



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

June 5, 1998

BY HAND

Haley R. Barbour, Esq.
Barbour, Griffith & Rogers
1101 Connecticut Ave., N.W.
Washington, D.C. 20036

RE: MUR 4250

Dear Mr. Barbour:

On June 2, 1998, the Federal Election Commission found that there is reason to believe you violated 2 U.S.C. § 441e, a provision of the Federal Election Campaign Act of 1971, as amended ("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. Additionally, enclosed is the Subpoena to Produce Documents and Order to Submit Written Answers originally sent to you on August 20, 1997, to which you never responded. We again request a response. All responses to the enclosed subpoena and order must be submitted within 30 days of your receipt of this notification. Any additional materials or statements you wish to submit should accompany the response to the subpoena and order. In the absence of additional information, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

You may consult with an attorney and have an attorney assist you in the preparation of your responses to this subpoena and order. If you intend to be represented by counsel, please advise the Commission by completing the enclosed form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

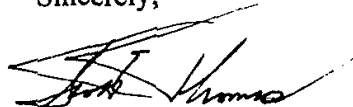
If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. See 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, requests for pre-probable cause conciliation will not be entertained 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.

For your information, we have attached a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Jose M. Rodriguez, the attorney assigned to this matter, at (202) 694-1650.

Sincerely,



Scott E. Thomas
Vice Chairman

Enclosures
Subpoena and Order
Factual and Legal Analysis
Procedures
Designation of Counsel Form

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

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MUR 4250

SUBPOENA TO PRODUCE DOCUMENTS
ORDER TO SUBMIT WRITTEN ANSWERS

TO: Haley R. Barbour, Esq.
Barbour Griffith & Rogers
1333 New Hampshire Avenue, N.W.
Washington, D.C. 20036-1511

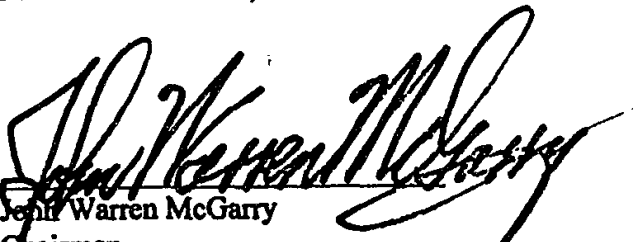
Pursuant to 2 U.S.C. § 437d(a)(1) and (3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby orders you to submit written answers to the questions attached to this Order and subpoenas you to produce the documents requested on the attachment 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. 20563, along with the requested documents within 30 days of receipt of this Order and Subpoena.

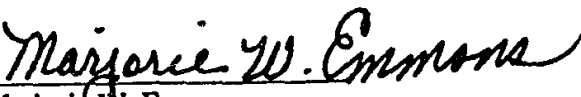
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WHEREFORE, the Chairman of the Federal Election Commission has hereunto
set his hand in Washington, D.C. on this *25th*, day of *July*, 1997.

For the Commission,


John Warren McGarry
Chairman

ATTEST:


Marjorie W. Emmons
Secretary to the Commission

Attachments
Document Requests and Interrogatories (5 pages)
May 5, 1997 Time magazine news article (2 pages)

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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.

"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.

"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.

DOCUMENT REQUESTS AND INTERROGATORIES

1. Separately for each loan made by the RNC to the NPF:
- a. Describe and produce all documents concerning, relating to, or referencing each loan, each disbursement of loan proceeds, and each repayment of loan balance, including all written correspondence;
 - b. Describe in detail the purpose and substance of all non-written communications concerning, relating to, or referencing each loan, each disbursement of loan proceeds, and each repayment of loan balance. 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 1(c) 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.
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 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;

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- 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. 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.

