"We's about
Neighbors telling Neighbors
...where you are the Neighborhood."

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Phone: (805) 553-0150
www.careau.com

Sent Via E-Mail

19.August 2002

Supplement to
AOR 2002-07

Rosemary C. Smith
Acting Associate General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Re: Your Letter of 8.August Regarding AOR 2002-07

Dear Ms. Smith:

Thank you for your letter of 8.August 2002, in which you requested that Careau & Co. and Mohre Communications (the "Companies") provide "further elaboration and explanation" on six (6) specific issues relating to the Companies' proposed program (the "Program"). This letter responds to that request.

However, while the Companies welcome the exchange of thoughts and information represented by your letter and this response, we note that at the end of your letter you state that the 60-day period for rendering an opinion has been suspended pending our response. How does that affect this action? Obviously, the timing could put us beyond even the agreed to September extension.

Issue Reference 1a.

In the first section (issues "1a" and "1b"), you ask that we clarify a section of our letter dated 16.July 2002, in which we described our adoption of the Commission's guidelines for vendor-assisted fundraising programs. Specifically, at "1a," you ask that we clarify the Companies' compensation under the program, asking whether the Companies are being paid a distinct fee for their services to the political committees.

The answer to your question is yes. AOR 2002-07 (the "Request") provides for the Companies to be paid a fee as an expense to the committees under the Program. Further, as stated at page 9 of the Request, "the entire amount of the subscriber's credit card transaction will be treated as a contribution to the political committee," which means that the fees (the targeted $15 service fee) paid to the Companies represent one of the contribution expenses to be tracked and reported by the committees.

Issue Reference 1b.

Under issue "1b," you ask how the payment to the Companies would be structured.

The committees will pay the Companies and other vendors for their services in an amount that will ensure that no vendor is compensated below the usual and normal charge

14103 Moyo Circle - Moorpark, CA 93021-3553

for its services and that will ensure a profit to the Companies and to the other vendors. The Companies will be paid a flat fee from each subscriber's monthly payment, which will be disbursed from the committee's merchant account. The flow of this disbursement is illustrated in the second of the attachments to this letter (numbered Attachment No. 3 – from a previous communication).

Issue Reference 2a.

In the second section (issues "2a" through "2d") of your letter, you ask that we clarify the political committees' roles under our vendor relationship with them. Under the caption of issue "2a," you ask that we describe "all the specific tasks that the political committees are obligated to undertake as part of the marketing obligations and provide the proposed contractual language on this."

Pending Commission approval of the Program, we have not developed contractual language with the committees. However, the only marketing the committees will be required to conduct under the proposed Program is an e-mail campaign to their supporters. The Companies, who will be paid for their services and not for marketing the Program, believe that if the committees wish to develop the Program as a new fundraising source, then they will also develop how best to present it to their supporters; that is, the committees will engage in effective marketing because it will benefit them..

Issue Reference 2b.

Under issue "2b," you ask us to describe the differences, if any, assumed by political committee clients and non-political committee clients under the Program. Additionally, you ask that we "provide any contractual language you would propose with the non-political committee clients." For purposes of this response, we will assume that "non-political committee clients" refers to charitable organizations that might receive a portion of a subscriber's payment if the subscriber so chooses because these organizations are the only other "clients" we are currently considering.

The Companies anticipate that, in form, both contracts will follow a standard vendor supply agreement. The differences between them will be primarily two; both occasioned by Commission-imposed requirements. First, charitable organizations will not be required to offer any other contribution options to their supporters. Additionally, there will be no need to impose the Commission's screening requirements on these non-political clients.

Issue Reference 2c.

Under issue "2c," you ask that we compare/contrast the Program's proposed terms and obligations, especially as to amount and manner of compensation, to similar vendor programs within the (ISP) industry.

