



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20543

May 8, 1997

MEMORANDUM

To: The Commission

From: Lawrence M. Noble
General Counsel

Subject: MUR 4250 -- First General Counsel's Report dated April 28, 1997.

I. DISCUSSION

On April 28, 1997, this Office circulated a First General Counsel's Report recommending that the Commission find reason to believe that the Republican National Committee, and its treasurer, ("RNC") violated various provisions of the Act in connection with activity involving the National Policy Forum ("NPF"), a 501(c)(4) organization allegedly controlled and financed by the RNC. In that report this Office specifically recommended that the Commission find reason to believe the RNC violated 2 U.S.C. §§ 434(a)(1), 441a(f) and 441b, and 11 C.F.R. §§ 102.5(a)(1) and 106.5(g)(1), for failing to report the activity conducted through the NPF, for accepting excessive and prohibited funds for federal election purposes through the NPF, and for failing to properly allocate funds expended through the NPF for allocable activity, respectively.

Recently, on April 28, 1997, new information came to light suggesting that the NPF has served to funnel foreign national funds to the RNC. This information appears in the current (May 5, 1997) issue of *Time* magazine.¹ See Enclosed. According to the May 5 *Time* report, in approximately late October 1994, the NPF received a collateral loan from Signet Bank which was backed by a \$2.2 million certificate of deposit from a foreign company. Although the funds were deposited by a domestic subsidiary, Young Bros. Development-U.S.A., Inc., the funds for the deposit reportedly came from the foreign based parent company, Young Bros. Development of Hong Kong. A portion of the proceeds of the loan (\$1.6 million) appears to have been

¹ A day after publication of the article, and after this Office's initial review of the new information reported in the article, the Democratic National Committee submitted an improper amendment to the complaint based on the report. Complainant's submission was not notarized and sworn to as required by 2 U.S.C. § 437(g)(a)(1). Accordingly, complainant has been informed of the deficiency and respondents have been provided an informational copy of the improper amendment.

immediately transferred to the RNC by the NPF and reported by the RNC as a loan repayment to its non-federal account. *See Attachment 8, at 2, to the FGCR.*

Additional news articles have provided further accounts of the circumstances surrounding the loan. According to these news accounts, Mr. Haley Barbour had a direct role in arranging the loan while Chairman of the RNC and the NPF. These accounts report that Mr. Barbour met in person with Mr. Ambrous Tung Young, a principle owner in Young Bros. Development of Hong Kong, to arrange the loan guarantee. *See Michael Kranish, Hong Kong Man Loaned Money to GOP Think Tank, The Boston Globe, April 30, 1997, at City Edition A3.* The principal source for this information, according to the news accounts, is Richard Richardson, an officer in the domestic subsidiary and a former RNC Chairman. *See Ia.* Consequently, there is reason to believe the RNC was involved in, and had knowledge of, the circumstances surrounding this loan. Accordingly, this Office recommends that the Commission internally generate a reason to believe finding that the RNC and its treasurer violated 2 U.S.C. § 441e. *See* 11 C.F.R. § 100.7(a)(1) ("a loan is a contribution by each endorser or guarantor").

Should the Commission approve this recommendation, this Office will amend the Factual and Legal Analysis to reflect this new finding. This Office will also reconsider and amend the affected proposed discovery to seek information concerning the loan. The amended Factual and Legal Analysis, and Subpoenas and Orders, will be circulated for approval upon the Commission's request.

II. RECOMMENDATION

Find reason to believe the Republican National Committee and Alec Pointevint, as treasurer, violated 2 U.S.C. § 441e.

Enclosure

Staff assigned: Jose M. Rodriguez