

FEDERAL ELECTION COMMISSION
FIRST GENERAL COUNSEL'S REPORT

MUR: 7309

DATE COMPLAINT FILED: January 12, 2018

DATE OF NOTIFICATION: January 18, 2018

RESPONSE RECEIVED: February 26, 2018

DATE ACTIVATED: July 19, 2018

EXPIRATION OF SOL: December 27, 2022

ELECTION CYCLE: 2018

COMPLAINANT:

Ron Bassilian

RESPONDENT:

Crowdpac, Inc.

MUR: 7399

DATE COMPLAINT FILED: June 1, 2018

DATE OF NOTIFICATION: June 1, 2018

RESPONSE RECEIVED: July 18, 2018

DATE ACTIVATED: July 19, 2018

EXPIRATION OF SOL: May 14, 2023

ELECTION CYCLE: 2018

COMPLAINANT:

Ron Bassilian and Frank DeMartini

RESPONDENT:

Crowdpac, Inc.

**RELEVANT STATUTES AND
REGULATIONS:**

52 U.S.C. § 30101(4), (8), (9)

52 U.S.C. § 30102

52 U.S.C. § 30103

52 U.S.C. § 30104(a)

11 C.F.R. § 100.5

11 C.F.R. §§ 100.51, 100.110

11 C.F.R. § 102.1

11 C.F.R. § 104.1

INTERNAL REPORTS CHECKED:

None

FEDERAL AGENCIES CHECKED:

None

I. INTRODUCTION

The Complaint alleges that the online platform Crowdpac, Inc. ("Crowdpac") is operating as an unregistered political committee in violation of the Federal Election Campaign Act of 1971, as amended (the "Act").¹ In particular, the Complaint alleges that Crowdpac is raising funds to support Democrats running against Republicans, spotlights only Democrats on its website and social media pages, and has also suspended Republican candidates from its website.² Crowdpac responds that it is a provider of commercial services, not a political committee, and the Commission previously assessed the applicability of federal campaign finance laws to its business when it approved Advisory Opinion 2014-07 (Crowdpac).³

As discussed below, the available information indicates that Crowdpac continues to operate as a commercial service provider and not a political committee. Thus, we recommend that the Commission find no reason to believe that Crowdpac violated 52 U.S.C. §§ 30102, 30103, and 30104(a) by failing to organize, register, and report as a political committee.

II. FACTUAL BACKGROUND

Crowdpac describes itself as a non-partisan, for-profit corporation with a business model that "promote[s] grassroots, small dollar contributor engagement in the political process through its commercial services and the tools available on its website."⁴ To further its business model, Crowdpac uses a "proprietary data algorithm" to provide voters with information about federal

¹ On January 12, 2018, Ron Bassilian filed the Complaint in MUR 7309 against Crowdpac. On June 1, 2018, he and Frank DeMartini filed a letter containing additional information as an amendment to the Complaint in MUR 7309. Since this filing included an additional complainant, it was designated as MUR 7399. Because the Complaint in MUR 7399 incorporates the Complaint in MUR 7309, we refer to them collectively as "the Complaint."

² See Compl. at 1, MUR 7309; Compl. at 1, MUR 7399.

³ See Resp. at 1, MUR 7309; Resp. at 1, MUR 7399.

⁴ Resp. at 1, MUR 7309.

1 candidates based on “publicly available information, including campaign contributions, voting
2 records, and what candidates have said.”⁵ Crowdpac includes candidate pages on its website and
3 allows these candidates to upload an introductory video and other videos explaining their
4 position on issues.⁶ Crowdpac also provides voters with tools to allow them to identify and
5 support candidates who share their positions on issues, including the ability to create user
6 profiles that indicate the issues they support and their position on those issues.⁷ Crowdpac users
7 can review information on candidate pages and make contributions (or “pledges” to prospective
8 candidates).⁸ When a user makes a contribution through Crowdpac’s website, the contribution is
9 processed and transmitted to the candidate’s authorized committee by Crowdpac’s processing
10 partner, Democracy Engine.⁹ Crowdpac’s revenue comes from the convenience fees and
11 voluntary donations paid by users who make contributions and pledges through the candidate
12 pages on the Crowdpac website.¹⁰

13 In June 2014, prior to launching its platform, Crowdpac requested an advisory opinion
14 from the Commission seeking confirmation that its described business plan complied with the
15 Act and Commission regulations.¹¹ On August 14, 2014, the Commission issued Advisory
16 Opinion 2014-07, explaining that Crowdpac’s proposal would not result in impermissible
17 contributions to candidate committees because it was offering its commercial services to its

⁵ *Id.*

⁶ *Id.*; see also Advisory Op. 2014-07 at 2 (Crowdpac).

