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*Supplement to
AOR 2000-30*

From: Ronald B. Turovsky
Date: January 23, 2001
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To: N. Bradley Litchfield
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Ronald B. Turovsky
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E-mail: rturovsky@manatt.com

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January 23, 2001

Client-Matter 22755-030

BY FACSIMILE and U.S. MAIL

N. Bradley Litchfield
Associate General Counsel/Policy
Federal Election Commission
Office of General Counsel
999 E Street, N.W.
Washington, D.C. 20463

Re: pac.com

Dear Mr. Litchfield:

This letter is in response to your letter to me dated October 11, 2000. In that letter, you ask certain questions about the proposed activity of pac.com. In this letter, I respond to those questions. I respond to the questions in the order posed in your letter.

1.

a. *Question:* Please describe further the nature of the companies in which pac.com is purchasing stock that is not publicly traded.

Response: First, to clarify, pac.com is not purchasing stock. It is anticipated that pac.com will receive stock as contributions. Generally, it is anticipated that the companies will be technology companies, broadly defined, but there is no membership requirement that such be the case.

b. *Question:* State how many other investors these companies would have at the time of the contributions of stock.

Response: This will vary significantly. Each company will have at least one round of outside investment (a Series A round) where the investment sets the price for the shares as of a date certain.

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c. *Question:* State whether these investors would be closely linked to each other, such as by family relationships, or involvement in the operations of the company

Response: Some investors will be founders/employees of the company, but each company will have a significant number of non-employee investors. The investors and the terms of the investments will be ordinary and customary as is practiced widely in the industry.

d. *Question:* Describe the relationship of the companies to pac.com, such as the "membership" of their principals or owners in pac.com

Response: We are not entirely certain what you are asking. It is not anticipated that there will not be any particular relationship. Individuals will be asked to join by the existing membership. Members are generally executives of their companies, but the individual is the member, not the company.

e. *Question:* Describe the role of those individuals and their companies in pac.com.

Response: Again, it is not entirely clear what you are asking. Contributors to pac.com will be invited to attend meetings with elected officials and industry leaders. All contributors will enjoy the same rights as one another.

2.

a. *Question:* Explain what is anticipated by pac.com and its members with respect to stock that is contributed. For example, explain whether stocks will be contributed by an individual with the knowledge that the company will shortly thereafter make an initial public offering of stock.

Response: Individuals will be asked to make a contribution to pac.com within the legal limits by writing a check or by making an in-kind contribution of a security, whether private or public. Companies whose private stock is in SEC registration to make an initial public offering will be prohibited from making a contribution until the public offering is concluded. Any other private stock will be valued at the fair market value received in the most recent round of outside investment.

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b. *Question:* Explain the effect that an anticipated IPO will have on the valuation of the stock at the time it is contributed to pac.com.

Response: As recent activity has made even clearer, the Initial Public Offering price has little or no bearing on its subsequent valuation. Only the unknown future performance of the company influences its future price.

3.

a. *Question:* Explain how the valuation process would work if the most recent round of financing occurred more than a few months ago, including longer periods such as a number of years ago.

Response: Shares will only be accepted from companies whose share price has been set by an external funding event in the previous 120 days.

b. *Question:* Explain how valuation would occur when the last round of financing entailed a low price to relatives or other persons close to the company or its principals, or an artificially low price for other business reasons, when the fair market value at the time was in fact higher.

Response: Shares will only be accepted when an external funding event has occurred with SEC qualified "Accredited Investors" as defined in Regulation D under the Securities Act of 1933. Said funding event must include Sophisticated Investors who are not employees or relatives of employees.

4.

a. *Question:* Describe, using examples, how the valuation process would work. Your explanation should include, but not be limited to an explanation of what you mean by the terms, discounts, premiums, and adjustments and how they would apply to the valuation process.

Response: It is not anticipated that discounts, premiums, or adjustments to the fair market value of the shares would be applied or accepted by pac.com.

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b. *Question:* State the sources from which pac.com derived the proposed method of valuation, and whether this method is consistent with standard industry practice or generally accepted accounting principles with respect to stocks that are not publicly traded.

Response: All private stock will be valued at the fair market value received in the most recent round of outside investment. As stated, the price must have been set within a commercially reasonable time, but no more than 120 days from the close of the funding event. pac.com devised this method based upon its attempt to determine what would be the most accurate way to ascertain fair market value.

5.

a. *Question:* Describe how pac.com intends to dispose of the stock when it decides, for whatever reason, that it no longer wishes to hold it. State whether it intends to contribute stock directly to a candidate's authorized campaign committee or whether it intends to deposit the proceeds from the sale of such stock in its depository account and contribute the proceeds.

Response: pac.com intends to sell the securities on the open market or transfer shares that have a specific fixed price in the public market, subject to whether the recipients are interested in accepting contributions of securities. If shares are sold, the proceeds will be placed in a depository account.

