

RECEIVED FEDERAL ELECTION COMMISSION

May 16, 2014

2014 MAY 19 PH 2: 45

SENSITIVE

OFFICE OF GUNERAL COUNCEL

Office of General Counsel Federal Election Commission 999 E Street, N.W., Washington, D.C. 20463

MUR# 6824

RE: Complaint of Federal Campaign Law Violations by Eugene Yu for U.S. Congress

**Complainant:** 

John E. Stone Committee to Elect John Stone 2803 Wrightsboro Road Suite 15-351 Augusta, GA 30909 PECERAL ELECTION
COMMISSION
SECRETARIAT

#### **Complaint:**

Eugene Yu has failed to account for the source of his \$736,000 loan to Eugene Yu for U.S. Congress as reported to the Federal Election Commission in his March 31, 2014 report, as evidenced by his Candidate Financial Disclosure Report filed on March 26, 2014 with the Clerk of the U.S. House of Representatives.

#### Facts of the Case:

According to reliable media reports, Mr. Yu has not reported financial assets of sufficient quantity to personally loan his campaign \$736,000, nor any source of secondary loans or personal gifts to allow this amount of contribution to his own campaign. He is also refusing to answer media inquiries on this matter, indicating potential illegalities in the source(s) of this massive injection of campaign funds in the closing weeks of the Georgia Republican Primary. This discrepancy follows two previous violations of Federal Election Law this election cycle, with both instances involving donation limit violations, indicating a pattern of practice of Eugene Yu for U.S. Congress of violating donation rules.

Summary: The infusion of \$240,000 in cash by Eugene Yu for U.S. Congress in the final weeks of the Georgia Republican Primary has resulted in a barrage of campaign activity by Eugene Yu for Congress that would otherwise have not been possible. If that infusion of cash is in violation of federal campaign law the certification of the May 20 Primary results could be in question.

#### TIME IS OF THE ESSENCE:

The magnitude of these violations are such that could alter the results of the May 20 Republican Primary Elections if allowed to stand. The Commission is urged to act on these matters with urgency.



I look forward to your timely response.

John E. Stone Candidate Committee to Elect John Stone 2803 Wrightsboro Road, Suite 15-351 Augusta, GA 30909

#### **Attachments:**

Financial Disclosure Report, March 26, 2014
Federal Election Report, September 30, 2013
Federal Election Report, March 31, 2014
Federal Election Report, April 30, 2014
Associated Press, Russ Bynum, March 10, 2014
Morris News Service, Walter Jones, May 10, 2014

#### NOTE:

Original and three copies submitted May 16 via USPS certified next day mail, electronic copies submitted May 16.

I attest, under penalty of perjury, that Mr. John & Stone personally appeared before me on May 14,2014.

Brandy H McAlexander Brandy H McAlexander Commission expires 2.4.2017



# FINANCIAL DISCLOSURE REPORT

Clerk of the House of Representatives • Legislative Resource Center • B-106 Cannon Building • Washington, DC 20515

#### FILER INFORMATION

Name:

**Eugene Chin Yu** 

Status

Congressional Candidate

State/District:

**GA12** 

#### FILING INFORMATION

Filing Type:

**Candidate Report** 

Filing Year:

2014

Filing Date:

03/26/2014

#### SCHEDULE A: Assets and "Unearned" Income

Asset	Owner	Value of Asset	income Type(s)	Income Current Year to Filing	Income Preceding Year
Bertram Road Building/Land	Л	\$1,000,001 - \$5,000,000	Rent	\$50,001 - \$100,000	\$50,001 - \$100,000
LOCATION: Augusta/Richmond Cou	nty, GA, US				
DESCRIPTION: 10,000 sq ft commerc	ial bidg on	2.76 acres.			
Enspert Inc.	Л	\$100,001 - \$250,000	None		
DESCRIPTION: Korean Public Comp	any Stock				
Green County Land	п	\$250,001 - \$500,000	None		
LOCATION: Greensboro/Greene Con	mty, GA, US	<b>;</b>			
Insprit Inç.	Л	\$1,000,001- \$5,000,000	None		
DESCRIPTION: Korean Public Comp	any Stock				
Peachtree St. Condo	JT	\$250,001 - \$500,000	None ·		
LOCATION: Atlanta/Fulton County,	GA, US				
Wells:Fargo	Л	\$15,001 - \$50,000	Interest	\$1 - \$200	\$1 - \$200

	Asset	Owner	Value of Asset	Income Type(s)	Income Current Year to Filing	Income Preceding Year
ł				· · · · · · · · · · · · · · · · · ·		

#### SCHEDULE C: EARNED INCOME

None disclosed.

