



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20461

July 28, 1997

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Thomas J. Josefiak, Counsel
Republican National Committee
310 First Street, S.E.
Washington, D.C. 20003

RE: MUR 4250

Dear Mr. Josefiak:

On August 29, 1995, the Federal Election Commission notified the Republican National Committee ("RNC"), and its then treasurer, of a complaint alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended ("the Act"). Subsequently, on May 15, 1997, you were notified of an amendment to the original complaint raising additional allegations of violations of the Act. A copy of both the complaint and the amendment was forwarded to the RNC at the time each document was submitted to the Commission.

Upon further review of the allegations contained in the complaint and the amendment to the complaint, and information provided by the RNC in response to these submissions, the Commission, on June 17, 1997, found that there is reason to believe the RNC and its present treasurer, Alec Poitevint, violated 2 U.S.C. § 441e, a provision of the Act. The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Statements should be submitted under oath. All responses to the enclosed Order to Answer Questions and Subpoena to Produce Documents must be submitted to the General Counsel's Office within 30 days of your receipt of this letter. Any additional materials or statements you wish to submit should accompany the response to the order and subpoena. In the absence of additional information, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. See 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause

00 "04" 395 "1599
6651 "56E" 40 "00


conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, the Commission will not entertain requests for pre-probable cause conciliation after briefs on probable cause have been mailed to the respondent.

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 investigation to be made public.

If you have any questions, please contact Jose M. Rodriguez, the attorney assigned to this matter, at (202) 219-3690.

Sincerely,


John Warren McGarry
Chairman

Enclosures
Order and Subpoena
Factual and Legal Analysis

00 "04 "395 "1600

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 4250
)

SUBPOENA TO PRODUCE DOCUMENTS
ORDER TO SUBMIT WRITTEN ANSWERS

TO: Republican National Committee
c/o Thomas J. Josefiak, Counsel
310 First Street, S.E.
Washington, D.C. 20003

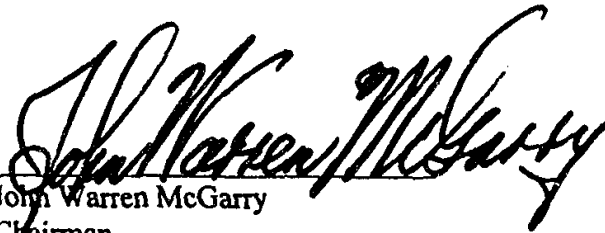
Pursuant to 2 U.S.C. § 437d(a)(1) and (3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby orders you to submit written answers to the questions attached to this Order and subpoenas you to produce the documents requested on the attachment 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 30 days of receipt of this Order and Subpoena.


00 "04" 395 "1601

WHEREFORE, the Chairman of the Federal Election Commission has hereunto
set his hand in Washington, D.C. on this *26th*, day of *July*, 1997.

For the Commission,


John Warren McGarry
Chairman

ATTEST:


Marjorie W. Emmons
Secretary to the Commission

Attachments

Document Requests and Interrogatories (5 pages)

00.04.395.1602

INSTRUCTIONS

In answering these interrogatories and requests 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. If you have no responsive information to an interrogatory or document request. Affirmatively state such in response to the interrogatory or document request.

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.

Unless otherwise indicated, the discovery request shall refer to the time period from January 1, 1993 to the present.

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.

00 " 04 " 395 " 1603

DEFINITIONS

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

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

The "NPF" shall mean the National Policy Forum, including all officers, employees, agents or attorneys thereof.

"Signet Bank" shall include all branches, divisions, offices, 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 both sides of the original and all non-identical copies, including electronic copies and 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, calendars, appointment books, transcripts, vouchers, accounting statements, bank account statements, ledgers, checks, money orders, verifications of wire transfers, 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. For all types of documentary records requested, if any of these records are maintained on any storage format for computerized information (e.g., hard drive, floppy disk, CD-ROM), provide copies of the records as maintained on that storage format in addition to hard (i.e., paper) copies.

