



FEDERAL ELECTION COMMISSION  
WASHINGTON DC 20463

THIS IS THE BEGINNING OF MUR # 4704

DATE FILMED 1/16/98 CAMERA NO. 2

CAMERAMAN SES

28043860597



OFFICE OF INDEPENDENT COUNSEL

DONALD C. SMALTZ

*In re Secretary of Agriculture Espy*

P.O. Box 26356  
103 Oronoco Street, Suite 200  
Alexandria, VA 22313  
(703) 706-0010  
(FAX) 706-0076

November 17, 1997

Pre-Mur 357

**VIA HAND DELIVERY**

Lois Lerner, Esq.  
Associate General Counsel  
Office of the General Counsel  
Federal Election Commission  
999 E Street, N.W. - Room 657  
Washington, D.C. 20463

Re: American Family Life Assurance Company - Campaign  
Contributions

Dear Ms. Lerner:

Pursuant to the attached agreement reached between this Office and American Family Life Assurance Company ("AFLAC") on April 28, 1997, the Independent Counsel hereby refers this matter to the Federal Election Commission ("FEC").

This matter involves four \$1,000 conduit campaign contributions directed by AFLAC's Vice President of Marketing Support. He caused the reimbursements to issue from company funds. Our evidence indicates that others within the company, including senior management, were unaware of the employee's scheme. We have investigated the matter and determined, based upon the information available to us, that criminal prosecution is not warranted.

AFLAC has agreed to submit itself to the jurisdiction of the FEC and enter into a conciliation agreement.

RECEIVED  
FEDERAL ELECTION  
COMMISSION  
ACCOUNTING OFFICE  
NOV 17 12 07 PM '97

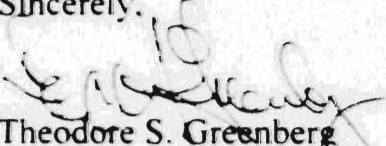
20043860598

Lois Lerner, Esq  
November 17, 1997  
Page 2

This office also has attached for you AFLAC's factual statement provided in its submission to this Office during our investigation. Please contact me at your earliest convenience to discuss what additional materials the FEC will need from this office in order to pursue this matter.

Thank you.

Sincerely,

  
Theodore S. Greenberg  
Deputy Independent Counsel

TSG:lar

Attach.

cc: Carl S. Rauh, Esq.



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

November 21, 1997

Theodore S. Greenberg  
Deputy Independent Counsel  
Office of Independent Counsel  
P.O. Box 26456  
103 Oronoco Street, Suite 200  
Alexandria, VA 22313

RE: Pre MUR 357

Dear Mr. Greenberg:

This is to acknowledge receipt of your letter dated November 17, 1997, advising us of the possibility of a violation of the Federal Election Campaign Act of 1971, as amended ("the Act") by American Family Life Assurance Company ("AFLAC") and AFLAC's Vice-President, Warren B. Steele, II. We will review the matter and advise you of the Commission's determination.

Pursuant to 2 U.S.C. § 437g(a)(4)(B) and § 437g(a)(12)(A), the Commission's review of this matter shall remain confidential until the file has been closed.

If you have any questions or additional information, please contact Jennifer H. Boyd on our toll-free number, (800)-424-9530. Our local number is (202) 219-3690. Our file number for this matter is Pre-MUR 357.

Sincerely,

Lawrence M. Noble  
General Counsel

BY: Lois G. Lerner  
Associate General Counsel

98043860600



FEDERAL ELECTION COMMISSION  
WASHINGTON, DC 20461

Nov 21 3 20 PM '97

**MEMORANDUM**

November 21, 1997

TO: The Commission

FROM: Lawrence M. Noble  
General Counsel

BY: Lois G. Lerner  
Associate General Counsel

**SENSITIVE**

SUBJECT: Pre-MUR 357  
American Family Life Assurance Company

**I. BACKGROUND**

On November 17, 1997, this Office received a referral from Donald Smaltz, Office of Independent Counsel in re Secretary of Agriculture Espy, concerning the American Family Life Assurance Company ("AFLAC"). The Office of Independent Counsel ("OIC") has determined that based upon the information available to them, criminal prosecution is not warranted.

