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September 6, 2007

Jeff S Jordan, Esq
Office of the General Counsel
Federal Election Commission
999 E Street, N W
Washington, D C 20463

Re MUR 5927

Dear Mr Jordan

The undersigned represents Joseph A Solomon, the respondent in this matter. This matter was generated by a complaint filed by The Beacon Mutual Insurance Company initially on November 30, 2006 designated Pre-MUR 443 and subsequently on July 23, 2007 designated MUR 5927. Beacon alleges that Mr Solomon, formerly its president and chief executive officer, violated 2 U S C §441f when he reimbursed two individuals who each contributed \$1,000 to the Whitehouse for Senate Committee during 2005. Mr Solomon concedes reimbursing those two individuals and a third. Two of those individuals returned Mr Solomon's funds to him. This violation resulted from Mr Solomon's confusion and mistake about the law, and he swears never to engage in similar violative actions in the future. Thus, there would be no deterrent value in pursuing this matter because the amount of the violation is so small even the maximum statutory penalty would be insignificant compared to the impact that has already occurred to Mr Solomon's reputation and the potential penalty is too small to deter others. Moreover, Mr Solomon admits the violation, and he swears not to engage in violative activity again. Accordingly, Mr Solomon asks the Commission to take no action and close the file.

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BACKGROUND

Beacon is a mutual insurance company chartered by Rhode Island and its activities are limited by Rhode Island statute. It was formed in 1990 in response to the worker's compensation crisis to be a competitive insurance carrier. Beacon's charter was modified in 1992 to include Beacon's responsibilities as the insurer of the market of last resort for worker's compensation in Rhode Island, in addition to its original charter. Five of its nine directors are appointed by the governor and its activities are overseen by the Department of Business Regulation.

Mr Solomon joined Beacon in 1993 and was appointed president and chief executive officer in 2002. In the early 1990's now-Senator Sheldon Whitehouse was the director of the

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Department of Business Regulation Consequently, Mr Solomon and many of the other directors and officers of Beacon met and worked with Mr Whitehouse to solve the worker's compensation crisis By all accounts Beacon has been successful

In 2002, now-Senator Whitehouse lost the governor's race, and the political party controlling the State House changed Beacon's directors appointed by the previous governor publicly supported the new governor's opponents and many of the new Governor's legislative recommendations The new governor immediately replaced one director, and in 2006 he appointed four more directors Between 2002 and 2006, there was political friction between many of Beacon's directors and the governor, which included Beacon's request for legislation that would permit it to broaden its operations and would eliminate the governor's ability to appoint directors In 2006, the governor publicly called for Mr Solomon and the vice president for underwriting to resign The board of directors, now controlled by the governor's appointees, terminated Mr Solomon's and the vice president's employment in April 2006

In October 2006, the *Providence Journal* published an article reporting that in June 2005 several Beacon executives had made contributions to Mr Whitehouse's 2006 campaign for the Senate Based on this article, the Rhode Island Department of Business Regulation engaged Deloitte to review any contributions by Beacon management to the Whitehouse campaign Deloitte apparently reviewed the Whitehouse campaign's FEC reports and created a list of current and former Beacon management that had made contributions Thereafter, the Governance Committee of the Board of Directors sent questionnaires by email to those contributors asking whether Mr Solomon had encouraged them to contribute, had offered to reimburse their contributions, and in fact, had reimbursed their contributions See attachments to the original complaint

CONTRIBUTION REIMBURSEMENTS

Mr Solomon and many other directors and executives of Beacon know Mr Whitehouse personally and are impressed with his abilities and accomplishments, particularly as the former director of the Department of Business Regulation They supported his race for governor and Senator, and contributed to his senatorial campaign In fact, during 2005 Mr Solomon told other Beacon officers and members of the management team that he supported Mr Whitehouse's campaign for Senator and encouraged them to contribute to the campaign, but he did not pressure anyone to contribute, directly or indirectly

Although Beacon's complaint to the Commission describes Mr Solomon's reimbursements of two contributions to the Whitehouse campaign, during May or June 2005 he reimbursed three \$1,000 individual contributors Christina Burton, his executive assistant, Pamela Alarie, Director of Human Resources, and Sheldon Sollosy, chairman of the Board Subsequently, Mrs Alarie and Mr Sollosy each returned \$1,000 to Mr Solomon

Mr Solomon did not pressure anyone to contribute and did not follow-up to determine if anyone had not contributed He used his personal funds to reimburse three individuals that he understood wanted to make a contribution He, and those he reimbursed, did not believe they were doing anything wrong He did not know that reimbursing someone who wanted to make a

contribution was considered making a contribution in the name of another and was therefore improper

DISCUSSION

As noted above, the Beacon complaint alleged that Mr Solomon violated 2 U S C §441f by reimbursing two individuals in May or June 2005 who each contributed \$1,000 to the 2006 Whitehouse campaign Mr Solomon admits these reimbursements and one other \$1,000 reimbursement to the same campaign Mr Solomon now knows that his actions violated 2 U S C §441f, the prohibition against making a contribution in the name of another However, in 2005 he did not understand that a reimbursement of another's contribution was a prohibited contribution in the name of another

Although Mr Solomon admits that a violation occurred, he asks the Commission to exercise its discretion to close the file with out taking any action for the following reasons The size of the violation was so small that it had no impact on the election The violations occurred more than two years ago and were an isolated incident Two of the three violations have been remedied The potential financial penalty is so small it will not have a deterrent effect on others Mr Solomon, in his declaration, swears not to engage in any similar activity in the future He sincerely regrets his actions and has been forthcoming about the third violation that was not known to the complainant Thus, an action by the Commission would not provide any further deterrent to future violations by him or others

In other cases where the violation was small, where the respondent expressed remorse and where the violative activity was an isolated incident many years ago the Commission exercised its discretion and closed the matter with out taking action Accordingly, for the reasons described above we ask the Commission to close this matter

Respectfully submitted,



Stephen E Hershkowitz
Counsel to Joseph A Solomon

Enclosure Declaration of Joseph A Solomon

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