



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THIS IS THE BEGINNING OF MUR # 4005

DATE FILMED 7/27/95 CAMERA NO. 1

CAMERAMAN EES

95043661365

GENERAL DYNAMICS

Electric Boat Division

75 Eastern Point Road, Groton, Connecticut 06340-5889
209-433-3000

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

JUN 25 9 54 AM '94

June 24, 1994

Pre-MUR 301

Lawrence Noble, Esquire
Office of the General Counsel
Federal Election Commission
999 E Street, N. W.
Washington, D. C. 20463

Dear Mr. Noble:

Attached is a letter dated June 22, 1994, sent by C. B. Haines, Jr., our Director of Material Management to our Connecticut suppliers. Also attached is Mr. Haines' letter of this date rescinding his previous communication. At this time we have not received any contributions and any that are received will be returned forthwith, as stated.

Sincerely,

Merle J. Smith, Jr.
Merle J. Smith, Jr.
Division Counsel

95043661366

GENERAL DYNAMICS

Electric Boat Division

75 Eastern Point Road, Groton, Connecticut 06340-4980
203-433-3000

June 22, 1994

Attention: Chief Executive Officer

To Our Connecticut Suppliers:

General Dynamics, Electric Boat Division considers continued nuclear submarine design and construction vital to an assured future industrial base, including our Connecticut based network of suppliers. Efforts to obtain release of appropriated funds for a third SEAWOLF submarine are being actively pursued with our Washington based Congressional representatives.

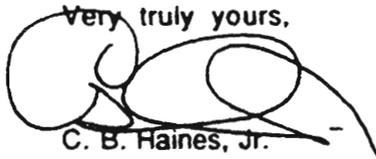
As a key supporter of the SEAWOLF program, Congressman Gejdenson from the 2nd District has been instrumental from the start in obtaining contracts for the first and second SEAWOLF submarines. We have all been beneficiaries of his efforts. You are invited to show your appreciation and to express continued support for Congressman Gejdenson by attending a fundraising reception on July 6 (5:30-7:30 p.m.) at the Groton Motor Inn, Groton, CT in support of his reelection campaign.

Your support of Sam on July 6 with a \$100 per person donation would be sincerely appreciated. Should you not be able to attend, you may send your check to:

Gejdenson Reelection Committee
c/o General Dynamics Corporation
Electric Boat Division
Neil D. Ruenzel
Director of Communications
75 Eastern Point Road
Groton, Connecticut 06340

See you on the 6th. Let's send Sam back to Congress.

Very truly yours,



C. B. Haines, Jr.

CBH825

95043661367

GENERAL DYNAMICS
Electric Boat Division

75 Eastern Point Road, Groton, Connecticut 06340-4989
203-433-3000

June 24, 1994

Attention: Chief Executive Officer

To Our Connecticut Suppliers:

By letter of June 22, 1994, you were invited to attend a fund-raising reception for Sam Gejdenson on July 6, 1994 at the Groton Motor Inn in Groton, Connecticut. You were also encouraged to make donations to the Gejdenson Reelection Committee in care of General Dynamics Corporation, Electric Boat Division. We have since been advised that we may not accept contributions on behalf of Mr. Gejdenson. We also request that you not send any donations to the Gejdenson Reelection Committee in care of General Dynamics. To the extent you have already submitted donations to us, they will be returned to you.

We apologize for any inconvenience we may have caused.

Very truly yours,



C. B. Haines, Jr.

95043661368

GENERAL DYNAMICS

3180 Fairview Park Drive
Falls Church, Virginia 22042-4523

E. Alan Kobasa
Staff Vice President and
Secretary of the Corporation

703-876-3075

27 June 1994

Lawrence Noble, Esquire
Office of the General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

JUN 29 12 16 PM '94

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

Dear Mr. Noble:

This is to inform you that David W. DeBruin, Esq., of the law firm of Jenner & Block is authorized to represent General Dynamics Corporation in any and all matters pending before the Federal Election Commission.

Very truly yours,



95043661369



FEDERAL ELECTION COMMISSION
WASHINGTON, DC 20463

JULY 5, 1994

David W. DeBruin, Esq.
Jenner & Block
601 13th Street, NW
12th Floor
Washington, DC 20005

RE: Pre-MUR 301

Dear Mr. DeBruin:

This is to acknowledge receipt on June 24, 1994 of the letter from your client, General Dynamics Corporation. You will be notified as soon as the Federal Election Commission takes action on your client's submission.

If you have any questions, please contact Joan McEnery at (202) 219-3400. For your information, we have attached a brief description of the Commission's procedures for handling matters such as this.

Sincerely,

Mary L. Taksar
Mary L. Taksar, Attorney
Central Enforcement Docket

Enclosure
Procedures

95043661370

-ED

MUNSTER '94
1st CONGRESS

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

3 35 PM '94

P.O. Box 686, Higganum, CT 06441-0686

Phone: 203-346-1888

Fax: 203-346-1827

MUR 4005

June 27, 1994

General Counsel
Office of the General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Dear Madam or Sir:

Pursuant to Section 437(g) of the Federal Election Campaign Laws (the "FEC Law"), the Munster for Congress - 94 campaign is filing this complaint with the Federal Election Commission (the "FEC"). The subject of this complaint is a June 22, 1994 fund raising letter written by C.B. Haines, Jr. of General Dynamics Corp., Electric Boat Division of Groton, Connecticut ("General Dynamics") to its Connecticut suppliers.

Specifically, there are three issues of concern which are raised by this solicitation and which appear to be in violation of FEC Law:

- (1) Illegal Corporate Expenditure by General Dynamics. Given that the fund raising solicitation appears to have been printed on General Dynamics Corp. letterhead and is signed by a General Dynamics employee, it would be reasonable to assume that some corporate expenditure occurred in the preparation of this letter, including but not limited to the cost of the paper, labor, computer time, photocopying and postage. You will note that the copy of the solicitation which is enclosed was also sent in a General Dynamics envelope and was metered (U.S. Postage Meter # 9003692) for purposes of postage;
- (2) Coercion and an implied Quid Pro Quo. The wording of the solicitation letter, specifically the lines "we have all been beneficiaries of his efforts. You are invited to show your appreciation and to express your support ... by attending a fund raising reception," implies a "payback" for past favorable legislative activity. Additionally, given that this letter was sent to suppliers and vendors doing business with General Dynamics (a major defense contracting

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firm whose funding comes almost exclusively from the federal government), one could argue that a certain level of arm twisting was involved due to a threat of reduced future subcontract business.

(3) Bundling. It could be argued quite easily that by requesting contributions be sent directly to Neil Ruenzel, Director of Communications of General Dynamics Corp., that Messrs. Ruenzel and Haines, Jr. intended to "bundle" these checks to increase the impact of their and/or General Dynamics' donation, and to circumvent and/or complement any donation made by the corporation's Separate Segregated Fund.

The Munster for Congress - 94 campaign has brought this issue to the attention of the Commission because of an irreparable harm this letter has caused. A determination by the Commission as to whether or not General Dynamics and/or C.B. Haines or Neil Ruenzel has violated FEC Law is respectfully requested.

It should be noted, however, that as a result of the press surrounding this incident, General Dynamics has submitted a letter to the same group of Connecticut suppliers rescinding its offer to hold a fund raiser. In spite of that fact, we believe that the initial act was a blatant violation of FEC Law by one or more General Dynamics employees. Moreover, the effect of this letter, to demonstrate support for our opponent by the management of General Dynamics, may have caused our campaign irreparable harm.

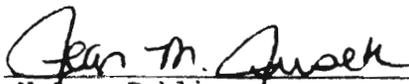
In order to assist in your review of this matter we have enclosed copies of the original solicitation letter and the envelope with which it was mailed, as well as the follow-up letter sent by General Dynamics.

Very truly yours,



Thomas J. Diascro, Jr.
Campaign Manager

Sworn to and notarized by:



Notary Public

My Commission Expires: 7/31/98

95043661372

GENERAL DYNAMICS
Electric Boat Division

75 Eastern Point Road, Groton, Connecticut 06340-4999
203-433-3000

June 24, 1994

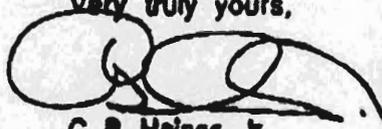
Attention: Chief Executive Officer

To Our Connecticut Suppliers:

By letter of June 22, 1994, you were invited to attend a fund-raising reception for Sam Gejdenson on July 6, 1994 at the Groton Motor Inn in Groton, Connecticut. You were also encouraged to make donations to the Gejdenson Election Committee in care of General Dynamics Corporation, Electric Boat Division. We have since been advised that we may not accept contributions on behalf of Mr. Gejdenson. We also request that you not send any donations to the Gejdenson Election Committee in care of General Dynamics. To the extent you have already submitted donations to us, they will be returned to you.

We apologize for any inconvenience we may have caused.

Very truly yours,



C. B. Haines, Jr.

950436613/3

GENERAL DYNAMICS

Electric Boat Division

75 Eastern Point Road, Groton, Connecticut 06340-4989
203-433-3000

June 22, 1994



CT06498

Attention: Chief Executive Officer

To Our Connecticut Suppliers:

General Dynamics, Electric Boat Division considers continued nuclear submarine design and construction vital to an assured future industrial base, including our Connecticut based network of suppliers. Efforts to obtain release of appropriated funds for a third SEAWOLF submarine are being actively pursued with our Washington based Congressional representatives.

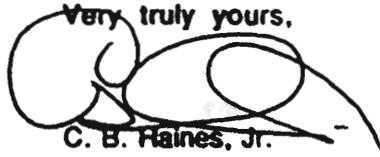
As a key supporter of the SEAWOLF program, Congressman Gejdenson from the 2nd District has been instrumental from the start in obtaining contracts for the first and second SEAWOLF submarines. We have all been beneficiaries of his efforts. You are invited to show your appreciation and to express continued support for Congressman Gejdenson by attending a fundraising reception on July 6 (5:30-7:30 p.m.) at the Groton Motor Inn, Groton, CT in support of his reelection campaign.

Your support of Sam on July 6 with a \$100 per person donation would be sincerely appreciated. Should you not be able to attend, you may send your check to:

Gejdenson Reelection Committee
c/o General Dynamics Corporation
Electric Boat Division
Neil D. Ruenzel
Director of Communications
75 Eastern Point Road
Groton, Connecticut 06340

See you on the 6th. Let's send Sam back to Congress.

Very truly yours,



C. B. Haines, Jr.

CBH825

95043661374

9 5 0 4 3 6 6 1 3 7 5

GENERAL DYNAMICS

Electric Boat Division

75 Eastern Point Road, Groton, Connecticut 06340-1889

Sender _____ Dept. _____ Mail Zone _____

THE [REDACTED] CO.





FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

July 14, 1994

Thomas J. Diascro, Jr., Campaign Manager
Munster for Congress '94
P.O. Box 696
Higganum, CT 06441-0696

RE: MUR 4005

Dear Mr. Diascro:

This letter acknowledges receipt on July 1, 1994, of your complaint alleging possible violations of the Federal Election Campaign Act of 1971, as amended ("the Act"). The respondent(s) will be notified of this complaint within five days.

You will be notified as soon as the Federal Election Commission takes final action on your complaint. Should you receive any additional information in this matter, please forward it to the Office of the General Counsel. Such information must be sworn to in the same manner as the original complaint. We have numbered this matter MUR 4005. Please refer to this number in all future communications. For your information, we have attached a brief description of the Commission's procedures for handling complaints.

Sincerely,

Mary L. Taksar

Mary L. Taksar, Attorney
Central Enforcement Docket

Enclosure
Procedures

95043661376



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

July 14, 1994

C.B. Haines, Jr., Director of Material Management
General Dynamics Corporation
Electric Boat Division
75 Eastern Point Road
Groton, CT 06340-4989

RE: MUR 4005

Dear Mr. Haines:

The Federal Election Commission received a complaint which indicates that you may have violated the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint is enclosed. We have numbered this matter MUR 4005. Please refer to this number in all future correspondence.

Under the Act, you have the opportunity to demonstrate in writing that no action should be taken against you in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements should be submitted under oath. Your response, which should be addressed to the General Counsel's Office, must be submitted within 15 days of receipt of this letter. If no response is received within 15 days, the Commission may take further action based on the available information.

This matter will remain confidential in accordance with 2 U.S.C. § 437g(a)(4)(B) and § 437g(a)(12)(A) unless you notify the Commission in writing that you wish the matter to be made public. If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

95043661377

C.B. Haines, Jr.
General Dynamics Corporation
Page 2

If you have any questions, please contact Joan McEnery at (202) 219-3400. For your information, we have enclosed a brief description of the Commission's procedures for handling complaints.

Sincerely,

Mary L. Taksar

Mary L. Taksar, Attorney
Central Enforcement Docket

Enclosures

1. Complaint
2. Procedures
3. Designation of Counsel Statement

950436613/8



FEDERAL ELECTION COMMISSION

WASHINGTON, DC 20463

July 14, 1994

Reid & Riege, P.C., Registered Agent
General Dynamics Corporation
One State Street
Hartford, CT 06103

RE: MUR 4005

Dear Sir/Madam:

The Federal Election Commission received a complaint which indicates that General Dynamics Corporation, Electric Boat Division, may have violated the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint is enclosed. We have numbered this matter MUR 4005. Please refer to this number in all future correspondence.

Under the Act, you have the opportunity to demonstrate in writing that no action should be taken against you in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements should be submitted under oath. Your response, which should be addressed to the General Counsel's Office, must be submitted within 15 days of receipt of this letter. If no response is received within 15 days, the Commission may take further action based on the available information.

This matter will remain confidential in accordance with 2 U.S.C. § 437g(a)(4)(B) and § 437g(a)(12)(A) unless you notify the Commission in writing that you wish the matter to be made public. If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

95043661319

Reid & Riege, P.C.
General Dynamics Corporation
Page 2

If you have any questions, please contact Joan McEnery at (202) 219-3400. For your information, we have enclosed a brief description of the Commission's procedures for handling complaints.

Sincerely,

Mary L. Taksar

Mary L. Taksar, Attorney
Central Enforcement Docket

Enclosures

1. Complaint
2. Procedures
3. Designation of Counsel Statement

95043661300



FEDERAL ELECTION COMMISSION

WASHINGTON, DC 20463

July 14, 1994

Neil Ruenzel, Director of Communications
General Dynamics Corporation
75 Eastern Point Road
Groton, CT 06340-4989

RE: MUR 4005

Dear Mr. Ruenzel:

The Federal Election Commission received a complaint which indicates that you may have violated the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint is enclosed. We have numbered this matter MUR 4005. Please refer to this number in all future correspondence.

Under the Act, you have the opportunity to demonstrate in writing that no action should be taken against you in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements should be submitted under oath. Your response, which should be addressed to the General Counsel's Office, must be submitted within 15 days of receipt of this letter. If no response is received within 15 days, the Commission may take further action based on the available information.

This matter will remain confidential in accordance with 2 U.S.C. § 437g(a)(4)(B) and § 437g(a)(12)(A) unless you notify the Commission in writing that you wish the matter to be made public. If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

95043661361

Neil Ruenzel
General Dynamics Corporation
Page 2

If you have any questions, please contact Joan McEnery at (202) 219-3400. For your information, we have enclosed a brief description of the Commission's procedures for handling complaints.

Sincerely,

Mary L. Taksar

Mary L. Taksar, Attorney
Central Enforcement Docket

Enclosures

1. Complaint
2. Procedures
3. Designation of Counsel Statement

95043661382



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

July 14, 1994

Sam Gejdenson Re-Election Committee
Patricia Tedisco Lagrenga, Treasurer
P.O. Box 1818
Hartford, CT 06103

RE: MUR 4005

Dear Ms. Lagrenga:

The Federal Election Commission received a complaint which indicates that the Sam Gejdenson Re-Election Committee ("Committee") and you, as treasurer, may have violated the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint is enclosed. We have numbered this matter MUR 4005. Please refer to this number in all future correspondence.

Under the Act, you have the opportunity to demonstrate in writing that no action should be taken against the Committee and you, as treasurer, in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements should be submitted under oath. Your response, which should be addressed to the General Counsel's Office, must be submitted within 15 days of receipt of this letter. If no response is received within 15 days, the Commission may take further action based on the available information.

This matter will remain confidential in accordance with 2 U.S.C. § 437g(a)(4)(B) and § 437g(a)(12)(A) unless you notify the Commission in writing that you wish the matter to be made public. If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

95043661303

San Gejdenson Re-Election Committee
Patricia Tedisco Lagrega, Treasurer
Page 2

If you have any questions, please contact Joan McEnery at (202) 219-3400. For your information, we have enclosed a brief description of the Commission's procedures for handling complaints.

