FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

THIS IS THE BEGINNING OF MUR # 1033

Date Filmed 11/16/79 Camera No. --- 2

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 1, 1979

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Paul M. Homan
Senior Deputy Comptroller for
Bank Supervision
Comptroller of the Currency
Administrator of National Banks
Washington, D.C. 20219

Re: MUR 1033

Dear Mr. Homan:

On October 31, 1979, the Commission found reason to believe that The National Union Bank of Monticello violated the Federal Election Campaign Act of 1971, as amended, however, decided not to take any further action against the bank since information included in your referral to our office indicates that the bank does not intend to continue its practice of purchasing political advertisements. The Commission further determined to close the file on this matter and send the bank a letter of admonition.

A copy of the Commission's determination and the letter to the bank is enclosed. If you have any questions, please contact Duane A. Brown at (202) 523-4057.

We appreciate the information your agency has provided concerning violations of the FECA.

Sincerely,

William C. Oldaker
General Counsel

Enclosures

Commission Certification
Letter to John Willis

79040161763

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Paul M. Homan
Senior Deputy Comptroller for
  Bank Supervision
Comptroller of the Currency
Administrator of National Banks
Washington, D.C.   20219

Re: MUR 1033

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A copy of the Commission's determination and the letter to the bank is enclosed. If you have any questions, please contact Duane A. Brown at (202) 523-4057.

We appreciate the information your agency has provided concerning violations of the FECA.

Sincerely,

William C. Oldaker
General Counsel

Enclosures

Commission Certification
Letter to John Willis

[illegible]
10/31/9

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 1, 1979

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

John J. Willis
Executive Vice President
The National Union Bank of Monticello
222 Broadway
P.O. Box 311
Monticello, New York   12701

Re: MUR 1033

Dear Mr. Willis:

This letter is to notify you that the Federal Election Commission has received information from the Comptroller of the Currency which indicates that a violation of the Federal Election Campaign Act of 1971, as amended ("the Act") may have been committed by your bank. A copy of the correspondence is enclosed. While the Commission has determined that the bank violated § 441b of the Act by making numerous expenditures beginning January, 1971 through December, 1978, totalling $8,120.00, it has decided not to take further action in this matter.

At the same time, the Commission reminds you that the making of contributions/expenditures to any candidate, campaign committee or political party or organization in connection with any election is in violation of 2 U.S.C. § 441b of the Federal Election Campaign Act of 1971, as amended. This includes the buying of tickets for politically sponsored events and the purchase of political advertisements.

Accordingly, and upon my recommendation, the file is closed in this matter.

If you have any questions, please contact Duane A. Brown at (202) 523-4057.

Sincerely,

William C. Oldaker
General Counsel

Enclosure

Referral

79010161763

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

John J. Willis
Executive Vice President
The National Union Bank of Monticello
222 Broadway
P.O. Box 311
Monticello, New York 12701

Re: MUR 1033

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This letter is to notify you that the Federal Election Commission has received information from the Comptroller of the Currency which indicates that a violation of the Federal Election Campaign Act of 1971, as amended ("the Act") may have been committed by your bank. A copy of the correspondence is enclosed. While the Commission has determined that the bank violated § 441b of the Act by making numerous expenditures beginning January, 1971 through December, 1978, totalling $8,120.00, it has decided not to take further action in this matter.

At the same time, the Commission reminds you that the making of contributions/expenditures to any candidate, campaign committee or political party or organization in connection with any election is in violation of 2 U.S.C. § 441b of the Federal Election Campaign Act of 1971, as amended. This includes the buying of tickets for politically sponsored events and the purchase of political advertisements.

Accordingly, and upon my recommendation, the file is closed in this matter.

If you have any questions, please contact Duane A. Brown at (202) 523-4057.

Sincerely,

William C. Oldaker
General Counsel

Enclosure

Referral

DAM
10/31/79

79040161767

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	MUR 1033
The National Union Bank of	)	
Monticello	)	

CERTIFICATION

I, Marjorie W. Emmons, Secretary to the Federal Election Commission, do hereby certify that on October 31, 1979, the Commission decided by a vote of 4-0 to take the following actions regarding the above-captioned matter:

1. Find REASON TO BELIEVE that the National Union Bank of Monticello violated 2 U.S.C. § 441b.
2. Take no further action.
3. Close the file.
4. Send the letters attached to the First General Counsel's Report dated October 26, 1979.

