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May 29, 2012

VIA UPS

Mr. Anthony Herman, Esq.  
Office of the General Counsel  
Federal Election Commission  
999 E Street, NW  
Washington, D.C. 20463

PRE-MUR # 541

OFFICE OF GENERAL  
COUNSEL

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FEDERAL ELECTION  
COMMISSION

Re: National Association of Professional Employer Organizations PAC  
Sua Sponte Submission

Dear Mr. Herman:

At the request of our client, the National Association of Professional Employer Organizations ("NAPEO"), which is located at 707 N. St. Asaph Street, Alexandria, Virginia 22314, undersigned counsel respectfully presents this *sua sponte* submission, pursuant to the Federal Election Commission ("FEC") Policy Regarding Self-Reporting of Campaign Finance Violations (Sua Sponte Submissions), 72 Fed. Reg. 16695 (April 5, 2007). Additionally, an executed Statement of Designation of Counsel form is provided as Attachment A to this letter.

NAPEO is the largest trade association for professional employer organizations ("PEOs") nationwide. NAPEO advocates for the interests of its PEO members at all levels of government and provides member resources, vital networking and referrals, education, and effective public relations and marketing support to its members. The below *sua sponte* submission is made on behalf of NAPEO and its separate segregated fund, the National Association of Professional Employer Organizations PAC ("NAPEO PAC").

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## **I. Executive Summary of Sua Sponte Submission**

Due to confusion resulting from extensive personnel turnover, NAPEO PAC failed to file an amended Statement of Organization disclosing the departure of NAPEO PAC's former Treasurer pursuant to 11 C.F.R. §102.2(a)(2), inadvertently signed the former Treasurer's name to NAPEO PAC's year-end FEC Form 3-X report of receipts and disbursements ("year-end report") in violation of 11 C.F.R. §104.18(g) and filed the year-end report two days after the filing deadline in violation of 11 C.F.R. §104.5(c). No funds were solicited or received by NAPEO PAC during this time, and NAPEO is confident that NAPEO PAC funds were appropriately maintained, distributed and reported during the period described in this letter.

The violations described in greater detail below were the result of unique circumstances – the extensive turnover of NAPEO PAC's administrative personnel and turmoil within volunteer leadership – and did not in any way advance NAPEO's interests. Further, NAPEO has taken action to prevent these mistakes from recurring. Such action includes the engagement of counsel to ensure that any and all violations are appropriately disclosed to the FEC as well as the revision of NAPEO PAC's bylaws to include specific procedures for removing NAPEO PAC officers and filling vacancies, particularly in the position of Treasurer. These revised bylaws are provided for your reference as Attachment B.

## **II. Introduction to NAPEO PAC Leadership**

NAPEO PAC filed a Statement of Organization with the FEC on March 18, 2008. Greg Slamowitz was named the first Treasurer of NAPEO PAC, and Mr. Slamowitz accordingly signed the PAC's Statement of Organization and assumed responsibility for, among other things, the PAC's reporting and recordkeeping duties. Mr. Slamowitz became significantly more involved in the PAC's activities, assuming leadership of the PAC in 2009 and serving as "chair" or "co-chair" (in addition to his duties as Treasurer) until his resignation from PAC leadership on August 15, 2011.

In early 2011, Melissa Viscovich, NAPEO's Chief Operating Officer ("COO"), and William Schilling, NAPEO's General Counsel, were approved by the NAPEO PAC Board as Assistant Treasurers with signature authority for the PAC account. Ms. Viscovich and Mr. Schilling, as Assistant Treasurers for NAPEO PAC, were responsible for assuming the Treasurer's duties in the event of Mr. Slamowitz' absence.

## **III. Extensive Restructuring Undertaken By NAPEO and NAPEO PAC**

Beginning in the fall of 2010, relations between NAPEO's highest salaried professionals and the NAPEO Board of Directors, consisting of elected volunteers, became seriously strained and increasingly acrimonious. In addition, there was both turnover in staff and conflict among volunteer leaders regarding the continuing NAPEO

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government affairs effort. The instability in NAPEO's corporate leadership had a detrimental impact on NAPEO PAC's ability to function effectively.