According to the referral, an agreement has been reached between the OIC and AFLAC. AFLAC has agreed to submit itself to the jurisdiction of the Commission and enter into a conciliation agreement with respect to certain campaign contributions referenced in the agreement.

**II. FACTUAL AND LEGAL ANALYSIS**

In connection with the investigation of Secretary of Agriculture Espy, the OIC conducted an investigation into certain activities of AFLAC, including those of Warren B. Steele, II, AFLAC Vice-President of Marketing Support. The investigation revealed that four conduit campaign contributions were made to the 1993 failed Espy congressional campaign (special election) at the direction of Mr. Steele. AFLAC has admitted that Warren Steele made illegal corporate and conduit campaign contributions. The OIC conducted interviews of certain

2 6 0 4 8 6 0 6 0 2

AFLAC officials in order "to satisfy itself that Mr. Steele's illegal activities were not taken at the direction of, or with the knowledge of, AFLAC or its other officers or directors."

According to the information contained in the referral, Henry Espy and his campaign chairman met with Paul Amos, AFLAC Chairman, Daniel Amos, AFLAC Chief Executive Officer, and Joey M. Loudermilk, AFLAC General Counsel, at AFLAC offices in late June 1994. At that meeting, Mr. Espy made a personal plea for financial help in reducing his campaign debt. As a result, Paul Amos and his wife each gave \$1,000, and the AFLAC PAC contributed an additional \$5,000. AFLAC contends that all of these contributions were lawful and within the limits set by federal campaign finance law. Thereafter, in September 1994, the following individuals made contributions to the Henry Espy campaign debt retirement fund: Daniel Amos and his wife each contributed \$1,000; Warren Steele contributed \$1,000; and, two AFLAC independent agent sales representatives, Don Beck and Tom Giddens, and their wives, each contributed \$1,000. The contributions from Messrs. Beck and Giddens, and their wives, were made at Mr. Steele's request. Mr. Steele had contacted Messrs. Beck and Giddens because they were involved with AFLAC's efforts to market its supplemental health care products to the City of Atlanta.

When Mr. Steele contacted Messrs. Beck and Giddens about making contributions to Henry Espy, they were hesitant because they did not know who he was. Mr. Steele explained the connection to the City of Atlanta and stated that he would "take care of" Messrs. Beck and Giddens if they contributed. According to information in the referral, Messrs. Beck and Giddens did not understand Mr. Steele's comment to mean that they would be reimbursed for their contributions, but rather that Mr. Steele would show his gratitude in some fashion. They then agreed to make the requested contributions. Approximately two weeks later, Mr. Steele authorized checks to be issued from his department's administrative support account, which he supervised, in order to reimburse Messrs. Beck and Giddens and their wives for their contributions. Neither the check request nor the checks issued to Messrs. Beck and Giddens identified the payments as reimbursement for campaign contributions, because Mr. Steele "knew that the reimbursement was improper and violated express AFLAC policies." Instead, the payment was identified as reimbursement for "administrative expenses" which Messrs. Beck and Giddens did occasionally incur on behalf of AFLAC.

As mentioned above, the evidence obtained by the OIC indicates that others within the company, including senior management, were unaware of Mr. Steele's scheme. AFLAC first learned about the improper reimbursement during the course of the OIC's investigation, shortly before Messrs. Steele, Beck and Giddens appeared before the grand jury under a grant of immunity in November 1995. Upon discovering the reimbursements, AFLAC requested that Messrs.



Beck and Giddens refund the full amount to AFLAC, which they did. The OIC was provided with documents relating to the contributions, reimbursements and repayments to AFLAC.

