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COMMISSION

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OFFICE OF GENERAL
COUNSEL

February 12, 2010

VIA FEDERAL EXPRESS

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

PRE-MUR # 496

Re: Sua Sponte Submission/Self-Report

Dear Sir or Madame:

The Nantahala Outdoor Center (NOC) has recently learned that its current President inadvertently violated the Federal Election Campaign Act of 1971, 2 U.S.C. § 441b (the "Act"), and the Company wishes to hereby self-report this violation to the Federal Election Commission (FEC).

NOC is an outdoor recreation company located in western North Carolina, which specializes in whitewater rafting, kayak and canoe instruction, adventure-learning programs, ropes courses, fly fishing and hiking. As a seasonal business, NOC's staff ranges in size from approximately 100 employees in the winter to about 600 in the summer. NOC's daily operations are run by its President, Sutton Bacon, with oversight from a nine-member Board of Directors. In late 2009, the Board of Directors formed an Audit Committee and appointed the three outside Board members to sit on the Committee. The members of the Audit Committee include Patrick Rivers, who is the Committee chair, Karen V'Soske, who is Chairman of the Board of Directors, and me. I am submitting this self-report on behalf of NOC and its Board of Directors.

In or around December of 2009, the Audit Committee received a complaint from an employee regarding a potential violation of the Act. Specifically, the employee reported that NOC's President, Sutton Bacon, had been reimbursed by the Company for two campaign contributions that he had apparently made to the "Heath Shuler for Congress" campaign on behalf of NOC in 2007 and 2008. Upon receiving this complaint, the Audit Committee immediately conducted an investigation and, upon the completion of that investigation, submitted a written report of its findings and recommendations to NOC's Board of Directors. The particulars of the Audit Committee's investigation, its findings and recommendations, and the Board of Directors' subsequent actions are discussed below.

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The Audit Committee's Investigation

As part of its investigation, the Audit Committee obtained copies of the checks Mr. Bacon submitted to NOC's accounting department when he sought reimbursement for two separate campaign contributions he had made to the "Heath Shuler for Congress" campaign, along with the forms documenting NOC's reimbursement of those expenditures. The first check Mr. Bacon submitted for reimbursement was check # 1004, dated December 27, 2007, which was made payable to "Heath Shuler for Congress" for \$1,000. (A copy of check # 1004 is attached as Exhibit 1.) In the memorandum section of the check, Mr. Bacon noted that the check was for "Contribution/NOC." The Company issued check # 313011 to Mr. Bacon for \$1,000 on January 8, 2008, to reimburse him for this expenditure. (A copy of this reimbursement form is attached as Exhibit 2.) On or about August 4, 2008, Mr. Bacon sought reimbursement for a second contribution to Mr. Shuler's campaign and submitted a copy of check # 1031 for \$1,300 made payable to "Heath Shuler for Congress," which had "Campaign '08" in the check's memorandum section. (A copy of check # 1031 is attached as Exhibit 3.) NOC issued Mr. Bacon check # 315676 for \$1,300 on August 4, 2008 in reimbursement for this expenditure. (A copy of the reimbursement form is attached as Exhibit 4.)

After reviewing this documentation, the Audit Committee cross referenced Mr. Bacon's donations against Heath Shuler's campaign contribution records and the FEC's Campaign Finance Reports, which revealed that Mr. Bacon had, in fact, made two contributions to Heath Shuler's congressional campaign, including one on February 22, 2008 for \$1,000 and a second on February 13, 2009 for \$1,000. (Copies of FEC Schedule A, Itemized Receipts, dated February 22, 2008 and February 13, 2009 are attached as Exhibits 5 and 6, respectively.)

Thereafter, on January 8, 2010, the Audit Committee met with Mr. Bacon to further investigate the issue and to determine whether Mr. Bacon had knowingly violated the Act. The meeting was held in Atlanta, Georgia, where I met with Mr. Bacon in person while the two other members of the Audit Committee, Patrick Rivers and Karen V'Soske, participated by teleconference.¹ During the meeting, Mr. Bacon acknowledged making two \$1,000 contributions to Heath Shuler's campaign on behalf of NOC and authorizing his own reimbursement from NOC for those contributions. When questioned about the difference between the \$1,300 reimbursement he received on August 4, 2008 and the second \$1,000

¹ The meeting was delayed until January 8, 2010 because Mr. Bacon was on vacation by the time the Committee had completed the initial phase of its investigation. Also, Mr. Rivers and Ms. V'Soske participated in the meeting with Mr. Bacon by teleconference because they reside in Illinois and Ohio, respectively.