THE G.O.P.'S OWN CHINA CONNE

A Hong Kong mogul rescued Republicans during two campaigns

By MICHAEL WEISSKOPF and MICHAEL DUFFY WASHINGTON



THE EIGHT-PAGE SUBPOENA OPENED with the word Greeting, but there was nothing friendly about it. Coming from the Senate committee investigating the campaign fund-raising scandal, it directed what's left of the Dole campaign to hand over all documents connected to a familiar cast of 46 political donors and suitors. As the subpoena was faxed around Washington last week, it set off a minor panic among lobbyists and fund raisers worried about who might be called to testify. But their fretting was misplaced: the name of the G.O.P.'s most generous foreign benefactor wasn't even on the list.

For months snapshots of a Democratic White House desperately grubbing for campaign dollars have focused on Asian Americans with strong business ties to their native lands. Now Republicans tell TIME the G.O.P. has profited from an Asian money connection as well. Twice in two years Hong Kong businessman Ambrosius Tung Young bailed out the party at crucial mo-

ments: first freeing up as much as \$2 million in the final days before the G.O.P.'s 1994 sweep of Congress; then eating \$500,000 in bad debts, rescuing Republicans in the last weeks of the 1996 contest. The conduit for the money was a U.S. firm with little income and few assets, but quietly backed by an aviation-services and real estate-investment company controlled by Hong Kong and Taiwanese businessmen. The money passed through a Republican think tank that granted big donors more influence over party policy in return for more money. For Young, the arrangement also opened diplomatic doors. In Washington, Young met face to face with the lions of the G.O.P. just as they were taking over Congress. In Beijing a year later, he escorted G.O.P. chairman Haley Barbour in a meeting with Qian Qichen, Foreign Minister for the People's Republic of China.

The discovery of a financial channel running from Taiwan to Hong Kong to Republican national headquarters may well change the terms of Washington's latest

PARTY ESCORT: Ex-R.N.C. chair Barbour introduced his Asian patron to the powerful money mess. Until now Democrats have taken the hit for fund-raising excesses, providing grist for investigations by the Justice Department and 11 congressional committees and prompting calls for an independent counsel. But as Young's secret role shows, the lure of easy foreign money is bipartisan. Young's business depends in large part on Western access to Chinese markets and a secure Taiwan, objectives pushed by Republicans and the think tank he backed. That agenda, the Young case shows, has been successfully promoted by Asian interests who contributed big money to both major parties.

How a Chinese businessman came to prop up the G.O.P. is a story that began in 1993, right after Bill Clinton's election. Barbour had just taken over as G.O.P. chairman and created a think tank to generate new ideas. He called his group the National Policy Forum, and although its operations were two blocks and a few legal documents

removed from Republican headquarters, it was just an extension of the party. Barbour was chairman of the forum. C.O.P. officials set its \$4 million annual budget and coordinated fund raising. The forum circulated 600,000 questionnaires to identify the hot-button issues that were later assembled into the Contract with America.

THE FORUM HAD A HIDDEN PURPOSE, to tap into a new stream of cash from corporations. C.O.P. fund raisers discovered in 1992 that there was only so much soft money available—most donors had given all the money they could to campaigns. But because corporations set aside other tax-deductible money for research, Barbour's idea was to create a nonprofit think tank that could attract that cash.

Instead the think tank started to cost the party money. Corporate America turned out not to be very interested in the forum, so by the summer of 1994 it was heavily in debt, largely to the R.N.C., which had loaned the forum several million dollars to get started. With the pivotal midterm elections bearing down, the party needed money to attract voters to the polls with a burst of TV ads.

Enter Ambrosius Tung Young. In the early fall of 1994 his U.S.-based firm, Young Bros. Development-USA, offered to guarantee a loan to the forum. Exactly who first thought of this arrangement remains a mystery. A top R.N.C. official said a Houston businessman named Fred Volcansek, who worked on trade issues under former President Bush, knew Young and informed the forum's president of Young's interest in helping. Young lived in Hong Kong, but his sons had become U.S. citizens and dabbled in C.O.P. politics.