"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, all attachments, notes or other communications accompanying the document and the source of any handwritten notations.

00 "04" 395 "1604

"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 occupation or position of such person at the time of the involvement in the activity at issue, and all positions ever held with the NPF, the RNC, the NRSC or the NRCC. 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.

"Describe" with respect to a communication shall mean state the subject of the communication and the date, location and duration of the communication. Identify all persons participating in the communication and state each person's substantive participation in the communication.

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

000004 2025 10 06

DOCUMENT REQUESTS AND INTERROGATORIES

1. List each loan made by the RNC to the NPF. Separately for each listed loan:
 - a. State the date the loan became effective and the terms of the loan;
 - b. State the total amount of the loan;
 - c. State the date(s) the loan proceeds were disbursed and identify by bank name, holder and account number the account(s) into which the loan proceeds were deposited by recipient;
 - d. State the date(s) when repayment(s) was made to satisfy the loan and identify by bank name, holder and account number the account(s) from which payments were made;
 - e. Describe and produce all documents concerning, relating to, or referencing each loan, each disbursement of proceeds, and each repayment, including all loan documents, or other documents disclosing the terms of the loan, and all written correspondence;
 - f. Describe in detail the purpose and substance of all non-written communications concerning, relating to, or referencing each loan, including the terms for each loan, each disbursement of proceeds, and each repayment. For each communication, separately state the date of the communication, the time of the communication, the location where the communication occurred, and identify each person involved in the communication and describe in detail their substantive participation in the communication;
 - g. For each non-written communication described in response to question 1(f) above, identify and produce all documents concerning, relating to, or referencing each such communication, including but not limited to calendar entries, appointment books, telephone logs, meeting agendas, handwritten notations and transcripts of the communication.

00 "04" 395 "1606

- 2025-04-30 16:07
2. Concerning the October 1994 loan from Signet Bank to the NPF referenced in the accompanying Factual and Legal Analysis:
 - a. Describe and produce all documents concerning, relating to, or referencing the loan, the pledged security on the loan, the repayment of the loan and the seizure of security in satisfaction of the loan, including all written correspondence;
 - b. Describe in detail the purpose and substance of all non-written communications concerning, relating to, or referencing the loan, the pledged security on the loan, the repayment of the loan and the seizure of security in satisfaction of the loan. For each communication, separately state the date of the communication, the time of the communication, the location where the communication occurred, and identify each person involved in the communication and describe in detail their substantive participation in the communication;
 - c. For each non-written communication described in response to question 2(b) above, identify and produce all documents concerning, relating to, or otherwise referencing each such communication, including but not limited to calendar entries, appointment books, telephone logs, meeting agendas, handwritten notations and transcripts of the communication.
 3. Concerning the NPF's October 20, 1994, \$1.6 million loan repayment to the RNC referenced in the accompanying Factual and Legal Analysis:
 - a. Identify by bank name and account number all accounts into which the repayment was deposited, including all transfers of the repayment funds between the various RNC accounts;
 - b. State how the repayment funds were disbursed. As to each disbursement state the date and specific purpose of the disbursement. Also, identify the recipient of the disbursement and identify by bank name and account number all accounts from which each disbursement was made and, where known, all accounts into which each disbursement was deposited by the recipient;
 - c. Produce all documents concerning, relating to, or referencing all deposits, transfers and disbursements identified in response to question 3(a & b) above, including but not limited to all bank statements and disbursement checks.
 4. Identify each person who provided any information used in the preparation of the responses to these questions and for each person identified, describe for which question the information was used.

FEDERAL ELECTION COMMISSION

FACTUAL AND LEGAL ANALYSIS

RESPONDENTS: Republican National Committee and MUR: 4250
Alec Poitevint, as treasurer

I. GENERATION OF MATTER

This matter was generated by a complaint filed with the Federal Election Commission by the Democratic National Committee ("DNC"). See 2 U.S.C. § 437g(a)(2). On May 13, 1997, the DNC filed an amended complaint alleging that the Republican National Committee ("RNC") violated a provision of the Federal Election Campaign Act of 1971, as amended ("the Act"), by accepting foreign national funds through an organization known as the National Policy Forum ("NPF").

