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STATE OF CONNECTICUT
STATE ELECTIONS ENFORCEMENT COMMISSION

ENFORCEMENT COMMISSION

In the Matter of a Complaint by Michael A. Neal, Naples, FL
028

File No. 2018-

AGREEMENT CONTAINING CONSENT ORDER

This agreement by and between Michael A. Neal of Naples, Florida (hereinafter "Respondent") and the authorized representative of the State Elections Enforcement Commission is entered into in accordance with Section 9-7b-54 of the Regulations of Connecticut State Agencies and Section 4-177(c) of the General Statutes of Connecticut. In accordance herewith, the parties agree that:

1. The complaint in this matter was self-reported by Respondent.
2. Respondent is a director of JPMorgan Chase Bank, National Association ("JPMC Bank, NA"), a nationally-chartered bank, and JPMorgan Chase & Co. ("JPMC"), a bank holding company (collectively the "Companies")
3. JPMC Bank, NA has several contracts with the State of Connecticut, including a credit account worth \$35,000,000 and management of an investment fund worth in excess of \$100,000,000. Both of these contracts are with executive branch state agencies and the fees paid to JPMC Bank, NA for these services greatly exceeded \$50,000 on both contracts, separately.
4. On December 28, 2017, Respondent made a \$3,500 personal contribution to *Bob for Governor* candidate committee.
5. *Bob for Governor* is a candidate committee that was formed on September 15, 2017 to finance the gubernatorial campaign of Robert V. Stefanowski.
6. When Respondent made the contribution to *Bob for Governor*, he completed a contribution certification form. On that form, Respondent indicated that he was not a principal of a state contractor. Respondent states that he did not think that he was a principal state contractor when he completed the form. He acknowledges that he was mistaken.
7. The Companies have a policy whereby all political contributions by directors must be pre-cleared by the legal department within the Companies for compliance with "pay-to-play" laws across the country.
8. When Respondent received a reminder notice about such policy, he recalled the political contribution he had made to *Bob for Governor* and notified the Companies.
9. When the Companies advised Respondent that the contribution was impermissible, he sought a refund of the contribution and self-reported this complaint.
10. Under Connecticut law, a principal of an executive branch state contractor is, and was at all times relevant hereto, prohibited from making contributions to Connecticut exploratory and candidate committees formed to fund candidates for executive branch, statewide office.
11. Specifically, General Statutes § 9-612 provides in pertinent part:

contractor or principal of a prospective state contractor, with regard to a state contract solicitation with or from a state agency in the executive branch or a quasi-public agency or a holder, or principal of a holder of a valid prequalification certificate, shall make a contribution to, or solicit contributions on behalf of (i) an exploratory committee or candidate committee established by a candidate for nomination or election to the office of Governor, Lieutenant Governor, Attorney General, State Comptroller, Secretary of the State or State Treasurer . . . ;

...

(C) If a state contractor or principal of a state contractor makes or solicits a contribution prohibited under subparagraph (A) or (B) of this subdivision, as determined by the State Elections Enforcement Commission, the contracting state agency or quasi-public agency may, in the case of a state contract executed on or after the effective date of this section may void the existing contract with said contractor, and no state agency or quasi-public agency shall award the state contractor a state contract or an extension or an amendment to a state contract for one year after the election for which such contribution is made or solicited unless the commission determines that mitigating circumstances exist concerning such violation. No violation of the prohibitions contained in subparagraph (A) or (B) of this subdivision shall be deemed to have occurred if, and only if, the improper contribution is returned to the principal by the later of thirty days after receipt of such contribution by the recipient committee treasurer or the filing date that corresponds with the reporting period in which such contribution was made, ...

12. General Statutes § 9-612 (f) (1) (F) further defines “principal of a state contractor” as follows:

“Principal of a state contractor or prospective state contractor” means (i) any individual who is a member of the board of directors of, or has an ownership interest of five per cent or more in, a state contractor or prospective state contractor, which is a business entity, except for an individual who is a member of the board of directors of a nonprofit organization, (ii) an individual who is employed by a state contractor or prospective state contractor, which is a business entity, as president, treasurer or executive vice president, (iii) an individual who is the chief executive officer of a state contractor or prospective state contractor, which is not a business entity, or if a state contractor or prospective state contractor has no such officer, then the officer who duly possesses comparable powers and duties, (iv) an officer or an employee of any state contractor or prospective state contractor who has managerial or discretionary responsibilities with respect to a state contract, (v) the spouse or a dependent child who is eighteen years of age or older of an individual described in this subparagraph, or (vi) a political committee established or controlled by an individual described in this subparagraph or the business entity or nonprofit organization that is the state contractor or prospective state contractor.