6.

a. *Question:* State how long pac.com intends to hold stocks before contributing them to candidates.

Response: pac.com has no specific intention as to how long it will hold the stocks.

b. *Question:* State whether pac.com will contribute stock to a candidate with the knowledge or in anticipation of a rise in the value of the stock that will occur after the contribution (such knowledge being derived, for example, from a "member" of pac.com).

Response: pac.com intends to transfer only shares that have a specific fixed price in the public market. Such share price defines the share's fair market value at the date of transfer.

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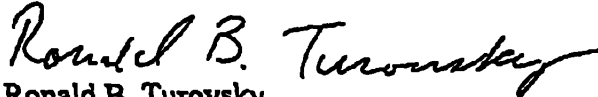
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c. *Question:* State whether pac.com will acquire stocks and then inform a candidate that the particular stock will be contributed by pac.com to the candidate.

Response: No.

Having supplied you with these responses to your questions, we hereby request that your office give further consideration to pac.com's request for an advisory opinion.

Very truly yours,


Ronald B. Turovsky
Manatt, Phelps & Phillips, LLP

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FEDERAL ELECTION COMMISSION
Washington, DC 20463

October 11, 2000

Ronald B. Turovsky
Manatt, Phelps & Phillips, LLP
11355 West Olympic Boulevard
Los Angeles, CA 90064-1614

Re: AOR 2000-30

Dear Mr. Turovsky:

This refers to your letter dated July 13, 2000, on behalf of pac.com, requesting an advisory opinion concerning the application of the Federal Election Campaign Act of 1971, as amended ("the Act"), and Commission regulations to the receipt by a nonconnected political committee of contributions from individuals in the form of stock that is not traded on any public exchange.

The Act authorizes the Commission to issue an advisory opinion in response to a "complete written request" from any person with respect to a specific transaction or activity by the requesting person. 2 U.S.C. §437f(a). Commission regulations explain that such a request "shall include a complete description of all facts relevant to the specific transaction or activity with respect to which the request is made." 11 CFR 112.1(c). In view of this requirement, this office is asking you to respond to questions that address concerns raised by your request with respect to stock that is not publicly traded. This office believes that elements of your description require further elaboration. Moreover, in view of newspaper articles about the composition and plans of pac.com in *Roll Call* and *The New York Times Magazine*, this office believes that a more complete picture of the committee's plans with respect to the receipt, holding, and disbursement of that stock is required.

(1) Please describe further the nature of the companies in which pac.com is purchasing stock that is not publicly traded. State how many other investors these companies would have at the time of the contributions of stock. State whether these investors would be closely linked to each other, such as by family relationships, or involvement in the operations of the company. Describe the relationship of the companies to pac.com, such

as the "membership" of their principals or owners in pac.com. Describe the role of those individuals and their companies in pac.com.

(2) Explain what is anticipated by pac.com and its members with respect to stock that is contributed. For example, explain whether stocks will be contributed by an individual with the knowledge that the company will shortly thereafter make an initial public offering of stock. Explain the effect that an anticipated IPO will have on the valuation of the stock at the time it is contributed to pac.com.

(3) Explain how the valuation process would work if the most recent round of financing occurred more than a few months ago, including longer periods such as a number of years ago. Explain how valuation would occur when the last round of financing entailed a low price to relatives or other persons close to the company or its principals, or an artificially low price for other business reasons, when the fair market value at the time was in fact higher.

(4) Describe, using examples, how the valuation process would work. Your explanation should include, but not be limited to an explanation of what you mean by the terms discounts, premiums, and adjustments and how they would apply to the valuation process. State the sources from which pac.com derived the proposed method of valuation, and whether this method is consistent with standard industry practice or generally accepted accounting principles with respect to stocks that are not publicly traded.

(5) Describe how pac.com intends to dispose of the stock when it decides, for whatever reason, that it no longer wishes to hold it. State whether it intends to contribute stock directly to a candidate's authorized campaign committee or whether it intends to deposit the proceeds from the sale of such stock in its depository account and contribute the proceeds.

(6) State how long pac.com intends to hold stocks before contributing them to candidates. State whether pac.com will contribute stock to a candidate with the knowledge or in anticipation of a rise in the value of the stock that will occur after the contribution (such knowledge being derived, for example, from a "member" of pac.com). State whether pac.com will acquire stocks and then inform a candidate that the particular stock will be contributed by pac.com to the candidate.

Upon receipt of your responses, this office will give further consideration to your request. If you have any questions about the advisory opinion process or this letter, please contact Jonathan Levin, a senior attorney in this office, at 202-694-1650.

Sincerely,

Lawrence M. Noble
General Counsel

BY:


N. Bradley Litchfield
Associate General Counsel