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contribution he made to Mr. Shuler's campaign, Mr. Bacon indicated that he had used part of the extra money to make a \$250 contribution to the Outdoor Industry Association Political Action Committee (OIA PAC), which the Audit Committee later confirmed was made on April 27, 2009. When questioned about the long delays between the dates he sought reimbursement from NOC and the dates the various contributions were recorded by Mr. Shuler's Campaign and the OIA PAC, Mr. Bacon stated that he thought his first check had been misplaced by one of Mr. Shuler's campaign workers and that he had been advised by a lobbyist, David P. Huskins, to hold off making the second contribution to Mr. Shuler until a later date.

When asked about his understanding as to the legality of these campaign contributions, Mr. Bacon stated that he knew corporations could not make direct contributions to candidates for federal office, but thought it was perfectly acceptable for corporations to reimburse their employees for making such contributions. Mr. Bacon admitted that his understanding was based on second-hand information and that he had not specifically researched the applicable law. Mr. Bacon further acknowledged that he had made the decision to make these political contributions without any input from the other officers of the Company or NOC's Board of Directors.

The Audit Committee's Findings And Recommendations

Based on its investigation, the Audit Committee determined that Mr. Bacon had not knowingly or intentionally violated the Act. Nevertheless, in an effort to cure the violation, the Committee requested that Mr. Bacon reimburse NOC for the entire \$2,300 that he had received from the Company in reimbursement for the campaign contributions. Mr. Sutton readily agreed and made full payment by giving a personal check to NOC's Chief Financial Officer later that same day, January 8, 2010. Although not relevant to this self-report, the Audit Committee also determined that the Company needed to tighten its internal accounting controls.

Thereafter, the Audit Committee submitted a written report to NOC's Board of Directors, which not only explained the complaint and detailed the Audit Committee's investigation, but also made recommendations for further action, including, in relevant part, (1) modifying NOC's Business Code of Conduct to address political contributions and (2) developing and implementing a comprehensive "payments policy" designed to address the proper authorization required before any disbursements are processed by the Company. (A copy of the confidential written report is attached as Exhibit 7.) In addition, the Board of Directors devoted its entire Executive Committee meeting on January 27, 2010 to a discussion

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of this incident, during which Patrick Rivers presented the Audit Committee's findings and the Executive Committee discussed the various recommendations.

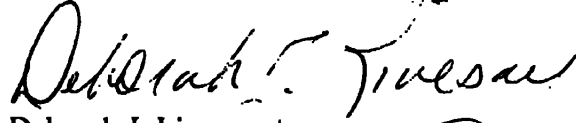
The Company's Actions

The Executive Committee voted to issue a written warning to Mr. Bacon and to implement the Audit Committee's recommendations regarding modifying the Business Code of Conduct and developing and implementing a comprehensive payments policy. Karen V'Soske presented Mr. Bacon with the written warning on February 5, 2010, a copy of which was placed in Mr. Bacon's personnel file.

Finally, NOC's Board of Directors elected to report Mr. Bacon's violation of the Act via the FEC's self-reporting procedures and is not aware of any other agencies investigating this violation.

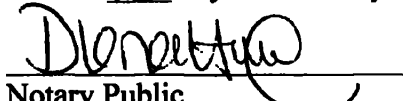
If I can be of further assistance in resolving this issue, please feel free to contact me at (678) 336-7165.

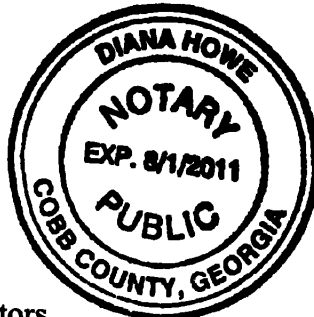
Sincerely,


Deborah J. Livesay

For NOC BOARD OF DIRECTORS/AUDIT COMMITTEE

Sworn to and subscribed before
me this 12th day of February, 2010.


Notary Public
My Commission Expires:



Enclosures

cc: Patrick Rivers
Karen V'Soske
NOC Board of Directors

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