Sincerely,

Mary L. Taksar

Mary L. Taksar, Attorney
Central Enforcement Docket

Enclosures

1. Complaint
2. Procedures
3. Designation of Counsel Statement

95043661384

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

STATEMENT OF DESIGNATION OF COUNSEL

JUN 20 12 35 PM '94

NUR 4005

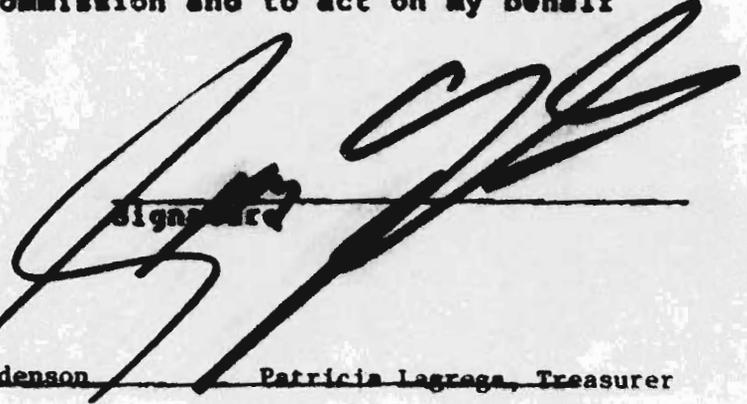
NAME OF COUNSEL: Judith L. Corley

ADDRESS: Perkins Coie
607 14th Street, NW
Washington, DC 20005-2011

TELEPHONE: (202) 434-1600

The above-named individual is hereby designated as my
counsel and is authorized to receive any notifications and other
communications from the Commission and to act on my behalf
before the Commission.

7/17/94
Date


Signature

RESPONDENT'S NAME: Sam Gejdenson Patricia Lagrega, Treasurer

ADDRESS: 2416 Rayburn HOB Sam Gejdenson Re-Election Committee
Washington, DC 20515 P.O. Box 1818
Bozrah, CT 06334

TELEPHONE: HOME (_____) _____

BUSINESS (203) 886-0581

95043661385

LAW OFFICES
JENNER & BLOCK

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

601 THIRTEENTH STREET, N. W.
TWELFTH FLOOR
WASHINGTON, D. C. 20005

(202) 639-8000
(202) 639-8066 FAX

DIRECT DIAL NUMBER:

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

JUL 21 3 35 PM '94

CHICAGO OFFICE
ONE IBM PLAZA
CHICAGO, IL 60611
(312) 822-9380
(312) 827-0484 FAX

MIAMI OFFICE
ONE BISCAYNE TOWER
MIAMI, FL 33131
(305) 830-3635
(305) 830-0008 FAX

LAKE FOREST OFFICE
ONE WESTMINSTER PLACE
LAKE FOREST, IL 60045
(708) 298-8200
(708) 298-7810 FAX

SCOTT A. SINDER

July 21, 1994

Via Facsimile and Hand Delivery

General Counsel
Office of the General Counsel
Attn: Joan McEnery
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

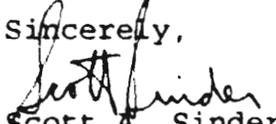
Re: MUR 4005 -- Request For An Extension Of Time

Dear General Counsel:

David DeBruin, a partner in the law firm of Jenner & Block, represents General Dynamics Corporation, Electric Boat Division, in the above-referenced matter. A copy of General Dynamics' Statement of Designation of Counsel, filed with the Commission on June 27, 1994, is attached.

Mr. DeBruin has been working with General Dynamics to investigate this matter since it arose initially, and General Dynamics has retained Mr. DeBruin to represent it in this proceeding. However, Mr. DeBruin currently is out of the office and he is not due to return until August 3 -- the day General Dynamics' demonstration that no further action should be taken against it in this matter is due. Therefore, General Dynamics respectfully requests that it be granted an additional 10 days to submit its response, and that its response now be due on or before August 12, 1994.

Thank you for your consideration.

Sincerely,

Scott A. Sinder

enc.

cc: Edward C. Bruntrager, Esq.
E. Alan Klobasa, Esq.

95043661336

GENERAL DYNAMICS

3100 Fairview Park Drive
Falls Church, Virginia 22043-0573

E. Alan Klebas
Staff Vice President and
Secretary of the Corporation

703-876-3075

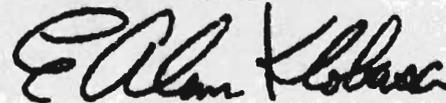
27 June 1994

Lawrence Noble, Esquire
Office of the General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Dear Mr. Noble:

This is to inform you that David W. DeBruin, Esq., of the law firm of Jenner & Block is authorized to represent General Dynamics Corporation in any and all matters pending before the Federal Election Commission.

Very truly yours,



95043661387



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

JULY 22, 1994

Scott A. Sinder, Esq.
Jenner & Block
601 Thirteenth Street, N.W.
Twelfth Floor
Washington, D.C. 20005

RE: MUR 4005
General Dynamics Corporation

Dear Mr. Sinder:

This is in response to your letter dated July 21, 1994, requesting an extension until August 12, 1994 to respond to the complaint filed in the above-noted matter. After considering the circumstances presented in your letter, the Office of the General Counsel has granted the requested extension. Accordingly, your response is due by the close of business on August 12, 1994.

If you have any questions, please contact Joan McEnery at (202) 219-3400.

Sincerely,

Mary L. Taksar

Mary L. Taksar, Attorney
Central Enforcement Docket

95043661388

GENERAL DYNAMICS
Electric Boat Division

75 Eastern Point Road, Groton, Connecticut 06340-4000
203-433-3000

RECEIVED
FEDERAL ELECTION
COMMISSION
ADMINISTRATIVE DIVISION

JUL 19 13 11 '94

VIA FAX & MAIL

General Counsel
Office of General Counsel
Attn: Joan McEnery
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

27 July 1994

Re: MUR 4005 -- Request for an extension of time

Dear General Counsel:

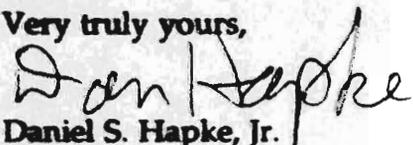
You have received correspondence from David DeBruin entering his appearance as counsel for General Dynamics Corporation and requesting an extension of time to respond to the FEC letter of 14 July 1994.

I will be acting as co-counsel for General Dynamics Corporation and will also represent Mr. Haines and Mr. Ruenzel. Attached are copies of these Statements of Designation of Counsel.

On behalf of Mr. Haines and Mr. Ruenzel I respectfully request you grant an additional 10 days for them to respond to your letters of 14 July 1994 and that their responses be due on or before 12 August 1994.

If you have any questions or comments, please call me at (203) 433-2700.

Very truly yours,



Daniel S. Hapke, Jr.
Vice President & General Counsel

encl.

cc: E.C. Bruntrager
David DeBruin
C.B. Haines, Jr.
N.D. Ruenzel

95043661389

11-11-11

STATEMENT OF DESIGNATION OF COUNSEL

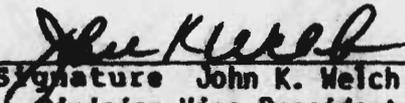
MUR 4005

NAME OF COUNSEL: Daniel S. Hapke, Jr.
Division Vice President & General Counsel
ADDRESS: General Dynamics/Electric Boat Division
75 Eastern Point Road, MZ D5-10, Dept. 601
Groton, CT 06340-4989

TELEPHONE: (203) 433-2700

The above-named individual is hereby designated as my co-counsel* and is authorized to receive any notifications and other communications from the Commission and to act on my behalf before the Commission.

22 July 1994
Date


Signature John K. Welch
Division Vice President - Programs

RESPONDENT'S NAME: General Dynamics Corporation

ADDRESS: Electric Boat Division
75 Eastern Point Road
Groton, CT 06340-4989

TELEPHONE: HOME()
BUSINESS(203) 433-8094

* Mr. Hapke is to serve as co-counsel with David DeBruin of the Washington, D.C. office of Jenner & Block.

95043661390

STATEMENT OF DESIGNATION OF COUNSEL

MUR 4005

NAME OF COUNSEL: Daniel S. Hapke, Jr.
Vice President & General Counsel

ADDRESS: General Dynamics/Electric Boat Division
75 Eastern Point Road, MZ D5-10, Dept. 601
Groton, CT 06340-4989

TELEPHONE: (203) 433-2700

The above-named individual is hereby designated as my counsel and is authorized to receive any notifications and other communications from the Commission and to act on my behalf before the Commission.

27 July 1994
Date


Signature Craig B. Haines, Jr.

RESPONDENT'S NAME: Craig B. Haines, Jr.

ADDRESS: General Dynamics/Electric Boat Division
75 Eastern Point Road, MZ D5-10, Dept. 330
Groton, CT 06340-4989

TELEPHONE: HOME (_____) _____

BUSINESS (203) 433-1564

95043661391

STATEMENT OF DESIGNATION OF COUNSEL

MUR 4005

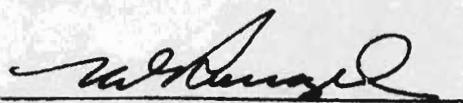
NAME OF COUNSEL: Daniel S. Hapke, Jr.
Vice President & General Counsel

ADDRESS: General Dynamics/Electric Boat Division
75 Eastern Point Road, MZ D5-10, Dept. 601
Groton, CT 06340-4989

TELEPHONE: (203) 433-2700

The above-named individual is hereby designated as my
counsel and is authorized to receive any notifications and other
communications from the Commission and to act on my behalf
before the Commission.

27 July, 1994
Date


Signature Neil D. Ruenzel

RESPONDENT'S NAME: Neil D. Ruenzel

ADDRESS: General Dynamics/Electric Boat Division
75 Eastern Point Road, MZ D5-10, Dept. 605
Groton, CT 06340-4989

TELEPHONE: HOME()
BUSINESS(203) 433-8556

95043661392



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

August 5, 1994

Daniel S. Hapke, Jr.
Vice President and General Counsel
General Dynamics, Electric Boat Division
75 Eastern Point Road
Groton, CT 06340-4989

RE: MUR 4005
Craig B. Haines, Jr.
Neil D. Ruenzel

Dear Mr. Hapke:

This is in response to your letter dated July 27, 1994, requesting an extension until August 12, 1994 for Messrs. Haines and Ruenzel to respond to the complaint filed in the above-noted matter. After considering the circumstances presented in your letter, the Office of the General Counsel has granted the requested extensions. Accordingly, your responses are due by the close of business on August 12, 1994.

If you have any questions, please contact Joan McEnery at (202) 219-3400.

Sincerely,

Mary L. Taksar

Mary L. Taksar, Attorney
Central Enforcement Docket

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PERKINS COIE

A LAW PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS
607 FOURTEENTH STREET, N.W. • WASHINGTON, D.C. 20005-2011
(202) 628-6000 • FACSIMILE (202) 434-1690

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FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

JUL 28 10 13 AM '94

July 27, 1994

Joan McEnery
Office of the General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Re: MUR 4005 - Sam Gejdenson Re-Election Committee

Dear Ms. McEnery:

This is to request an extension of time of ten days in the above referenced Matter Under Review.

Our firm was recently retained to represent the Respondents in this matter. We would appreciate the extension to have adequate time to gather the necessary facts and information to prepare a response.

The original response would have been due on August 2, 1994. With the extension, the response will be due on August 12, 1994.

If you have any questions or need additional information, please contact one of the undersigned.

Very truly yours,

Robert F. Bauer
Judith L. Corley
Counsel for Respondents

95043661394

[21296-0001/DA942080.055]



FEDERAL ELECTION COMMISSION
WASHINGTON, DC 20463

August 5, 1994

Robert F. Bauer, Esq.
Judith L. Corley, Esq.
Perkins Coie
607 Fourteenth Street, NW
Washington, DC 20005-2011

RE: MUR 4005
Sam Gejdenson
Sam Gejdenson Re-Election
Committee and Patricia Lagrega,
as treasurer

Dear Mr. Bauer and Ms. Corley:

This is in response to your letter dated July 27, 1994, requesting an extension until August 12, 1994 to respond to the complaint filed in the above-noted matter. After considering the circumstances presented in your letter, the Office of the General Counsel has granted the requested extensions. Accordingly, your responses are due by the close of business on August 12, 1994.

If you have any questions, please contact Joan McEnery at (202) 219-3400.

Sincerely,

Mary L. Taksar

Mary L. Taksar, Attorney
Central Enforcement Docket

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LAW OFFICES

JENNER & BLOCK

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

601 THIRTEENTH STREET, N. W.
TWELFTH FLOOR
WASHINGTON, D. C. 20005

(202) 639-6000
(202) 639-6066 FAX

DIRECT DIAL NUMBER:

202-639-6015

DAVID W. DEBRUIN

CHICAGO OFFICE
ONE IBM PLAZA
CHICAGO, IL 60611
(312) 222-0200
(312) 227-0484 FAX

MIAMI OFFICE
ONE BISCAYNE TOWER
MIAMI, FL 33131
(305) 530-3838
(305) 530-0006 FAX

LAKE FOREST OFFICE
ONE WESTMINSTER PLACE
LAKE FOREST, IL 60045
(708) 299-9200
(708) 299-7810 FAX

August 12, 1994

Via Hand Delivery

Office of the General Counsel
Attn: Joan McEnery
Federal Election Commission
999 E Street, N.W., Room 657
Washington, D.C. 20463

Re: MUR 4005

Dear Ms. McEnery:

General Dynamics Corporation and two of its employees, Neil D. Ruenzel and Craig B. Haines, Jr., ("respondents") respectfully file this response to the complaint in MUR 4005. As described in the enclosed statements of Mr. Ruenzel and Mr. Haines and as further explained below, General Dynamics and its employees have acted at all times with a belief that they were complying with the federal election laws, and in an attempt to ensure -- through clarification of the original June 22 letter that is the subject of the complaint, and through subsequent reimbursement to the corporation of the expenses involved -- that the Act has not been violated. At the same time, General Dynamics intends to amplify its efforts to eliminate, through additional training of its executive and administrative personnel, any confusion that may exist concerning the extent to which the Federal Election Campaign Act ("Act") allows corporate employees to use company facilities in connection with personal volunteer political activities.

For these and other reasons explained below, respondents submit that the actions complained of either were

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OFFICE OF GENERAL
COUNSEL

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not violations of the Act, or should not be deemed to be a violation of the Act. See 11 C.F.R. § 114.5(h).^{1/}

Facts

Neil D. Ruenzel is Director of Communications for General Dynamics' Electric Boat Division. See Exhibit 1 (statement of Mr. Ruenzel). He is a retired military officer and former Director of Public Affairs for the United States Coast Guard Academy. Mr. Ruenzel was aware of Representative Sam Gejdenson's strong support for the company's submarine programs, and wanted to assist Mr. Gejdenson's reelection efforts. Immediately before he left for a 10-day vacation, Mr. Ruenzel requested Mr. Haines, Director of Materials Acquisition at Electric Boat, to send a letter to other Connecticut-based companies involved in the company's submarine programs, inviting them to support Mr. Gejdenson at a fundraising reception. Mr. Ruenzel's understanding of the Act was that it was permissible for Mr. Haines to send such a letter so long as he did so in his own name, the letter was not on company letterhead, and the company did not collect any contributions for the candidate. Before leaving on vacation, however, Mr. Ruenzel did not communicate these requirements that he believed to exist to Mr. Haines.

Mr. Haines was willing to help with the fundraiser, but he had never sent a campaign-related letter before and was not familiar with the requirements of the Act. See Exhibit 2 (statement of Mr. Haines). Mr. Haines asked his staff to work with the Communications Department and prepare the letter. While Mr. Ruenzel still was away, Mr. Haines

^{1/} 11 C.F.R. § 114.5(h) provides:

Accidental or inadvertent solicitation by a corporation or labor organization, or the separate segregated fund of either, of persons apart from and beyond those whom it is permitted to solicit will not be deemed a violation, provided that such corporation or labor organization or separate segregated fund has used its best efforts to comply with the limitations regarding the persons it may solicit and that the method of solicitation is corrected forthwith after the discovery of such erroneous solicitation.

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signed and sent the June 22 letter that is attached to the complaint. Mr. Haines believed that the letter had been approved by the Communications Department, and that it therefore complied with all federal election law requirements. The costs associated with the letter -- approximately \$600 for paper, photocopying and postage -- were charged to a designated cost separation shop order, and were not charged to any government contract.