Voting for this determination were Commissioners Friedersdorf, Harris, McGarry, and Reiche.

Attest:

10/31/79
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary to the Commission

Received in Office of the Commission Secretary: 10-26-79, 12:24
Circulated on 48 hour vote basis: 10-29-79, 11:00

October 26, 1979

MEMORANDUM TO: Marge Emmons

FROM: Jane Colgrove

SUBJECT: MUR 1033

Please have the attached First General Counsel's Report on MUR 1033 distributed to the Commission on a 48 hour tally basis.

Thank you.

79040191769

FEDERAL ELECTION COMMISSION

FIRST GENERAL COUNSEL'S REPORT

DATE AND TIME OF TRANSMITTAL BY OGC TO COMMISSION OCT 26 1979

MUR NO. 1033
DATE COMPLAINT RECIEVED BY OGC __________

STAFF MEMBER(S) Duane A. Brown

COMPLAINANT'S NAME: Comptroller of the Currency (Referral)

RESPONDENT'S NAME: The National Union Bank of Monticello

RELEVANT STATUTE: 2 U.S.C. § 441b

INTERNAL REPORTS CHECKED: None

FEDERAL AGENCIES CHECKED: None

79 OCT 26 P12: 24

7904061790

SUMMARY OF ALLEGATIONS

FACTS

As a result of information recently obtained by the Comptroller of the Currency, this matter was referred to the Commission alleging a possible violation of 2 U.S.C. § 441b. The respondent is The National Union Bank of Monticello, New York. It appears that the respondent bank made numerous contributions/expenditures for tickets to political fundraisers and for political advertisements amounting to $8,120.00 over an seven year period (January 1, 1971 to December 1, 1978).

ANALYSIS

Taking into consideration that there appears to have been a general misunderstanding by national banks that 2 U.S.C. § 441b covers the buying of tickets and political ads from local political groups (see particularly, MUR 1026, as well as MURS 891, 927-929, 936, 1012, 1013, 1015, and Pre-MURs 40 and 42) and taking into consideration that the bank's Board of Directors have expressed in the attached report that expenditures of this type will no longer be made, the General Counsel recommends that the Commission find reason to believe that a violation of the Act has occurred but take no further action. In addition, the General Counsel recommends that the bank be made aware of its violations and warned that any activity of this type in the future may subject it to civil penalties. A letter to this effect is attached.

RECOMMENDATION

1. Find reason to believe that The National Union Bank of Monticello violated 2 U.S.C. § 441b.

2. Take no further action.

3. Close the file.

4. Send the attached letters.

Attachments
  Referral
  Letter to John J. Willis
  Letter to Paul Homan

December 15, 1978

Mr. Donald C. Crawford, President
The National Union Bank of Monticello
Post Office Box 311
Monticello, New York 12701

Dear Mr. Crawford:

This refers to your letter of November 15, 1978, in which you indicate that the bank is conducting an investigation into disbursements for political fund raising events for the years 1971-1978, totaling approximately $8,100.00.

We would appreciate receiving the results of that investigation as soon as such information is available. Thank you for your cooperation.

Very truly yours,

JOHN R. BURT
Acting Regional Administrator
of National Banks

WSN:kmw
cc: Dep C/C
J. Miller
R. Serino
Office
Field
Chrono

1028

Comptroller of the Currency
Administrator of National Banks

Washington, D.C. 20219

August 13, 1979

Mr. William C. Oldaker
General Counsel
Federal Election Commission
1325 K Street, N.W.
Washington, D. C.

Dear Mr. Oldaker:

The Regional Office of the Comptroller of the Currency in New York City has reported possible violations of 2 U.S.C. 441b by National Union Bank in Monticello, New York and by Bridgehampton National Bank, Bridgehampton, New York.

