AO DRAFT COMMENT PROCEDURES

The Commission permits the submission of written public comments on draft advisory opinions when proposed by the Office of General Counsel and scheduled for a future Commission agenda.

Today, DRAFT ADVISORY OPINION 2004-32 is available for public comments under this procedure. It was requested by counsel, Yvonne L. Ramos on behalf of Spirit Airlines, Inc.


Please note the following requirements for submitting comments:

1) Comments must be submitted in writing to the Commission Secretary with a duplicate copy to the Office of General Counsel. Comments in legible and complete form may be submitted by fax machine to the Secretary at (202) 208-3333 and to OGC at (202) 219-3923.

2) The deadline for the submission of comments is 12:00 noon (Eastern Time) on September 29, 2004.

3) No comments will be accepted or considered if received after the deadline. Late comments will be rejected and returned to the commenter. Requests to extend the comment period are discouraged and unwelcome. An extension request will be considered only if received before the comment deadline and then only on a case-by-case basis in special circumstances.

4) All timely received comments will be distributed to the Commission and the Office of General Counsel. They will also be made available to the public at the Commission's Public Records Office.
CONTACTS

Press inquiries: Robert Biersack (202) 694-1220
Commission Secretary: Mary Dove (202) 694-1040
Other inquiries:

To obtain copies of documents related to AO 2004-32, contact the Public Records Office at (202) 694-1120 or (800) 424-9530.

For questions about comment submission procedures, contact Rosemary C. Smith, Associate General Counsel, at (202) 694-1650.

MAILING ADDRESSES

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September 22, 2004

MEMORANDUM

TO: The Commission

THROUGH: James A. Pehrko
Staff Director

FROM: Lawrence H. Norton
General Counsel

Rosemary C. Smith
Associate General Counsel

Brad C. Deutsch
Assistant General Counsel

Esa L. Sfera
Attorney

Subject: Draft AO 2004-32

Attached is a proposed draft of the subject advisory opinion. We request that this draft be placed on the agenda for September 30, 2004.

Attachment
Dear Ms. Ramos,

This responds to letters dated June 11, July 22, and August 5, 2004, submitted on behalf on Spirit Airlines, Inc. ("Spirit") requesting an advisory opinion concerning the application of the Federal Election Campaign Act of 1971, as amended (the "Act"), and Commission regulations, to proposed solicitations of contributions to Spirit’s separate segregated fund, Spirit Airlines, Inc. PAC ("Spirit PAC"), from the directors and senior employees of Oaktree Capital Management LLC ("Oaktree").

Background

Spirit is a privately held U.S. airline and is the connected organization of Spirit PAC. Oaktree is a limited liability company that provides investment management for "various Oaktree funds," which are "diversified private equity vehicles." Through two existing Oaktree funds and three Oaktree-managed holding companies, created specifically for investment in Spirit, Oaktree has invested $125 million in Spirit.

The two existing Oaktree funds, Oaktree Principal Opportunities Fund II ("POF II") and Oaktree Principal Opportunities Fund III ("POF III"), are limited partnerships over which Oaktree "maintains control by acting as general partner of each such fund."

The limited partners in POF II and POF III are both U.S. citizen and non-U.S. citizen investors.
The three Oaktree-managed holding companies, which were created for POF II and POF III's investment in Spirit, are limited liability companies: POF Spirit Foreign Holdings, LLC ("Foreign Holdings"), POF Spirit Domestic Holdings, LLC ("Domestic Holdings"), and OCM Spirit Holdings, LLC ("Spirit Holdings"). Oaktree is the managing member of each of the holding companies.

You state that the "need for multiple investment entities in this instance reflects regulatory considerations, specifically the need to separate the U.S. citizen and non-citizen investors of the two [already] established Oaktree funds . . . into discrete legal entities." You state that the creation of the Oaktree-managed holding companies, Foreign Holdings and Domestic Holdings, was necessary in order to separate POF II and POF III's foreign investors and U.S. citizen investors into separate investment entities in order to facilitate the U.S. Department of Transportation's determination of the degree of non-citizen ownership of Spirit, pursuant to 49 U.S.C. 40102, which permits only a limited percentage of foreign ownership of a corporate air carrier.