#### SCHEDULE D: LIABILITIES

Owner	Creditor	Date Incurred	Туре	Amount of Liability
ЛŢ	Suntrust Bank	Sept 2002	Home Mortgage	\$15,001 - \$50,000
JI	Suntrust Bank	Sept 2002	Condo Mortgage	\$15,001 - \$50,000
JI.	Wells Fargo Bank	April 2013	Home Equity Loan	\$15,001 - \$50,000

#### SCHEDULE E: POSITIONS

Position	Name of Organization
President	Federation of Korean Association USA

#### SCHEDULE F: AGREEMENTS

None disclosed.

#### SCHEDULE J: COMPENSATION IN EXCESS OF \$5,000 PAID BY ONE SOURCE

None disclosed.

#### Exclusions of Spouse, Dependent, or Trust Information

Trusts: Details regarding "Qualified Blind Trusts" approved by the Committee on Ethics and certain other "excepted trusts" need not be disclosed. Have you excluded from this report details of such a trust benefiting you, your spouse, or dependent child?

Exemption: Have you excluded from this report any other assets, "unearned" income, transactions, or liabilities of a spouse or dependent child because they meet all three tests for exemption?

€ Yes € No

#### COMMENTS

#### CERTIFICATION AND SIGNATURE

I CERTIFY that the statements I have made on the attached Financial Disclosure Report are true, complete, and correct to the best of my knowledge and belief.

Digitally Signed: Eugene Chin Yu, 03/26/2014

2014 COMMITTEE INFORMATION Name: EUGENE YU FOR US SENATE

Yu. Eugene Chin

Offices H - House State: GA, District: 12

31.4%

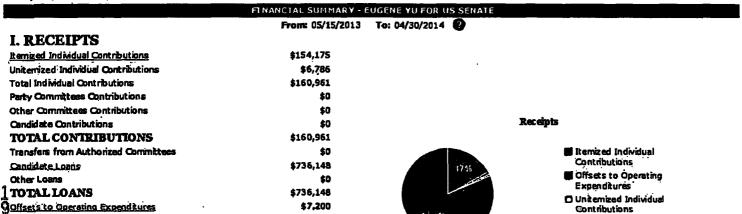
ID: H4GA12051

Address: PO BOX 2000, EVANS, GA 30809 Treasurer Name: Donnie Miller

Type: H - House

Designation: P - Principal Campaign Committee Of A Candidate

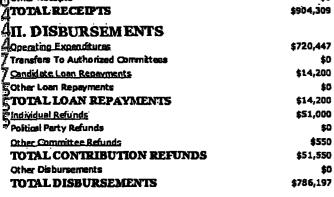
Party: Republican Party



\$0



Other Receipts



	• •
III. CASH SUMMARY	
Beginning Cash On Hand	\$0
Ending Cash On Hand	\$89,414
Net Contributions	\$109,412
Net Operating Expenditures	\$713,247
Debts/Loans Owed By	\$281,358
Debts/Loans Owed To	\$0

#### **Disbursements**



- M Individual Refunds ■ Operating Expenditures 置 Candidate Loan
- Repayments ☐ Other

Candidate Loans.