The NPF was created on May 24, 1993 by the RNC's then Chairman, Haley R. Barbour, approximately six months after former President George Bush's defeat in the 1992 general election. The NPF's activities appear to have been principally financed by the RNC.¹ From its inception in 1993 through 1996, the NPF received nearly \$4.2 million in RNC loans to finance its activities. The NPF repaid \$1.9 million of this total amount, leaving an outstanding balance

¹ During the period that the NPF was active, from May 1993 through approximately late 1996, it engaged in various activities developing and promoting the "Republican" perspective concerning issues of interest to the electorate. In this regard, the NPF held numerous public forums and conferences; the culmination of these forums and conferences is a report published by the NPF in July 1994 and a book authored by Mr. Barbour under the NPF's auspices in April 1996, both of which appear to promote the Republican Party's national agenda. In fact, information derived from these conferences and forums appeared in the 1994 Republican "Contract with America" and was provided to the 1996 Republican Party Platform Committee and incorporated into the 1996 Republican platform. While the full extent of the NPF's activities are not known, it also appears that in April of 1995, the NPF conducted a "Medicare issues survey" to measure the public's response to proposed Republican changes to the health care system; the results of which were reportedly likewise provided to the RNC. Last, the NPF also published a periodical previously published by the RNC and produced a television show telecast on GOP-TV.

of approximately \$2.3 million. The bulk of these repayments occurred on October 20, 1994, when the NPF repaid \$1.6 million of the then outstanding \$2.1 million balance. Complainant alleges that the funds for this repayment originated from a foreign national source.

II. FACTUAL AND LEGAL ANALYSIS

A. Applicable Law

The Federal Election Campaign Act of 1971, as amended, sets forth limitations and prohibitions on the type of funds which may be used in Federal elections. Section 441(e) states that it shall be unlawful for a foreign national directly or through any other person to make any contribution of money or other thing of value in connection with any election to any local, State or Federal political office; or for any person -- including any political committee -- to solicit, accept, or receive any such contribution from a foreign national. 2 U.S.C. § 441e(a); 11 C.F.R. § 110.4(a). For purposes of the foreign national prohibition at section 441e(a), a contribution includes any loan, and a loan is defined to include a guarantee, endorsement and any other form of security. 2 U.S.C. § 431(8)(A)(i); 11 C.F.R. § 100.7(a)(1)(i). Each endorser or guarantor shall be deemed to have made a contribution equal to that portion of the amount of the loan for which the endorser or guarantor agreed to be liable in a written agreement, or where no such agreement exists, equal to the proportional amount of the total loan the endorser or guarantor bears to other endorsers or guarantors. 11 C.F.R. § 100.7(a)(1)(i)(C).

The term "foreign national" is defined at 2 U.S.C. § 441e(b)(1) as, *inter alia*, a "foreign principal" as that term is defined at 22 U.S.C. § 611(b). Under Section 611(b), a "foreign principal" includes a person outside the United States, unless it is established that such person is an individual and a citizen of and domiciled within the United States, or that such person is not an individual and is organized under or created by the laws of the United States or of any State or other place subject to the jurisdiction of the United States and has its principal place of business within the United States. The Act further provides that resident aliens are excluded from the definition of "foreign national." See 2 U.S.C. § 441e(b)(2). The prohibition is

further detailed in the Commission's Regulations at 11 C.F.R. § 110.4(a)(3). This provision states that a foreign national shall not direct, dictate, control, or directly or indirectly participate in the decision-making process of any person, such as a corporation, with regard to such person's Federal or non-federal election-related activities, such as decisions concerning the making of contributions or expenditures in connection with elections for any local, State, or Federal office or decisions concerning the administration of a political committee.