⁷ See Advisory Op. 2014-07 at 2.

⁸ Resp. at 1-2, MUR 7309.

⁹ *Id.* at 2; Advisory Op. 2014-07 at 3. The Commission examined Democracy Engine’s business operations in Advisory Opinion 2011-06 (Democracy Engine).

¹⁰ Resp. at 1, Kordestani Aff. ¶ 3, MUR 7399; Resp. at 2, MUR 7309.

¹¹ See Advisory Op. Request 2014-07.

1 customers, that is, contributors, and not to political committees.¹² Crowdpac then launched its
2 platform.

3 Republican U.S. House candidate Ron Bassilian ("Bassilian") and former Republican
4 U.S. House candidate Frank DeMartini ("DeMartini") argue that Crowdpac is not a non-partisan
5 commercial service provider and is instead serving as an unregistered Democratic political
6 committee.¹³ In the MUR 7309 Complaint filed in January 2018, Bassilian specifically asserts
7 that he requested Crowdpac provide him "equal time," noting that a Democratic candidate, Jess
8 Phoenix, was featured on Crowdpac's front page and in Facebook ads.¹⁴ Bassilian alleges that
9 Crowdpac's promotion of Phoenix helped her raise over \$100,000 for her campaign.¹⁵

10 In the MUR 7399 Complaint, Bassilian and DeMartini notified the Commission of a
11 *Medium* article posted by Crowdpac in May 2018 entitled, "A Stand Against Trumpism, A Stand
12 For Democracy."¹⁶ In this article, Crowdpac's then-acting CEO Jesse Thomas announced that
13 Crowdpac was temporarily suspending fundraising campaigns featuring Republican candidates
14 on the site for 10 days to allow Crowdpac to determine if those candidates and campaigns

¹² See Advisory Op. 2014-07 at 5-6. Crowdpac did not disclose that it would receive donations from individual customers as part of its business model in its advisory opinion request. See Advisory Op. Request 2014-07. The Commission therefore did not opine on this aspect of Crowdpac's business model. Advisory Op. 2014-07 at 5-6. It appears that, when customers make contributions through Crowdpac's website, they also have the option to give a financial tip to Crowdpac as part of the transaction. See *Donate to Republican Women for Progress*, <https://www.crowdpac.com/contribute/215662?amount=25> (last visited Oct. 9, 2018).

¹³ See Compl. at 1, MUR 7309; Compl. at 1, MUR 7399. Since the filing of the Complaint, California held a primary election on June 5, 2018. Bassilian qualified for the general election but DeMartini did not. See California Secretary of State, *Statewide Direct Primary—Statement of Vote for United States Representative*, 93, 95 (June 5, 2018), <http://elections.cdn.sos.ca.gov/sov/2018-primary/sov/82-congress.pdf>.

¹⁴ Compl. at 1, MUR 7309. Bassilian attached to the Complaint the email exchange with Crowdpac requesting equal time, screenshots of trending campaigns from Crowdpac's website, and screenshots of Facebook ads featuring Phoenix.

¹⁵ *Id.*

¹⁶ See Compl. at 1, MUR 7399.