The reimbursement of the four contributions at issue, directed by AFLAC's Vice President and acting as its agent, was in violation of sections 441b(a) and 441f of the Federal Election Campaign Act of 1971, as amended ("the Act"). The facts supplied by the OIC indicate that the violations at issue were knowing and willful, since AFLAC has admitted that Mr. Steele knew that the reimbursement was improper.

In light of these facts, this Office recommends that the Commission open a Matter Under Review and find reason to believe AFLAC knowingly and willfully violated 2 U.S.C. §§ 441b(a) and 441f. In addition, this Office recommends that the Commission approve the attached conciliation agreement with AFLAC which provides for a civil penalty.

### III. RECOMMENDATIONS

1. Open a Matter Under Review
2. Find reason to believe that American Family Life Assurance Company knowingly and willfully violated 2 U.S.C. §§ 441b(a) and 441f.

3. Enter into conciliation with the American Family Life Assurance Company prior to a finding of probable cause to believe and approve the attached proposed conciliation agreement

4. Approve the appropriate letter.

Attachment  
Conciliation Agreement

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of )  
American Family Life Assurance Company. ) Pre-MUR 357  
)

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on November 25, 1997, the Commission decided by a vote of 5-0 to take the following actions in Pre-MUR 357:

1. Open a Matter Under Review.
2. Find reason to believe that American Family Life Assurance Company knowingly and willfully violated 2 U.S.C. § § 441b(a) and 441f.
3. Enter into conciliation with the American Family Life Assurance Company prior to a finding of probable cause to believe and approve the proposed conciliation agreement, as recommended in the General Counsel's Memorandum dated November 21, 1997.

(continued)

Federal Election Commission  
Certification for Pre-MUR 357  
November 25, 1997

Page 2

4. Approve the appropriate letter, as recommended in the General Counsel's Memorandum dated November 21, 1997.

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

Attest:

11-25-97  
Date

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

Received in the Secretariat:	Fri.,	Nov. 21, 1997	5:23 p.m.
Circulated to the Commission:	Mon.,	Nov. 24, 1997	11:00 a.m.
Deadline for vote:	Tues.,	Nov. 25, 1997	4:00 p.m.

lrd

20043860606



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

December 4, 1997

Carl S. Rauh, Esquire  
Skadden Arps, Slate, Meagher  
and Flom  
Room 11-36  
1440 New York Avenue, N.W.  
Washington, D.C. 20005-2111

RE: MUR 4704

Dear Mr. Rauh:

This matter was referred to the Commission by the Office of Independent Counsel in Re Secretary of Agriculture Espy. Pursuant to an agreement between your client, American Family Life Assurance Company ("AFLAC"), and the Office of Independent Counsel ("OIC"), AFLAC has agreed to submit to the Commission's jurisdiction with regard to certain campaign contributions reimbursed by AFLAC.

Based upon the information contained in the OIC's referral, on November 25, 1997, the Federal Election Commission found that there is reason to believe AFLAC knowingly and willfully violated 2 U.S.C. §§ 441b(a) and 441f, provisions of the Federal Election Campaign Act of 1971, as amended ("the Act"). Enclosed is a copy of the General Counsel's Memorandum in this matter, containing a Factual and Legal Analysis, which formed a basis for the Commission's findings.

In order to expedite the resolution of this matter, enclosed is a conciliation agreement offered in settlement of this matter prior to a finding of probable cause to believe. You should respond to this notification within ten days.

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Carl S. Rauh, Esquire  
Page 2

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.

For your information, we have attached a brief description of the  
Commission's procedures for handling possible violations of the Act. If you have  
any questions, please contact Lois Lerner, Associate General Counsel, at (202)  
219-3690.

