FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THIS IS THE BEGINNING OF MUR # 2823

DATE FILMED 11/1/89 CAMERA NO. 4

CAMERAMAN AS

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INHOFE
CONGRESS

HAND DELIVERED
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FEDERAL ELECTION COMMISSION
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OGC #709
88 OCT 20 PM 1:18
- Pre Mon 201

October 19, 1988

88 OCT 20 PM 3:52
RECEIVED
FEDERAL ELECTION COMMISSION

Mr. Noriega James
Federal Election Commission
Washington, D. C. 20463

Dear Mr. James:

I am writing to request a ruling regarding a loan that I made to my 1986 Congressional campaign. In 1986 I loaned a total of $45,000 in personal funds to the Friends of Jim Inhofe Committee. This was solely for campaign purposes and all such loans have been reported in all of our FEC reports.

On June 30, 1986 I made a personal loan to the Friends of Jim Inhofe Committee in the amount of $20,000 payable at a rate of 8 per cent interest. My campaign committee informed you of this in a letter dated August 12, 1986 (copy attached). This loan has been reported in all subsequent FEC reports.

After receiving the go ahead from my campaign manager and advisers I secured a personal loan from Mr. Ralph Abercrombie in the amount of $20,000 also on June 30, 1986 that was secured by 4,000 shares of stock as is indicated in the attached promissory note to Mr. Abercrombie. I used this money to loan to my campaign. This was done in good faith and in the belief that we were in full compliance with the law since my personal loan has appeared on all FEC reports. I have paid off this loan to Ralph Abercrombie in full.

It has come to my attention that there may be a question regarding this matter. I would appreciate your review of this matter and advice if any corrective action is necessary. I will fully abide by your ruling. Thank you for your consideration.

Sincerely,

James M. Inhofe
Member of Congress

Post Office Box 2585 Tulsa, Oklahoma 74105
Paid for by **Friends of Jim Inhofe.**

8 9 0 4 0 7 / 0 8 9 6

INHOFE
CONGRESS

August 12, 1986

Mr. Benjamin J. Guthrie, Clerk
U.S. House of Representatives
Washington, DC 20515-6601

RE: July Quarterly Report
ID: 120791

Dear Mr. Guthrie:

Please consider this letter an amendment to the July Quarterly Report (4/25/86 - 6/30/86) filed by Friends of Jim Inhofe.

The loan from the candidate was from personal funds.

Sincerely,

P 251 285 734
RECEIPT FOR CERTIFIED MAIL

Ralph L. Abercrombie
Campaign Treasurer

Mr. Benjamin J. Guthrie
Clerk, U.S. House of Reps.
Washington, DC 20515-6601

97

8904071089 7

Campaign Headquarters
Post Office Box 2585
5115 South Utica
Tulsa, Oklahoma 74105
918 742-4100

Robert E. Patterson
Campaign Chairman

Ralph Abercrombie
Finance Chairman

Mary Ellen M
Campaign Ma

Paid for by **Friends of Jim Inhofe.**

INHOFE
CONGRESS

August 12, 1986

Mr. Noriega E. James
Federal Election Commission
Washington, DC 20463

RE: July Quarter Report
Identification Number: C00207993

Dear Sir:

As per our telephone conversation, please consider this letter an amendment to the July Quarterly Report (4/25/86 - 6/30-86) filed by Friends of Jim Inhofe.

The loan from the candidate was from personal funds.

Sincerely,

Ralph L. Abercrombie
Campaign Treasurer

P 251 285 735
RECEIPT FOR CERTIFIED MAIL

Mr. Noriega James
FEDERAL ELECTION Comm.
WASHINGTON, DC 20463

97

Campaign Headquarters
Post Office Box 2585
5115 South Utica
Tulsa, Oklahoma 74105
918 742-4100

Robert E. Patterson
Campaign Chairman

Ralph Abercrombie
Finance Chairman

Mary Ellen M
Campaign Ma

Paid for by **Friends of Jim Inhofe.**

Form 026-074-1 Copyright 9/83 American Bank Systems, Inc.

PROMISSORY NOTE

MAKER(S) NAME AND ADDRESS	DATE OF NOTE	MATURITY DATE	NOTE NUMBER	AMOUNT OF NOTE
James M. Inhofe P. O. Box 2749 Tulsa, Oklahoma 74101	6-30-86	Six months after date	--	$20,000.00
	☐ NEW LOAN ☐ RENEWAL OF NO	INTEREST RATE PER ANNUM With Interest @ 8%		INTEREST PAYABLE at maturity
	COLLATERAL CATEGORIES Secured by 4000 Shares National Royalty Corp.			OFFICER

PAYMENT TERMS

FOR VALUE RECEIVED, the undersigned Maker(s) and all other parties hereto, sometimes herein referred to collectively as Maker, agree to the terms of this Note and promise to pay to order of *Lender named herein the Amount of Note together with interest as set forth above. Payment of the Amount of Note and interest thereon shall be made according to the terms and at the time or times stated herein, and any amount not paid when due shall bear interest until paid at a rate 6% per annum greater than the per annum interest rate set forth above, but in no event at a rate greater than permitted by law.

ALL PARTIES PRINCIPALS. All parties liable for payment hereunder shall each be regarded as a principal and each party agrees that any party hereto with approval of holder and without notice to other parties may from time to time renew this Note or consent to one or more extensions or deferrals of Maturity Date for any term or terms, and all parties shall be liable in same manner as on original note. All parties liable for payment hereunder waive presentment, notice of dishonor and protest and consent to partial payments, substitutions or release of collateral and to addition or release of any party or guarantor.

ADVANCES AND PAYMENTS. It is agreed that the sum of all advances under this Note may exceed the Amount of Note as shown above, but the unpaid balance shall never exceed said Amount of Note. Advances and payments on Note shall be recorded on records of *Lender and such records shall be prima facie evidence of such advances, payments and unpaid principal balance. Subsequent advances and the procedures described herein shall not be construed or interpreted as granting a continuing line of credit for Amount of Note. Lender shall have the right in its sole discretion to apply any payment by Maker, or for account of Maker, to this note or any other obligation of Maker to *Lender.

COLLATERAL. This Note and all other obligations of Maker to *Lender, and all renewals or extensions thereof, are secured by the categories of collateral indicated above and by all other security interests heretofore or hereafter granted to *Lender as more specifically described in Security Agreements and other securing documentation.

ACCELERATION. At option of holder, the unpaid balance of this Note and all other obligations of Maker to holder, whether direct or indirect, absolute or contingent, now existing or hereafter arising, shall become immediately due and payable without notice or demand upon the occurrence or existence of any of following events or conditions: (a) Any payment required by this Note or by any other note or obligation of Maker to holder or to others is not made when due or the occurrence or existence of any event which results in acceleration of the maturity of any obligation of Maker to holder or to others under any promissory note, agreement or undertaking; (b) Maker defaults in performance of any covenant, obligation, warranty or provision contained in any loan agreement or in any instrument or document securing or relating to this Note or any other note or obligation of Maker to holder or to others; (c) Any warranty, representation, financial information or statement made or furnished to Lender by or in behalf of Maker proves to have been false in any material respect when made or furnished; (d) The making of any levy against or seizure, garnishment or attachment of any collateral; (e) Any time *Lender in its sole discretion believes prospect of payment of this Note is impaired; (f) When in judgment of *Lender the collateral, if any, becomes unsatisfactory or insufficient either in character or value, and upon request, Maker fails to provide additional collateral as required by *Lender; (g) Loss, theft, substantial damage or destruction of collateral, if any; (h) Death, dissolution, or termination of existence of any Maker; or (i) Appointment of a receiver over any part of the property of any Maker, the assignment of property by any Maker for the benefit of creditors, or the commencement of any proceedings under any bankruptcy or insolvency laws by or against any party liable, directly or indirectly, hereunder.

WAIVERS. No waiver by holder of any payment or other right under this Note or any related agreement or documentation shall operate as a waiver of any other payment or right.

COLLECTION COSTS. All parties liable for payment hereunder agree to pay reasonable costs of collection, including an attorney's fee of 15% of all sums due upon default.

RIGHT OF OFFSET. Any indebtedness due from holder hereof to Maker or any party hereto including, but without limitation, any deposits or credit balances due from holder, is pledged to secure payment of this Note and any other obligation to holder of Maker or any party hereto, and may at any time while the whole or any part of such obligation remains unpaid, either before or after Maturity hereof, be appropriated, held or applied toward the payment of this Note or any other obligation to holder of Maker or any party hereto.

~~THE SOUTH NATIONAL BANK OF TULSA~~
~~[illegible]~~

James M. Inhofe

*Where the name "Lender" appears herein, such name shall be considered to be the Payee, Ralph L. Abercrombie.

SCHEDULE C
(Revised 3/80)

LOANS

(Loans Made or Guaranteed by the Candidate)

Page 1 of 2 for LINE NUMBER 10
(Use separate schedules for each numbered line)

Name of Committee (in Full)
Friends of Jim Inhofe C00207993

A. Full Name, Mailing Address and ZIP Code of Loan Source	Original Amount of Loan	Cumulative Payment To Date	Balance Outstanding at Close of This Period
Jim Inhofe 2139 East 32nd Street Tulsa, Oklahoma 74105 Election: ☒ Primary ☐ General ☐ Other (specify):	20,000.00	0.00	20,000.00

Terms: Date Incurred 6/30/86 Date Due On Demand Interest Rate 8 %(apr) ☐ Secured

List All Endorsers or Guarantors (if any) to Item A

1. Full Name, Mailing Address and ZIP Code NONE	Name of Employer Occupation Amount Guaranteed Outstanding: $	
2. Full Name, Mailing Address and ZIP Code	Name of Employer Occupation Amount Guaranteed Outstanding: $	
3. Full Name, Mailing Address and ZIP Code	Name of Employer Occupation Amount Guaranteed Outstanding: $	

B. Full Name, Mailing Address and ZIP Code of Loan Source	Original Amount of Loan	Cumulative Payment To Date	Balance Outstanding at Close of This Period
Jim Inhofe 2139 East 32nd Street Tulsa, Oklahoma 74105 Election: ☒ Primary ☐ General ☐ Other (specify):	16,000.00	500.00	15,500.00

Terms: Date Incurred 7/31/86 Date Due On demand Interest Rate 0 %(apr) ☐ Secured

List All Endorsers or Guarantors (if any) to Item B

1. Full Name, Mailing Address and ZIP Code NONE	Name of Employer Occupation Amount Guaranteed Outstanding: $	
2. Full Name, Mailing Address and ZIP Code	Name of Employer Occupation Amount Guaranteed Outstanding: $	
3. Full Name, Mailing Address and ZIP Code	Name of Employer Occupation Amount Guaranteed Outstanding: $	

SUBTOTALS This Period This Page (optional)	35,500.00
TOTALS This Period (last page in this line only)	

Carry outstanding balance only to LINE 3, Schedule D, for this line. If no Schedule D, carry forward to appropriate line of Summary.

8 7 0 4 0 7 / 0 2 2 0

OGC 762

DEMOCRATIC PARTY OF OKLAHOMA

429 N.E. 50th Street, Suite 100
Oklahoma City, OK 73105
(405) 524-1400

RECEIVED FEDERAL ELECTION COMMISSION
88 OCT 25 PM 1:45

MUR 2742

BILL BULLARD
State Chair

BETTY McELDERRY
State Co-Chair

NANCE DIAMOND
State Secretary-Treasurer

GEORGE KRUMME
National Committee Member

SENATOR VICKI MILES-LaGRANGE
National Committee Member

RECEIVED FEDERAL ELECTION COMMISSION
88 OCT 25 AM 10:5
HAND DELIVERED

October 24, 1988

Federal Election Commission
999 East Street, N.W.
Washington, D.C. 20463

Dear Commissioners:

The Oklahoma State Democratic Party (the "State Party") files this complaint charging violations of the Federal Election Campaign Act of 1971, as amended ("FECA" or the "Act"), 2 U.S.C. §§431 et seq., and related regulations of the Federal Election Commission ("FEC"), 11 C.F.R. §§100.1 et seq., by Congressman Jim Inhofe, his principal campaign committee, and Ralph Abercrombie, Treasurer of the Principal Campaign Committee (hereinafter referred to collectively as "Respondents"), in his individual capacity.

Respondents have violated the Act by making and accepting an excessive contribution in connection with the 1986 campaign of Mr. Inhofe for the United States Congress. Mr. Abercrombie loaned $20,000 of his personal funds to Mr. Inhofe which Mr. Inhofe subsequently loaned to his principal campaign committee.

In an article in the Tulsa Tribune dated October 19, 1988, Mr. Inhofe states that during the 1986 campaign he borrowed the $20,000 from his campaign treasurer in his personal capacity. He then loaned the funds to his campaign committee. The article quotes Mr. Inhofe as stating that "I borrowed the money because I wasn't a wealthy enough person to loan" his personal funds to his campaign.

Except for certain exceptions not relevant here, under the Federal Election Campaign Act, a loan made for the purpose of influencing a federal election is a contribution, subject to the

contribution limits. 2 U.S.C. §431(8)(A)(i); 11 C.F.R. §100.7(a)(1). FEC regulations specifically provide that "a loan which exceeds the contribution limitations of 2 U.S.C. §441a and 11 C.F.R. Part 110 shall be unlawful whether or not it is repaid." 11 C.F.R. §100.7(a)(1)(i)(A). Contributions by an individual to a candidate for the United States Congress are limited to $1,000 per election. 2 U.S.C. §441a(a)(1)(A); 11 C.F.R. §110.1(b)(1).

The loan to Mr. Inhoffe was far in excess of this limitation. Furthermore, Mr. Inhofe was apparently advised prior to obtaining the loan that such a loan was illegal. (See attached article from the Tulsa Tribune dated October 20, 1988).

Any argument that Mr. Inhofe had sufficient assets to, in effect, "guarantee" the loan is unavailing. The existence of collateral or security to cover the loan does not remove the violation. The contribution limits apply to any loan from an individual except one from the personal funds of the candidate. The term "personal funds" is defined to include only those assets to which the candidate had legal right of access or control over at the time he became a candidate. 11 C.F.R. §110.10. By his own admission, Mr. Inhofe sought the loan from his campaign treasurer because he, the candidate, did not have sufficient funds to loan to his campaign. That he had assets he could have liquidated makes no difference.

This is a clear case of a violation of the contribution limits through the making and accepting of an excessive loan in connection with a federal election. Mr. Inhofe has admitted that the funds were borrowed specifically to aid his primary election campaign. The funds were borrowed from an individual. The loan totaled $20,000, far in excess of the $1,000 primary election limit. The loan has apparently only recently been repaid. Mr. Inhofe was apparently advised that the loan was illegal. Even if it has been repaid, the fact that it was made at all remains a violation.

Respondents have further violated the FECA by improperly disclosing the loan. Any report of a loan obtained by the candidate personally, and subsequently loaned to the candidate's campaign, must disclose the original source of the loan. In this case, Mr. Inhofe's campaign reports do not reveal Mr. Abercrombie as the true source of the funds loaned to the campaign. In fact, if newspaper accounts are accurate, Mr. Inhofe chose to ignore opportunities to provide the FEC with accurate information.

I have attached for your reference a series of newspaper accounts which describe in more detail the particulars of Mr. Inhofe's actions.

On the basis of the foregoing, The Oklahoma State Democratic Party requests that the FEC:

1. Conduct a prompt and immediate investigation of the facts stated in this complaint;

2. Impose any and all penalties grounded in the violations alleged in this complaint.

Respectfully submitted,

William J. Bullard

WILLIAM J. BULLARD, Chairman
State Democratic Party

SUBSCRIBED AND SWORN TO BEFORE ME
this 24th day of October, 1988.

Glenys M. Cullen
Notary Public

My Commission expires:

8-11-89

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Inhofe hunts '86 campaign loan data

By GRANT WILLIAMS
Tribune Writer

U.S. Rep. Jim Inhofe today searched for records he said show he properly obtained a personal loan of $20,000 from his campaign treasurer Ralph Abercrombie in 1986.

Inhofe, R-1st District, acknowledged that he later lent that money to his own campaign two years ago.

Although Fred Eiland, spokesman for the Federal Election Commission, declined to comment on the legality of Inhofe's transaction, he said federal law generally forbids a candidate to personally borrow more than $1,000 from one individual with the intent of lending that money to his own campaign.

In 1986 the FEC wrote the Inhofe campaign asking for more details on the loan.

Inhofe said today a copy of his response was missing from his office files.

Rick Shelby, the congressman's political consultant in Washington, was dispatched to FEC headquarters to find a copy there.

Inhofe stressed he does not think he violated any laws.

"I checked this very carefully with people who know the federal election law to be sure that I (wasn't) doing anything improper," Inhofe said, "because I don't do things that are improper."

Inhofe said the people he asked for counsel about the loan were former campaign manager Mary Ellen Miller and an adviser, Art Rubin.

Eiland said the matter could be reviewed by the six members of the FEC if a complaint is received.

The commission now averages about seven and a half months to complete a review of a complaint, a process that can include an investigation and hearing, Eiland said.

Penalties for violations can include fines, Eiland said.

The Tulsa Tribune asked Inhofe about the loan after it obtained a copy of a letter from an Inhofe aide to Abercrombie, dated in August of 1987, that referred to a payment to Abercrombie.

In the letter, Inhofe's office notes that Abercrombie had received $12,000 "taken from the 1986 campaign money through a payment to Jim (Inhofe), designated for payment to you."

Inhofe confirmed that the $12,000 was paid.

Inhofe has listed his personal debt to Abercrombie in two annual financial disclosure reports submitted to the U.S. House of Representatives.

The House documents indicate that the Abercrombie loan was an amount between $15,001 and $50,000 in 1986 and had decreased in 1987 to between $5,001 and $15,000.

Inhofe said he still owes Aber-

See LOAN, page 4A

TULSA TRIBUNE WED. 10/19/88 P. 1A

Loan

From page 1A

crombie about $5,000.

Abercrombie served as finance chairman of the Inhofe campaign in 1986. In 1978 Abercrombie was appointed by Inhofe, then mayor of Tulsa, to serve on the board of the Tulsa Airport Authority.

Abercrombie could not be reached for comment.

FEC reports filed by the Inhofe campaign show Abercrombie and his wife each contributed $1,000 — the maximum amount permitted under law — to the campaign in 1986.

Inhofe said he currently is owed $25,500 by his campaign organization.

Inhofe said he borrowed from Abercrombie during the Republican primary in 1986 because his campaign was being "outspent about 7-to-1" by his opponents.

FEC documents filed by his campaign show that Inhofe lent his campaign a total of $43,000 between June 30, 1986, and Aug. 6, 1986.

Inhofe lent his campaign another $2,000 on April 7, 1987, according to FEC reports.

Inhofe said the total $45,000 consisted of loans from Abercrombie and an amount from his personal assets he could not recall.

Inhofe said he was hard-pressed for campaign funds during the primary campaign of 1986.

His Quaker Life Insurance Co. went into receivership on Aug. 6, 1986.

Inhofe said he thought his campaign needed an infusion of cash because his opponents had raised more money.

The Tribune reported on July 26, 1986, that Inhofe had received total contributions of $23,865 by the end of June.

Primary opponent Bill Calvert, a Tulsa businessman, had raised about $311,000 by that date.

In the primary election on Aug. 26, 1986, Inhofe won 54 percent of the vote in defeating Calvert and Joan Hastings, Tulsa County clerk.

"I borrowed money because I wasn't a wealthy enough person to loan" enough to his own campaign, Inhofe said.

Inhofe said he went to Abercrombie and said, "'Ralph, I need to borrow a little bit of money because I do have to — I want to loan the campaign some money.'

"And I borrowed money structured on a note where he's getting interest — he's glad to do it — and it could have been anybody else, it just happened to be Ralph," Inhofe said.

Inhofe said he now believes the borrowed money was not needed.

"In retrospect, I won by a large enough margin that it wasn't necessary," he said.

"At that time, I wanted to get an advertising budget. I wanted to get some of those things on."

Tulsa Tribune Thursday, October 20, 1988 Pg 1-A

Ex-aide says Inhofe given loan warning

By GRANT WILLIAMS
Tribune Writer

A former campaign manager to U.S. Rep. Jim Inhofe says she told him in 1986 not to personally borrow $20,000 from his campaign treasurer to lend to his campaign.

"I did not advise him to do that," said Mary Ellen Miller, a nationally known political consultant from Owasso. "I know better than that."

Inhofe on Wednesday asked the Federal Election Commission to rule on the propriety of the loan he obtained in 1986 from his campaign treasurer, Ralph Abercrombie.