On June 24, 1994, individuals in the General Counsel's office at General Dynamics learned that Mr. Haines' letter had been sent. The company immediately did three things:

- * First, within hours, the company retracted the offer in the letter that contributions to Mr. Gejdenson's campaign could be sent to Mr. Ruenzel at Electric Boat. On June 24, Mr. Haines sent a second letter, via both telecopy and regular mail, to the same addressees as the original letter. See Exhibit 3. This letter made clear that General Dynamics would not accept any contributions on Mr. Gejdenson's behalf, and would return any contributions that already had been sent. Many persons may have received (by fax) the June 24 letter before they received (by mail) the June 22 letter. As a result of the retraction, General Dynamics received only two contributions for Mr. Gejdenson, which the company returned immediately to the contributors.
- * Second, also on the morning of June 24, General Dynamics telecopied a letter to FEC General Counsel Lawrence Noble, informing him of these events and including copies of Mr. Haines' June 22 and June 24 letters. See Exhibit 4. General Dynamics' submission has been designated by the Commission Pre-MUR 301.
- * Third, executive and administrative officers of General Dynamics provided monies from their personal funds to reimburse the company the approximately \$600 expended in connection with the

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June 22 letter. See Exhibit 5 (statement of Donald G. Norman); see also 11 C.F.R. § 114.9.^{2/}

In addition, as a result of this incident, General Dynamics either already has adopted, or soon will put into place, new internal controls and additional training of its executive and administrative personnel to ensure compliance by the company and its employees with the requirements of the Act.

Discussion

The Commission's rules make clear that a corporate employee may engage in volunteer political activity and, in doing so, may make "occasional, isolated, or incidental use" of corporate facilities. 11 C.F.R. § 114.9. The rules also provide that an inadvertent solicitation by a corporation "of persons apart from and beyond those whom it is permitted to solicit" will not be deemed a violation, provided that (1) the corporation has used its best efforts to comply with the limitations regarding the persons it may solicit, and (2) the method of solicitation is corrected forthwith after the discovery of such erroneous solicitation. 11 C.F.R. § 114.5 (h).

As a result of these provisions, respondents submit that no violation occurred in this case and no further action by the Commission is required. As described above, General Dynamics immediately clarified the June 22 letter and also brought it to the Commission's attention. See Pre-MUR 301. Only two days after the June 22 letter was mailed, the company sent, both by telecopy and by regular mail, as full a retraction of the letter as it believed was possible in the circumstances. While the company in its retraction could not urge the addressees not to support Mr. Gejdenson, it made very clear that General Dynamics would not facilitate the making of any contributions. In addition, the company took steps to ensure that the \$600 in expenses involved was reimbursed to the corporation, and it also is in the process of implementing a company-wide training program to ensure

^{2/} General Dynamics believes that this amount covers all non-incidental costs within the meaning of the Commission's regulations. No corporate funds ever were used in connection with the fundraiser.

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that the requirements of the Act are understood by all of its executive and administrative personnel.^{3/}

General Dynamics vigorously disputes the allegation that the June 22 letter was coercive. While the letter states that General Dynamics and the addressees share common interests through the Seawolf submarine program, there is no suggestion in the letter that any person would be penalized in any way if he did not make a contribution. In addition, to the extent that the complainant complains of "irreparable harm" caused by a perceived endorsement of Mr. Gejdenson by General Dynamics, the Commission has held in Advisory Opinion 1984-23 that it is permissible for a corporation to endorse a candidate and to publish that endorsement in press releases.

^{3/} General Dynamics' Standards of Business Ethics and Conduct, a handbook distributed to every employee, already provides:

No company funds or other assets are to be contributed or loaned, directly or indirectly, to any political party or to the campaign for or against any candidate for political office if prohibited by Federal, state, local, or foreign law.

- * Where corporate political contributions are legal, such contributions are to be made from funds allocated for this purpose by the Board of Directors only.
- * The company encourages employees to participate individually in political activities with their own time and resources.

See Exhibit 6, at p. 11. General Dynamics did not provide additional detail concerning the requirements of the Act in this handbook because all of the company's standards of business ethics and conduct appear in the book, which is intended to be a single, short, readable guide accessible to all employees. However, the company intends to amplify and clarify these restrictions with additional training of its executive and administrative personnel and through new corporate policies supplemental to the handbook.

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Thus, the principal alleged "harm" in this case is not necessarily impermissible.

As originally intended, however, the solicitation in this case was meant to be personal, not corporate. To the extent that Mr. Ruenzel and Mr. Haines may have caused an impermissible corporate solicitation to be made to persons outside of the company's restricted class, that solicitation was inadvertent; it was immediately corrected by the corporation to the extent permissible; the corporation has been reimbursed the expenses involved; and the company has attempted to guide its employees regarding the limitations of the Act, which efforts will be amplified. In these circumstances, respondents submit that it is appropriate for the Commission to conclude that no further action be taken.

If you require any additional information, please do not hesitate to contact us. Thank you for your consideration.

Sincerely,

Daniel S. Hapke, Jr.

Daniel S. Hapke, Jr.
Vice President & General Counsel
General Dynamics Corporation,
Electric Boat Division

David W. DeBruin

David W. DeBruin
Jenner & Block

95043661401

Before the Federal Election Commission

Re: MUR 4005

Declaration of Neil D. Ruenzel

I, Neil D. Ruenzel, pursuant to 28 U.S.C. § 1746, hereby depose and say:

1. I am Director of Communications for General Dynamics' Electric Boat Division in Groton, Connecticut. I am a retired military officer and former Director of Public Affairs for the United States Coast Guard Academy.

2. I was aware of Representative Gejdenson's support for the company's submarine programs, and wanted to assist his reelection efforts by helping to organize a fundraiser. On June 14, 1994, the day before I began a ten day vacation, I sent a note to Craig Haines, Director of Materials Acquisition at Electric Boat, regarding a fundraiser for Congressman Sam Gejdenson scheduled for July 6. I asked Mr. Haines to send a letter to the company's Connecticut-based vendors seeking their support at the fundraiser. Although I did not focus on any details at that time, and did not include any such instructions with my note, I assumed that Mr. Haines would send the letter in his own name, that he would not use company letterhead, and that the company would not be involved in any way in collecting or forwarding contributions to Mr. Gejdenson. Whether or not my understanding of the law was correct, I believed in good faith that, if Mr. Haines' letter met these criteria, it would be a permissible communication under the Federal Election Campaign Act.

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3. I asked Mr. Haines to send the letter, while I was away because he had access to the list of individuals at the other companies that have worked with General Dynamics in connection with its submarine programs. In recent years, General Dynamics and its vendors frequently have worked together to support these programs before the United States Congress. Again, I believed in good faith that a letter in Mr. Haines' own name, not on company letterhead, which simply invited individuals from these companies to support a fundraiser for Mr. Gejdenson, would not be improper under the federal election laws.

4. Because I was leaving for vacation the next day, and remained on vacation until June 27, I never had an opportunity to discuss my request with Mr. Haines, or to discuss with him the manner in which I believed the letter should be sent. I did not review a draft of Mr. Haines' letter before it was sent. I since have learned, that my staff did review a draft of the letter, which was on plain paper. Had I reviewed the letter that Mr. Haines signed before it went out, I would have realized that, at a minimum, the letter should not have been sent on company letterhead, and should not have stated that contributions could be sent to Mr. Gejdenson's campaign in care of Electric Boat. Although I should have given more careful instructions to Mr. Haines, I never discussed with him the provision in his letter that contributions could be sent to my attention at Electric Boat; I was not even aware of that provision until I returned from vacation.

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5. The federal election laws are at times subtle and complex, and I always have done my best to abide and to have the company abide by them. I did not know or believe that anything I did or requested in this case would violate any provision of the Federal Election Campaign Act.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on August 11, 1994.


Neil D. Ruenzel

95043661404

Before the Federal Election Commission

Re: MUR 4005

Declaration of Craig B. Haines, Jr.

I, Craig B. Haines, Jr., pursuant to 28 U.S.C. § 1746, hereby depose and say:

1. I am Director of Materials Acquisition at General Dynamics' Electric Boat Division in Groton, Connecticut.

2. On June 14, 1994, I received a note from Neil Ruenzel, Director of Communications at Electric Boat. Mr. Ruenzel asked me to send a letter to the company's Connecticut-based vendors seeking their support at a fundraiser for Congressman Sam Gejdenson scheduled for July 6.

3. I was willing to help with the fundraiser but had never sent a campaign-related letter before, and I was not familiar with the requirements of the federal election laws. I understood that Mr. Ruenzel was away, and I asked my staff to work with the Communications Department and prepare the letter.

4. While Mr. Ruenzel still was away, I signed and sent the June 22 letter that is attached to the complaint in this matter. I understood that the form of the letter had been approved by the Communications Department, and I believed therefore that it complied with all federal election law requirements. I did not discuss the letter with Mr. Ruenzel at any time.

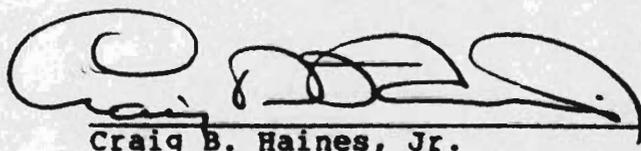
95043661405

5. The costs associated with the letter were charged to a designated cost separation shop order, and were not to my knowledge charged to any government contract.

6. I am not ordinarily involved in these matters, and I was not aware that any aspect of my June 22 letter was inconsistent with the requirements of the Federal Election Campaign Act.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on August 11, 1994.



Craig B. Haines, Jr.

95043661406

GENERAL DYNAMICS

Electric Boat Division

75 Eastern Point Road, Groton, Connecticut 06340-4989
203-433-3000

June 24, 1994

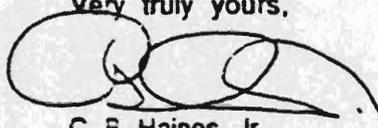
Attention: Chief Executive Officer

To Our Connecticut Suppliers:

By letter of June 22, 1994, you were invited to attend a fund-raising reception for Sam Gejdenson on July 6, 1994 at the Groton Motor Inn in Groton, Connecticut. You were also encouraged to make donations to the Gejdenson Reelection Committee in care of General Dynamics Corporation, Electric Boat Division. We have since been advised that we may not accept contributions on behalf of Mr. Gejdenson. We also request that you not send any donations to the Gejdenson Reelection Committee in care of General Dynamics. To the extent you have already submitted donations to us, they will be returned to you.

We apologize for any inconvenience we may have caused.

Very truly yours,



C. B. Haines, Jr.

95043661407

GENERAL DYNAMICS

Electric Boat Division

75 Eastern Point Road, Groton, Connecticut 06340-4989
203-433-3000

June 24, 1994

Lawrence Noble, Esquire
Office of the General Counsel
Federal Election Commission
999 E Street, N. W.
Washington, D. C. 20463

Dear Mr. Noble:

Attached is a letter dated June 22, 1994, sent by C. B. Haines, Jr., our Director of Material Management to our Connecticut suppliers. Also attached is Mr. Haines' letter of this date rescinding his previous communication. At this time we have not received any contributions and any that are received will be returned forthwith, as stated.

Sincerely,

Merle J. Smith, Jr.

Merle J. Smith, Jr.
Division Counsel

95043661408

Before the Federal Election Commission

Re: MUR 4005

Declaration of Donald G. Norman

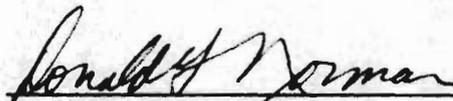
I, Donald G. Norman, pursuant to 28 U.S.C. § 1746, hereby depose and say:

1. I am Vice President, Human Resources and Administration of General Dynamic's Electric Boat Division in Groton, Connecticut.

2. On or about 4 August 1994, a group of executive and administrative personnel of General Dynamics deposited with the company \$600 that was voluntarily provided from their personal funds to reimburse the company for expenses that had been incurred in connection with a letter sent by Craig B. Haines, Jr. on June 22, 1994 regarding a fundraiser for Congressman Sam Gejdenson.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on August 11, 1994.



Donald G. Norman

95043661409

General Dynamics Standards of Business Ethics and Conduct

Third Edition



GENERAL DYNAMICS
A Strong Company For A Strong Country

To: Employees of General Dynamics

This booklet offers help. It contains general guidelines to aid in making sound judgments and prudent decisions at work. It also contains directions on how to get help if you have questions or concerns about the meaning or application of these guidelines.

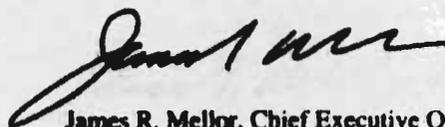
As a business we aim to be competitive and profitable while also fulfilling our legal, regulatory, and contractual requirements. To this end we strive to:

- provide our customers with products and services that meet requirements for value, quality, and operability as specified in our contracts
- deal with our suppliers fairly as a valued resource to our business and to our customers
- pursue growth and earnings objectives that satisfy the shareholder
- act as a responsible and responsive corporate citizen in the communities in which we operate
- treat each other as employees fairly and with dignity and respect.

The fulfillment of these ideals depends on goodwill, common sense, and the daily practice of basic values personally important to us all. These values include being:

- law-abiding
- honest and trustworthy
- responsible and reliable
- truthful and accurate
- fair and cooperative
- loyal to company and country
- economical in using company resources.

Thank you for practicing these values at work and for helping maintain the integrity and reputation of General Dynamics.



James R. Mellor, Chief Executive Officer

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ORGANIZATION AND CORPORATE POLICIES

The Standards of Business Ethics and Conduct are the centerpiece of the General Dynamics Business Ethics Program. The aim of the program is to integrate the Standards into the daily business activities of the company.

To help fulfill this aim, the Board of Directors has established the Committee on Corporate Responsibility to review and approve program policy and review effectiveness of the Ethics Program. The Committee establishes the requirements for management to report on implementation of the program. The Committee consists entirely of outside Directors of the Board.

Business Ethics Program Directors are installed at corporate headquarters and each division or subsidiary to assist management in the implementation of the program. An important part of every director's job is to establish and maintain an open channel of communication for all employees at each location. Directors provide information and advice to employees who have questions or concerns about the meaning or application of the Standards of Business Ethics and Conduct. The individuals serving as program directors report directly to the head of their local organization.

The Standards of Business Ethics and Conduct found in this booklet are supported in some cases by more detailed Corporate Policies (CPs) and Division or Subsidiary Standard Practices (SPs). These policies and practices provide clear and specific directions concerning acceptable business practice and behavior. Employees wishing to consult a Corporate Policy or a Division or Subsidiary Standard Practice should ask their supervisor or a Business Ethics Program Director.

ACKNOWLEDGMENT

As a condition of employment, all new employees are asked to sign an Acknowledgment Card which states:

"I have received and read the Third Edition of the General Dynamics Standards of Business Ethics and Conduct. I understand that these standards represent the policies of General Dynamics."

All current employees are also asked to sign an Acknowledgment Card each time the Standards are revised and redistributed.

One copy of the card is to be retained by the employee. The other copy is placed in the employee's permanent personnel file.

All standard consultant agreements include a clause requiring adherence to the Standards as a condition of the agreement.

All active suppliers receive an annual solicitation to help support the Standards in business relationships between them and General Dynamics.

GUIDELINES FOR BUSINESS CONDUCT

Antitrust

The antitrust laws of the United States and other countries prohibit a variety of activities that would limit or impede trade unfairly.

For example, competitors may not:

- fix or control prices
- allocate products, markets, or territories
- boycott certain customers or suppliers
- refrain from or limit the manufacture or sale of a product.

Antitrust statutes also apply to formal and informal communications. Employees involved in trade associations or other professional activities need to guard against casual communications with employees of competitors, customers, or suppliers regarding prices, products, and markets.

Cash and Bank Accounts

All cash and bank account transactions are to avoid even the appearance of impropriety.

- All accounts of company funds are to be established and maintained in the name of General Dynamics or one of its subsidiaries, with the exception of petty cash accounts.
- No funds are to be maintained in the form of cash, except to the limited extent reasonably required for normal business operations.
- All cash received by the company is to be promptly deposited in a General Dynamics' account.
- All transactions involving company funds are to be clearly and accurately reflected in General Dynamics' records.

Company Resources

Company resources are to be properly used for business purposes.

Company resources include information, technology, intellectual property (for example, copyrights, patents, and trademarks), buildings, land, equipment, machines, telephones, copiers, computers, software, supplies, cash, and the time and skills of employees. Examples of misuse are:

- Bribes, kickbacks or other illegal payments of cash or gifts in any form and in any amount.
- Unauthorized possession or personal use of company resources.
- Permitting or directing others to misuse company resources.

Equal Employment Opportunity and Affirmative Action

Company policies, procedures, practices, and business activities are to be administered on a non-discriminatory basis without regard for race, color, religion, gender, sexual orientation, national origin, age, disability, or status as a veteran in accordance with applicable law or regulation at the Federal, state, or local level.

Environmental

All applicable environmental laws and regulations at federal, state, and local levels are to be carefully followed and company managers are to remain alert to changes in the requirements of these laws.

Company officials are also to be alerted about any process or other action in the work place that may have or is having an adverse impact on the environment.

Expense Reports

Expenses incurred in performing authorized company business are to be documented promptly, accurately, and completely on expense reports.

- Expense reports require that personal, business travel, business conference, and business entertainment expenses be distinguished.
- Where required, expense reports are also to identify expenses that would be unallowable or otherwise inappropriate to charge to government contracts.

Former Government Employees

Federal law prohibits the hiring of certain government employees who were involved in awarding or administering governmental contracts with General Dynamics and limits the assignments of employees who formerly were employed by the government.