Sincerely,

  
John Warren McGarry  
Chairman

Enclosures  
Memorandum  
Procedures  
Conciliation Agreement

2804386608



FEDERAL ELECTION COMMISSION  
Washington, DC 20463

**MEMORANDUM**

November 21, 1997

TO: The Commission

FROM: Lawrence M. Noble  
General Counsel

BY: Lois G. Lerner  
Associate General Counsel

SUBJECT: MUR 4704  
American Family Life Assurance Company

**I. BACKGROUND**

On November 17, 1997, this Office received a referral from Donald Smaltz, Office of Independent Counsel in re Secretary of Agriculture Espy, concerning the American Family Life Assurance Company ("AFLAC"). The Office of Independent Counsel ("OIC") has determined that based upon the information available to them, criminal prosecution is not warranted.

According to the referral, an agreement has been reached between the OIC and AFLAC. AFLAC has agreed to submit itself to the jurisdiction of the Commission and enter into a conciliation agreement with respect to certain campaign contributions referenced in the agreement.

**II. FACTUAL AND LEGAL ANALYSIS**

In connection with the investigation of Secretary of Agriculture Espy, the OIC conducted an investigation into certain activities of AFLAC, including those of Warren B. Steele, II, AFLAC Vice-President of Marketing Support. The investigation revealed that four conduit campaign contributions were made to the

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1993 failed Espy congressional campaign (special election) at the direction of Mr. Steele. AFLAC has admitted that Warren Steele made illegal corporate and conduit campaign contributions. The OIC conducted interviews of certain AFLAC officials in order "to satisfy itself that Mr. Steele's illegal activities were not taken at the direction of, or with the knowledge of, AFLAC or its other officers or directors."

According to the information contained in the referral, Henry Espy and his campaign chairman met with Paul Amos, AFLAC Chairman, Daniel Amos, AFLAC Chief Executive Officer, and Joey M. Loudermilk, AFLAC General Counsel, at AFLAC offices in late June 1994. At that meeting, Mr. Espy made a personal plea for financial help in reducing his campaign debt. As a result, Paul Amos and his wife each gave \$1,000, and the AFLAC PAC contributed an additional \$5,000. AFLAC contends that all of these contributions were lawful and within the limits set by federal campaign finance law. Thereafter, in September 1994, the following individuals made contributions to the Henry Espy campaign debt retirement fund: Daniel Amos and his wife each contributed \$1,000; Warren Steele contributed \$1,000; and, two AFLAC independent agent sales representatives, Don Beck and Tom Giddens, and their wives, each contributed \$1,000. The contributions from Messrs. Beck and Giddens, and their wives, were made at Mr. Steele's request. Mr. Steele had contacted Messrs. Beck and Giddens because they were involved with AFLAC's efforts to market its supplemental health care products to the City of Atlanta.

When Mr. Steele contacted Messrs. Beck and Giddens about making contributions to Henry Espy, they were hesitant because they did not know who he was. Mr. Steele explained the connection to the City of Atlanta and stated that he would "take care of" Messrs. Beck and Giddens if they contributed. According to information in the referral, Messrs. Beck and Giddens did not understand Mr. Steele's comment to mean that they would be reimbursed for their contributions, but rather that Mr. Steele would show his gratitude in some fashion. They then agreed to make the requested contributions. Approximately two weeks later, Mr. Steele authorized checks to be issued from his department's administrative support account, which he supervised, in order to reimburse Messrs. Beck and Giddens and their wives for their contributions. Neither the check request nor the checks issued to Messrs. Beck and Giddens identified the payments as reimbursement for campaign contributions, because Mr. Steele "knew that the reimbursement was improper and violated express AFLAC policies." Instead, the payment was identified as reimbursement for "administrative expenses" which Messrs. Beck and Giddens did occasionally incur on behalf of AFLAC.

As mentioned above, the evidence obtained by the OIC indicates that others within the company, including senior management, were unaware of Mr. Steele's scheme. AFLAC first learned about the improper reimbursement during



the course of the OIC's investigation, shortly before Messrs. Steele, Beck and Giddens appeared before the grand jury under a grant of immunity in November 1995. Upon discovering the reimbursements, AFLAC requested that Messrs. Beck and Giddens refund the full amount to AFLAC, which they did. The OIC was provided with documents relating to the contributions, reimbursements and repayments to AFLAC.