On December 2, 2010, the then-Chief Executive Officer ("CEO") of NAPEO was placed on sabbatical with the understanding that he would not return to his former position. He was stripped of all responsibilities and duties with respect to NAPEO. The CEO had been instrumental in the creation of NAPEO PAC and he played a significant role in the oversight of the PAC. During the period of time since December 2010, NAPEO has had three individuals serve as Director of Federal Government Affairs, which is significant to the operation of NAPEO PAC because the NAPEO Director of Federal Government Affairs has been (since the departure of the former CEO) the primary professional charged with oversight of the PAC. Moreover, the lack of continuity and stability at this position led to significant debate and turmoil regarding the control and direction of federal government affairs, including the structure of the federal government affairs department and the control and direction of NAPEO PAC itself. As the turmoil increased, Mr. Slamowitz resigned as Treasurer and Chairman of the PAC and the NAPEO PAC Board struggled to find a replacement. The extensive turnover during a short period of time coupled with a significant amount of conflict among NAPEO's corporate officers and volunteer leaders led to the unfortunate violations introduced in the Executive Summary above and described in greater detail below.

#### **IV. Departure of NAPEO PAC's Treasurer**

On August 9, 2011, during a meeting of the NAPEO PAC Board, Mr. Slamowitz indicated that he was no longer interested in serving as the Chairman and Treasurer of NAPEO PAC. It was agreed during this same meeting that the new Chairman of NAPEO would be offered the position of NAPEO PAC Treasurer as well. On August 15, 2011, Mr. Slamowitz officially resigned from the NAPEO PAC Board and his position as Treasurer of the PAC. This resignation, effective August 31, 2011, was communicated by email to the members of the NAPEO PAC Board, the Chair of NAPEO and the CEO of NAPEO.

The then-Chairman of NAPEO was never formally named Treasurer of NAPEO PAC and by default the Treasurer's responsibilities remained with NAPEO PAC's Assistant Treasurers. Due to the continued struggle to find a replacement for Mr. Slamowitz, a struggle that was exacerbated by the turmoil among NAPEO's corporate officers and volunteer leaders, the PAC Board and Assistant Treasurers neglected to report the change in the office of Treasurer to the FEC. The NAPEO PAC Board continued to work to fill the position of NAPEO PAC Treasurer, but was ultimately unsuccessful until March 2012. During this time, PAC disbursements were made pursuant to a previously established budget and any deviations from the budget were approved by the NAPEO PAC Board.

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On October 3, 2011, Thom Stohler began serving as NAPEO's Director of Federal Government Affairs. On March 8, 2012, Mr. Stohler was named the new Treasurer of the NAPEO PAC and this change was reported to the FEC in an amended Statement of Organization on March 9, 2012 (along with the replacement of Melissa Viscovich by Patrick Cleary, President and CEO of NAPEO, as Assistant Treasurer). Under Mr. Stohler's direction, NAPEO PAC has issued revised bylaws that provide clear procedures for what to do when there is a vacancy in the office of Treasurer, including the need to report changes in the office of Treasurer to the FEC through an amended Statement of Organization. These revised bylaws, as approved by the NAPEO Board of Directors on Wednesday, May 23, 2012, are attached to this submission.

#### **V. Filing of Year-End Report**

As a result of Mr. Slamowitz' resignation and the turmoil at both NAPEO and NAPEO PAC, there has been a lack of communication among leadership and staff with respect to the activities of NAPEO PAC. Both leadership and staff were consumed with managing an Association during a time of internal crisis and confused lines of authority. In fact, the NAPEO PAC Board has not met since August 9, 2011. As a result, NAPEO PAC filed its year-end report on February 2, 2012, two days after the January 31 filing deadline.

Moreover, the administrative staff charged with preparing and filing the report inadvertently left Mr. Slamowitz as the PAC Treasurer and signor of the report. NAPEO PAC uses Vocus Political Action Committee Software ("Vocus") to manage its receipts and disbursements and prepare reports to the FEC. When finalizing a report, Vocus automatically populates the signature field with the name of the existing Treasurer, and the administrative staff responsible for preparing and filing the year-end report neglected to change the signor to William Schilling, Assistant Treasurer. Mr. Slamowitz alerted NAPEO PAC to this mistake, at which time NAPEO PAC became aware of the violations disclosed in this letter.

To correct this inadvertent mistake, NAPEO PAC filed an amended year-end 2011 report on May 3, 2012. The only change from the original report is the replacement of Mr. Slamowitz's signature with that of William Schilling, who, as NAPEO PAC's Assistant Treasurer at the time of that the original year-end 2011 filing was due, had the responsibility for submitting the report as well as the authority to sign the original report. Mr. Schilling continues to be NAPEO PAC's Assistant Treasurer and therefore has the authority to sign the amended report. Additionally, NAPEO has instituted internal procedures to govern future transitions in NAPEO PAC administrative personnel, including the Treasurer, and has included these procedures in the new NAPEO PAC bylaws.

