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(202) 778-5350

September 16, 1997

Jose M. Rodriguez, Esq.
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Re: Frederick W. Volcansek, Sr.
MUR No. 4250

SEP 17 9 57 AM '97

FEDERAL ELECTION
COMMISSION
WASHINGTON, D.C.

Dear Mr. Rodriguez:

I am enclosing the Response by Frederick W. Volcansek, Sr. to Subpoena to Produce Documents and Order to Submit Written Answer. Mr. Volcansek's certification, received this morning from Tel Aviv by facsimile, is also included.

Responsive, non-privileged documents will be produced in the near future.

Sincerely,

Bobby R. Burchfield

Enclosure

cc: Mr. Frederick W. Volcansek, Sr.

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RECEIVED
FEDERAL ELECTION COMMISSION
SEP 17 10 57 AM '97

BEFORE THE FEDERAL ELECTION COMMISSION

SEP 17 10 57 AM '97

IN THE MATTER OF _____

MUR 4250

**RESPONSE BY FREDERICK W. VOLCANSEK, SR.
TO SUBPOENA TO PRODUCE DOCUMENTS
AND ORDER TO SUBMIT WRITTEN ANSWER**

Frederick W. Volcansek, Sr. submits these responses and objections to the Subpoena to Produce Documents and Order to Submit Written Answers received on or about August 6, 1997.

GENERAL OBJECTIONS

1. Because the National Policy Forum was not a political committee as defined in the Federal Election Campaign Act, it is not within the jurisdiction of the Federal Election Commission. In particular, the loan received by NPF from Signet Bank, secured by a guarantee from Young Brothers Development (USA), Inc. was not a "contribution" or "expenditure" as defined in the Federal Election Campaign Act.

2. Mr. Volcansek understands that loans from the Republican National Committee to the National Policy Forum, and repayment of those loans by the National Policy Forum to the Republican National Committee, were properly reported to the Federal Election Commission. For this and other reasons, it is inaccurate to suggest that any relevant transaction was "first referenced" in a May 5, 1997, Time magazine article.

3. As a non-party witness, Mr. Volcansek objects to the breadth and burdensomeness of the subpoena. The

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information and documents sought are available from the Republican National Committee or the National Policy Forum.

4. To the extent the subpoena seeks information or documents prior to the creation of the National Policy Forum in June 1993, Mr. Volcansek objects to the requests as irrelevant and unduly burdensome.

5. To the extent the subpoena seeks documents subject to the attorney-client privilege, Mr. Volcansek objects to the request.

6. To the extent the subpoena seeks documents subject to work product protection, Mr. Volcansek objects to the request.

7. To the extent the subpoena seeks documents and information subject to any other privilege or immunity, Mr. Volcansek objects to the request.

RESPONSES

Subject to and without waiving the general objections set forth above, Mr. Volcansek responds as follows:

1. (a) State your present occupation, the dates that you have held this occupation, your business address and your business telephone number.

(b) List all positions, compensated and volunteered, held by you with the RNC, the NRSC, the NRCC and the NPF. For each listed position, state the period during which the position was held, the title given the position, and the duties attendant the position.

RESPONSE:

Mr. Volcansek incorporates by reference the general objections set forth above. Subject to and without waiving those objections, Mr. Volcansek responds as follows:

The information sought is set forth in Mr. Volcansek's written testimony to the Senate Committee on Governmental Affairs, a copy of which is attached to this Response as Exhibit A.

2. Concerning the October 1994 loan from Signet Bank to the NPF first referenced in the accompanying May 5, 1997 Time magazine news article:

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 and 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 and 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, describe it in response to No. 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.

RESPONSE:

Mr. Volcansek incorporates by reference the general objections set forth above. Subject to and without waiving those objections, Mr. Volcansek responds as follows:

Responsive non-privileged documents will be

produced. Information sought in response to No. 2(b) is set forth in Mr. Volcansek's written testimony presented to the Senate Governmental Affairs Committee, a copy of which is attached to this Response as Exhibit A.

3. Identify each person who provided any information used in the preparation of the responses to these question and for each person identified, describe for which question the information was used.