In addressing this issue of whether a domestic subsidiary of a foreign national parent may make contributions in connection with local, State or Federal campaigns for political office, the Commission has looked to two factors: the source of the funds used to make the contributions and the nationality status of the decision makers. Regarding the source of funds, the Commission has not permitted such contributions by a domestic corporation where the source of funds is from a foreign national, reasoning that this essentially permits the foreign national to make contributions indirectly when it could not do so directly. *See, e.g.*, A.O.s 1989-20, 2 Fed. Election Camp. Guide (CCH) ¶ 5970 (Oct. 27, 1989); 1985-3, 2 Fed. Election Camp. Guide (CCH) ¶ 5809 (March 4, 1989); and 1981-36, 2 Fed. Election Camp. Guide (CCH) ¶ 5632 (Dec. 9, 1981). *See also*, A.O. 1992-16, 2 Fed. Election Camp. Guide (CCH) ¶ 6059 (June 26, 1992).

Even if the funds in question are from a domestic corporation, however, the Commission also looks at the nationality status of the decision makers. *See* A.O.s 1985-3 and 1982-10, 2 Fed. Election Camp. Guide (CCH) ¶ 5651 (March 29, 1982). The Commission has conditioned its approval of contributions by domestic subsidiaries of foreign nationals by requiring that no director or officer of the company or its parent, or any other person who is a foreign national, may participate in any way in the decision-making process regarding the contributions. This prohibition has been codified at 11 C.F.R. § 110.4(a)(3), as noted above.

Accordingly, it is clear that the Act prohibits contributions from foreign nationals, as well as contributions from domestic corporations where either the funds originate from a

00 "04" 395 "1610

foreign national source or a foreign national is involved in the decision concerning the making of the contribution.

B. Analysis

1. Complaint and RNC Response

As noted, Complainant principally alleges that the RNC violated the foreign national prohibition at section 441e by accepting loan proceeds secured by foreign national funds as part of a deliberate program of soliciting foreign national funds for the RNC through the NPF.

Based on numerous news accounts that began appearing in May 1997, detailed below, Complainant notes that in the fall of 1994, Haley R. Barbour, then concurrent chairman of both the RNC and the NPF, arranged to have Young Brothers Development -- Hong Kong ("Young Bros. -- Hong Kong"), a foreign corporation, provide \$2.2 million in collateral through its domestic subsidiary Young Brothers Development --U.S.A. ("Young Bros. -- U.S.A.") to secure a loan to the NPF. The amount of the collateral was approximately equal to the amount of the NPF's then outstanding debt to the RNC of \$2,145,000. Shortly after the loan was finalized and the proceeds disbursed, the NPF repaid \$1.6 million of its outstanding debt to the RNC. These funds were allegedly used in connection with the 1994 elections. Consequently, Complainant alleges that the RNC violated 2 U.S.C. § 41e to the extent that it accepted funds secured by the Young Bros. -- U.S.A. collateral.

In response, the RNC notes only that the NPF was a separate organization and as such, that the RNC had no control over the NPF's activities or finances. Thus, the RNC appears to argue that it is not responsible for the loan to the NPF, nor is it responsible for the source of the funds used by the NPF to repay its obligation.

Based primarily on news accounts, the following appear to be the circumstances surrounding the Young Bros. -- U.S.A. loan transaction. As noted, on May 24, 1993, Mr. Barbour, along with other RNC officials, founded the NPF.² From its inception, the NPF has maintained a very close relationship with the RNC.³ Approximately a week prior to its June 21, 1993 public debut, Mr. Barbour, in an internal RNC memorandum, notified RNC "Team 100" members of the NPF's formation, referring to the nascent organization as a "subsidiary" of the RNC. See Memorandum from Barbour to Team 100 Members of 6/10/93, at 2. At the NPF's debut, Mr. Barbour, who was both chairman of the RNC and the NPF, noted the close cooperation he anticipated between the two organizations and announced the RNC's commitment to provide the NPF with the results of an extensive survey it would conduct to aid the NPF in launching its initial project.⁴ See Haley R. Barbour, NPF News Conference (June 21/93), at 2, transcript available in Federal News Service Washington Package. Also from the NPF's inception, the RNC began financially supporting this closely associated organization with transfers of funds characterized and reported by the RNC as loans. The RNC provided an initial \$100,000 loan on May 26, 1993, and continued regularly providing loans until the end of 1996. By the time of the 1994 Congressional elections, the RNC had loaned