## **VI. List of Corrective Actions Undertaken By NAPEO and NAPEO PAC**

Included below is a list of the actions that NAPEO and NAPEO PAC have taken to correct the violations described above and to prevent any such violations from recurring:

- NAPEO has vested responsibility for NAPEO PAC compliance with NAPEO's Director of Government Affairs. This position will in turn be overseen by both the PAC Board and NAPEO's General Counsel.
- NAPEO PAC's fiscal controls have been reviewed and approved by an outside audit firm.
- Outside counsel will be retained periodically to review PAC operations.
- The NAPEO CEO has directed NAPEO staff to be forthright with the FEC, fully disclose NAPEO PAC's campaign finance violations through this sua sponte submission, and to provide the FEC with any and all information that would be helpful for ensuring compliance with FEC rules and regulations.
- NAPEO engaged outside counsel to assist in preparing this sua sponte submission and help ensure compliance with FEC rules and regulations moving forward.
- NAPEO PAC has revised its bylaws to provide clear procedures to govern vacancies in the office of Treasurer, including the need to report changes in the office of Treasurer to the FEC through an amended Statement of Organization.
- NAPEO PAC has selected a new Treasurer and this change was reported to the FEC in an amended Statement of Organization.
- NAPEO PAC has selected a new Assistant Treasurer and this change was reported to the FEC in an amended Statement of Organization.
- NAPEO PAC has filed an amended year-end 2011 report to remove Mr. Slamowitz's signature from the report.

## **VII. Conclusion and Request for Fast-Track Resolution**

Both NAPEO and NAPEO PAC take compliance with FEC rules and regulations very seriously and consider their obligation to conduct all activities in compliance with all applicable laws to be of the utmost importance. NAPEO and NAPEO PAC consider it their responsibility to cooperate fully with the FEC, and both entities recognize the importance of addressing problems through self-auditing and self-reporting. For this reason, NAPEO asked us to prepare this sua sponte submission on behalf of NAPEO and NAPEO PAC.

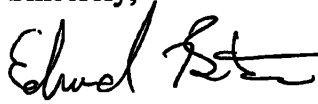
With respect to the violations described above, we request Fast-Track Resolution ("FTR") as outlined in the FEC's April 5, 2007 Statement of Policy. We believe that Fast-Track Resolution is appropriate in this case for the following reasons (1) this is a matter in which NAPEO PAC seeks to disclose and correct relatively straightforward reporting violations, (2) the violations were neither knowing nor willful, (3) the violations

National Association of Professional Employer Organizations PAC  
Sua Sponte Submission  
May 29, 2012

were the result of a one-time set of circumstances - the significant turmoil and extensive turnover of key personnel over a short period of time, (4) the violations did not serve to advance NAPEO's interests or those of NAPEO PAC, and (5) NAPEO and NAPEO PAC have acted decisively to remedy the violations, implement policies to prevent future violations, and voluntarily report the improper activity to the FEC.

Thank you for your consideration of this sua sponte submission. Should you have any questions or require additional information, please do not hesitate to contact the undersigned at (202) 239-3364 or [edward.britan@alston.com](mailto:edward.britan@alston.com).

Sincerely,



Edward Britan

Cc: Mr. Thom Stohler, Director of Federal Government Affairs, NAPEO

Subscribed and sworn before me this 29th day of May, 2012.



Notary Public

CLARA B. CLAIBORNE  
NOTARY PUBLIC DISTRICT OF COLUMBIA  
My Commission Expires March 14, 2015

Attachments:

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FEDERAL ELECTION COMMISSION  
999 E Street, NW  
Washington, DC 20463

STATEMENT OF DESIGNATION OF COUNSEL  
Please use one form for each Respondent/Entity/Treasurer.  
FAX (202) 219-3923

MUR # Sua Sponte Submission

NAME OF COUNSEL: Edward Bdtan

FIRM: Alston & Bird, LLP

ADDRESS: 950 F Street, NW

Washington, DC 20004

TELEPHONE- OFFICE (202 ) 239-3364

FAX (202 ) 654-4871 Web Address http://www.alston.com/washington\_dc/

The above-named individual and/or firm 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.

5/24/2012

Date

Thomas M. Stohler

Respondent/Agent -Signature

Treasurer

Title(Treasurer/Candidate/Owner)

RESPONDENT: National Association of Professional Employer Organizations

(Committee Name, Company Name, or Individual Named in Notification Letter)

MAILING ADDRESS: 707 N. St. Asaph Street

(Please Print)

Alexandria, VA 22314

TELEPHONE- HOME ( ) \_\_\_\_\_

BUSINESS (703 ) 739-8167

Information is being sought as part of an investigation being conducted by the Federal Election Commission and the confidentiality provisions of 2 U.S.C. § 437g(a)(12)(A) apply. This section prohibits making public any investigation conducted by the Federal Election Commission without the express written consent of the person under investigation

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**NAPEO Political Action Committee**

**Operating Bylaws**

**As Adopted by the National Association of Professional Employer Organizations**

**Board of Directors**

**May 23, 2012**

**1. Superseding Clause**

These bylaws supersede and replace the bylaws approved on April 7, 2008, and all previous bylaws and organization documents.

