

ALLEGATIONS RELATING TO THE NATIONAL POLICY FORUM

The National Policy Forum (“NPF”) was founded in 1993 as a “grassroots” think tank to develop a policy agenda through a series of “town meetings,” *i.e.* policy forums, throughout the nation. The NPF was formed by Haley Barbour, then the recently elected Chairman of the Republican National Committee (“RNC”), and others, and started with \$100,000 in RNC “seed money.” The NPF was structured as a nonprofit corporation under Section 501(c)(4) of the Internal Revenue Code.¹

The Committee’s investigation of the NPF covered a wide range of allegations. The lion’s share of these allegations related to a “loan guarantee” transaction involving the NPF and a Florida Corporation named Young Brothers Development (USA), Inc. (“YBD (USA)”), the subsidiary of a Hong Kong entity, Young Brothers Development, Ltd. (“YBD (Hong Kong)”). Such allegations included claims that:

- (1) the NPF was utilized to launder or illegally “funnel” money from the Hong Kong entity into the RNC to assist the RNC in the 1994 federal election cycle;
- (2) the NPF received money from the Hong Kong entity in exchange for government favors or business considerations; and,
- (3) the NPF misused its non-profit tax status in some fashion.

In pursuing the allegations, the Committee subpoenaed documents from many sources, deposed fourteen individuals and conducted several interviews. In the course of these efforts, several of the subpoenaed parties objected to certain of the Committee’s inquiries, citing the Committee’s limited jurisdiction to the 1996 election cycle. On July 3, 1997, Chairman Thompson issued an Order

¹ See 26 U.S.C. § 501(c)(4) (1997).

clarifying these parties' obligations. The Order provided that information predating November 1994 (the beginning of the 1996 election cycle) must be provided *if* it sheds light on efforts by the NPF to raise foreign funds during the 1996 election cycle, but that "it is not appropriate for the Committee to inquire into matters that relate only to the 1994 federal election campaigns."² Following issuance of the Order, although preserving their objections, the NPF and NPF witnesses fully complied.³

None of the witnesses associated with the NPF or the Young Brothers companies invoked their Fifth Amendment rights or fled the country to avoid testifying before the Committee. In contrast to numerous Democratic donors, fundraisers and administration officials, persons associated with the NPF and the Young Brothers appeared voluntarily for Committee depositions. Indeed, Ambrous Young, the Director of YBD (Hong Kong), voluntarily traveled from Hong Kong to London to be deposed by the Committee. Former RNC Chairman Haley Barbour voluntarily testified at length before the Committee.

Formation and Financing of the National Policy Forum

The NPF was created in the spring of 1993 as a "participatory policy institute . . . in which average citizens, community leaders, people away from Washington, legislators, local officials, state officials, as well as Federal officials had an opportunity to participate in the issues that face our government."⁴ The NPF was initially envisioned as a wing or subsidiary of the RNC. That initial plan was rejected, however, in favor of the creation of a separate, distinct and independent policy institute

² See Order of Chairman Fred Thompson, July 3, 1997 (Ex. 1).

³ See Catalog of NPF Document Production (Ex. 2).

⁴ See Deposition of Haley Barbour, July 19, 1997, p. 19-20.

under Section 501(c)(4) of the Internal Revenue Code.⁵ According to the NPF's first president, Mr. Michael Baroody, "[t]he National Policy Forum was to be a Republican Center for the exchange of ideas. As I used to say routinely at the start of our forums, that was decidedly and intentionally not the same as a center for the Republican exchange of ideas - meaning NPF was to be open to all and set out to hear from all, regardless of party."⁶

At its formation, the NPF received a \$100,000 loan from the RNC. As NPF fundraising efforts failed to satisfy NPF expenses, the NPF received additional loans from the RNC. The NPF leadership discussed a range of fundraising options, including the possibility of soliciting money from foreign sources (which would be legal for a non-profit corporation.)⁷ By the end of 1993, the NPF had a debt to the RNC in the amount of \$260,000. By mid-1994, that amount had grown to approximately \$2 million.⁸

⁵ The NPF had a separate board of directors, separate management, separate employees, separate operations and separate offices from the RNC. The RNC and NPF had separate accounting systems, and did not commingle funds. In short, the two organizations were two separate legal entities. *See* Barbour testimony, p. 117:

Senator Glenn has said the NPF was an arm or subsidiary of the RNC. That is not correct. Indeed, I had originally considered establishing the policy institute as a part of the RNC. Over time and before it was founded, however, I came to the conclusion that the policy institute should be separate from the RNC for a variety of reasons.

⁶ *See* Testimony of Michael Baroody, July 23, 1997, p. 190. The nature of the relationship between the NPF and the RNC was not material in assessing the legality of the matters at issue. Because the NPF undertook no campaign-related activities, its actions were not subject to federal campaign restrictions, no matter what link it had to the RNC.

⁷ *See generally* Baroody testimony, pp. 202-05.

⁸ *See* Baroody testimony, p. 206.

The NPF debt threatened to grow larger through 1994 as the pace of NPF forums increased.⁹ During the summer and fall of 1994, the NPF was competing with Congressional campaigns for contributions from prospective donors. Expecting a fundraising shortfall during that period, NPF attorneys negotiated and obtained a \$2.1 million loan from Signet Bank to refinance part of its preexisting debt to the RNC and to provide the NPF with operating funds.

By 1996, the NPF's continuing fundraising shortfalls led to a crisis. In early 1996, the NPF negotiated to defer one of its payments on the Signet Bank loan. By June 1996, the NPF indicated to Signet that it would default on the \$1.5 million remaining due on the loan. Signet Bank exercised its right to take collateral posted by YBD (USA) to cover the default. Following its default on the Signet Bank loan, the NPF also defaulted on approximately \$2.5 million in outstanding debt to the RNC.

In January 1997, the NPF's operations ceased. On February 21, 1997, the IRS issued a letter ruling disapproving the NPF's 1993 application for 501(c)(4) status. Although the dispute regarding NPF's tax status had no actual tax implications -- the NPF never earned any profit or conferred any tax deductions on its donors -- the IRS's decision has been appealed.¹⁰ The appeal is pending.

⁹ Between 1993 and 1996, the NPF held over 80 public conferences and issues fora involving thousands of people throughout the nation and published two books reflecting its findings. The NPF had 14 "policy councils" involved in these efforts with over 1500 members. *See generally* Deposition of Kenneth Hill, July 11, 1997, pp. 46-48. The NPF's document production to the Committee demonstrated an enormous breadth of activity undertaken in its public fora and conferences.