The Companies' Program compares favorably to other "dial-up" services. While the Companies' Program is unique, our pricing model for dial-up service falls squarely within the price range charged by other providers in the industry. As pointed out in the 16.July Comments, Internet access has become a commodity industry with more than 7,000 providers in the United States. The fees charged by these providers range from under $10

per month to around $24 per month, for similar service and access to the Internet. The Companies' charges are in the middle of this range and are structured to ensure a profit.

Issue Reference 2d.

Under issue "2d," you ask for examples of "other joint marketing partners" under the Program.

The term "joint marketing partners" is somewhat inapt in this context. The Companies have made it clear that our role will not include marketing; therefore, we do not have any joint marketing partners. Our role will be that of a vendor providing a program to assist the committees in their fundraising efforts. In that vendor role, the Companies will engage third-party vendors to provide specific services, which include:

- "Backbone" providers, whose service will be provided at a per subscriber fee
- Credit card provider, whose service will be provided on a per subscriber basis
- Merchant account provider, whose service will be provided on a per transaction basis

These services will be billed and paid at the vendors' usual and normal charges for such services.

Summary of Response

As we have described above, AOR 2002-07 provides for a vendor-assisted fundraising program that conforms with prior Commission opinions. *See*, Advisory Opinions 1995-34, 1994-33, and 1990-14. Additionally, we have included attachments 2 and 3 from the 16.July comments letter in the belief that they will provide a visual understanding of the financial relationships under the proposed Program.

As stated above, the Companies welcome this exchange of thoughts and information. Of course, these letters cannot match the relative flexibility of conversation, and we would be pleased to engage in such additional conversations at your convenience. For the time being, however, we submit these responses to you and ask that they be circulated to the Commissioners. Thank you.

Respectfully,

[*Signed and mailed.*]

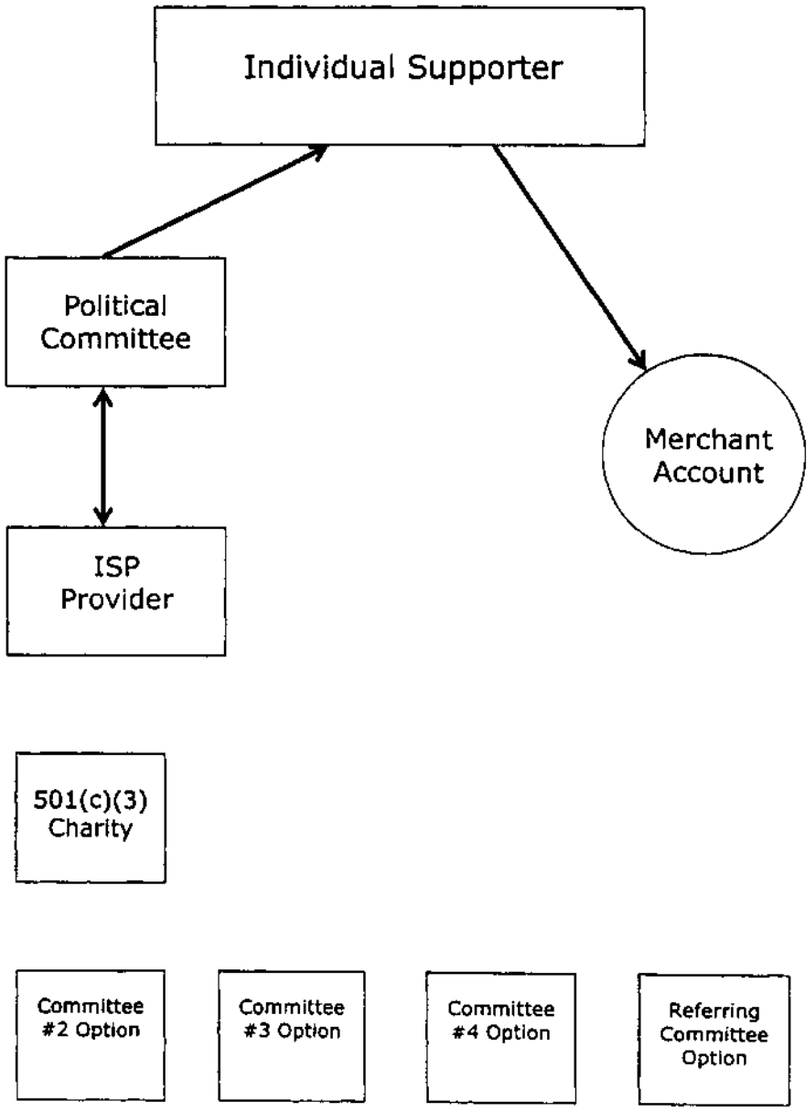
Richard F. Carrott
Chrm. and C.E.O.