In a letter to the FEC, Inhofe said, "After receiving the go-ahead from my campaign manager and advisers, I secured a personal loan from Mr. Ralph Abercrombie in the amount of $20,000."

Federal election law generally forbids a candidate to personally borrow more than $1,000 from one individual with the intent of lending that money to his own campaign, said Fred Eiland, a spokesman for the FEC.

Inhofe said three hours after releasing that letter that he did not specifically remember discussing with Miller or others on his staff the possibility of obtaining a personal loan for campaign purposes.

He said he has assumed Miller and other staff members of his campaign knew of the loan.

Inhofe said the reference to his campaign manager in his letter to the FEC did not refer to Miller but to other members of his senior staff who he assumed knew of the loan.

Miller said Inhofe called her Wednesday to ask if she remembered giving him advice two years ago to obtain the loan.

"I said, 'Absolutely not;' I told him that he could not."

Inhofe said today he could not find records that he earlier had expected would clear up the matter.

Miller said after she gave Inhofe the advice on the loan, personal money came into the campaign account.

She said when she and Inhofe had discussed the loan, he indicated he might sell one of his airplanes to raise money.

Miller said she assumed the injection of money had come from the sale. Inhofe said today he decided not to sell a plane.

In 1986, the FEC wrote the Inhofe campaign asking for more details on the loan.

Richard Soudriette, aide to Inhofe, said today that Inhofe thought the campaign had replied to the FEC in 1986 and that Inhofe sought that document Wednesday.

But Soudriette said the cam-

See LOAN, page 4A

Loan

From page 1A

paign apparently had failed to respond. A search of Inhofe's office records and FEC documents in Washington failed to turn up a copy, Soudriette said.

He said the FEC apparently did not make further requests for information.

In his request today, Inhofe told the FEC, "This was done in good faith and in the belief that we were in full compliance with the law."

Inhofe said he used personal money Wednesday to pay Abercrombie the remaining $7,000 loan balance.

Inhofe said he hopes the FEC quickly will move on a ruling. Eiland said the agency could notify a candidate making such a request of its stance in from two months to several months, depending on how the commission proceeds.

The Tulsa Tribune asked Inhofe about the loan Tuesday after it obtained a copy of a letter from an Inhofe aide to Abercrombie, dated in August 1987 that referred to a payment to Abercrombie.

In the letter, Inhofe's office notes that Abercrombie had received $12,000 "taken from the 1986 campaign money through a payment to Jim (Inhofe), designated for payment to you."

Inhofe confirmed that the $12,000 was paid.

Inhofe has listed in FEC reports over a two-year period that he had made a personal loan to the campaign.

Inhofe has disclosed his personal debt to Abercrombie in two annual financial disclosure reports submitted to the U.S. House of Representatives.

Abercrombie could not be reached for comment.

Inhofe said he borrowed from Abercrombie during the Republican primary in 1986 because his campaign was being "outspent about 7-to-1" by his opponents.

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City/State

The Tulsa Tribune
FRIDAY, OCTOBER 21, 1988

Inhofe contradicts FEC filing

By GRANT WILLIAMS
Tribune Writer

Two years ago, Jim Inhofe was running for Congress and out of money.

That's when his trouble began.

Inhofe acknowledged this week that on June 30, 1986, he lurched to his long-time friend and campaign treasurer, Ralph Abercrombie, for a $20,000 personal loan.

The same day he lent the same money to his own cash-poor campaign.

"I borrowed money because I wasn't a wealthy enough person to loan" enough to his own campaign, Inhofe said this week.

Today, Bill Ballard, chairman of the state Democratic Party, announced he will file a complaint about the loan with the Federal Election Commission.

The law generally forbids a candidate to personally borrow more than $1,000 from one individual with the intent of lending that money to his own campaign, according to federal election officials.

Ballard said, "There is absolutely no question that Jim Inhofe knowingly and intentionally violated federal election laws."

Inhofe has denied that.

He has asked the FEC to rule quickly on the propriety of the loan, which he said he has fully repaid this week with personal funds.

This week Inhofe has given varying accounts of how he came to borrow — and then lend — the money.

Tuesday afternoon, Inhofe said that two years ago he "checked this very carefully with people who know the federal election law to be sure that I (wasn't) doing anything improper because I don't do things that are improper."

On Wednesday morning, Inhofe said he had sought counsel before the transaction from then-campaign manager Mary Ellen Miller and an unofficial adviser, attorney Art Rubin.

"These are the two who I just bounce everything off because they are two pros, and I'm not," Inhofe said.

The same day, he said he had reached Miller, who he said told him, "I'll just have to try to remember and call you" later.

Later Wednesday, Inhofe made his written request for a ruling from the FEC, telling the commission he made the loan "after receiving the go-ahead from my campaign manager and advisers."

On Thursday morning, Inhofe said he had spoken with Rubin. "He does not recall anything," Inhofe said.

Miller, a nationally-known political consultant from Owasso, told The Tulsa Tribune later Thursday morning that she repeated to him Wednesday over the phone what she had advised him two years ago. Not to make the transaction with Abercrombie.

"I know better than that," Miller said.

Inhofe, told about Miller's statements, then said he did not recall specifically getting clearance from her before making

See INHOFE, page 3C

Inhofe

From page 1C

the loan.

He said he assumed Miller and other key staff members, including Allen Parker, who served as assistant campaign treasurer in 1986, knew of the loan.

Today, Parker said he did not know that Inhofe had lent funds borrowed from Abercrombie to the campaign.

The FEC now will examine the campaign's financial records that covers over the past two years.

In July 1986, Inhofe's campaign reported that Inhofe had lent the $20,000.

In August 1986, the FEC wrote the Inhofe campaign asking for the source of the money.

Inhofe responded that he had borrowed from Ralph Abercrombie.

If the candidate borrowed any other source, Inhofe provide the name of the lender, letter to the FEC.

Now, the FEC said, if the loan was from personal funds, Inhofe acknowledge that fact, the FEC letter said.

In a return letter to the FEC, dated a few days later, Abercrombie reported that the loan came from Inhofe's personal funds.

Inhofe explained today that he considered the $20,000 to be from his personal funds before it was transferred to his campaign.

Fred Eiland, a spokesman for the FEC, said he could not comment about the case. From public records, it appears the FEC accepted the Abercrombie letter as an answer to its questions and dropped the matter.

Ironically, Inhofe said this week he now believes his campaign did not need the borrowed money.

The loan was made during the 1986 primary campaign, and Inhofe went to victory over two opponents with 74 percent of the vote.

"In retrospect, I won by a large enough margin that it wasn't necessary," he said.

"At the time, I wanted to get an advertising budget."

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 27, 1988

The Honorable James [illegible] Inhofe
PO Box 2585
Tulsa, OK 74102

Re: Pre-MUR 201

Dear Mr. Inhofe:

This is to acknowledge receipt of your letter dated October 19, 1988, pertaining to loans you made to the Friends Of Jim Inhofe Committee. You will be notified as soon as the Federal Election Commission takes action on your submission.

[illegible]

[illegible]

[illegible]

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HAND DELIVERED

06C1767

RECEIVED
FEDERAL ELECTION COMMISSION
MAIL ROOM

89 FEB -7 PM 12:19

88 OCT 31 AM 10:18

/ Pre Mon 201

HAND DELIVERED

FRIENDS OF JIM INHOFE
P. O. Box 2582
Tulsa, Oklahoma 74101

October 28, 1988

20791

1988 OCT 31 PM 2:39

Mr. Noreiga James
Federal Election Commission
Washington, DC 20463

Dear Mr. James:

This is a follow up to my letter of October 19, 1988, regarding my personal loan of $20,000 to the Friends of Jim Inhofe Committee that was made on June 30, 1988.

In my request for an FEC ruling, I also briefly outlined a financial transaction with Mr. Ralph Abercrombie for $20,000 that was secured by 4,000 shares of National Royalty Corporation stock. You have received a copy of the promissory note and the check from Mr. Abercrombie to me in the amount of $20,000.

I have attached additional documentation regarding this transaction. Enclosed is a copy of a stock certificate for 4,000 shares of National Royalty Corporation stock that is an OTC listed, publicly traded stock, which at the time of the transaction was worth $20,000 and that was freely tradable.

I have also enclosed a copy of an "Assignment Separate from Certificate" which is a document that is customarily used by stockbrokers and corporate agents to transfer title to corporate stock. This was signed by me in blank and witnessed by Eleanor Womack, Mr. Abercrombie's secretary, so as to give Mr. Abercrombie complete latitude as to the disposition of the stock. It was my intent that Mr. Abercrombie have absolute discretion as to the disposition of that stock.

In exchange for these documents and the stock, I received $20,000 from Mr. Abercrombie that I truly believed constituted my own personal funds. I then made a personal loan to my campaign on June 30, 1986, in the amount of $20,000. I did so in the belief that it was correct and fully in accordance with FEC laws and regulations. For that reason, I fully disclosed the transaction in my financial disclosure documents to the United States House of Representatives in 1987 and 1988.

I hope this additional documentation will be helpful to the FEC during its deliberations regarding my request.

Thank you.

Sincerely,

JAMES M. INHOFE
Member of Congress

JMI/lh

enclosure

JIM INHOFE

June 30, 1986

Mr. Ralph Abercrombie
Chapman Exploration
404 Cities Service Bldg.
Tulsa, OK 74119

Dear Ralph:

Attached hereto are stock certificates of 4,000 shares of National Royalty, which is hereby pledged to you to secure the payment of that note dated June 30, 1986, due six months after this date in the original sum of $20,000, with interest at 8 per cent per annum payable at maturity to you as payee.

Sincerely,

James M. Inhofe

JMI/lh

P. O. Box 2555 ★ Tulsa, Oklahoma 74101

JIM INHOFE

June 30, 1986

Mr. Larry Houchin
Houchin, Adamson & Co.
111 W. 5th, Suite 608
Tulsa, OK 74103

Dear Larry:

You are hereby instructed this date to deliver to Mr. Ralph Abercrombie, 404 Cities Service Bldg, Tulsa, Oklahoma, shares of stock I have pledged to him to secure a note this date.

The stock to be delivered is 4,000 shares of National Royalty Corp. owned by me personally and kept in your firm.

Very sincerely,

James M. Inhofe

JMI/lh

P O Box 2585 ★ Tulsa, Oklahoma 74101

Paid For By Friends of Jim Inhofe

Form 02 0743) © Copyright 9/83 American Bank Systems, Inc

PROMISSORY NOTE

MAKER(S) NAME AND ADDRESS	DATE OF NOTE	MATURITY DATE	NOTE NUMBER	AMOUNT OF NOTE
James M. Inhofe P. O. Box 2749 Tulsa, Oklahoma 74101	6-30-86	Six months after date	--	$20,000.00
	☐ NEW LOAN ☐ RENEWAL OF NO.	INTEREST RATE PER ANNUM With Interest @ 8%		INTEREST PAYABLE at maturity
	COLLATERAL CATEGORIES Secured by 4000 Shares National Royalty Corp.			OFFICER

PAYMENT TERMS

FOR VALUE RECEIVED, the undersigned Maker(s) and all other parties hereto, sometimes herein referred to collectively as Maker, agree to the terms of this Note and promise to pay to order of Lender named herein the Amount of Note together with interest as set forth above. Payment of the Amount of Note and interest thereon shall be made according to the terms and at the time or times stated herein, and any amount not paid when due shall bear interest until paid at a rate 6% per annum greater than the per annum interest rate set forth above, but in no event at a rate greater than permitted by law.

ALL PARTIES PRINCIPALS. All parties liable for payment hereunder shall each be regarded as a principal and each party agrees that any party hereto with approval of holder and without notice to other parties may from time to time renew this Note or consent to one or more extensions or deferrals of Maturity Date for any term or terms, and all parties shall be liable in same manner as on original note. All parties liable for payment hereunder waive presentment, notice of dishonor and protest and consent to partial payments, substitutions or release of collateral and to addition or release of any party or guarantor.

ADVANCES AND PAYMENTS. It is agreed that the sum of all advances under this Note may exceed the Amount of Note as shown above, but the unpaid balance shall never exceed said Amount of Note. Advances and payments on Note shall be recorded on records of Lender and such records shall be prima facie evidence of such advances, payments and unpaid principal balance. Subsequent advances and the procedures described herein shall not be construed or interpreted as granting a continuing line of credit for Amount of Note. Lender shall have the right in its sole discretion to apply any payment by Maker, or for account of Maker, to this note or any other obligation of Maker to Lender.

COLLATERAL. This Note and all other obligations of Maker to Lender, and all renewals or extensions thereof, are secured by the categories of collateral indicated above and by all other security interests heretofore or hereafter granted to Lender as more specifically described in Security Agreements and other securing documentation.

ACCELERATION. At option of holder, the unpaid balance of this Note and all other obligations of Maker to holder, whether direct or indirect, absolute or contingent, now existing or hereafter arising, shall become immediately due and payable without notice or demand upon the occurrence or existence of any of following events or conditions: (a) Any payment required by this Note or by any other note or obligation of Maker to holder or to others is not made when due or the occurrence or existence of any event which results in acceleration of the maturity of any obligation of Maker to holder or to others under any promissory note, agreement or undertaking; (b) Maker defaults in performance of any covenant, obligation, warranty or provision contained in any loan agreement or in any instrument or document securing or relating to this Note or any other note or obligation of Maker to holder or to others; (c) Any warranty, representation, financial information or statement made or furnished to Lender by or in behalf of Maker proves to have been false in any material respect when made or furnished; (d) The making of any levy against or seizure, garnishment or attachment of any collateral. (e) Any time Lender in its sole discretion believes prospect of payment of this Note is impaired; (f) When in judgment of Lender the collateral, if any, becomes unsatisfactory or insufficient either in character or value, and upon request, Maker fails to provide additional collateral as required by Lender; (g) Loss, theft, substantial damage or destruction of collateral, if any; (h) Death, dissolution, or termination of existence of any Maker; or (i) Appointment of a receiver over any part of the property of any Maker, the assignment of property by any Maker for the benefit of creditors, or the commencement of any proceedings under any bankruptcy or insolvency laws by or against any party liable, directly or indirectly, hereunder.

WAIVERS. No waiver by holder of any payment or other right under this Note or any related agreement or documentation shall operate as a waiver of any other payment or right.

COLLECTION COSTS. All parties liable for payment hereunder agree to pay reasonable costs of collection, including an attorney's fee of 15% of all sums due upon default.

RIGHT OF OFFSET. Any indebtedness due from holder hereof to Maker or any party hereto including, but without limitation, any deposits or credit balances due from holder, is pledged to secure payment of this Note and any other obligation to holder of Maker or any party hereto, and may at any time while the whole or any part of such obligation remains unpaid, either before or after Maturity hereof, be appropriated, held or applied toward the payment of this Note or any other obligation to holder of Maker or any party hereto.

~~THE SOUTH NATIONAL BANK OF TULSA~~
~~[illegible] SOUTH BOULDER, TULSA, OKLAHOMA 74103~~

James M. Inhofe

*Where the name "Lender" appears herein, such name shall be considered to be the Payee, Ralph L. Abercrombie.

** AUTOMATED TRANSFER FANF) **
** AUTOMATED TRANSFER FANFOLD **
DTC - AUTO TRANSFER

17613

REQUEST FOR TRANSFER SUBMITTED BY

Southwest Securities, Inc. 779

711 MBANK BLDG. DALLAS, TEXAS 75201
(214) 651-1800
I.D. # 75-1382137

PART. NO.	PARTICIPANT NAME
779	SOUTHWEST SECURITIES, INC.

PLEASE TRANSFER THE ATTACHED SECURITIES AS SHOWN BELOW | ACT.

NATIONAL ROYALTY CORP

80

QUANTITY	DENOMINATIONS	#	TAXPAYER NO.	CUSIP NUMBER	CONTROL	PRESENTOR #	DATE
4,000	1 X 4000		443-36-1632	637430109			071886

TO BE REGISTERED IN THE NAME OF

JAMES INHOFE
BOX 2749
TULSA OK 74101

04T DEL NROC
438161201 07/17/86 99998

INCORPORATED UNDER THE
LAWS OF THE STATE OF OKLAHOMA

NUMBER

OX 11914

COMMON STOCK

OX 011914

NRC

NATIONAL ROYALTY CORPORATION

SHARES

4000

COMMON STOCK

CUSIP 637430 10 9

THIS CERTIFIES that JAMES INHOFE

*4000*******
4000****
4000**
****4000****
*****4000***

is the owner of **** FOUR THOUSAND ****

FULLY PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK OF THE PAR VALUE OF $0.01 PER SHARE OF

NATIONAL ROYALTY CORPORATION

transferable on the books of the Corporation in person or by attorney upon surrender of this Certificate properly endorsed. This Certificate is not valid unless countersigned by the Transfer Agent and registered by the Registrar.

WITNESS the facsimile seal of the Corporation and signatures of its duly authorized officers.

Dated: JUL 29, 1986

NATIONAL ROYALTY CORPORATION
CORPORATE SEAL
OKLAHOMA

Countersigned and Registered
THE FIRST NATIONAL BANK & TRUST COMPANY
OF OKLAHOMA CITY (OKLAHOMA CITY, OKLAHOMA)
Transfer Agent and Registrar

SECRETARY

PRESIDENT

By

Authorized Signature

Form 823—Burkhart Printing & Stationery Co., Tulsa, Okla.

ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED, ...

hereby sell, assign and transfer unto .....

..... (.....) Shares of the .....

Capital Stock of the .....

standing in ..... name on the books of said .....

..... represented by Certificate No. ..... herewith

and do hereby irrevocably constitute and appoint .....

..... attorney to transfer the said stock on the books of the

within named Company with full power of substitution in premises.

Dated .....

In presence of

Eleanor Womack

HAND DELIVERED

RECEIVED
FEDERAL ELECTION COMMISSION
88 NOV 16 AM 10:47

OGC#107

BERT C. MCELROY
ATTORNEY AT LAW

2520 MID-CONTINENT TOWER
TULSA, OKLAHOMA 74103

(918) 583-7766

November 15, 1988

Federal Election Commission
Office of General Counsel
Washington, D. C. 20463

Attention: Sandra Robinson

Re: MUR 2742

Gentlemen:

This will acknowledge receipt by Congressman James M. Inhofe, and by Russell D. Robinson, his campaign treasurer, of your letter, dated November 1, 1988, advising them of the complaint filed by William Bullard, Chairman of the Democratic Party of Oklahoma. This Complaint relates to a transaction which took place on June 30, 1986, involving funds loaned by Congressman Inhofe to his campaign committee.

Enclosed is a "Statement of Designation of Counsel", signed by the Congressman, and another signed by Mr. Robinson, by authority of which, this letter is submitted in response to the Complaint.

The matter addressed in the Complaint has been the subject of correspondence between your office and Congressman Inhofe since mid-1986. The Commission corresponded with the Congressman by its letter of August 5, 1986, which was answered by Mr. Ralph Abercrombie's letter of August 12, 1986 (both bearing your Identification Number C00207993). The reports submitted to the Commission have been supplemented by letters from Congressman Inhofe dated October 19, 1988 and October 28, 1988. The October 19th letter requested a ruling concerning the transaction in question and preceded the Bullard Complaint by five days. In essence, the response was filed before the Complaint.

The previous correspondence and disclosures are, therefore, incorporated by reference herein as the Congressman's, and his campaign committee's, responses to the Complaint. In reviewing all the documentation involved in the transaction, it appears, with the benefit of hindsight, that the transaction, without changing its actual substance, could

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have been structured to fully comply with the statutes and with FEC regulations.

The substance of the transaction was a complete delivery of stock, with all indicia of title and authority to reconvey, to Mr. Abercrombie, in exchange for payment to the Congressman of $20,000, the market value of the stock. It was the Congressman's intent to use the proceeds of the disposition of his own property to make a loan to his campaign. (In this regard, Congressman Inhofe does not recall specific conversations with his campaign manager concerning this particular transaction, but recalls being advised that FEC rules allowed him to contribute his personal funds -- or proceeds from the disposition of his personal property -- to his campaign. This is what he believed that he had done.) Such a transaction is in compliance with the spirit and intent of the law.

It may be argued, and has been, in the Complaint, that the transaction violated the letter of the statute and regulations in that it was couched in terms of a loan (albeit, one fully secured by liquid, negotiable collateral physically delivered to the lender).

For these reasons, it is the desire of Congressman Inhofe and his campaign committee to implement the procedure described in the attachment to your letter, and to request a "conciliation prior to finding of probable cause". The violation, if it existed, has been corrected by the above referenced correspondence and correction of reports. It is not the Congressman's desire to involve the Commission or its staff in a lengthy, expensive and unproductive investigation, when the facts are known and have long since been fully disclosed.