RESPONSE:

Mr. Volcansek incorporates by reference the general objections set forth above. Mr. Volcansek further objects to the request to "identify each person who provided any information used in the preparation of the responses to these question[s]" because it is vague, ambiguous, and unduly burdensome. Subject to and without waiving those objections, Mr. Volcansek responds as follows:

Mr. Volcansek assumes the inquiry seeks the identity of persons responsible for responding to the subpoena. These responses were prepared by Mr. Volcansek in consultation with counsel.



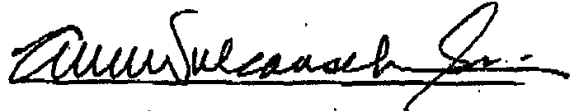
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P.O. Box 7566
Washington, D.C. 20044-7566

00 "04" 305 "1662

- 5 -

VERIFICATION

I Frederick W. Volcansek, Sr. hereby declare under penalty of perjury that the foregoing responses are true and correct to the best of my knowledge, information and belief.



Frederick W. Volcansek, Sr.

00 "04" 395 "1662

STATEMENT OF FREDERICK W. VOLCANSEK, SR.

BEFORE THE

UNITED STATES SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS
SPECIAL INVESTIGATIONS

Thursday, July 24, 1997

STATEMENT OF FREDERICK W. VOLCANSEK, SR.
BEFORE THE
UNITED STATES SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS
SPECIAL INVESTIGATIONS

Thursday, July 24, 1997

Thank you, Mr. Chairman, and members of this honorable Committee.

Personal Background

My name is Frederick W. Volcansek, Sr., and I reside with my wife at 10 Moss Bluff Court in The Woodlands, Texas. We have five children, four of whom are currently in college. I am employed as vice president for international development at Mosbacher Power Group in Houston, Texas. I also serve as president of Mosbacher Power Brasil Ltda.

After graduating from college in 1967, I followed in the footsteps of my father, Brigadier General Max J. Volcansek Jr., by entering the United State Marine Corps. I was awarded the Bronze Star with "V" for valor in combat in Vietnam, and held the rank of captain when I left the Corps in 1973. From 1973 to 1978 I worked for a manufacturing company, and from 1978 through 1988, I was in private business in Utah.

From December 1988 into early 1989, I worked for the Presidential Inaugural Committee. Beginning in March 1989 to September 1992, I held a variety of positions at the United States Department of Commerce, serving first as Director of External Affairs from March 1989 to September 1990; next as Deputy Assistant Secretary for Basic Industries, Trade Development and International Trade Administration until June

1992; and from June 1992 to September 1992 as Acting Deputy Under Secretary for International Trade Administration. From late 1992 until June 1996, I was head of a consulting firm that represented a number of multinational corporations in international business development. In June 1996, I joined Mosbacher Power Group.

When I first learned that I might be called before this Committee, it was my understanding that the Committee was interested in investigating a loan obtained by the National Policy Forum from Signet Bank in October 1994. Of particular interest to the Committee, I gathered, was the guarantee of that loan by a Florida corporation called Young Brothers Development (USA), and the participation in that loan transaction by Mr. Ambrous Tung Young, a well-known Hong Kong businessman. As was the case at my deposition before the Committee staff on Monday, July 21, I am fully prepared to answer the Committee's questions about that transaction to the best of my ability.

My Tenure at the Department of Commerce

I recently learned of another topic that at least the minority counsel in this Committee might be interested in pursuing with me. While on a business trip to the Middle East last month, I became aware that the Department of Commerce had issued a worldwide bulletin requesting information about me from all locations where I had traveled during my duties with the Commerce Department. Upon returning from that trip, my counsel submitted a Freedom of Information Act request seeking information about the source of that inquiry.

To its credit, the Department of Commerce promptly processed my request, and revealed that Mr. Alan Baron, minority counsel to the Committee, faxed a letter to the Honorable William M. Daley, Secretary of Commerce, on May 27, 1997, asking the Secretary to "provide the Committee with all documents referring or relating to Mr. Volcansek, including all correspondence, recommendations, memoranda, travel and trade mission records." A copy of Mr. Baron's May 27, 1997, letter is attached to this statement, as is a copy of the Department's response dated June 27, 1997, from Mr. John F. Sopko, Chief Counsel for Special Matters, who I am informed recently left his position as Minority Chief Counsel for this Committee.

