



California Fair Political Practices Commission

January 26, 1990

Frederick K. Lowell
Pillsbury, Madison & Sutro
P.O. Box 7880
San Francisco, CA 94102

Re: Your Request For Advice
Our File No. A-89-702

Dear Mr. Lowell:

You have asked for written confirmation of telephone advice provided to you concerning the campaign disclosure provisions of the Political Reform Act.^{1/}

Your letter dated December 20, 1989, correctly summarizes my advice that a law firm or other service provider would not be making a campaign contribution to a candidate or committee when the candidate's or committee's fee bill is reduced in the normal course of business by the firm. In the situation you described, at the end of each year, a law firm routinely assesses their clients' ability to pay their bills and, based on a standard formula, reduces the bills of those clients who are unable to pay their full debt. This procedure is based on the firm's desire to avoid delays in payment.

The candidates and committees whose debts are reduced would not be receiving contributions so long as (1) the decision to reduce the bills is a product of a bona fide business judgment that the debts are uncollectable; (2) reasonable efforts have been made to collect the debts; and (3) the assessment and reduction of fees is applied in a standard manner to all clients who have not paid their bills by the end of the year. However, if reduction of a debt owed by a candidate or committee was intended to bestow a

1/ Government Code Sections 81000-91015. All statutory references are to the Government Code unless otherwise indicated. Commission regulations appear at 2 California Code of Regulations Section 18000, et seq. All references to regulations are to Title 2, Division 6 of the California Code of Regulations.

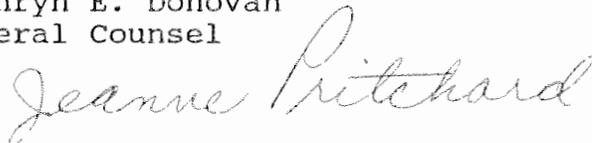
Frederick K. Lowell
Page Two

political benefit or if reasonable steps were not taken to collect a debt, the amount reduced would be considered a campaign contribution. (Summers Advice Letter (No. A-77-014); Steinberg Advice Letter (No. A-86-344), copies enclosed.)

If you have any questions about this letter, please call me at (916) 322-5662.

Sincerely,

Kathryn E. Donovan
General Counsel

A handwritten signature in cursive script that reads "Jeanne Pritchard". The signature is written in dark ink and is positioned to the right of the typed name.

By: Jeanne Pritchard
Division Chief
Technical Assistance and
Analysis Division

LAW OFFICES OF

PILLSBURY, MADISON & SUTRO

OTHER OFFICES

LOS ANGELES, CALIFORNIA
SAN DIEGO, CALIFORNIA
SAN JOSE, CALIFORNIA
WALNUT CREEK, CALIFORNIA
WASHINGTON, D.C.

POST OFFICE BOX 7880

SAN FRANCISCO, CALIFORNIA 94120

TELEPHONE (415) 983-1000

CABLE ADDRESS "EVANS"
TELEX 34743

TELECOPIER (415) 398-2096

WRITER'S OFFICE AND
DIRECT DIAL NUMBER

235 Montgomery Street
(415) 983-1585

December 20, 1989

HAND DELIVERED

Ms. Jeanne Pritchard
Fair Political Practices Commission
428 J Street, Suite 800
Sacramento, CA 95814

Dear Jeanne:

I would appreciate it if you would confirm your oral advice to me on December 15 that a law firm or other service provider which renders services to a candidate or committee may settle with its client for less than the total amount of the billed fees for services, providing such settlement is in the ordinary course of business, without being deemed to have made a political contribution or expenditure. Factors entering into such settlement would include an assessment of the client's ability to pay and the desire of the law firm to avoid delays in payment.

Thank you for your attention on this matter.

Very truly yours,



Frederick K. Lowell