



SECRETARIAT

FEDERAL ELECTION COMMISSION 2010 JUN 15 P 4: 13
WASHINGTON, D.C. 20463

SENSITIVE

MEMORANDUM

June 15, 2010

TO: The Commission

THROUGH: Alec Palmer *AP*
Acting Staff Director

FROM: Patricia Carmona *PC*
Chief Compliance Officer

Lynn M. Fraser *LMF/KR*
Director, ADR Office

BY: Krista J. Roche *KJR*
Assistant Director, ADR Office

SUBJECT: ADR 538 Nantahala Outdoor Center and Sutton Bacon
Recommendation to Approve Settlement Agreement

RESOLUTION TERMS: Disseminate Respondent Nantahala Outdoor Center's (Respondent NOC's) amended Business Code of Conduct with cover memo alerting staff specifically of the prohibition on corporate political contributions within thirty (30) days of the effective date of this agreement; implement internal controls which substantially comport with the Commission's Internal Controls Policy (2007) within thirty (30) days of the effective date of this agreement; and members of Respondent NOC's audit committee will conduct an audit to ensure internal controls are operating effectively and certify those results to the Commission by December 31, 2010.

Attached for your review is a signed negotiated ADR Settlement Agreement pertaining to ADR 538 (PMUR 496). The ADR Office received this referral on March 8, 2010.

SUMMARY: Respondent NOC filed a *sua sponte* submission admitting that Respondent NOC's President, Sutton Bacon (Respondent Bacon), made contributions and received

Recommendation to Approve
Settlement Agreement
ADR 538 (PMUR 496)
Page 1

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reimbursement from Respondent NOC in violation of the FECA. Specifically, Respondent Bacon made two contributions to Heath Shuler for Congress in the amounts of One Thousand Dollars (\$1,000.00) each and a Two Hundred Fifty Dollar (\$250.00) contribution to the Outdoor Industry Association PAC. He subsequently authorized reimbursement to himself for all three contributions, and was, in fact, reimbursed by Respondent NOC. Respondent Bacon said that although he knew that corporations could not contribute to federal campaigns, he believed it was acceptable for corporations to reimburse their employees for making such contributions. Respondent NOC contends that its internal investigation concluded that Respondent Sutton did not knowingly or willfully violate the FECA. Respondent NOC issued a written warning to Respondent Bacon and required him to refund Respondent NOC. Respondent Bacon refunded the monies the same day he was notified of his misconduct. Respondent NOC also instituted modifications to the corporation's Business Code of Conduct, including a comprehensive disbursements policy.

RECOMMENDATIONS:

1. Approve the attached settlement agreement of Nantahala Outdoor Center and Sutton Bacon.
2. Approve the appropriate letters.
3. Close the file on this matter.