Even then Barbour knew the political risks of the proposed loan arrangement. Although Young was willing and legally able, the R.N.C. chief wanted to avoid any criticism of using overseas cash to pay for political activity—even policy research. Barbour received general assurances that Young Bros. Development-USA was a domestic firm. On that basis he had the company put up \$2.2 million in certificates of deposit—funds transferred earlier from the parent company in Hong Kong—as collateral for a loan from Signet Bank.

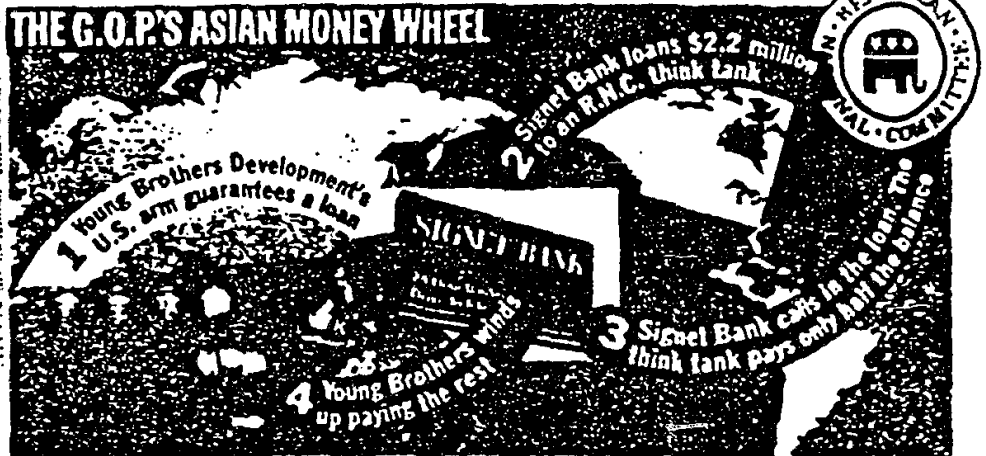
But if Barbour was looking to be bailed out by an American business, it's not clear that Young Bros. Development-USA was either American or a business. It turns out that the company's only U.S. asset is a

Georgetown apartment, and its only revenue is its rental income from that property, officials said. As for its pedigree, incorporation records in Florida list only two officers, onetime C.O.P. chairman Richard Richards and Benton Becker, who was President Ford's counsel. And the firm's actual owner? According to Becker, the principal stockholder is Young Bros. Development of Hong Kong. Records in the British colony list Young as managing director and several others from Taiwan and Hong Kong as investors.

Whatever the country of origin, the loan guarantee was a political godsend. With much of its proceeds sent immediately to the R.N.C., the loan provided last-minute cash for tight House races. In November, Republicans took control of Congress for the first time in 40 years. Not long after, Barbour personally escorted Young around

chance when describing the Democrats' foreign fund raising last fall. Two weeks before the election, Barbour criticized the Clinton White House for trying to "cover up this well-organized scheme of foreign contributions and influence peddling."

Yet with everyone scrounging for money in those last frantic weeks, no one was asking a lot of questions. Which is why the beneficiaries don't know much about their donor's background. Raised in Taiwan, Young joined the Taiwan navy as a supply officer, studied engineering in England and returned to Taipei, where he started an aerospace consulting firm. He later moved to Hong Kong, where he keeps a picture of himself with Ronald Reagan hanging on his office wall. Young served as the Asian agent for several aviation companies, including Pratt & Whitney and, more informally, British Aerospace.



Washington, introducing him to Bob Dole and House Speaker Newt Gingrich. Young returned the hospitality in August 1995, as host at a dinner for a visiting Barbour on his posh yacht, the *Ambrosia*.

But by mid-1996 the forum was strapped again. The last thing the party wanted that summer was to bail out a think tank just when the campaigns for Congress were heating up. So Barbour decided that the forum would simply stop repaying the Signet loan. He tried instead to get Young Bros. to foot the bill. Through its lawyers, the company refused.