(Exhibits A and B.)

Again to the credit of Secretary Daley and the Department, Mr. Baron's request was forwarded to the Office of General Counsel, and processed as a request under the Freedom of Information Act. In view of the well-known procedures for seeking information under FOIA, I am frankly baffled by Mr. Baron's decision to address his letter to the Secretary of Commerce, rather than to the Commerce official charged with complying with FOIA requests. I am further mystified by the minority counsel's inquiry, since his letter correctly states that I served in the Department "from 1989 to 1992," whereas Senate Resolution 39 authorizes this Committee to expend funds "for the sole purpose of conducting an investigation of illegal activities in connection with the 1996 Federal election campaigns." Clearly, my service in the Department of Commerce

had nothing to do with the 1996 election, and I believe it is far outside this Committee's mandate.

My puzzlement was increased during my deposition on July 21, 1997, during which the minority counsel spent almost half an hour out of a three-hour session inquiring about how the Bush Commerce Department selected participants in trade missions, whether I allowed myself to be improperly influenced, and whether I had done anything unethical or improper during my tenure at the Department.

Upon reflection, it appears that the minority staff may be interested in determining whether I, as Deputy Assistant Secretary of the Department of Commerce, was engaged in activities bearing any similarity to those of another more famous former Deputy Assistant Secretary of Commerce, John Huang.

Of course, I know nothing about Mr. Huang's activities other than what I have read in the papers or heard on the nightly news. But I can assure this Committee absolutely, unconditionally, and without any qualification of the following facts:

First, during my entire tenure at the Department of Commerce, I was fully aware of my obligations under the Hatch Act, and accordingly had no involvement in political activities, including the solicitation of funds for any political party, candidate, or committee.

Second, although I was privy to confidential information in my various positions at the Department of Commerce, I safeguarded that information in every conceivable

way. At no time did I find it necessary to leave the Commerce building and go to the Willard Hotel or any other location to make or receive telephone calls, send or receive faxes, or send or receive mail. I can imagine no circumstance under which such activities would be necessary or proper by a person holding that position.

Third, during my three and a half years at the Department of Commerce, I was invited to the White House to meet with President Bush exactly zero times. In my experience, it was most unusual for deputy assistant secretaries to have occasion to visit the President.

Finally, I am aware of no instances in which participants in trade missions were selected because they had contributed money to the Republican Party or to President Bush's campaigns. To my knowledge, all trade missions were staffed on the basis of the economic and business qualifications of the applicants.

Let me be very clear. To whatever degree the press accounts of Mr. Huang's activities while serving as Deputy Secretary of Commerce are true, I can assure the Committee from my personal knowledge and experience that everybody does not do it.

My Initial Involvement with the National Policy Forum

Sometime during the spring of 1994, I was approached by representatives of the National Policy Forum with the request that I serve on the Forum's Policy Council on Competing in the Global Marketplace. I was informed that former U.S. Trade

Representative Carla Hills and Oren L. Benton, Chairman and Chief Executive Officer of CONCORD would serve as co-chairs of this Policy Council. This invitation was confirmed in a letter from NPF President Michael E. Baroody on April 22, 1994, and I accepted the invitation by letter dated May 2, 1994, to Mr. Baroody.

When I accepted the invitation to serve on the Forum's Policy Council, it was my understanding, and continues to be my understanding, that the National Policy Forum was a "think tank," dedicated to the analysis of public policy alternatives, and in particular to elicit the views of recognized experts and members of the public at large on critical issues facing the nation. In other words, I viewed the NPF then, and continue to view it, as an organization much like the Heritage Foundation, or the Cato Institute, or the Center for Strategic and International Studies. I never understood the NPF to be engaged in electioneering, and to my knowledge it never ran any political advertisements, made any political contributions, endorsed any candidates, engaged in any get-out-the-vote or voter registration efforts, or did any of those things that we associate with political committees.

Rather, to my knowledge the NPF did exactly what it told the public it would do. By newspaper accounts, I gather that the NPF held public forums around the country on a wide range of issues, from global competition, to entitlement reform, to education reform, and so forth. The policy council on which I served produced a "white paper" on competing in the global marketplace. A draft of that white paper was circulated to

members of the Competing in the Global Marketplace Policy Council on July 15, 1994, and was finalized after consideration of comments from council members sometime thereafter. I also participated in the organization of the Telecommunications Conference and the Environmental Conference.

