



FEDERAL ELECTION COMMISSION
Washington, DC 20463

December 22, 1980

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

ADVISORY OPINION 1980-135

Mr. Charles H. Resnick
Vice President
Raytheon Company
Lexington, Massachusetts 02173

Dear Mr. Resnick:

This is in response to your letter of November 12, 1980, requesting an advisory opinion on behalf of the Raytheon Company ("the Corporation") concerning application of the Federal Election Campaign Act of 1971, as amended ("the Act"), to the indemnification of Corporation officers for liability incurred in connection with their activities with the Raytheon Company Political Action Committee ("the Committee").

Your letter explains that the Corporation's bylaws contain indemnification provisions pursuant to which the Corporation pays, with certain exceptions, all judgments, fines or settlement amounts imposed or incurred in a proceeding to which a person is a party by reason of his or her being a director, officer, employee or agent of the Corporation. The Corporation desires to provide similar protection against liability for its officers and employees who act on behalf of the Committee through extension of its indemnification policy. Specifically, you ask whether the Corporation may pay any fine, judgment or settlement amount for which its officers and employees are liable as a result of their activities with the Committee.

While, under the Act, corporations are prohibited from making any contribution or expenditure in connection with Federal elections, they may sponsor a separate segregated fund to be utilized for political purposes. 2 U.S.C. 441b and 11 CFR 114.2(a). Furthermore, payments by the sponsoring organization for the "establishment, administration and solicitation of contributions" for such a fund are excluded from the definition of contribution. 2 U.S.C. 441b(b)(2)(C). In Advisory Opinion 1979-42, the Commission regarded as a cost of establishment and administration the payment of premiums by a bank on an insurance policy to protect its employees against liability incurred while acting on behalf of its political action committee. Similarly, indemnification may be considered an expense of administration since the

protection afforded is nearly indistinguishable from that offered by liability insurance. Hence, it is the opinion of the Commission that the proposed indemnification of corporate officers and employees is not prohibited under the Act and any expenses incident thereto would be a cost of administration of the Committee and not a contribution by the Corporation. See 2 U.S.C. 431(8)(B)(vi) and 11 CFR 114.1(b).

This response constitutes an advisory opinion concerning application of the Act, or regulations prescribed by the Commission, to the specific transaction or activity described in your request. See 2 U.S.C. 437f.

Sincerely yours,

(signed)

John W. McGarry
Vice Chairman for the
Federal Election Commission