**2. Statement of Name, Purpose, and Authority.** The official name of this political action committee shall be **The National Association of Professional Employer Organizations Political Action Committee ("NAPEO PAC")**. NAPEO PAC is established pursuant to the terms of the Federal Election Campaign Act of 1971, as amended and codified in 2 U.S.C. §431 et. seq., and the regulations promulgated under the same Act, as an unincorporated, separate segregated fund of The National Association of Professional Employer Organizations ("**NAPEO**"), a Virginia Non-stock corporation headquartered at 707 N. St. Asaph Street in Alexandria, Virginia. NAPEO is the "connected entity" for NAPEO PAC.

NAPEO PAC, under these revised bylaws, continues to be established by NAPEO to provide those associated with NAPEO member companies the opportunity to contribute to the support of candidates for federal office who believe in and have demonstrated their support for good government, the free enterprise system, the advancement of small business and the general welfare of the PEO industry and its clients. NAPEO PAC is empowered to solicit, directly and indirectly, voluntary personal contributions, to accept such contributions and to make expenditures or disbursements in connection with the selection, nomination, or election of any person to federal elective offices, in accordance with applicable law.

NAPEO, as the connected entity, shall have control over NAPEO PAC and the Board of Directors of NAPEO (the "Board") adopt these bylaws for the operation and governance of the Committee. The Board may amend or revoke these bylaws from time to time as deemed necessary and in the best interests of NAPEO. The Board shall consider any amendment to these bylaws that is proposed by a majority of the NAPEO PAC Committee ("the PAC Committee").

**3. Membership on the PAC Committee**

Any person contributing during the prior twelve months to NAPEO PAC shall be eligible for membership on the Committee.

- a. The Chair of NAPEO shall appoint the members of the PAC committee for a term of two years.
- b. The Committee shall have at least five members.
- c. The Chair of the NAPEO Federal Government Affairs Committee ("FGAC"), the Chair of the NAPEO Grassroots Network and the NAPEO Board of Directors Liaison to the Leadership Council Chairs shall serve on the PAC Committee during the duration of their terms regardless of whether or not they have contributed to the NAPEO PAC.
- d. PAC Committee members may be appointed to consecutive terms.
- e. PAC Committee members shall be uncompensated volunteers.
- f. A member of the NAPEO PAC, including the Chair, can be removed by the Chair of NAPEO subject to ratification of the removal by a majority the NAPEO Board or independently by a two thirds vote of the NAPEO Board

**4. PAC Committee Responsibilities.** The principal duty of the Chair and members of the PAC Committee are:

- a. Solicitation of NAPEO members for contributions to NAPEO PAC in a manner that conforms to applicable federal laws and the solicitation plan approved by the PAC Committee.
- b. Approval of a distribution plan for NAPEO PAC donations; and,

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- c. Development of internal governance guidelines.

5. **NAPEO PAC Leadership**

- a. **Committee Chair.** The Chair of NAPEO, in consultation with the Chair of the FGAC and NAPEO staff, shall appoint a NAPEO member to serve as Chair of the NAPEO PAC Committee. This appointment shall be subject to ratification by the NAPEO Board.
- b. **Vice Chair.** The Committee Chair shall designate a Vice-Chair (subject to ratification by the Committee) to serve as an interim PAC Committee Chair in the case of the absence or vacancy of the Committee Chair. The Chair of the FGAC and the Chair of the Grassroots Network are not eligible to serve as the Vice Chair of the NAPEO PAC Committee.

- 6. **Treasurer.** The Director of Federal Government Affairs for NAPEO shall serve as the Treasurer of NAPEO PAC. The Treasurer shall file the appropriate documentation as the registered agent of the NAPEO PAC and designate the NAPEO headquarters office as the registered office of NAPEO PAC. When there is a vacancy in the office of NAPEO PAC Treasurer, the General Counsel of NAPEO shall immediately assume the role of Treasurer and this change shall be disclosed within ten days in an amended Statement of Organization filed with the Federal Election Commission ("FEC"). When a new NAPEO Director of Federal Government Affairs is selected, and therefore becomes the new Treasurer of NAPEO PAC, the General Counsel of NAPEO shall immediately resume his or her role as Assistant Treasurer and these changes shall be disclosed within ten days in an amended Statement of Organization filed with the FEC.