PM42 National Union Bank of Monticello disbursed approximately $8,100.00 for political fund-raising events and advertisements, between 1971-1978. All payments were reflected on the books and records of the bank under advertising expenses.

PM38 Bridgehampton National Bank, Bridgehampton, New York expended a total of $200.00 for a fund-raising function of the Southampton Republican Club. The purchase of five tickets ($20.00 each) for a club dinner and placement of an advertisement in a political periodical ($100.00) were approved by the Board of Directors of the bank.

In light of the Federal Election Commission's jurisdiction over possible violations of the Federal Election Campaign Act, we refer this information to you for further investigation and review by the Commission. If we can be of any further assistance, please contact the Enforcement and Compliance Division of the Office of the Comptroller of the Currency at 447-1983.

Sincerely,

Paul M. Homan

Paul M. Homan
Senior Deputy Comptroller for Bank Supervision

The National Union Bank
of Monticello
Monticello, New York

December 20, 1978

John J. Willis
Executive Vice President

Area Code (914)
794-8300

Mr. John R. Burt
Acting Regional Administrator of National Banks
Second National Bank Region
1211 Avenue of the Americas, Suite 4250
New York, New York 10036

Dear Mr. Burt:

This is in reply to your letter of December 15, 1978 regarding our letter of November 15, 1978 informing you of certain expenditures of Bank funds for tickets to political fund raising events and political advertisements.

We are enclosing a copy of the unanimous report of the committee appointed to investigate this matter that was submitted to the Board of Directors of the National Union Bank at the monthly Board meeting held on Tuesday, December 12, 1978.

The following motion was made, seconded and unanimously adopted by the Board of Directors.

" Motion made that the report of the Special Committee of this Board be approved and that it would be in the best interests of the bank that no action be taken against any officers, or employees involved in the transactions referred to in said report."

Sincerely,

John J. Willis
Executive Vice Pres./Sec'y

7 9 0 4 0 1 6 1 7 7 4

To the Board of Directors of the National Union Bank of Montticello:

We, the undersigned, Harold A. Reynolds, Chairman, Milton Kutcher and Rubin J. Katz, constituting the special investigation committee appointed by the Board of Directors at its regular meeting held on November 14, 1978 to investigate the possibility that illegal or questionable payments, including illegal political contributions having been made by officers, directors or employees of the bank in any manner, and particularly during the period indicating from January 1, 1971 to date, and to determine whether any payments were not recorded on the books and records of the bank in a form that would be reviewed during the normal course of the bank's annual audit, do hereby submit the following report:

We find that a total of $8120 was disbursed between the period dating January 1, 1971 to date for political related expenses which apparently violated certain provisions of federal laws prohibiting national banks from making political contributions (2U.S.C.Section 441b, formerly 18U.S.C. Sections 610) prohibiting deductions of political contributions on Federal Income Tax returns (IRC Section 162 (a) and penalizing inaccurate tax returns (IRC Section 6653(a), 6653(b), 7201, 7206 and 7207)

That at the time such expenditures for political related purposes were made, that the officers and employees

involved w[illegible] without knowledge and [illegible] no reason to believe that it was illegal or improper so to do because such practice was engaged in by other national banks in and around Sullivan County.

That no expenditure for any political related purpose was made with any ulterior motive to benefit any individual or to gain any advantage, preference, special treatment or otherwise for any officer, director, stockholder or other person connected with the bank, nor was any preference shown to any political party or person soliciting the journal ad, dinner ticket or luncheon ticket involved.

That all payments which were made for political related disbursements were reflected upon the books and records of the bank under advertising expenses and the same were available for review by the national bank examiners during the course of their periodic audit of the books of the bank, as well as by the auditors employed by the Board of Directors of the bank during their audit and examination of the books of the bank and at no time did any accounting firm or the bank examiners criticize or make any complaint or give any indication that the political related disbursements and expenses incurred were either improper or illegal.

That the officers and employees of the bank at the time such expenditures which are now reported to be illegal and improper were made, acted in good faith with no ulterior

motive or purpose in mind and after this matter was called to their attention have indicated that they will no longer make any such expenditures, nor have they done so.

