

FEB 18 2009

FEDERAL ELECTION COMMISSION  
999 E Street, N.W.  
Washington, D.C. 20463

FIRST GENERAL COUNSEL'S REPORT

	MUR: 6051	MUR: 6052
DATE COMPLAINT FILED:	August 14, 2008	August 18, 2008
DATE OF NOTIFICATION:	August 21, 2008	August 25, 2008
LAST RESPONSE RECEIVED:	October 2, 2008	October 2, 2008
DATE ACTIVATED:	October 21, 2008	October 21, 2008
EXPIRATION OF SOL:	April 1, 2013/ July 31, 2013	April 1, 2013/ July 31, 2013
COMPLAINANTS:	American Rights at Work American Federation of Labor and Congress of Industrial Organizations Change to Win WakeUpWalMart.com	Wal-Mart Watch
RESPONDENT:	Wal-Mart Stores, Inc.	Wal-Mart Stores, Inc.
RELEVANT STATUTES:	2 U.S.C. § 441b 11 C.F.R. § 114.2 11 C.F.R. § 114.3	2 U.S.C. § 441b 11 C.F.R. § 114.2 11 C.F.R. § 114.3
INTERNAL REPORTS CHECKED:	Disclosure Reports	Disclosure Reports
FEDERAL AGENCIES CHECKED:	None	None

**I. INTRODUCTION**

Complainants allege, based on an August 1, 2008 *Wall Street Journal* ("WSJ") article, that Wal-Mart Stores, Inc.'s ("Wal-Mart") corporate resources were used for express advocacy communications to Wal-Mart personnel outside of the corporation's restricted class, in violation of 2 U.S.C. § 441b(a). Specifically, they allege that Wal-Mart summoned its store managers and department supervisors to mandatory meetings at which human resources managers, trained by

1 the company, expressed opposition to the pending federal Employee Free Choice Act ("EFCA").  
2 stated that its passage could deprive Wal-Mart employees a vote on whether to form a union, and  
3 stated that voting for then-Senator Obama and other Democrats would result in its passage. In  
4 response, Wal-Mart maintains that the mandatory meetings were structured to educate its  
5 managers about (1) the pending legislation, which Wal-Mart contends would deny employees the  
6 right to cast a secret ballot on whether to be represented by a union; (2) the probability of its  
7 passage after the upcoming general election; and (3) the appropriate ways managers should  
8 interact with employees if the subject of EFCA was raised. Wal-Mart submitted a copy of the  
9 materials used at the meetings.

10 Because we conclude that the materials presented at the meetings did not expressly  
11 advocate the election or defeat of a clearly identified candidate, and because Wal-Mart took  
12 measures to reinforce that it was not engaging in express advocacy the same day the *WSJ* article  
13 was published, we recommend that the Commission find no reason to believe that Wal-Mart  
14 violated 2 U.S.C. § 441b(a) or 11 C.F.R. § 114.2(b) and close the files.

## 15 II. FACTUAL AND LEGAL ANALYSIS

### 16 A. Facts

17  
18 Wal-Mart is incorporated in Delaware and headquartered in Arkansas. On August 1,  
19 2008, the *WSJ* published an article reporting that Wal-Mart "is mobilizing its store managers and  
20 department supervisors around the country to warn that if Democrats win power in November,  
21 they'll likely change federal law to make it easier for workers to unionize companies—including  
22 Wal-Mart." Ann Zimmerman and Kris Maher, *Wal-Mart Warns of Democratic Win*, *WSJ*,  
23 August 1, 2008. The story reports that the department supervisors are hourly workers to whom  
24 the company may not advocate for specific federal candidates. *Id.* The article states that then-