² The NPF's Articles of Incorporation disclose the involvement of two additional individuals associated with the RNC in the formation of the NPF. Donald Fierce appears as an initial director of the NPF at the same time that he was a salaried RNC employee and the RNC's then chief counsel, Michael A. Hess, appears as an NPF incorporator. See NPF Articles of Incorporation at Article Eight and Article Nine.

³ In fact, it appears to have been in part this close association that led the NPF's first president Michael E. Baroody to resign his position. See *infra* p. 8.

⁴ The RNC mailed the survey to over 800,000 individuals, generating more than 134,000 responses. The NPF used the survey results to launch its initial project, entitled "Agenda for America," consisting of over 60 nationwide public forums between November 1993 and June 1994 geared to developing and promoting the Republican perspective on issues of interest to the electorate. See NPF's "Listening to America" Report at 4.

00 "04" 395 "1612

the NPF nearly \$2,345,000; the NPF had repaid only a portion of this amount, leaving a \$2,145,000 balance.

According to numerous news accounts, in the summer of 1994 Mr. Barbour met with Ambrous Tung Young, the principal owner of Young Bros. Development -- Hong Kong. See Michael Weisskopf, *Manna from Hong Kong*, Time, May 12, 1997, at 40. At this meeting, Mr. Barbour reportedly requested that Mr. Young provide collateral for a loan to the NPF to enable the NPF to repay its debt to the RNC. See *id.* While the circumstances leading to Mr. Young's acquiescence to Mr. Barbour's request are unknown, it is clear that in October 1994, Young Bros. -- U.S.A. provided \$2.2 million, in the form of a certificate of deposit, as collateral on a loan from Signet Bank to the NPF. See Michael Weisskopf and Michael Duffy, *The G.O.P.'s Own China Connection*, Time, May 5, 1997, at 46. It is also known that Young Bros. -- U.S.A. did not have the assets for such a large deposit and that the funds came directly from the foreign national parent.⁵ Shortly after, on October 20, 1994, the NPF transferred \$1.6 million of the loan proceeds to the RNC. The news accounts report that regular payments were made on the loan until approximately April 1996, at which time the NPF attempted to restructure the loan to allow for an extended maturity date and revised terms. See Dan Morgan, *RNC Cutoff of Group's Bank Loan Payment Left Hong Kong Guarantor With Debt*, Washington Post, June 8, 1997, at A12. Having apparently failed to restructure the loan, on May 16, 1996, the NPF's president, John R. Bolton, granted Signet the right to seize the Young Bros. -- U.S.A. collateral to satisfy the remaining balance. See *id.* A few months later, in

⁵ Young Bros. -- U.S.A. holds no significant assets; its only apparent source of income is rental income from a condominium unit and parking space owned by Young Bros. -- Hong Kong. See Rebecca Carr, *GOP Linked to Foreign Funds In Recent Campaigns*, 55 Congressional Quarterly 1007, 1008.