w/attachments

cc: Michael Marinelli, Esq.
Theodore G. Johnsen

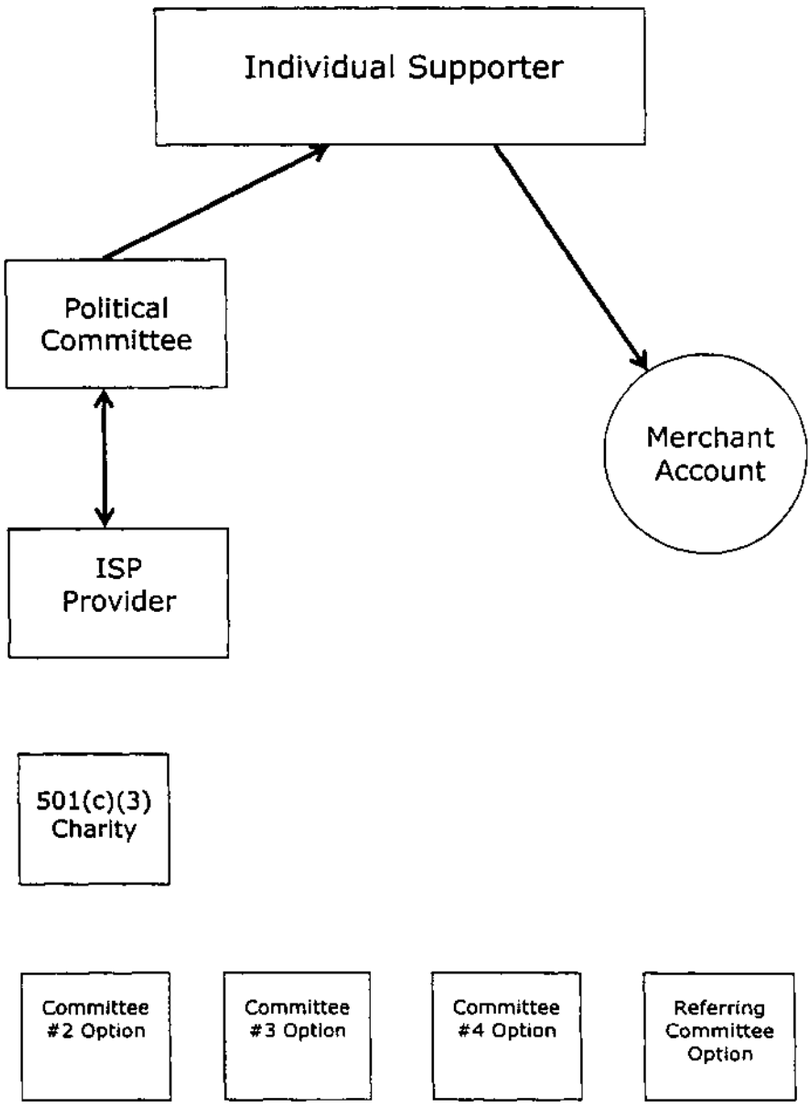
02.08.18 DRAFT Response to 08-08 FEC Letter

Careau/Mohre Vendor-Assisted
Fundraising Program — Contract Relationships



Attachment No. 2

Careau/Mohre Vendor-Assisted
Fundraising Program — Contract Relationships



Attachment No. 2