FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

THIS IS THE END OF MUR # 1680

Date Filmed 12/13/84 Camera No. --- 2

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FEDERAL ELECTION COMMISSION

Routing Slips, transmittal slips, 12 Day Report and Comments

Conciliation Agreements, Reports, correspondence

The above-described material was removed from this file pursuant to the following exemption provided in the Freedom of Information Act; 5 U.S.C. Section 552(b):

___	(1) Classified Information	___	(6) Personal privacy
✓	(2) Internal rules and practices	✓	(7) Investigatory files
___	(3) Exempted by other statute	___	(8) Banking Information
___	(4) Trade secrets and commercial or financial information	___	(9) Well Information (geographic or geophysical)
✓	(5) Internal Documents		

Signed fb hagan

date 11-28-84

FEC 9-21-77

TJD 12/3/84

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RECEIVED BY THE FEC
GCC# 5837
84 NOV 30 P1:18

EDWARDS & ANGELL

One Hospital Trust Plaza
Providence, Rhode Island 02903
401 274-9200
Telex 952001 "E A PVD"
Telecopier 401 276-6611

Counsellors at Law

Bancroft Littlefield
John L. Clark
John V. Kean
Frederick Lippitt
Edward F. Hindle
Robert Spink Davis
Knight Edwards
Beverly Glenn Long
James H. Barnett
James K. Edwards
Ernest N. Agrusti
Roger V. Pugh, Jr.*
Stephen A. Fanning, Jr.
Calvert C. Groton
Charles G. Edwards
Alvin M. Glassman*
Benjamin P. Harris III
Richard M. Bered
V. Duncan Johnson
John H. Bilsh
James J. Skeffington
Paul F. Greene
James P. Kelly
Deming E. Sherman
E. Colby Cameron
Edward J. Bertozzi, Jr.
John H. Reid III
Jerry L. McIntyre
Richard M. C. Glenn III
Timothy T. More
Jonathan E. Cole
Matthew F. Medeiros
Alfred S. Lombardi
Robert C. Gang
Kinnaird Howland
Terrence M. Finn
David M. Olsson*
Andrew J. Chlebus
Joseph V. Cavanagh, Jr.
Robert G. Flanders, Jr.
Richard A. Perras*
James R. McGuirk
David K. Duffell
William P. Robinson III
John B. Rosenquest III
Susan S. Egan*
Thomas E. Pitts, Jr.
Mary Louise Kennedy
Walter G. D. Reed
Stephen O. Meredith
Patricia A. S. Zesk
Gail E. McCann
John D. Deacon, Jr.
Charles F. Rogers, Jr.

Counsel
Alfred H. Joslin
Max Schorr*

Barry G. Hittner
Philip B. Barr, Jr.
Christine M. Marx
David L. Mayer
Jeffrey C. Schreck
William R. Landry
Cynthia A. Dell
Christopher L. Lawlor
David A. Gunter*
G. Scott Nebergall*
James R. Kay*
John A. Houlihan
Christopher D. Graham
John G. Igoe
Walter C. Hunter
Aubrey F. Hammond, Jr.
Geoffrey Etherington III
Barbara Braun Schoenfeld
Ruth Heller-Schaber
Nancy Fisher Chudacoff
John F. Reed
Judith Colenback Savage
Joyce L. Elden
Joseph A. Anesta
Michael DiBiase
Karen G. DelPonte
Robert Karmen*
Jeffrey A. Hermanson
Brian T. Moynihan

Of Counsel
Edward Winsor
Gerald W. Harrington

*Not a member of the Rhode Island Bar

November 28, 1984

Charles N. Steele, Esq.
General Counsel
Federal Election Commission
Washington, DC 20463

Re: R.I. Republican Party - FEC

84 NOV 30 GENERAL COUNSEL

Dear Mr. Steele:

Enclosed is a letter to you from the Assistant Treasurer of the Rhode Island Republican State Central Committee, together with a copy of the processed check showing that there has been compliance with the agreement which was approved in the above matter by the Commission.

Please call me if you have any question.

Very truly yours,

Robert G. Flanders, Jr.