The reimbursement of the four contributions at issue, directed by AFLAC's Vice President and acting as its agent, was in violation of sections 441b(a) and 441f of the Federal Election Campaign Act of 1971, as amended ("the Act"). The facts supplied by the OIC indicate that the violations at issue were knowing and willful, since AFLAC has admitted that Mr. Steele knew that the reimbursement was improper.

In light of these facts, this Office recommends that the Commission open a Matter Under Review and find reason to believe AFLAC knowingly and willfully violated 2 U.S.C. §§ 441b(a) and 441f. In addition, this Office recommends that the Commission approve the attached conciliation agreement with AFLAC.

### III. RECOMMENDATIONS

1. Open a Matter Under Review.
2. Find reason to believe that American Family Life Assurance Company knowingly and willfully violated 2 U.S.C. §§ 441b(a) and 441f.
3. Enter into conciliation with the American Family Life Assurance Company prior to a finding of probable cause to believe and approve the attached proposed conciliation agreement
4. Approve the appropriate letter.

Attachment  
Conciliation Agreement

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP

1440 NEW YORK AVENUE, N.W.

WASHINGTON, D.C. 20005-2111

TEL (202) 371-7000

FAX (202) 393-5760

DIRECT DIAL  
(202) 371-7007

DIRECT FAX  
(202) 371-7956

FIRM AFFILIATE OFFICES

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TORONTO

MUR 4704

December 19, 1997

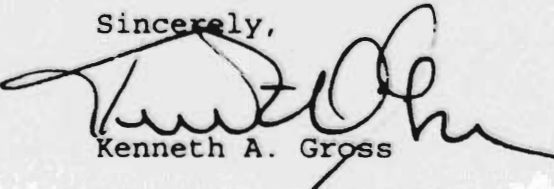
Lois G. Lerner, Esq.  
Federal Election Commission  
999 E Street, N.W.  
Washington, D.C. 20463

Re: AFLAC Conciliation Agreement

Dear Lois:

Per our discussion, enclosed is a signed conciliation agreement and a Statement of AFLAC.

Sincerely,

  
Kenneth A. Gross

Enclosure

Dec 19 5 28 PM '97

28043860612

**STATEMENT OF AMERICAN FAMILY LIFE  
ASSURANCE COMPANY OF COLUMBUS**

Dec 19 5 28 PM '97

American Family Life Assurance Company of Columbus ("AFLAC" or "the Company") concurs with the facts set forth in the Federal Election Commission ("FEC") memorandum dated November 21, 1997 ("the Memorandum") and the Conciliation Agreement ("Agreement"), which it has entered into. By doing so, AFLAC accepts vicarious responsibility for the conduct of its employee.

This matter involves \$4,000 in contributions to help retire the debt of the 1993 congressional campaign of Henry Espy, who was the Mayor of Clarksdale, Mississippi and the President of the National Conference of Black Mayors. AFLAC has today and had then a very good relationship with the National Conference of Black Mayors. AFLAC is a supplemental health insurance company, which did not have any business before the Department of Agriculture or with former Secretary of Agriculture Alphonso "Mike" Espy, who is Henry Espy's brother.

The referenced contributions to Henry Espy's campaign for Congress, made by two independent sales agents affiliated with AFLAC and their wives, were lawful in and of themselves, and were within the legal limits. An AFLAC employee decided completely on his own to reimburse those contributions. As recognized by the government, the reimbursements were made without the knowledge or direction of the employee's superiors or senior management.

The employee's conduct here also violated express AFLAC policies, and he has expressed deep regret for his mistake. When the Company first learned of the improper reimbursement, it immediately required the money refunded. Moreover, AFLAC has fully cooperated with the government in this matter. In addition, AFLAC has engaged in further training of its personnel, beyond what has been done in the past, to help prevent future violations of the campaign finance laws at issue here. AFLAC is confident that the conduct involved here will not occur again.