As a "think tank," NPF was run as a separate organization from the RNC. Although Haley Barbour served as Chairman of both the Republican National Committee and of the National Policy Forum, the other governing officers were different. First Michael Baroody, and then John Bolton, served as President of the National Policy Forum. My dear friend Dan Denning served as Chief Operating Officer. I understood that NPF had a twelve-member Board of Directors to guide its work.

Nothing that I saw or heard led me to believe that NPF was not a "think tank" or that, as some have alleged, it was merely a ruse to funnel illegal contributions to the RNC.

At some point during the spring or summer of 1994, I was asked to aid the NPF in its fundraising efforts. At that point in time, I was told that the RNC had advanced well over \$2 million to fund the operations of the NPF, and that some of those loans from the RNC to the NPF were now due. During a number of conversations with Dan Denning, some of which also involved Don Fierce, the Chief Strategist of the RNC and confidant of Haley Barbour, we decided to pursue the loan transaction that the Committee is investigating.

As I recall, NPF had received donor commitments of over \$1.5 million, but those commitments were slow in being fulfilled.

To allow NPF to pay its ongoing costs of operation as well as to repay part of the amounts it had received from the RNC, NPF had inquired about obtaining a loan from a bank. I was told that Signet Bank was willing to make the loan, but would do so only if collateral in the form of certificates of deposit were posted with the bank to cover the loan in the event NPF defaulted.

Several years before, Richard Richards, whom I knew from political circles in Utah and through the Mormon Church here in the Washington, D.C., area, had introduced me in a social setting to Ambrous Young. Upon obtaining assurances from lawyers that a guarantee of the loan by Mr. Young's company would be perfectly legal and proper, I agreed to approach Mr. Richards' nephew and business associate, Steve Richards, about the possibility of obtaining a loan guarantee from Mr. Young's company.

I learned from Steve Richards that Mr. Young was very interested in public discussion of United States policy toward China, and was already considering a major gift to a Washington-based think tank, I believe the Center for Strategic and International Studies. Since this was an issue the NPF might also be studying, Steve Richards was optimistic that Mr. Young would look favorably upon a request to place the guarantee.

During the late spring and summer of 1994, I had a number of discussions with Steve Richards and my friend Richard Richards concerning the possibility of Young Brothers Development guaranteeing a loan from Signet to the NPF. These discussions led to a visit by Richard Richards and me to Hong Kong to discuss

this matter directly with Ambrous Young. During late August 1994, I attended a dinner at Sam & Harry's with Ambrous Young, his wife, Loren Young, Richard Richards, Steve Richards, Don Fierce, and Haley Barbour. Mr. Young's interest in United States policy toward China was discussed, as was the possibility of Young Brothers Development guaranteeing a loan to the NPF. A couple of weeks later, I learned that the United States subsidiary of Young Brothers Development, a Florida corporation called Young Brothers Development (USA) had agreed to post sufficient certificates of deposit to guarantee the loan.

Once Young Brothers Development had agreed to guarantee the loan, my personal involvement in the transaction ended. I was aware that Signet loaned the NPF \$2.1 million, based upon Young Brothers Development (USA) posting an equivalent dollar value of certificates of deposit with Signet. I also learned that NPF used about half a million dollars of the loan proceeds to pay its operating expenses, and used the remainder to repay part -- but not nearly all -- of its obligation to the RNC. I also know that the transaction was carefully reviewed by numerous extremely capable lawyers, who specifically focused on the question whether the loan guarantee violated any law or regulation. Specifically:

- Shea & Gardner, which I know to be a very reputable law firm here in Washington, D.C., represented Signet Bank in the loan transaction;
- Benton L. Becker, who served as Secretary/Treasurer/General Counsel to Young

Brothers Development (USA), and who had previously served as counsel to President Gerald Ford, represented Young Brothers Development (USA). As one of several conditions, in a letter addressing the guarantee, Mr. Becker required: "that prior to the loan transaction, the General Counsel for the NPF will provide a written opinion letter to the General Counsel of YBD (USA) Inc. concluding that YBD (USA)'s service as a loan guarantor for the NPF, as described herein, constitutes no violation of U.S. law";