Enclosure

cc: John A. Holmes, Jr., Chairman
Rhode Island Republican Party

645 Fifth Avenue
New York, New York 10022
212 308-4411
Telecopier 212 308-4844

250 Royal Palm Way
P.O. Box 2621
Palm Beach, Florida 33480
305 833-7700
Telecopier 305 655-8719

One Boston Place
Suite 3920
Boston, Massachusetts 02108
617 720-3440
Telecopier 617 720-0645

Rhode Island
Republican Party
146 Westminster Street
Suite 200
Providence, Rhode Island 02903
401/421-2570

John A. Holmes, Jr./Chairman

November 25, 1984

Audit Division
Federal Election Commission
1325 K Street, NW
Washington, DC 20463

Dear Sirs:

As Assistant Treasurer, I hereby certify that the debts owed by our Federal account, Rhode Island Republican Fund Raising, to our Non-Federal account, Rhode Island Republican State Central Committee, were fully repaid on October 19, 1984.

The debts in question were as follows:

1981 - $2000.00 + $136.58 interest

1982 - $5000.00 + $306.00 interest

Total - $7442.58

As evidence that we have discharged this obligation, I have enclosed a picture of the processed check.

Sincerely,

Spencer F. Martin, Jr.
Assistant Treasurer
R.I. Republican State
Central Committee

84040490922

R. I. REPUBLICAN FUND RAISING
169 WEYBOSSET STREET, SUITE 602
PROVIDENCE, RHODE ISLAND 02903

1182

57-102
116

October 19 1984

PAY TO THE ORDER OF R.I. Republican State Committee $ 7442.58

Seventy-four hundred-forty-two and 58/100 DOLLARS

PROCESSED
OCT 22 84

OLD STONE BANK
PROVIDENCE, RHODE ISLAND

OLD STONE BANK
PROVIDENCE, RHODE ISLAND

FOR new federal account loan repayment

Spencer F. Martin Jr.

⑆011501022⑆ 41 33 029 89⑈ ⑈0000744258⑈

840404909023

Pay Rhode Island Hospital Trust Co.
Providence, Rhode Island or Order
RHODE ISLAND REPUBLICAN STATE CENTRAL COMMITTEE

57-33

PAY ANY BANK, P.E.O.
RHODE ISLAND HOSPITAL
TRUST NAT'L. BANK
PROVIDENCE, R.I.

19

WARDS & ANGELL

RECEIVED AT THE FEC

84 NOV 30 P 1 : 17

Charles N. Steele, Esq.
General Counsel
Federal Election Commission
Washington, DC 20463

8404300922

Hospital Trust Plaza
dence, Rhode Island 02903

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 1680
The Rhode Island Republican)
Party)

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on November 5, 1984, the Commission decided by a vote of 6-0 to take the following actions in MUR 1680:

1. Accept the conciliation agreement attached to the General Counsel's Report signed October 31, 1984.

2. Close the file.

Commissioners Aikens, Elliott, Harris, McDonald, McGarry and Reiche voted affirmatively in this matter.

Attest:

11-5-84
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

Received in Office of Commission Secretary: 10-31-84, 2:48
Circulated on 48 hour tally basis: 11- 1-84, 11:00

8404049092 5

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 19, 1984

Robert G. Flanders, Jr., Esquire
Edwards and Angell
One Hospital Trust Plaza
Providence, Rhode Island 02903

RE: MUR 1680
Rhode Island Republican Party

Dear Mr. Flanders:

On November 5, 1984, the Commission accepted the conciliation agreement signed by you and a civil penalty in settlemet of a violation of 2 U.S.C. § 441b(a), a provision of the Federal Election Campaign Act of 1971, as amended. Accordingly, the file has been closed in this matter, and it will become a part of the public record within thirty days.

Please provide evidence of the transfer of funds ($7,442.58) from the federal to the non-federal account within 30 days of the effective date of this agreement.

2 U.S.C. § 437g(a)(4)(B) prohibits any information derived in connection with any conciliation attempt from becoming public without the written consent of the respondent and the Commission. Should you wish any such information to become part of the public record, please advise us in writing.

Enclosed you will find a fully executed copy of the final conciliation agreement for your files.

Sincerely,

Charles N. Steele
General Counsel

BY: Kenneth A. Gross
Associate General Counsel

Enclosure
Conciliation Agreement

8404090926

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	MUR 1680
Rhode Island Republican Party	)	
	)	

CONCILIATION AGREEMENT

This matter was initiated by the Federal Election Commission (hereinafter "the Commission"), pursuant to information ascertained in the normal course of carrying out its supervisory responsibilities. The Commission found reason to believe that the Rhode Island Republican Party ("Respondent") violated 2 U.S.C. § 441b(a) and 11 C.F.R. § 102.5(a)(1)(i) when corporate funds were used in connection with federal elections through the transfer of funds from the non-federal account to the federal account.