00.04.395.1613

September 1996, Signet called in the loan and seized the collateral in satisfaction of the remaining unpaid balance, reportedly \$1.3 million. *See id.* Following the seizure, Richard Richards, Young Bros. -- U.S.A.'s president, wrote Mr. Barbour essentially notifying him that Mr. Young had no intention of making such a charitable contribution, absent receiving business opportunities that "justify this kind of generous gift," and seeking remuneration for the amount of the seized funds. *See id.* While the details of any further conversations and negotiations surrounding this request are unknown, on January 15, 1997, the RNC reportedly reimbursed Young Bros. -- U.S.A. for approximately one half the seized amount. *See id.*

The above described circumstances suggest the RNC's direct involvement in obtaining the collateral necessary for the NPF loan, and the immediate benefit derived from the loan in the form of the transfer of a portion of the loan proceeds to the RNC in time for the 1994 elections. A number of documents reported in the news accounts further highlight the RNC's direct involvement in the loan and the electoral benefit anticipated by the RNC by the infusion of the loan proceeds. Specifically, it has been reported that the loan documents were signed by RNC individuals and specifically earmarked \$1.6 million for repayment of the NPF's debt to the RNC, guaranteeing the availability of a substantial portion of the loan proceeds to the RNC just prior to the 1994 elections. *See Brooks Jackson, CNN Inside Politics, June 9, 1997, Transcript # 97060900V15, available in Lexis, Nexis Library, News (CNN) File.* This electoral connection is echoed in a written statement by the guarantor. In 1996, when repayment on the loan ceased, Mr. Richards wrote Mr. Barbour complaining about the RNC's failure to keep the loan repayments current and specifically noting that the RNC was improperly renegeing on the loan as Mr. Young had guaranteed the loan in 'good faith to assist you in capturing some

00 " 04 " 395 " 1614

targeted congressional seats.' See Morgan, *RNC Cutoff of Group's Bank Loan Payment Left Hong Kong Guarantor With Debt*, *supra* p. 6, at A12 (quoting Memorandum from Richards to Barbour of 9/17/96).

Additionally, as also alleged by Complainant, it appears that this loan transaction may have been part of a deliberative RNC strategy of using the NPF as a vehicle for indirectly obtaining foreign national funds to finance elections. On June 2, 1993, before the Young Bros. -- U.S.A. loan transaction and shortly after creation of the NPF, Scott Reed, the RNC's then executive director, wrote Mr. Barbour an internal RNC memorandum outlining several potential funding sources for the newly formed NPF, including funds from foreign national sources. See Marc Lacey, *GOP Ally Targeted Foreign Donors, Memo Indicate*, Los Angeles Times, May 10, 1997, at A12. Similarly, in resigning from the NPF, the NPF's first president, Michael Baroody, wrote Mr. Barbour noting that two of the factors leading to his resignation were Mr. Barbour's 'fascination' with securing foreign national funding for the NPF and the close connection between the NPF and the RNC. Mr. Baroody specifically noted that NPF "staff members felt the group was 'operated like a division' of the [RNC]" and expressed his 'concern that separation between [the NPF] and R.N.C. is a fiction.' See Michael Weisskopf, *The Buck Never Ever Stopped Here*, Time, June 23, 1997, at 22 (quoting undated Memorandum from Baroody to Barbour).

As the available evidence suggests, the RNC, through its then Chairman and perhaps other officials, had a direct involvement in both securing the foreign national collateral for, and in arranging the terms of, the October 1996 Signet Bank loan to the NPF. Through this direct involvement, these individuals also appear to have guaranteed that at least \$1.6 million of the

loan proceeds would be available to the RNC for the 1994 elections. The Act prohibits the use of foreign national funds in federal elections, including any loan proceeds secured by foreign national funds. *See* 2 U.S.C. §§ 441e and 431(8)(A)(i); 11 C.F.R. §§ 110.4(a) and 100.7(a)(1)(i). As noted, it appears that the collateral for Signet Bank's October 1996 loan to the NPF originated from a foreign national source and that the decision to provide the collateral was made by Ambrous Tung Young, a foreign national, at the request of an RNC official.

Therefore, there is reason to believe that the Republican National Committee and Alec Poitevint, as treasurer, violated 2 U.S.C. § 441e by accepting foreign national funds.

00 . 04 . 395 . 1644