FINANCIAL	SHMMARY	- 20	Pre-Primary
LIMMICTAL		44	, iciting y

From: 04/01/2014 To: 04/30/2014	
I. RECEIPTS	\$1,829 A
Itemized Individual Contributions	\$1,000
Uniternized Individual Contributions	\$829
Total Individual Contributions	\$1,829
Party Committees Contributions	<b>\$0</b> :
Other Committees Contributions	\$O <sub>1</sub>
Candidate Contributions	<b>\$</b> 0.
TOTAL CONTRIBUTIONS	\$1,829
1 Transfers from Authorized Committees	\$0
9 Candidate Loans Other Loans	\$O
Other Loans	. \$0
· A	\$O:
7 Offsets to Operating Expenditures	\$0
7 Other Receipts	\$0
TOTAL LOANS  7 Offsets to Operating Expenditures 5 Other Receipts 5 TOTAL RECEIPTS	\$1,829
II. DISBURSEMENTS	<u>\$148,311</u>
Operating Expenditures	\$144,311
Transfers To Authorized Committees	\$0 <sup>.</sup>
Candidate Loan Repayments	\$4,000
Other Loan Repayments	\$0
TOTAL LOAN REPAYMENTS	\$4,000·
Individual Refunds	\$O
Political Party Refunds	<b>\$0</b> :
Other Committee Refunds	\$0
TOTAL CONTRIBUTION REFUNDS	<b>\$0</b>
Other Disbursements	\$0:
TOTAL DISBURSEMENTS	\$148,311
III. CASH SUMMARY	\$89,414 🛆
Beginning Cash On Hand	\$235,896
Ending Cash On Hand	\$89,414
Net Contributions	\$1,829
Net Operating Expenditures	\$144,311
Debts/Loans Owed By	\$281,358
Debts/Loans Owed To	\$0

## FINANCIAL SUMMARY - 2014 April Quarterly

From: 01/01/2014 To: 03/31/2014

	water was APP Transaction and a company of the comp
I. RECEIPTS	\$326,015 <b>△</b>
Itemized Individual Contributions	\$36,027
Uniternized Individual Contributions	\$1,630
Total Individual Contributions	\$37,657
Party Committees Contributions	\$0
Other Committees Contributions	\$0
Candidate Contributions	\$0
TOTAL CONTRIBUTIONS	\$3 <i>7</i> ,657
Transfers from Authorized Committees	<b>, \$0</b>
Candidate Loans	\$288,358
Other Loans	\$0
TOTAL LOANS	\$288,358
Offsets to Operating Expenditures	\$0
Other Receipts	\$0
TOTAL RECEIPTS	\$326,015
II. DISBURSEMENTS	\$141,964 <b>△</b>
Operating Expenditures	\$138,414
Transfers To Authorized Committees	\$0
Candidate Loan Repayments	\$3 <sub>7</sub> 000
Other Loan Repayments	\$0
TOTAL LOAN REPAYMENTS	\$3,000
Individual Refunds	\$0
Political Party Refunds	\$0
Other Committee Refunds	\$550
TOTAL CONTRIBUTION REFUNDS	<b>\$5</b> 50
Other Disbursements	\$0
TOTAL DISBURSEMENTS	<b>\$141,964</b>
III. CASH SUMMARY	\$235,896 A
Beginning Cash On Hand	\$51,845
Ending Cash On Hand	\$235,896
Net Contributions	\$37,107
Net Operating Expenditures	\$138,414
Debts/Loans Owed By	\$285,358
Debts/Loans Owed To	\$0

FINANCIAL	SUMMARY	- 20.	Year-End

I. RECEIPTS	\$330,767 🛆
Itemized Individual Contributions	\$36,250
Unitemized Individual Contributions	\$3,727
Total Individual Contributions	\$39,977
Party Committees Contributions	\$0
Other Committees Contributions	\$0
Candidate Contributions	\$0
TOTAL CONTRIBUTIONS	\$39,977
1 Transfers from Authorized Committees	\$0
Candidate Loans	<b>\$290,790</b>
4 Other Loans	\$0
TOTAL LOANS	\$290,790
7 7 Offsets to Operating Expenditures	<b>\$0</b>
Other Receipts	\$0
Souther Receipts TOTAL RECEIPTS	\$330,767
II. DISBURSEMENTS	<u>\$278,922</u>
Operating Expenditures	<b>\$228,922</b>
Transfers To Authorized Committees	\$0
Candidate Loan Repayments	\$0
Other Loan Repayments	\$0
TOTAL LOAN REPAYMENTS	<b>\$0</b>
Individual Refunds	\$50,000
Political Party Refunds	\$0
Other Committee Refunds	\$0
TOTAL CONTRIBUTION REFUNDS	\$50,000
Other Disbursements	\$0
TOTAL DISBURSEMENTS	\$278 <b>,</b> 922
III. CASH SUMMARY	\$51,845 <b>△</b>
Beginning Cash On Hand	\$0
Ending Cash On Hand	\$51,845
Net Contributions	-\$10,022
Net Operating Expenditures	\$228,922
Debts/Loans Owed By	\$290,790
Debts/Loans Owed To	\$0-
•	7