NOW, THEREFORE, the Commission and Respondent, having participated in informal methods of conciliation, prior to a finding of probable cause to believe, do hereby agree as follows:

I. The Commission has jurisdiction over the Respondent, and the subject matter of this proceeding, and this agreement has the effect of an agreement entered pursuant to 2 U.S.C. § 437g(a)(4)(A)(i).

II. Respondent has had a reasonable opportunity to demonstrate that no action should be taken in this matter.

III. Respondent enters voluntarily into this agreement with the Commission.

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IV. The pertinent facts in this matter are as follows:

1. Respondent, the Rhode Island Republican Party, functions as the state-level party organization for the Republican Party in the State of Rhode Island.

2. On April 23, 1981, Respondent secured a commercial bank loan of $25,000. Of this amount, $2,000 was deposited into Respondent's federal bank account.

3. On September 9, 1981, the principal and interest of the federal account's portion of the loan, totaling $2,135.58, were repaid by funds from the non-federal bank account.

4. On April 16, 1982, Respondent secured a commercial bank loan of $5,000 which was deposited into the federal bank account and subsequently used as a contribution to a candidate for federal office.

5. On September 1, 1982, Respondent repaid the principal and interest of the loan totaling $5,306.25, using funds from the non-federal account.

6. Corporate contributions are permissible for use in Rhode Island State elections and are accepted by Respondent.

7. Based on an audit of Respondent's federal political committee, Commission auditors found that:

a. at the time of the 1981 loan repayment, Respondent had transferred from the federal to the non-federal account funds which exceeded the allocable federal administrative expenses by at least the amount of the 1981 loan repayment ($2,135.58;

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b) at the time of the 1981 loan repayment, Respondent had transferred from the federal to the non-federal account, $15,627.16 in excess of allocable federal administrative expenses.

8. 2 U.S.C. § 441b(a) prohibits the use of corporate funds in connection with federal elections.

9. 11 C.F.R. § 102.5(a)(1)(i) requires that all disbursements by a party committee in connection with any federal election shall be made from its federal account.

V. As a result of loan payments by the non-federal account on behalf of the federal account, funds prohibited by the Act were used in connection with federal elections in violation of 2 U.S.C. § 441b(a).

VI. Respondent's failure to disburse from its federal account all expenses in connection with federal elections constitutes a violation of 11 C.F.R. § 102.5(a)(1)(i).

VII. Respondent will pay a civil penalty to the Treasurer of the United States in the amount of Five Hundred Dollars ($500.00) pursuant to 2 U.S.C. § 437g(a)(5)(A).

VIII. Respondent agrees to refund $7,442.58 from the federal account to the non-federal account.

IX. Respondent agrees that it shall not undertake any activity which is in violation of the Federal Election Campaign Act of 1971, as amended, 2 U.S.C. § 431, et seq.

X. The Commission, on request of anyone filing a complaint under 2 U.S.C. § 437g(a)(1) concerning the matters at issue herein or on its own motion, may review compliance with this

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agreement. If the Commission believes that this agreement or any requirement thereof has been violated, it may institute a civil action for relief in the United States District Court for the District of Columbia.

XI. This agreement shall become effective as of the date that all parties hereto have executed same and the Commission has approved the entire agreement.

XII. Respondent shall have no more than thirty (30) days from the date this agreement becomes effective to comply with and implement the requirements contained in this agreement and to so notify the Commission.

XIII. This Conciliation Agreement constitutes the entire agreement between the parties on the matters raised herein, and no other statement, promise, or agreement, either written or oral, made by either party or by agents of either party, that is not contained in this written agreement shall be valid.

FOR THE COMMISSION:

Charles N. Steele
General Counsel

BY: Kenneth A. Gross
Kenneth A. Gross
Associate General Counsel

November 16, 1984
Date

FOR THE RESPONDENT:

Robert G. Flanders, Jr.
Counsel, Rhode Island
Republican Party

October 22, 1984
Date

8404049030

Rhode Island
Republican Party
146 Westminster Street
Suite 200
Providence, Rhode Island 02903
401/421-2570

84 JUL 16 PM 1:32

RECEIVED
OFFICE OF THE
COMMISSION SECRETARY

84 JUL 16 P 1:32

John R. Holmes, Jr./Chairman

July 10, 1984

Ms. Lee Ann Elliott, Chairman
FEDERAL ELECTION COMMISSION
Washington, D.C. 20463

RE: MUR 1680
R.I. Republican Party
Jonathan T. Isham, Treasurer

Dear Ms. Elliott:

In Mr. Isham's absence I am answering your letter of June 15, 1984 in which you say there is reason to believe we violated provisions of the Federal Election Commission Act.