And then Signet called in the loan. At first Barbour refused to pay the \$1 million balance due. When the Youngs' lawyers threatened a lawsuit, the forum paid up \$500,000, but that still left an angry Young with a \$500,000 loss—sparing the R.N.C. from having to dip into campaign funds to pay off the rest of the debt.

Barbour told TIME last week that the guarantee and settlement were "perfectly legal and totally appropriate." He was less

Over the years he has had a financial interest in preserving American trade links to China, the world's largest customer of commercial aircraft, and in maintaining a military strong Taiwan. In 1992 Taiwan bought 150 F-16s, all powered by Pratt & Whitney engines.

Young, who is said to be in his 60s, is extremely private by the standards of Hong Kong tycoons. He has an office in Taipei and sits on the board of an aerospace company close to the ruling Nationalist government. He is known as "the man to see" if you want to get a hearing in Asian aerospace circles. Little else about him is publicly available—at least not yet. Last Friday, Haley Barbour received a new subpoena, this one asking for all records relating to the National Policy Forum. With Washington's investigations widening to include Republican backers, the well-guarded anonymity of Ambrosius Tung Young may be coming to an end. —With reporting by Sandra Burton/Hong Kong and Donald Shapiro/Taipei

FEDERAL ELECTION COMMISSION
FACTUAL AND LEGAL ANALYSIS

RESPONDENT: Haley R. Barbour

MUR: 4250

I. GENERATION OF THE MATTER

This matter was generated based on information ascertained by the Federal Election Commission ("the Commission") in the normal course of carrying out its supervisory responsibilities. See 2 U.S.C. 437g(a)(2). In October 1994, the Republican National Committee ("RNC") appears to have accepted approximately one million six hundred thousand dollars in loan proceeds secured with foreign national funds. Information in the Commission's possession suggests the involvement of respondent Haley Barbour, the RNC's then chairman, in the transaction securing the foreign national guarantee.

II. FACTUAL AND LEGAL ANALYSIS

A. Applicable Law

The Federal Election Campaign Act of 1971, as amended, ("the Act") sets forth limitations and prohibitions on the type of funds which may be used in 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

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

B. Analysis

In the summer of 1993, the RNC's then chairman Haley Barbour established the National Policy Forum ("NPF") as an ostensibly independent issue oriented organization.¹ From the inception of the NPF in 1993, the RNC was the principal financial supporter of its activities, and by the summer of election year 1994 the RNC was owed approximately \$2.1 million by the NPF.² Desiring repayment in time for the 1994 elections, the RNC, at Mr. Barbour's direction and with his direct involvement, arranged the security necessary for the NPF to obtain a commercial bank loan from Signet Bank to repay at least a portion of the outstanding balance. The security for the loan was obtained from a foreign national source -- Young Brothers Development Company, Ltd. -- Hong Kong ("YBD -- Hong Kong"). Approximately \$1.6 million, of a total \$2.1 million borrowed by the NPF and secured by YBD -- Hong Kong, was earmarked for the RNC and transferred by the NPF to the RNC upon disbursement of the loan proceeds in late October 1994 -- in time for the 1994 elections.

Information in the Commission's possession indicates Mr. Barbour's involvement in all aspects of the loan transaction. It appears that in the spring of 1994 Mr. Barbour began exploring funding sources for the NPF that would allow repayment of its outstanding balance to the RNC. Mr. Barbour tasked an individual named Daniel B. Denning with seeking foreign national funding for the NPF. Mr. Denning had previously worked for President Reagan's administration

¹ Due in part to its association with the RNC, on February 21, 1997 the Internal Revenue Service denied the NPF's application for 501(c)(4) status. The NPF is now defunct.

² The RNC structured its transfers to the NPF as loans. From its inception in 1993 through 1996, the NPF received nearly \$4.2 million in RNC loans to finance its activities.

in various capacities and had been deputy manager of the 1984 Republican convention.