1 aligned with its values “in a way that Trumpism does not.”¹⁷ The article explains that Crowdpac
2 received feedback from its users that its association with Steve Hilton, the company’s first CEO
3 and a conservative political strategist and pundit, and the presence of Republican campaigns on
4 the site, created the impression that Crowdpac endorsed President Trump and his political
5 movement.¹⁸ Noting that “the actions of President Trump and his movement run counter to
6 [Crowdpac’s] values and the values of the vast majority of [its] users” and that “very few leaders
7 in the Republican party have meaningfully rejected Trumpism,” the article stated that Crowdpac
8 is “temporarily suspending fundraising for Republican candidates on Crowdpac.com.”¹⁹
9 Bassilian and DeMartini allege that Crowdpac’s change in policy is proof that it “is now a
10 Democrat political action committee.”²⁰

11 Crowdpac responds that the Complaint offers no information that would suggest that it is
12 a political committee, and further, that the Commission has already determined in Advisory
13 Opinion 2014-07 that its services and fees do not constitute contributions to political
14 committees.²¹ According to Crowdpac, decisions regarding the placement of candidate pages on
15 its website are not based on any political issue or campaign request, but are driven by its
16 “objective, data-driven online marketplace; candidates eliciting the most interest from users are
17 spotlighted as ‘trending’” on its homepage.²²

¹⁷ Jesse Thomas, *A Stand Against Trumpism, A Stand For Democracy*, Medium (May 15, 2018),
<https://medium.com/@Crowdpac/a-stand-against-trumpism-a-stand-for-democracy-a45e95a77ed5>.

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ Compl. at 1, MUR 7399.

²¹ See Resp. at 2-3, MUR 7309; Resp. at 1, 3 MUR 7399.

²² Resp. at 1-3, MUR 7309; see Compl., MUR 7309 Email Attach. (“We frequently spotlight or recommend candidates who are trending on our platform, however these decisions aren’t made on the basis of any particular stance or issue.”).

1 Crowdpac further responds that the decision to suspend certain Republican candidates
2 from its website was not motivated by any partisan considerations or made for the purpose of
3 influencing any election, but was based on objective, financial, values-driven business criteria.²³
4 Crowdpac provided an affidavit from its current CEO, Gisel Kordestani ("Kordestani"), stating
5 that Crowdpac made a business decision to suspend many Republican campaigns after
6 concluding that it could not successfully market its platform to all candidates without regard to
7 their values, policy positions, and political parties.²⁴ Kordestani notes that the company faced a
8 backlash from its users and community opposed to President Trump and the Republican Party
9 because of Crowdpac's association with Republican campaigns and Steve Hilton.²⁵ As
10 examples, Crowdpac relies on a *Medium* article urging users to boycott the company and demand
11 that Democratic candidates stop using the website because of Hilton's "pro-Trump" views, and
12 the appearance of the hashtag "#DumpCrowdPac" on social media.²⁶ Kordestani states that
13 Crowdpac heard directly from users and candidates that the presence of Hilton and Republican
14 candidates on its platform was seen as an endorsement of President Trump.²⁷ With the threat of
15 users leaving the platform to go to a competitor, Crowdpac argues that it made a business

²³ Resp. at 2-3, Kordestani Aff. ¶ 8, MUR 7399.

²⁴ Kordestani Aff. ¶ 8, MUR 7399.

²⁵ See *id.* ¶¶ 4-6.

²⁶ See Resp. at 2, Kordestani Aff. ¶¶ 4-7, MUR 7399; see also George Lakoff, *Are You Crowdfunding A Fox News Host?*, Medium (Mar. 20, 2018), <https://medium.com/@GeorgeLakoff/are-you-crowdfunding-a-fox-news-host-5f45ce15d5f5>.

²⁷ See Resp. at 2, Kordestani Aff. ¶ 5, MUR 7399.

1 decision to suspend some, but not all, Republican candidates from its platform.²⁸

2 **III. LEGAL ANALYSIS**

3 The Act and Commission regulations define a "political committee" as "any committee,
4 club, association, or other group of persons which receives contributions aggregating in excess of
5 \$1,000 during a calendar year or which makes expenditures aggregating in excess of \$1,000
6 during a calendar year."²⁹ The Act and Commission regulations define "contribution" and
7 "expenditure" similarly to include, in part, any gift, deposit of money, payment of money, or
8 anything of value "made by any person for the purpose of influencing any election for Federal
9 office."³⁰ In *Buckley v. Valeo*, the United States Supreme Court held that the term "political
10 committee" "need only encompass organizations that are under the control of a candidate or the
11 major purpose of which is the nomination or election of a candidate."³¹ Accordingly, an
12 organization that is not controlled by a candidate must register as a political committee only if
13 (1) it crosses the \$1,000 statutory threshold in contributions or expenditures and (2) it has as its
14 "major purpose" the nomination or election of a federal candidate.