¹⁰ There has been significant controversy regarding the IRS's February 21, 1997 ruling. During the Committee's hearings, the IRS's disapproval of the NPF's application was sharply contrasted with the IRS's approval of tax-exempt status for the Democratic Leadership Council. Although this comparison raised certain issues regarding partisanship at the IRS, the discussion of the NPF's tax status was not material to the legality of the NPF loan guarantee transaction. In short, because the NPF never engaged in any election-related activities of any kind, it was never subject to federal election law, regardless of whether it did or did not qualify for tax-exempt status.

The RNC's Relationship with the Young Brothers Companies

The relationship among the RNC and Young Brothers Development (USA) began in 1991. At that time, Young was a U.S. citizen and served as Director of a Hong Kong corporation, YBD (Hong Kong).¹¹

In 1991, Alex Courtelis was a commercial real estate developer doing business in Florida. Courtelis also served as an official of the RNC's "Team 100" program.¹² In 1991, Courtelis and Young began to discuss a potential shopping center deal in Southern Florida. In structuring the potential deal, YBD (USA), a Florida corporation and a subsidiary of YBD (Hong Kong), was formed. By October of 1991, negotiations for the real estate purchase were progressing. Courtelis asked Young to consider contributing \$100,000 to the RNC to become an RNC "Team 100" member.¹³

¹¹ Ambrous Young was born in the People's Republic of China, emigrated to Taipei, Taiwan when he was 14 years old, and was granted U.S. citizenship in 1970. Young's wife, four sons and daughter are all U.S. citizens. Young, a Hong Kong resident, gave up his U.S. citizenship at the end of 1993. Benton Becker, counsel to YBD (USA), was asked why Young gave up his U.S. citizenship:

Senator Durbin. Do you know why he renounced his U.S. citizenship?

Mr. Becker. Well, I've asked him that question, and every time I ask him that question he always says, "That's not the right word, Benton. I didn't renounce anything. I still feel strongly about the United States." He said that he simply decided that he wanted to create a single citizenship in the Republic of China and in Hong Kong, and he just doesn't come to the U.S., doesn't have any real reason to come to the U.S., and his children have all graduated from colleges in the U.S. He used to spend a lot of time here visiting his children when they were studying. That's the only explanation that's ever been given to me.

See Becker testimony, July 23, 1997, p. 135-36. Although the Committee obtained certain tangential evidence suggesting that Young's decision may have been influenced by prospective tax implications, the Committee has received nothing conclusive on that issue.

¹² Becker testimony, p. 40.

¹³ *Id.* at 42.

Team 100 members were provided with several benefits, including invitations to certain Team 100 events each year. Although then a U.S. citizen, Young spent a considerable amount of time abroad. Young's sons, all U.S. citizens, spent substantially more time in the U.S. Young and Courtelis determined that the Team 100 membership would be in the name of YBD (USA) so that Young's sons could attend the Team 100 events.¹⁴ The funds for YBD (USA)'s Team 100 donations were provided, in the form of a loan, from YBD (Hong Kong) to YBD (USA).¹⁵

In Spring 1992, after the YBD (USA)'s \$100,000 in Team 100 contributions had been made, the shopping center deal involving YBD (USA) and Courtelis fell through.¹⁶ Thereafter, YBD (USA) continued to pursue several U.S. real estate opportunities but apparently did not generate sufficient funds to repay immediately YBD (Hong Kong) for its \$100,000 loan.¹⁷

If the RNC had reason to know that the funds for the YBD (USA) Team 100 contributions were derived from a foreign source rather than the U.S. earnings of a domestic corporation, acceptance of this donation would have been illegal. According to Richard Richards, then the President of YBD (USA):

¹⁴ *Id.*

¹⁵ *See* Becker testimony, p. 174; Becker testimony, p. 43.

¹⁶ Becker believed when the Team 100 contributions were made that YBD (USA) would generate U.S. earnings sufficient to cover the contributions. *See* Becker testimony, p. 172: "The actual Team 100 commitment and payment occurs [in late 1991] while the [YBD (USA)]shopping center deal is still viable."

¹⁷ Richards, Becker and Young have all testified that it was their intention that YBD (USA) would engage in substantial business in the United States. Although several potential ventures were explored -- including various commercial real estate opportunities and an investment in a software company -- none came to fruition. Although the Committee understands that YBD (USA) did have income from property management activities and certain interest income during its lifetime, the Committee has insufficient information to determine whether this income was sufficient to account for any substantial portion of the Team 100 donations.

To the best of my knowledge no officer or employee of the RNC or anyone associated with the RNC other than Mr. Courtelis knew at the time that the Young Brothers USA contributions to the RNC arose out of Young Brothers Hong Kong money.¹⁸

The RNC did not obtain financial or other information indicating that YBD (USA) had insufficient income in the U.S. to make a legal donation. Rather, it appears that Courtelis and the RNC relied upon the representations of the YBD (USA) counsel, Benton Becker, that the donations were proper.¹⁹

The RNC has informed the Committee that it returned contributions to YBD (USA) in May 1997 when it obtained information indicating their possible foreign origin.

¹⁸ See Affidavit of Richard Richards, Esquire (Ex. 3). The affidavit was created under the following circumstances:

Mr. Richards: . . . [I]t was probably a couple of weeks ago. The attorneys that represent The Republican National Committee asked if they could see me, and they flew out to Ogden, Utah, where I live and presented me with an affidavit that they had previously prepared consistent with some telephone conversations I had with them. We went over the affidavit. There were some things that I felt were not accurate. We made the changes. I signed the affidavit and it appears here today

Mr. Madigan (Majority Counsel): . . . [D]oes it [the affidavit] accurately reflect the facts as you know them?

Mr. Richards: I think so. I don't know of anything that is not true.

Testimony of Richard Richards, July 25, 1997, pp. 91-92.

¹⁹ Courtelis (now deceased) dealt with Becker on behalf of the RNC. Courtelis was not an attorney but apparently knew that Mr. Young and his family were U.S. citizens. Becker performed a legal analysis of the transaction, and prepared a memorandum advising that the transaction be legally structured such that a loan would be made from YBD (Hong Kong) to YBD (USA) which YBD (USA) would repay with its U.S. earnings. See Memorandum from Benton Becker to File, October 11, 1991 (Ex. 4).

Solicitation of the YBD (USA) Loan Guarantee to the NPF

In the spring of 1994, an NPF fundraiser named Fred Volcansek met with Dan Denning, the NPF's Chief Financial Officer, and Donald Fierce, an RNC official.²⁰ The three discussed the faltering fundraising efforts of the NPF, and the NPF's outstanding debt to the RNC.²¹ It was agreed that Volcansek would work to find an entity willing to provide a loan or a loan guarantee to the NPF.²²

In the summer of 1994, Fred Volcansek contacted his friend Richard Richards, a former RNC chairman with a law practice in Washington, D.C. The NPF recognized that, as a result of the impending congressional elections, the RNC and congressional campaigns would present stiff competition for available fundraising sources through November, 1994. The NPF also recognized that the competition for funds could present the NPF with a significant cash flow problem in the coming months. Richards had introduced Volcansek to Ambrose Young and knew of Richards' relationship with Young. Volcansek asked Richards if Young or the Young companies might agree to provide a loan guarantee the NPF.²³

²⁰ Volcansek testimony, July 24, 1997, pp. 10-11, 27.