Mr. Denning in turn approached Mr. Fred Volcansek, a former Bush administration employee and international business consultant, to help identify possible funding sources. In conversations between Mr. Volcansek, Mr. Denning and Mr. Donald Fierce, the RNC's then chief strategist and a confidant of Mr. Barbour, it was agreed that a loan guarantee would be the most expeditious funding vehicle for the NPF.³ Mr. Volcansek identified several potential sources for the loan guarantee. Between May and June 1994, Messrs. Volcansek, Denning and Fierce decided to contact one of the identified sources. This individual was Ambrous T. Young -- a wealthy Hong Kong businessman.

Accordingly, Mr. Volcansek contacted Mr. Steve Richards, an associate of Mr. Ambrous Young, seeking a loan guarantee in the amount of \$3.5 million.⁴ Following this initial solicitation, in June 1994, Mr. S. Richards visited Mr. Young in Hong Kong to discuss the loan guarantee proposal. Also during this period, Mr. Barbour directly contacted Mr. Richard Richards, another associate of Mr. Young's, concerning the proposed loan guarantee. According to Mr. R. Richards, Mr. Barbour called to explain the electoral opportunities for the Republican party in the upcoming elections and the consequent need for the NPF to repay its debt to the

³ Also during this period, in early 1994, Mr. Barbour unilaterally appointed Mr. Denning as NPF's Chief Operating Officer. The appointment was made over then NPF President Michael Baroody's objection. Apparently, Mr. Baroody had reservations concerning the foreign funding of the NPF. Mr. Denning was appointed in part to generate foreign funding for the organization. Mr. Denning was the NPF individual principally involved in the loan transaction. Although Mr. Baroody remained Mr. Denning's supervisor, Mr. Baroody exercised no managerial control concerning this aspect of Mr. Denning's responsibilities.

⁴ The requested amount was determined by Messrs. Volcansek, Denning and Fierce based on the need to repay the NPF's \$2.1 million debt to the RNC while retaining sufficient funds to maintain operations for the remainder of 1994.

RNC. Mr. Barbour requested that he talk with his client, Mr. Young, about providing the loan guarantee.

After preliminary discussions in the summer of 1994, including at least two trips to Hong Kong by Messrs. S. Richards, R. Richards and Volcansek, Mr. Young agreed to entertain the loan guarantee request. However, prior to final commitment, Mr. Young sought an in person meeting with Mr. Barbour. On August 27, 1994, Messrs. Barbour and Young met at a restaurant in Washington, D.C. to discuss the loan guarantee solicitation. Although others attended the dinner, it appears that the loan discussions occurred primarily between the two principals. According to Mr. Young, at this dinner he directly informed Mr. Barbour that the requested collateral would be coming from Hong Kong by requesting further information concerning the proposed transaction to present to the Hong Kong board of directors for their approval.

Shortly following the dinner, on August 30, 1994 Mr. Barbour wrote Mr. Young at his Hong Kong address. See Letter from Barbour to Young of 8/30/94. In this letter, Mr. Barbour expresses the NPF's interest in having Mr. Young contribute an article on China policy for the NPF's publication "Commonsense," a proposal first brought-up during the D.C. dinner meeting. Accompanying the letter is the requested fact sheet on the NPF soliciting a \$3.5 million guarantee to allow retirement of RNC debt, explaining the anticipated Republican gains in the upcoming mid-term elections, and noting the necessity for the loan guarantee because fundraising for the NPF would not be possible during the election period. On the same date Mr. Barbour also wrote Mr. Young's local counsel noting his commitment as Chairman of the RNC to securing Mr. Young's guarantee by seeking remuneration from the RNC in the event of default. See Letter from Barbour to Becker of 8/30/94.