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

American Family Life  
Assurance Company

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)  
)  
)  
)

MUR 4704

**SENSITIVE**

GENERAL COUNSEL'S REPORT

I. BACKGROUND

Attached is a conciliation agreement which has been signed by counsel  
for the American Family Life Assurance Company ("AFLAC")

II. RECOMMENDATIONS

1. Accept the attached conciliation agreement with the American  
Family Life Assurance Company.
2. Close the file


20043860614

3. Approve the appropriate letters.

Lawrence M. Noble  
General Counsel

12/29/97  
Date

BY:

  
Lois G. Lerner  
Associate General Counsel

Attachments:

- 1--Conciliation Agreement
- 2--Photocopy of civil penalty check
- 3--Statement of AFLAC

Staff Assigned: Maura Callaway

28043860615

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of )  
 )  
American Family Life Assurance Company. ) MUR 4704  
 )

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on January 6, 1998, the Commission decided by a vote of 5-0 to take the following actions in MUR 4704:

1. Accept the conciliation agreement with the American Family Life Assurance Company, as recommended in the General Counsel's Report dated December 29, 1997.
2. Close the file.
3. Approve the appropriate letters, as recommended in the General Counsel's Report dated December 29, 1997.

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

Attest:

1-6-98  
Date

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

Received in the Secretariat: Mon., Dec. 29, 1997 2:31 p.m.  
Circulated to the Commission: Mon., Dec. 29, 1997 4:00 p.m.  
Deadline for vote: Tues., Jan. 06, 1998 4:00 p.m.

lrd





FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

January 8, 1998

Theodore S. Greenberg  
Deputy Independent Counsel  
Office of Independent Counsel  
P.O. Box 26356  
103 Oronoco Street, Suite 200  
Alexandria, Virginia 22313

RE: MUR 4704  
American Family Life  
Assurance Company

Dear Mr. Greenberg:

This is in reference to the matter involving the American Family Life Assurance Company, which your office referred to the Federal Election Commission.

On November 25, 1997, the Commission found that there was reason to believe the American Family Life Assurance Company knowingly and willfully violated 2 U.S.C. §§ 441b(a) and 441f, provisions of the Federal Election Campaign Act of 1971, as amended, and has now entered into a conciliation agreement in the matter providing for an \$80,000 civil penalty. A copy of this agreement is enclosed for your information.

We appreciate your cooperation in helping the Commission meet its enforcement responsibilities under the Federal Election Campaign Act of 1971, as amended. If you have any questions, please contact me at (202) 219-3690.

Sincerely,

Lawrence M. Noble  
General Counsel

A handwritten signature in cursive script, appearing to read "Lois G. Lerner", is written over a horizontal line.

BY: Lois G. Lerner  
Associate General Counsel

Enclosure  
Conciliation Agreement

28043860617



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

January 8, 1998

Kenneth A. Gross, Esquire  
Skadden Arps, Slate, Meagher  
and Flom, LLP  
1440 New York Avenue, N.W.  
Washington, D.C. 20005-2111

RE: MUR 4704  
American Family Life  
Assurance Company

Dear Mr. Gross:

On January 6, 1998, the Federal Election Commission accepted the signed conciliation agreement and civil penalty submitted on your client's behalf in settlement of violations of 2 U.S.C. §§ 441b(a) and 441f, provisions of the Federal Election Campaign Act of 1971, as amended ("the Act"). 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.

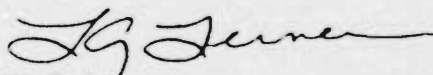
Information derived in connection with any conciliation attempt will not become public without the written consent of the respondent and the Commission. See 2 U.S.C. § 437g(a)(4)(B). The enclosed conciliation agreement, however, will become a part of the public record.

Kenneth A. Gross  
Page 2

Enclosed you will find a copy of the fully executed conciliation agreement for your files. If you have any questions, please contact me at (202) 219-3690.