²¹ Volcansek testimony, p. 28.

²² Volcansek testimony, p. 30. *Note:* Mr. Volcansek's testimony regarding this meeting differs somewhat from that of Mr. Denning. Mr. Volcansek, an "international businessman," believed that he had been asked to assist with seeking a loan guarantee due to his foreign expertise. *See* Volcansek testimony, p. 57. Mr. Denning recalls no conversation relating to foreign sources of funds. *See* Deposition of Daniel B. Denning, June 30, 1997, pp. 74-75.

²³ Volcansek testimony, p. 12.

In early August 1994, Ambrous Young, along with his son, Steven Young, and Richards, met over dinner in Washington with Barbour, Volcansek and Denning. Barbour knew that YBD (USA) was already a Team 100 member.²⁴

At the dinner, Barbour requested that Young consider whether YBD (USA) would provide a loan guarantee to the NPF. Young agreed to consider it, and asked for information on the NPF and the proposed loan guarantee.²⁵ Mr. Barbour responded in writing on August 30, 1994, and explained that, by obtaining a bank loan guaranteed by YBD (USA), the NPF:

. . . would not need to raise funds during the fall's political season when competition for contributions is especially keen, and most potential donors are focused on elections and not public policy.²⁶

²⁴ It is not clear when Barbour learned that Ambrous Young was no longer a citizen. *See* Barbour testimony, p. 231-32. Ambrous Young's son, Steve Young, was a U.S. citizen. *See* Deposition of Richard Richards, June 10, 1997, p. 86. Barbour believed that the name "Young Brothers" in YBD (USA) referred to Steve Young and his brothers, all of whom are U.S. citizens. Barbour testimony, pp. 208-09.

²⁵ Young deposition, p. 35.

²⁶ *See* Letter from Haley Barbour to Ambrous Young, with attachment, August 30, 1994 (Ex. 5). Ambrous Young prepared a letter in reply dated September 9, 1994 expressing reservations regarding the loan guarantee proposal. Letter to Haley Barbour from Ambrous Young, Sept. 9, 1994 (Ex. 6). Although the letter was to be delivered to Barbour by Young's son, Barbour does not recall receiving the letter, and no such letter appears in the RNC or NPF files. The Minority has theorized that one sentence in Young's September 9, 1994 letter suggests that Mr. Barbour was actually soliciting funds from Young for use in the 1994 elections:

. . . [W]e are willing to consider the support of the \$2.1 million which is the amount you have expressed to me is urgently needed and directly related to the November election.

Haley Barbour stated that the above-quoted sentence from Young's letter refers to Barbour's earlier statement that the NPF would have significant trouble raising funds in the months preceding the November elections, not that the NPF loan guarantee would somehow be used in the elections.

Whether or not Barbour received Young's September 9, 1994 letter is not material to the Committee's assessment of the transaction.

Young asked Becker to act as counsel to negotiate the terms of the potential loan guarantee from YBD (USA) to the NPF. Young asked Becker to make all efforts to obtain security in the event of an NPF default.²⁷

Young and Becker both testified that they understood that the loan guarantee sought by Barbour was for the NPF, and understood the NPF to be a separate entity from the RNC:

Ambrous Young Deposition Testimony:

Q: What did you understand, as a general matter, was the use for which this money was sought?

A: All I understood the Forum, the National Policy Forum needs money. . . .²⁸

Benton Becker Deposition Testimony:

He [Ambrous Young] also informed me that he was told by Mr. Barbour that the National Policy Forum was not part of the Republican National Committee, that it, the National Policy Forum, was not within the auspices of the Federal election laws, since it, as an organization, was not involved with Federal elections, that it was a think tank. . . .²⁹

²⁷ Young deposition, p. 37.

²⁸ *Id.* Young also testified:

[N]obody explained to me how the money should be utilized and this and that, nor mentioned to me about election of the congressional system

Young deposition at 29.

²⁹ Becker deposition, pp. 31-32.

Volcansek also explained to Young that, as an individual without U.S. citizenship, Young could not have any role in the federal elections:

Many times I had the opportunity to explain to Mr. Young that he could not participate in our political process. I explained to Mr. Young that it was impossible for him to participate in the process of elections and to directly contribute in any way to the Republican National Committee or to any individual campaign.

(Volcansek testimony, p. 81).

It was also clear that the Florida corporation, YBD (USA), would be the loan guarantor:

No one ever considered the Hong Kong entity as being the loan guarantor. From day one, the consideration, it is my understanding, had always been the U.S. corporation³⁰

In negotiating the terms of the loan guarantee, Becker asked the RNC General Counsel, David Norcross, whether the RNC would formally agree to repay any loss by YBD (USA) if the NPF defaulted.³¹ Norcross told Becker that the RNC could not do so.³² Becker nevertheless continued to request some form of commitment from the RNC. Ultimately, Barbour responded with a letter committing to raise the issue with the RNC Budget Committee and seek its approval in the event that the NPF defaulted on an outstanding debt to “a domestic corporation.”³³

To evaluate Barbour’s “commitment,” Young and Becker consulted with Young’s long- time friend, Richard Richards. Richards informed Young and Becker that he believed that the RNC Chairman would have power to compel the RNC Budget Committee to cover any NPF default.³⁴ Richards, Becker and Young recognized that Barbour’s “commitment” was not a judicially enforceable obligation.³⁵

³⁰ See Becker testimony, p.124.

³¹ Becker deposition, pp. 38-39.

³² Becker deposition, pp. 39.

³³ See Letter from Haley Barbour to Benton Becker, August 30, 1994, p. 1 (Ex. 7); see also Becker deposition, pp. 39-40; Barbour deposition, pp. 72-74.

³⁴ See Richards testimony, pp. 78-79.

³⁵ See Becker deposition, p. 39.