Applicable law and company policy are to be followed before hiring and before assigning work to former Federal Government employees.

Gifts, Favors, and Other Items of Value to Customers

General Dynamics will compete solely on the merits of its products and services.

Under no circumstances may employees offer or give anything of value to a customer or customer's representative to influence improperly a contract award or other favorable customer action.

Government agencies and some other customers have regulations prohibiting acceptance of items of value by their employees from contractors or suppliers. These regulations or policies are to be followed by employees of General Dynamics in dealing with representatives of these agencies or other customers.

Harassment

Harassment in any form that has the intent or effect of unreasonably disrupting an employee in his or her work environment is unacceptable conduct and is contrary to company policy.

Sexual harassment is also contrary to company policy.

Sexual harassment is defined by law as unwelcome sexual advances, requests for sexual favors, or other verbal or physical conduct of a sexual nature when:

- submission to such conduct is made, either explicitly or implicitly, a term or condition of an individual's employment,
- submission to or rejection of such conduct by an employee is used as a basis for employment decisions affecting the employee, or
- such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment.

Information and Technology

Information and technology developed, owned, or entrusted to the company is to be carefully safeguarded against unauthorized disclosure.

The need to safeguard applies to company proprietary and private information, government classified information, and information which customers or suppliers may entrust us with for private use. The need to safeguard also applies whether the information is in written or electronic form or is simply known to employees.

Inside Information

Individuals who possess material inside information, which has not been disclosed, must abstain from trading. Material information is information that would be important to a reasonable investor in determining whether to buy, sell, or hold. Typical examples are knowledge of large acquisitions or divestitures, independent increases

or reductions, and special distributions. In addition, material inside information must not be disclosed to others. Questions regarding transactions in this area should be referred to the General Counsel or Secretary of the Corporation.

International Business

Company policy is to comply with all laws and customs that apply in countries in which we do business.

- Where U.S. law or company policy is more restrictive than local law or custom, the company and its employees are to follow U.S. law and company policy.

- Where local law or custom is more restrictive than U.S. law or company policy, the company and its employees are to honor local law or custom.

The Foreign Corrupt Practices Act and other U.S. laws prohibit the payment of any money or anything of value to a foreign official or members of his or her family, foreign political party or party official, or candidate for foreign political office for purposes of obtaining, retaining, or the directing of business. Any violations or solicitations to violate are to be reported.

In cases where company legal counsel has given advance approval, company policy does allow certain payment for proper performance of duties such as passing shipments through customs, placing transoceanic telephone calls, securing required permits, or obtaining adequate police protection. Such payments are to be properly documented in company records.

It is company policy not to cooperate in illegal foreign boycotts.

Outside Interests

An employee's personal interests may be in conflict with the interests of General Dynamics when the employee also has a material interest in or is an official, director, or employee of another enterprise, particularly if that enterprise is a supplier of goods and services to General Dynamics.

Although such arrangements are not automatically prohibited, they are not to be entered into without prior written disclosure to and approval by the cognizant company officer and the Corporate Vice President and General Counsel.

Political Contributions

No company funds or other assets are to be contributed or loaned, directly or indirectly, to any political party or to the campaign for or against any candidate for political office if prohibited by Federal, state, local, or foreign law.

- Where corporate political contributions are legal, such contributions are to be made from funds allocated for this purpose by the Board of Directors only.
- The company encourages employees to participate individually in political activities with their own time and resources.

Pricing, Billing and Contracting

Prices for company products and services are to be fair, reflecting the cost to design and produce them, competitive market conditions, and other relevant business factors.

- Prices are to be clear, accurate, and presented so as to be understandable by the customer.

When selling to the Federal government it is company policy to:

- adhere to applicable procurement regulations and company policies
- follow required cost accounting standards and observe cost allowability principles
- observe the provisions of the Truth in Negotiations Act, the False Claims Act, and related company policy.

The False Claim Act makes it unlawful to present to the government a false or fraudulent claim, or to use a false record or statement to obtain payment of a claim. The penalties are severe.

No cost which is unallowable, contrary to contract or related government regulations, or is otherwise improper, is to be allocated to a government contract.

Shifting of costs to inappropriate contracts is prohibited.

Invoices to customers are to accurately reflect the product or services sold, the sales price, and the terms of the sale.

Payments received in excess of amounts billed are to be promptly refunded or credited.

Proper Use of Business Ethics Program

Attempts to use the Business Ethics Program to libel, slander, or otherwise harm another individual through false accusations, malicious rumors, or other irresponsible actions are prohibited.

Also prohibited is reprisal or the threat of reprisal against an employee who raises a concern about the implementation or enforcement of company policy including specifically the Standards of Business Ethics and Conduct.

- Such reprisal not only violates explicit company policy but also various Federal and state laws or regulations.

Quality and Testing

General Dynamics' products and services are to meet appropriate inspection, test, and quality criteria.

Tests are to be performed and documented completely and accurately as required.

Safety and Health

The company and individual employees are to maintain a safe and healthful work environment and are to comply with all applicable Federal, state, and local laws and regulations.

Security of Government Classified Information

As employees, concern for safeguarding government classified information is part of everyone's job whether or not an employee possesses a security clearance or actually works with such information.

Employees who possess a security clearance and who are properly authorized to use specific classified information are to handle such information in compliance with government procedures and company policy.

- Such employees are not to seek, accept, or retain any classified materials for which they have no need or to which they are not entitled.

Selling and Marketing

It is company policy to understand the requirements of the customer and to strive to satisfy those requirements.

- Proposals are to be realistic regarding performance, cost, and schedule.
- Contractual obligations are to be clearly defined.
- Information about General Dynamics' products and services is to be clear and accurate.
- The requirements of Procurement Integrity are to be carefully followed.

If at any time, it becomes clear that the company or its representatives must engage in unethical or illegal activity to pursue a contract, that business is not to be pursued further.

Suppliers and Consultants

Source selection, negotiation, determination of awards, and administration of purchasing activities are to be conducted fairly and honestly.

Materials, supplies, equipment, consulting work, and other services are to be procured from qualified suppliers based on lowest cost and other requirements for quality, performance, and the ability to meet schedule.

- It is policy to encourage, establish, and maintain competition whenever possible.
- Applicable government regulations, contractual requirements, and company policy pertaining to the purchasing of goods and services are to be followed.

Except for items that are clearly promotional in nature, mass produced, trivial in value, and not intended to evoke any form of reciprocation, employees are not to accept gifts, entertainment, or anything else of value from current or aspiring suppliers or consultants.

Solicitation of any item, regardless of value, is never permitted.

Time Card Reporting

Time worked is to be reported in a timely and accurate manner as required by company policy.

Only the true and actual hours worked are to be reported.

Hours not worked such as vacation or sick leave for which pay is received, are to be true and accurate.

RESPONSIBILITIES

The Company

The company has a responsibility to:

- implement the Ethics Program
- update and distribute the Standards of Business Ethics and Conduct to all employees
- ensure through training and publicity that all employees are aware of and understand the Standards
- provide continuing counsel on Standards and supporting company policies to all employees seeking such help
- maintain work conditions at all locations that support employee responsibilities under these Standards
- enforce compliance with the Standards

Supervisors

All levels of supervision have a special responsibility for the implementation of the Standards of Business Ethics and Conduct and will be measured in their performance according to their efforts to:

- assure that all current and new employees under their supervision receive the Standards of Business Ethics and Conduct and are counseled as to its meaning and application
- review the knowledge and understanding of the Standards by employees under their supervision and ensuring that refresher programs are provided as necessary
- stress to all employees in word and deed the need for continuing commitment to the Standards
- demonstrate their own commitment by conducting themselves and managing their departments and the activities of all employees under their supervision in accordance with the Standards

- maintain a workplace environment that encourages frank and open communication concerning the Standards, free of fear of reprisal
- assume a positive duty to uphold the Standards and supporting policies and practices

All Employees

All employees regardless of position have a responsibility to:

- review regularly their knowledge and understanding of the Standards
- uphold the Standards and supporting policies and practices in their daily business conduct
- contribute to a work environment that is conducive to the maintenance of the Standards
- seek help when the proper course of action is unclear or unknown
- remain alert and sensitive to situations which could result in actions by themselves or any employee that would be illegal, unethical, in violation of the Standards and supporting policies, or are otherwise improper
- counsel fellow employees when it appears they may knowingly be in danger of violating these Standards and supporting policies
- report violations of the Standards to those responsible for discipline

DISCIPLINE AND SANCTIONS

The company enforces the Standards of Business Ethics and Conduct fairly and without prejudice according to company policy and applicable collective bargaining agreements. Proven violations result in one or more of the following sanctions:

- warning
- reprimand (noted in personnel record)
- probation
- temporary suspension
- discharge
- reimbursement for losses or damages
- referral for criminal or civil prosecution

GETTING HELP

If you have questions or concerns about the Standards of Business Ethics and Conduct,

Ask your supervisor.

If this does not work or is impractical under the circumstances,

Ask your Business Ethics Director or others appointed to help such as:

- your ombudsman
- company legal counsel
- Company Equal Employment Opportunity (EEO) Office
- Employee Assistance Program representative
- Safety and Health official

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A LAW PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS
607 FOURTEENTH STREET, N.W. • WASHINGTON, D.C. 20005-2011
(202) 628-6000 • FACSIMILE (202) 434-1690

Aug 15 12 25 PM '94

August 12, 1994

Ms. Joan McEnery
Office of the General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, DC 20463

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL
Aug 15 3 02 PM '94

Re: MUR 4005 - Sam Gejdenson Re-Election
Committee

Dear Ms. McEnery:

This is the response of the Sam Gejdenson Re-Election Committee, Patricia Tedisco Lagrega, Treasurer ("the Committee"), to the notification that a complaint had been filed against it. For the reasons set out below, the Committee believes this complaint should be dismissed and no action taken.

The complaint involves a fundraising event for Congressman Gejdenson organized by employees of the General Dynamics Corporation, Electric Boat Division ("General Dynamics"). The complaint was filed by the Munster for Congress '94 Committee, the principal campaign committee of the Republican candidate running against Congressman Gejdenson in the 1994 general election. The complaint demonstrates a serious lack of understanding about the federal campaign laws and makes allegations with no basis in fact.

THE ALLEGATIONS

The complaint makes three allegations, none of which make out a violation of the federal campaign laws. Each of the allegations are discussed in turn below.

1. Corporate Contribution

Complainant argues that because the solicitation letter for the event was printed on General Dynamics letterhead and was signed by a General Dynamics employee, an illegal corporate expenditure was made. The complaint ignores Commission regulations and Advisory Opinions that have found

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such activities perfectly legal under the federal campaign laws.

The Commission's regulations at 11 C.F.R. § 114.9(d) allow employees (and shareholders) of a corporation to use office space, telephones, and office furniture during and after working hours to conduct volunteer activities on behalf of a candidate for federal office without the corporation being considered to have made a contribution. The activity must be "occasional, isolated or incidental," and the employee must reimburse the corporation for any increase in overhead or operating expenses related to such use.¹

Where the activity is more than "occasional, isolated or incidental," the employee must also reimburse the corporation for the usual and normal rental charge for such use within a commercially reasonable time. The regulations at 11 C.F.R. § 100.7(a)(1)(iii)(B) set out a reasonable rate of reimbursement for facilities, staff or other corporate resources.

The regulations further provide that an employee may use corporate resources to produce materials in connection with a federal election, provided such use is, as above, reimbursed. 11 C.F.R. § 114.9(c). See also FEC Advisory Opinion 1985-26, 1 Fed. Election Camp. Fin. Guide [CCH] § 5840 (corporate employees must reimburse the corporate for the fair market value of preparation and distribution of a mailing to other employees about specific candidate and inviting them to a political discussion group).

The Commission has consistently recognized that corporate employees may volunteer to assist federal candidates using corporate resources, including letterhead and facilities, so long as appropriate reimbursements are made to the corporation. The Commission, for example, found no violation

¹The response addresses the situation of reimbursement by an employee of the corporation since it is The Committee's understanding that employees of General Dynamics reimbursed the corporation for the costs related to this event. Presumably, however, the costs could also be reimbursed by a corporation's separate segregated fund as a contribution in-kind to the candidate, or by the candidate's committee itself, all without a corporate contribution occurring.

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where a corporate employee allowed a candidate to use corporate letterhead to solicit contributions to his campaign. The officer reimbursed the corporation for one piece of letterhead and envelopes; he also paid personally for postage; the invitation was prepared and distributed by the campaign on copies of the letterhead. The Commission's Statement of Reasons concluded:

The private use of 'company letterhead' is an incidental personal perquisite of an official of a corporation . . . Such use, properly funded, is not the making of an impermissible corporate . . . expenditure.

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FEC MUR 3066, Statement of Reasons, Commissioner Josefiak at 12. See also MUR 2271 (no violation where law firm partner used corporate stationery to invite contributors to a fundraising event for a candidate; preparation took less than one hour and he reimbursed the corporation \$25 for letterhead, postage and secretarial assistance to prepare the letter); MUR 2541 (no violation where Chairman of corporation paid personally for ad in connection with federal campaign; the Chairman was identified as an officer of the corporation and the corporation was running simultaneous ad campaign on related issues paid for by corporation); MUR 1261 (no violation where corporate executive sent out solicitation for a candidate on corporate letterhead, signed by employee identified as an officer of the corporation; corporation was reimbursed for stationery and postage). Compare MURs 1690 and MUR 1314 (prohibited contribution where substantial use of corporate facilities, employees or equipment was not reimbursed).

It is the Committee's understanding that employees of General Dynamics have reimbursed the corporation for all expenses related to the event in accordance with the Commission's regulations as set out above. There was, therefore, no illegal corporate expenditure made on behalf of the Committee.

2. Coercion of Contributors

Complainant alleges that the text of the solicitation letter "implies a 'payback' for past legislative activity" and that the recipients of the letter were subjected to "a certain level of arm twisting . . . due to a threat of reduced future

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subcontract business." Neither of these allegations is true, nor do they substantiate any violation of the federal campaign laws. Complainant, for apparent political purposes, has read far more into the letter than can reasonable be taken away from the actual text. The letter is simply not coercive. A copy of the solicitation letter attached to the original complaint speaks for itself.

The only possible allegation involving the federal campaign laws would be, taken together with the allegations of "bundling" discussed below, that the solicitation letter somehow involved "direction and control" over the contributions. This clearly is not the case. First and foremost, none of the contributions raised by the event were delivered through a conduit, so the issue of "direction and control" does not arise.

But, in any event, there would have been no direction and control under the Commission's current regulations and Advisory Opinions. The mere issuance of a solicitation cannot be equated with direction and control. As the Commission pointed out in Advisory Opinion 1980-46, direction and control involves much more:

It appears that although the proposed mailing contains a clear suggestion that the individual receiving the communication make a contribution to a specific candidate through NCPAC as an intermediary, the individual contributor, not NCPAC, makes the choice whether to make a contribution to the specified candidate. The fact that a potential contributor may decide against making a contribution indicates lack of control over the choice of the recipient candidate by NCPAC. Nor does NCPAC have any significant control over the time when the contributions are forwarded to the candidates. Moreover, it would appear that NCPAC would have no control over the amount of the contribution nor the intended recipient of the contribution, since the request contemplates the receipt by NCPAC of contributions in the form of personal check drawn to the order of the candidate or the candidate's principal campaign committee.

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All of these same factors apply to within the original solicitation letter in this case to produce the same result -- that no direction or control of earmarked contributions occurred.

3. Bundling

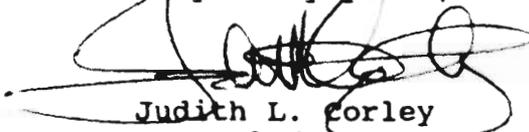
Finally, the complaint makes a rather muddled argument that the campaign laws were violated because the solicitation letter, by asking that contributions be returned to an employee of General Dynamics, "intended to 'bundle' these checks." Of course, neither the Federal Election Campaign Act nor the FEC's regulations use the terms "bundle" or "bundling." Presumably, Complainant is attempting to make out some allegation of earmarking under 11 C.F.R. § 110.6. However, as discussed above, none of the checks were, in fact, earmarked or "bundled."

Even if a General Dynamics employee (or the company's PAC) had served as a conduit for the contributions, such earmarking is not, if properly disclosed, illegal. Since, however, the checks in this case were sent directly to the Committee or given to a Committee representative at the event, there was no need to disclose any conduit information under the Commission's regulations.

CONCLUSION

This complaint attempts to make much of an event that was, in the Committee's understanding, conducted within the requirements of the FEC's regulations and the federal campaign laws. The Complainants' allegations simply do not stand up to a clear analysis under the federal campaign laws. The Commission should dismiss the complaint.