If further information is required in response to the Complaint, and prior to implementation of the "conciliation" procedure, please advise me. If not, I am available for the purpose of discussing a conciliated resolution of the matter.

Very truly yours,

Bert C. McElroy

Bert C. McElroy

BCM:jh
Enclosure

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STATEMENT OF DESIGNATION OF COUNSEL

MUR 2742

NAME OF COUNSEL: Bert C. McElroy

ADDRESS: 2520 Mid-Continent Tower
401 South Boston
Tulsa, Oklahoma 74103

TELEPHONE: (918) 583-7766

The above-named individual is hereby designated as my counsel and is authorized to receive any notifications and other communications from the Commission and to act on my behalf before the Commission.

November 10, 1988
Date

Signature

RESPONDENT'S NAME: Honorable James M. Inhofe

ADDRESS: U. S. House of Representatives
1017 Longworth House Office Building
Washington, D. C. 20515-3601

HOME PHONE:

BUSINESS PHONE: (202) 225-2211

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STATEMENT OF DESIGNATION OF COUNSEL

MUR 2742

NAME OF COUNSEL: Bert C. McElroy

ADDRESS: 2520 Mid-Continent Tower
401 South Boston
Tulsa, Oklahoma 74103

TELEPHONE: (918) 583-7766

The above-named individual is hereby designated as my counsel and is authorized to receive any notifications and other communications from the Commission and to act on my behalf before the Commission.

11/14/88
Date

Russell D. Robinson
Signature

RESPONDENT'S NAME: Russell D. Robinson

ADDRESS: Cross and Robinson
Resources Science Park
4606 East 67th St., Suite 400

HOME PHONE: Tulsa, Oklahoma 74136-3101

BUSINESS PHONE: (918) 492-8800

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OGC 1373

RECEIVED
FEDERAL ELECTION COMMISSION
MAIL ROOM

88 DEC 14 PM 3:15

HAND DELIVERED

BERT C. MCELROY
ATTORNEY AT LAW

2520 MID-CONTINENT TOWER
TULSA, OKLAHOMA 74103

(918) 583-7766

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December 12, 1988

Federal Election Commission
Office of General Counsel
Washington, D.C. 20463

Attention: Sandra Robinson

Re: MUR 2742

Gentlemen:

On November 29, 1988, Mr. Ralph Abercrombie was served with a copy of the complaint in the above referenced matter and with a copy of your letter of November 1, 1988, all of which had previously been served on Congressman James M. Inhofe and Mr. Russell Robinson, and to which I have previously responded on behalf of those two individuals.

Enclosed herewith is a Statement of Designation of Counsel properly executed by Mr. Abercrombie, by authority of which I am responding to the complaint on his behalf.

Mr. Abercrombie adopts the response which has heretofore been furnished on behalf of Congressman Inhofe and Mr. Robinson. However, additional facts pertinent to Mr. Abercrombie's actions should be added to that response.

At the time Mr. Abercrombie entered into the loan transaction with Rep. Inhofe, he was aware that Inhofe had recently experienced serious financial difficulties in connection with his business, that Inhofe had ongoing living expenses and business expenses and that he had children in college and other financial requirements. For these reasons, and as a long-time personal friend of Rep. Inhofe, Mr. Abercrombie agreed to make an unconditional, fully secured loan to Inhofe.

No requirement was attached to that loan, either written or oral, expressed or implied, that there should be any restriction on Rep. Inhofe's use of the proceeds or that it should be used to benefit the Congressional campaign. It was Mr. Abercrombie's intention that Rep. Inhofe be free to use

the money for any purpose he chose, whether personal, business or otherwise. It was a transaction that Mr. Abercrombie would have entered into entirely without regard to the existence of a Congressional campaign, and the money was intended and considered by Mr. Abercrombie to be personal funds of Rep. Inhofe.

Considering the spirit and purpose of the transaction, Mr. Abercrombie had no reason to believe that the transaction transgressed the technical requirements of Federal Election Laws, and he certainly had no intent to avoid or evade those requirements. The loan to Rep. Inhofe has been fully repaid, with interest, and the collateral has been redelivered to Congressman Inhofe. All the facts of the transaction have been fully and accurately reported to the Commission. Mr. Abercrombie submits that if there has been a violation of the statutes or regulations, which is not admitted, such violation has been fully corrected.

Mr. Abercrombie therefore joins with Congressman Inhofe and Mr. Robinson in requesting conciliation of this matter prior to a finding of probable cause. As indicated in my letter response of November 15, 1988, I remain available to furnish any further information which may be required and to confer with you regarding a conciliated resolution of this matter.

Very truly yours,

Bert C. McElroy

Bert C. McElroy

BCM:ms
Enclosure

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STATEMENT OF DESIGNATION OF COUNSEL

MUR 2742

NAME OF COUNSEL: Bert C. McElroy

ADDRESS: 2520 Mid-Continent Tower
Tulsa, Oklahoma 74103

TELEPHONE: (918) 583-7766

The above-named individual is hereby designated as my counsel and is authorized to receive any notifications and other communications from the Commission and to act on my behalf before the Commission.

December 12, 1988
Date

Signature

RESPONDENT'S NAME: Ralph L. Abercrombie

ADDRESS: Chapman Exploration, Inc.
6100 S. Yale Avenue, Suite 1816
Tulsa, Oklahoma 74136

HOME PHONE:

BUSINESS PHONE: (918) 496-7882

RECEIVED
FEDERAL ELECTION COMMISSION
89 FEB 16 AM 9:04
FEB 28 1989
SENSITIVE
EXECUTIVE SESSION

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

FIRST GENERAL COUNSEL'S REPORT[1]

Pre-MUR 201
MUR 2742
DATE COMPLAINT RECEIVED BY OGC:
October 25, 1988
DATE OF NOTIFICATION TO
RESPONDENTS: November 1, 1988
STAFF MEMBER: Sandra H.
Robinson

SOURCE OF PRE-MUR:	SUA SPONTE, Congressman Jim Inhofe
SOURCE OF COMPLAINT:	Filed by the Democratic Party of Oklahoma, William Bullard, Chairman
RESPONDENTS:	Friends of Jim Inhofe and Russell Robinson, as treasurer Congressman Jim Inhofe Ralph Abercrombie
RELEVANT STATUTES:	2 U.S.C. § 431(8)(A) 2 U.S.C. § 432(e)(2) 2 U.S.C. § 434(b)(2)(G) 2 U.S.C. § 434(b)(3)(E) 2 U.S.C. § 441a(a)(1)(A) 2 U.S.C. § 441a(f) 11 C.F.R. § 100.7(a)(1) 11 C.F.R. § 110.10
INTERNAL REPORTS CHECKED:	Disclosures Reports
FEDERAL AGENCIES CHECKED:	None

I. GENERATION OF MATTER

On October 20, 1988, Congressman Jim Inhofe notified the Federal Election Commission ("Commission") of circumstances surrounding a loan he made to his principal campaign committee,

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1. This report discusses both PRE-MUR 201 and MUR 2742. Both of these matters have the same set of facts and respondents. PRE-MUR 201 was filed by Congressman Inhofe on October 20, 1988, five days prior to receipt of the complaint in MUR 2742.

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Friends of Jim Inhofe ("the Committee") during his 1986 election campaign. Mr. Inhofe was a candidate for the U.S. House of Representatives for Oklahoma's First Congressional District in the 1986 election cycle. Mr. Inhofe won the 1986 general election with 55% of the vote. By a letter and attachments received at the Commission on October 31, 1988, Mr. Inhofe provided supplemental information about the subject loan.[2] Attachment I.

On October 25, 1988, the Democratic Party of Oklahoma, through its chairman, William Bullard, filed a complaint against the above named respondents. The subject of the complaint was the same circumstances of the loan at issue in Congressman Inhofe's notification, which was made to his campaign committee in 1986. The complaint alleged the making and receiving of an excessive contribution and improper reporting of the source of the loan. Attached to the complaint were copies of newspaper articles that discussed the circumstances of the loan.

A response to the complaint was received in the Office of General Counsel from Mr. Inhofe and the Committee, through counsel, on November 16, 1988. Attachment II. Both respondents requested pre-probable cause conciliation. A response was received in this Office on December 15, 1988, from the same

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2. This information was inadvertently placed on the public record. With the assistance of the Reports Analysis Division, this Office has had the information removed from the public record and obtained the original documents from the Clerk of the U.S. House of Representatives.

counsel, on behalf of Mr. Abercrombie.[3] Attachment III. He also requested pre-probable cause conciliation.

II. FACTUAL AND LEGAL ANALYSIS

A. The Law

The Federal Election Campaign Act of 1971, as amended ("the Act"), defines "contribution" to include loans made to the political committee. 2 U.S.C. § 431(8)(A). Commission regulations include a guarantee, endorsement, and any other form of security in the term "loan." Further, loans may not exceed the contribution limitations of Section 441a and those that do are unlawful, even if they are repaid. A loan is a contribution when it is made and remains such to the extent that it remains unpaid. To the extent that it is repaid, a loan is no longer a contribution. In addition, a loan is a contribution made by each endorser or guarantor of such loan, according to the portion of the total amount for which the endorser or guarantor is liable in a written agreement. Any repayment proportionately reduces the amount guaranteed or endorsed. Loans made to candidates in the ordinary course of business by federally insured lending institutions are not considered contributions by that institution. 11 C.F.R. § 100.7(a)(1).

The Act provides that where any loan is obtained by a candidate in connection with his or her campaign, the candidate

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3. Mr. Abercrombie's address was initially obtained from financial disclosure reports filed with the Commission by the Committee. The first notification of the complaint that was mailed to him was returned because he was no longer at that address. The FEC librarian assisted with locating a current address for Mr. Abercrombie and the notification was mailed to him at that address.

shall be considered to have obtained such loan as an agent of his or her authorized committee(s). 2 U.S.C. § 432(e)(2).

The Act limits the amount an individual can contribute to a candidate or an authorized political committee, with respect to any election for federal office, to an aggregate amount of $1,000. 2 U.S.C. § 441a(a)(1)(A).

The Act further prohibits a candidate or political committee from knowingly accepting any contribution or making any expenditure in violation of the provisions of Section 441a. In addition, no officer or employee of a political committee shall knowingly accept a contribution made for the benefit or use of a candidate, or knowingly make an expenditure on behalf of a candidate, in violation of any limitation imposed on contributions and expenditures under Section 441a. 2 U.S.C. § 441a(f).

The Act and regulations do not limit the amount that candidates for federal office may contribute to their own committees from personal funds. The term "personal funds" includes:

1. any assets to which, under applicable state law, the candidate had a legal right of access to, or control over, at the time of becoming a candidate; and with which the candidate had either legal and rightful title or an equitable interest;

2. salary and other earned income from bona fide employment; dividends and proceeds from the sale of the candidate's stocks or other investments; bequests to the candidate; income from trusts established before candidacy; income from trusts established by bequest after candidacy, of which the candidate is the beneficiary; gifts of a personal nature which had been customarily received prior to candidacy; proceeds from lotteries and similar legal games of chance; and

> 3. the candidate's portion of assets jointly owned with his or her spouse. The candidate's personal funds shall be that portion which is the candidate's share of the assets under the instrument(s) of conveyance or ownership. If no specific share is so indicated, the value of one-half of the property used shall be considered as personal funds of the candidate. 11 C.F.R. § 110.10.

An authorized committee must disclose, on reports filed with the Commission, the total amount of all loans made by or guaranteed by the candidate, as well as all other loans. 2 U.S.C. § 434(b)(2)(G). Disclosure reports must also identify each person who makes a loan to the reporting committee during the reporting period, together with the name of any endorser or guarantor of such loan, and the date and amount or value of such loan. 2 U.S.C. § 434(b)(3)(E).

B. Analysis

1. <u>Alleged Excessive Contribution</u>

On June 30, 1986, Mr. Inhofe borrowed $20,000 from his then campaign committee treasurer, Ralph L. Abercrombie.[4] A copy of the Promissory Note signed by Mr. Inhofe was attached to his initial letter that generated the Pre-MUR, and to the supplemental information submitted to the Commission. Attachment I(5). There were no other signatories on the Note, thus, it appears that there were no endorsers or guarantors for the loan. Although Mr. Abercrombie did not sign the Note, there is a typed revision on the form stating that "(w)here the name 'Lender' appears herein, such name shall be considered to be the Payee

---

4. On June 17, 1988, the Committee amended its Statement of Organization to identify Russell D. Robinson as treasurer.

Ralph L. Abercrombie."[5] The terms of the loan agreement required that the loan be repaid within six months at an interest rate of 8%.

The loan was secured with 4,000 shares of National Royalty Corporation stock. The supplemental information provided by Mr. Inhofe included, in addition to another copy of the Promissory Note, copies of letters that addressed the transfer of the stock to Mr. Abercrombie as security for the loan, the transfer request submitted by the security company, the stock certificate, and an Assignment Separate from Certificate. Attachment I(3)-(8). The stock certificate showed that Jim Inhofe was the owner of the 4000 shares of National Royalty Corporation stock. The stock did not appear to be jointly owned with any other person or entity. Attachment I(7).

The Assignment Separate from Certificate form bears the signatures of Mr. Inhofe and a witness. Attachment I(8). No other information is filled-in on the form. Mr. Inhofe stated in his cover letter that the form was left blank to allow Mr. Abercrombie "absolute discretion as to the disposition of that stock." Attachment I(1). Such action constitutes a blank endorsement and, in situations where delivery is for a limited purpose, such as the pledge in this instance, a security interest is established and the holder of the assignment instrument is

---

5. The Promissory Note appears to be a standard form used by a bank located in Tulsa, Oklahoma. All reference to the bank is crossed out. Apparently, Mr. Inhofe and Mr. Abercrombie used this form, which provided the language that confirmed their agreement, as a matter of convenience. There is no evidence that a bank was involved in the loan transaction.

considered an agent for the transferor. This practice is permitted under the Oklahoma Business Corporation Act and the Uniform Commercial Code. See Oklahoma Business Corporation Act, § 1054 and Uniform Commercial Code, § 8-308. See also, Fletcher's Cyclopedia Corporations, Volume 12, § 5480. The request for transfer form used by the security company shows that the stock was apparently transferred and was registered in the name of Jim Inhofe. The letters to Mr. Abercrombie and to the firm that held the stock specify that the stock was pledged to secure the $20,000 loan and was to be delivered to Mr. Abercrombie. Delivery of both the stock and the assignment form to Mr. Abercrombie would effectuate a valid transfer. Uniform Commercial Code, § 8-309. There is no evidence that such a transfer was not effective in this instance, therefore, the loan appears to have been secured as stated by respondents.

In his response to the complaint, which incorporated by reference the information provided in his letters of October 19 and October 28, 1988, Mr. Inhofe stated that the loan obtained from Mr. Abercrombie had been repaid in full. See Attachment I(5), Attachment II(1), and Memorandum to the Commission, Pre-MUR 201 - Complaint, dated October 26, 1988. In his response, Mr. Abercrombie also stated that the loan had been repaid in full. Attachment III(2). In the news articles attached to the complaint, it was reported that Mr. Inhofe stated that he repaid the loan to Mr. Abercrombie with funds from his campaign committee and with his personal funds. It is not known, however, whether such personal funds were solely those of Mr. Inhofe.

Further, the news article stated that the payments from the campaign committee funds were initially disbursed to Mr. Inhofe and then forwarded to Mr. Abercrombie. This Office has proposed interrogatories to Mr. Inhofe to determine the circumstances of the repayments to Mr. Abercrombie for the loan.

The complaint alleged that Mr. Inhofe had prior knowledge that obtaining the loan from Mr. Abercrombie would violate the Act. Newspaper articles attached to the complaint reported that Mr. Inhofe's 1986 campaign manager, Mary Ellen Miller, advised him prior to doing so, that he should not borrow the money from Mr. Abercrombie. See Memorandum to the Commission, MUR 2742 - Complaint, dated October 31, 1988. In his letter of October 19, 1988, Mr. Inhofe stated that "(a)fter receiving the go ahead from my campaign manager and advisers I secured a personal loan from Mr. Ralph Abercrombie..." In his response to the complaint in this matter, Mr. Inhofe's counsel stated that Mr. Inhofe "does not recall specific conversations with his campaign manager concerning its particular transaction, but recalls being advised that FEC rules allowed him to contribute his personal funds..." Attachment II(2).

The legislative history of the 1976 amendments to the Act discuss knowing and willful violations. Congressman Hays noted in his comments during the House debates on the Conference Report that the phrase "knowing and willful" referred to "actions taken with full knowledge of all of the facts and a recognition that the action is prohibited by law." 122 Cong. Rec. H3778 (daily ed. May 3, 1976). The House Report distinguished the phrase to

include "violations as to which the Commission has clear and convincing proof that the acts were committed with a knowledge of all the relevant facts and a recognition that the action is prohibited by law." H.R. Rep. No. 94-917, 94th Cong. 2d Sess. 3-4 (1976). Further, in Federal Election Commission v. John A. Dramesi for Congress Committee, 640 F.Sup. 985 (D.N.J. 1986), the Court noted that the knowing and willful standard requires knowledge that one is violating the law.

Because Mr. Inhofe was an active party to the loan agreement, he may have been knowledgeable of all the relevant facts that constituted the alleged violation at issue here. Reported statements by his 1986 campaign manager suggest that Mr. Inhofe also may have had knowledge that such action would violate the Act. However, such statements were not taken under oath or made in connection with an investigation to determine whether the Act had been violated. Further investigation is required to determine the extent of the alleged violation in this matter.

In his response to the complaint, Mr. Abercrombie, through counsel, stated that it was his intention to loan Mr. Inhofe the $20,000 for whatever purpose Mr. Inhofe chose to use it. According to Mr. Abercrombie, there were no restrictions on the use of the funds. Attachment III. The facts in this matter are clear, however, that Mr. Inhofe did use the $20,000 for his 1986 campaign. As such, Mr. Inhofe acted as an agent for his campaign committee and the loan was, in effect, a loan to that committee. 2 U.S.C. § 432(e). Further, at the time Mr. Inhofe gave the

borrowed funds to his campaign committee, Mr. Abercrombie was the treasurer of that committee. Thus, Mr. Abercrombie was fully aware of the purpose for which the loan was used.

Since a loan is a contribution when it is made and remains such until it is repaid, and the contribution limitations of Section 441a must not be exceeded, it appears that Mr. Abercrombie made a contribution to the Committee in excess of the limitation set at 2 U.S.C. § 441a(a)(1)(A). Further, it appears that the Committee and Mr. Inhofe accepted an excessive contribution from Mr. Abercrombie in violation of 2 U.S.C. § 441a(f).

Based on the foregoing, this Office recommends that the Commission open a Matter Under Review in Pre-MUR 201, merge Pre-MUR 201 with MUR 2742, find reason to believe Jim Inhofe, and Friends of Jim Inhofe and Russell D. Robinson, as treasurer, violated 2 U.S.C. § 441a(f), and find reason to believe Ralph Abercrombie violated 2 U.S.C. § 441a(a)(1)(A). This Office also recommends that the Commission decline, at this time, to enter into conciliation with Mr. Inhofe, the Committee and Ralph Abercrombie, prior to a finding of probable cause to believe, in order to investigate this matter. Finally, this Office recommends that the Commission approve the attached subpoena and order to Mary Ellen Miller, Mr. Inhofe's 1986 campaign manager; and the interrogatories and request for production of documents to Mr. Inhofe and the Committee.

2. Alleged Reporting Violation

The Committee disclosed the $20,000 loan as made from Mr. Inhofe's personal funds, designated for the primary election, in its 1986 July Quarterly Report. In its 1988 Post-General Report, the most recent report filed by the Committee to date, the loan is still disclosed as derived from Mr. Inhofe's personal funds, with a balance of $12,000 remaining to be repaid. As noted above, in accordance with the Act and Commission regulations, Mr. Inhofe must be viewed as an agent for his campaign committee in the circumstances of this matter. As such, the $20,000 loan was made to the Committee by Mr. Abercrombie. Thus, the Committee should have identified Mr. Abercrombie as the original source of the loan on a Schedule C in its 1986 July Quarterly Report and in subsequent reports filed during the period that the loan was outstanding to Mr. Abercrombie. See Advisory Opinion 1985-33. Therefore, this Office recommends that the Commission find reason to believe Friends of Jim Inhofe and Russell D. Robinson, as treasurer, violated 2 U.S.C. § 434(b).

