



FEDERAL ELECTION COMMISSION
Washington, DC 20463

March 29, 1978

AO 1977-70

Mr. David R. Kentoff
Mr. David Bonderman
Arnold and Porter
1229 19th Street, N.W.
Washington, D.C. 20036

Dear Messrs. Kentoff and Bonderman:

This responds to your letter of December 29, 1977, supplemented by your letter of January 23, 1978, which requests an advisory opinion concerning application of the Federal Election Campaign Act of 1971, as amended ("the Act") and Commission regulations to the solicitation of political contributions by McDonald's corporation ("the Corporation") or its separate segregated fund from the executive and administrative employees of its licensees or franchisees.

Your letters indicate that most McDonald's restaurants are operated by licensees or franchisees of the Corporation in strict accordance, as required by the licensing agreement, with certain standards and policies known as "the McDonald's System." Material breach of the licensing agreement, which requires that the individual licensee devote his full time to the operation of the franchised business, results in prompt termination. The agreement imposes severe restrictions on the transferability of licenses and requires the corporation's approval of any assignment of a license upon the death or permanent incapacity of a licensee.

The McDonald's System consists of extensive and detailed specifications concerning all aspects of the operation of the restaurant, including food handling, staffing, service, and building maintenance and design. In effect, the licensing agreement requires "compliance with all business policies, practices and procedures imposed by McDonald's."

It is the opinion of the Commission that the Corporation's continuing control and direction over the business policies, practices and procedures of its licensees, as well as the nature and extent of the licensees' contractual obligation to the Corporation, make McDonald's Corporation and its licensees affiliates within the meaning of the Act and Commission regulations. Accordingly, the Commission agrees that McDonald's may solicit contributions to its separate segregated fund from the executive and administrative personnel of its incorporated licensees and their families. 11 CFR 114.5(g)(1); see also 114.1(c). In conducting these

solicitations, the Corporation or its fund must conform to the procedures set forth in Commission regulations for the solicitation of executive and administrative personnel. 11 CFR 114.5(a). Should any incorporated licensee of McDonald's establish a separate segregated fund, the rule against proliferation of political committees, 2 U.S.C. 441a(a)(5), and Commission regulations on contributions of affiliated committees would apply. See 11 CFR 110.3.

This response constitutes an advisory opinion concerning the application of a general rule of law stated in the Act or prescribed as a Commission regulation to the specific factual situation set forth in your request. See 2 U.S.C. 437f.

Sincerely yours,

(signed)
Joan D. Aikens
Vice Chairman for the
Federal Election Commission