Very truly yours,



Judith L. Corley
Counsel for Respondents

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FEDERAL ELECTION COMMISSION
999 E Street, NW
Washington, D.C. 20463

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FIRST GENERAL COUNSEL'S REPORT

MUR 4005/Pre-MUR 301
DATE PRE-MUR RECEIVED: 6/24/94
DATE COMPLAINT FILED: 7/1/94
DATE OF NOTIFICATION: 7/14/94
DATE ACTIVATED: 8/5/94
STAFF MEMBER: Frances B. Hagan

COMPLAINANT: Thomas J. Diascro, Jr.
Munster for Congress '94 Committee

RESPONDENTS: General Dynamics Corporation
Electric Boat Division
Neil Ruenzel
Craig B. Haines, Jr.
Sam Gejdenson Re-election Committee
Patricia Tedisco Lagrega, Treasurer

RELEVANT STATUTES: 2 U.S.C. § 441b(a)
2 U.S.C. § 441(c)
11 C.F.R. §§ 110.6 and 114

INTERNAL REPORTS CHECKED: Disclosure indexes

FEDERAL AGENCIES CHECKED: none

I. GENERATION OF MATTER

This matter was referred sua sponte by the General Dynamics Corporation to the Office of General Counsel on June 24, 1994. It is also the subject of a complaint filed on July 1, 1994, by Thomas J. Diascro, Jr., on behalf of the the Munster for Congress-94 Committee, principal campaign committee of the 1994 general election opponent of Congressman Sam Gejdenson (2nd Congressional District/CT).

The matter involves a fundraising letter sent by a Director of General Dynamics Electric Boat Division ("General Dynamics") to the corporation's Connecticut suppliers in the nuclear submarine

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industry. The letter, signed by C.B. Haines, Jr., Director of Materials Acquisition at General Dynamics' Electric Boat Division, asserts that "nuclear submarine design and construction is vital to an assured future industrial base, including our Connecticut based network of suppliers" and that "efforts to obtain release of appropriated funds for a third SEAWOLF submarine are being actively pursued with our Washington based Congressional representatives." Congressman Gejdenson is then touted in the letter as a "key supporter" of the SEAWOLF submarine program, and Mr. Haines states: "[w]e have all been beneficiaries of his efforts." The letter invites the vendors to "show your appreciation and to express continued support . . . by attending a fundraising reception . . . in support of his re-election campaign" on July 6, 1994 at the Groton Motor Inn. The letter requested donations of \$100, stating that if the suppliers could not attend they could send their contribution checks for the Gejdenson Re-election Committee ("the Gejdenson Committee" or "the Committee") in care of General Dynamics Corporation Electric Boat Division, addressed to Neil D. Ruenzel, Director of Communications. We have received responses from the General Dynamics Corporation and from the Gejdenson Committee.

Attachments A and B.

II. FACTUAL AND LEGAL ANALYSIS

A. Statement of the Law

Pursuant to Section 441b(a) of the Federal Election Campaign Act of 1971, as amended (the "Act"), corporations are prohibited from making contributions or expenditures from their general

treasury funds in connection with any election of any candidate for federal office. Section 441b(a) further prohibits any officer or director of any corporation from consenting to any contribution or expenditure by the corporation. The Act broadly defines a contribution or expenditure by a corporation to cover "any direct or indirect payment, distribution, loan, advance, deposit, or gift of money, or any services, or anything of value" made to any candidate, campaign committee, or political party or organization, in connection with any federal election. 2 U.S.C. § 441b(b)(2).

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The Act provides specific exemptions from the definition of contribution or expenditure, thereby setting forth permissible bounds of corporate activity in connection with a federal election. 2 U.S.C. § 441b(b)(2). A corporation may make expenditures toward the establishment, administration, and solicitation of contributions to a separate segregated fund to be utilized for political purposes by the corporation. 2 U.S.C. § 441b(b)(2)(C) A corporation may also make partisan communications to its stockholders and executive or administrative personnel, and solicit contributions for its separate segregated fund from such persons. 2 U.S.C. §§ 441b(b)(2)(A) and (4)(B). A corporation may also make two written solicitations for contributions to its fund per year from its employees other than its executive or administrative personnel, but these solicitations must be sent by mail sent to their residences. 2 U.S.C. § 441b(b)(4)(B).

Although a corporation may suggest in a communication sent to stockholders and executive or administrative personnel that

they contribute to a particular candidate or committee, a corporation may not step beyond "communication" to actually collect contribution checks or otherwise "facilitate the making of contributions to a particular candidate or political committee, other than its separate segregated fund" H.R. Doc No. 95-44 at 104 (Jan. 12, 1977)(Explanation and Justification accompanying 11 C.F.R. § 114). See Advisory Opinions 1987-29, 1986-4, 1982-29 and 1982-2, and 1986-4, footnote 5.

A contributor may earmark his or her contribution to a federal candidate through an intermediary or conduit. 2 U.S.C. § 441a(a)(8). Corporations, however, are explicitly forbidden from acting as conduits for candidates or their committees. 11 C.F.R. § 110.6(b)(2)(ii). The Commission's regulations specifically provide that if an intermediary exercises any "direction or control" over the choice of the recipient candidate, the entire amount of the contribution shall be considered a contribution from the intermediary. See 11 C.F.R. §§ 110.6(b)(2)(ii) and 110.6(d).¹ Following Congress' broadly expressed intent, corporations that exercise any direction and control over contributions are responsible for those contributions as well as the costs associated with the solicitation of them, i.e., the contributions themselves are chargeable to the

1. The Commission's regulations governing earmarked contributions are based on the House Report accompanying the 1974 amendments to the Act, which provides that "if a person exercises any direct or indirect control over the making of a contribution, then such contribution shall count toward the limitation imposed with respect to such person under" the Act. 54 Fed. Reg. 34098 at 34107 (Aug. 17, 1989)(quoting H.R. Rep. No. 93-1239, 93d Cong., 2d Sess. 16 (1974)(emphasis added)).

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corporation.

Under 11 C.F.R. § 114.5(h), an accidental or inadvertent solicitation by a corporation of persons apart from and beyond those whom it is permitted to solicit will not be deemed a violation, provided that such corporation has used its best efforts to comply with the limitations regarding the persons it may solicit and that the method of solicitation is corrected forthwith after the discovery of such erroneous solicitation.

Commission regulations further exempt the occasional, isolated or incidental use of a corporation's facilities for individual volunteer activity in connection with a federal election by stockholders and employees. 11 C.F.R. § 114.9(a). Employees must reimburse the corporation for increased overhead or operating costs. Id. An employee making more than occasional, isolated, or incidental use of corporate facilities for individual volunteer activity must reimburse the corporation within a commercially reasonable time for the normal and usual rental charge. 11 C.F.R. § 114.9(a)(2). Moreover, any person who uses corporate facilities to create materials in connection with a federal election must reimburse the corporation in a commercially reasonable time for the normal and usual charge. 11 C.F.R. § 114.9(c). Section 114.9(d) provides that persons, other than stockholders and employees of a corporation, as specifically mentioned in Section 114.9(a), may use corporate facilities such as telephones or typewriters or office furniture for activity in connection with an election, but they must reimburse the corporation within a commercially reasonable time in the amount of

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the normal and usual rental charge for the use of the facilities.
11 C.F.R. § 114.9(d).

Under 2 U.S.C. § 441c(a), it is unlawful for any government contractor directly or indirectly to make any contribution of money or other things of value, or to promise such contribution to any political party, committee, or candidate for public office or to any person for any political purpose or use. Additionally, a federal contractor is prohibited from acting as a conduit, as the Commission's regulation provide that any person prohibited from making a contribution or expenditure in connection with an election for Federal office shall be prohibited from acting as a conduit for contributions earmarked to candidates or authorized committees. 11 C.F.R. § 110.6(b)(2)(E)(ii).

B. Allegations

The complainants allege that violations of the Act occurred when a Director of General Dynamics Electric Boat Division sent a fundraising letter to the corporation's Connecticut vendors on behalf of the Sam Gejdenson Re-election Committee.

Complainants assert that it is reasonable to assume that the corporation incurred expenses through the costs of paper, labor, computer time, photocopying and postage because the fundraising letter was printed on General Dynamics Corporation stationery and signed by a corporate employee. Complainants further allege that specific wording of the solicitation "implies a 'payback' for past legislative activity" or the "threat of reduced future subcontract business" if the corporation's suppliers failed to heed General Dynamics' invitation to show support for the congressman by

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attending the fundraising reception. See Complaint at 1. In addition, the complaint states that General Dynamics intended to bundle contributions to "increase the impact of their . . . donation" to the Gejdenson campaign, and to circumvent and/or complement any contributions made by its separate segregated fund. Id. at 2.

C. Responses

In addition to filing this matter sua sponte, General Dynamics responded to the complaint. General Dynamics replied that Electric Boat's Communications Director Neil D. Ruenzel initiated the fundraising letter and reception because of Congressman Gejdenson's "strong support for the company's submarine programs." Mr. Ruenzel stated that before departing for a 10-day vacation he sent a note to C.B. Haines, Jr., Electric Boat's Director of Materials Acquisition, asking him to send a letter to the company's Connecticut-based vendors seeking their support at the reception to be held July 6, 1994. Mr. Ruenzel states that before he left for vacation, he requested that Mr. Haines send the letter because Mr. Haines "had access to the list" of suppliers for the General Dynamics' submarine programs.² Mr. Ruenzel stated that he left no specific instructions, but assumed the correspondence would not be on corporate letterhead and that the corporation would not collect or forward the contributions to the candidate. He stated that he believed in

2. Respondents did not provide a copy of the note Mr. Ruenzel sent to Mr. Haines. Nor did they indicate whether it is still available.

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good faith that such a communication would be permissible under the Act. Mr. Ruenzel states that "[i]n recent years, General Dynamics and its vendors frequently have worked together to support these programs before the United States Congress."

In his affidavit, Mr. Haines avers that he had never before sent a campaign-related letter, that he was not familiar with election laws, but that he was willing to help with the fundraiser. He enlisted his own staff as well as the Communications Department to prepare the letter. According to his statement, Mr. Haines understood that the Communications Department approved the letter, thus he believed it complied with federal requirements. Mr. Haines declares that the costs associated with the June 22, 1994, letter were charged to a "designated cost separation shop order" rather than to a government contract.

In their sua sponte submission and in their response to the complaint, General Dynamics states that once the corporation's legal department learned of the solicitation letter on June 24, 1994, it took immediate action to correct it. That same day, the company sent a second letter to the same addressees "via telecopy and regular mail" advising that the corporation could not accept contributions on behalf of Mr. Gejdenson, and that any such contributions would be returned. Respondents state that as a result of their efforts, they received only two contributions, which were returned to donors. Also on June 24, General Dynamics faxed a letter to the Commission's General Counsel explaining these events, and generating Pre-MUR 301.

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In addition, the corporation apparently is implementing a company-wide training program for its executive and administrative staff regarding the Act's requirements. General Dynamics is also establishing new policies and controls to supplement the corporate policy handbook.

Respondents also state that General Dynamic's executive and administrative officers reimbursed the corporation approximately \$600 it assessed in connection with the initial solicitation. Enclosed with the response is the signed statement from Donald G. Norman, Vice President of General Dynamic's Electric Boat Division, attesting to the corporation's receipt of the \$600 reimbursement. As to solicitation costs, the responses do not disclose the number of persons solicited, but General Dynamics valued the cost of paper, photocopying and postage for the initial letter at \$600. However, this amount does not include the value of the corporate mailing list or the costs of staff time necessary to create, review and mail such a solicitation. Nor does it consider the cost of material and staff time for the second mailing and facsimile transmissions.

General Dynamics argues that no violation occurred and no further action should be taken. Respondents base this argument on the exemption at 11 C.F.R. § 114.5(h), asserting that this regulation applies because the solicitation was accidental and inadvertent. They also state that the solicitation was originally intended to be "personal," not corporate, and that once the activity came to corporate counsel's attention, the corporation acted in good faith to immediately clarify the solicitation and

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bring its actions to the Commission's attention. They vigorously dispute that the solicitation was coercive.

In their response, the Gejdenson Committee argues that the solicitation represents individual volunteer activity consistent with 11 C.F.R. § 114.9. Describing the activity as merely a solicitation letter on corporate letterhead signed by a General Dynamics employee, Gejdenson counsel argues that no corporate contribution occurred because General Dynamics employees reimbursed the expenses.

The Committee also asserts that the text of the solicitation letter "is simply not coercive." Further, the Committee states that the issue of bundling and direction and control by the corporation over the contributions does not arise as "none of the contributions raised by the event were delivered through a conduit." The Committee states, "Since, however, the checks in this case were sent directly to the Committee or given to a Committee representative at the event, there was no need to disclose any conduit information under the Commission's regulations." The Gejdenson Committee calls on the Commission to dismiss the complaint.³

3. The Gejdenson Committee's response contains an extensive discussion regarding the use of corporate letterhead, citing prior enforcement matters. However, the complaint does not allege that the use of corporate letterhead was itself a violation. Rather, the complainants state that given that the solicitation was on corporate letterhead, it would be reasonable to assume corporate resources were used. In fact, this assumption turned out to be accurate.

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D. Analysis

i. 441b Violation

General Dynamic's solicitation of its submarine program suppliers does not fall within any of the Act's exemptions from Section 441b(a)'s broad prohibition on corporate contributions and expenditures. The letter does not qualify as a solicitation of a permissible class because those solicited were corporate vendors, not stockholders, employees or personnel of the corporation. Nor does it qualify as an inadvertent or accidental solicitation under 11 C.F.R. § 114.5(h) as General Dynamics contends. That provision applies only where a corporation, having exercised "best efforts" regarding a solicitation of its permissible class, accidentally or inadvertently goes beyond that class and then takes immediate corrective action.⁴ In this instance, the solicitation purposefully targeted corporate vendors alone, a group which neither the corporation nor its separate segregated fund were permitted to solicit under any circumstances. Although the corporation attempted corrective action after discovering its prohibited involvement in the solicitation, there is no evidence that respondents exercised "best efforts" in the first place to avoid soliciting outside the permissible class. Such efforts are

4. In transmitting 11 C.F.R. § 114.5(h) to Congress, the Commission stated that it recognized that because of sales of stock or turnover in employees or members, a corporation may accidentally or inadvertently solicit an individual beyond its permissible group. The Commission went on to state that if the corporation has used its best efforts to maintain updated information and if the error is corrected immediately, it would not be deemed to be a violation. See Explanation and Justification for Proposed Regulations, Jan. 12, 1977.

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required for Section 114.5(h) to apply. Rather than accidentally reaching beyond its permissible class, General Dynamics' entire solicitation was prohibited from the outset.

Contrary to assertions by counsel for the Gejdenson Committee, the General Dynamics' solicitation in no way resembles activity that qualifies for the volunteer exemption under 11 C.F.R. § 114.9. The General Dynamics fundraising effort was initiated at the behest and direction of corporate managers, carried out on company time using corporate staff, facilities, and vendor lists. Moreover, the managers admit that certain costs of the solicitation/ mailing were charged directly to a General Dynamics corporate account. "The plain intent of [11 C.F.R. § 114.9(a)] . . . excludes from the scope of 'individual volunteer activity' collective enterprises where the top executives of firms direct their subordinates in fundraising projects . . . , use resources of the corporation such as lists of vendors and customers . . . , or attempt to ensure that the corporation is the beneficiary of the candidate's appreciation" See MUR 1690, General Counsel's Report dated October 2, 1986. See also MUR 3540. Based on this analysis and the evidence provided, the General Dynamics fundraising scheme is not individual volunteer activity, but clearly represents a corporate effort to facilitate the making of contributions to a particular candidate, and is prohibited. Indeed, General Dynamics itself does not even argue that the solicitation falls within the volunteer exemption. Although the corporation does assert that Mr. Ruengel's original intent was that the solicitation be "personal" rather than

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corporate, General Dynamics acknowledges that the result was an impermissible corporate solicitation. Attachment A, 6.

Gejdenson Committee counsel suggests, Attachment B-2, FN 1, that a corporate PAC or a candidate's committee could reimburse a corporation for individual volunteer activity without incurring a corporate contribution. Counsel blends and confuses regulatory provisions 11 C.F.R. §§ 114.9(a), 114.9(c) and 114.9(d). The first deals with the occasional, isolated or incidental use of corporate facilities for individual voluntary activity by corporate employees and stockholders. The latter two concern the use or rental of corporate facilities by persons (including political committees) other than employees and stockholders to produce materials or conduct other activities in connection with an election. Section 114.9(a), unlike the other two provisions, requires that the actual individual volunteer employee/stockholder must reimburse the corporation for the use of corporate facilities. Furthermore, Section 114.9(d), which provides for committee reimbursement, is limited to use of facilities, and would not extend to services provided by corporate employees. See MURs 3540 and 2185.

With respect to the complainant's charge that the Respondents acted as a conduit and may have exercised "direction and control" over the contributions, it is clear that as a corporation General Dynamics is strictly prohibited from acting as a conduit at all. See 11 C.F.R. § 110.6. Nevertheless, although General Dynamics' solicitation of its vendors was a violation of Section 441b, the corporation apparently took steps which

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prevented its receipt of the solicited contributions, except for two which it indicates that it returned to the contributors upon receipt. Thus, from the evidence at hand it does not appear that the corporation acted as a conduit or exercised any direction and control over any contributions given to the Gejdenson Committee.