We have reviewed the auditor's report and admit the violation appears to have occurred. It was a technical oversight...an inadvertent error that was not obvious to us until brought to our attention by the auditors. In compliance with the auditors' recommendations, we have disclosed the $7,442.83 in question as a debt owed to our federal account by our non-federal account.

We would like to point out, however, a mitigating factor which was noted in the auditors' report. The allocation of administrative expenses between the federal and non-federal accounts showed the federal account paying an amount in excess of the $7,442.83—in fact, closer to $15,000, towards administrative expenses. This represents payment of more bills than needed and certainly a larger amount than the principle and interest in question. We would like to suggest that this action has the effect of offsetting the amount involved in the violation. We would be happy to offer additional facts and figures to reflect this situation.

We are anxious to settle this matter, and wish to do so through conciliation. Please contact our attorney for further assistance.

Sincerely,

John A. Holmes, Jr.
Chairman
RHODE ISLAND REPUBLICAN PARTY

3 4 0 4 0 4 9 0 9 3 1

STATEMENT OF DESIGNATION OF COUNSEL

MUR 1680

NAME OF COUNSEL: Robert G. Flanders, Jr.

ADDRESS: 2700 Hospital Trust Tower
Providence, RI 02903

TELEPHONE: (401) 274-9200

The above-named individual is hereby designated as my counsel and is authorized to receive any notifications and other communications from the Commission and to act on my behalf before the Commission.

Date 7/10/84

Signature

RESPONDENT'S NAME: R.I. Republican Party

ADDRESS: 146 Westminster Street
Providence, RI 02903

HOME PHONE:

BUSINESS PHONE: (401) 421-2570

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Rhode Island
ublican Party
inster Street
. Rhode Island 02903

PROVIDENCE, RI 029
PM
12 JUL
1984

JUL 15

USA 20¢

Ms. Lee Ann Elliott
FEDERAL ELECTION COMMISSION
1325 "K" Street, Northwest
Washington, D.C. 20463

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 1680
Rhode Island Republican Party)

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on June 13, 1984, the Commission decided by a vote of 5-0 to take the following actions in MUR 1680:

1. Find reason to believe that the Rhode Island Republican Party and as treasurer, Jonathan T. Isham, violated the following:

   a.) 2 U.S.C. § 441b(a)

   b.) 11 C.F.R. § 102.5(a)(1)(i)

2. Send the letter attached to the First General Counsel's Report dated June 11, 1984.

Commissioners Aikens, Elliott, Harris, McGarry and Reiche voted affirmatively in this matter; Commissioner McDonald did not cast a vote.

Attest:

6-14-84
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

Received in Office of Commission Secretary: 6-11-84, 9:54
Circulated on 48 hour tally basis: 6-11-84, 4:00

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SENSITIVE

FEDERAL ELECTION COMMISSION
1325 K Street, N.W.
Washington, D.C. 20463

RECEIVED
OFFICE OF THE
COMMISSION SECRETARY

84 JUN 11 A 9: 54

FIRST GENERAL COUNSEL'S REPORT

DATE AND TIME OF TRANSMITTAL
BY OGC TO THE COMMISSION 6-11-84 9:45am

MUR NO. 1680
STAFF MEMBER:
Frances B. Hagan

SOURCE OF MUR: INTERNALLY GENERATED

RESPONDENT'S NAME: Rhode Island Republican Party

RELEVANT STATUTE: 2 U.S.C. § 441b(a)
11 C.F.R. § 102.5(a)(1)(i)

INTERNAL REPORTS CHECKED: Audit Referral

FEDERAL AGENCIES CHECKED: None

GENERATION OF MATTER

This matter was referred to the Office of General Counsel from the Audit Division as a result of the audit conducted pursuant to 2 U.S.C. § 438(b).

SUMMARY OF ALLEGATIONS

The Rhode Island Republican Party ("the Party") violated 2 U.S.C. § 441b(a) through its failure to adhere to 11 C.F.R. § 102.5(a)(1)(i).