Sincerely,

Lawrence M. Noble  
General Counsel



BY: Lois G. Lerner  
Associate General Counsel

Enclosure  
Conciliation Agreement

28043860619

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of )  
 )  
American Family Life Assurance ) MUR 4704  
Company )

Dec 19 5 28 PM '97

CONCILIATION AGREEMENT

This matter was referred to the Federal Election Commission ("Commission") by the Office of Independent Counsel, Donald C. Smaltz, In re Secretary of Agriculture Espy. The Commission found reason to believe that American Family Life Assurance Company (AFLAC) ("Respondent") knowingly and willfully violated 2 U.S.C. §§ 441b(a) and 441f.

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 Respondent 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.

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

1. Respondent AFLAC is corporation.
2. During 1994 Warren B. Steele, II was the Vice-President of Marketing Support for AFLAC.
3. Henry Espy was a candidate in the March 1993 special primary election for the U.S. House of Representatives. Henry Espy did not win election and accumulated a substantial campaign debt.
4. In late June 1994, Henry Espy met with Paul S. Amos, AFLAC's Chairman, Daniel Amos, AFLAC's Chief Executive Officer, and Joey M. Loudermilk, AFLAC's General Counsel, at AFLAC offices. At the meeting, Mr. Espy solicited contributions to reduce his campaign debt.
5. In September 1994, at the request of AFLAC Vice-President, Warren B. Steele, II, two AFLAC independent agent sales representatives, Don Beck and Tom Giddens, and their wives, each contributed \$1,000 to the failed congressional campaign of Henry Espy.
6. Approximately two weeks after Don Beck and Tom Giddens agreed to make the requested contributions, AFLAC Vice-President, Warren B. Steele, II, authorized checks to be issued from his department's administrative support account, which he supervised, in order to reimburse Messrs. Beck and Giddens, and their wives, for their four \$1,000 contributions.

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7. AFLAC's Vice-President , Warren B. Steele, II, knew that the reimbursement was improper and violated express AFLAC policies. The payment was identified as reimbursement for administrative expenses which, from time to time, Messrs. Beck and Giddens did incur on behalf of AFLAC. Mr. Steele thus effectively concealed his conduct from other employees.

8. No other employees of AFLAC, besides AFLAC Vice-President, Warren B. Steele, II, requested, approved, or authorized the improper reimbursements.

9. Upon discovering the reimbursements, AFLAC requested Messrs. Beck and Giddens to refund the full amount to AFLAC. Messrs. Beck and Giddens subsequently reimbursed AFLAC.

10. Pursuant to 2 U.S.C. § 441b(a), it is unlawful for any corporation to make a contribution or expenditure in connection with any federal election, and for any officer or director of any corporation to consent to any such contribution or expenditure by the corporation.

11. Pursuant to 2 U.S.C. § 431(11), the term "person" includes a corporation.

12. Pursuant to 2 U.S.C. § 441f, no person shall make a contribution in the name of another person or knowingly permit his name to be used to effect such a contribution, and no person shall knowingly accept a contribution made by one person in the name of another person.

2804386622



V. Respondent, AFLAC, knowingly and willfully violated 2 U.S.C. § 441b(a) and § 441f by reimbursing, at the direction of its agent, Vice-President Warren B. Steele, II, four individuals for contributions they made to the congressional campaign of Henry Espy.

VI. Respondent will pay a civil penalty to the Federal Election Commission in the amount of Eighty Thousand dollars (\$80,000), pursuant to 2 U.S.C. § 437g(a)(5)(B).

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 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. Respondent 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

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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: *Lois G. Lerner* 1/8/98  
Lois G. Lerner Date  
Associate General Counsel

FOR THE RESPONDENT:

*Kenneth A. Gross* Dec. 19, 1997  
(Name) Kenneth A. Gross Date  
(Position) Attorney for AFLAC

98043860624



FEDERAL ELECTION COMMISSION  
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