In summary, General Dynamics used corporate resources for a letter sent to its vendors which solicited contributions for Sam Gejdenson, a clearly identified federal candidate. Thus, it appears that General Dynamics violated 2 U.S.C. § 441b(a). Section 441b(a) also imposes liability on corporate directors who consent to corporate contributions. In this matter, Neil D. Ruenzel and Craig B. Haines, Jr., both corporate Directors, consented to this activity. Accordingly, it appears that they each violated 2 U.S.C. § 441b(a).

ii. 441c Violation

It appears that General Dynamics is a government contractor. The General Dynamics' letter to its vendors at issue in this matter states that: "efforts to obtain release of appropriated funds for a third SEAWOLF submarine are being actively pursued with our Washington based Congressional representatives," and Congressman Gejdenson is touted as a "key supporter" of the SEAWOLF submarine program. It further states that "[w]e have all been beneficiaries of his efforts," inviting the vendors to "show your appreciation and to express continued support . . . by attending a fundraising reception . . . in support of his re-election campaign." In addition, in his affidavit Mr. Haines indicates that the corporation has "government contracts."

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Section 441c(a)(1) prohibits any person who enters into a contract with the United States or any department or agency thereof from directly or indirectly making any contribution of money or anything of value to any political committee or candidate for public office if payment for the performance from such contract is to be made in whole or part from funds appropriated by the Congress. 2 U.S.C. § 441c(a)(1). In this matter, General Dynamics, an apparent federal contractor, used corporate resources and solicited contributions from its vendors for a federal candidate. Thus, it appears that General Dynamics violated 2 U.S.C. § 441c(a)(1).

iii. Gejdenson Committee

As to the Gejdenson Committee and its treasurer, they assert that they believed the solicitation fell within the volunteer exemption. As noted above, such exemption does not apply. However, there is no evidence that the Committee authorized the solicitation, or that they were aware that General Dynamics' solicitation letter was undertaken by the corporation. Nor is there evidence that the Committee was aware that General Dynamics intended to facilitate the making of contributions to the Committee. In addition, there is no evidence that the Committee, its treasurer or any agent of the committee solicited the contribution from General Dynamics, which would indicate a violation of the prohibition on soliciting government contractors set forth at 2 U.S.C. § 441c(a)(2). Thus, this Office recommends that the Commission find no reason to believe that the Gejdenson Committee and its treasurer Patricia Lagrega, violated 2 U.S.C.

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§ 441b(a) or 2 U.S.C. § 441c(a)(2).⁵

III. DISCUSSION OF CONCILIATION AND CIVIL PENALTY

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5. General Dynamics' response states that corporate funds were not used "in connection with the fundraiser," apparently referring to the event held on July 6, 1994. Despite this assertion, the source of funds for the event itself is not known. The Gejdenson Committee's 1994 October Quarterly Report covering 6/29/94 through 9/30/94 lists only one contributor identified as a General Dynamics employee (notably with the Electric Boat Division). We cannot identify the vendors solicited as they would not appear as General Dynamics employees. Moreover, if those vendors contributed the amount requested by the solicitation (\$100), their contributions would likely be unitemized and no identification would appear on the Committee's disclosure reports at all. We note that General Dynamics' separate segregated fund contributed \$5,000 to the Committee during the 1993-94 election cycle.

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IV. RECOMMENDATIONS

1. Merge Pre-MUR 301 into MUR 4005, and hereinafter refer to this matter as MUR 4005.
2. Find reason to believe that General Dynamics Corporation violated 2 U.S.C. § 441b(a) and 2 U.S.C. § 441c(a)(1).
3. Find reason to believe that Neil D. Ruenzel and Craig B. Haines, Jr. violated 2 U.S.C. § 441b(a).
4. Find no reason to believe that the Sam Gejdenson Re-election Committee and Patricia Lagrega, as treasurer, violated 2 U.S.C. § 441b(a) or 2 U.S.C. § 441c(a)(2) and close the file as it relates to these respondents.

5. Enter into conciliation with the following respondents prior to a finding of probable cause to believe:

- a) General Dynamics Corporation;
- b) Neil D. Ruenzel;
- c) Craig B. Haines, Jr.

6. Approve the attached Factual and Legal Analysis and Conciliation Agreement, and the appropriate letters.

Lawrence M. Noble
General Counsel

2/1/95
Date

BY: 
Lois G. Lerner
Associate General Counsel

Attachments

- A. General Dynamics Corporation response to complaint
- B. Gejdenson Committee response to complaint
- C. Factual and Legal Analysis
- D. Proposed Conciliation Agreement

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FEDERAL ELECTION COMMISSION
WASHINGTON DC 20461

MEMORANDUM

TO: LAWRENCE H. NOBLE
GENERAL COUNSEL

FROM: MARJORIE W. EMMONS/BONNIE J. ROSS 
COMMISSION SECRETARY

DATE: FEBRUARY 7, 1995

SUBJECT: MUR 4005/PRE-MUR 301 - FIRST GENERAL COUNSEL'S
REPORT DATED FEBRUARY 1,
1995.

The above-captioned document was circulated to the Commission on Thursday, February 2, 1995 at 11:00 a.m.

Objection(s) have been received from the Commissioner(s) as indicated by the name(s) checked below:

Commissioner Aikens	<u>XXX</u>
Commissioner Elliott	<u>XXX</u>
Commissioner McDonald	<u> </u>
Commissioner McGarry	<u>XXX</u>
Commissioner Potter	<u> </u>
Commissioner Thomas	<u> </u>

This matter will be placed on the meeting agenda for Tuesday, February 14, 1995.

Please notify us who will represent your Division before the Commission on this matter.

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
General Dynamics Corporation) MUR 4005 AND
Electric Boat Division;) PRE-MUR 301
Neil Ruenzel;)
Craig B. Haines, Jr.;)
San Gejdenson Re-election)
Committee;)
Patricia Tedisco Lagrega,)
Treasurer)

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session on February 28, 1995 do hereby certify that the Commission decided by a vote of 5-1 to take the following actions with respect to MUR 4005 and Pre-MUR 301:

1. Merge Pre-MUR 301 into MUR 4005, and hereinafter refer to this matters as MUR 4005.
2. Find reason to believe that General Dynamics Corporation violated 2 U.S.C. § 441b(a) and 2 U.S.C. § 441c(a)(1).
3. Find reason to believe that Neil D. Ruenzel and Craig B. Haines, Jr. violated 2 U.S.C. § 441b(a).

(continued)

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4. Find no reason to believe that the Sam Gejdenson Re-election Committee and Patricia Lagrega, as treasurer, violated 2 U.S.C. § 441b(a) or 2 U.S.C. § 441c(a)(2) and close the file as it relates to these respondents.

5. Enter into conciliation with the following respondents prior to a finding of probable cause to believe:
 - a) General Dynamics Corporation;
 - b) Neil D. Ruenzel;
 - c) Craig B. Haines, Jr.

6. Approve the Factual and Legal Analysis, conciliation agreement, and the appropriate letters as recommended in the General Counsel's February 1, 1995 report

Commissioners Aikens, McDonald, McGarry, Potter, and Thomas voted affirmatively for the decision; Commissioner Elliott dissented.

Attest:

3-3-95
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

March 8, 1995

David W. DeBruin, Esquire
Jenner & Block
601 Thirteenth Street, N.W.
Twelfth Floor
Washington, D.C. 20005

RE: MUR 4005
General Dynamics Corporation
Craig B. Haines, Jr.
Neil D. Ruenzel

Dear Mr. DeBruin:

On July 1, 1994, the Federal Election Commission notified your clients, General Dynamics Corporation, Neil D. Ruenzel, and Craig B. Haines, Jr., of a complaint alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint was forwarded to your clients at that time.

Upon further review of the allegations contained in the complaint, and information your clients supplied in connection with Pre-MUR 301, the Commission, on February 28, 1995, found that there is reason to believe General Dynamics Corporation violated 2 U.S.C. §§ 441b(a) and 441c(a)(1), provisions of the Act. On the same day, the Commission found reason to believe that Neil D. Ruenzel and Craig B. Haines, Jr., violated 2 U.S.C. § 441b(a). The Factual and Legal Analysis, which formed a basis for the Commission's findings, is attached for your information. On February 28, 1995, the Commission also determined to merge Pre-MUR 301 into MUR 4005. Both matters will now be known as MUR 4005.

You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office within 15 days of your receipt of this letter. Where appropriate, statements should be submitted under oath. In the absence of additional information, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

In order to expedite the resolution of this matter, the Commission has also decided to offer to enter into negotiations directed towards reaching a conciliation agreement in settlement of this matter prior to a finding of probable cause to believe. Enclosed is a conciliation agreement the Commission has approved.

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David W. DeBruin, Esquire
Page 2

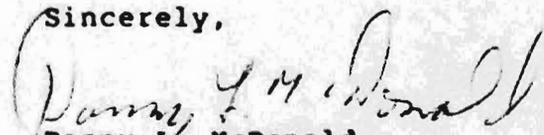
If you are interested in expediting the resolution of this matter by pursuing preprobable cause conciliation and if you agree with the provisions of the enclosed agreement, please sign and return the agreement along with the civil penalty to the Commission. In light of the fact that conciliation negotiations prior to a finding of probable cause to believe are limited to a maximum of 30 days, you should respond to this notification as soon as possible.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

If you have any questions, please contact Frances B. Hagan, the staff member assigned to this matter, at (202) 219-3400.

Sincerely,


Danny L. McDonald
Chairman

Enclosures
Factual and Legal Analysis
Conciliation Agreement

cc: Daniel S. Hapke, Jr., Esquire

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FEDERAL ELECTION COMMISSION

FACTUAL AND LEGAL ANALYSIS

RESPONDENTS: General Dynamics Corporation MUR 4005
Neil D. Ruenzel
Craig B. Haines, Jr.

This matter was generated sua sponte by the General Dynamics Corporation to the Federal Election Commission ("the Commission") See 2 U.S.C. § 437g(a)(2). This matter was also general by a complaint filed with the Federal Election Commission by Thomas J. Diascro, Jr., on behalf of the Munster for Congress-94 Committee. See 2 U.S.C. § 437g(a)(1).

A. Statement of the Law

Pursuant to Section 441b(a) of the Federal Election Campaign Act of 1971, as amended (the "Act"), corporations are prohibited from making contributions or expenditures from their general treasury funds in connection with any election of any candidate for federal office. Section 441b(a) further prohibits any officer or director of any corporation from consenting to any contribution or expenditure by the corporation. The Act broadly defines a contribution or expenditure by a corporation to cover "any direct or indirect payment, distribution, loan, advance, deposit, or gift of money, or any services, or anything of value" made to any candidate, campaign committee, or political party or organization, in connection with any federal election. 2 U.S.C. § 441b(b)(2).

The Act provides specific exemptions from the definition of contribution or expenditure, thereby setting forth permissible

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bounds of corporate activity in connection with a federal election. 2 U.S.C. § 441b(b)(2). A corporation may make expenditures toward the establishment, administration, and solicitation of contributions to a separate segregated fund to be utilized for political purposes by the corporation. 2 U.S.C. § 441b(b)(2)(C) A corporation may also make partisan communications to its stockholders and executive or administrative personnel, and solicit contributions for its separate segregated fund from such persons. 2 U.S.C. §§ 441b(b)(2)(A) and (4)(B). A corporation may also make two written solicitations for contributions to its fund per year from its employees other than its executive or administrative personnel, but these solicitations must be sent by mail sent to their residences. 2 U.S.C. § 441b(b)(4)(B).

Although a corporation may suggest in a communication sent to stockholders and executive or administrative personnel that they contribute to a particular candidate or committee, a corporation may not step beyond "communication" to actually collect contribution checks or otherwise "facilitate the making of contributions to a particular candidate or political committee, other than its separate segregated fund" H.R. Doc No. 95-44 at 104 (Jan. 12, 1977)(Explanation and Justification accompanying 11 C.F.R. § 114). See Advisory Opinions 1987-29, 1986-4, 1982-29 and 1982-2, and 1986-4, footnote 5.

A contributor may earmark his or her contribution to a federal candidate through an intermediary or conduit. 2 U.S.C. § 441a(a)(8). Corporations, however, are explicitly forbidden

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from acting as conduits for candidates or their committees. 11 C.F.R. § 110.6(b)(2)(ii). The Commission's regulations specifically provide that if an intermediary exercises any "direction or control" over the choice of the recipient candidate, the entire amount of the contribution shall be considered a contribution from the intermediary. See 11 C.F.R. §§ 110.6(b)(2)(ii) and 110.6(d).¹ Following Congress' broadly expressed intent, corporations that exercise any direction and control over contributions are responsible for those contributions as well as the costs associated with the solicitation of them, i.e., the contributions themselves are chargeable to the corporation.

Under 11 C.F.R. § 114.5(h), an accidental or inadvertent solicitation by a corporation of persons apart from and beyond those whom it is permitted to solicit will not be deemed a violation, provided that such corporation has used its best efforts to comply with the limitations regarding the persons it may solicit and that the method of solicitation is corrected forthwith after the discovery of such erroneous solicitation.

Commission regulations further exempt the occasional, isolated or incidental use of a corporation's facilities for individual volunteer activity in connection with a federal

1. The Commission's regulations governing earmarked contributions are based on the House Report accompanying the 1974 amendments to the Act, which provides that "if a person exercises any direct or indirect control over the making of a contribution, then such contribution shall count toward the limitation imposed with respect to such person under" the Act. 54 Fed. Reg. 34098 at 34107 (Aug. 17, 1989)(quoting H.R. Rep. No. 93-1239, 93d Cong., 2d Sess. 16 (1974)(emphasis added)).

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election by stockholders and employees. 11 C.F.R. § 114.9(a). Employees must reimburse the corporation for increased overhead or operating costs. Id. An employee making more than occasional, isolated, or incidental use of corporate facilities for individual volunteer activity must reimburse the corporation within a commercially reasonable time for the normal and usual rental charge. 11 C.F.R. § 114.9(a)(2). Moreover, any person who uses corporate facilities to create materials in connection with a federal election must reimburse the corporation in a commercially reasonable time for the normal and usual charge. 11 C.F.R. § 114.9(c). Section 114.9(d) provides that persons, other than stockholders and employees of a corporation, as specifically mentioned in Section 114.9(a), may use corporate facilities such as telephones or typewriters or office furniture for activity in connection with an election, but they must reimburse the corporation within a commercially reasonable time in the amount of the normal and usual rental charge for the use of the facilities. 11 C.F.R. § 114.9(d).

Under 2 U.S.C. § 441c(a), it is unlawful for any government contractor directly or indirectly to make any contribution of money or other things of value, or to promise such contribution to any political party, committee, or candidate for public office or to any person for any political purpose or use. Additionally, a federal contractor is prohibited from acting as a conduit, as the Commission's regulation provide that any person prohibited from making a contribution or expenditure in connection with an election for Federal office shall be prohibited from acting as a

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conduit for contributions earmarked to candidates or authorized committees. 11 C.F.R. § 110.6(b)(2)(E)(ii).

B. Allegations

The complainants allege that violations of the Act occurred when a Director of General Dynamics Electric Boat Division sent a fundraising letter to the corporation's Connecticut vendors on behalf of the Sam Gejdenson Re-election Committee.

Complainants assert that it is reasonable to assume that the corporation incurred expenses through the costs of paper, labor, computer time, photocopying and postage because the fundraising letter was printed on General Dynamics Corporation stationery and signed by a corporate employee. Complainants further allege that specific wording of the solicitation "implies a 'payback' for past legislative activity" or the "threat of reduced future subcontract business" if the corporation's suppliers failed to heed General Dynamics' invitation to show support for the congressman by attending the fundraising reception. See Complaint at 1. In addition, the complaint states that General Dynamics intended to bundle contributions to "increase the impact of their . . . donation" to the Gejdenson campaign, and to circumvent and/or complement any contributions made by its separate segregated fund. Id. at 2.

C. Responses

In addition to filing this matter sua sponte, General Dynamics responded to the complaint. General Dynamics replied that Electric Boat's Communications Director Neil D. Ruenzel initiated the fundraising letter and reception because of

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Congressman Gejdenson's "strong support for the company's submarine programs." Mr. Ruenzel stated that before departing for a 10-day vacation he sent a note to C.B. Haines, Jr., Electric Boat's Director of Materials Acquisition, asking him to send a letter to the company's Connecticut-based vendors seeking their support at the reception to be held July 6, 1994. Mr. Ruenzel states that before he left for vacation, he requested that Mr. Haines send the letter because Mr. Haines "had access to the list" of suppliers for the General Dynamics' submarine programs. Mr. Ruenzel stated that he left no specific instructions, but assumed the correspondence would not be on corporate letterhead and that the corporation would not collect or forward the contributions to the candidate. He stated that he believed in good faith that such a communication would be permissible under the Act. Mr. Ruenzel states that "[i]n recent years, General Dynamics and its vendors frequently have worked together to support these programs before the United States Congress."