That a report of the alleged illegal and improper expenditures were reported to the appropriate governmental agencies involved, who up to this time, as far as we know, have failed to make any comment with respect thereto.

That the accounting firm of Ronder and Ronder appointed by the Board of Directors has indicated that at this time no amended tax returns should be filed for the period in question and that in the event the Internal Revenue Service determines that any additional tax liability should be imposed, that they will so advise the bank, at which time this subject matter may receive appropriate attention.

That any adjustment in the bank's tax returns will not be material and thus will not result in any adjustment in the bank's financial statement.

That the political expenditures which have been made should have no significant adverse effect on the bank and the practice which had previously been followed with relation to making political related expenditures should be and has been discontinued.

It is therefore recommended that no action be taken against any of the officers or employees involved and that in the event any additional tax liability is imposed, that the appropriate reports be submitted and the taxes

paid at the appropriate time.

Respectfully submitted,

Dated: 12/7/78

Harold Reynolds, Chairman

Milton Kutcher

Rubin J. Katz

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

John J. Willis
Executive Vice President
The National Union Bank of Monticello
222 Broadway
P.O. Box 311
Monticello, New York 12701

Re: MUR 1033

Dear Mr. Willis:

This letter is to notify you that the Federal Election Commission has received information from the Comptroller of the Currency which indicates that a violation of the Federal Election Campaign Act of 1971, as amended ("the Act") may have been committed by your bank. A copy of the correspondence is enclosed. While the Commission has determined that the bank violated § 441b of the Act by making numerous expenditures beginning January, 1971 through December, 1978, totalling $8,120.00, it has decided not to take further action in this matter.

At the same time, the Commission reminds you that the making of contributions/expenditures to any candidate, campaign committee or political party or organization in connection with any election is in violation of 2 U.S.C. § 441b of the Federal Election Campaign Act of 1971, as amended. This includes the buying of tickets for politically sponsored events and the purchase of political advertisements.

Accordingly, and upon my recommendation, the file is closed in this matter.

If you have any questions, please contact Duane A. Brown at (202) 523-4057.

Sincerely,

William C. Oldaker
General Counsel

Enclosure

Referral

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Paul M. Homan
Senior Deputy Comptroller for
Bank Supervision
Comptroller of the Currency
Administrator of National Banks
Washington, D.C. 20219

Re: MUR 1033

Dear Mr. Homan:

On October , 1979, the Commission found reason to believe that The National Union Bank of Monticello violated the Federal Election Campaign Act of 1971, as amended, however, decided not to take any further action against the bank since information included in your referral to our office indicates that the bank does not intend to continue its practice of purchasing political advertisements. The Commission further determined to close the file on this matter and send the bank a letter of admonition.

A copy of the Commission's determination and the letter to the bank is enclosed. If you have any questions, please contact Duane A. Brown at (202) 523-4057.

We appreciate the information your agency has provided concerning violations of the FECA.

Sincerely,

William C. Oldaker
General Counsel

Enclosures

Commission Certification
Letter to John Willis

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	PRE-MUR 42
The National Bank of	)	
Montícello	)	

CERTIFICATION

I, Marjorie W. Emmons, Secretary to the Federal Election Commission, do hereby certify that on September 26, 1979, the Commission approved by a vote of 6-0 the recommendation, as set forth in the General Counsel's Memorandum dated September 24, 1979, to authorize the establishment of a MUR in this matter.

Voting for this determination were Commissioners Aikens, Friedersdorf, Harris, McGarry, Reiche, and Tiernan.

Attest:

9-26-79
Date

Margaret E. Chaney
for Marjorie W. Emmons
Secretary to the Commission

Received in Office of the Commission Secretary: 9-24-79, 12:19
Circulated on 48 hour vote basis: 9-24-79, 4:00

September 24, 1979

MEMORANDUM TO: Marge Emmons

FROM: Elissa T. Garr

SUBJECT: Pre MUR 42

Please have the attached Memo distributed to the Commission on a 48 hour tally basis.

Thankyou.

FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

RECEIVED
OFFICE OF THE
COMMISSION SECRETARY

79 SEP 24 P12: 19

September 24, 1979

MEMORANDUM TO: The Commission

FROM: William C. Oldaker

RE: Pre-MUR 42

BACKGROUND

As a result of information recently obtained by the Comptroller of the Currency, this matter was referred to the Commission alleging possible violations of the Act. The prospective respondent is The National Union Bank of Monticello, New York.

FACTS

The prospective respondent bank made numerous contributions/expenditures for politically related purposes beginning January 1, 1971 to December, 1978 totalling $8,120.00.

ANALYSIS

Under 2 U.S.C. § 441b of our Act, national banks are prohibited from making any "contribution or expenditure" in connection with any election to any political office. 2 U.S.C. § 441b(b)(2) provides that:

> "...[T]he term "contribution or expenditure" shall include any direct or indirect payment, distribution, loan, advance, deposit, or gift of money ... or anything of value... to any candidate, campaign committee, or political committee or organization in connection with any election...".

AMERICAN REVOLUTION BICENTENNIAL 1776-1976

It appears that the expenditures by the National Union Bank of Monticello constitute a contribution or expenditure in connection with an election and therefore is in violation of 2 U.S.C. § 441b of our Act.

RECOMMENDATION

Authorize that this matter be made into a MUR.

Attachment
Referral

10885

Comptroller of the Currency
Administrator of National Banks

Washington, D.C. 20219

August 13, 1979

Mr. William C. Oldaker
General Counsel
Federal Election Commission
1325 K Street, N.W.
Washington, D. C.

Dear Mr. Oldaker:

The Regional Office of the Comptroller of the Currency in New York City has reported possible violations of 2 U.S.C. 441b by National Union Bank in Monticello, New York and by Bridgehampton National Bank, Bridgehampton, New York.

PM42 National Union Bank of Monticello disbursed approximately $8,100.00 for political fund-raising events and advertisements, between 1971-1978. All payments were reflected on the books and records of the bank under advertising expenses.

PM38 Bridgehampton National Bank, Bridgehampton, New York expended a total of $200.00 for a fund-raising function of the Southampton Republican Club. The purchase of five tickets ($20.00 each) for a club dinner and placement of an advertisement in a political periodical ($100.00) were approved by the Board of Directors of the bank.

In light of the Federal Election Commission's jurisdiction over possible violations of the Federal Election Campaign Act, we refer this information to you for further investigation and review by the Commission. If we can be of any further assistance, please contact the Enforcement and Compliance Division of the Office of the Comptroller of the Currency at 447-1983.

Sincerely,

Paul M. Homan

Paul M. Homan
Senior Deputy Comptroller for Bank Supervision

79 AUG 15 P 2: 27

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Treasury – 556

Comptroller of the Currency
Administrator of National Banks

Washington, D.C. 20219
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Mr. Duane Brown
Office of the General Counsel
The Federal Election Commission
1325 K Street, NW
Washington, DC 20463

RECEIVED
FEDERAL ELECTION
COMMISSION

#304

RECEIVED
FEDERAL ELECTION
COMMISSION

'79 OCT 9 PM 4:35

December 15, 1978

Mr. Donald C. Crawford, President
The National Union Bank of Monticello
Post Office Box 311
Monticello, New York 12701

Dear Mr. Crawford:

This refers to your letter of November 15, 1978, in which you indicate that the bank is conducting an investigation into disbursements for political fund raising events for the years 1971-1978, totaling approximately $8,100.00.

We would appreciate receiving the results of that investigation as soon as such information is available. Thank you for your cooperation.

Very truly yours,

JOHN R. BURT
Acting Regional Administrator
of National Banks

WSN:kmw
cc: ~~Dep~~ C/C
J. Miller
R. Serino
Office
Field
Chrono

7 9 0 4 0 1 5 1 7 8 8

#42

The National Union Bank
of Monticello
Monticello, New York

December 20, 1978

John J. Willis
Executive Vice President

Area Code (914)
794-8200

Mr. John R. Burt
Acting Regional Administrator of National Banks
Second National Bank Region
1211 Avenue of the Americas, Suite 4250
New York, New York 10036

Dear Mr. Burt:

This is in reply to your letter of December 15, 1978 regarding our letter of November 15, 1978 informing you of certain expenditures of Bank funds for tickets to political fund raising events and political advertisements.