**Assistant Treasurers.** The President and CEO of NAPEO and the General Counsel of NAPEO shall be appointed as Assistant Treasurer to act in the absence or disability of the Treasurer.

- 7. **Secretary.** The Treasurer will serve as Secretary of the NAPEO PAC or may designate a member of the NAPEO staff to do so.

8. **Contributions, Expenses, and Disbursements Policies.**

- a. **Contributions to the NAPEO PAC:** NAPEO PAC shall accept only personal contributions to the NAPEO PAC made in a legally permissible manner by an individual. All contributions shall be deposited within 10 days of receipt as required by federal law, in a bank designated by the Committee as its depository. All NAPEO PAC funds shall be segregated from, and shall not be commingled with, any personal funds of officers, members or associates of NAPEO PAC or employees of NAPEO, with general funds of NAPEO, or with any other funds from any source whatsoever. All solicited individuals shall be informed of the political purpose of the fund for which contributions are solicited and of the individual's right to refuse to contribute without reprisal or adverse consequences of any kind.
- b. **Solicitations for Contributions:** NAPEO PAC shall solicit and accept only personal, voluntary contributions. It may solicit contributions from appropriate NAPEO member company individuals to the extent permissible under federal law.
- c. **Expenses:** NAPEO shall pay from its general revenues for necessary and proper establishment, administration and solicitation costs of NAPEO PAC to the extent permissible under federal law and regulations promulgated by the FEC. In addition, NAPEO may solicit contributions from appropriate NAPEO Associate Member companies for such expenses but only to the extent permissible under federal law.
- d. **Disbursements from NAPEO PAC:** Funds of the NAPEO PAC will be contributed to federal candidates and political committees in a manner that conforms to the purpose, and contributes to the objectives, set forth above. Each year, the Treasurer, in consultation with the NAPEO PAC Chair, the Chair of the FGAC, and the Chair of the Grassroots Network, shall develop a prioritized list of political candidates worthy of support, subject to review and approval by the PAC Committee. Candidates and political committees should be evaluated individually, and support shall not be governed by political party affiliation.

Each disbursement shall be made in the name of NAPEO PAC only by check, and only if authorized by the Treasurer and if the check is signed by one of the Assistant Treasurers, or one of the other authorized signatories as per the NAPEO PAC's prior approval.

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9. Administration.

- a. **PAC Committee Meetings:** The Committee shall meet as necessary, at times and places designated upon no less than 48 hours prior written or oral notice given to the members of the PAC Committee by or on behalf of the PAC Committee Chair. A quorum shall consist of a majority of the PAC Committee members, and a majority of such a quorum shall decide any questions. The Secretary shall record all actions taken by the PAC Committee at its meetings.
- b. **Audits:** The books and records of the NAPEO PAC shall be audited at such times as required by applicable federal law but not less than annually. Three members of the PAC Committee shall serve as an audit subcommittee and shall have the authority to consult privately with the outside auditor as well as to petition the NAPEO Board for retention of independent counsel to review compliance with federal requirements if they deem that necessary. The PAC Committee members shall be provided with the results of the audit.
- c. **Records:** The Treasurer shall maintain all records and file all reports required by law.
- d. **Dissolution:** The NAPEO PAC Committee shall continue in existence until such time as the Board of Directors of NAPEO decides that it shall be dissolved. Upon dissolution, all residual funds, if any, of NAPEO PAC shall be distributed in accordance with existing federal law.
- e. **Conflicts of Interest.** NAPEO PAC shall be independent of any political party or candidate.
- f. **Inspection of Records.** Upon request of any member of NAPEO, the Treasurer of NAPEO PAC shall make available for inspection and copying, any report filed by NAPEO PAC with any federal office, candidate or political committee, during the calendar year of the request or the preceding calendar year. Other books and records of NAPEO PAC shall be made available for inspection and/or copying by persons who are not members of NAPEO to the extent authorized or required by law.
- g. **Outside Review.** NAPEO may retain counsel to provide advice on the PAC's compliance with applicable federal laws and regulations. Periodically, but not less than every other year, NAPEO shall retain counsel to review NAPEO PAC's compliance with federal records and reporting requirements.
- h. **Indemnification.** Volunteers and staff undertaking actions or responsibilities for the PAC shall be indemnified by NAPEO for such actions pursuant to Article (insert Article of NAPEO bylaws) and to the extent permitted by the laws of the Commonwealth of Virginia.

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