In his affidavit, Mr. Haines avers that he had never before sent a campaign-related letter, that he was not familiar with election laws, but that he was willing to help with the fundraiser. He enlisted his own staff as well as the Communications Department to prepare the letter. According to his statement, Mr. Haines understood that the Communications Department approved the letter, thus he believed it complied with federal requirements. Mr. Haines declares that the costs associated with the June 22, 1994, letter were charged to a "designated cost separation shop order" rather than to a

government contract.

In their sua sponte submission and in their response to the complaint, General Dynamics states that once the corporation's legal department learned of the solicitation letter on June 24, 1994, it took immediate action to correct it. That same day, the company sent a second letter to the same addressees "via telecopy and regular mail" advising that the corporation could not accept contributions on behalf of Mr. Gejdenson, and that any such contributions would be returned. Respondents state that as a result of their efforts, they received only two contributions, which were returned to donors. Also on June 24, General Dynamics faxed a letter to the Commission's General Counsel explaining these events, and generating Pre-MUR 301.

In addition, the corporation apparently is implementing a company-wide training program for its executive and administrative staff regarding the Act's requirements. General Dynamics is also establishing new policies and controls to supplement the corporate policy handbook.

Respondents also state that General Dynamic's executive and administrative officers reimbursed the corporation approximately \$600 it assessed in connection with the initial solicitation. Enclosed with the response is the signed statement from Donald G. Norman, Vice President of General Dynamic's Electric Boat Division, attesting to the corporation's receipt of the \$600 reimbursement. As to solicitation costs, the responses do not disclose the number of persons solicited, but General Dynamics valued the cost of paper, photocopying and postage for the initial

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letter at \$600. However, this amount does not include the value of the corporate mailing list or the costs of staff time necessary to create, review and mail such a solicitation. Nor does it consider the cost of material and staff time for the second mailing and facsimile transmissions.

General Dynamics argues that no violation occurred and no further action should be taken. Respondents base this argument on the exemption at 11 C.F.R. § 114.5(h), asserting that this regulation applies because the solicitation was accidental and inadvertent. They also state that the solicitation was originally intended to be "personal," not corporate, and that once the activity came to corporate counsel's attention, the corporation acted in good faith to immediately clarify the solicitation and bring its actions to the Commission's attention. They vigorously dispute that the solicitation was coercive.

D. Analysis

i. 441b Violation

General Dynamic's solicitation of its submarine program suppliers does not fall within any of the Act's exemptions from Section 441b(a)'s broad prohibition on corporate contributions and expenditures. The letter does not qualify as a solicitation of a permissible class because those solicited were corporate vendors, not stockholders, employees or personnel of the corporation. Nor does it qualify as an inadvertent or accidental solicitation under 11 C.F.R. § 114.5(h) as General Dynamics contends. That provision applies only where a corporation, having exercised "best efforts" regarding a solicitation of its permissible class, accidentally or

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inadvertently goes beyond that class and then takes immediate corrective action.² In this instance, the solicitation purposefully targeted corporate vendors alone, a group which neither the corporation nor its separate segregated fund were permitted to solicit under any circumstances. Although the corporation attempted corrective action after discovering its prohibited involvement in the solicitation, there is no evidence that respondents exercised "best efforts" in the first place to avoid soliciting outside the permissible class. Such efforts are required for Section 114.5(h) to apply. Rather than accidentally reaching beyond its permissible class, General Dynamics' entire solicitation was prohibited from the outset.

Moreover, the General Dynamics' solicitation in no way resembles activity that qualifies for the volunteer exemption under 11 C.F.R. § 114.9. The General Dynamics fundraising effort was initiated at the behest and direction of corporate managers, carried out on company time using corporate staff, facilities, and vendor lists. Moreover, the managers admit that certain costs of the solicitation/ mailing were charged directly to a General Dynamics corporate account. "The plain intent of [11 C.F.R. § 114.9(a)] . . . excludes from the scope of 'individual volunteer

2. In transmitting 11 C.F.R. § 114.5(h) to Congress, the Commission stated that it recognized that because of sales of stock or turnover in employees or members, a corporation may accidentally or inadvertently solicit an individual beyond its permissible group. The Commission went on to state that if the corporation has used its best efforts to maintain updated information and if the error is corrected immediately, it would not be deemed to be a violation. See Explanation and Justification for Proposed Regulations, Jan. 12, 1977.

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activity' collective enterprises where the top executives of firms direct their subordinates in fundraising projects . . . , use resources of the corporation such as lists of vendors and customers . . . , or attempt to ensure that the corporation is the beneficiary of the candidate's appreciation" See MUR 1690, General Counsel's Report dated October 2, 1986. See also MUR 3540. Based on this analysis and the evidence provided, the General Dynamics fundraising scheme is not individual volunteer activity, but clearly represents a corporate effort to facilitate the making of contributions to a particular candidate, and is prohibited.

With respect to the complainant's charge that the Respondents acted as a conduit and may have exercised "direction and control" over the contributions, it is clear that as a corporation General Dynamics is strictly prohibited from acting as a conduit at all. See 11 C.F.R. § 110.6. Nevertheless, although General Dynamics' solicitation of its vendors was a violation of Section 441b, the corporation apparently took steps which prevented its receipt of the solicited contributions, except for two which it indicates that it returned to the contributors upon receipt. Thus, from the evidence at hand it does not appear that the corporation acted as a conduit or exercised any direction and control over any contributions given to the Gejdenson Committee.

In summary, General Dynamics used corporate resources for a letter sent to its vendors which solicited contributions for Sam Gejdenson, a clearly identified federal candidate. Therefore, there is reason to believe that General Dynamics violated 2 U.S.C.

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§ 441b(a). Section 441b(a) also imposes liability on corporate directors who consent to corporate contributions. In this matter, Neil D. Ruenzel and Craig B. Haines, Jr., both corporate Directors, consented to this activity. Therefore, there is reason to believe that Neil D. Ruenzel and Craig B. Haines, Jr. violated 2 U.S.C. § 441b(a).

ii. 441c Violation

It appears that General Dynamics is a government contractor. The General Dynamics' letter to its vendors at issue in this matter states that: "efforts to obtain release of appropriated funds for a third SEAWOLF submarine are being actively pursued with our Washington based Congressional representatives," and Congressman Gejdenson is touted as a "key supporter" of the SEAWOLF submarine program. It further states that "[w]e have all been beneficiaries of his efforts," inviting the vendors to "show your appreciation and to express continued support . . . by attending a fundraising reception . . . in support of his re-election campaign." In addition, in his affidavit Mr. Haines indicates that the corporation has "government contracts."

Section 441c(a)(1) prohibits any person who enters into a contract with the United States or any department or agency thereof from directly or indirectly making any contribution of money or anything of value to any political committee or candidate for public office if payment for the performance from such contract is to be made in whole or part from funds appropriated by the Congress. 2 U.S.C. § 441c(a)(1). In this matter, General Dynamics, an apparent federal contractor, used corporate resources

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and solicited contributions from its vendors for a federal candidate. Therefore, there is reason to believe that General Dynamics violated 2 U.S.C. § 441c(a)(1).

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20461

March 8, 1995

Robert F. Bauer, Esquire
Perkins Cole
607 Fourteenth Street, N.W.
Washington, D.C. 20005-2011

RE: MUR 4005
Sam Gejdenson Re-election Committee
Patricia Tedisco Lagrega, as treasurer

Dear Mr. Bauer:

On July 14, 1994, the Federal Election Commission notified your clients of a complaint alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended.

On February 28, 1995, the Commission found, on the basis of the information in the complaint, and information you provided, that there is no reason to believe the Sam Gejdenson Re-election Committee and Patricia Tedisco Lagrega, as treasurer, violated 2 U.S.C. §§ 441b(a) or 441c(a)(2). Accordingly, the Commission closed its file in this matter as it pertains to your clients.

This matter will become a part of the public record within 30 days after the file has been closed with respect to all other respondents involved. The Commission reminds you that the confidentiality provisions of 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A) remain in effect until the entire matter is closed. The Commission will notify you when the entire file has been closed.

Sincerely,

Lawrence M. Noble
General Counsel

Lois G. Lerner (9/8)

BY: Lois G. Lerner
Associate General Counsel

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LAW OFFICES
JENNER & BLOCK

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March 21, 1995

By Messenger

Frances B. Hagan, Esq.
Office of the General Counsel
Federal Election Commission
Washington, D.C. 20463

Re: MUR 4005

Dear Ms. Hagan:

Thank you for taking the time to discuss this matter with me yesterday. As we discussed, on behalf of General Dynamics Corporation, Craig B. Haines, Jr., and Neil D. Ruenzel, I formally request an extension of time to April 4, 1995 to respond to the Commission's letter of March 8, 1995 (which I received on March 13). I am scheduled to be out of the office from March 24 until April 3, and do not believe I can prepare a response to the Commission's letter before I depart. As you know, I tried to contact you last week to discuss this case; I am sorry that I did not make this request for an extension of time sooner.

Thank you for your accommodation.

Sincerely,



David W. DeBruin

cc: Daniel S. Hapke, Jr., Esq.

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FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

March 23, 1995

David W. DeBruin, Esquire
Jenner & Block
601 Thirteenth Street, N.W.
Twelfth Floor
Washington, D.C. 20005

RE: MUR 4005
General Dynamics Corporation
Neil D. Ruenzel
Craig B. Haines, Jr.

Dear Mr. DeBruin:

This is in response to your letter dated March 21, 1995, which we received on March 22, 1995, requesting an extension until April 4, 1995 to respond to the Commission's reason to believe findings and proposed conciliation agreement. After considering the circumstances presented in your letter, the Office of the General Counsel has granted the requested extension. Accordingly, your response is due by the close of business on April 4, 1995.

In addition, as we discussed by telephone March 20, 1995, this will confirm a scheduled meeting with you on Thursday, April 6, 1995 at 11 a.m. in our sixth floor offices to discuss conciliation in this matter.

If you have any questions, please contact me at (202) 219-3400.

Sincerely,

A handwritten signature in cursive script that reads "Frances B. Hagan".

Frances B. Hagan
Paralegal Specialist

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LAW OFFICES

JENNER & BLOCK

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

601 THIRTEENTH STREET, N. W.
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WASHINGTON, D. C. 20005

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(312) 527-0400 FAX

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MIAMI, FL 33131
(305) 530-2500
(305) 530-2000 FAX

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ONE WESTMINSTER PLACE
LAKE FOREST, IL 60045
(708) 226-2200
(708) 226-7510 FAX

DAVID W. DeBRUIN

April 4, 1995

By Messenger

Office of the General Counsel
Attn: Frances B. Hagan
Federal Election Commission
Washington, D.C. 20463

Re: MUR 4005
General Dynamics Corporation
Craig B. Haines, Jr.
Neil D. Ruenzel

Dear Ms. Hagan:

General Dynamics Corporation, Craig B. Haines, Jr. and Neil D. Ruenzel (collectively, for purposes of this letter, "General Dynamics") offer this letter in response to Chairman Danny L. McDonald's letter to me dated March 8, 1995

General

Dynamics submits that the following factors warrant special consideration by the Commission:

- The solicitation for Congressman Gejdenson was initiated by Mr. Ruenzel, the Director of

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Communications for General Dynamics' Electric Boat Division (and a retired military officer and former Director of Public Affairs for the United States Coast Guard Academy). Mr. Ruenzel intended that the solicitation would involve only personal volunteer campaign activity (with at most incidental and permissible use of corporate facilities); he assumed that the solicitation would not be made on company letterhead and that General Dynamics would not be involved in any way in collecting or forwarding contributions to Mr. Gejdenson. See Response, Exhibit 1 at ¶ 2 (Declaration of Mr. Ruenzel). The Commission repeatedly has made clear that solicitations by corporate officials (even when clearly identified with the corporation, such as through the use of corporate letterhead) -- as distinct from corporate financing of political activity -- is permissible under the Act. See, e.g., MUR 3066 (Statement of Reasons of Commissioner Thomas J. Josefiak) (reviewing Advisory Opinions and MURs). See also 11 C.F.R. § 114.9(a)(1) (corporate employee may engage in volunteer political activity and, in doing so, may make "occasional, isolated, or incidental use" of corporate facilities); 11 C.F.R. § 114.9(a)(1)(iii) (activity that does not exceed one hour per week or four hours per month generally is considered as "occasional, isolated, or incidental use" of corporate facilities).

- Because of the unusual fact that Mr. Ruenzel was about to leave on a previously scheduled vacation, Mr. Ruenzel requested that Mr. Haines assist him with the solicitation. Mr. Haines is the Director of Materials Acquisition at Electric Boat, and is at the same level as Mr. Ruenzel within the corporate organization. Mr. Haines agreed to assist Mr. Ruenzel with the solicitation. See Response, Exhibit 2 at ¶ 3 (Declaration of Mr. Haines). However, Mr. Haines was not familiar with campaign-related matters, and the letter he ultimately sent did not include the precautions Mr. Ruenzel had assumed would be

followed: thus, Mr. Haines' letter used corporate letterhead, and stated that contributions could be sent to the Gejdenson Reelection Committee in care of Mr. Ruenzel at Electric Boat.

- General Dynamics' corporate office learned of Mr. Haines' letter on June 24, two days after it was sent. General Dynamics immediately, on that same day (and in fact within hours), caused a second letter to be sent (by fax and by mail) to the same recipients, making clear that General Dynamics would not accept any contributions on behalf of Mr. Gejdenson. See Response, Exhibit 3. The letter went as far as General Dynamics believed it could go to distance the corporation from the solicitation (thus, the June 24 letter obviously did not urge the recipients not to support Mr. Gejdenson).
- On the same day, June 24, General Dynamics voluntarily brought this matter to the attention of Mr. Noble, before any complaint was filed with the Commission. See Response, Exhibit 4.
- As a result of the corporation's immediate response in connection with the June 24 letter, it received only two contributions for Mr. Gejdenson, which were returned to the contributors.
- All of the non-incidentual costs associated with the solicitation were reimbursed to the corporation by executive and administrative volunteers within a commercially reasonable time. See Response, Exhibit 5. Thus, General Dynamics was reimbursed for the costs of paper, copying and postage. These costs had been charged to a separate "shop order" specifically to insure that they could be separately identified and repaid, and to insure that they would not be included in the overhead expenses that are charged to the government in connection with various federal procurement contracts. The company was not

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reimbursed for the use of the mailing list because the list of Connecticut-based vendors is not a trade secret and has little or no intrinsic value.

- General Dynamics had in place at the time of this incident, and had promulgated to all of its employees, a broad corporate directive that: "No company funds or other assets are to be contributed or loaned, directly or indirectly, to any political party or to the campaign for or against any candidate for political office if prohibited by Federal, state, local, or foreign law." See Response, Exhibit 6, page 11 (emphasis added). The directive continues: "Where corporate political contributions are legal, such contributions are to be made from funds allocated for this purpose by the Board of Directors only." Id. (emphasis added). In addition, following this incident, General Dynamics already has implemented an election law compliance program at both its Electric Boat and Land Systems Divisions. This case resulted largely from the fact that Mr. Ruenzel, the Director of Communications at Electric Boat (and the person most familiar with election law compliance issues), initiated this effort intending it to be legitimate personal volunteer activity, but then was unavailable to make sure that the solicitation was not carried out in such a way that it included a potential contribution from the corporation itself.

As a result of these facts, General Dynamics strongly submits that no violation of the Federal Election Campaign Act occurred, as the Act has been interpreted in previous Commission decisions. See, e.g., MUR 3066 (Statement of Reasons of Commissioner Thomas J. Josefiah) (reviewing Advisory Opinions and MURs). Critically, the corporation did not pay any non-incidental costs associated with the solicitation, and the solicitation was not sent pursuant to any corporate compulsion. See MUR 2271 (no violation of the Act found even though law firm partner sent solicitation on firm stationery and used secretarial assistance; Office of General Counsel had recommended that

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violation be found based on use of secretarial help). Rather, the solicitation in this case fairly may be characterized as involving only personal volunteer campaign activity and the permissible incidental use of corporate facilities, with all non-incidental costs reimbursed to the corporation. See, e.g., MUR 1261 (no violation found even though corporate executive sent solicitation on corporate letterhead, signed by employee identified as an officer of the corporation); MUR 2271, supra; MUR 2541 (no violation found even though political advertisement identified sponsor as an officer of the corporation); MUR 3066 (no violation found even though corporate employee allowed candidate to use corporate letterhead to solicit contributions to his campaign). In addition, General Dynamics continues to assert that, under the language of the Commission's regulations, any improper solicitation by the corporation was inadvertent and immediately corrected. See 11 C.F.R. § 114.5(h).

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Office of the General Counsel
April 4, 1995
Page 6

Thank you for your consideration.

