



FEDERAL ELECTION COMMISSION
Washington, DC 20463

December 19, 1979

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

ADVISORY OPINION 1979-56

Ms. Barbara S.M. Kretchmar
Corporate Counsel
Scott Paper Company
Scott Plaza
Philadelphia, Pennsylvania 19113

Dear Ms. Kretchmar:

This responds to your letter of September 25, 1979 on behalf of the Scott Political Action Committee requesting an advisory opinion concerning application of the Federal Election Campaign Act of 1971, as amended ("the Act"), to SCOTTPAC's relationship with two other political committees.

Your letter states that Scott Paper Company ("Scott") and the Mead Corporation ("Mead") have entered into a joint venture to establish Brunswick Pulp & Paper Company ("Brunswick"). Brunswick's stock is owned 50% by Scott and 50% by Mead. Brunswick is engaged in the production and sale of wood pulp to Scott and Mead; it also manufactures and sells linerboard to Mead. Brunswick's thirteen member Board of Directors is comprised of six directors representing and nominated by Scott, and six directors representing and nominated by Mead, although the directors are not necessarily employed by Scott or Mead. The thirteenth director does not represent Scott or Mead but is selected by and agreeable to both Scott and Mead. According to a Management Agreement between Scott and Mead, the Board of Directors elects executive officers of Brunswick who are mutually agreeable to both Scott and Mead, and Brunswick's Chairman of the Board alternates between Scott and Mead personnel. Brunswick employees have operational responsibility for the day-to-day management of Brunswick; however, an operating committee, comprised of members from Brunswick, Mead, and Scott, provides technical assistance and advice to Brunswick as needed.

Both Scott and Mead have established political action committees (referred to hereinafter as "SCOTTPAC" and "MEADPAC" respectively). Furthermore, you state that Brunswick is "interested in establishing a political action committee to solicit contributions from Brunswick

administrative and executive personnel to a separate segregated fund."* Under these circumstances you ask whether contributions made by Brunswick's proposed political action committee would be deemed independent of those made by SCOTTPAC and MEADPAC and thus subject to a separate contribution limit under 441a(a) from the contributions made by SCOTTPAC and MEADPAC.

The question you have presented raises the issue of affiliation between SCOTTPAC, MEADPAC and Brunswick's proposed political action committee. Under the Act, contributions made by political committees established or financed or maintained or controlled by any corporation including any parent, subsidiary, or branch of such corporation shall be considered to have been made by a single political committee 2 U.S.C. 441a(a)(5). Commission regulations apply this rule to political committees which are set up by a single corporation or its subsidiaries. 11 CFR 100.14(c)(2)(i) and 110.3(a)(1)(ii). Furthermore, where one organization through provisions of bylaws, constitutions, or other documents, has the authority to direct another entity or to appoint or remove, or otherwise influence the decision of, the officers or members of another entity, all political committees established by those organizations are deemed to be affiliated. 11 CFR 100.14(c)(2)(ii) and 110.3. See also Advisory Opinions 1978-39, and 1978-61, copies enclosed.

Brunswick is a joint venture corporation established by Scott and Mead, and Scott and Mead have the authority to appoint or remove executive officers and board members of Brunswick and otherwise influence decisions made by Brunswick. By virtue of the Management Agreement between Scott and Mead, both Scott and Mead appear to have the ability to influence each other in the selection of executive officers for Brunswick, in the selection of the thirteenth member of Brunswick's Board of Directors, and by alternately selecting Brunswick's Chairman of the Board. Under these circumstances the Commission concludes that Brunswick's proposed political action committee would be affiliated with both SCOTTPAC and MEADPAC. Thus contributions made or received by SCOTTPAC and Brunswick's proposed committee would be considered as made or received by a single committee for purposes of 2 U.S.C. 441a(a)(5).

Both SCOTTPAC and Brunswick's proposed committee would be required to identify the other as an affiliated political committee on their respective statements of organization. 2 U.S.C. 433(b)(2), 11 CFR 102.2(b)(1). The committees would retain their status as separate entities for purposes of filing reports under the Act since consolidated reporting is only applicable to principal campaign committees and other authorized committees of the same candidate. 2 U.S.C. 432(e), 434(a)(2); 11 CFR 104.1(c)(4), 124.2(c). The foregoing discussion also applies to the status of MEADPAC and Brunswick's proposed committee since the relationship between Mead and Brunswick is the same as that between Scott and Brunswick.

* Reports filed with the Commission by SCOTTPAC and MEADPAC do not show the receipt by either Committee of itemized contributions from executive or administrative personnel of Brunswick.

On the facts presented in your request the Commission concludes basis for concluding that SCOTTPAC and MEADPAC are affiliated with each other for purposes of the Act and regulations.

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

Sincerely yours,

(signed)

Robert O. Tiernan
Chairman for the
Federal Election Commission