

## BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of ) MUR 4909  
Robert S. Lee; )  
Chong H. Kim; )  
K&L International, Inc.; )  
Chong Kim & Associates; and )  
Il Sung Construction Co., Ltd. )

## GENERAL COUNSEL'S REPORT

### I. ACTIONS RECOMMENDED

Find probable cause to

believe that Respondent Il Sung Construction Co., Ltd. ("Il Sung Construction") violated 2 U.S.C. § 441e(a) but take no further action. Take no further action against Respondents K&L International, Inc., ("K&L") and Chong Kim & Associates ("CK&A").

### II. BACKGROUND

On April 6, 1999, Lee pled guilty in the U.S. District Court for the Central District of California to one misdemeanor count of knowingly and willfully aiding and abetting the making of a contribution to the Democratic National Committee ("DNC") in violation of the Federal Election Campaign Act's prohibition against foreign national contributions. Specifically, Lee acknowledged that a \$150,000 contribution made on May 14, 1996, K&L, a U.S. company owned by Kim, was funded by Il Sung Construction, a foreign corporation. See General Counsel's Briefs for Lee, Kim

and Il Sung Construction, which are incorporated by reference in this Report. Lee was sentenced to three years probation, 250 hours of community service, and assessed a \$25 penalty.

On July 13, 1999, the Commission found reason to believe that Lee had knowingly and willfully violated 2 U.S.C. § 441e(a) with respect to the \$150,000 contribution. On the same date, the Commission also found reason to believe that Kim and his companies K&L and CK&A, in addition to Korean company Il Sung Construction, had violated § 441e(a) with respect to the same contribution. (The contribution permitted Lee, Kim, and Il Sung executives Chang Yeol Lee and Tae Mok Oh to attend the National Presidential Gala on May 8, 1996.) After an investigation, this Office sent briefs to Lee, Kim, and Il Sung Construction.

the brief to Il Sung Construction stated that the General Counsel would recommend that the Commission find probable cause to believe that the corporation violated section 441e(a). This Office did not direct discovery or send briefs to CK&A or K&L because these companies are no longer operating. In fact, as noted in the General Counsel's Report dated June 6, 1999 at 29, this Office made its reason-to-believe recommendations for the record only. Because the companies are defunct, this Office now recommends that the Commission take no further action and close the file.

Most significantly, the General Counsel's Brief never takes the position, as Kim suggests, that it would have been illegal for him to contribute his own funds to the DNC if Kim had earned those funds from foreign nationals. Instead, the Brief analyzes the evidence, financial and otherwise, which indicates that the \$150,000 contribution did not derive from Kim's American companies:

The available evidence indicates that the \$150,000 did not come from domestic revenue of either K&L or CK&A because a \$150,000 contribution to the DNC would have been disproportionately large in relation to the sizes of CK&A and of K&L; this \$150,000 was the equivalent of more than 25% of CK&A's gross revenue for 1996; it was more than three times the firm's \$45,000 net profit for that year. K&L was a similarly small firm, with gross revenue in 1996 of \$504,000, including the \$150,000 used to make the contribution. Further, each itemized entry on K&L's income statement- which showed a total of \$340,000 in 1996 - came from CK&A, and K&L showed \$0 net profit.

A further related point is the timing of the contribution to the DNC. The same day CK&A deposited the Il Sung Construction wire transfer of \$150,000, it purchased the \$150,000 money order made out to the DNC, a purchase for which the firm did not have sufficient funds in its account until the Il Sung Construction wire transfer arrived. The available information also shows that Il Sung Construction was an intended beneficiary of the contribution, which was made in order to secure international business opportunities. One resulting benefit was that Il Sung executives attended the May 8, 1996 DNC fundraiser where they met President Clinton.

General Counsel's Brief at 7-8. Therefore, despite the pre-existing contractual and business relationship between Kim and Il Sung Construction, the evidence demonstrates that Kim did not make the contribution with funds that he had earned. Instead, Kim funneled funds from foreign national Il Sung Construction through his U.S. companies in order to make the contribution.

According to Kim's own testimony, he knew that any corporate funds he contributed had to be from a U.S. corporation in order for his contribution to be legal. Id. at 5. The evidence indicates that Kim took steps to hide the foreign source of the funds by passing them through two of his corporations—first CK&A and then K&L. Id. at 6-8.

**C. Il Sung Construction Co., Ltd.**

Finally, as described in this Office's March 29, 20001 Memorandum, Young-Sub Bang replied on behalf of Il Sung Construction. Bang reiterated the assertions previously made by Il Sung in its written discovery that Il Sung transferred funds to Kim for services rendered, not for a contribution. More significantly, Bang stated that Il Sung is bankrupt and has been controlled by Korean courts since 1999 under Korean bankruptcy laws. Finally, Bang stated that Chang Yeol Lee

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and Tae Mok Oh, the two Il Sung execs who met President Clinton in May 1996, resigned on August 8, 1998 "due to the responsibility of mismanaging" Il Sung.

**V. RECOMMENDATIONS**

- 1.
- 2.
3. Find probable cause to believe that Il Sung Construction Co., Ltd. violated 2 U.S.C. § 441e(a), take no further action and close the file as to this respondent.
4. Take no further action against K&L International, Inc. and close the file as to this respondent.

5. Take no further action against Chong Kim & Associates and close the file as to this respondent.
- 6.
7. Approve the appropriate letters.

5/3/01  
Date

  
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Lois G. Lerner  
Acting General Counsel

Staff Assigned: R. Heilizer