1 Senator Obama co-sponsored EFCA, and states he "has said several times he would sign it into  
2 law if elected president." *Id.* According to unnamed Wal-Mart employees who attended the  
3 meetings in Maryland, Missouri, and other states, "[t]he Wal-Mart human-resources managers  
4 who run the meetings don't specifically tell attendees how to vote in November's election, but  
5 make it clear that voting for Democratic presidential hopeful Sen. Barack Obama would be  
6 tantamount to inviting unions in." *Id.* One Wal-Mart customer-service supervisor reportedly  
7 told the *WSJ* "[t]he meeting leader said, 'I am not telling you how to vote, but if the Democrats  
8 win, this bill will pass and you won't have a vote on whether you want a union' .... I'm not a  
9 stupid person. They were telling me how to vote." *Id.* On the basis of the information reported  
10 in the *WSJ* article, the complainants allege that Wal-Mart was explicitly advocating for the defeat  
11 of Democratic candidates to hourly workers who are outside of its restricted class, in violation of  
12 2 U.S.C. § 441b(a).<sup>1</sup>

13 Wal-Mart filed nearly identical responses to each complaint stating the purpose of the  
14 meetings at issue was "to educate and train its managers [and supervisors] about the potential  
15 impact of pending federal legislation" and the appropriate ways to communicate with [non-  
16 managerial employees] about EFCA questions," rather than to advocate for the election or defeat  
17 of a candidate. Responses, at 1 and 6. With its responses, Wal-Mart included a document  
18 entitled "Labor Relations Employee Free Choice Act Training for Supervisors/ Labor Relations  
19 Facilitator's Guide" dated April 2008 (the "Guide"), which Wal-Mart states contains the  
20 directions, script, and copies of the slides used in the presentations to managers and supervisors.

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<sup>1</sup> A second *WSJ* article was published the day the MUR 6051 complaint was filed reporting the complaint had been filed with the Commission; it included some of the same information as in the previous *WSJ* article, a discussion of possible labor law violations, and comments by a Wal-Mart executive (echoing some of those in the responses) and election and labor law attorneys. Kris Maher and Ann Zimmerman, *Unions Seek Probe of Wal-Mart Over Election Law*, *WSJ*, August 14, 2008.

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1 The Guide specifically states "this class is intended for an audience of hourly supervisors."  
2 Guide Overview. It further states that "Supervisors are . . . hourly associates," including those  
3 with the titles "Supervisor," "Team Lead," and "Department Managers." *Id.* According to the  
4 Guide, attendees were required to verify their attendance by computer and complete a "Labor  
5 Relations Computer Based Learning module." *Id.* The Guide's directions state that all training  
6 had to be completed by July 31, 2008.

7 The Guide reviews the EFCA and the differences with the current law, what might  
8 happen should it pass, and ways that managers should communicate with employees should  
9 EFCA questions arise. According to the responses and the Guide, there were a total of 48  
10 PowerPoint slides with accompanying scripts; only one slide and the script for another slide  
11 referenced federal elections. Guide, at 36, 38.

12 One of these slides, with instructions that it be read to the class, states:

13 The EFCA Almost Passed in 2007.

14  
15 U.S. House of Representatives passed the bill 241 to 185 (about 25  
16 Republicans voted for the bill).

17  
18 Senate vote would have been 52 to 48; needed 60 votes to break  
19 filibuster, and President Bush threatened veto.

20  
21 If Democrats win enough Senate seats and we elect a Democratic  
22 President in 2008, this will be the first bill presented.

23  
24 Guide, at 36 (emphasis in original).

25  
26 Two slides later, the presenter is told to read:

27  
28 You saw a moment ago how close this bill came to passing in 2007.  
29 Now, we are in a year where many new leaders will be elected.

30  
31 As a part of our culture at Wal-Mart, we have thought for years that  
32 what happens in the political world needed to stay there; as long as we

1 were focused on our customers and Associates, everything else would  
2 take care of itself. Today, we realize that simply isn't the case.

3  
4 We do have a point of view on legislation like this that is potentially  
5 harmful to our business and we feel we have a duty to educate you on  
6 this issue as well because, as Shareholders in this company, through  
7 401K and Profit Sharing, we all have an interest in these issues that  
8 could have a negative effect on our company.

9  
10 We are not trying to tell you or anyone else how to vote or who a person  
11 can support. Republican, Democrat, or Independent; That is your own  
12 personal choice.

13  
14 However, we do want to encourage you to be informed on how  
15 congressional and presidential decisions could impact our personal lives  
16 and the company we work for.

17  
18 Guide, at 38.