Following such consultations, Becker, along with attorneys for the NPF and Signet Bank, the lender, analyzed the proposed loan guarantee transaction. Mr. Volcansek described such efforts as follows:

[N]umerous nationally prominent campaign finance lawyers reviewed this transaction and deemed it perfectly legal, ethical, and proper in all respects. This was a transaction that was conducted in the full light of day with the most extensive legal review that I have ever seen for a transaction of comparable value.³⁶

On September 19, 1994, Barbour wrote to Ambrous Young, thanking Young for YBD (USA)'s agreement to make the loan and describing Barbour's dealings with Young's son, Steve:

. . . I was heartened by Steve's telling me that at the end of the year consideration would be given to doing even more. The Young family and your company are exceptionally generous, and I am genuinely grateful for the confidence you are showing in me.³⁷

On October 13, 1994, the loan guarantee documents were signed. The transaction was structured as follows: Signet Bank loaned \$2.1 million to the NPF. The loan was collateralized by \$2.1 million in CD's posted by YBD (USA). As NPF made its quarterly loan payments to Signet Bank, Signet Bank would release the CD's to YBD (USA). In the meantime, YBD (USA) earned market-rate interest on the CD's.³⁸ YBD (USA) received the funds to purchase the \$2.1 million in

³⁶ See Volcansek testimony, pp. 14-15. See also Memorandum from Benton Becker to Ambrous Young, dated September 23, 1994 (Ex. 8):

These procedures outlined in this memo are calculated to accomplish the following goals:

1. To insure that no arguable violation of U.S. law could result to YBD or its principals... [p. 1]

With this in mind, as you have instructed, all considerations have been made to assure that no claim and no violation of law could result from YBD (USA) serving as a loan guarantor. [p. 3]

³⁷ See Letter from Haley Barbour to Ambrous Young, September 19, 1994 (Ex. 9).

³⁸ Testimony of Benton Becker, July 23, 1997, p. 47.

CD's to be posted as collateral for NPF's loan in the form of a loan from its parent, YBD (Hong Kong).

When the NPF received the \$2.1 million in loan proceeds on October 13, 1994, it wrote to Signet Bank indicating that \$1.6 million of the proceeds would be used to retire a portion of the NPF's debt to the RNC's non-federal Republican National State Election Committee ("RNSEC") account.³⁹ On October 20, 1994, \$1.6 million of the outstanding debt of \$2.4 million was repaid to the RNSEC account.⁴⁰ The remaining \$500,000 was applied to NPF expenses. NPF's \$1.6 million repayment reduced its debt to the RNSEC account to approximately \$800,000.⁴¹

Allegations Regarding the 1994 Elections

Although matters relating to the 1994 elections are not within this Committee's investigative mandate, certain charges relating to such elections were raised during Committee hearings. The Minority has alleged that the \$1.6 million debt repayment by the NPF to the RNC was used by the RNC to fund critical campaign activities in Congressional districts across the country. Specifically, the Minority contends that the flow of funds evidences a plan to funnel foreign money into the 1994 elections, i.e. from YBD (Hong Kong) to YBD (USA) to Signet Bank to collateralize a loan to the NPF, a portion of which was utilized to repay a legitimate pre-existing debt to the RNC. Barbour offered two reasons why that allegation was "wrong in fact, and ... wrong in effect."⁴² First, all the

³⁹ See Letter from NPF Comptroller Steven Walker to Kevin Killoren of Signet Bank, October 13, 1994 (Ex. 10).

⁴⁰ See Deposition of Haley Barbour, pp. 85-86.

⁴¹ See Deposition of John Bolton, July 15, 1997, p. 46.

⁴² See Barbour testimony, pp. 254-55.

funds were loaned from and repaid to the RNSEC “non-federal” account. Such funds *cannot* be used on behalf of any candidate in a federal election.⁴³ There is no evidence that these funds found their way to any federal “hard money” accounts, or that the RNSEC funds were used in coordination with any congressional candidate.

Second, there was no shortage of funds in the RNSEC account: The RNC’s RNSEC account had more than \$3 million available for use as of October 19, 1996 -- before it received the \$1.6 million NPF repayment.⁴⁴ Shortly following the NPF repayment, the RNC transferred \$500,000 from the RNSEC account to its building fund, which was utilized for the physical operations of the RNC, and transferred \$1.6 million in repayment of an outstanding RNC loan from Signet Bank.⁴⁵ In addition, the funds available for use from the RNSEC account, including funds available via a line of credit, never dipped below \$5 million between October 20, 1994 and the election.⁴⁶ In sum, there is no evidence that the \$1.6 million repaid by the NPF to the RNSEC account was used for any electoral or campaign activity and thus had any impact in any 1994 Republican congressional victories.⁴⁷ Moreover, there is no evidence that the YBD loan guarantee transaction, which was

⁴³ See Barbour testimony, p. 254.

⁴⁴ See Chart, Republican National Committee, Non-Federal Funds Available October, 1994 - November, 1994 (Ex. 11).

⁴⁵ See Barbour testimony, pp. 127, 252.

⁴⁶ See Ex. 11.

⁴⁷ See Barbour Testimony, pp. 127, 235-37.

Allegations have also been made that a seven day delay in debt repayment by the NPF to the RNSEC account (from October 13 until October 20, 1994) evidences a conspiratorial intent to delay public disclosure of such repayment. The Committee has not received an explanation of this delay from any person responsible for it, but Barbour suggested a possible rationale:

I never talked to Steve Walker [the NPF Controller] about it,

legal and authorized under federal election laws, was related to or affected the 1996 election campaigns.

Dealings Between Barbour and Young: January 1995 - June 1996

Following the 1994 elections, Young and Barbour communicated on several occasions. In early 1995, Young made a trip to the United States for medical treatment. During that trip, Barbour arranged for Young to meet briefly with Speaker Gingrich and Senator Dole in their Congressional offices. Although discussions at such meetings included the possible fate of Hong Kong following the British departure and the Taiwanese-Chinese relationship, there was no discussion relating to any legislation, government program or government contract of any kind.⁴⁸

In August 1995, Barbour paid a visit to Young in Hong Kong and asked if YBD (USA) would relinquish the CD's held by Signet Bank, effectively "forgiving" NPF's obligation to repay YBD (USA). Young agreed to consider the matter.⁴⁹

but if he had asked me, if he would have asked me, I would have told them wait and make the payment, the repayment, actually, on October 20th or thereafter, because when you are raising money like we do, almost not exclusively, but very heavily from small donors, you don't want the newspaper saying the RNC got a \$1.5 million contribution or a \$2.5 million contribution because then your small donors say, well, they don't need more money. You know, that chills-the small donors drive our party. Our average contribution at the RNC was \$45.

Barbour testimony, p. 190.

⁴⁸ Neither Young nor any of his companies ever did business or sought any business with the United States Government. *See* Young deposition, p. 83; Volcansek testimony, p. 77; Barbour testimony, pp. 196, 198.

