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Gentlemen

This letter is to request an opinion regarding the permissibility of an independent non-connected Political Action Committee accepting ads for a newsletter it uses to communicate with its members

Background

The City Political Action Committee ("CityPAC") is a political action committee registered with the Federal Election Committee and established as a political organization under §527 of the Internal Revenue Code. CityPAC has approximately 600 member/contributors, and during the 1988 congressional election cycle contributed approximately \$35,000 to congressional candidates.

CityPAC "publishes" a quarterly newsletter as a method of communicating with its members about its activities, and to help recruit new members. The average circulation of the newsletter is 1600 copies. CityPAC desires to sell advertisements to run in its newsletter, with the funds obtained to be used solely to defray the expenses of printing and distributing the newsletter.

Questions Presented

1 May CityPAC accept advertisements for its newsletter from individuals or partnerships which would be entitled legally to contribute to CityPAC, to the extent a "fair market value" is charged for such ads?

2 Assuming that the previous question is answered in the affirmative, do funds collected by CityPAC for such advertisements need to be reported as contributions to the PAC?

3. If CityPAC can accept such advertisements, and if such advertisements are not deemed to constitute contributions, can advertisements be accepted on the same basis from corporate entities?

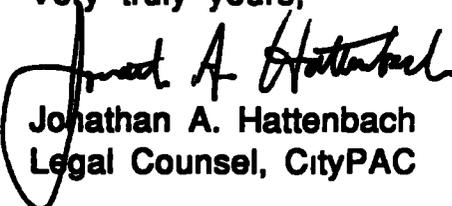
Discussion

To clarify the circumstances under which the PAC would accept advertisements, it is our intention to charge fair market value for such advertisements. Based on preliminary discussions with professionals in the publishing field and an assessment of the distribution of the newsletter and demographics of the group receiving it (young professionals, contributors) we believe that charging \$150.00 to \$200.00 for one 3" by 5" advertisement would reasonably approximate fair market value. Our expectation is that in the course of a year, we might sell up to 20 such advertisements, yielding revenues of no more than \$4000.

It is expected that the PAC would receive advertisements from at least several individuals/businesses, so that no individual advertiser would constitute more than an insignificant source of revenues for our PAC, such revenues to be used solely for newsletter expenses and not towards contributions to candidates. No advertiser would have any role or vote in determining the contributions to be made by our PAC, except to the extent such advertiser is also a contributor to the PAC (in accordance with all legal requirements), and no advertiser/ contributor would be entitled to any additional role or vote based upon its advertising.

Based upon the above analysis, we believe that the acceptance of advertisements on such an "incidental" basis, with the funds to be used only to defray the cost of the newsletter, should be permissible, and that the funds should not be reportable as contributions. We respectfully request your opinion as to the questions posed above. If you have any further questions feel free to contact me at (708) 576-6732. We look forward to your prompt response to this inquiry.

Very truly yours,


Jonathan A. Hattenbach
Legal Counsel, CityPAC