III. RECOMMENDATIONS

1. Open a MUR in Pre-MUR 201 and merge with MUR 2742.

2. Find reason to believe Jim Inhofe, and Friends of Jim Inhofe and Russell D. Robinson, as treasurer, violated 2 U.S.C. § 441a(f).

3. Find reason to believe Ralph Abercrombie violated 2 U.S.C. § 441a(a)(1)(A).

4. Find reason to believe Friends of Jim Inhofe and Russell D. Robinson, as treasurer, violated 2 U.S.C. § 434(b).

5. Decline, at this time, to enter into conciliation with Jim Inhofe, Friends of Jim Inhofe and Russell D. Robinson, as treasurer, and Ralph Abercrombie, prior to a finding of probable cause to believe.

6. Approve the attached letters and Factual and Legal Analyses.

7. Approve the attached interrogatories and request for production of documents to Jim Inhofe.

8. Approve the attached letter, and subpoena and order to Mary Ellen Miller, as a nonrespondent witness.

Lawrence M. Noble
General Counsel

2/15/89
Date

BY: Lois G. Lerner
Associate General Counsel

Attachments
1. Supplemental Information to Pre-MUR 201.
2. Response to complaint from Mr. Inhofe and the Committee.
3. Response to complaint from Mr. Abercrombie.
4. Proposed letters and Factual and Legal Analyses (3).
5. Proposed interrogatories and request for production of documents to Mr. Inhofe.
6. Proposed letter and subpoena and order to Mary Ellen Miller.

Staff assigned: Sandra H. Robinson

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BEFORE THE FEDERAL ELECTION COMMISSION

(MUR 2823)

In the Matter of	)	
	)	
Friends of Jim Inhofe and Russell Robinson, as treasurer	)	Pre-MUR 201 and MUR 2742
	)	
Congressman Jim Inhofe	)	
	)	
Ralph Abercrombie	)	

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session of February 28, 1989, do hereby certify that the Commission took the following actions with respect to the above-captioned matters:

1. Failed on a vote of 2-2 to pass a motion to

   a) Open a MUR in Pre-MUR 201 and merge with MUR 2742.

   b) Find reason to believe Jim Inhofe, and Friends of Jim Inhofe and Russell D. Robinson, as treasurer, violated 2 U.S.C. § 441a(f).

   c) Find reason to believe Ralph Abercrombie violated 2 U.S.C. § 441a(a)(1)(A).

   d) Find reason to believe Friends of Jim Inhofe and Russell D. Robinson, as treasurer, violated 2 U.S.C. § 434(b).

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e) Decline, at this time, to enter into conciliation with Jim Inhofe, Friends of Jim Inhofe and Russell D. Robinson, as treasurer, and Ralph Abercrombie, prior to a finding of probable cause to believe.

f) Approve the letters and Factual and Legal Analyses attached to the General Counsel's report dated February 15, 1989.

g) Approve the interrogatories and request for production of documents to Jim Inhofe as recommended in the General Counsel's report dated February 15, 1989.

Commissioners Aikens and Elliott voted affirmatively for the motion; Commissioners McGarry and Thomas dissented; Commissioner Josefiak abstained. Commissioner McDonald recused with respect to these matters and was not present.

2. Decided by a vote of 4-1 to

a) Open a MUR in Pre-MUR 201 and merge with MUR 2742.

b) Find reason to believe Jim Inhofe, and Friends of Jim Inhofe and Russell D. Robinson, as treasurer, violated 2 U.S.C. § 441a(f).

c) Find reason to believe Ralph Abercrombie violated 2 U.S.C. § 441a(a)(1)(A).

(continued)

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d) Find reason to believe Friends of Jim Inhofe and Russell D. Robinson, as treasurer, violated 2 U.S.C. § 434(b).

e) Decline, at this time, to enter into conciliation with Jim Inhofe, Friends of Jim Inhofe and Russell D. Robinson, as treasurer, and Ralph Abercrombie, prior to a finding of probable cause to believe.

f) Approve the letters and Factual and Legal Analyses attached to the General Counsel's report dated February 15, 1989.

g) Approve the interrogatories and request for production of documents to Jim Inhofe as recommended in the General Counsel's report dated February 15, 1989.

h) Approve the letter, and subpoena and order to Mary Ellen Miller, as a nonrespondent witness, as recommended in the General Counsel's report dated February 15, 1989.

Commissioners Elliott, Josefiak, McGarry, and Thomas voted affirmatively for the decision; Commissioner Aikens dissented. Commissioner McDonald recused with respect to these matters and was not present.

Attest:

3-2-89
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

March 14, 1989

Bert C. McElroy, Esq.
2520 Mid-Continent Tower
401 South Boston
Tulsa, Oklahoma 74103

RE: MUR 2823
Jim Inhofe

Dear Mr. McElroy:

On November 1, 1988, the Federal Election Commission notified your client, Congressman Jim Inhofe, of a complaint alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint was forwarded to your client at that time. By letters dated October 19, 1988, and October 28, 1988, your client also notified the Commission of the circumstances subject of the complaint, prior to receipt of the complaint. The Commission has merged these matters; henceforth, both will be known as MUR 2823.

Upon further review of the allegations contained in the complaint, and information supplied by your client, Jim Inhofe, the Commission, on February 28, 1989, found that there is reason to believe Jim Inhofe violated 2 U.S.C. § 441a(f), a provision of the Act. The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

Under the Act, you have an opportunity to demonstrate that no action should be taken against your client. You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office, along with answers to the enclosed interrogatories and request for production of documents, within 15 days of receipt of this letter. Where appropriate, statements should be submitted under oath.

In the absence of any additional information demonstrating that no further action should be taken against your client, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

On November 16, 1988, in your response to the complaint, you submitted a request to enter into conciliation negotiations prior to a finding of probable cause to believe. The Commission has considered your request and determined, because of the need to complete the investigation, to decline at this time to enter into conciliation prior to a finding of probable cause to believe. At such time when the investigation in this matter has been completed, the Commission will reconsider your request.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A) unless you notify the Commission in writing that you wish the matter to be made public.

If you have any questions, please contact Sandra H. Robinson, the attorney assigned to this matter, at (202) 376-8200.

Sincerely,

Lee Ann Elliott

Lee Ann Elliott
Vice Chairman

Enclosures
Factual & Legal Analysis
Interrogatories and Request for
Production of Documents

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FEDERAL ELECTION COMMISSION

FACTUAL AND LEGAL ANALYSIS

RESPONDENT: Jim Inhofe MUR 2823

The Federal Election Campaign Act of 1971, as amended ("the Act"), defines "contribution" to include loans made to the political committee. 2 U.S.C. § 431(8)(A). Commission regulations include a guarantee, endorsement, and any other form of security in the term "loan." Further, loans may not exceed the contribution limitations of Section 441a and those that do are unlawful, even if they are repaid. A loan is a contribution when it is made and remains such to the extent that it remains unpaid. To the extent that it is repaid, a loan in no longer a contribution. In addition, a loan is a contribution made by each endorser or guarantor of such loan, according to the portion of the total amount for which the endorser or guarantor is liable in a written agreement. Any repayment proportionately reduces the amount guaranteed or endorsed. Loans made to candidates in the ordinary course of business by federally insured lending institutions are not considered contributions by that institution. 11 C.F.R. § 100.7(a)(1).

The Act provides that where any loan is obtained by a candidate in connection with his or her campaign, the candidate shall be considered to have obtained such loan as an agent of his or her authorized committee(s). 2 U.S.C. § 432(e)(2).

The Act limits the amount an individual can contribute to a candidate or an authorized political committee, with respect to any election for federal office, to an aggregate amount of

$1,000. 2 U.S.C. § 441a(a)(1)(A).

The Act further prohibits a candidate or political committee from knowingly accepting any contribution or making any expenditure in violation of the provisions of Section 441a. In addition, no officer or employee of a political committee shall knowingly accept a contribution made for the benefit or use of a candidate, or knowingly make an expenditure on behalf of a candidate, in violation of any limitation imposed on contributions and expenditures under Section 441a. 2 U.S.C. § 441a(f).

The Act and regulations do not limit the amount that candidates for federal office may contribute to their own committees from personal funds. The term "personal funds" includes:

> 1. any assets to which, under applicable state law, the candidate had a legal right of access to, or control over, at the time of becoming a candidate; and with which the candidate had either legal and rightful title or an equitable interest;
>
> 2. salary and other earned income from bona fide employment; dividends and proceeds from the sale of the candidate's stocks or other investments; bequests to the candidate; income from trusts established before candidacy; income from trusts established by bequest after candidacy, of which the candidate is the beneficiary; gifts of a personal nature which had been customarily received prior to candidacy; proceeds from lotteries and similar legal games of chance; and
>
> 3. the candidate's portion of assets jointly owned with his or her spouse. The candidate's personal funds shall be that portion which is the candidate's share of the assets under the instrument(s) of conveyance or ownership. If no specific share is so indicated, the value of one-half of the property used shall be considered as personal funds of the candidate. 11 C.F.R. § 110.10.

On June 30, 1986, Jim Inhofe borrowed $20,000 from his then

campaign committee treasurer, Ralph L. Abercrombie.[1] It appears that there were no endorsers or guarantors for the loan. Although Mr. Abercrombie did not sign the Promissory Note that evidenced the loan, there is a typed revision on the form stating that "(w)here the name 'Lender' appears herein, such name shall be considered to be the Payee Ralph L. Abercrombie."[2] The terms of the loan agreement required that the loan be repaid within six months at an interest rate of 8%.

The loan was secured with 4,000 shares of National Royalty Corporation stock. The stock certificate showed that Jim Inhofe was the owner of the 4000 shares of National Royalty Corporation stock. The stock did not appear to be jointly owned with any other person or entity.

An Assignment Separate from Certificate form bears the signatures of Mr. Inhofe and a witness. No other information is filled-in on the form. Delivery of the stock and the assignment form to Mr. Abercrombie would effectuate a valid transfer. Uniform Commercial Code, § 8-309. The form was apparently left blank to allow Mr. Abercrombie "absolute discretion as to the disposition of that stock." Such action constitutes a blank endorsement and, in situations where delivery is for a limited purpose, such as the pledge in this instance, a security interest

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1. On June 17, 1988, the Committee amended its Statement of Organization to identify Russell D. Robinson as treasurer.
2. The Promissory Note appears to be a standard form used by a bank located in Tulsa, Oklahoma. All reference to the bank is crossed out. Apparently, Mr. Inhofe and Mr. Abercrombie used this form, which provided the language that confirmed their agreement, as a matter of convenience. There is no evidence that a bank was involved in the loan transaction.

is established and the holder of the assignment instrument is considered an agent for the transferor. This practice is permitted under the Oklahoma Business Corporation Act and the Uniform Commercial Code. See Oklahoma Business Corporation Act, § 1054 and Uniform Commercial Code, § 8-308. See also, Fletcher's Cyclopedia Corporations, Volume 12, § 5480. The request for transfer form used by the security company shows that the stock was apparently transferred and was registered in the name of Jim Inhofe. The letters to Mr. Abercrombie and to the firm that held the stock specified that the stock was pledged to secure the $20,000 loan and was to be delivered to Mr. Abercrombie. There is no evidence that the transfer was not effective in this instance, therefore, the loan appears to have been secured as stated.

In his response to the complaint, which incorporated by reference the information provided in his letters of October 19 and October 28, 1988, Mr. Inhofe stated that the loan obtained from Mr. Abercrombie had been repaid in full.

The complaint alleged that Mr. Inhofe had prior knowledge that obtaining the loan from Mr. Abercrombie would violate the Act. Newspaper articles attached to the complaint reported that Mr. Inhofe's 1986 campaign manager, Mary Ellen Miller, advised him prior to doing so, that he should not borrow the money from Mr. Abercrombie. In his letter of October 19, 1988, Mr. Inhofe stated that "(a)after receiving the go ahead from my campaign manager and advisers I secured a personal loan from Mr. Ralph Abercrombie..." In his response to the complaint in this matter,

Mr. Inhofe's counsel stated that he "does not recall specific conversations with his campaign manager concerning its particular transaction, but recalls being advised that FEC rules allowed him to contribute his personal funds."

In accordance with the Act and Commission regulations, Mr. Inhofe obtained the $20,000 loan from Mr. Abercrombie as an agent for his 1986 campaign committee. A loan is a contribution when it is made and remains such until it is repaid. Further, the contribution limitations of Section 441a of the Act must not be exceeded. Therefore, there is reason to believe Jim Inhofe violated 2 U.S.C. § 441a(f).

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
) MUR 2823
)

INTERROGATORIES AND REQUEST FOR PRODUCTION OF DOCUMENTS

TO: Congressman Jim Inhofe
c/o Bert C. McElroy, Esq.
2520 Mid-Continent Tower
401 South Boston
Tulsa, Oklahoma 74103

In furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby requests that you submit answers in writing and under oath to the questions set forth below within 15 days of your receipt of this request. In addition, the Commission hereby requests that you produce the documents specified below, in their entirety, for inspection and copying at the Office of the General Counsel, Federal Election Commission, Room 659, 999 E Street, N.W., Washington, D.C. 20463, on or before the same deadline, and continue to produce those documents each day thereafter as may be necessary for counsel for the Commission to complete their examination and reproduction of those documents. Clear and legible copies or duplicates of the documents which, where applicable, show both sides of the documents may be submitted in lieu of the production of the originals.

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INSTRUCTIONS

In answering these interrogatories and request for production of documents, furnish all documents and other information, however obtained, including hearsay, that is in possession of, known by or otherwise available to you, including documents and information appearing in your records.

Each answer is to be given separately and independently, and unless specifically stated in the particular discovery request, no answer shall be given solely by reference either to another answer or to an exhibit attached to your response.

The response to each interrogatory propounded herein shall set forth separately the identification of each person capable of furnishing testimony concerning the response given, denoting separately those individuals who provided informational, documentary or other input, and those who assisted in drafting the interrogatory response.

If you cannot answer the following interrogatories in full after exercising due diligence to secure the full information to do so, answer to the extent possible and indicate your inability to answer the remainder, stating whatever information or knowledge you have concerning the unanswered portion and detailing what you did in attempting to secure the unknown information.

Should you claim a privilege with respect to any documents, communications, or other items about which information is requested by any of the following interrogatories and requests for production of documents, describe such items in sufficient detail to provide justification for the claim. Each claim of privilege must specify in detail all the grounds on which it rests.

The following interrogatories and requests for production of documents are continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information prior to or during the pendency of this matter. Include in any supplemental answers the date upon which and the manner in which such further or different information came to your attention.

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DEFINITIONS

For the purpose of these discovery requests, including the instructions thereto, the terms listed below are defined as follows:

"You" shall mean the named respondent in this action to whom these discovery requests are addressed, including all officers, employees, agents or attorneys thereof.

"Persons" shall be deemed to include both singular and plural, and shall mean any natural person, partnership, committee, association, corporation, or any other type of organization or entity.

"Document" shall mean the original and all non-identical copies, including drafts, of all papers and records of every type in your possession, custody, or control, or known by you to exist. The term document includes, but is not limited to books, letters, contracts, notes, diaries, log sheets, records of telephone communications, transcripts, vouchers, accounting statements, ledgers, checks, money orders or other commercial paper, telegrams, telexes, pamphlets, circulars, leaflets, reports, memoranda, correspondence, surveys, tabulations, audio and video recordings, drawings, photographs, graphs, charts, diagrams, lists, computer print-outs, and all other writings and other data compilations from which information can be obtained.

"Identify" with respect to a document shall mean state the nature or type of document (e.g., letter, memorandum), the date, if any, appearing thereon, the date on which the document was prepared, the title of the document, the general subject matter of the document, the location of the document, the number of pages comprising the document.

"Identify" with respect to a person shall mean state the full name, the most recent business and residence addresses and the telephone numbers, the present occupation or position of such person, the nature of the connection or association that person has to any party in this proceeding. If the person to be identified is not a natural person, provide the legal and trade names, the address and telephone number, and the full names of both the chief executive officer and the agent designated to receive service of process for such person.

"And" as well as "or" shall be construed disjunctively or conjunctively as necessary to bring within the scope of these interrogatories and requests for the production of documents any documents and materials which may otherwise be construed to be out of their scope.

INTERROGATORIES AND REQUEST FOR PRODUCTION OF DOCUMENTS

1. On June 30, 1986, you obtained a loan of $20,000 from Ralph Abercrombie and subsequently used such loan for your 1986 Congressional campaign.

   a. State whether you discussed the procedures and/or circumstances of the loan with any person prior to obtaining the loan. Identify such persons and the dates of the discussion with each. Describe in detail your discussions with each person.

   b. State whether you discussed the loan with Mary Ellen Miller. Describe her relationship with your 1986 federal campaign. Describe in detail you discussion(s) with Ms. Miller about the loan and the dates of such discussion(s).

2. In information you have provided in connection with this matter, you stated that the loan from Mr. Abercrombie has been repaid in full.

   a. Identify the source of the funds used to repay the loan, and the date and amount of each repayment.

   b. If the loan was repaid from personal funds, state whether you were the sole owner of the assets/funds used to repay the loan. If not, identify the persons or entities that had a legal or equitable interest in such assets/funds. Identify the total value of such assets/funds and the proportionate share of each person's or entity's interest, including your share.

3. Provide copies of all documents including, but not limited to, receipts, correspondence, memoranda, and canceled checks, connected with the transactions described in your answers to the above questions.

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

March 14, 1989

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mary Ellen Miller
11902 East 106th Street, North
Owasso, Oklahoma 74055

RE: MUR 2823

Dear Ms. Miller:

The Federal Election Commission has the statutory duty of enforcing the Federal Election Campaign Act of 1971, as amended, and Chapters 95 and 96 of Title 26, United States Code. The Commission has issued the attached order and subpoena which requires you to provide certain information in connection with an investigation it is conducting. The Commission does not consider you a respondent in this matter, but rather a witness only.

Because this information is being sought as part of an investigation being conducted by the Commission, the confidentiality provision of 2 U.S.C. § 437g(a)(12)(A) applies. That section prohibits making public any investigation conducted by the Commission without the express written consent of the person with respect to whom the investigation is made. You are advised that no such consent has been given in this case.

You may consult with an attorney and have an attorney assist you in the preparation of your responses to this subpoena and order. However, you are required to submit the information within 15 days of your receipt of this subpoena and order. All answers to questions must be submitted under oath.

If you have any questions, please contact Sandra H. Robinson, the attorney assigned to this matter, at (800) 424-9530.

Sincerely,

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Associate General Counsel

Enclosure
Subpoena and Order

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 2823
)

SUBPOENA TO PRODUCE DOCUMENTS
ORDER TO SUBMIT WRITTEN ANSWERS

TO: Mary Ellen Miller
11902 East 106th Street, North
Owasso, Oklahoma 74055

Pursuant to 2 U.S.C. § 437d(a)(1) and (3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby orders you to submit written answers to the questions attached to this Order and subpoenas you to produce the documents requested on the attachment to this Subpoena. Legible copies which, where applicable, show both sides of the documents may be substituted for originals.

Such answers must be submitted under oath and must be forwarded to the Office of the General Counsel, Federal Election Commission, 999 E Street, N.W., Washington, D.C. 20463, along with the requested documents within 15 days of your receipt of this Order and Subpoena.

WHEREFORE, the Vice Chairman of the Federal Election Commission has hereunto set her hand at Washington, D.C., this 13th day of March, 1989.

Lee Ann Elliott

Lee Ann Elliott, Vice Chairman
Federal Election Commission

ATTEST:

Marjorie W. Emmons

Marjorie W. Emmons
Secretary to the Commission

Attachment
Interrogatories and Document Request (6 pages)

89040770955

INSTRUCTIONS

In answering these interrogatories and request for production of documents, furnish all documents and other information, however obtained, including hearsay, that is in possession of, known by or otherwise available to you, including documents and information appearing in your records.

Each answer is to be given separately and independently, and unless specifically stated in the particular discovery request, no answer shall be given solely by reference either to another answer or to an exhibit attached to your response.

The response to each interrogatory propounded herein shall set forth separately the identification of each person capable of furnishing testimony concerning the response given, denoting separately those individuals who provided informational, documentary or other input, and those who assisted in drafting the interrogatory response.

If you cannot answer the following interrogatories in full after exercising due diligence to secure the full information to do so, answer to the extent possible and indicate your inability to answer the remainder, stating whatever information or knowledge you have concerning the unanswered portion and detailing what you did in attempting to secure the unknown information.

Should you claim a privilege with respect to any documents, communications, or other items about which information is requested by any of the following interrogatories and requests for production of documents, describe such items in sufficient detail to provide justification for the claim. Each claim of privilege must specify in detail all the grounds on which it rests.

