R. § 109.21(c).

*Any one of six conduct standards will satisfy the third element of the three-part coordination test, whether or not there is agreement or formal collaboration. See 11 C.F.R. §§ 109.21(d) and 109.21(e). These conduct standards include: (1) communications made at the request or suggestion of the relevant candidate or committee; (2) communications made with the material involvement of the relevant candidate or committee: (3) communications made after substantial discussion with the relevant candidate or committee: (4) specific actions of a common vendor: (5) specific actions of a former employee: and (6) specific actions relating to the dissemination of campaign material. See 11 C.F.R. §§ 109.21(d)(1)-(6).
"coordinate[d]" with NDN, but it does not allege how such conduct is related to conduct involving a candidate, authorized committee, political party committee, or an agent of any of the foregoing under 11 C.F.R. § 109.21(d).

Based on the above, the Commission finds there is no reason to believe that NDN violated the Act by making and failing to report excessive contributions to Kerry for President in the form of coordinated communications. ¹⁰

(2) Alleged Coordination with the DNC

The complaint alleges that coordination occurred between NDN and the DNC based on the activities of Bill Richardson, who was the chair of the 2004 Democratic National Convention at the same time he served as an "advisor" to NDN. See Compl. at 26-27, 31-32, and 59.

Neither the complaint nor the available information, however, provides information suggesting that Richardson's activities at NDN met any conduct standard, and his role as Chair of the Democratic National Convention appears to be insufficient to connect any activity between the DNC and NDN that would satisfy any conduct standard.

Based on this information, there is no reason to believe that NDN violated the Act by making and failing to report excessive contributions to the DNC in the form of coordinated communications.

¹⁰ Although the investigation revealed that NDN was not structured as a political committee with federal and nonfederal accounts during the 2004 cycle, the Commission finds no reason to believe that NDN made excessive, rather than prohibited, contributions.