- E. Mark Braden, Esq., a partner at Baker & Hostetler in Washington, D.C., and former Chief Counsel to the Republican National Committee, issued the required opinion letter on behalf of the NPF, concluding in part that "YBD (USA) Inc.'s participation in this loan transaction as a third party provider of collateral does not conflict with any provision of any federal election or campaign financing regulation." A copy of Mr. Braden's opinion letter is attached as Exhibit C;
- Because the RNC was a principal creditor of NPF, I also discussed the transaction with the RNC's General Counsel David Norcross, who considered it perfectly legal and appropriate.

In sum, numerous nationally prominent campaign finance lawyers reviewed this transaction and deemed it perfectly legal, ethical, and proper in all respects. This was a transaction conducted in the full light of day with the most extensive legal review I have ever seen for a transaction of comparable value. While I am no lawyer and cannot hold myself out as an expert on the intricacies of the federal campaign finance laws, I was absolutely convinced at the time and remain absolutely convinced today that this transaction was legal, ethical, and proper in every respect.

Further Activities on Behalf of NPF

I continued to assist the NPF in raising money during 1995, and succeeded in raising several hundred thousand dollars from domestic sources. I understood, however, that NPF was having trouble raising sufficient money to support its ongoing operations and to repay the Signet loan. In mid-1995, I was asked to increase the time and effort I was spending in efforts to raise funds for NPF. In view of that greater commitment, for the first time I was offered compensation for these efforts. John Bolton, the President of NPF, and I entered an agreement that NPF would pay me \$5,000 per month for six months to help NPF raise money. In the event I raised more than \$1 million, I would be paid an additional amount.

My efforts to raise money during mid- to late 1995 were focused on domestic individuals and corporations, which I understand are not of interest to the Committee. During that time I neither solicited nor raised any money from foreign

sources on behalf of NPF. I was not paid the final installment due me under my agreement with NPF, and I was at no time paid any bonus or commission by NPF. I should emphasize that none of these payments was related in any way to the loan guarantee by Young Brothers Development (USA) of the Signet loan to NPF. I neither asked for nor received any payment relating to the loan guarantee.

Later, as NPF continued to have difficulty making its payments on the Signet loan, I was asked to approach Mr. Young through Richard Richards and Benton Becker to determine if Mr. Young would consent to pay the outstanding balance of the loan, which was then about \$1.5 million. I was informed that Young Brothers Development (USA) expected the NPF to pay the loan balance. When NPF was ultimately unable to do so, Signet foreclosed on Young Brothers Development (USA)'s collateral, and used those proceeds to pay the outstanding balance of the loan.

Upon this foreclosure, I learned that Young Brothers Development (USA) and Mr. Young were quite disturbed. I was asked to negotiate a resolution to avoid the possibility of litigation among Young Brothers Development (USA), the NPF, and potentially the RNC, which Young Brothers Development (USA) believed should have stepped in to pay the loan. It was clear to me that the RNC had not guaranteed the loan, and if it had intended to guarantee the loan, the participation of Young Brothers Development (USA) would have been unnecessary. On the other hand, Young Brothers Development (USA) and Mr. Young himself were clearly upset that the bank had seized the

collateral, and very well might have pursued the matter into litigation.

To avoid this outcome, I was involved in working out an arrangement by which the RNC would repay Young Brothers Development (USA) roughly half of the value of the seized collateral. This arrangement was concluded in early 1997. Since I had a role in persuading Young Brothers Development to post the collateral in the first place, I was personally disappointed to see all the parties to the transaction become so dissatisfied. One fact is crystal clear, however: When the loan was first made, it was not the intention of anyone that the certificates of deposit posted as collateral for the Signet loan to NPF would be forfeited to repay the loan. That was not my intention when I first raised the prospect of a guarantee with Steve Richards, Richard Richards, and Ambrous Young, nor did I understand it to be their intention. Indeed, I fully believe that, at the time Signet made its loan to NPF, NPF fully expected that it would and could repay the loan, principal and interest, in full. If I had believed otherwise, regardless of the legal aspects of the transaction, I would not have participated in it.