Through the two existing Oaktree funds and the three Oaktree-managed holding companies, Oaktree controls 51% of the voting stock in Spirit. Specifically, Foreign Holdings, which is the investment vehicle for the foreign investors in POF II and POF III, directly owns 2.3% of the voting stock in Spirit. Domestic Holdings, which is the investment vehicle for the domestic investors in POF II and POF III, owns 77.9% interest in Spirit Holdings, which directly owns 48.7% of the voting stock of Spirit.

1 Spirit has three types of stock: Class A Common, Class A convertible Preferred Stock, and Class B Common. Holders of Class A Common stock and Class A convertible Preferred Stock are entitled to vote on all matters submitted to the shareholders for a vote. Holders of Class B Common stock are entitled to vote only under certain circumstances, such as mergers, consolidations, recapitalizations, and reorganizations. Amended and Restated Certificate of Incorporation of Spirit Airlines, Inc., Article 4.
You state that Oaktree has the ability to "direct or participate in the governance of Spirit." As explained below, Oaktree has the ability to select Spirit's board of directors and has a significant presence on that board.

**Question Presented**

May Spirit PAC solicit contributions from Oaktree's directors and senior employees?

**Legal Analysis and Conclusions**

The Commission concludes that Spirit PAC may make the proposed solicitations, provided that Oaktree's directors and senior employees qualify as members of Oaktree's restricted class, because Spirit and Oaktree are affiliated under the Commission's affiliation factors. Additionally, if any of these Oaktree senior employees do not qualify as members of its restricted class, Spirit PAC may still solicit such persons as part of a permissible twice-yearly solicitation of all employees of Spirit and its affiliates.

1. **Affiliation**

The Act permits a corporation or its separate segregated fund ("SSF") to solicit its restricted class, which consists of its stockholders and executive or administrative personnel, and their families, for contributions to its SSF. 2 U.S.C. 441b(b)(4)(A)(i); 11 CFR 114.5(g)(1) and 114.1(j). Additionally, a corporation or its SSF may also solicit the restricted class of the corporation's subsidiaries, branches, divisions, and affiliates and their families. 11 CFR 114.5(g)(1); see also Advisory Opinions 2001-18 and 1997-25. The Commission has long held that affiliates may include entities other than corporations, such as partnerships and limited liability companies. Advisory Opinion 2001-18. Once the Commission has determined entities are affiliated, any one affiliate
may solicit the restricted class of any of the other affiliated entities. See Advisory
Opinion 2001-18; see also Advisory Opinions 1999-28 and 1982-18 (SSF of a subsidiary
corporation may solicit contributions from a parent's restricted class and from the
restricted class of parent's other subsidiaries).

The Commission considers an entity that owns a majority interest of another
organization to be affiliated per se with that other organization. See 11 CFR 100.5(g)(2).
In the absence of per se affiliation, however, section 114.5(g)(1) of the Commission's
regulations provide for a case-by-case examination of ten circumstantial factors found at
11 CFR 100.5(g)(4)(i) and (ii)(A)-(J) to determine whether an organization is an affiliate
of a corporation. An examination of these factors, in the context of the overall
relationship between Spirit and Oaktree, leads to the conclusion that Spirit and Oaktree
are affiliated because Oaktree controls 51% of the voting stock in Spirit and has the
ability to direct or participate in Spirit's governance and control Spirit's officers.

One of the affiliation factors the Commission considered in the context of the
overall relationship between Spirit and Oaktree is whether one organization "owns [a]
controlling interest in the voting stock" of another organization. 11 CFR
100.5(g)(4)(ii)(A); see also Advisory Opinion 1989-17. Although Oaktree does not
directly own a controlling interest in Spirit, Oaktree controls 51% of the voting stock of
Spirit through the two Oaktree funds and three Oaktree-managed holding companies.
Specifically, Oaktree, as the managing member of Spirit Holdings, has the right to vote
all of the 48.7% voting stock of Spirit held by Spirit Holdings. Additionally, as a
managing member, Oaktree controls the 2.3% of the voting stock of Spirit owned by
Foreign Holdings. Therefore, the Commission concludes that Oaktree's control of 51%
of the voting stock of Spirit is, in the context of the overall relationship, strong evidence
of affiliation.