The following interrogatories and requests for production of documents are continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information prior to or during the pendency of this matter. Include in any supplemental answers the date upon which and the manner in which such further or different information came to your attention.

DEFINITIONS

For the purpose of these discovery requests, including the instructions thereto, the terms listed below are defined as follows:

"You" shall mean the named individual or entity to whom these discovery requests are addressed, including all officers, employees, agents or attorneys thereof.

"Persons" shall be deemed to include both singular and plural, and shall mean any natural person, partnership, committee, association, corporation, or any other type of organization or entity.

"Document" shall mean the original and all non-identical copies, including drafts, of all papers and records of every type in your possession, custody, or control, or known by you to exist. The term document includes, but is not limited to books, letters, contracts, notes, diaries, log sheets, records of telephone communications, transcripts, vouchers, accounting statements, ledgers, checks, money orders or other commercial paper, telegrams, telexes, pamphlets, circulars, leaflets, reports, memoranda, correspondence, surveys, tabulations, audio and video recordings, drawings, photographs, graphs, charts, diagrams, lists, computer print-outs, and all other writings and other data compilations from which information can be obtained.

"Identify" with respect to a document shall mean state the nature or type of document (e.g., letter, memorandum), the date, if any, appearing thereon, the date on which the document was prepared, the title of the document, the general subject matter of the document, the location of the document, the number of pages comprising the document.

"Identify" with respect to a person shall mean state the full name, the most recent business and residence addresses and the telephone numbers, the present occupation or position of such person, the nature of the connection or association that person has to any party in this proceeding. If the person to be identified is not a natural person, provide the legal and trade names, the address and telephone number, and the full names of both the chief executive officer and the agent designated to receive service of process for such person.

"And" as well as "or" shall be construed disjunctively or conjunctively as necessary to bring within the scope of these interrogatories and requests for the production of documents any documents and materials which may otherwise be construed to be out of their scope.

INTERROGATORIES AND REQUEST FOR PRODUCTION OF DOCUMENTS

1. a. State whether you served as campaign manager for the 1986 Congressional campaign of Jim Inhofe, candidate for the First Congressional District of Oklahoma.

   b. Describe your duties and responsibilities as campaign manager and the dates you held such position.

   c. Identify any other positions you held with the 1986 Congressional campaign of Mr. Inhofe, the dates you held such positions, and describe the duties of such positions.

2. Attached as Exhibits 1 and 2 are newspaper articles wherein it was reported that you advised Mr. Inhofe against obtaining a $20,000 loan from Ralph Abercrombie, his then campaign committee treasurer, for use in his 1986 Congressional campaign.

   a. State whether you had prior knowledge that Mr. Inhofe planned to obtain the loan from Ralph Abercrombie for use in his 1986 Congressional campaign. Describe how you became aware of the loan. Identify the persons who informed you of the loan and/or discussed the loan with you. Identify the date(s) on which you learned about and discussed the loan.

   b. State whether the newspaper articles accurately report your comments to Mr. Inhofe about the loan.

   c. State whether you advised Mr. Inhofe about procedures for obtaining loans for federal campaign purposes. Describe in detail your discussions with Mr. Inhofe about the loan from Mr. Abercrombie. Identify the dates of such discussions.

   d. State whether you informed Mr. Inhofe that obtaining the loan from Mr. Abercrombie would violate the Federal Election Campaign Act of 1971, as amended. Describe in detail the discussions you had with Mr. Inhofe about the legality of the loan. Identify the dates of such discussions. State whether you had such discussions prior to Mr. Inhofe obtaining the loan.

   e. Identify other persons with whom you discussed the legality of the loan. Describe in detail your discussions with these persons and identify the dates of such discussions.

3. State whether you had knowledge at the time that Mr. Inhofe had obtained a loan from Mr. Abercrombie on June 30, 1986, and given that money to his federal campaign committee. Identify the date you acquired such knowledge and describe the circumstances by which you acquired such knowledge.

4. State whether you had any responsibility for maintaining Mr. Inhofe's 1986 federal campaign committee's financial records. If yes, describe your responsibilities.

5. Provide copies of any documents including, but not limited to, correspondence, memoranda, receipts and reports, to substantiate your answers to the above questions.

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

March 14, 1989

Bert C. McElroy, Esq.
2520 Mid-Continent Tower
401 South Boston
Tulsa, Oklahoma 74103

RE: MUR 2823
Ralph Abercrombie

Dear Mr. McElroy:

On November 1, 1988, the Federal Election Commission notified your client, Ralph Abercrombie, of a complaint alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint was forwarded to your client at that time.

Upon further review of the allegations contained in the complaint, and information supplied by your client, Ralph Abercrombie, the Commission, on February 28, 1989, found that there is reason to believe Ralph Abercrombie violated 2 U.S.C. § 441a(a)(1)(A), a provision of the Act. The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

Under the Act, you have an opportunity to demonstrate that no action should be taken against your client. You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office within 15 days of receipt of this letter. Where appropriate, statements should be submitted under oath.

In the absence of any additional information demonstrating that no further action should be taken against your client, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

On December 14, 1988, in your response to the complaint, you submitted a request to enter into conciliation negotiations prior to a finding of probable cause to believe. The Commission has considered your request and determined, because of the need to complete the investigation, to decline at this time to enter into conciliation prior to a finding of probable cause to believe. At such time when the investigation in this matter has been completed, the Commission will reconsider your request.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A) unless you notify the Commission in writing that you wish the matter to be made public.

If you have any questions, please contact Sandra H. Robinson, the attorney assigned to this matter, at (202) 376-8200.

Sincerely,

Lee Ann Elliott

Lee Ann Elliott
Vice Chairman

Enclosure
Factual & Legal Analysis

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

March 14, 1989

Bert C. McElroy, Esq.
2520 Mid-Continent Tower
401 South Boston
Tulsa, Oklahoma 74103

RE: MUR 2823
Friends of Jim Inhofe
and Russell D. Robinson,
as treasurer

Dear Mr. McElroy:

On November 1, 1988, the Federal Election Commission notified your clients, Friends of Jim Inhofe and Russell D. Robinson, as treasurer, of a complaint alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint was forwarded to your clients at that time. By letters dated October 19, 1988, and October 28, 1988, your clients also notified the Commission of the circumstances subject of the complaint, prior to receipt of the complaint. The Commission has merged these matters; henceforth, both will be known as MUR 2823.

Upon further review of the allegations contained in the complaint, and information supplied by your clients, Friends of Jim Inhofe and Russell D. Robinson, as treasurer, the Commission, on February 28, 1989, found that there is reason to believe Friends of Jim Inhofe and Russell D. Robinson, as treasurer, violated 2 U.S.C. §§ 434(b) and 441a(f), provisions of the Act. The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

Under the Act, you have an opportunity to demonstrate that no action should be taken against your clients. You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office within 15 days of receipt of this letter. Where appropriate, statements should be submitted under oath.

In the absence of any additional information demonstrating that no further action should be taken against your clients, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

On November 16, 1988, in your response to the complaint, you submitted a request to enter into conciliation negotiations prior to a finding of probable cause to believe. The Commission has considered your request and determined, because of the need to complete the investigation, to decline at this time to enter into conciliation prior to a finding of probable cause to believe. At such time when the investigation in this matter has been completed, the Commission will reconsider your request.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A) unless you notify the Commission in writing that you wish the matter to be made public.

If you have any questions, please contact Sandra H. Robinson, the attorney assigned to this matter, at (202) 376-8200.

Sincerely,

Lee Ann Elliott

Lee Ann Elliott
Vice Chairman

Enclosure
Factual & Legal Analysis

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OGC 24/21

HAND DELIVERED

RECEIVED
FEDERAL ELECTION COMMISSION
ADMINISTRATIVE DIVISION

89 APR 10 AM 9:43

BERT C. MCELROY
ATTORNEY AT LAW

2520 MID-CONTINENT TOWER
TULSA, OKLAHOMA 74103

(918) 583-7766

April 3, 1989

Federal Election Commission
999 E Street N.W.
Washington, D. C. 20463

Re: MUR 2823
Jim Inhofe; Friends of Jim Inhofe and Russell D. Robinson as treasurer; Ralph Abercrombie

Gentlemen:

This will acknowledge receipt of your letter dated March 14, 1989 in which you advised of a finding of reason to believe that the above respondents had violated provisions of the Federal Election Campaign Act of 1971. The original complaint was responded to by this office as counsel for the respondents under MUR #2742.

The respondents are willing to cooperate in the continuing investigation of this complaint by the Commission, and in this connection, Answers to Interrogatories and Request for Production of Documents directed to the respondent, Jim Inhofe, are being submitted herewith.

No factual materials are available other than those previously submitted to the Commission which bear upon consideration of this complaint. However, for the reasons set forth herein, the respondents renew their request for conciliation prior to a finding of probable cause.

The Factual and Legal Analyses, upon which the Commission's determinations of "reason to believe" were based, were attached to your most recent correspondence. It is respectfully submitted that legal conclusions contained therein, when viewed in light of standards of construction of the Act announced by Federal Courts, support early conclusion of this matter by conciliation.

A review of the Factual and Legal Analyses shows recognition by the General Counsel of the following legal consequences of the transaction which forms the basis of this complaint:

1. If a prohibited contribution was made, it was in the form of a loan from Ralph Abercrombie to Jim Inhofe which has been repaid. Counsel's statement includes the comment, "To the extent that it is repaid, a loan in [sic] no longer a contribution."

2. Delivery of the stock to Mr. Abercrombie by Congressman Inhofe, together with the executed assignment separate from certificate effectuated a valid transfer of the stock, according to the provisions of the Uniform Commercial Code, Sec. 8-309.

3. Personal funds of a candidate which he may properly contribute to his campaign include assets to which he had a legal right, and proceeds from the sale of his stocks or other investments.

4. The promissory note form which confirmed the agreement between Abercrombie and Inhofe was used as a matter of convenience.

In the case of In Re Federal Election Campaign Act Litigation, D.C.D.C., 1979, 474 F.Supp. 1044, the Court held that the Commission's decision to act upon a complaint should include consideration, among other factors, of the "nature of the threat posed" by the violation. It is apparent that however the transaction between Mr. Abercrombie and Congressman Inhofe is interpreted, whether as a loan or as a sale of stock, any resulting prohibited contribution no longer exists, and the violation has been corrected. Thus, any threat posed by the violation has been eliminated.

The only question left to be answered is whether, as a historical fact, a violation was committed. That question is answered by a determination as to whether the transaction was, in fact, a "loan".

In the case of United States v. Hankins, (3 Cir., 1979) 607 F2d 611, the Court, in a case involving the application of the Act, held that the statute should be "interpreted liberally in favor of the accused." In this matter, the respondents have all advised the commission that it was the intent of Mr. Abercrombie

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to give Congressman Inhofe $20,000 in exchange for a transfer to him of publicly traded corporate stock of that value, such money to be used by Congressman Inhofe for any purpose he desired, including financial commitments which had arisen in connection with his business and his family. It was the intention of Congressman Inhofe to convert an asset, with a recognized market value, to cash. Such a transaction may be characterized as either a sale or a loan. If it was a sale, neither the advancement of money by Mr. Abercrombie, nor the subsequent loan of that money to the campaign by Congressman Inhofe offends the prohibitions of the Act.

Oklahoma Statutes prescribe the rules for the interpretation of contracts. Among those rules are the following:

> "A contract must be so interpreted as to give effect to the mutual intention of the parties, as it existed at the time of contracting, so far as the same is ascertainable and lawful." 15 Okl.St. Sec. 152.

> "A contract must receive such an interpretation as will make it lawful, operative, definite, reasonable and capable of being carried into effect, if it can be done without violating the intention of the parties." 15 Okl. St. Sec. 159.

The expressed intention of the parties to this transaction was to enable Congressman Inhofe to liquidate a personal asset. The promissory note was a convenient means of insuring that Mr. Abercrombie would not suffer a loss on a subsequent sale of the stock. The effect of the note was to grant to Mr. Abercrombie a "put" on the stock. A "put" is a recognized stock transaction, whereby a potential seller of stock (in this case, Mr. Abercrombie) is granted the "privilege of delivering or not delivering the subject-matter of the sale". Black's Law Dictionary, Fourth Edition. Therefore Mr. Abercrombie was given the privilege or option of reselling the stock to Congressman Inhofe at a predetermined price which, for the sake of convenience, was set forth in a preprinted form promissory note.

Interpreting the contract between Mr. Abercrombie and Congressman Inhofe as a sale, rather than a "loan", is in accordance with the intention of the parties and results in a contract which is lawful, operative, definite, reasonable and capable of being carried into effect. Such an interpretation is in accordance with Oklahoma Law.

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It is respectfully submitted that a liberal interpretation of the Federal Election Campaign Act in favor of the accused should strongly suggest the interpretation or characterization of the transaction between Abercrombie and Inhofe as a sale of an asset, which interpretation is in accordance with their intent.

The transaction involved in this matter may, consistently with Oklahoma Law, be given a lawful interpretation. Even if it is so interpreted as to indicate a technical violation of the Act, the violation has been corrected. Based upon these considerations, it is therefore respectfully suggested, and again requested that this matter be resolved by conciliation before finding of probable cause, or in the alternative, that the Commission find no probable cause to believe that a violation occurred.

Respectfully submitted,

Bert C. McElroy

Bert C. McElroy
Counsel for Respondents

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 2823
)

FIRST ANSWERS OF CONGRESSMAN JIM INHOFE TO INTERROGATORIES AND REQUEST FOR PRODUCTION OF DOCUMENTS

Pursuant to request of the Federal Election Commission, Congressman Jim Inhofe, Respondent in the above numbered Matter Under Consideration, hereby submits his answers to Interrogatories and responses to Request for Production of Documents heretofore served upon him:

INTERROGATORY NO. 1: On June 30, 1986, you obtained a loan of $20,000 from Ralph Abercrombie and subsequently used such loan for your 1986 Congressional campaign.

a. State whether you discussed the procedures and/or circumstances of the loan with any person prior to obtaining the loan. Identify such persons and the dates of the discussion with each. Describe in detail your discussions with each person.

b. State whether you discussed the loan with Mary Ellen Miller. Describe her relationship with your 1986 federal campaign. Describe in detail you [sic] discussion(s) with Ms. Miller about the loan and the dates of such discussion(s).

ANSWER TO INTERROGATORY NO. 1: The premise to the questions asked in this Interrogatory is that on June 30, 1986, I obtained a "loan". As has been set forth in my communications with the Commission and in the responses which have been submitted by my counsel, I did not, at the time of the transaction, nor do I now, consider the transaction to have

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been a loan. It was my intention to sell or liquidate assets which I owned at that time, and to use the proceeds of such sale for the purpose of making a loan of my property to my campaign. With that qualification, the following answers are submitted. In preparing these answers, I have spoken with the following persons:

Mary Ellen Miller
Campaign Manager, 1986 Campaign
Owasso, Oklahoma 74055
(918) 272-1373

Allen Paschal
Accountant and Assistant Treasurer, 1986 Campaign
(713) 757-3332

Brett Hall
Campaign Coordinator, 1986 Campaign
4848 South Alameda
Corpus Cristi, TX 78412
(512) 994-1121

Ralph Abercrombie
c/o Bert C. McElroy, Attorney
2520 Mid-Continent Tower
Tulsa, Oklahoma 74103
(918) 583-7766

a. In close proximity to the time of the transaction with Mr. Abercrombie on June 30, 1986, I discussed in general terms with Mr. Abercrombie, Mary Ellen Miller, and Brett Hall my need to obtain cash both for my personal and business use, and for my campaign. To my knowledge, no records were made at the time of such discussions memorializing the content of the discussions or reflecting the date or location thereof. I have no specific recollection of the dates, times or places of such discussions, nor do the persons identified above with whom I have spoken in preparing this answer.

The general tenor of the discussions was to the effect that there was no legal prohibition against my selling or liquidating my personal assets and lending the proceeds to my campaign. Mrs. Miller recalls having made the statement at some point in time that simply borrowing money and lending it to the campaign was impermissible, but that I was not restricted from donating my personal assets to the campaign, or selling them and lending the proceeds.

I recall discussing with Mr. Abercrombie (I believe in the presence of Mrs. Miller) the possibility of selling him an airplane and possibly buying it back at a later date. In subsequent discussions with Mr. Abercrombie, it developed that he did not desire to buy an airplane, and the subject of

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liquidation of my stock in National Royalty Corporation was raised. Mr. Abercrombie agreed to deliver to me the sum of $20,000 in consideration of my transfer to him of that stock, but he wanted to be protected from suffering a loss on a subsequent sale of the stock. Neither Mr. Abercrombie nor myself was sophisticated in corporate stock transactions, but Mr. Abercrombie had some experience in the banking business. Since a promissory note was a commonly-used form with which we were both familiar, we elected to use that form to accomplish the liquidation of the stock while protecting Mr. Abercrombie from any subsequent loss by reason of the transaction.

Neither Mrs. Miller, nor Mr. Hall, nor Allen Paschal when he was later preparing campaign committee reports, reviewed the documentation, as I advised all of them that the funds from which my loan to the campaign was made were my personal funds. This was in accordance with my understanding, belief and intention as to the nature of the transaction. Mr. Abercrombie indicated to me at the time of the transaction that he intended for the funds to be my personal funds to dispose of as I desired.

b. My conversation or conversations with Mrs. Mary Ellen Miller concerning the June 30, 1986 transactions are described in subparagraph (a) of this answer. Mrs. Miller served as the Campaign Manager of my 1986 campaign. I have no specific recollection of details or exact words spoken in these discussions other than as related above.

<u>INTERROGATORY NO. 2</u>: In information you have provided in connection with this matter, you stated that the loan from Mr. Abercrombie has been repaid in full.

a. Identify the source of the funds used to repay the loan, and the date and amount of each repayment.

b. If the loan was repaid from personal funds, state whether you were the sole owner of the assets/funds used to repay the loan. If not, identify the persons or entities that had a legal or equitable interest in such assets/funds. Identify the total value of such assets/funds and the proportionate share of each person's or entity's interest, including your share.

<u>ANSWER TO INTERROGATORY NO. 2</u>: a. Mr. Abercrombie was repaid the total sum of $23,754.20, representing the original $20,000 which he paid for the stock, plus interest at 8%. These payments were made from my personal funds, in the following amounts, and on the following dates:

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August 18, 1987	$12,000.00
October 17, 1988	3,000.00
October 19, 1988	8,754.20

On approximately these dates, I had obtained repayment of loans which I had made to my campaign. These repayments were deposited to my personal account, and Mr. Abercrombie was paid by checks drawn on that account.

b. I was the sole owner of the funds from which the above payments to Mr. Abercrombie were made.

INTERROGATORY (DOCUMENT REQUEST) NO. 3: Provide copies of all documents including, but not limited to, receipts, correspondence, memoranda, and cancelled checks, connected with the transactions described in your answers to the above questions.

RESPONSE TO INTERROGATORY (DOCUMENT REQUEST) NO. 3: Attached hereto are copies of the following documents:

1. Checks from Friends of Jim Inhofe, representing repayment to me of loans I had made to the campaign from my personal funds.

2. Checks drawn on my personal account to the order of Ralph Abercrombie in the total amount of $23,754.20.

The above answers and responses are true, correct and complete to the best of my knowledge. If additional facts should come to my knowledge which would change or add to any of the above responses, these answers and responses will be supplemented accordingly.

JAMES M. INHOFE, Respondent

STATE OF OKLAHOMA)
) ss.
COUNTY OF TULSA)

JAMES M. INHOFE, of lawful age, being first duly sworn, upon oath deposes and says:

I am the respondent above named. I have read the above and foregoing Answers to Interrogatories and Request for Production of Documents, and the facts and matters therein set forth are true and correct as I verily believe.

James M. Inhofe

Subscribed and sworn to before me this 7 day of April, 1989.