13. Connecticut law further defines a “state contract” is to be:

an agreement or contract with the state or any state agency or any quasi-public agency, let through a procurement process or otherwise, having a value of fifty thousand dollars or more, or a combination or series of such agreements or contracts having a value of one hundred thousand dollars or more in a calendar year, for (i) the rendition of services, (ii) the furnishing of any goods, material, supplies, equipment or any items of any kind, (iii) the construction, alteration or repair of any public building or public work, (iv) the acquisition, sale or lease of any land or building, (v) a licensing arrangement, or (vi) a grant, loan or loan guarantee. “State contract” does not include any agreement or contract with the state, any state agency or any quasi-public agency that is exclusively federally funded, an education loan, a loan to an individual for other than commercial purposes or any agreement or contract between the state or any state agency and the United States Department of the Navy or the United States Department of Defense.

General Statutes § 9-612 (f) (1) (C).

14. General Statutes § 9-612 (f) (1) (D) further defines a “state contractor” is to be:

a person, business entity or nonprofit organization that enters into a state contract. Such person, business entity or nonprofit organization shall be deemed

to be a state contractor until December thirty-first of the year in which such contract terminates. "State contractor" does not include a municipality or any other political subdivision of the state, including any entities or associations duly created by the municipality or political subdivision exclusively amongst themselves to further any purpose authorized by statute or charter, or an employee in the executive or legislative branch of state government or a quasi-public agency, whether in the classified or unclassified service and full or part-time, and only in such person's capacity as a state or quasi-public agency employee.

15. As JPMC Bank, NA's contracts for services with the State of Connecticut exceed \$50,000 the Commission concludes that JPMC Bank, NA's contracts are and were, at all times relevant hereto were state contracts as defined by General Statutes § 9-612 (f) (1) (C).

16. The Commission further concludes that JPMC Bank, NA is and was, at all times relevant hereto, an executive branch state contractor as defined by General Statutes § 9-612 (f) (2) (D).

17. Furthermore, as a member of the board of directors of JPMC Bank, NA, Respondent is and was, at all times relevant hereto, a principal of that entity, and thus a principal of a state contractor pursuant to General Statutes § 9-612 (f) (1) (F).

18. Accordingly, the Commission concludes that when the Respondent made a personal contribution to the *Bob for Governor* committee on December 28, 2017, he was the principal of an executive branch state contractor and thus violated the state contractor contribution prohibitions detailed in General Statutes § 9-612 (f).

19. Pursuant to General Statutes § 9-612 (f) (2) (C),

If a state contractor or principal of a state contractor makes or solicits a contribution as prohibited under subparagraph (A) or (B) of this subdivision, as determined by the State Elections Enforcement Commission, the contracting state agency or quasi-public agency may, in the case of a state contract executed on or after February 8, 2007, void the existing contract with such contractor, and no state agency or quasi-public agency shall award the state contractor a state contract or an extension or an amendment to a state contract for one year after the election for which such contribution is made or solicited unless the commission determines that mitigating circumstances exist concerning such violation. No violation of the prohibitions contained in subparagraph (A) or (B) of this subdivision shall be deemed to have occurred if, and only if, the improper contribution is returned to the principal by the later of thirty days after receipt of such contribution by the recipient committee treasurer or the filing date that corresponds with the reporting period in which such contribution was made;

20. The Commission has held that, that pursuant to General Statutes § 9-612 (f), a separate "mitigating circumstances" analysis is not reached unless the Commission determines that a violation has occurred. Therefore, the Commission finds that the violations by Respondent of the state contractor contribution ban, as detailed herein, allows the Commission to determine whether *mitigating circumstances* exist concerning such violations pursuant to General Statutes § 9-612 (f) (2) (C). *In the Matter of a Complaint by Attorney Brendon M. Fox on Behalf of Joseph Dasilva, Danbury*, File No. 2015-179.

21. General Statutes § 9-612 (f) (2) (C) provides possible relief from the mandatory voiding of the existing state contracts and prohibition from the state contractor entering into future state contracts for one year after the election for which such contribution is made or solicited, if the Commission finds mitigating circumstances exist concerning the violation. If mitigating circumstances are found by the Commission, the contractual penalty is not automatic, but the awarding agency retains discretion to amend a contract or award a new contract. The agency may still void a contract at its discretion if a violation of § 9-612 (f) (2) (C) occurs, even if mitigating circumstances are found pursuant to that section. *See, In the Matter of a Complaint by Attorney Brendon M. Fox on Behalf of Joseph Dasilva, Danbury*, File No. 2015-179.