⁴⁹ The Minority has argued that one portion of Young's testimony regarding his August 1995 conversations with Barbour should be read to indicate that Young explained to Barbour that forgiveness was impossible because YBD (Hong Kong), the actual source of funds for the loan guarantee, was undergoing a government audit. Barbour, however, recalls no such explanation,

In late 1995, Barbour planned a trip to Beijing, including a meeting with the Chinese Foreign Minister. Barbour invited Young to accompany him. Young agreed.⁵⁰ In early 1996, Barbour met with the foreign minister while Young and others attended this ceremonial meeting.⁵¹ Mr. Young described the encounter as follows:

Q: Can you describe the type of reception given by the Chinese Government to Haley Barbour on that trip?

A: The reception, I would say -- I will give a rate: I would say third class or lower.

Q: Do you know why that type of reception was given to Haley Barbour?

A: Much later I was puzzled why they do that, because, as a party Chairman for China they always want to win friendship from the United States, and later I raised the question through my personal friends who did ask the questions and they come back to me and said that during that particular moment the Chinese government are in favor of the winning of President Clinton, i.e. the Democrats,

and recalls that Young agreed to consider his request for forgiveness. Barbour's recollection on this point is supported by that of Young's lawyer, Richard Richards. Richards wrote:

Shortly after the loan was made, you [Barbour] journeyed to Hong Kong, and approached Mr. Young for the first time about the question of forgiveness of the loan. Mr. Young called me and told me of the discussion and informed me that he wanted to be as helpful to you as he could and he would take the request for forgiveness under advisement.

See Letter from Richard Richards to Haley Barbour, September 17, 1996 (Ex. 12). In any event, Barbour's knowledge or lack thereof regarding YBD (Hong Kong)'s role in the transaction was immaterial -- as discussed elsewhere herein, the loan guarantee transaction was legal whether or not the funds originated in Hong Kong.

⁵⁰ Young testified that he agreed to go on the trip as a gesture of "friendship" to Barbour. Mr. and Mrs. Young, Mr. and Mrs. Barbour, and Mr. and Mrs. Richard Richards all participated in the trip, which apparently included sightseeing in and outside Beijing. *See* Ex. 3. Mr. Young and Mr. Barbour both testified that they neither discussed nor did any business of any kind while on the trip to China, or at any other time. *See* Young deposition, pp. 83, 85-86; *see* Barbour deposition, p. 106.

⁵¹ *See* Ex. 3; Becker testimony, p. 49; *see* Young deposition, pp. 84-85.

so they tried not to offend the Democrats, so therefore they lowered down Mr. Barbour. That's the answer I got.⁵²

Although there was apparently no discussion relating to forgiveness of the loan guarantee during the trip to China, the topic arose again in 1996.

By 1996, it was clear that the NPF's disappointing fundraising efforts would not support its operating expenses. The NPF had taken a series of loans from the RNC, but the RNC was becoming increasingly reluctant to extend credit.⁵³ The NPF missed its January 1996 loan repayment to Signet Bank, and asked Signet (the lending bank) and YBD (USA) (the loan guarantor) for permission to defer the payment.⁵⁴ Both agreed.

In or about May 1996, Barbour had a conversation with Richard Richards regarding the loan guarantee. During that conversation, Barbour understood Richards to agree that YBD would not object if NPF defaulted on the \$1.5 million in funds remaining due on the loan and Signet Bank took the YBD (USA) CD's.⁵⁵ By contrast, Richards has described that conversation as follows:

I did not say, because I did not have the authority to say, "Go ahead and default and we will do nothing." In essence that would be our way of forgiving the loan. I think I did say I doubted Mr. Young would sue you in the event of default, but Mr. Young did not say that, and did not give me authorization to say we wouldn't sue and therefore, go ahead and default and we'll simply walk away.⁵⁶

⁵² Young deposition, p. 84.

⁵³ Becker testimony, p. 46.

⁵⁴ Becker deposition, pp. 55-57.

⁵⁵ *See generally* Barbour testimony, pp. 147, 149-151.

⁵⁶ *See* Ex. 12.

By June 1996, NPF had informed Signet Bank that it intended to make no further payments and would default on the loan. Later that summer, Signet accelerated the loan and took \$1.5 million in YBD (USA) CD's.⁵⁷

Dispute and Settlement

In July 1996, after learning of the default, Richards and Becker wrote to Barbour and asked him to obtain authorization from the RNC Budget Committee for the RNC to repay the NPF's debt to YBD (USA). In August, 1996, at the Republican Convention, Barbour sent the President of the NPF, John Bolton, to present the issue to the Budget Committee. Bolton made a presentation, but the Committee tabled the matter.⁵⁸

When Richards and Becker learned that the RNC Budget Committee would not cover the NPF default, they became very angry. Although Richards and Becker recognized that the RNC did not have a legally cognizable obligation to cover the NPF default, they decided, in service to their client, YBD (USA), to attempt to pressure to the RNC to cover the loss.⁵⁹

On September 17, 1996, Richards wrote to Barbour threatening to sue him and laying out a purported factual record of the transaction.⁶⁰ Included in the letter were claims that Barbour had offered to arrange "business opportunities" in China in return for loan forgiveness, and that the loan guarantee was originally made in order to funnel money to sixty targeted House seats. Richards has since recanted several of those statements:

⁵⁷ See generally Becker testimony, p. 50 .

⁵⁸ See Bolton deposition, July 15, 1997, p. 82.

⁵⁹ See e.g. Memorandum from Becker to Young and Richards, September 16, 1996 (Ex. 13).

⁶⁰ See Ex. 12.

Mr. Richards' Testimony:

Q: Is there anything in this letter that you feel requires some level of clarification to be properly understood?

A: Yes. The tone -- the reference in the letter to business is grossly misleading, because we didn't go there to get business. We didn't discuss business. But Ambrous's ability to pay the loan depended upon him getting business. And so I know the tone of the letter kind of says we all went there for a business purpose, and that isn't quite accurate. And I attribute that to writing the letter when I was grossly irritated.⁶¹

Mr. Richards' Affidavit:

At the time I wrote this letter, the repayment of collateral was very much at issue and I was concerned that my client, Mr. Young, would suffer as a result of an NPF default. Accordingly, in the letter, I made several serious statements which, upon reflection, were made as negotiating tools and were not accurate. In particular, I stated that if Mr. Young could get some business opportunities it may justify the contribution of a portion of the loan collateral. I know of no business activities Mr. Barbour was ever asked to undertake or did undertake on behalf of Mr. Young, his sons, or any of the Young Brothers entities either in the United States or abroad. In addition, in my September 17, 1996 letter, I stated that the repayment of the loan made certain funds available to the RNC during the 1994 federal election cycle, the funds merely repaid the RNC for its earlier loans to NPF, and I now understand that these funds could not and were not used to directly benefit congressional candidates.⁶²

The statements in Mr. Richards' September 17, 1996 letter have also been contradicted by the testimony of Young and Barbour:

Testimony of Ambrous Young:

Q: Did you or any Young Brothers business benefit financially as a result of your trip with Haley Barbour to China?