15 In a series of advisory opinions, the Commission has concluded that commercial entities
16 that provide candidate-matching tools and contribution processing services for the benefit of

²⁸ See Resp. at 2 & n.15, Kordestani Aff. ¶¶ 7-8, MUR 7399. As support for its claim that it did not suspend all Republican campaigns from its website, Crowdpac points to "Republican Women for Progress" as an example of a Republican-affiliated organization that remains active on its website. Resp. at 2 & n.14, MUR 7399. While a search of Crowdpac's website does show a page for this group, there does not appear to be any active Republican candidate pages. In fact, the website allows filtering of campaigns on the basis of "Political Affiliation," and then lists as options "Democrat," "Independent," "Green," "Libertarian," "Unaffiliated," and "Write-In." It does not include "Republican" among these choices. See *Browse Our Campaigns to Make an Impact Today*, Crowdpac.com, <https://www.crowdpac.com/campaigns> (last visited Oct. 9, 2018).

²⁹ 52 U.S.C. § 30101(4)(A); 11 C.F.R. § 100.5(a).

³⁰ 52 U.S.C. § 30101(8)(A)(i), (9)(A)(i); 11 C.F.R. § 100.51, 100.110.

³¹ 424 U.S. 1, 79 (1976).

1 their individual customers are not political committees.³² In reaching this conclusion, the
2 Commission considered whether these entities were providing services “at the request of and for
3 the benefit of the contributors, as opposed to that of the recipient committees” and “whether the
4 provided services relieve[d] the recipient committees of any financial burden or obligation they
5 would otherwise incur, thereby providing something of value that would constitute a contribution
6 from the entity that provide[d] the services.”³³

7 Here, as in those advisory opinions, the available information indicates that Crowdpac
8 provides a commercial service for the use and benefit of individual users, matching them with
9 candidates through its online tools and earning revenue from fees and donations paid by users
10 who make contributions and pledges through candidate pages.³⁴ As the Commission observed in
11 Advisory Opinion 2014-07, “neither Crowdpac’s services nor its fees are contributions [*i.e.*,
12 expenditures] to the recipient political committees.”³⁵ Similarly, the fees that Crowdpac’s
13 customers pay are not contributions to Crowdpac; rather, they are commercial payments in

³² See, e.g., Advisory Op. 2016-08 at 1-2, 7 (ebundler) (company providing a web-based platform that allows individuals to search for candidates and make contributions that the requestor will process was a commercial service provider, not a political committee); Advisory Op. 2015-12 at 1-2, 6 (Ethiq) (for-profit company with a downloadable mobile application that allows users to identify candidates and corporations that align with their views on a variety of issues was not a political committee); Advisory Op. 2012-22 at 1-4, 9 (skimmerhat) (for-profit company with web-based platform that matches users to candidates sharing their values and processes their contributions was a commercial service provider, not a political committee); Advisory Op. 2011-19 at 1-4, 10 (GivingSphere) (for-profit company that allowed individuals to search for, and donate to, political committees through its internet and mobile-based processing platform was not a political committee).

³³ Advisory Op. 2017-06 at 5 (Stein & Gottlieb); see also Advisory Op. 2016-08 at 5-6; Advisory Op. 2015-12 at 3; Advisory Op. 2012-22 at 5-7; Advisory Op. 2011-19 at 7-9; Advisory Op. 2011-06 at 5-6.

³⁴ See Kordestani Aff. ¶¶ 2-3, MUR 7399.

³⁵ Advisory Op. 2014-07 at 6. That Democracy Engine actually processes and transmits the contributions does not alter this conclusion, as the Commission has stated that Democracy Engine’s services and fees are not contributions. See Advisory Op. 2011-06 at 4-6; Advisory Op. 2014-07 at 5-6.