19 In order to support its position that the presentation was intended as education and  
20 training, Wal-Mart points to other slides describing EFCA, its purported impact and downsides  
21 for the company and its employees, as well as those setting forth rules and other advice  
22 governing how managers could communicate with non-manager employees about EFCA. Wal-  
23 Mart also references (but does not provide) a company-wide policy prohibiting political activities  
24 during work-time, and attaches a memorandum addressed to "Walmart Stores Management  
25 Team" from Bill Simon, Chief Operating Officer, dated August 1, 2008, the same day the *WSJ*  
26 article was published (the "Memo"). The Memo states that the *WSJ* article "quotes several  
27 Walmart associates who felt the training encouraged them to vote against democratic candidates,  
28 especially Senator Obama because of his strong support for labor unions." The Memo then  
29 asserts "[t]he training has concluded, but let me be absolutely clear. If anyone representing our  
30 company gave the impression we were telling associates how to vote, they were wrong and acting

without approval. . . . [P]lease ensure that your associates understand our position." The Memo continues:

We believe that the card check bill is bad for business and have been on record as opposing it for some time. We feel that educating you, our associates, about the bill is the right thing to do. However, we are a bipartisan company and our associates reflect the wide range of attitudes and political diversity of this country. We work with both Republican and Democratic leaders and our political contributions reflect that as well - this year we gave roughly half of our Political Action Committee dollars to each party.

Remember that as managers you represent the company. No matter what your personal political preferences might be, as a company we will not take sides.

**B. Analysis**

**1. Express Advocacy**

The Act prohibits corporations from making contributions or expenditures in connection with a federal election. 2 U.S.C. § 441b(a). The Commission's regulations provide that a corporation is prohibited from making "expenditures with respect to a federal election . . . for communications to those outside the restricted class that expressly advocate the election or defeat of one or more clearly identified candidate(s) or candidates of a clearly identified political party." 11 C.F.R. § 114.2(b)(2); *see also* *FEC v. Massachusetts Citizens for Life, Inc.*, 479 U.S. 238, 249 (1986) ("MCFL").

"Expressly advocating," or express advocacy, is defined in 11 C.F.R. § 100.22. Express advocacy may consist of phrases, slogans or individual words "which in context can have no other reasonable meaning than to urge the election or defeat of one or more clearly identified candidates." 11 C.F.R. § 100.22(a); *see also* *MCFL*, 479 U.S. at 249 ("[The publication] provides in effect an explicit directive: vote for these (named) candidates. The fact that this

1 message is marginally less direct than "Vote for Smith" does not change its essential nature.").

2 Express advocacy may also consist of a communication that "taken as a whole and with limited

3 reference to external events, . . . , could only be interpreted by a reasonable person" as advocating

4 the election or defeat of a federal candidate because it has an electoral portion which is

5 "unmistakable, unambiguous, and suggestive of only one meaning" and "reasonable minds could

6 not differ as to whether it encourages actions to elect or defeat one or more clearly identified

7 candidate(s) . . . ." 11 C.F.R. § 100.22(b).

8 There is no information that Wal-Mart, through its presentation or otherwise, used

9 phrases, slogans or individual words, which in context had no other reasonable meaning than to

10 urge the election or defeat of one or more clearly identified candidates or candidates of a clearly

11 identified political party. 11 C.F.R. §§ 100.22(a); 114.2(b)(2). The complaint in MUR 6051

12 contends, however, that Wal-Mart's presentation "informing employees that it is imperative that

13 [EFCA] not be enacted and, simultaneously, that their voting for Senator Obama and other

14 Democrats would lead to its enactment" is express advocacy within the meaning of *MCFL* and

15 section 100.22(a)'s example of "'vote Pro-Life' or 'vote Pro-Choice' accompanied by a listing of

16 clearly identified candidates described as Pro-Life or Pro-Choice." MUR 6051 complaint at 2.