Notary Public

My commission expires:

1-24-94

89040770970

FRIENDS OF JIM INHOFE
GENERAL ELECTION FUND
P.O. BOX 2585 PH. 918-742-4100
TULSA, OKLAHOMA 74101

8-18 19 87 547

PAY TO THE ORDER OF James M. Inhofe $ 12,000.00

Twelve Thousand and no/100 DOLLARS

FOURTH NATIONAL BANK
MEMBER FDIC TULSA, OK 74103

MEMO Debt

Linda Harrison

⑆103912480⑆ 2059533⑈ 0547 ⑈0001200000⑈

For Deposit Only
299-104-0

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06-1248

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FRIENDS OF JIM INHOFE
P.O. BOX 2585 PH. 918-587-4400
TULSA, OKLAHOMA 74101

10-13 19 86 367

PAY TO THE ORDER OF James M. Inhofe $ 2,500.00

Two Thousand Five Hundred and no/100---------DOLLARS

FOURTH NATIONAL BANK
MEMBER FDIC TULSA, OK 74103

MEMO debt repayment

Linda Harrison

⑆103912480⑆ 2059079⑈ 0367 ⑈0000250000⑈

For Deposit Only
299 104 0

8 9 0 4 0 7 / 0 9 7 2

FRIENDS OF JIM INHOFE
GENERAL ELECTION FUND
P.O. BOX 2585 PH. 918-742-4100
TULSA, OKLAHOMA 74101

October 19 88 562

PAY TO THE ORDER OF James M. Inhofe $ 9,000.00

-------Nine Thousand and no/100---------- DOLLARS

FOURTH NATIONAL BANK
MEMBER FDIC TULSA, OK 74103

MEMO

Russell D. Robinson

⑆103912480⑆ 2059533⑈ 0562 ⑈0000900000⑈

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For Deposit Only
299 1040

0001 62622

294035107

FRIENDS OF JIM INHOFE
GENERAL ELECTION FUND
P.O. BOX 2585 PH. 918-742-4100
TULSA, OKLAHOMA 74101

10-18 19 88 560

PAY TO THE ORDER OF James Inhofe $3,000.00

----Three Thousand and no/100---------- DOLLARS

FOURTH NATIONAL BANK
MEMBER FDIC TULSA, OK 74103

MEMO

⑆103912480⑆ 2059533⑈ 0560 ⑈0000300000⑈

For Deposit Only
299 104 0

0001 62623

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FRIENDS OF JIM INHOFE
GENERAL ELECTION FUND
P.O. BOX 2585 PH. 918-742-4100
TULSA, OKLAHOMA 74101

9-26 19 86 153

PAY TO THE ORDER OF James M. Inhofe $ 5,000.00

Five Thousand and no/100----------DOLLARS

FOURTH NATIONAL BANK
MEMBER FDIC TULSA, OK 74103

MEMO loan repayment

Linda Harrison

⑆103912480⑆ 2059533⑈ 0153 ⑈0000500000⑈

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299-104-0
For Deposit Only

3543

JAMES M. INHOFE
2139 E. 32ND ST. PH. 743-3986
TULSA, OKLAHOMA 74105

10-17 19 88

99-1240
1039

PAY TO THE ORDER OF Ralph Abercrombie $ 3,000.00

Three Thousand and no/100 DOLLARS

FOURTH NATIONAL BANK
MEMBER FDIC
TULSA OKLAHOMA 74103

on account

⑆103912480⑆ 2991040⑈ 3543 ⑈0000300000⑈

PAY TO THE ORDER OF
THE F&M BANK & TRUST COMPANY
TULSA, OKLAHOMA
FOR DEPOSIT ONLY
RALPH L. ABERCROMBIE
66193-7

⑆103912668⑆
F&M BK. & TR.
TULSA, OK
⑆103912668⑆

OCT 21 88

JAMES M. INHOFE
2139 E. 32ND ST. PH. 743-3986
TULSA, OKLAHOMA 74105

3544

10-19 19 88

86-1248
1039

PAY TO THE ORDER OF Ralph Abercrombie $8,754.20

PROCESSED 29800287

Eight Thousand Seven Hundred Fifty Four and 20/100---------- DOLLARS

FOURTH NATIONAL BANK
MEMBER FDIC
TULSA, OKLAHOMA 74103

payment in full

⑆103912480⑆ 2991040⑈ 3544 ⑈0000875420⑈

29800287

PAY TO THE ORDER OF
THE F&M BANK & TRUST COMPANY
RALPH E. ABERCROMBIE
000 1661997 1 6 4

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F & M BK. & TR.
TULSA, OK
▼ 103912668 ▲

OCT 21 88

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JAMES M. INHOFE
2139 E. 32ND ST. PH. 743-3986
TULSA, OKLAHOMA 74105

3468

8-18 19 87

PAY TO THE ORDER OF Ralph Abercrombie $ 12,000.00

PROCESSED 23300377

Twelve Thousand and no/100---------- DOLLARS

FOURTH NATIONAL BANK
TULSA, OKLAHOMA

payment on note

⑆103912480⑆ 2991040⑈ 3468 ⑈0001200000⑈

PAY TO THE ORDER OF
THE F&M BANK & TRUST COMPANY
TULSA, OKLAHOMA
FOR CREDIT TO
RALPH E. ABERCROMBIE
0001 9 7 0 4

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RESPONSES TO INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS OF THE FEDERAL ELECTION COMMISSION

RE: MUR 2823

INTERROGATORY NO. 1:

a. State whether you served as campaign manager for the 1986 Congressional campaign of Jim Inhofe, candidate for the First Congressional District of Oklahoma.

b. Describe your duties and responsibilities as campaign manager and the dates you held such position.

c. Identify any other positions you held with the 1986 Congressional campaign of Mr. Inhofe, the dates you held such positions, and describe the duties of such positions.

RESPONSE TO INTERROGATORY NO. 1:

a. I served as campaign manager for the 1986 Congressional campaign of Jim Inhofe, candidate for the First Congressional District of Oklahoma.

b. I held the position of campaign manager from May 1, 1986 to November 8, 1986. My responsibilities included supervising the technical aspects of the 1986 Congressional campaign for Mr. Inhofe, which included designing the voter contact program in which I reviewed and approved advertising and direct mail contact with voters; I approved the development of issues; I supervised the campaign staff; I designed the campaign plan and theme; I produced the campaign manual; and I presided at campaign staff meetings. My duties did not include fundraising, which were the responsibility of the campaign committee treasurer and his staff.

c. None.

INTERROGATORY NO. 2: Attached as Exhibits 1 and 2 are newspaper articles wherein it was reported that you advised Mr. Inhofe against obtaining a $20,000 loan from Ralph Abercrombie, his then campaign committee treasurer, for use in his 1986 Congressional campaign.

a. State whether you had prior knowledge that Mr. Inhofe planned to obtain the loan from Ralph Abercrombie for use in his 1986 Congressional campaign. Describe how you became aware of the loan. Identify the persons who informed you of the loan and/or discussed the loan with you. Identify the date(s) on which you learned about and discussed the loan.

b. State whether the newspaper articles accurately report your comments to Mr. Inhofe about the loan.

c. State whether you advised Mr. Inhofe about procedures for obtaining loans for federal campaign purposes. Describe in detail your discussions with Mr. Inhofe about the loan from Mr. Abercrombie. Identify the dates of such discussions.

d. State whether you informed Mr. Inhofe that obtaining the loan from Mr. Abercrombie would violate the Federal Election Campaign Act of 1971, as amended. Describe in detail the discussions you had with Mr. Inhofe about the legality of the loan. Identify the dates of such discussions. State whether you had such discussions prior to Mr. Inhofe obtaining the loan.

e. Identify other persons with whom you discussed the legality of the loan. Describe in detail your discussions with these persons and identify the dates of such discussions.

RESPONSE TO INTERROGATORY NO. 2:

a. In late June, 1986 Mr. Inhofe advised me that he planned to obtain the loan from Mr. Abercrombie for use in Mr. Inhofe's 1986 Congressional campaign. I advised Mr. Inhofe that the planned loan would violate the Federal Election Campaign Act of 1971, as amended. I have no knowledge that any loan occurred between Mr. Abercrombie and Mr. Inhofe. After I advised Mr. Inhofe that a loan from Mr. Abercrombie to Mr. Inhofe for use in the 1986 Congressional campaign would violate the Federal

Election Campaign Act of 1971, as amended, there was no further discussion of any such loan. Aside from what has appeared in newspaper accounts, I have not learned about, discussed, or have any knowledge of a loan between Mr. Abercrombie and Mr. Inhofe.

b. The newspaper article marked as Exhibit 1 accurately reports my comments to Mr. Inhofe about the loan. The newspaper article marked Exhibit 2 is inaccurate to the extent Mr. Inhofe said I told him, "I'll just have to try to remember and call you."

c. I did not advise Mr. Inhofe about procedures for obtaining loans for federal campaign purposes. I advised Mr. Inhofe that obtaining a loan from Mr. Abercrombie for use in Mr. Inhofe's 1986 Congressional campaign would be against Federal Election Commission Rules. The date of such discussion was in late June, 1986.

d. I informed Mr. Inhofe that obtaining the loan from Mr. Abercrombie would violate the Federal Election Campaign Act of 1971, as amended. That advice I gave Mr. Inhofe was the extent of discussions with Mr. Inhofe about the illegality of the loan. The discussion was in late June, 1986. I don't know whether the discussion was prior to Mr. Inhofe obtaining "the loan" because I don't know whether Mr. Inhofe ever obtained the loan from Mr. Abercrombie.

e. Mr. Ralph Abercrombie was present when I advised Mr. Inhofe of the illegality of the loan. The discussion concerning the illegality of the loan with Mr. Inhofe and Mr. Abercrombie took place in late June, 1986.

INTERROGATORY NO. 3: State whether you had knowledge at the time that Mr. Inhofe had obtained a loan from Mr. Abercrombie on June 30, 1986, and given that money to his federal campaign committee. Identify the date you acquired such knowledge and describe the circumstances by which you acquired such knowledge.

RESPONSE TO INTERROGATORY NO. 3: I had no knowledge at the time that Mr. Inhofe had obtained a loan from Mr. Abercrombie on June 30, 1986 and given that money to his federal campaign committee. I have never acquired such knowledge

INTERROGATORY NO. 4: State whether you had any responsibility for maintaining Mr. Inhofe's 1986 federal campaign committee's financial records. If yes, describe your responsibilities.

RESPONSE TO INTERROGATORY NO. 4: I had no responsibility for maintaining Mr. Inhofe's 1986 federal campaign committee's financial records.

REQUEST FOR DOCUMENTS NO. 5: Provide copies of any documents including, but not limited to, correspondence, memoranda, receipts and reports, to substantiate your answers to the above questions.

RESPONSE TO REQUEST FOR DOCUMENTS NO. 5: I have no documents that relate to the answers to the above questions.

Mary Ellen Miller
MARY ELLEN MILLER

STATE OF TEXAS)
) ss.
COUNTY OF TRAVIS)

Sworn and subscribed to before me this 10TH day of April, 1989.

GREGORY L. HAVICE NOTARY PUBLIC STATE OF TEXAS EXPIRES 11-26-91

Notary Public

My Commission Expires:

RECEIVED
FEDERAL ELECTION COMMISSION
SECRETARIAT

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
Congressman Jim Inhofe; Friends of Jim Inhofe and Russell D. Robinson, as treasurer; and Ralph Abercrombie	)	MUR 2823

SENSITIVE

GENERAL COUNSEL'S REPORT

I. BACKGROUND

This matter was generated sua sponte and through a complaint. Congressman Jim Inhofe submitted a letter requesting that the Federal Election Commission ("Commission") review the circumstances of a financial transaction between Mr. Inhofe and Ralph Abercrombie, which was connected with Mr. Inhofe's 1986 campaign for federal office.[1] Subsequent to the Commission's receipt of Mr. Inhofe's letter, a complaint was filed by the Democratic Party of Oklahoma regarding this same financial transaction. See Memorandum to the Commission, Pre-MUR 201 - Complaint, dated October 26, 1988; and Memorandum to the Commission, MUR 2742 - Complaint, dated October 31, 1988.

On February 28, 1989, the Commission merged Pre-MUR 201 with MUR 2742, which became this matter, and found reason to believe Jim Inhofe, and Friends of Jim Inhofe and Russell D. Robinson, as treasurer ("the Committee"), violated 2 U.S.C. § 441a(f); reason to believe the Committee violated 2 U.S.C. § 434(b); and reason

---

1. Mr. Inhofe was a candidate for the U.S. House of Representatives from the 1st Congressional district of the State of Oklahoma in the 1986 election cycle. Mr. Inhofe won the 1986 general election with 55% of the vote. Mr. Inhofe is an incumbent Congressman from Oklahoma, who won the 1988 general election with 53% of the vote.

to believe Ralph Abercrombie violated 2 U.S.C. § 441a(a)(1)(A). On that same date, the Commission declined, at that time, to enter into conciliation with the respondents prior to a finding of probable cause to believe[2] and approved interrogatories and requests for production of documents to Mr. Inhofe and to a nonrespondent witness, Mary Ellen Miller, the campaign manager for the 1986 Inhofe campaign.

In the response to the Commission's findings and discovery request, submitted on April 10, 1989, on behalf of all of the respondents, counsel renewed their requests to enter into conciliation prior to a finding of probable cause to believe. Attachment I. Mary Ellen Miller submitted a response on April 13, 1989. Attachment II.

II. ANALYSIS

A. The Law

The Federal Election Campaign Act of 1971, as amended ("the Act"), defines "contribution" to include loans made to a political committee. 2 U.S.C. § 431(8)(A). Commission regulations include a guarantee, endorsement, and any other form of security in the term "loan." Further, loans may not exceed the contribution limitations of Section 441a and those that do are unlawful, even if they are repaid. A loan is a contribution

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2. In their joint response to the complaint in this matter, received on November 16, 1988, the Committee and Mr. Inhofe, through counsel, requested pre-probable cause conciliation. In his response to the complaint in this matter, received on December 15, 1988, Mr. Abercrombie, through the same counsel, requested pre-probable cause conciliation. See Pre-MUR 201 & MUR 2742 - First General Counsel's Report signed February 15, 1989.

when it is made and remains such to the extent that it remains unpaid. To the extent that it is repaid, a loan is no longer a contribution. In addition, a loan is a contribution made by each endorser or guarantor of such loan, according to the portion of the total amount for which the endorser or guarantor is liable in a written agreement. Any repayment proportionately reduces the amount guaranteed or endorsed. Loans made to candidates in the ordinary course of business by federally insured lending institutions are not considered contributions by that institution. 11 C.F.R. § 100.7(a)(1).

The Act provides that where any loan is obtained by a candidate in connection with his or her campaign, the candidate shall be considered to have obtained such loan as an agent of his or her authorized committee(s). 2 U.S.C. § 432(e)(2).

The Act limits the amount an individual can contribute to a candidate or an authorized political committee, with respect to any election for federal office, to an aggregate amount of $1,000. 2 U.S.C. § 441a(a)(1)(A). Thus, the amount of any loan from an individual to a candidate or a candidate's committee must not exceed $1,000.

The Act further prohibits a candidate or political committee from knowingly accepting any contribution or making any expenditure in violation of the provisions of Section 441a. In addition, no officer or employee of a political committee shall knowingly accept a contribution made for the benefit or use of a candidate, or knowingly make an expenditure on behalf of a candidate, in violation of any limitation imposed on

contributions and expenditures under Section 441a. 2 U.S.C. § 441a(f).

The Act and regulations do not limit the amount that candidates for federal office may contribute to their own committees from personal funds. The term "personal funds" includes:

1. any assets to which, under applicable state law, the candidate had a legal right of access to, or control over, at the time of becoming a candidate; and with which the candidate had either legal and rightful title or an equitable interest;

2. salary and other earned income from bona fide employment; dividends and proceeds from the sale of the candidate's stocks or other investments; bequests to the candidate; income from trusts established before candidacy; income from trusts established by bequest after candidacy, of which the candidate is the beneficiary; gifts of a personal nature which had been customarily received prior to candidacy; proceeds from lotteries and similar legal games of chance; and

3. the candidate's portion of assets jointly owned with his or her spouse. The candidate's personal funds shall be that portion which is the candidate's share of the assets under the instrument(s) of conveyance or ownership. If no specific share is so indicated, the value of one-half of the property used shall be considered as personal funds of the candidate. 11 C.F.R. § 110.10.

An authorized committee must disclose, on reports filed with the Commission, the total amount of all loans made by or guaranteed by the candidate, as well as all other loans. 2 U.S.C. § 434(b)(2)(G). Disclosure reports must also identify each person who makes a loan to the reporting committee during the reporting period, together with the name of any endorser or guarantor of such loan, and the date and amount or value of such loan. 2 U.S.C. § 434(b)(3)(E).

B. Analysis

Through the response submitted by counsel, Mr. Inhofe seeks

to characterize the financial transaction between him and Mr. Abercrombie as a "sale." Counsel stated that the promissory note evidencing the transaction was used by Mr. Inhofe and Mr. Abercrombie as "a convenient means of insuring that Mr. Abercrombie would not suffer a loss on a subsequent sale of the stock;" that it was the intent of Mr. Inhofe "to convert an asset, with a recognized market value, to cash;" and further, that "Mr. Abercrombie was given the privilege or option of reselling the stock to Congressman Inhofe at a predetermined price which, for the sake of convenience, was set forth in a preprinted form promissory note." Attachment I(3). In response to the interrogatories, Mr. Inhofe stated that "I did not, at the time of the transaction, nor do I now, consider the transaction to have been a loan. It was my intention to sell or liquidate assets which I owned at that time, and to use the proceeds of such sale for the purpose of making a loan of my property to my campaign." Attachment I(5)-(6). Counsel relies on Oklahoma contract law and United States v. Hankin, 607 F.2d 611 (3d Cir. 1979) in presenting his client's position in this matter.

In United States v. Hankin an action was brought by the Justice Department wherein Hankin was convicted of violating the Act by making contributions to a federal campaign in the names of others. Hankin argued that the statute of limitations had run, thus, prosecution was barred. In Hankin the court determined that the date of deposit of a contribution by a recipient committee should not be used to determine the date the contribution was made. The making of the contribution could have

occurred at an earlier time. When computing the time limitations for the purpose of establishing when the statute of limitations began to run, the court determined, upon a review of the facts, that the Justice Department had not sufficiently presented its case for using the February 10 date. The court reversed the district court judgment that found for the Justice Department and remanded the case with directions to vacate the judgment and dismiss the information. Counsel for Respondents in this matter quotes from the discussion of the written decision in Hankin where it is stated that "the statute should be 'interpreted liberally in favor of the accused.'" Attachment I(2). In the context of the written decision the court is actually referring to an interpretation of the statute of limitations and not to an application of the Act. See, Hankin at 615; see also, Waters v. United States, 328 F.2d 739, 742 (10th Cir. 1964).

Counsel's reliance on Oklahoma contract law is not dispositive of this matter. Counsel contends that the intent of Mr. Inhofe and Mr. Abercrombie to execute a sale of the stock rather than a secured loan agreement should be considered valid, regardless of their use of a promissory note to effectuate the financial transaction. Counsel maintains that Oklahoma state law would give credence to the intent of the parties in this instance.

First, the application of state law would be of particular relevance here, if there was a question of ownership of certain assets held prior to, or at the time of, becoming a candidate, to determine whether such assets constituted personal funds. See,

11 C.F.R. § 110.10(b)(1). Mr. Inhofe filed a Statement of Candidacy for the 1986 elections with the Commission on June 19, 1986. The financial transaction in question occurred on June 30, 1986. There is no question about the ownership of the stock used as collateral in the financial transaction at issue. A copy of the stock certificate submitted earlier by Mr. Inhofe indicates that he was the sole owner.

Second, it is a well established principle of law that where the language of a contract is clear and unambiguous, rules of construction and interpretation cannot be applied to vary the meaning of that contract. See, 17 Am Jur 2d §§ 245, 273. Exceptions to this principle are where there is evidence of fraud, mistake, accident, or absurdity. The Oklahoma contract statute codifies that principle at 15 Okl. St. Ann. § 154 to read, "[t]he language of a contract is to govern its interpretation, if the language is clear and explicit, and does not involve an absurdity." Oklahoma case law further buttresses this principle. See, Lindhorst v. Wright, 616 P.2d 450 (Okl. Ct. App. 1980); Humphreys v. Amerada Hess Corp., 487 F.2d 800 (10th Cir. 1973); Occidental Life Ins. Co. of Cal. v. Marmaduke Corbyn Agency et al., 187 F.2d 553 (10th Cir. 1951). The language of the promissory note used by the respondents in this matter is clear and unambiguous. It is now asserted that the promissory note did not accurately represent the intent of the parties. Counsel would have the Commission surmise that such intent was to execute a sale of the stock pursuant to 11 C.F.R. § 110.10(b)(2), which includes the proceeds from the sale of the candidate's

stocks in the term "personal funds." The evidence before the Commission, however, does not support the contention that the transaction at issue constituted a sale of stock. The information available to this Office, discussed below, indicates that Mr. Inhofe and Mr. Abercrombie treated the transaction as a loan in accordance with the terms of the promissory note. Thus, for the purposes of the Act, the financial transaction should be viewed as a loan.[3]

In his initial letter to the Commission that generated the Pre-MUR, Mr. Inhofe referred to the transaction as a loan and provided a copy of the promissory note to show the terms of the agreement. The loan was secured with stock owned by Mr. Inhofe. Supplemental information voluntarily provided by Mr. Inhofe, which included evidence that the stock was used as collateral, further showed the transaction to be a loan agreement. In counsel's response to the complaint on behalf of Mr. Abercrombie, the transaction is called a loan. It is stated in Mr. Abercrombie's response that "[t]he loan to Rep. Inhofe has been fully repaid, with interest, and the collateral has been redelivered to Congressman Inhofe." It is noted that, in response to the complaint in this matter on behalf of Mr. Inhofe and the Committee, counsel stated that "[i]t was the Congressman's intent to use the proceeds of the disposition of

3. It is noted that the question of whether the promissory note should be construed as invalid due to a mistake on the part of the parties is not a question to be resolved by the Commission. Whether a contract is subject to the rules of construction and how such contract would be construed is within the jurisdiction of the courts and outside the purview of the Commission.