FACTUAL AND LEGAL ANALYSIS

11 C.F.R. § 102.5(a)(1)(i) states in pertinent part that organizations:

> including a party committee which finance political activity in connection with both federal and non-federal elections and which qualifies as a political committee under the Act shall either: (1) Establish a separate federal account in a depository. Such account shall be treated as a separate federal political committee which shall

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> comply with the requirements of the Act. Only funds subject to the prohibitions and limitations of the Act shall be deposited into the federal account. All disbursements, contributions, expenditures and transfers by the committee in connection with any federal election shall be made from its federal account.

In addition, this section of the Regulations states that no transfers may be made from a party committee's non-federal account to its federal account and that administrative expenses shall be allocated between federal and non-federal accounts pursuant to 11 C.F.R. § 106.

The Party chose the option stated in 11 C.F.R. § 102.5(a)(1)(i) and accordingly, maintains separate bank accounts for federal and non-federal activity.

2 U.S.C. § 441b(a) prohibits the making or receipt of corporate contributions in connection with a federal election. Rhode Island state laws allows the use of corporate monies in connection with state elections. The Party accepts corporate monies for such use.

Loan 1: During the audit fieldwork, FEC auditors found that on April 23, 1981, the Party secured a commercial bank loan of $25,000. Of this amount, $2,000 were deposited in the federally registered account (the Rhode Island Republican Campaign Committee, hereinafter referred to as "the Committee" or the "federal account"). The loan remained outstanding less than five months when, on September 9, 1981, the principal ($25,000) and interest ($136.58) were repaid by the non-federal account.

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Loan 2: The auditors also found that on April 16, 1982, the Party secured a commercial bank loan of $5,000 and all of the proceeds were deposited into the federal account. The funds were used to make a contribution of $5,000 to a federal candidate. The audit review showed that the non-federal account repaid the principal of this loan ($5,000) and the accrued interest ($306.25) on September 1, 1982. The loan was outstanding 4-1/2 months.

As a result of these loan payments by the non-federal account on behalf of the federal account, funds prohibited by the Act were used in connection with federal elections. 2 U.S.C. § 441b(a) prohibits such use of corporate monies. Therefore, the Party is in violation of 2 U.S.C. § 441b(a) through the use of corporate monies in its non-federal account in connection with federal activity of the Committee account. The Party is also in violation of 11 C.F.R. § 102.5(a)(1)(i) in that "All disbursements...by the [party] committee in connection with any federal election shall be made from its federal account."

In response to corrective measures recommended in the final audit report, the federal Committee amended its disclosure reports to reflect a debt owed to the Party totaling $7,442.83 (principal and interest of both loan repayments). The Committee apparently reported the debt because the federal account lacks sufficient funds to repay the non-federal account the amount of the loan payments.

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During our discussions with the auditors, the Audit staff noted that their audit review also showed that the federal Committee account had transferred to the non-federal account nearly $15,000 more than its allocable portion of administrative expenses for the periods in question. The amount more than "covers" the amount of loan repayments made by the non-federal account on the Committee's behalf. These payments to the non-federal account may be considered as a mitigating factor in conciliation negotiations.

RECOMMENDATIONS

1. Find reason to believe that the Rhode Island Republican Party and as treasurer, Jonathan T. Isham, violated the following:

   a) 2 U.S.C. § 441b(a)

   b) 11 C.F.R. § 102.5(a)(1)(i).

2. Send the attached letter.

Charles N. Steele
General Counsel

June 8, 1987

BY: Kenneth A. Gross
Kenneth A. Gross
Associate General Counsel

Attachments
Proposed Letter with
General Counsel's Factual and Legal Analysis

8404049093

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

Mr. Jonathan T. Isham, Treasurer
Rhode Island Republican Party
146 Westminster Street
Suite 200
Providence, RI 02903

RE: MUR 1680
Rhode Island Republican Party
Jonathan T. Isham, Treasurer

Dear Mr. Isham:

On , 1984, the Federal Election Commission determined that there is reason to believe the Rhode Island Republican Party and you, as treasurer, violated 2 U.S.C. § 441b(a), a provision of the Federal Election Campaign Act of 1971, as amended ("the Act") and 11 C.F.R. § 102.5(a)(1)(i). The General Counsel's factual and legal analysis, which formed a basis for the Commission's finding, is attached for your information.