17 In *MCFL*, a special edition newsletter urged readers to "VOTE PRO-LIFE," set forth the

18 candidates' views on three issues, and then identified each candidate as either supporting or

19 opposing what *MCFL* regarded as the correct position. 479 U.S. at 243. *MCFL* indicated this

20 through three symbols: (1) a "y," which indicated that a candidate supported the *MCFL* view on a

21 particular issue; (2) an "n," which indicated that a candidate opposed the *MCFL* view; and (3) an

22 asterisk, which was placed next to the names of incumbents who had maintained "a 100% pro-

23 life voting record in the state house by actively supporting *MCFL* legislation." *Id* at 243-44. The

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1 newsletter also included photographs of only those candidates who received a "y" on all three  
2 issues, or were identified either as having a 100% favorable voting record or as having stated a  
3 position consistent with that of *MCFL*. *Id.* at 244. The Court reasoned that the newsletter could  
4 not "be regarded as a mere discussion of public issues that by their nature raise the names of  
5 certain politicians." *Id.* at 249. Rather, the Court found that the newsletter provided "in effect an  
6 explicit directive" to vote for the candidates favored by *MCFL*, and stated that "[t]he fact that [a]  
7 message is marginally less direct than 'Vote for Smith' does not change its essential nature." *Id.*

8 In contrast, the Wal-Mart presentation, in which the company makes clear it believes that  
9 ECFA will be harmful to its business, does not, on balance, provide "in effect an explicit  
10 directive" to vote for federal candidates favored by Wal-Mart. The language in the Guide, which  
11 states as a matter of fact that if "Democrats win enough Senate seats and we elect a Democratic  
12 President in 2008" EFCA will pass, could be interpreted, and was interpreted by some, as a  
13 warning to vote against the Democratic presidential candidate, and, therefore, makes the Guide a  
14 close call. However, the Guide also explicitly says Wal-Mart is "not trying to tell you or anyone  
15 else how to vote or who a person can support," but wants "to encourage you to be informed on  
16 how congressional and presidential decisions could impact our personal lives and the company  
17 we work for." Guide at 38. The rest of the presentation describes EFCA, sets forth Wal-Mart's  
18 view of the possible impact that the legislation and unions would have on its business, and  
19 advises how to communicate appropriately with Wal-Mart employees regarding their questions  
20 or concerns about EFCA so as to avoid an Unfair Labor Charge.<sup>2</sup> See Guide at 15. Therefore,  
21 the Guide may be viewed, in context, as having more than one reasonable meaning, including as

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<sup>2</sup> It is not within the Commission's jurisdiction to determine whether the Guide comports with the federal labor laws.



1 an educational and training program, in contrast to *MCFL*'s special edition newsletter urging  
2 readers to "Vote Pro-Life," accompanied by a list of clearly identified candidates who supported  
3 that position.<sup>3</sup> Thus, the Guide does not contain express advocacy under section 100.22(a).

4 Nor does the Guide contain express advocacy under section 100.22(b), which  
5 encompasses a communication that, when taken as a whole or with limited reference to external  
6 events, "could only be interpreted by a reasonable person as containing advocacy of the election  
7 or defeat of one or more clearly identified candidate(s) because" it contains an "electoral portion"  
8 that is "unmistakable, unambiguous, and suggestive of only one meaning" and "reasonable minds  
9 could not differ as to whether it encourages actions to elect or defeat one or more clearly  
10 identified candidate(s) or encourages some other kind of action." 11 C.F.R. § 100.22(b); *see*  
11 MUR 5974 (New Summit Republicans)(entire communication need not be election-related to  
12 have express advocacy so long as some portion of it is election-related). The Guide's electoral  
13 portion, including "[i]f Democrats win enough Senate seats and we elect a Democratic President  
14 in 2008, this will be the first bill presented," Guide at 36, and "[n]ow, we are in a year where  
15 many new leaders will be elected," Guide at 38 is not "clear, unmistakable, unambiguous and  
16 suggestive of only one meaning," and "reasonable minds could" differ "as to whether it  
17 encourages actions to elect or defeat one or more clearly identified candidate(s) or encourages  
18 some other kind of action." 11 C.F.R. § 100.22(b)(1).