Conclusion

This Committee is charged with a solemn responsibility of investigating one of the most important aspects of the American political system -- how campaigns are financed. I commend the Committee for its hard work and attention to this matter, and look forward to the Committee's final report and recommendations.

But I cannot leave today without emphasizing the following key points concerning the NPF loan transaction.

First, from my first involvement with NPF until today, I believed that it was a "think tank," and not a political committee in any sense of the word. To my knowledge, NPF was never involved in any of the electioneering activities associated with political committees.

Second, the loan transaction that the Committee is investigating was thoroughly reviewed by some of the best campaign finance lawyers in the country. Like everyone else involved in these transactions, I was committed to staying within the letter and intent of the law. I believed then and continue to believe now that the transaction complied with all standards of law and ethics.

Finally, any suggestion that NPF was used to "funnel" or "launder" foreign money into the RNC is inconsistent with the facts as I know them. By the time Signet made its \$2.1 million loan to NPF, NPF already owed the RNC more than that. It would make no sense to set up an entity like NPF to launder foreign money to the RNC if the RNC got back less money from NPF than it put into it.

Thank you for the opportunity to appear before this Committee.

Frederick W. Volcansek, Sr.

00 "04" 395 "1679

EXHIBIT A

FRED THEBROOK, NEWSPAPER, C.

10X000

WILLIAM V. ROY, NJ, DELAWARE
TED STEVENS, ALASKA
SUEAN COLLINS, KANSAS
SAM HISHAMBECK, KANSAS
PETE V. DOMENICI, NEW MEXICO
DICK DURBIN, MISSOURI
TERRY GILLESPIE, OKLAHOMA
ROBERT J. TOBIAS, PENNSYLVANIA

JOHN DENROTH, OHIO
CARL LEVIN, MICHIGAN
JOSEPH I. LIBERMAN, CONNECTICUT
DARRIN R. AZAR, INDIANA
RICHARD J. DURBIN, ILLINOIS
ROBERT G. TORRICELLI, NEW JERSEY
MAX CLAND, GEORGIA

United States Senate

COMMITTEE ON
GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

NATHAN S. BISTANE, STAFF DIRECTOR AND COUNSEL
LEONARD WEISS, SENIORITY STAFF DIRECTOR

May 27, 1997


Hon. William M. Daley
U.S. Department of Commerce
Office of the Secretary
14th and Constitution Ave., NW
Washington, DC 20230

Dear Secretary Daley:

As you are undoubtedly aware, the U.S. Senate Committee on Governmental Affairs is conducting an investigation into activities surrounding the federal election cycle of 1996. In conjunction with the inquiry, the name of a former Commerce official, Mr. Fred Volcansek, has surfaced. Mr. Volcansek reportedly served in the Department from 1989 to 1992, rising to acting Deputy Undersecretary for International Trade. Please provide the Committee with all documents referring or relating to Mr. Volcansek, including all correspondence, recommendations, memoranda, travel and trade mission records.

Thank you for your attention to this matter. Should you have any questions, please don't hesitate to call David McKean of my staff at 224-4379.

Sincerely,



Alan I. Baron
Minority Chief Counsel

cc: Michael Madigan

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EXHIBIT B



UNITED STATES DEPARTMENT OF COMMERCE
Office of the General Counsel
Washington, D.C. 20230

June 27, 1997

Mr. Alan I. Baron
Minority Chief Counsel
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Baron:

In response to your May 27, 1997 letter to Secretary Daley, enclosed is approximately one box of correspondence relating to Fred Volcansek's tenure with the Department of Commerce from 1989 to 1992. These records are being released in accordance with the Freedom of Information Act (FOIA), which also provides for withholding specified records or parts of records in accordance with the exemptions specified in the FOIA. Some of the records you requested are being partially denied pursuant to:

5 U.S.C. 552(b)(6) - personnel and medical files and similar files the disclosure of which would constitute a clearly unwarranted invasion of personal privacy. We have withheld Mr. Volcansek's Social Security Number, credit card account numbers, home phone number, and performance rating information.

5 U.S.C. 552(b)(4) - trade secrets and commercial and financial information obtained from a person and which is privileged or confidential.