A: No.

* * *

⁶¹ Richards deposition, June 19, 1997, p. 112.

⁶² See Ex. 3 (emphasis supplied); see *supra* n. 20 (discussing origin of Mr. Richards' affidavit).

Q: So Haley Barbour never suggested any business?

A: Never at all, nor we approached him or him approached us. . . .
I have never had any business in mind.⁶³

Testimony of Haley Barbour:

Q: Did Mr. Young articulate any point of view that you can recall that specifically would have helped Young Brothers Development either in this country or in China or Hong Kong, anywhere - or Taiwan?

A: He never said anything to me or in front of me about his company's business or businesses or his companies' businesses or business, ever.⁶⁴

After receiving Richards' September 17, 1996 letter, Barbour decided that the best course of action was no response.⁶⁵ Richards followed with an October 16, 1996 letter containing the following statement:

I believe it is significant that Bob Dole and the Republican Party are now challenging contributions made to the Clinton campaign by Indonesian citizens through an American contact. Obviously there are some differences between that situation and ours; however, I think we stand the same risk of some very adverse publicity if the loan were forgiven....⁶⁶

Richards has since testified as follows regarding the meaning of his reference to "differences" between the Clinton campaign and the YBD loan guarantee:

Ambrous Young's money did not go to a political campaign, where I believe that the money, the Indonesian money went to the

⁶³ Young deposition, pp. 83-86.

⁶⁴ Barbour testimony, pp. 197-198.

⁶⁵ *See id.* p. 146. Barbour testified "Now, that's what I took the letter to be, a negotiating tool to try to put pressure on me. That's why I didn't respond. And it's also why I didn't give it credibility."

⁶⁶ *See* Letter from Richards to Barbour, October 16, 1996 (Ex. 14).

Presidential campaign and to the Democratic party for campaign purposes. Ours went to a think tank. Ours went to the Forum.⁶⁷ Following the 1996 elections, Becker and the NPF negotiated a settlement.⁶⁸ The NPF repaid (with RNC funds) approximately half of the \$1.5 million lost by YBD (USA).⁶⁹

Mr. Becker has informed that Committee that, although YBD (USA) admittedly has no legal right to return of the \$800,000, it continues to request that the RNC reimburse it for its losses.

Allegations Relating to the Testimony of Haley Barbour

As the Committee's investigation progressed, the Minority's focus shifted from the mechanics of the loan guarantee transaction to allegations that Haley Barbour had given false testimony. The Minority's allegations regarding Barbour's testimony relate principally to one set of statements: During the hearing and his deposition, Barbour testified that he did not have credible information until the Spring of 1997 that the funds for the CD's collateralizing the NPF loan from Signet Bank were obtained by YBD (USA) via a loan from its parent, YBD (Hong Kong).⁷⁰

To be clear, neither Barbour nor any other person questioned during this investigation denied that the funds for the NPF loan guarantee originated in Hong Kong -- that fact was never in dispute.

⁶⁷ Richards deposition, June 19, 1997, p. 114.

⁶⁸ The NPF agreed to pay \$800,000 in settlement of the dispute but then reduced that amount by \$50,000 -- the interest accrued to date by the YBD (USA) certificates of deposit. Becker testimony, pp. 52-53.

⁶⁹ Becker testimony, pp. 52-53. The Committee also investigated allegations of two other allegedly foreign donations to the NPF. First, the Committee reviewed a \$25,000 donation on August 2, 1996 from the Pacific Cultural Foundation, a non-profit think-tank located in Taiwan. The NPF was one of several U.S. organizations that received funds from the Pacific Cultural Foundation. Second, the Committee reviewed a \$50,000 donation from Panda Industries on or about July 18, 1995. Panda Industries and related entities are the subject of further examination in the section on Ted Sieng of the Committee's Report. Under present law, such donations are legal.

⁷⁰ Barbour deposition, pp. 130-131.

Rather, Barbour stated that he did not have credible information on that topic until he reviewed NPF files retrieved from storage in Spring 1997. Moreover, whether or not Barbour personally knew prior to 1997 that the funds for the guarantee originated in Hong Kong is not material to the Committee's assessment of the loan guarantee transaction. As noted above, the NPF was a non-profit corporation and it was free to accept donations from foreign sources.

The Minority has theorized that there were certain occasions prior to Spring 1997 when, contrary to his testimony, Barbour was informed that the funds for the NPF guarantee originated in Hong Kong.

First, the Minority cites a conversation sometime prior to October 1994 among Barbour, Fred Volcansek (then engaged in NPF fundraising), Dan Denning (the NPF Chief Financial Officer) and Dan Fierce (an RNC official). Volcansek testified that, during that conversation, he told the group that the loan guarantee money would originate in Hong Kong.⁷¹ When questioned regarding this conversation Barbour responded:

Fred may be right and I may not have heard it because it was not relevant. That issue is a totally irrelevant issue. It was then and it is now, but I do not recall his saying that in that meeting or any other meeting⁷²

Denning, who also attended the meeting, testified that he recalled no such conversation with Volcansek or anyone else.⁷³ Indeed, Volcansek himself testified that:

[A]s I tried to point out to Mr. Baron a moment ago, that wasn't an issue. I mean, the significance of it being a foreign transaction,

⁷¹ Volcansek deposition, p. 108-109.

⁷² Barbour testimony, p. 141.

⁷³ *See* Denning deposition, p. 222.

because of our viewpoint on the whole matter, the fact that I mentioned it and brought it up in the overall context of a long and lengthy meeting about a lot of things, I'm not surprised that Mr. Denning didn't focus on what I said.⁷⁴

The second instance in which, according to the Minority, Barbour learned that YBD (Hong Kong) was lending the funds to YBD (USA) for the loan guarantee was an alleged conversation at an August 1994 dinner in Washington. The dinner was attended by Ambrous Young, Steve Young, Barbour and Denning.⁷⁵ The Minority argues that Young told Barbour during that dinner that the funds for the loan guarantee would come from YBD (Hong Kong). In support of that proposition, however, the Minority has only cited a single question and answer from Ambrous Young's deposition:

Q: Can you describe in general what you recall was the discussion at the dinner?

A: The discussion basically was Mr. Haley Barbour requested me to consider for the loan of \$3.5 million and assured me of the safe return of the loan, but as a result of that, I could not commit, nor have the power to commit, but requested him to give us more information so that we can present it to YBD (Hong Kong) Board of Directors for further consideration.⁷⁶

However, in his answer, Young *said nothing* to indicate that funds from the YBD (USA) CD's came from Hong Kong. Even if Young had stated that he needed to take the issue to the Board of YBD (Hong Kong), such a statement does not necessarily indicate that the actual funds for the loan guarantee were originating in Hong Kong rather than from the U.S. subsidiary. This

⁷⁴ Volcansek testimony, pp. 48-49.