In response, on September 9, 1994 Mr. Young wrote Mr. Barbour from Hong Kong noting his interest in supporting the party, but explaining his preference for a direct contribution to the Republican party rather than the loan guarantee. Mr. Young further explained that should a direct contribution not be possible, he would be willing to post only \$2.1 million as a guarantee, the amount "urgently needed and directly related to the November election" (*i.e.*, the amount of the NPF's debt to the RNC). *See Letter from Young to Barbour of 9/9/94.* Following these communications, Mr. Young agreed to provide the \$2.1 million collateral and instructed his son, Steve Young, to personally inform Barbour of the agreement. Mr. R. Richards also directly informed Mr. Barbour of Mr. Young's acquiescence to the loan guarantee proposal, noting that the transaction would be conducted through Mr. Young's domestic corporation Young Brothers Development -- U.S., Inc. ("YBD -- USA") with funds transferred from the Hong Kong parent. In response, on September 19, 1994, Mr. Barbour again wrote Mr. Young in Hong Kong, thanking him for agreeing to the proposal. *See Letter from Barbour to Young of 9/19/94.*

As the above discussion demonstrates, based on all information presently available to the Commission, Mr. Barbour appears to have been directly informed by both Messrs. Young and R. Richards of the foreign national source of the collateral. Indeed, all of Mr. Barbour's written communications with Mr. Young were addressed to a Hong Kong address, and, likewise, the communication received by Mr. Barbour from Mr. Young originated in Hong Kong.⁵ This

⁵ Mr. Barbour wrote Mr. Young in Hong Kong three additional times after the loan was put into place -- once after formal completion of the loan process, once after the 1994 Republican victories and once after Mr. Young's visit to D.C. in Jan 1995 to meet with then Senator Dole and Speaker Gingrich -- meetings arranged by Mr. Barbour.

evidence strongly suggests that Mr. Barbour knew of the foreign source of the solicited collateral.

In fact, it appears Mr. Barbour may have been additionally informed of the foreign source of the collateral by both Messrs. Volcansek and Denning. According to Mr. Volcansek, he directly informed Mr. Barbour of the foreign source of the collateral during a meeting at the RNC attended by Messrs. Barbour, Fierce and Denning sometime prior to October 1994. Mr. Volcansek notes that the source of the collateral was common knowledge during this period. Mr. Denning too knew of the foreign funding for the transaction. According to Mr. Denning, during the guarantee negotiation period, he learned that Mr. Young's citizenship was in transition, and believes he informed Messrs. Barbour and Fierce and Scott Reed (the RNC's then Executive Director) of this.⁶ In light of the sworn testimony from three separate individuals that they directly informed Mr. Barbour of the foreign source of the collateral, and of Mr. Barbour's communications with Mr. Young, there is reason to believe that Mr. Barbour knew at the time of the negotiations that the collateral being provided by YBD -- USA originated from the Hong Kong parent.

Mr. Barbour was further informed of the foreign source of the collateral on at least one occasion during the life of the bank loan. After the loan was finalized and the funds disbursed in October 1994, Mr. Barbour apparently began seeking forgiveness of the obligation, visiting Mr. Young in Hong Kong to discuss the request. The meeting took place in Honk Kong harbor on Mr. Young's corporate yacht. According to Mr. Young, he again informed Mr. Barbour of the source of the guarantee, declining the request by explaining that, because the guarantee was

⁶ In fact, Mr. Young had already renounced his US citizenship -- effective December 29, 1993.

from the Hong Kong corporation, it could not easily be forgiven without a legitimate business reason as the corporation faced annual audits by the Hong Kong authorities and such an action would raise questions.

The available evidence strongly suggests that Mr. Barbour was directly informed of the foreign national source of the loan guarantee on at least three separate occasions -- in discussions prior to the guarantee being finalized, when the loan was finalized, and upon seeking forgiveness of the loan. Therefore, there is reason to believe that Haley Barbour violated 2 U.S.C. § 441e by soliciting and accepting a loan guarantee from a foreign national source. See 2 U.S.C. § 431(8)(A)(i), 11 C.F.R. § 100.7(a)(1)(i).