This is the initial determination for the Department. You have the right to appeal administratively the denial of any records withheld within 30 days of the date of this letter. If you appeal, address the correspondence to the Assistant General Counsel for Administration, U.S. Department of Commerce, Room 5898C, Washington, D.C. 20230. The appeal should include copies of the original request and the initial denial, a statement of the reasons why the requested records should be made available, and why the denial was in error. Both the envelope and the letter should be clearly marked "Freedom of Information Appeal."

We are continuing our search of Department files to identify additional records that may be responsive to your request and will send them to you upon the completion of our search. Please call me on 482-4660 if you have any questions.

Sincerely,

John F. Sopko
Chief Counsel for
Special Matters

Enclosure

00.04.395.1683

EXHIBIT C

SENT BY:

;10- 7-94 ; 5:08PM ;

BAKER, HOSTETLER

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**BAKER
&
HOSTETLER**
COUNSELLORS AT LAW

WASHINGTON SQUARE, SUITE 1100 • 1080 CONNECTICUT AVENUE, N.W. • WASHINGTON, D.C. 20036-5804 • (202) 891-1000
FAX (202) 861-1788 • TELE 2857270
WRITERS DIRECT DIAL NUMBER (202) 861-1504

October 6, 1994

VIA FACSIMILE AND FIRST CLASS MAIL

Benton L. Becker
Secretary/Treasurer/General Counsel
Young Brothers Development (USA), Inc.
The Kendar Building
1880 Madruga Avenue
Suite 329
Coral Gables, Florida 33146

Re: Loan Guarantee

Dear Mr. Becker:

The National Policy Forum ("NPF") is seeking a loan of \$2.1 million from the Signet Bank of Washington, D.C. ("Bank"). NPF is seeking the loan to partially repay certain outstanding loan obligations, current debts and to temporarily finance the operations of NPF pending the receipt of existing pledges and other donations to the organization. Young Brothers Development (USA), Inc. ("YBD (USA), Inc."), a for profit Florida corporation, has stated to NPF that it is willing to provide collateral security to the Bank in sufficient size and form so that the Bank will agree to loan \$2.1 million to NPF pursuant to the Bank's normal and usual commercial practices and terms.

You have requested our review of whether this transaction conflicts with certain United States laws. Your concern arises out of the fact that the existing and currently due loan obligations of NPF are to an organization which has an affiliated political committee as defined by the Federal Election Campaign Act of 1971, as amended (the "Act").

FACTS

The National Policy Forum is organized as a corporation pursuant to provisions of the District of Columbia Non-Profit Corporation Act.¹ The articles of incorporation restrict its operation exclusively for social welfare purposes within the

¹ See Attachment A.

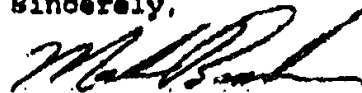
Benton Becker
Secretary/Treasurer/General Counsel
October 7, 1994
Page 2

meaning of Section 501(C)(4) of the Internal Revenue Code. NPF describes itself as a broad base inclusive organization designed to "go out to the grassroots" to listen to Americans about issues on their minds and develop a search for ideas that work. For purposes of this letter, we have been assured (and assume it to be true) that NPF makes no contributions or expenditures in connection with or to influence any election and assured that NPF is opened to all Americans who have ideas to offer for meeting the challenges Americans face today in their individual lives, their families, their communities and their work.

The NPF will use a portion of the Bank's loan proceeds to repay its presently outstanding loan obligations. We have been assured (and assume it to be true) that the partial repayment by NPF of such outstanding loan obligations will not be made to a political committee as defined by the Act.¹

Based upon the facts and circumstances stated in this letter: (1) YSD (USA's), Inc. participation in this loan transaction as a third party provider of collateral does not conflict with any provision of any federal election or campaign financing regulation; (2) the transaction does not conflict with any provision of NPF's bylaws or articles of incorporation; and (3) we are not aware of any federal or state statute which would prohibit YSD (USA), Inc. from pledging its collateral to the Bank as security for the repayment of the proposed loan by NPF.

Sincerely,



E. Mark Braden

EMB/baa

cc: Mr. Dan Denning

¹ 11 C.F.R. § 100.5 (1994).