## FINANCIAL SUMMARY - 20 October Quarterly

From: 05/15/2013 To: 09/30/2013

From: 05/15/2013 10: 09/30/201.	<b>3</b>
I. RECEIPTS	\$2 <b>4</b> 5,698
Itemized Individual Contributions	\$80,898
Uniternized Individual Contributions	\$600
Total Individual Contributions	\$81,498
Party Committees Contributions	\$0
Other Committees Contributions	<b>\$0</b> :
Candidate Contributions	<u>\$</u> 0
TOTAL CONTRIBUTIONS	\$81,498
Transfers from Authorized Committees	\$0
<u>Candidate Loans</u>	\$157,000
Candidate Loans Other Loans	\$0
TOTAL LOANS	\$157,000
Offsets to Operating Expenditures	\$7,200
Other Receipts	.\$0
TOTAL LOANS Offsets to Operating Expenditures Other Receipts TOTAL RECEIPTS	\$245,698
II. DISBURSEMENTS	<u>\$217,000</u> \( \text{\tint{\text{\tint{\text{\tin}\text{\tex{\tex
Operating Expenditures	\$208,800
Transfers To Authorized Committees	<b>\$0</b> -
Candidate Loan Repayments	\$7,200
Other Loan Repayments	\$0
TOTAL LOAN REPAYMENTS	\$7,200
Individual Refunds	\$1,000
Political Party Refunds	\$O·
Other Committee Refunds	\$O
TOTAL CONTRIBUTION REFUNDS	\$1,000
Other Disbursements	\$0
TOTAL DISBURSEMENTS	\$217,000
III. CASH SUMMARY	\$28,697 A
Beginning Cash On Hand	\$0
Ending Cash On Hand	\$28,697
Net Contributions	\$80,498
Net Operating Expenditures	\$201,600
Debts/Loans Owed By	\$149,800
Debts/Loans Owed To	<b>\$0</b> :

ACROSS THE REGION More U.S. News | World News | Political News

### Augusta candidate Eugene Yu took \$50,000 in prohibited donations

By Russ Bynum

Associated Press

Monday, March 10, 2014

SAVANNAH, Ga. — Running his first race for Congress, Eugene Yu found a generous supporter in his friend and fellow Augusta businessman Wayne B. Brown. Last summer and fall, Brown and his company gave the Republican candidate \$54,500 for his campaign.

The problem is that's far more cash than the \$5,200 limit one person can legally give a single candidate seeking federal office. Yu had to refund \$50,000 of the money given to his U.S. Senate campaign. He abandoned that race to run for a U.S. House seat in eastern Georgia.

"This is the first time I'm running in an election," Yu said in a phone interview Monday. "If anything, it was an honest mistake."

Fundraising reports filed with the Federal Election Commission show Yu's campaign waited three months to disclose the prohibited contributions. Instead, the campaign reported most of the cash as a \$45,000 personal loan.

"It looks more sketchy because it raises a question of whether or not the candidate was trying to conceal the contribution," said Sheila Krumholz, the executive director of the Center for Responsive Politics, a nonprofit and nonpartisan organization that tracks money in politics. "He took this large sum of money and passed it off as money from his own pocket."

Both the candidate and his donor said they weren't trying to deceive anybody. They said Brown owed Yu money for his share of a real-estate investment, and the money was deposited into the candidate's campaign account to help his largely self-funded race.