Sincerely,

D.W. DeBruin

David W. DeBruin

cc: Daniel S. Hapke, Jr., Esq.

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BEFORE THE FEDERAL ELECTION COMMISSION **APR 28 9 38 AM '95**

In the Matter of
General Dynamics Corporation

)
) MUR 4005
)
)

SENSITIVE

GENERAL COUNSEL'S REPORT

I. BACKGROUND

Attached is a conciliation agreement signed by D.S. Hapke, Jr., vice president and general counsel of General Dynamics Electric Boat Division. The attached agreement contains no changes from the agreement approved by the Commission on June 6, 1995. Respondent did not submit a check for the civil penalty.

II. RECOMMENDATIONS

1. Accept the attached conciliation agreement with General Dynamics Corporation.
2. Close the file.
3. Approve the appropriate letter.

Lawrence M. Noble
General Counsel

4/27/95
Date

BY: 
Lois G. Lerner
Associate General Counsel

Attachment
Conciliation Agreement

Staff Assigned: Frances B. Hagan

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
General Dynamics Corporation.) MUR 4005

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on July 3, 1995, the Commission decided by a vote of 6-0 to take the following actions in MUR 4005:

1. Accept the conciliation agreement with General Dynamics Corporation, as recommended in the General Counsel's Report dated June 27, 1995.
2. Close the file.
3. Approve the appropriate letter, as recommended in the General Counsel's Report dated June 27, 1995.

Commissioners Aikens, Elliott, McDonald, McGarry, Potter, and Thomas voted affirmatively for the decision.

Attest:

7-5-95
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

Received in the Secretariat: Wed., June 28, 1995 9:38 a.m.
Circulated to the Commission: Wed., June 28, 1995 11:00 a.m.
Deadline for vote: Mon., July 03, 1995 4:00 p.m.

nwd

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

July 17, 1995

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Thomas J. Diascro, Jr.
Munster for Congress '94
P.O. Box 696
Higganum, Connecticut 06441

RE: MUR 4005

Dear Mr. Diascro:

This is in reference to the complaint you filed with the Federal Election Commission on July 13, 1994, concerning the General Dynamics Corporation Electric Boat Division, Neil Ruenzel, C.B. Haines, Jr., and the Sam Gejdenson Re-election Committee, Patricia Tedisco Lagrega, as treasurer.

The Commission found that there was reason to believe that General Dynamics Corporation violated 2 U.S.C. §§ 441b(a) and 441c(a)(1), provisions of the Federal Election Campaign Act of 1971, as amended. The Commission also found reason to believe that Neil D. Ruenzel and Craig B. Haines, Jr. violated 2 U.S.C. § 441b(a), and conducted an investigation in this matter. The Commission also found no reason to believe that the Sam Gejdenson Re-election Committee and Patricia Tedisco Lagrega, as treasurer, violated 2 U.S.C. § 441b(a) or 2 U.S.C. § 441c(a)(2). On July 3, 1995, a conciliation agreement signed by respondent General Dynamics Corporation was accepted by the Commission. Accordingly, the Commission closed the file in this matter on July 3, 1995. A copy of this agreement is enclosed for your information.

If you have any questions, please contact me at (202) 219-3400.

Sincerely,

Frances B. Hagan
Paralegal Specialist

Enclosure
Conciliation Agreement

Celebrating the Commission's 20th Anniversary

YESTERDAY, TODAY AND TOMORROW
DEDICATED TO KEEPING THE PUBLIC INFORMED

95043661471



FEDERAL ELECTION COMMISSION
WASHINGTON, DC 20461

July 13, 1995

Robert F. Bauer, Esquire
Perkins Coie
607 Fourteenth Street, N.W.
Washington, D.C. 20005-2011

RE: MUR 4005
Sam Gejdenson Re-election Committee
Patricia Tedisco Lagrega, as treasurer

Dear Mr. Bauer:

This is to advise you that this matter is now closed. The confidentiality provisions at 2 U.S.C. § 437g(a)(12) no longer apply and this matter is now public. In addition, although the complete file must be placed on the public record within 30 days, this could occur at any time following certification of the Commission's vote. If you wish to submit any factual or legal materials to appear on the public record, please do so as soon as possible. While the file may be placed on the public record before receiving your additional materials, any permissible submissions will be added to the public record upon receipt.

If you have any questions, please contact me at (202) 219-3400.

Sincerely,

Frances B. Hagan
Paralegal Specialist

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20004

July 11, 1995

David W. DeBruin, Esquire
Jenner & Block
601 Thirteenth Street, N.W.
Twelfth Floor
Washington, D.C. 20005

RE: MUR 4005
General Dynamics Corporation

Dear Mr. DeBruin:

On July 3, 1995, the Federal Election Commission accepted the signed conciliation agreement submitted on your client's behalf in settlement of violations of 2 U.S.C. § 441b(a), a provision of the Federal Election Campaign Act of 1971, as amended ("the Act"), and 11 C.F.R. § 115.2(a), a provision of the Commission's Regulations. Accordingly, the file has been closed in this matter.

The confidentiality provisions at 2 U.S.C. § 437g(a)(12) no longer apply and this matter is now public. In addition, although the complete file must be placed on the public record within 30 days, this could occur at any time following certification of the Commission's vote. If you wish to submit any factual or legal materials to appear on the public record, please do so as soon as possible. While the file may be placed on the public record before receiving your additional materials, any permissible submissions will be added to the public record upon receipt.

Information derived in connection with any conciliation attempt will not become public without the written consent of the respondent and the Commission. See 2 U.S.C. § 437g(a)(4)(B). The enclosed conciliation agreement, however, will become a part of the public record.

Enclosed you will find a copy of the fully executed conciliation agreement for your files. Please note that the civil penalty is due within 30 days of the conciliation agreement's effective date. If you have any questions, please contact me at (202) 219-3400.

Sincerely,

Frances B. Hagan
Frances B. Hagan
Paralegal Specialist

Enclosure
Conciliation Agreement

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
General Dynamics Corporation) MUR 4005

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL
JUN 22 5 07 PM '95

CONCILIATION AGREEMENT

This matter was initiated by the Federal Election Commission ("Commission"), pursuant to information ascertained in the normal course of carrying out its supervisory responsibilities. This matter was also initiated (1) by a voluntary disclosure by General Dynamics Corporation, and (2) by a signed, sworn, and notarized complaint by Thomas J. Diascro, Jr., on behalf of the Munster for Congress-94 Committee. The Commission found reason to believe that General Dynamics Corporation ("Corporation" or "Respondent") violated 2 U.S.C. §§ 441b(a) and 441c(a)(1).

NOW, THEREFORE, the Commission and the Respondent, having participated in informal methods of conciliation prior to a finding of probable cause to believe, do hereby agree as follows:

I. The Commission has jurisdiction over the Respondents and the subject matter of this proceeding, and this agreement has the effect of an agreement entered pursuant to 2 U.S.C. § 437g(a)(4)(A)(i).

II. Respondent has had a reasonable opportunity to demonstrate that no action should be taken in this matter.

III. Respondent enters voluntarily into this agreement with the Commission.

IV. The pertinent facts in this matter are as follows:

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1. General Dynamics Corporation is an incorporated entity and a government contractor.

2. Neil D. Ruenzel is Director of Communications of General Dynamics Corporation Electric Boat Division in Groton, Connecticut. Mr. Ruenzel is not an officer of either General Dynamics Corporation or of General Dynamics Electric Boat Division. He is not a member of General Dynamics' Board of Directors.

3. Craig B. Haines, Jr. is Director of Materials Acquisition of General Dynamics Corporation Electric Boat Division. Mr. Haines is not an officer of either General Dynamics Corporation or of General Dynamics Electric Boat Division. He is not a member of General Dynamics' Board of Directors.

4. Pursuant to Section 441b(a) of the Federal Election Campaign Act of 1971, as amended (the "Act"), corporations are prohibited from making contributions or expenditures from their general treasury funds in connection with any election of any candidate for federal office. Section 441b(a) further prohibits any officer or director of any corporation from consenting to any contribution or expenditure by the corporation. The Act broadly defines a contribution or expenditure by a corporation to cover "any direct or indirect payment, distribution, loan, advance, deposit, or gift of money, or any services, or anything of value" made to any candidate, campaign committee, or political party or organization, in connection with any federal election. 2 U.S.C. § 441b(b)(2).

5. The Act provides specific exemptions from the definition

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of contribution or expenditure, thereby setting forth permissible bounds of corporate activity in connection with a federal election. 2 U.S.C. § 441b(b)(2). For example, a corporation may make partisan communications to its stockholders and executive or administrative personnel and their families as well as make non-partisan communications to this same restricted class and to its other employees and their families. 2 U.S.C. §§ 441b(b)(2)(A) and (4)(B).

6. Although a corporation may suggest in a communication sent to its restricted class that a contribution be made to a particular candidate or committee, a corporation may not step beyond "communication" to actually collect contribution checks or otherwise "facilitate the making of contributions to a particular candidate or political committee, other than its separate segregated fund" H.R. Doc No. 95-44 at 104 (Jan. 12, 1977)(Explanation and Justification accompanying 11 C.F.R. § 114). See Advisory Opinions 1987-29, 1986-4, 1982-29 and 1982-2. See also NUR 3540.

7. A contributor may earmark his or her contribution to a federal candidate through an intermediary or conduit. 2 U.S.C. § 441a(a)(8). Corporations and federal contractors, however, are explicitly forbidden from acting as conduits for candidates or their committees. 11 C.F.R. § 110.6(b)(2)(ii).

8. Under 11 C.F.R. § 114.5(h), an accidental or inadvertent solicitation by a corporation of persons apart from and beyond those whom it is permitted to solicit will not be deemed a violation, provided that such corporation has used its best

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efforts to comply with the limitations regarding the persons it may solicit and that the method of solicitation is corrected forthwith after the discovery of such erroneous solicitation.

9. Commission regulations further exempt the occasional, isolated or incidental use of a corporation's facilities for individual volunteer activity in connection with a federal election by stockholders and employees. 11 C.F.R. § 114.9(a). Employees must reimburse the corporation for increased overhead or operating costs. Id. The "individual volunteer activity" exemption does not, however, extend to corporate or collective undertakings where corporate executives direct their subordinates in fundraising activity or use the resources of the corporation such as lists of vendors and customers. See MURs 3540, 1690, and 2668.

10. Under 2 U.S.C. § 441c(a), it is unlawful for any government contractor directly or indirectly to make any contribution of money or other things of value, or to promise such contribution to any political party, committee, or candidate for public office or to any person for any political purpose or use.

11. On June 22, 1994, Respondent undertook a fundraising effort on behalf of Congressman Sam Gejdenson, the incumbent candidate for the 1994 U.S. House of Representatives in Connecticut's 2nd Congressional District. At the behest of Mr. Ruenzel, Mr. Haines enlisted his corporate staff and the Communications Department staff to prepare and send solicitation letters to all of General Dynamics' Electric Boat Division's Connecticut based suppliers involved in the company's submarine

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programs. This letter was sent on June 22, 1994. The letter, signed by Mr. Haines, invited the vendors to a fundraising reception for the congressman to be held July 6, 1994 at an inn in Groton, Connecticut. In the letter, Respondents touted Congressman Gejdenson for his support of General Dynamics' submarine programs, solicited contributions of \$100 per person to support Congressman Gejdenson's re-election, and advised that contribution checks could be sent to Mr. Ruenzel's office address at General Dynamics' Electric Boat Division.

12. Through press accounts, General Dynamics' corporate headquarters office learned of the June 22 letter on June 24, 1994. Within hours of learning of the June 22 letter, General Dynamics directed Mr. Haines to immediately send a second letter, both by mail and facsimile transmission, to the same list of vendors. Mr. Haines did so that same day. The June 24 letter advised the vendors that General Dynamics could not accept contributions on behalf of Congressman Gejdenson, and that any contributions received at the corporate offices would be returned to the contributor. Also on June 24, General Dynamics sent to FEC General Counsel Lawrence M. Noble a copy of both Mr. Haines' original June 22 letter and the subsequent June 24 letter.

13. Certain costs of the initial fundraising letter -- approximately \$600 for paper, photocopying and postage -- were charged to a corporate account and were reimbursed by personal funds of General Dynamics' executive and administrative staff. This amount does not include any costs associated with staff time, any value that may be attached to the mailing list, or any costs

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associated with the June 24 communication.

V. 1. Respondent made corporate expenditures in connection with a federal election in violation of 2 U.S.C. § 441b(a). The Corporation was reimbursed for certain costs of the mailing, but the Commission does not have evidence that all of the costs related to the mailing were fully reimbursed. Furthermore, the activity at issue does not fall within the individual volunteer exemption found at 11 C.F.R. § 114.9(a) because it involved a collective enterprise of corporate employees, acting at the direction of corporate managers.

2. Respondent General Dynamics Corporation, as a federal government contractor, made expenditures to a candidate for public office in violation of 11 C.F.R. § 115.2(a); See 2 U.S.C. § 441c(a)(1).

VI. In light of the fact that General Dynamics brought this matter to the attention of the Federal Election Commission and took immediate and substantial steps to mitigate the violation, and in the interests of expeditiously concluding this matter without the expenditure of further public resources, the Federal Election Commission will accept, and Respondents will pay, a civil penalty to the Federal Election Commission in the amount of eight thousand five hundred dollars (\$8,500), pursuant to 2 U.S.C. § 437g(a)(5)(A).

VII. The Commission, on request of anyone filing a complaint under 2 U.S.C. § 437g(a)(1) concerning the matters at issue herein or on its own motion, may review compliance with this agreement. If the Commission believes that this agreement or any requirement

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thereof has been violated, it may institute a civil action for relief in the United States District Court for the District of Columbia.

VIII. This agreement shall become effective as of the date that all parties hereto have executed same and the Commission has approved the entire agreement.

IX. Respondents shall have no more than 30 days from the date this agreement becomes effective to comply with and implement the requirement contained in this agreement and to so notify the Commission.

X. This Conciliation Agreement constitutes the entire agreement between the parties on the matters raised herein, and no other statement, promise, or agreement, either written or oral, made by either party or by agents of either party, that is not contained in this written agreement shall be enforceable.

FOR THE COMMISSION:

Lawrence M. Noble
General Counsel

BY: *L G Lerner*
Lois G. Lerner
Associate General Counsel

7/10/95
Date

FOR THE RESPONDENTS:

D S Hapke Jr
(Name)
(Position)

22 June 1995
Date

D.S. HAPKE, JR.
VICE PRESIDENT & GENERAL COUNSEL
GENERAL DYNAMICS ELECTRIC BOAT DIVISION

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THIS IS THE END OF MUR # 4005

DATE FILMED 7/27/95 CAMERA NO. 1

CAMERAMAN EES

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

Date: 8/21/95

Microfilm
 Public Records
 Press

THE ATTACHED MATERIAL IS BEING ADDED TO CLOSED HUR 4005

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RECEIVED
FEDERAL ELECTION
COMMISSION
ACCOUNTING OFFICE

AUG 9 10 22 AM '95

LAW OFFICES

JENNER & BLOCK

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

601 THIRTEENTH STREET, N. W.
TWELFTH FLOOR
WASHINGTON, D. C. 20005

(202) 639-6000
(202) 639-6066 FAX

DIRECT DIAL NUMBER:

202-639-6015

DAVID W. DEBRUIN

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(312) 827-0484 FAX

MIAMI OFFICE
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(305) 630-0008 FAX

LAKE FOREST OFFICE
ONE WESTMINSTER PLACE
LAKE FOREST, IL 60048
(708) 298-8200
(708) 298-7810 FAX

August 8, 1995

By Messenger

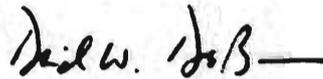
Frances B. Hagan
Paralegal Specialist
Office of the General Counsel
Federal Election Commission
Washington, D.C. 20463

Re: MUR 4005

Dear Ms. Hagan:

Pursuant to the Conciliation Agreement executed in this matter, enclosed is General Dynamics' check in the amount of \$8,500.00. Please let me know if you have any questions.

Sincerely,



David W. DeBruin

cc: Edward C. Bruntrager, Esq.
Daniel S. Hapke, Jr., Esq.

AUG 10 10 31 AM '95

OFFICE OF THE GENERAL COUNSEL
FEDERAL ELECTION COMMISSION

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183047

DATE
07-31-95

GENERAL DYNAMICS
Electric Boat Division
GROTON, CONNECTICUT 06340-4989
203-433-0503

51-44
119

NET AMOUNT
\$*****8,500.00

VOID AFTER 90 DAYS

PAY TO THE ORDER OF:

FEDERAL ELECTION COMMISSION

WASHINGTON

DC 20463

Shawmut Bank

Shawmut Bank Connecticut, N.A.
Hartford, Connecticut

[Handwritten Signature]
AUTHORIZED SIGNATURE

⑈ 183047⑈ ⑆ 011900445⑆

8785⑈

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