22. In determining whether circumstances are “mitigating,” the Commission deems it necessary to consider any circumstances pertaining to the contribution by Respondent, as well as how any contracts, agreements or pending bids or responses to between the Companies and the State would, although not excusing the conduct, tend to reduce or militate against the harm of pay-to-play and/or influence peddling the state contractor contribution ban is designed to prevent.
23. Specifically, the Commission has consistently and historically determined that, pursuant to General Statutes §9-612 (f), the state contractor ban is designed to eliminate the undue influence over the awarding of contracts that principals of state contractors who make contributions to candidate committees for statewide office and/or party committees could wield over those state actors awarding such contracts and to prevent the awarding of contracts in exchange for campaign contributions and various pay-to-play campaign finance schemes. See *In the Matter of a Complaint by Carla Squatrito, et al.*, File No. 2010-112; *In the Matter of a Complaint by Gerald T. Weiner, et al.*, File No. 2010-099; *In Re David Baxter, et al.*, File No. 2009-080; *In Re Charles Shivery*, File No. 2007-381; *In the Matter of Ronald Nault and Luchs Consulting Engineers, LLC*, File No. 2007-353; *In Re JCJ Architecture*, File 2008-120; *In Re Antinozzi Associates*, File No. 2014-009, *In the Matter of a Complaint by Curtis Robinson*, Plainville, File No. 2014-169; and, *In the Matter of a Complaint by Raymond Baldwin*, Trumbull, File No. 2015-009.
24. The Commission finds, after investigation, that there is a lack of evidence that the recipient of the prohibited contribution made by Respondent had any nexus with the awarding of contracts or contract amendments or the acceptance bid proposals by the Companies.
25. Additionally, and upon investigation, the Commission finds a lack of evidence that the contribution described in this Agreement were made in connection with any requests for or offers of assistance between the *Bob for Governor* and/or its agents and representatives and the Respondent pertaining to any contract or proposal to which the Companies were a party.
26. Pertaining to Respondent and his prohibited contribution detailed herein, the Commission determines that the following *mitigating circumstances* exist:
- (1) There was no discussion or agreement by or among Respondent, the representatives of recipient committee, and the State that Respondent might receive some favored treatment in exchange for the contribution that Respondent made after he became a state contractor or prospective state contractor.
 - (2) There was no discussion, agreement, or understanding that any of the parties or their agents would provide assistance to Respondent in his efforts to compete for awards of State contracts in exchange for the contribution to the recipient committee.
 - (3) The Companies have an extensive policy to prevent violations of pay-to-play laws across the country, and application of such policy caused this violation to be caught and reported.
 - (4) The Respondent self-reported this complaint after becoming aware of the potential violation.
27. The Commission determines after investigation that the policy behind General Statutes § 9-612 (f) to address “pay-to-play” and/or influence peddling schemes relating to campaign contributions and the awarding of state contracts was not circumvented under these narrow facts and circumstances and therefore allowing the Companies to continue their contractual relationships, obligations or bid proposals with the State of Connecticut does not compromise the state’s interests to insure integrity in its campaign financing system.
28. Accordingly, the Commission concludes pursuant to General Statutes § 9-612 (f) (2) (C) that mitigating circumstances existed pertaining to the violations found in connection with the contribution to *Bob for Governor* such that the Companies are not statutorily barred

from continuing, effectuating or otherwise implementing existing contracts, contractual obligations or being awarded contracts with State of Connecticut.

29. Respondent admits all jurisdictional facts and agrees that this Agreement and Order shall have the same force and effect as a final decision and Order entered after a full hearing and shall become final when adopted by the Commission. Respondent shall receive a copy hereof as provided in Section 9-7b-56 of the Regulations of Connecticut State Agencies.
30. It is understood and agreed that this agreement will be submitted to the Commission at its next meeting and, if it is not accepted by the Commission, it is withdrawn by the Respondents and may not be used by either party as an admission in any subsequent hearing, if the same becomes necessary.
31. Respondent waives:
 - a. any further procedural steps;
 - b. the requirement that the Commission's decision contain a statement of findings of fact and conclusions of law, separately stated; and,
 - c. all rights to seek judicial review or otherwise to challenge or contest the validity of the Order entered into pursuant to
this agreement.
32. Upon Respondent's compliance with the Order hereinafter stated, the Commission shall not initiate any further proceedings against Respondent pertaining to this matter, and this agreement and order does not serve as a prospective ban on future contracts between Respondent and state agencies.

ORDER

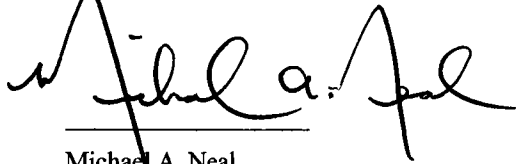
IT IS HEREBY ORDERED THAT Respondent shall henceforth strictly comply with the requirements of General Statutes § 9-612.

IT IS HEREBY FURTHER ORDERED THAT Respondent shall pay a civil penalty in the amount of one thousand five hundred dollars (\$1,500 .00).

The Respondent:

For the State of Connecticut:

By:



Michael A. Neal

c/o Ki Hong

Skadden, Arps, Slate, Meagher & Flom LLP

1440 New York Avenue, N.W.

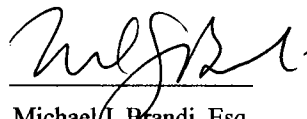
Commission

Washington, D.C. 20005-2111

Dated:

6/27/18

By:



Michael J. Brandi, Esq.,

Executive Director and General

Authorized Representative of the State

Elections Enforcement

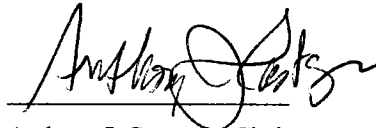
20 Trinity Street, Suite 101

Hartford, CT 06103

Dated:

7/2/18

Adopted this 18th day of July, 2018 at Hartford, Connecticut



Anthony J. Castagno, Chairman

By Order of the Commission