1 exchange for Crowdpac's services.³⁶

2 In addition, Crowdpac's promotion of certain candidates to the exclusion of others on its
3 website and social media pages and its suspension of Republican campaigns' ability to fundraise
4 on its platform are insufficient to conclude that it is a political committee. Businesses that
5 provide commercial services to contributors, such as those offered by Crowdpac, may "target
6 customers and limit the range of services provided, without making any contributions
7 themselves."³⁷ As long as they are using "commercially reasonable criteria," the Commission
8 has explained that they need not make their services available to users and candidates of all
9 political affiliations.³⁸ The Complaint fails to provide information that rebuts Crowdpac's sworn
10 statement that commercial interests drove its decision to suspend Republican candidates from its
11 site.³⁹ Thus, the available information fails to provide reason to believe that Crowdpac is a

³⁶ See Advisory Op. 2015-08 at 8 (Repledge) (explaining that fees individuals will pay to Repledge for processing their contributions "are not contributions to Repledge because they are not gifts or donations to Repledge but, rather, commercial payments in exchange for its processing services"). Even though users can give voluntary donations to Crowdpac in the form of optional tips, these donations appear to be provided only in connection with Crowdpac's commercial services, and thus incorporated into its revenue model. See Kordestani Aff. ¶ 3.

³⁷ Advisory Op. 2017-06 at 6.

³⁸ See *id.* (approving of proposal to develop and market a mobile app and services to "Democratic contributors" and feature only Democratic candidates in the app based on requestors' explanation that they could not successfully market the app as a bipartisan platform in the current political environment).

³⁹ Bassilian and DeMartini claim that Crowdpac is indistinguishable from ActBlue, which was the subject of Advisory Opinion 2006-30. Compl. at 1, MUR 7309. However, ActBlue, unlike Crowdpac, was a nonconnected political committee that had to register with the Commission because it received and processed earmarked contributions to federal candidates. See Advisory Op. 2006-30 at 2 (ActBlue) ("ActBlue currently serves as a conduit for contributions earmarked for Democratic candidates and party committees."); 11 C.F.R. § 110.6(c)(1)(i) ("The intermediary or conduit of the earmarked contribution shall report the original source and the recipient candidate or authorized committee to the Commission . . .").

political committee and thus subject to the reporting obligations of such committees.⁴⁰

Accordingly, we recommend that the Commission find no reason to believe that Crowdpac violated 52 U.S.C. §§ 30102, 30103, and 30104(a) by failing to organize, register, and report as a political committee.

IV. RECOMMENDATIONS


1. Find no reason to believe that Crowdpac, Inc. violated 52 U.S.C. §§ 30102, 30103, and 30104(a);
2. Approve the attached Factual and Legal Analysis;
4. Approve the appropriate letters; and
5. Close the file.

⁴⁰ Because Crowdpac has not crossed the statutory threshold to trigger political committee status, we do not analyze whether its major purpose is the nomination or election of federal candidates. Moreover, there is no information that Crowdpac is subject to other reporting obligations under the Act and Commission regulations. The Complaint does not allege, and the record does not indicate, that Crowdpac is engaging in express advocacy or making independent expenditures. *See* 52 U.S.C. § 30101(17) (defining independent expenditure to include expressly advocating the election or defeat of a clearly identified candidate); 11 C.F.R. § 100.22 (defining express advocacy); *e.g.*, Advisory Op. 2016-08 at 7; Advisory Op. 2012-22 at 9. Nor is there any reason to believe that Crowdpac is making electioneering communications since all of its relevant communications occur online. *See* 52 U.S.C. § 30104(f)(3) ("The term 'electioneering communications' means any broadcast, cable, or satellite communications[.]"); *e.g.*, Advisory Op. 2016-08 at 7; Advisory Op. 2012-22 at 9.

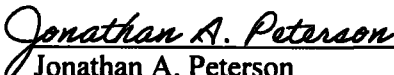
Lisa J. Stevenson
Acting General Counsel

Kathleen M. Guith
Associate General Counsel for Enforcement

10.15.18
Date


Stephen A. Gura
Deputy Associate General Counsel for Enforcement


Lynn Y. Tran
Assistant General Counsel


Jonathan A. Peterson
Attorney

19044417400