Section 100.5(g)(4)(ii)(B) addresses whether one organization has the authority or
ability to direct or participate in the governance of another sponsoring organization
through provisions of constitutions, bylaws, contracts or other rules, or through formal or
informal practices or procedures. Oaktree has appointed four of Spirit’s seven directors
and two of these directors are Oaktree principals. Oaktree also has the ability to control
the selection of all seven directors because Spirit’s bylaws state that its directors are
elected annually by holders of voting stock and that such elections are “determined by a
plurality of the votes cast.” Amended and Restated Bylaws of Spirit Airlines, Inc.,
Article I, Section 7. Because Oaktree has the ability to vote a majority of Spirit’s voting
stock, Oaktree has the ability to elect all of Spirit’s directors.

Finally, section 100.5(g)(4)(ii)(C) addresses whether an organization has the
authority or ability to hire, appoint, demote, or otherwise control the officers, or other
decision making employees of another organization. Spirit’s bylaws state that its
directors annually elect its officers and may dismiss its officers without cause. Amended
and Restated Bylaws of Spirit Airlines, Inc., Article IV, Section 1 and 14. Because
Oaktree controls a majority of voting stock in Spirit, Oaktree has the ability to control the
election of all of Spirit’s directors on an annual basis. Therefore, Oaktree also has the
ability, acting through Spirit’s directors, to hire, appoint, and dismiss Spirit’s officers.²

Accordingly, considering the factors discussed above in the context of the overall
relationship between Spirit and Oaktree, the Commission concludes that Spirit and
Oaktree are affiliated for the purposes of the Act and Commission regulations.

² Factors listed in 11 CFR 100.5(g)(4)(ii)(D)-(J) are not relevant to this advisory opinion.
2. Solicitation

Whether Spirit PAC may solicit Oaktree's directors and senior employees, at any time, depends on whether such Oaktree employees constitute part of Oaktree's restricted class. Under Commission regulations, a corporation's restricted class is its stockholders and executive or administrative personnel, and their families. 11 CFR 114.1(j).

"Executive or administrative personnel" are defined in Commission regulations as individuals employed by a corporation who are paid on a salary rather than hourly basis and who have policymaking, managerial, professional, or supervisory responsibilities. 11 CFR 114.1(c). This definition of executive or administrative personnel includes individuals who run the corporation's business such as officers, and other executives. 11 CFR 114.1(c)(1)(i). If Oaktree's directors and senior employees fall within the definition of executive or administrative personnel, then they may be solicited at any time by Spirit PAC.

If Oaktree's senior employees do not qualify as members of Oaktree's restricted class, Spirit PAC may, nonetheless, solicit them as part of Spirit's permissible twice-yearly solicitation. Under the Act and Commission regulations, a corporation and/or its SSF may make a total of two written solicitations per calendar year for contributions to the SSF from the corporation's employees other than those that qualify as members of the

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You state that Foreign Holdings is the investment vehicle for foreign investors of POF II and POF III. Accordingly, the Commission notes that Spirit PAC is prohibited from soliciting any foreign national. The Act and Commission regulations prohibit any "person," the definition of which includes corporations and SSFs, from soliciting, accepting or receiving a contribution or donation from a foreign national. 2 U.S.C. 441e(a)(2) and 110.20(g). The Act and Commission regulations also prohibit a foreign national from making a contribution, directly or through any other person, or an expenditure in connection with a Federal, State, or local election. 2 U.S.C. 441e(a)(1) and 11 CFR 110.20(b). Additionally, no foreign national may be involved with the decisions of Spirit PAC, Spirit, or its affiliates regarding solicitation of contributions. Commission regulations prohibit a foreign national from directing, dictating, controlling, or directly or indirectly participating in the decision-making process of a corporation or political committee with regard to Federal or non-Federal election-related activities, such as the making of contributions. 11 CFR 110.20(i).
corporation's restricted class. 2 U.S.C. 441b(b)(4)(B) and 11 CFR 114.6(a). This twice-yearly solicitation rule also applies to employees of the corporation's affiliates. See, e.g., Advisory Opinion 1990-25. Accordingly, for any of Oaktree's employees who do not qualify as members of Spirit's restricted class, Spirit PAC may solicit such employees as part of its twice-yearly solicitation under the conditions set out in 11 CFR 114.5(a) and 114.6. See also Advisory Opinion 1994-7.

This response constitutes an advisory opinion concerning the application of the Act and Commission regulations to the specific transaction or activity set forth in your request. See 2 U.S.C. 437f. The Commission emphasizes that, if there is a change in any of the facts or assumptions presented and such facts or assumptions are material to a conclusion presented in this advisory opinion, then the requester may not rely on that conclusion as support for its proposed activity.

Sincerely,

Bradley A. Smith
Chairman