Under the Act, you have an opportunity to demonstrate that no action should be taken against you and the committee. You may submit any factual or legal materials which you believe are relevant to the Commission's consideration of this matter. Please submit any such materials, along with your answers to the enclosed questions, within ten days of your receipt of this letter.

In the absence of any additional information which demonstrates that no further action should be taken against your committee and you, as treasurer, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation. Of course, this does not preclude the settlement of this matter through conciliation prior to a finding of probable cause to believe if so desired. See 11 C.F.R. § 111.18(d).

If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel, and a statement authorizing such counsel to receive any notifications and other communications from the Commission.

Attachment (1)

8404090939

The investigation now being conducted will be confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

For your information, we have attached a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Frances B. Hagan, the staff member assigned to this matter, at (202)523-4000.

Sincerely,

Enclosures
General Counsel's Factual and Legal Analysis
Procedures
Designation of Counsel Statement

8404049094 0

(2)

GENERAL COUNSEL'S FACTUAL AND LEGAL ANALYSIS

MUR NO. 1680

Respondent Rhode Island Republican Party
Jonathan T. Isham, Treasurer

SUMMARY OF ALLEGATIONS

The Rhode Island Republican Party ("the Party") violated 2 U.S.C. § 441b(a) through its failure to adhere to 11 C.F.R. § 102.5(a)(1)(i).

FACTUAL BASIS AND LEGAL ANALYSIS

11 C.F.R. § 102.5(a)(1)(i) states in pertinent part that organizations:

> including a party committee which finance political activity in connection with both federal and non-federal elections and which qualifies as a political committee under the Act shall either: (1) Establish a separate federal account in a depository. Such account shall be treated as a separate federal political committee which shall comply with the requirements of the Act. Only funds subject to the prohibitions and limitations of the Act shall be deposited into the federal account. All disbursements, contributions, expenditures and transfers by the committee in connection with any federal election shall be made from its federal account.

In addition, this section of the Regulations states that no transfers may be made from a party committee's non-federal account to its federal account and that administrative expenses shall be allocated between federal and non-federal accounts pursuant to 11 C.F.R. § 106.

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The Party chose the option stated in 11 C.F.R. § 102.5(a)(1)(i) and accordingly, maintains separate bank accounts for federal and non-federal activity.

2 U.S.C. § 441b(a) prohibits the making or receipt of corporate contributions in connection with a federal election. Rhode Island state laws allows the use of corporate monies in connection with state elections. The Party accepts corporate monies for such use.

Loan 1: During the audit fieldwork, FEC auditors found that on April 23, 1981, the Party secured a commercial bank loan of $25,000. Of this amount, $2,000 were deposited in the federally registered account (the Rhode Island Republican Campaign Committee, hereinafter referred to as "the Committee" or the "federal account"). The loan remained outstanding less than five months when, on September 9, 1981, the principal ($25,000) and interest ($136.58) were repaid by the non-federal account.

Loan 2: The auditors also found that on April 16, 1982, the Party secured a commercial bank loan of $5,000 and all of the proceeds were deposited into the federal account. The funds were used to make a contribution of $5,000 to a federal candidate. The audit review showed that the non-federal account repaid the principal of this loan ($5,000) and the accrued interest ($306.25) on September 1, 1982. The loan was outstanding 4-1/2 months.

As a result of these loan payments by the non-federal account on behalf of the federal account, funds prohibited by the

8404049094 2

Act were used in connection with federal elections. 2 U.S.C. § 441b(a) prohibits such use of corporate monies. Therefore, the Party is in violation of 2 U.S.C. § 441b(a) through the use of corporate monies in its non-federal account in connection with federal activity of the Committee account. The Party is also in violation of 11 C.F.R. § 102.5(a)(1)(i) in that "All disbursements...by the [party] committee in connection with any federal election shall be made from its federal account."

In response to corrective measures recommended in the final audit report, the federal Committee amended its disclosure reports to reflect a debt owed to the Party totaling $7,442.83 (principal and interest of both loan repayments). The Committee apparently reported the debt because the federal account lacks sufficient funds to repay the non-federal account the amount of the loan payments.

The Office of General Counsel recommended that the Commission find reason to believe that the Rhode Island Republican Party and its treasurer, Jonathan T. Isham, violated the following:

a) 2 U.S.C. § 441b(a)

b) 11 C.F.R. § 102.5(a)(1)(i).

8404049043

FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

THIS IS THE BEGINNING OF MUR # 1680

Date Filmed 12/13/84 Camera No. --- 2

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