"Eugene had already paid for the property so I was reimbursing him for my share," Brown wrote in an e-mail Monday. "Since it was his money, it was deposited in the campaign account as a contribution from him which is correct but not transparent."

A political newcomer, the 58-year-old Yu of Evans remains an active player in the 2014 elections even after exiting his Senate campaign. Last week, Yu signed up for a five-way primary race for the GOP nomination to oppose Democratic Rep. John Barrow in Georgia's 12th District.

Yu's campaign could face fines if FEC auditors find there were fundraising violations. The FEC gives candidates grace periods of up to 60 days to refund or otherwise make right excessive or prohibited contributions.

Yu's campaign had most of its money from Brown for longer than that. The FEC doesn't disclose the status of investigations until they're resolved.

Yu came to the area as a teenager when his South Korean parents immigrated here. He's a former military policeman and ex-sheriff's deputy who's now retired from his now-defunct company that refurbished military trucks returning from overseas deployments. Yu also served as president of a major Korean-American lobbying association before launching his first political campaign last year.

Yu's newcomer status made him a longshot in the race for Georgia's open Senate seat, where the crowded Republican field includes three sitting congressmen. But Yu also poured more than \$447,000 of his own money into the Senate race. A continued willingness to self-finance could make him tough to ignore, even as a latecomer, in the GOP primary for Barrow's seat.

Still, Yu hasn't been terribly successful raising money from supporters. In the last six months of 2013, the

candidate raised just \$121,475 from outside donors. The \$50,000 Yu ended up returning, after reporting the money as prohibited contributions, equaled 41 cents of every dollar he raised.

Brown owns an Augusta company, WayneWorks, that manages a range of business ventures from real estate to custom embroidery services to exotic charter-boat vacations. Yu says he and Brown have been friends for 15 years or more. Spending reports show Brown is also the campaign's landlord, renting Yu space at his company's office park for \$100 a month.

Yu's fundraising reports show Brown gave his Senate campaign \$4,900 in July. Brown's wife chipped in another \$5,200. Both contributions were within legal limits. Yu's campaign disclosed them in its quarterly report filed Oct. 14.

The same fundraising report says Yu loaned the campaign \$202,000 of his own money during the same quarter from July through September. Three months later, his campaign filed an amended report that reduced the amount of Yu's personal loan by \$45,000.

What happened to that money? It showed up in the amended report as previously undisclosed contributions from Brown and his company. Brown gave the campaign \$30,000 in two different payments in August and September – putting him well past the legal donation limit. A \$15,000 contribution attributed to WayneWorks was received by Yu's campaign Aug. 19. Corporations are prohibited from giving money to individual candidates.

Yu's last Senate fundraising report, filed Jan. 30, shows Brown gave the campaign a final \$5,000 in October – bringing the total amount of prohibited money to \$50,000. The same report says Yu refunded the money on Nov. 18, nearly two months before any of the excessive donations were disclosed to federal regulators.

Back to Top

Sponsored Result

2014 Best Skin Tichteners
An Unbitsed Review List of The Top Performing Skin
Tighteners in 2014
www.SkinCareSearch.com/Facet Bine

Local Augusta Flowers
Same Day Augusta Flower Delivery, Family Owned and
Operated
www.FlowerShopping.com/Augusta

OrOze Anti-Asino Cream \$5 Read -- special report (on DrOze) on 1 new Anti-Aging Crean that Works! antiagnoword.org/Anti/agingCreams ELECTION More | SPLOST 7 | Mayor Profiles | Comm. Profiles | Video | E-mail Reporter

### Source of Yu funds remain a mystery

By Walter C. Jones Morris News Service

Friday, May 9, 2014 8:07 PM

Last updated Saturday, May 10, 2014 12:05 AM

ATLANTA — The source of funds that U.S. House candidate Eugene Yu has funneled into his campaign remain a mystery, and his campaign is not returning requests for comment.

Yu, who is in second place in the Republican race in the 12th District according to the latest poll, had loaned his campaign more than \$736,000 as of April 30. But he did not list that much in liquid assets on his personal financial disclosure, and the income from his investments are a fraction of that amount.