We are enclosing a copy of the unanimous report of the committee appointed to investigate this matter that was submitted to the Board of Directors of the National Union Bank at the monthly Board meeting held on Tuesday, December 12, 1978.

The following motion was made, seconded and unanimously adopted by the Board of Directors.

" Motion made that the report of the Special Committee of this Board be approved and that it would be in the best interests of the bank that no action be taken against any officers, or employees involved in the transactions referred to in said report."

Sincerely,

John J. Willis

Executive Vice Pres./Sec'y

To the Board of Directors of the National Union Bank of Monticello:

We, the undersigned, Harold A. Reynolds, Chairman, Milton Kutcher and Rubin J. Katz, constituting the special investigation committee appointed by the Board of Directors at its regular meeting held on November 14, 1978 to investigate the possibility that illegal or questionable payments, including illegal political contributions having been made by officers, directors or employees of the bank in any manner, and particularly during the period indicating from January 1, 1971 to date, and to determine whether any payments were not recorded on the books and records of the bank in a form that would be reviewed during the normal course of the bank's annual audit, do hereby submit the following report:

We find that a total of $8120 was disbursed between the period dating January 1, 1971 to date for political related expenses which apparently violated certain provisions of federal laws prohibiting national banks from making political contributions (2U.S.C.Section 441b, formerly 18U.S.C. Sections 610) prohibiting deductions of political contributions on Federal Income Tax returns (IRC Section 162 (a)and penalizing inaccurate tax returns (IRC Section 6653(a), 6653(b), 7201, 7206 and 7207)

That at the time such expenditures for political related purposes were made, that the officers and employees

involved w[illegible]e without knowledge and [illegible] no reason to believe that it was illegal or improper so to do because such practice was engaged in by other national banks in and around Sullivan County.

That no expenditure for any political related purpose was made with any ulterior motive to benefit any individual or to gain any advantage, preference, special treatment or otherwise for any officer, director, stockholder or other person connected with the bank, nor was any preference shown to any political party or person soliciting the journal ad, dinner ticket or luncheon ticket involved.

That all payments which were made for political related disbursements were reflected upon the books and records of the bank under advertising expenses and the same were available for review by the national bank examiners during the course of their periodic audit of the books of the bank, as well as by the auditors employed by the Board of Directors of the bank during their audit and examination of the books of the bank and at no time did any accounting firm or the bank examiners criticize or make any complaint or give any indication that the political related disbursements and expenses incurred were either improper or illegal.

That the officers and employees of the bank at the time such expenditures which are now reported to be illegal and improper were made, acted in good faith with no ulterior

motive or purpose in mind and after this matter was called to their attention have indicated that they will no longer make any such expenditures, nor have they done so.

That a report of the alleged illegal and improper expenditures were reported to the appropriate governmental agencies involved, who up to this time, as far as we know, have failed to make any comment with respect thereto.

That the accounting firm of Ronder and Ronder appointed by the Board of Directors has indicated that at this time no amended tax returns should be filed for the period in question and that in the event the Internal Revenue Service determines that any additional tax liability should be imposed, that they will so advise the bank, at which time this subject matter may receive appropriate attention.

That any adjustment in the bank's tax returns will not be material and thus will not result in any adjustment in the bank's financial statement.

That the political expenditures which have been made should have no significant adverse effect on the bank and the practice which had previously been followed with relation to making political related expenditures should be and has been discontinued.

It is therefore recommended that no action be taken against any of the officers or employees involved and that in the event any additional tax liability is imposed, that the appropriate reports be submitted and the taxes

paid at the appropriate time.

Respectfully submitted,

Dated: 12/7/78

Harold Reynolds, Chairman

Milton Kutcher

Rubin J. Katz

PM 42

The National Union Bank
of Monticello
Monticello, New York

December 20, 1978

John J. Willis
Executive Vice President

Area Code (914)
794-8200

Mr. John R. Burt
Acting Regional Administrator of National Banks
Second National Bank Region
1211 Avenue of the Americas, Suite 4250
New York, New York 10036

Dear Mr. Burt:

This is in reply to your letter of December 15, 1978 regarding our letter of November 15, 1978 informing you of certain expenditures of Bank funds for tickets to political fund raising events and political advertisements.