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<sup>3</sup> Although the Guide referenced "one or more clearly identified candidate(s)," it did not urge anyone to vote for a particular issue and then identify or depict candidates supporting that issue. Between the Guide's April 2008 date and the conclusion of the training by July 31, 2008, both then-Senator Hillary Clinton and then-Senator Barack Obama were viable Democratic primary candidates. Thus, the reference to "if we elect a Democratic President in 2008" in the Guide can be read to include then Senators Clinton and Obama as "one or more clearly identified candidates." Another reference to "one or more clearly identified candidates" is found on page 36 of the Guide, which states in part, "if Democrats win enough Senate seats . . . in 2008 . . .;" to the extent that Democratic Senate candidates had secured their party's nominations between April and July 2008, that reference would include those candidates. *See* 11 C.F.R. §§ 100.17; 100.22(b); Express Advocacy Final Rule, 60 Fed. Reg. at 35293-4.

1 According to the *WSJ* article, some employees reportedly stated "[t]he Wal-Mart human-  
2 resources managers who run the meetings don't specifically tell attendees how to vote in  
3 November's election, but make it clear that voting for Democratic presidential hopeful Sen.  
4 Barack Obama would be tantamount to inviting unions in," and one Wal-Mart supervisor  
5 reportedly stated "[t]he meeting leader said, 'I am not telling you how to vote, but if the  
6 Democrats win, this bill will pass and you won't have a vote on whether you want a union'....  
7 I'm not a stupid person. They were telling me how to vote." *Id.* Wal-Mart's statements that  
8 "[w]e are not trying to tell you or anyone else how to vote or who a person can support" and that  
9 it "is your own personal choice," Guide at 38, are not dispositive. *See MCFL*, 479 U.S. at 249  
10 ("The disclaimer of endorsement cannot negate th[e] fact" that the newsletter provides an explicit  
11 directive to vote for candidates). However, on balance, the presentation, when taken as a whole,  
12 could reasonably be construed as two-fold: (1) educating Wal-Mart supervisors and managers  
13 why Wal-Mart believes that unions could hurt its business, and (2) educating Wal-Mart  
14 supervisors and managers on how to communicate, in a way consistent with Wal-Mart's views,  
15 with non-managerial employees about the EFCA, the passage of which seemed likely should  
16 Democrats gain control of the White House and the Senate.

17 Thus, the Guide, taken as a whole, cannot only be interpreted by a reasonable person as  
18 containing advocacy of the election or defeat of one or more clearly identified candidates, and  
19 accordingly does not constitute express advocacy under section 100.22(b). Therefore, Wal-Mart,  
20 through its presentation, did not make a prohibited corporate expenditure. Because of this  
21 conclusion, the Commission need not address Wal-Mart's contention that even if the presentation

1 contained express advocacy, the hourly supervisors and managers who attended were not outside  
2 its restricted class.<sup>4</sup>

## 3 2. Unauthorized Statements and Remedial Measures

4 In its responses, Wal-Mart acknowledges the possibility that some presenters may have  
5 made comments during presentations, citing to reported statements in the *WSJ* articles, *see*  
6 Responses at 8 and note 9, that went beyond the scripted presentation materials.<sup>5</sup> Wal-Mart  
7 contends that these statements, if they occurred, did not constitute express advocacy, but even if  
8 they did, Wal-Mart should not be sanctioned for unauthorized, isolated statements, citing MUR  
9 5919 (Harrah's Entertainment). The Statement of Reasons of Chairman Robert D. Lenhard, Vice  
10 Chairman David M. Mason and Commissioners Hans A. von Spakovsky and Steven T. Walther  
11 in MUR 5919 states that the Commission voted to dismiss the complaint without admonishment  
12 as to the corporation because, in part, it had taken steps to prevent violations of the Act and  
13 responded swiftly to remedy the situation and report it to the Commission when it discovered an  
14 independent contractor had sent out an email containing express advocacy in violation of  
15 company policy and the Act.

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<sup>4</sup> Members of a corporation's restricted class, which includes stockholders, salaried managers and some salaried supervisors, are allowed to receive communications containing express advocacy. 2 U.S.C. § 441b(b)(2)(A); 11 C.F.R. §§ 114.1(a)(2)(i); 114.2(b)(2)(ii). Wal-Mart claims that the hourly supervisors are functionally managers under National Labor Relations Act rules and that there are no sound policy rules to treat them as outside of the restricted class. However, the explicit language of 2 U.S.C. § 441b and Commission regulations excludes hourly supervisors, hourly employees and "salaried lower level supervisors having direct supervision over hourly employees" from the restricted class. 2 U.S.C. § 441b(b)(7); 11 C.F.R. §§ 114.1(c), (j).