After declaring bankruptcy in 2007, he might not be the model applicant for a bank, although he did list bank mortgages on his home and an Atlanta condo. The residence already had a second mortgage before he started his Senate campaign and later switched to the U.S. House race in the 12th District.

"I hope that Mr. Yu will operate with full disclosure and explain how he was able to loan his campaign over \$700,000," said William Perry, the executive director of the government-watchdog advocacy Common Cause of Georgia.

Yu, reached by phone Thursday, referred all financial questions to his campaign chairman, Wayne Brown. Brown has not returned messages left Thursday and Friday at the campaign; at his corporation, WayneWorks LLC; or at the telephone number Yu supplied for him.

WayneWorks gave \$15,000 to the campaign in August even though federal law prohibits congressional candidates from accepting corporate donations. The campaign cashed the check instead of refusing it, even though it is in the same building as the company.

Federal election rules say that if a corporate gift is received, the campaign must refund it within 30 days of discovery, but the Yu campaign exceeded that period and appeared to have used the funds based on expenditures and the cash on hand at the time.

"They should have known that it was an illegal, corporate contribution," said Bryan Tyson, a campaign attorney with Strickland, Brockington & Lewis.

The campaign lists its address as the corporate offices of WayneWorks but reported only token "rent and postage" for it, even though federal candidates must pay the fair-market rate to corporate landlords to avoid accepting discounted rent as a contribution.

Brown personally contributed more than the legal limit to the campaign, and the campaign was slow in refunding him, according to his campaign reports filed with the Federal Election Commission.

Yu's financial disclosure included no more than \$50,000 in cash in a money market account.

"I think it is reason to be skeptical. If you don't have liquid assets and all of a sudden you have liquid assets," Tyson said.

Campaign finance lawyer Stefan Passantino, the head of the political law team at McKenna Long & Aldridge, notes that Yu is not required to update his personal financial disclosure form because he filed it less than 12 months ago. So there is no reason for him to disclose any personal loans he might have gotten or the source until next year.

"I don't know any facts that would indicate there was wrongdoing here," he said.

Yu has an office building on Bertram Road that he rents for \$100,000 yearly at most. The value of the building

is between \$1 million to \$5 million on the federal forms, which don't require more precise figures.

He lists stock in two companies, one of which has effectively folded. The other was listed at no more than \$250,000.

"I don't really consider that a lot of assets," said Kent Balch, a veteran financial planner with First Fidelity Financial Group. "His ace in the hole could be that building. If he could sell it at any given moment, somebody might lend on that."

Repaying it could be difficult because a 5-year loan at current rates on that amount would total 60 percent more than he lists as income from the rent and his other investments.

If Yu got a loan, it could only be for personal reasons and not simply to fuel the campaign through the back door, according to Tyson. The same with anyone making an outright gift to him personally, although there is no limit on what a candidate can lend or give to his or her own campaign.

The motives for making a loan or gift directly to a candidate could spur the curiosity the Department of Justice's Public Integrity Section, which is charged with policing what are known as straw donors. Those could be put to rest if Yu has written arrangements or documentation of long-standing personal connections to his funding source.

Back to Top



above hereby swears under penalty of perjury that the statements and facts of the complaint are true to the besi-of-his knowledge and belief.

John E. Stone II

July 24, 2014

Subscribed and Sworn to before me on this 24th day of July, 2014.

Brand, & Mcalexander

Notary Public

(SEAL)

BRANDY H. MCALEXANDER
NOTARY PUBLIC
COLUMBIA COUNTY, GA
COMM. EXP 2-4-2017

John E. Stone Candidate Committee to Elect John Stone 4228 Match Point DR Augusta, GA 30909

#### **Attachments:**

Financial Disclosure Report, March 26, 2014
Federal Election Report, September 30, 2013
Federal Election Report, March 31, 2014
Federal Election Report, April 30, 2014
Associated Press, Russ Bynum, March 10, 2014
Morris News Service, Walter Jones, May 10, 2014

#### NOTE:

Original and three copies submitted May 16 via USPS certified next day mail, electronic copies submitted May 16. Original and three copies of the revised complaint submitted July 24 by USPS certified mail, electronic copies submitted May 24.