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his own property to make a loan to his campaign." See, Pre-MUR 201 & MUR 2742: First General Counsel's Report signed February 15, 1989.

As stated above, Respondents used a preprinted promissory note from a bank to ratify their agreement. The promissory note was signed only by Mr. Inhofe. Although Mr. Abercrombie did not sign the note, there is a typed revision on the form to indicate that the term "Lender" as used in the form should be construed as a reference to Mr. Abercrombie, as payee. The loan was secured with 4,000 shares of National Royalty Corporation stock, which was owned solely by Mr. Inhofe. An Assignment Separate from Certificate form bearing the signatures of Mr. Inhofe and a witness, along with delivery of the stock certificate, constituted a blank endorsement sufficient to secure the loan. Id.

In his responses to the interrogatories and request for documents, Mr. Inhofe did not provide any substantive evidence to support his contention that the transaction was a sale. The responses further indicate that the financial transaction should be viewed as a loan. In response to question #2, Mr. Inhofe stated that Mr. Abercrombie was "repaid" the amount of "the original $20,000...paid for the stock, plus interest at 8%." Attachment I(7). Although it is not unusual for a sales transaction to result in the payment of interest (for example, when time payments are arranged), without evidence of a sales agreement between the parties, the repayment must be viewed in light of the evidence available, which includes a promissory note

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that embodies terms clearly reminiscent of a loan agreement. The promissory note shows that the loan matured in six months after the date of execution of the note and the principal and interest rate of 8% was payable upon maturity. See, First General Counsel's Report.

In response to the documents request, copies of three checks drawn on Mr. Inhofe's personal account were provided as evidence of the repayments. A total of $23,754.20 was repaid. Each check is made payable to Ralph Abercrombie in the amounts of $12,000, dated August 18, 1987; $3,000, dated October 17, 1988; and $8,754.20, dated October 19, 1988. The memo entry on the $12,000 check states "payment on note." The memo entry for the $3,000 check states "on account" and the memo entry on the $8,754.20 states "payment in full." Attachment I(15)-(17). All of the references appear to be to the promissory note and the terms of that agreement. There is no indication that a separate agreement confirming the resale of the stock to Mr. Inhofe was in effect. The written agreement and actions of the parties to satisfy the terms of the agreement substantiate that the transaction constituted a loan. Mr. Abercrombie loaned $20,000 to Mr. Inhofe, who was an agent for his campaign committee. See, 2 U.S.C. § 432(e)(2). Mr. Inhofe, in turn, passed the funds on to his campaign committee.

Furthermore, this analysis is consistent with information found in Mr. Inhofe's Financial Disclosure Statements filed with the U.S. House of Representatives pursuant to the Ethics in Government Act of 1978, as amended (2 U.S.C. § 701 et seq.).

Mr. Inhofe's statements for 1986, 1987, and 1988 were reviewed by this Office. Attachment III. In his Financial Disclosure Statement for 1986, Mr. Inhofe disclosed liability to Mr. Abercrombie for a "personal loan" that ranged from $15,001 to $50,000. In an attachment to the 1986 statement, Mr. Inhofe did not list the National Royalty Corporation stock, collateral for the loan at issue, with other stock sold during that year. Instead, Mr. Inhofe listed that stock among his holdings in the statement. In his 1987 financial statement to the House, Mr. Inhofe reported liability to Mr. Abercrombie for a "personal loan" in an amount ranging from $5,001 to $15,000. Although the amount of the debt to Mr. Abercrombie was reduced, there appears to be no indication of when a payment was made to him. This reduced amount appears to reflect the payment of $12,000 made by Mr. Inhofe on August 18, 1987, to Mr. Abercrombie, noted above. In the 1987 financial statement Mr. Inhofe listed the holdings in National Royalty Corporation stock; a sale of such stock was not indicated. In his 1988 financial statement to the House, Mr. Inhofe disclosed liability to Mr. Abercrombie for a "personal loan" in an amount ranging from $5,001 to $15,000. A payment to Mr. Abercrombie, described as a loan repayment made on October 19, 1988, and ranging from $5,001 to $15,000, was also listed. One check to Mr. Abercrombie, noted above, was made on October 19, 1988, in the amount of $8,754.20. Mr. Inhofe again disclosed holdings in the National Royalty Corporation in 1988, and no sale of such stock was reported. The information found in these financial disclosure statements further substantiates that

the financial transaction between Mr. Inhofe and Mr. Abercrombie should be viewed as a loan.

Mary Ellen Miller served as Mr. Inhofe's campaign manager for the 1986 election cycle from May 1, 1986, through November 8, 1986. Her duties did not include fundraising, nor was she responsible for maintaining the Committee's financial records. Ms. Miller stated that in late June 1986 Mr. Inhofe informed her that he planned to obtain a loan from Mr. Abercrombie for use in his federal campaign. She stated that she advised him then about the illegality of the "planned loan." Mr. Abercrombie was present during that discussion. Ms. Miller stated further that she had no knowledge whether the loan was actually executed, except from newspaper accounts of the transaction, and that she was not involved in any further discussion about it. She also stated that she did not advise Mr. Inhofe about the procedures for obtaining loans for federal campaign purposes. Ms. Miller stated that the newspaper accounts of her comments regarding the loan were accurate, except that "[t]he newspaper article marked Exhibit 2 [see, First General Counsel's Report, Attachments] is inaccurate to the extent Mr. Inhofe said I told him, 'I'll just have to try to remember and call you.'" Attachment II.

Mr. Inhofe stated that he had a discussion with Mr. Abercrombie, Mary Ellen Miller, and Brett Hall, at a time in close proximity to June 30, 1986, the date of the transaction with Mr. Abercrombie. Although he could not remember specific details, Mr. Inhofe stated that the discussion was about the need to obtain cash for his personal and business use, and for his

campaign. He stated that Mary Ellen Miller, one of the people with whom he discussed his answers to the interrogatories, recalled informing him that "simply borrowing money and lending it to the campaign was impermissible, but that I was not restricted from donating my personal assets to the campaign, or selling them and lending the proceeds." Attachment I(2)[4]

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4. This Office notes that even if Mr. Inhofe had donated his stock to the Committee and such stock was subsequently purchased directly from the Committee by Mr. Abercrombie, the purchase price would be considered a contribution. Such purchase price would then be subject to the limitations of the Act. Thus, the $20,000 purportedly "paid" by Mr. Abercrombie would still be considered an excessive contribution. See, Advisory Opinion 1989-6.

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Copies of checks from the Committee to Mr. Inhofe, which are described as repayments of loans he made to his campaign were provided. These checks were the following:

Date of Check	Amount	Memo Entry
September 26, 1986	5,000.00	"loan repayment"
October 13, 1986	2,500.00	"debt repayment"
August 18, 1987	$12,000.00	"debt"
October 18, 1988	3,000.00	no memo entry
October 19, 1988	9,000.00	no memo entry

Attachment I(10)-(14). Mr. Inhofe stated that he used some of those funds to repay the loan to Mr. Abercrombie.[5] It is noted

5. At the time of each payment to Mr. Inhofe from the Committee, the Committee disclosed debts owed to Mr. Inhofe for loans. In addition to the $20,000 loan at issue, the Committee disclosed a $16,000 loan incurred on July 31, 1986; a $7,000 loan incurred on August 6, 1986; and a $2,000 loan incurred on April 4, 1987. The source of these loans is identified as the candidate's personal

that the two checks issued in October 1988 coincide with the dates and amounts of Mr. Inhofe's payments to Mr. Abercrombie, discussed above. The August check also coincides with Mr. Inhofe's August payment to Mr. Abercrombie, however, the Committee did not disclose this as a payment on the $20,000 loan. Instead, it appears that the Committee attributed the $12,000 payment to the $16,000 and $2,000 loans. There is no evidence available to this Office to show that jointly held funds or funds other than those owned by Mr. Inhofe were used to repay the loan.

The Committee disclosed the $20,000 loan as made from Mr. Inhofe's personal funds, designated for the primary election, in its 1986 July Quarterly Report. Although Respondents have stated that the loan has been repaid, in its 1988 Year-End Report, the most recent report filed by the Committee to date, the loan is still disclosed as derived from Mr. Inhofe's personal funds, with a balance of $8,000 remaining to be repaid. Apparently, Respondents are continuing to treat the loan as from Mr. Inhofe's personal funds and to treat his obligation to Mr. Abercrombie as separate from the Committee's obligation to Mr. Inhofe. It appears that Mr. Inhofe considers his "personal debt" to Mr. Abercrombie extinguished by use of his personal funds derived from the above noted repayments received from the Committee, and the Committee is still treated as owing Mr. Inhofe

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(Footnote 5 continued from previous page)
funds. The first three payments listed above were credited to all the loans, except the $20,000, in the Committee's financial disclosure reports. The last two payments were credited to the $20,000 loan.

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for the balance of the $20,000 loan.

II. DISCUSSION OF CONCILIATION PROVISIONS AND CIVIL PENALTY

III. RECOMMENDATIONS

1.

2.

3. Enter into conciliation with Jim Inhofe, and Friends of Jim Inhofe and Russell D. Robinson, as treasurer, prior to a finding of probable cause to believe.

4. Enter into conciliation with Ralph Abercrombie prior to a finding of probable cause to believe.

5. Approve the attached conciliation agreements (2) and letter.

Lawrence M. Noble
General Counsel

6/30/88
Date

BY: Lois G. Lerner
Associate General Counsel

Attachments
1. Respondents' response to reason to believe findings and interrogatories and request for documents.
2. Response of Mary Ellen Miller to interrogatories and request for documents.
3. Mr. Inhofe's Financial Disclosure Statements filed with the U.S. House of Representatives.
4. Proposed conciliation agreements (2) and letter.

Staff Assigned: Sandra H. Robinson

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FEDERAL ELECTION COMMISSION
WASHINGTON D.C. 20463

MEMORANDUM

TO: LAWRENCE M. NOBLE
GENERAL COUNSEL

FROM: MARJORIE W. EMMONS
COMMISSION SECRETARY

DATE: JULY 6, 1989

SUBJECT: MUR 2823 - General Counsel's Report signed June 30, 1989

The above-captioned document was circulated to the Commission on MONDAY, JULY 3, 1989 11:00.

Objection(s) have been received from the Commissioner(s) as indicated by the name(s) checked below:

Commissioner Aikens	
Commissioner Elliott	XXXXX
Commissioner Josefiak	
Commissioner McDonald	
Commissioner McGarry	
Commissioner Thomas	

This matter will be placed on the meeting agenda for JULY 11, 1989.

Please notify us who will represent your Division before the Commission on this matter.

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BALLOT

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

DATE & TIME TRANSMITTED: MONDAY, JULY 3, 1989 11:00

COMMISSIONER: ALKENS, [redacted], JOSEFIAK, McDONALD, McGARRY, THOMAS

RETURN TO COMMISSION SECRETARY BY THURSDAY JULY 6 1989 11:00

SUBJECT: MUR 2823 - General Counsel's Report
Signed June 30, 1989

RECEIVED
FEDERAL ELECTION COMMISSION
SECRETARIAT
89 JUL -6 PM 12:06

( ) I approve the recommendation

(X) I object to the recommendation

COMMENTS: _____

DATE: 7 July 89 SIGNATURE Lee Ann Elliott

A DEFINITE VOTE IS REQUIRED. ALL BALLOTS MUST BE SIGNED AND DATED.

PLEASE RETURN ONLY THE BALLOT TO THE COMMISSION SECRETARY.

PLEASE RETURN BALLOT NO LATER THAN DATE AND TIME SHOWN ABOVE.

90407/1001

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
Congressman Jim Inhofe; Friends of Jim Inhofe and Russell D. Robinson, as treasurer; and Ralph Abercrombie	)	MUR 2823

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session of July 11, 1989, do hereby certify that the Commission decided by a vote of 5-0 to take the following actions in MUR 2823:

1. Enter into conciliation with Jim Inhofe, and Friends of Jim Inhofe and Russell D. Robinson, as treasurer, prior to a finding of probable cause to believe.

2. Enter into conciliation with Ralph Abercrombie prior to a finding of probable cause to believe.

3. Approve the conciliation agreements (2) and letter attached to the General Counsel's report dated June 30, 1989, subject to amendment as agreed in the Commission meeting.

Commissioners Aikens, Elliott, Josefiak, McGarry, and Thomas voted affirmatively for the decision. Commissioner McDonald recused with respect to MUR 2823 and was not present during its consideration.

(continued)

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It is here noted for the record that the General Counsel withdrew recommendations numbered 1 and 2 contained in the June 30, 1989 report on MUR 2823.

Attest:

7-13-89
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

July 19, 1989

Bert C. McElroy, Esq.
2520 Mid-Continent Tower
401 South Boston
Tulsa, Oklahoma 74103

RE: MUR 2823
Jim Inhofe; Ralph Abercrombie; Friends of Jim Inhofe and Russell D. Robinson, as treasurer

Dear Mr. McElroy:

On February 28, 1989, the Federal Election Commission found reason to believe that your clients, Jim Inhofe, and Friends of Jim Inhofe and Russell D. Robinson, as treasurer, violated 2 U.S.C. § 441a(f). On that same date, the Commission found reason to believe your client, Ralph Abercrombie, violated 2 U.S.C. § 441a(a)(1)(A); and reason to believe Friends of Jim Inhofe and Russell D. Robinson, as treasurer, violated 2 U.S.C. § 434(b). At your request, on July 11, 1989, the Commission determined to enter into negotiations directed towards reaching conciliation agreements in settlement of this matter prior to findings of probable cause to believe.

Enclosed are conciliation agreements that the Commission has approved in settlement of this matter. You should note that, as a result of the investigation of this matter, the Commission has included a provision in each conciliation agreement that provides for an admission of a knowing and willful violation of the Federal Election Campaign Act of 1971, as amended ("the Act"). See, page 4, paragraph V. a), of the agreement for Mr. Inhofe and the Committee; and page 3, paragraph V, of the agreement for Mr. Abercrombie. In making the decision to include these provisions, the Commission considered the facts in this matter, including the fact that Mr. Inhofe and Mr. Abercrombie were informed by Mary Ellen Miller, the past campaign manager, prior to entering into the loan transaction that it would violate the Act. This fact is also included in each conciliation agreement.

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If your clients agree with the provisions of the enclosed agreements, please sign and return them, along with the civil penalties, to the Commission. In light of the fact that conciliation negotiations, prior to a finding of probable cause to believe, are limited to a maximum of 30 days, you should respond to this notification as soon as possible.

If you have any questions or suggestions for changes in the agreements, or if you wish to arrange a meeting in connection with mutually satisfactory conciliation agreements, please contact Sandra H. Robinson, the attorney assigned to this matter, at (202) 376-8200.

Sincerely,

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Associate General Counsel

Enclosures
Conciliation Agreements (2)

06C3759

BERT C. MCELROY
ATTORNEY AT LAW

2520 MID-CONTINENT TOWER
TULSA, OKLAHOMA 74103

(918) 583-7766

August 7, 1989

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL
89 AUG 15 PM 12:56

Federal Election Commission
999 E Street N.W.
Washington, D. C. 20463

Re: MUR 2823 Jim Inhofe; Friends of Jim Inhofe and Russell D. Robinson as treasurer; and Ralph Abercrombie

Gentlemen:

Enclosed herewith is a Motion to Recuse, wherein the Respondents are requesting that Commissioner Danny McDonald recuse from any further participation in this Matter Under Review.

I would appreciate this motion being filed in this matter, and your advising me of any response thereto presented by the General Counsel and of any action taken thereon by Commissioner McDonald or the Commission.

Thank you for your consideration.

Respectfully yours,

Bert C. McElroy

Bert C. McElroy

BCM/fs
Enclosure

89040710009

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
Jim Inhofe, and	)	MUR 2823
Friends of Jim Inhofe and	)	
Russell D. Robinson, as treasurer;	)	
and Ralph Abercrombie	)	

MOTION TO RECUSE

The Respondents above named, Jim Inhofe, Friends of Jim Inhofe and Russell D. Robinson as treasurer, and Ralph Abercrombie, hereby respectfully move that Commissioner Danny McDonald recuse himself from further participation in, or decision of, the above styled matter, and in support thereof, respectfully show to the commission as follows:

1. That said commissioner is a resident of the Congressional District represented by the Respondent Jim Inhofe;

2. That said respondent is personally acquainted with said commissioner and was involved in the appointment of said commissioner to the Commission;

3. That Commissioner McDonald has been overheard at public gatherings discussing his interest in becoming a candidate for the Congressional seat now held by respondent Jim Inhofe. Such statements would indicate an inability on the part of said commissioner to objectively and impartially consider and participate in determination of the issues in this matter.

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Based upon the above and foregoing, Respondents respectfully move that Commissioner Danny McDonald recuse himself from further participation in this matter, and that he refrain from discussing, or from taking part, either formally or informally, in any deliberations of the Commission concerning this matter under review.

Bert C. McElroy

BERT C. McELROY
Counsel for Respondents Jim Inhofe, Friends of Jim Inhofe and Russell D. Robinson as treasurer, and Ralph Abercrombie

89040771008

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

August 17, 1989

MEMORANDUM

TO: Commissioner McDonald

FROM: Lawrence M. Noble
General Counsel

SUBJ: Motion to Recuse in MUR 2823

This Office has received the attached letter and motion to recuse from counsel for Rep. Jim Inhofe and his committee in MUR 2823. In similar instances in prior matters, such as MUR 2270, each Commissioner has, initially, responded individually to such motions. This Office had verbally informed Mr. McElroy that you had recused yourself in this matter. Nevertheless, he filed the attached motion.

Please provide this Office with a copy of any response you make to this motion so that it can be added to the permanent file.

If you have any questions regarding this motion, please contact me.

89040771009

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

OFFICE OF THE CHAIRMAN

August 23, 1989

Bert C. McElroy, Esquire
2520 Mid-Continent Tower
Tulsa, Oklahoma 74103

Dear Bert:

Late last week I received a copy of your motion that I recuse myself in MUR 2823. I was quite surprised at this since it was my understanding that prior to filing the motion, Sandra Robinson, staff attorney in the Office of General Counsel, informed you I had recused myself from the outset of the complaint.

As you may know, during the course of the 1988 election cycle, representatives of both Congressman Inhofe and Candidate Glassco contacted me with hypothetical questions relating to campaign finance issues. I routinely recuse myself when there has been prior contact on "hypothetical" issues that ultimately reflect on a later-filed complaint. Unfortunately, you have been misinformed by unnamed individuals concerning the 1990 race for the 1st Congressional District. I can assure you that I have made no such statements at "public gatherings," to use your terminology.

Sincerely,

Danny L. McDonald

DANNY L. McDONALD
Chairman

cc: Office of the General Counsel

2204071010

RECEIVED
FEDERAL ELECTION COMMISSION

89 SEP 21 AM 11:11

BEFORE THE FEDERAL ELECTION COMMISSION

SENSITIVE

In the Matter of	)	
	)	
Congressman Jim Inhofe; Friends of Jim Inhofe and Russell D. Robinson, as treasurer; and Ralph Abercrombie	)	MUR 2823

GENERAL COUNSEL'S REPORT

I. BACKGROUND

Attached are conciliation agreements which have been signed by Bert C. McElroy, counsel for Jim Inhofe; Friends of Jim Inhofe and Russell D. Robinson, as treasurer; and Ralph Abercrombie, respondents in this matter. Attachment I. Checks for the civil penalties have not been received.

The attached agreement pertaining to Ralph Abercrombie contains no changes from the agreement approved by the Commission on August 22, 1989. Attachment I(10)-(14).

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. Thus, this Office recommends that the Commission accept the signed conciliation agreements, including the revised agreement proposed by counsel.