⁷⁵ *See generally* Denning deposition, p. 153.

⁷⁶ Young deposition, p. 35.

interpretation of Young's testimony parallels other evidence obtained by the Committee, including the following statement by Barbour:

I remember Mr. Young saying that he having a favorable but non-committal response, not that he would have to go back to his board . . .⁷⁷

This interpretation is also supported by Barbour's August 30, 1994 letter to Young's attorney, Benton Becker (written shortly after the dinner):

It is my understanding one of your clients -- a domestic corporation -- is considering guaranteeing a . . . bank loan to the National Policy Forum (NPF).⁷⁸

In addition, Denning, an NPF official also attending the dinner that night, did not recall any discussion that the funds for the loan guarantee come from a Hong Kong corporation.⁷⁹

Next, the Minority cited a 1995 conversation between Young and Barbour, during Barbour's visit to Young's yacht in Hong Kong. During that visit, Barbour and Young had a discussion regarding the possibility that the NPF might default on the Signet Bank loan. Barbour asked Young whether YBD (USA) would "forgive" any such default. Young testified regarding that exchange as follows:

Q: What was your response to Mr. Barbour's proposition that the loan be forgiven, as we have discussed?

A: I said no in the manner of an apology. I explained to him that we have difficulties to do that, because the YBD (USA) money, which was guaranteed under the form

⁷⁷ Barbour testimony, p. 142.

⁷⁸ See Letter from Haley Barbour to Ambrous Young dated October 10, 1994 faxed to Benton Becker on October 11, 1994 (Ex. 15).

⁷⁹ See generally Denning deposition, pp. 153-159.

of a certificate, deposit certificate, for the Forum loan, was a loan from YBD Hong Kong, and YBD Hong Kong we are facing a government audit every year. Without justification to the directors, or to the board, who approved such loan could face government punishment, so therefore I explain this cannot be done.⁸⁰

It is clear from Young's testimony that he recalls discussing the issue of forgiveness with Barbour. It is also clear why Young ultimately did not regard forgiveness as a viable option. It is not clear, however, that Young explained his reasons for rejecting forgiveness during the 1995 conversation with Barbour.⁸¹ Indeed, when Young's attorney, Richard Richards, memorialized the 1995 conversation in his September 1996 letter to Barbour, Richards made no mention of the YBD (Hong Kong) government audit and, contrary to Young's testimony, indicated that Young was actually considering forgiving the NPF obligation:

Shortly after the loan was made, you [Barbour] journeyed to Hong Kong and approached Mr. Young for the first time about the question of forgiveness of the loan. Mr. Young called me and told me of the discussion and informed me that he wanted to be as helpful to you as he could and he would take the request of forgiveness under advisement.⁸²

Further, other portions of Young's own testimony also raise questions regarding the content of his communications to Barbour in August 1995. For example, Young testified that he and Barbour

⁸⁰ Young deposition, pp. 57- 58.

⁸¹ When read the portion of Young's testimony relating to a government audit of YBD (Hong Kong), Barbour replied:

I do not recall him saying, and I did not understand him to say, anything like that.

Barbour deposition, p. 120.

⁸² *See* Ex. 12. Although there are significant questions regarding the accuracy of many portions of Richards' letter (including Richards' own admissions that the letter was written as a bargaining tool), Young testified generally that this portion of the letter was accurate. *See* Young deposition, pp. 86-87.

were “concentrating on the subject of forgiving the loan [to NPF]” and *did not* make “any special point” of the fact that the funds for the loan guarantee had originated in Hong Kong.⁸³ In addition, Young testified that, as the conversation with Barbour progressed on the issue of forgiveness, “I think he [Barbour] misunderstood me . . .” and that Barbour mistakenly believed that Young had agreed to provide NPF with yet further funds in order to pay off the Signet Bank loan.⁸⁴ In sum, there is significant reason for uncertainty regarding the content of Young’s and Barbour’s 1995 conversation.

Finally, the Minority cites certain alleged communications between Richard Richards and Barbour as possibly providing Barbour with knowledge prior to 1997 that YBD (USA) was lent the funds for the CD’s by its Hong Kong parent. Specifically, the Minority has focused upon an alleged 1994 telephone call between Richards and Barbour (which Richards mentioned for the first time during his hearing testimony), and statements in Richards’ September 17, 1996 letter.⁸⁵ In both, Richards states that the funds for the NPF guarantee would be transferred (via a loan) to YBD (USA) from YBD (Hong Kong). The following, however, was Richards’ sworn deposition testimony on June 19, 1997:

Q: On the third page, first paragraph begins, “With this in mind, as you have instructed, all considerations have been made to assure that no claim and no violation of law could result from YBD (USA) serving as a loan guarantor.”

Now, that paragraph goes on to discuss a loan from YBD (Hong Kong) to YBD (USA). Mr. Richards, do you know if that loan transaction was, in fact, performed? . . .

⁸³ See Young deposition, p. 58.

⁸⁴ See Young deposition, p. 59.

⁸⁵ Barbour testified that he did not regard the September 17, 1996 letter as credible when he received it. See Barbour deposition, pp. 145-46; see also Bolton deposition, July 15, 1997, pp. 138-40.

A: Yes it was. It was the source of the funds in the American bank.

Q: Were the details of that loan transaction ever communicated to Mr. Barbour?

* * *

A: No. It was all done between attorneys.⁸⁶

Indeed, several other aspects of Richards' testimony before this Committee have been inconsistent or self-contradictory. (In fact, Richards contradicted himself on several issues during his public testimony.⁸⁷) Also, Richards has *admitted* that he wrote correspondence to Barbour containing purposely inaccurate statements regarding his dealings with Barbour on this transaction:

At the time I wrote this letter, the repayment of collateral was very much at issue and I was concerned that my client, Mr. Young, would suffer as a result of an NPF default. Accordingly, in the letter, I made several statements which, upon reflection, were made as negotiating tools and were not accurate.⁸⁸

As noted above, the only contemporaneous writings by Barbour that might be probative of his knowledge on this issue are his letters of August 30, 1994 and October 10, 1994. In both, Barbour states that YBD (USA) -- a "domestic corporation" -- is guaranteeing the loan. This, of course, suggests that Barbour understood YBD (USA), not YBD (Hong Kong), to be the source of funds for the NPF loan guarantee.

Barbour summarized his response to questions regarding the accuracy of his testimony in the following exchange with Senator Lieberman:

⁸⁶ Richards deposition, June 19, 1997, p. 106.