<sup>5</sup> According to a press release on the Wal-Mart Watch website dated August 1, 2008, "[s]ome of the reports we received were even more egregious than what was described in [the *WSJ* article]. In one case, a worker said the presenter showed a slide that said 'Obama = union' and then the audience was told 'why unions were bad.' In addition, an editorial in the *New York Times* on August 17, 2008, stated "[p]roviding workers with a list of members of Congress who, in Wal-Mart's view, support bad legislation that would worsen workers lives seems indistinguishable from telling them who to vote against." At 1. Neither complaint mentioned a list of members of Congress, we do not know the source of the *New York Times*' information, and we found no other publicly available information concerning the existence of any such list.

1 Similar to Harrah's Entertainment, Wal-Mart states it also has a policy prohibiting  
2 political activity during working hours that applied to the presenters. In addition, the Wal-Mart  
3 presentation contained explicit instructions as to what was to be read to audiences, including a  
4 statement that Wal-Mart was not trying to tell anyone how to vote or whom to support. The  
5 initial *WSJ* article quotes a company spokesperson as saying "If anyone representing Wal-Mart  
6 gave the impression we were telling associates how to vote, they were wrong and acting without  
7 approval." Moreover, on the same day that the initial *WSJ* article was published, Wal-Mart's  
8 Chief Operating Officer sent an email to Wal-Mart managers reiterating the spokesperson's  
9 message and asking managers to "please ensure that your associates understand our position."

10 While MUR 5919 is distinguishable from the current matter, it is instructive. Harrah's  
11 Entertainment self-reported what it thought was a violation involving emails that an independent  
12 contractor sent without approval. In contrast, Wal-Mart did not self-report and maintains that  
13 there has been no violation in connection with authorized presenters who may have deviated  
14 from scripts used in the presentation at issue and invokes MUR 5919 only if the Commission  
15 disagrees. Nevertheless, MUR 5919 is instructive because of the actions taken by Wal-Mart to  
16 avoid violations of the Act and to remedy possible statements which, if they occurred, were  
17 unauthorized. We believe that under all the circumstances here, Wal-Mart apparently made an  
18 effort to avoid FECA violations by instructing in the Guide that presenters read a statement  
19 explicitly stating that Wal-Mart was not telling anyone how to vote or whom to support, and then  
20 acted quickly to reiterate its position once it became aware, through the *WSJ* article, that some  
21 presenters may have deviated from the explicit guidance in the Guide. Moreover, in its  
22 Responses, Wal-Mart has stated that it has "redoubled its efforts to assure that none of its future

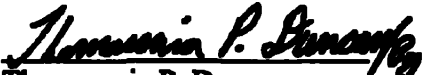
training sessions will make any references that even remotely could be perceived as political advocacy." Responses at 12.

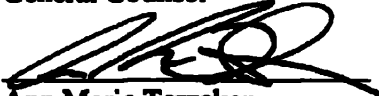
Based on the above, we recommend that the Commission find no reason to believe that Wal-Mart violated 2 U.S.C. § 441b(a) or 11 C.F.R. § 114.2(b) and close the files.


**III. RECOMMENDATIONS**

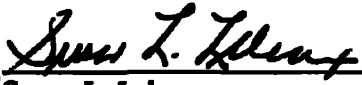
1. Find no reason to believe that Wal-Mart Stores, Inc. violated 2 U.S.C. § 441b(a) or 11 C.F.R. § 114.2(b).
2. Approve the attached Factual and Legal Analysis.
3. Approve the appropriate letters.
4. Close the files.


2/10/09  
Date

  
Thomasenia P. Duncan  
General Counsel

  
Ann Marie Terzaken  
Associate General Counsel  
For Enforcement

  
Stephen A. Gura  
Deputy Associate General Counsel  
For Enforcement

  
Susan L. Lebeaux  
Assistant General Counsel

  
J. Cameron Thurber  
Attorney