




FEDERAL ELECTION COMMISSION
Washington, DC 20463

September 24, 2004

MEMORANDUM

TO: The Commission

THROUGH: James A. Pehrkon
Staff Director

FROM: Allan D. Silberman 
Director, ADR Office

SUBJ: Case for ADR Activation **ADR 194**

On September 17, 2004, the ADR Office (ADRO) received from OGC/CELA PMUR 422 to review and determine its appropriateness for ADR processing. Based on that review, we determined that the case, **ADR 194**, is appropriate for ADR and recommend that the case be assigned to the ADR Office.

ADR 194/PMUR 422: On a *sua sponte* submission, US Protect Corporation (the "Respondent") advised that the Corporation reimbursed four of its employees for contributions made to three federal election campaigns. The submission reported that three senior level employees attended a fundraising event in January 2004 where they contributed \$500 each to the campaign committee of Tom Davis. In April 2004, two of the three previously mentioned employees plus an additional one attended another fundraiser and contributed \$500 each to the campaign committee for Hal Rogers. The following month one of the previous cited employees attended and contributed \$500 to the campaign committee of Christopher Cox. The Corporation, described as a federal government contractor, subsequently reimbursed each employee along with their cost of travel and deductions for federal and state taxes. Counsel for the Corporation contends that the reimbursements were made without recognition that the action represented a violation of law. Counsel further advised that the Corporation, as soon as the violation was brought to their attention, took immediate steps to remedy the situation including establishing procedures to ensure future compliance. In addition, Counsel advised that each of the employees repaid the reimbursements paid them.

Attached for the Commission's review is the *ADR Case Analysis Report* on **ADR 194** along with copies of the EPS Rating and ADR Rating Sheets. The *Case Analysis Report* includes an analysis of the case and a description of the issues that the ADR Office anticipates addressing if the case is assigned to ADR. In addition, the Report has been reviewed by OGC, which concurs in the description of the case.

ADR Director's Recommendation: We recommend that **ADR 194/PMUR 422** be assigned to the ADR Office for processing.

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ADR CASE ANALYSIS REPORT

ADR Case: 194

Respondent: US Protect Corporation

PMUR: 422

Respondent's Rep: William Minor, Esq.

OGC Case Open Date: 7-1-04

Committee Type: N/A

Date Forwarded to ADRO: 9-17-04

Committee's Name: N/A

Date Reviewed by ADRO: 9-22-04

District #/or State: N/A

Election Won/Lost: N/A

Election Cycle: 2004

Complainant: *Sua Sponte*

Summary of Complaint: On a *sua sponte* submission, counsel for US Protect Corporation (the "Corporation") advises that the Corporation reimbursed four of its employees for contributions made to three federal election campaigns. The submission reports that on or about January 23, 2004 three senior level employees, including the General Counsel, Vice President for Operations, and Senior Director of Government Affairs, attended a fundraising event where they each contributed \$500 to the Tom Davis for Congress committee. On April 21, 2004, the two employees from the aforementioned group of three plus an additional one attended a fundraiser for the Hal Rogers for Congress committee where each contributed \$500. The following month one of the aforementioned senior employees attended a fundraiser for the Christopher Cox Congressional committee and contributed \$500. The Corporation subsequently reimbursed each employee for their contributions, for the cost of travel to the events and for the deduction for federal and state taxes. The reimbursements were recorded on the employees' pay stubs as bonuses. The Corporation's total expenditure was \$4,140.

Alleged Violations: 2 U.S.C. §§ 441b(a), 441f and 11 C.F.R. §§ 110.4 and 114.2(b)

Submitter's' Reply: Counsel for the Corporation notes that the reimbursements were made without recognition that the action represented a violation of law. Counsel contends that none of the subject employees were familiar with campaign finance regulations. Following discovery that the reimbursements were a violation of law, Counsel for the Corporation asserts that the company took immediate steps to remedy the situation including establishing procedures to ensure future compliance. In addition, the four individuals involved in the matter repaid the reimbursements paid them.

Analysis: Counsel for the Corporation advised that the company had not been "politically active" in the past and that none of the subject employees were listed as having contributed previously to federal election campaigns. While there is no reference in the submission as to how the violations were discovered, once the violations were brought to the surface, Counsel contends the Corporation moved expeditiously to remedy the situation including bringing the matter to the FEC's attention. In spite of the *sua sponte* submission, the Corporation's actions represent a clear violation of the prohibition on corporations contributing to election campaigns, on any officer or director of any corporation

consenting to making contributions to any election campaigns and on making contributions in the name of another. In addition, the Corporation is described in the submission as a "provider of physical security, guard force protection etc. to the federal government." As such, the aforementioned reimbursements represent prohibited contributions on the part of a federal contractor. In addition, there is evidence that some of the reimbursements to the employees were made prior to day the contributions were made.

Issues:

- Prohibition on corporations contributing to election campaigns, 2 U.S.C. § 441b(a) and 11 C.F.R. § 114.2(b)
- Prohibition on corporate officers or directors consenting to making contributions to election campaigns, 2 U.S.C. § 441b(a) and 11 C.F.R. § 114.2(e)
- Prohibition on government contractors contributing to election campaigns, 2 U.S.C. § 441c(a)(1) and 11 C.F.R. § 115.2(a).
- Prohibition on making contributions in the name of another, 2 U.S.C. § 441f and 11 C.F.R. § 110.4

Recommendation: Assign to ADR