⁸⁷ For instance, when questioned during the hearings by the Minority, Richards stated that language in his September 17, 1996 letter to Barbour was accurate. When questioned by the Majority, Richards confirmed that his affidavit contradicting that letter was actually accurate. *See generally* Richards testimony, pp. 91-92.

⁸⁸ Ex. 3.

Senator Lieberman: . . . So I am puzzled, with all respect and affection, which I have for you, that you never - that you did not know that this money was going to come. My God, you went to Hong Kong to see Mr. Young, and I am just surprised that you did not know at any point in this, and again, it is legal, that the money was going to come from Hong Kong to YBD (USA).

Mr. Barbour. Senator, I appreciate the statement of affection, which you know is mutual . . . and the fact of the matter is . . . it would be easier to say, hey, I knew all along, it was legal, it didn't make any difference. The problem with that is I didn't It was irrelevant, the whole time. Maybe that is why it just never caught my attention if different people in fact really did bring it up, but the fact of the matter is, it was legal either way, version A, version B. It happens that version A is what I truly remember and what I got to tell you is the truth, and I knew that Mr. Young was the head of the family, and I knew that the family lived in Hong Kong, and the boys, the sons, the Young Brothers, I assumed, were all Americans, that their mama was an American, and it didn't - you know - this is somebody that had been giving to the RNC.

So I just had to tell you like I remember it, and like I said, it would be easier to tell it another way, but it is the truth.⁸⁹

DISCUSSION

The NPF Loan Guarantee Transaction Did Not Violate Existing Law

Four sets of attorneys reviewed the NPF loan guarantee transaction before it was consummated: Mark Braden, a nationally recognized election law expert represented the NPF; Shea and Gardner, a prominent Washington firm, represented Signet Bank; Benton Becker, a former U.S. Attorney and counsel to President Ford, represented YBD (USA); and David Norcross, the General Counsel of the RNC, represented the RNC in its role as NPF's creditor. Documents and testimony obtained by the Committee indicate that all of these counsel concluded that the transaction was legal

⁸⁹ Barbour testimony, pp. 208-09.

in all respects.⁹⁰ Indeed, the testimony is undisputed that the transaction was carefully structured to clear all legal hurdles:

To the point of the matter, Senator, is nobody was hiding anything or concealing anything. It was a commercial transaction, and it didn't matter that the money was coming from a foreign corporation to its subsidiary in the U.S.⁹¹

[W]hat would be the motive for Mr. Young to enter into such a nefarious plot? There would be no motive. . . . nothing to gain by that.⁹²

In sum, the Committee has found no evidence of any plan involving the NPF to inject foreign funds into the 1994 or any other federal election.⁹³ Rather, the Committee finds that the NPF loan

⁹⁰ As noted above, there is no dispute that the NPF was legally able to receive foreign contributions or assistance.

⁹¹ *See* Becker testimony, p. 164.

⁹² *See* Becker testimony, pp. 165-166. Recognizing that the transaction was subject to such exacting legal review, some have attempted to adopt an alternative legal theory unsupported by the facts of the transaction. Proponents of this theory argue that the Committee should ignore all the efforts undertaken to ensure that the arrangements were legal and instead focus on certain alleged communications among Barbour and Young preceding the transaction. They argue that Barbour may have violated federal election law (in particular 2 U.S.C. § 441e) when he solicited a loan guarantee for the NPF from Young. Specifically, they argue that Barbour illegally solicited a foreign contribution from Young “for the purpose of influencing a federal election” by suggesting that the contribution to the NPF would help the Republican Party’s prospects for the upcoming 1994 elections. This theory is infirm in several important respects, including that it mischaracterizes the evidence obtained by the Committee. Contrary to the theoretical assertions, Young testified that neither Barbour nor others associated with the NPF or RNC ever informed him that the NPF loan guarantee would assist Republican candidates in the 1994 election. Young deposition, pp. 29-30.

Likewise, Volcansek (the NPF fundraiser) explained to Mr. Young that, as an individual without U.S. citizenship, Young could not have any role in the federal elections. Volcansek testimony, p. 81.

⁹³ The opposite is true -- the NPF was a significant drain on RNC resources, ultimately defaulting on \$2.5 million in RNC loans.

guarantee was a legitimate commercial transaction intended to facilitate funding for the NPF's continuing operations. The transaction was thus in all respects legal and proper.

There is No Evidence That the Loan Guarantee Transaction Involved an Illegal or Improper "Quid Pro Quo" Arrangement

The loan guarantee transaction did not involve an illegal or improper "quid pro quo" arrangement. Neither YBD (USA) nor YBD (Hong Kong) ever had any dealings with the U.S. Government. YBD (USA) counsel Benton Becker testified as followed:

Senator Collins: Have Mr. Young, Mr. Ambrous Young, or YBD (USA) or YBD (Hong Kong) to your knowledge ever asked Haley Barbour for assistance in obtaining contracts or business or assistance of some sort from the United States Government?

Mr. Becker: I have asked that questions several times several ways of my clients, and they have answered those questions - that question under oath, and I'll repeat their answer. The answer is unequivocally no.

* * *

There was no special favor, no quid pro quo, no under-the-table understanding or deal.⁹⁴

The NPF Was Not Subject to Federal Election Law Restrictions on Foreign Contributions

Evidence obtained by the Committee demonstrated that the NPF did not engage in any campaign related activities in either 1994 or 1996. Thus, it was not subject to restrictions on foreign funding.

⁹⁴ Testimony of Benton Becker, July 23, 1997, pp. 117-118, 120.

The NPF Did Not Misuse Its Tax Status

Although the NPF's application for 501(c)(4) tax exempt status was not approved, the NPF's tax status was never relevant. The NPF was a non-profit corporation that never had any income. Thus, the NPF could never have incurred any tax liability. Moreover, because the NPF was organized as a 501(c)(4) rather than a 501(c)(3) entity, no donor ever received any tax deduction for a contribution to the NPF.

The Evidence Does Not Support a Conclusion that Barbour Misled this Committee

There is insufficient credible evidence to conclude that Barbour misled this Committee:

- Mr. Volcansek's testimony was contradicted.
- Mr. Richard's testimony is inconsistent and self-contradictory.
- Mr. Young's testimony was far from clear.
- Moreover, contemporaneous documents support Mr. Barbour's recollection.⁹⁵

The Committee concludes that twisting Barbour's remarks to make a charge of illegal activity is wrong and unfair. Although the elaborate chain of evidence is subject to being confused or deliberately misrepresented, the Committee's conclusion is that the facts cannot be twisted to support a charge that Barbour's testimony was anything less than truthful.

⁹⁵ *See supra.*