II. RECOMMENDATIONS

1. Accept the attached conciliation agreements with Jim Inhofe, and Friends of Jim Inhofe and Russell D. Robinson, as treasurer.

2. Accept the attached conciliation agreement with Ralph Abercrombie.

3. Close the file.

4. Approve the attached letters.

Lawrence M. Noble
General Counsel

9/20/89
Date

BY: Lois G. Lerner
Lois G. Lerner
Associate General Counsel

Attachments
1. Conciliation Agreements
2. Letter to Respondents' counsel
3. Letter to Complainant.

Staff Assigned: Sandra H. Robinson

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	MUR 2823
Congressman Jim Inhofe; Friends of Jim Inhofe and Russell D. Robinson, as treasurer; and Ralph Abercrombie	)	

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on September 25, 1989, the Commission decided by a vote of 5-0 to take the following actions in MUR 2823:

1. Accept the conciliation agreements with Jim Inhofe, and Friends of Jim Inhofe and Russell D. Robinson, as treasurer, as recommended in the General Counsel's Report dated September 20, 1989.

2. Accept the conciliation agreement with Ralph Abercrombie, as recommended in the General Counsel's Report dated September 20, 1989.

3. Close the file.

4. Approve the letters, as recommended in the General Counsel's Report dated September 20, 1989.

Commissioners Aikens, Elliott, Josefiak, McGarry and Thomas voted affirmatively for the decision; Commissioner McDonald recused himself from the matter and did not cast a vote.

Attest:

9-26-89
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

Received in the Secretariat: Thursday, September 21, 1989 11:11 a.m.
Circulated to the Commission: Thursday, September 21, 1989 4:00 p.m.
Deadline for vote: Monday, September 25, 1989 4:00 p.m.

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 6, 1989

CLOSED

Bert C. McElroy, Esq.
425 Mid-Continent Tower
Tulsa, Oklahoma 74103

RE: MUR 2823
Jim Inhofe; Friends of Jim Inhofe and Russell D. Robinson, as treasurer; Ralph Abercrombie

Dear Mr. McElroy:

On September 25, 1989, the Federal Election Commission accepted the signed conciliation agreements submitted on behalf of your clients, Jim Inhofe, and Friends of Jim Inhofe and Russell D. Robinson, as treasurer, in settlement of violations of 2 U.S.C. §§ 441a(f) and 434(b), provisions of the Federal Election Campaign Act of 1971, as amended ("the Act"); and your client, Ralph Abercrombie, in settlement of a violation of 2 U.S.C. § 441a(a)(1)(A), a provision of the Act. Accordingly, the file has been closed in this matter. This matter will become a part of the public record within 30 days. If you wish to submit any factual or legal materials to appear on the public record, please do so within ten days. Such materials should be sent to the Office of the General Counsel.

Please be advised that information derived in connection with any conciliation attempt will not become public without the written consent of the respondents and the Commission. See 2 U.S.C. § 437g(a)(4)(B). The enclosed conciliation agreements, however, will become a part of the public record.

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Enclosed you will find a copy of the fully executed conciliation agreements for your files. If you have any questions, please contact Sandra H. Robinson, the attorney assigned to this matter, at (202) 376-8200.

Sincerely,

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Associate General Counsel

Enclosures
Conciliation Agreements (2)

9 9 0 4 0 7 1 0 1 5

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
Jim Inhofe, and	)	MUR 2823
Friends of Jim Inhofe and	)	
Russell D. Robinson, as treasurer	)	

CONCILIATION AGREEMENT

This matter was initiated sua sponte and by a signed, sworn, and notarized complaint by the Democratic Party of Oklahoma. The Federal Election Commission ("Commission") found reason to believe that Jim Inhofe, and Friends of Jim Inhofe, of which Russell D. Robinson is now treasurer ("Respondents"), violated 2 U.S.C. § 441a(f). The commission also found reason to believe Friends of Jim Inhofe, of which Russell D. Robinson is now treasurer, violated 2 U.S.C. § 434(b).

NOW, THEREFORE, the Commission and the Respondents, having participated in informal methods of conciliation, prior to a finding of probable cause to believe, do hereby agree as follows:

I. The Commission has jurisdiction over the Respondents and the subject matter of this proceeding, and this agreement has the effect of an agreement entered pursuant to 2 U.S.C.§ 437g(a)(4)(A)(i).

II. Respondents have had a reasonable opportunity to demonstrate that no action should be taken in this matter.

III. Respondents enter voluntarily into this agreement with the Commission.

IV. The pertinent facts in this matter are as follows:

1. Friends of Jim Inhofe was the principal campaign committee for candidate Jim Inhofe during the 1986 election cycle within the meaning of 2 U.S.C. § 431(5).

2. Russell D. Robinson is the current treasurer of Friends of Jim Inhofe. Mr. Robinson was registered as the treasurer of Friends of Jim Inhofe on June 17, 1988. Ralph Abercrombie was the treasurer of Friends of Jim Inhofe during the 1986 election cycle.

3. Jim Inhofe was a candidate for the U. S. House of Representatives in the 1986 election cycle within the meaning of 2 U.S.C. § 431(2).

4. In June, 1986, a discussion was held about the need for funds to finance Mr. Inhofe's federal campaign. Mary Ellen Miller, Mr. Inhofe's campaign manager, Ralph Abercrombie, and Jim Inhofe participated in this discussion. During that meeting, Ms. Miller stated that a loan from Mr. Abercrombie to Respondents to be used in the Inhofe campaign would violate provisions of the Federal Election Campaign Act of 1971, as amended ("the Act").

5. On June 30, 1986, Mr. Abercrombie loaned $20,000 to Mr. Inhofe, and such funds were subsequently used by Mr. Inhofe's principal campaign committee for campaign purposes.

6. Mr. Inhofe and Mr. Abercrombie used a preprinted promissory note from a bank to ratify their agreement. The promissory note was signed only by Mr. Inhofe. Although Mr. Abercrombie did not sign the note, there is a typed revision on the form to indicate that the term "Lender" as used in the form was to be construed as a reference to Mr. Abercrombie, as payee. The loan was secured with 4,000 shares of National Royalty Corporation stock, which was owned solely by Mr. Inhofe. An Assignment Separate from Certificate form bearing the signatures of Mr. Inhofe and a witness, along with delivery of the stock

certificate, constituted a blank endorsement sufficient to secure the loan.

7. Respondents disclosed receipt of the loan in their 1986 July Quarterly Report filed with the Commission. In that report, Respondents identified the source of the loan as from the candidate's personal funds. In subsequent reports filed with the Commission, Respondents continued to identify the candidate's personal funds as the source of the loan.

8. The Act states in relevant parts that:

a) a contribution includes loans made to the political committee. 2 U.S.C. § 431(8)(A).

b) Where a loan is obtained by a candidate in connection with his or her campaign, the candidate shall be considered to have obtained such loan as an agent of his or her authorized committee(s). 2 U.S.C. § 432(e)(2).

c) Individuals cannot contribute an aggregate amount in excess of $1,000 to a candidate or authorized political committee, with respect to any election. 2 U.S.C. § 441a(a)(1)(A).

d) A candidate or political committee is prohibited from knowingly accepting any contribution in violation of the provisions of § 441a. No officer or employee of a political committee shall knowingly accept a

contribution made for the benefit or use of a candidate, or knowingly make an expenditure on behalf of a candidate, in violation of any limitation imposed on contributions and expenditures under § 441a. 2 U.S.C. § 441a(f).

e) An authorized committee must disclose, on reports filed with the Commission, the total amount of all loans made by or guaranteed by the candidate, as well as all other loans. Disclosure reports must identify each person who makes a loan to the reporting committee during the reporting period, together with the name of any endorser or guarantor of such loan, and the date and amount of such loan. 2 U.S.C. § 434(b).

9. Commission regulations provide that loans to a political committee may not exceed the contribution limitations of Section 441a and those that do are unlawful, even if they are repaid. A loan is a contribution when it is made and remains such to the extent that it remains unpaid. To the extent that it is repaid, a loan is no longer a contribution. 11 C.F.R. § 100.7(a)(1).

V. a) Respondents knowingly accepted a $20,000 contribution from Ralph Abercrombie in the form of a loan, in a knowing and willful violation of the provisions of 2 U.S.C. § 441a(f).

b) Respondents failed to accurately identify the source of loan in violation of 2 U.S.C. § 434(b).

VI. a) Respondents will pay a civil penalty to the Federal Election Commission in the amount of seven thousand seven hundred fifty ($7,750), pursuant to 2 U.S.C. § 437g(a)(5)(A).

b) Respondents will amend the appropriate financial disclosure reports filed with the Commission to accurately disclose the source and status of the loan received from Mr. Abercrombie.

VII. The Commission, on request of anyone filing a complaint under 2 U.S.C. § 437g(a)(1) concerning the matters at issue herein or on its own motion, may review compliance with this agreement. If the Commission believes that this agreement or any requirement thereof has been violated, it may institute a civil action for relief in the United States District Court for the District of Columbia.

VIII. This agreement shall become effective as of the date that all parties hereto executed same and the Commission has approved the entire agreement.

IX. Respondent shall have no more than 30 days from the date this agreement becomes effective to comply with and implement the requirements contained in this agreement and to so notify the Commission.

X. This Conciliation Agreement constitutes the entire agreement between the parties on the matters raised herein, and no other statement, promise, or agreement, either written or oral, made by either party or by agents of either party, that is not contained in this written agreement shall be enforceable.

FOR THE COMMISSION:

Lawrence M. Noble
General Counsel

By: _____ 10-10-89
Lois G. Lerner
Associate General Counsel
Date

FOR THE RESPONDENTS:

Bert C. McElroy _____ September 7, 1989
Bert C. McElroy, Counsel for
Jim Inhofe, Friends of Jim
Inhofe, and Russell D.
Robinson, as treasurer
Date

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	MUR 2823
Ralph Abercrombie	)	

CONCILIATION AGREEMENT

This matter was initiated sua sponte and by a signed, sworn, and notarized complaint by the Democratic Party of Oklahoma. The Federal Election Commission ("Commission") found reason to believe that Ralph Abercrombie ("Respondent") violated 2 U.S.C. § 441a(a)(1)(A).

NOW, THEREFORE, the Commission and the Respondent, having participated in informal methods of conciliation, prior to a finding of probable cause to believe, do hereby agree as follows:

I. The Commission has jurisdiction over the Respondent and the subject matter of this proceeding, and this agreement has the effect of an agreement entered pursuant to 2 U.S.C. § 437g(a)(4)(A)(i).

II. Respondent has had a reasonable opportunity to demonstrate that no action should be taken in this matter.

III. Respondent enters voluntarily into this agreement with the Commission.

IV. The pertinent facts in this matter are as follows:

1. Ralph Abercrombie was the treasurer of Friends of Jim Inhofe, the principal campaign committee for candidate Jim Inhofe, during the 1986 election cycle.

2. Jim Inhofe was a candidate for the U.S. House of Representatives in the 1986 election cycle within the meaning of

2 U.S.C. § 431(2).

3. In June 1986 Respondent was involved in a discussion about the need for funds to finance Mr. Inhofe's campaign. Mary Ellen Miller, Mr. Inhofe's campaign manager, and Jim Inhofe participated in this discussion. During that meeting, Ms. Miller stated that a loan from Mr. Abercrombie to be used in the campaign would violate provisions of the Federal Election Campaign Act of 1971, as amended ("the Act").

4. On June 30, 1986, Respondent loaned $20,000 to Mr. Inhofe and such funds were subsequently used by Mr. Inhofe's principal campaign committee for campaign purposes.

5. Mr. Abercrombie and Mr. Inhofe used a preprinted promissory note from a bank to ratify their agreement. The promissory note was signed only by Mr. Inhofe. Although Mr. Abercrombie did not sign the note, there is a typed revision on the form to indicate that the term "Lender" as used in the form was to be construed as a reference to Mr. Abercrombie, as payee. The loan was secured with 4,000 shares of National Royalty Corporation stock, which was owned solely by Mr. Inhofe. An Assignment Separate from Certificate form bearing the signatures of Mr. Inhofe and a witness, along with delivery of the stock certificate constituted a blank endorsement sufficient to secure the loan.

6. The Act states in relevant parts that:

a) a contribution includes loans made to the political committee. 2 U.S.C. § 431(8)(A).

b) Where a loan is obtained by a candidate in

connection with his or her campaign, the candidate shall be considered to have obtained such loan as an agent of his or her authorized committee(s). 2 U.S.C. § 432(e)(2).

c) Individuals can not contribute an aggregate amount in excess of $1,000 to a candidate or authorized political committee, with respect to any election. 2 U.S.C. § 441a(a)(1)(A).

d) A candidate or political committee is prohibited from knowingly accepting any contribution in violation of the provisions of Section 441a. No officer or employee of a political committee shall knowingly accept a contribution made for the benefit or use of a candidate, or knowingly make an expenditure on behalf of a candidate, in violation of any limitation imposed on contributions and expenditures under Section 441a. 2 U.S.C. § 441a(f).

7. Commission regulations provide that loans to a political committee may not exceed the contribution limitation of Section 441a and those that do are unlawful, even if they are repaid. A loan is a contribution when it is made and remains such to the extent that it remains unpaid. To the extent that it is repaid, a loan is no longer a contribution. 11 C.F.R. § 100.7(a)(1).

V. Respondent made a $20,000 contribution to Jim Inhofe and Friends of Jim Inhofe in the form of a loan, in a knowing and willful violation of 2 U.S.C. § 441a(a)(1)(A).

VI. Respondent will pay a civil penalty to the Federal Election Commission in the amount of seven thousand five hundred

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dollars ($7,500), pursuant to 2 U.S.C. § 437g(a)(5)(A).

VII. The Commission, on request of anyone filing a complaint under 2 U.S.C. § 437g(a)(1) concerning the matters at issue herein or on its own motion, may review compliance with this agreement. If the Commission believes that this agreement or any requirement thereof has been violated, it may institute a civil action for relief in the United States District Court for the District of Columbia.

VIII. This agreement shall become effective as of the date that all parties hereto executed same and the Commission has approved the entire agreement.

IX. Respondent shall have no more than 30 days from the date this agreement becomes effective to comply with and implement the requirements contained in this agreement and to so notify the Commission.

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X. This Conciliation Agreement constitutes the entire agreement between the parties on the matters raised herein, and no other statement, promise, or agreement, either written or oral, made by either party or by agents of either party, that is not contained in this written agreement shall be enforceable.

FOR THE COMMISSION:

Lawrence M. Noble
General Counsel

BY: _____ 10-5-89
Lois G. Lerner
Associate General Counsel
Date

FOR THE RESPONDENT:

_____ September 7, 1989
(Name) Bert C. McElroy
(Position)
Counsel for Respondent
Date

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 6, 1989

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

William Bullard, Chairman
Democratic Party of Oklahoma
429 N.E. 50th Street, Suite 100
Oklahoma City, Oklahoma 73105

RE: MUR 2823

Dear Mr. Bullard:

This is in reference to the complaint you filed with the Federal Election Commission on October 25, 1988, concerning Jim Inhofe; Friends of Jim Inhofe and Russell D. Robinson, as treasurer; and Ralph Abercrombie.

The Commission found that there was reason to believe Jim Inhofe, and Friends of Jim Inhofe and Russell D. Robinson, as treasurer, violated 2 U.S.C. § 441a(f), and Friends of Jim Inhofe and Russell D. Robinson, as treasurer, violated 2 U.S.C. § 434(b), provisions of the Federal Election Campaign Act of 1971, as amended ("the Act"). The Commission also found reason to believe Ralph Abercrombie violated 2 U.S.C. § 441a(a)(1)(A), a provision of the Act. The Commission subsequently conducted an investigation in this matter. On September 25, 1989, conciliation agreements signed by the respondents' counsel on their behalf were accepted by the Commission. Accordingly, the Commission closed the file in this matter on September 25, 1989. Copies of these agreements are enclosed for your information.

If you have any questions, please contact Sandra H. Robinson, the attorney assigned to this matter, at (202) 376-8200.

Sincerely,

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Associate General Counsel

Enclosures
Conciliation Agreements (2)

8204071029

OGC 4239

RECEIVED
FEDERAL ELECTION COMMISSION
MAIL ROOM

89 OCT 10 AM 10: 18

BERT C. MCELROY
ATTORNEY AT LAW

2520 MID-CONTINENT TOWER
TULSA, OKLAHOMA 74103

(918) 583-7766

October 6, 1989

Lois G. Lerner
Associate General Counsel
Federal Election Commission
999 E Street N.W.
Washington, D. C. 20463

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL
89 OCT 10 PM 3: 00

Re: MUR 2823
Jim Inhofe; Friends of Jim Inhofe and Russell D. Robinson, as treasurer; Ralph Abercrombie

Dear Ms. Lerner:

We have been advised by Ms. Sandra Robinson of your office that the most recent proposed Conciliation Agreement, submitted to you with our letter of September 6, 1989, has been approved and accepted by the Commission.

In accordance with the terms of the Conciliation Agreement, I am enclosing herewith a check from Friends of Jim Inhofe in the amount of $7,750.00 and my trust account check in the amount of $7,500.00 in payment of the civil penalties levied against all the respondents.

Mr. Robinson will be in contact with the Commission's Reports Analysis Division at the beginning of next week in order to ascertain the proper form for amendments to the committee's financial disclosure reports, as required by paragraph VI(b) of the Conciliation Agreement.

It is our understanding that with the enclosed payments and appropriate amendments to the reports, the respondents in this matter will be in full compliance with the terms of the conciliation agreement.

Thank you for your assistance and cooperation, and that of your staff, particularly Ms. Sandra Robinson, in the negotiation and conclusion of this matter.

Very truly yours,

Bert C. McElroy

Bert C. McElroy

CLOSED

Western National Bank
4800 S. LEWIS
P.O. BOX 702680
TULSA, OKLAHOMA 74170

BERT C. McELROY, ATTORNEY AT LAW
TRUST ACCOUNT
PHONE 918-583-7766
2520 MID CONTINENT TOWER
TULSA, OK 74103

127

October 6, 1989

86-201
1039

PAY TO THE ORDER OF Federal Election Commission $ 7,500.00

Seven Thousand Five Hundred and no/100---------- DOLLARS

Civil Penalty
Ralph Abercrombie, as per
Conciliation Agreement in
MUR 2823

Bert C. McElroy

⑈000127⑈ ⑆103902018⑆ ⑈1074946⑈

MEMORANDUM

TO: DEBRA A. TRIMIEW

TO: CHERYL T WILLIAMS

FROM: CHERYL T WILLIAMS

FROM: DEBRA A. TRIMIEW

CHECK NO. 127 { A COPY OF WHICH IS ATTACHED } RELATING TO MUR 2823 (Robinson) AND NAME Ralph Abercrombie WAS RECIEVED ON 10/10/89. PLEASE INDICATE THE ACCOUNT INTO WHICH IT SHOULD BE DEPOSITED:

/ / BUDGET CLEARING ACCOUNT { 95F3875.16 }

/ ✓ / CIVIL PENALTIES ACCOUNT { 95-1099.160 }

/ / OTHER _____

SIGNATURE Debra A. Trimiew DATE 10/11/89

CLOSED

FRIENDS OF JIM INHOFE
P.O. BOX 2585 PH. 918-748-8683
TULSA, OK 74101

1233

10-02 1989

86-1248
1039

PAY TO THE ORDER OF FEC $7,750.00

---Seventy-seven Hundred Fifty and no/100---------- DOLLARS

FOURTH NATIONAL BANK
Tulsa, OK 74103
MEMBER FDIC

FOR MUR 2823

Russell A. Robinson

⑈103912480⑆ 2059079⑈ 1233

MEMORANDUM

TO: DEBRA A. TRIMIEW

FROM: CHERYL T WILLIAMS

TO: CHERYL T WILLIAMS

FROM: DEBRA A. TRIMIEW

CHECK NO. 1233 { A COPY OF WHICH IS ATTACHED } RELATING TO MUR 2823 (Robinson) AND NAME Jim Inhofe, and Friends of Jim Inhofe WAS RECIEVED ON 10/10/89. PLEASE INDICATE THE ACCOUNT INTO WHICH IT SHOULD BE DEPOSITED:

/ / BUDGET CLEARING ACCOUNT { 95F3875.16 }

/ ✓ / CIVIL PENALTIES ACCOUNT { 95-1099.160 }

/ / OTHER

SIGNATURE Debra A. Trimiew DATE 10/11/89

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THIS IS THE END OF MUR # 2823

DATE FILMED 11/1/89 CAMERA NO. 4

CAMERAMAN AS

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