We are enclosing a copy of the unanimous report of the committee appointed to investigate this matter that was submitted to the Board of Directors of the National Union Bank at the monthly Board meeting held on Tuesday, December 12, 1978.

The following motion was made, seconded and unanimously adopted by the Board of Directors.

" Motion made that the report of the Special Committee of this Board be approved and that it would be in the best interests of the bank that no action be taken against any officers, or employees involved in the transactions referred to in said report."

Sincerely,

John J. Willis

Executive Vice Pres./Sec'y

7904051794

To the Board of Directors of the National Union Bank of Monticello:

We, the undersigned, Harold A. Reynolds, Chairman, Milton Kutcher and Rubin J. Katz, constituting the special investigation committee appointed by the Board of Directors at its regular meeting held on November 14, 1978 to investigate the possibility that illegal or questionable payments, including illegal political contributions having been made by officers, directors or employees of the bank in any manner, and particularly during the period indicating from January 1, 1971 to date, and to determine whether any payments were not recorded on the books and records of the bank in a form that would be reviewed during the normal course of the bank's annual audit, do hereby submit the following report:

We find that a total of $8120 was disbursed between the period dating January 1, 1971 to date for political related expenses which apparently violated certain provisions of federal laws prohibiting national banks from making political contributions (2U.S.C.Section 441b, formerly 18U.S.C. Sections 610) prohibiting deductions of political contributions on Federal Income Tax returns (IRC Section 162.(a)and penalizing inaccurate tax returns (IRC Section 6653(a), 6653(b), 7201, 7206 and 7207)

That at the time such expenditures for political related purposes were made, that the officers and employees

involved were without knowledge and had no reason to believe that it was illegal or improper so to do because such practice was engaged in by other national banks in and around Sullivan County.

That no expenditure for any political related purpose was made with any ulterior motive to benefit any individual or to gain any advantage, preference, special treatment or otherwise for any officer, director, stockholder or other person connected with the bank, nor was any preference shown to any political party or person soliciting the journal ad, dinner ticket or luncheon ticket involved.

That all payments which were made for political related disbursements were reflected upon the books and records of the bank under advertising expenses and the same were available for review by the national bank examiners during the course of their periodic audit of the books of the bank, as well as by the auditors employed by the Board of Directors of the bank during their audit and examination of the books of the bank and at no time did any accounting firm or the bank examiners criticize or make any complaint or give any indication that the political related disbursements and expenses incurred were either improper or illegal.

That the officers and employees of the bank at the time such expenditures which are now reported to be illegal and improper were made, acted in good faith with no ulterior

motive or purpose in mind and after this matter was called to their attention have indicated that they will no longer make any such expenditures, nor have they done so.

That a report of the alleged illegal and improper expenditures were reported to the appropriate governmental agencies involved, who up to this time, as far as we know, have failed to make any comment with respect thereto.

That the accounting firm of Ronder and Ronder appointed by the Board of Directors has indicated that at this time no amended tax returns should be filed for the period in question and that in the event the Internal Revenue Service determines that any additional tax liability should be imposed, that they will so advise the bank, at which time this subject matter may receive appropriate attention.

That any adjustment in the bank's tax returns will not be material and thus will not result in any adjustment in the bank's financial statement.

That the political expenditures which have been made should have no significant adverse effect on the bank and the practice which had previously been followed with relation to making political related expenditures should be and has been discontinued.

It is therefore recommended that no action be taken against any of the officers or employees involved and that in the event any additional tax liability is imposed, that the appropriate reports be submitted and the taxes

paid at the appropriate time.

Respectfully submitted,

Dated: 12/7/78

Harold Reynolds, Chairman

Milton Kutcher

Rubin J. Katz

FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
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THIS IS THE END OF MUR # 1033

Date Filmed 11/16/79 Camera No. --- 2

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