



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

December 6, 1996

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Tai-Shi Chang, Registered Agent
China Airlines
6053 West Century Blvd., Suite 800
Los Angeles, CA 90045

RE: MUR 4594
China Airlines

Dear Mr. Chang:

On December 3, 1996, the Federal Election Commission found that there is reason to believe that China Airlines ("the Corporation") violated 2 U.S.C. § 441e, a provision of the Federal Election Campaign Act of 1971, as amended ("the Act"). The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

The Corporation may submit any factual or legal materials that it believes are relevant to the Commission's consideration of this matter. Statements should be submitted under oath. All responses to the enclosed Subpoena to Produce Documents and Order to Submit Written Answers must be submitted within 30 days of receipt of this subpoena and order. Any additional materials or statements the Corporation wishes to submit should accompany the response to the subpoena and order. In the absence of additional information, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

The Corporation may consult with an attorney and have an attorney assist in the preparation of its responses to this subpoena and order. If the Corporation intends to be represented by counsel, please advise the Commission by completing the enclosed form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

If the Corporation is interested in pursuing pre-probable cause conciliation, it should so request in writing. See 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause

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Tai-Shi Chang, Registered Agent
China Airlines
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conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, requests for pre-probable cause conciliation will not be entertained after briefs on probable cause have been mailed to the respondent.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A) unless the Corporation notifies the Commission in writing that it wishes the investigation to be made public.

For information purposes, we have attached a brief description of the Commission's procedures for handling possible violations of the Act. If there are any questions, please contact Anne A. Weissenborn, the attorney assigned to this matter, at (202) 219-3400.

Sincerely,


Lee Ann Elliott
Chairman

Enclosures

Subpoena and Order
Factual and Legal Analysis
Designation of Counsel Form
Procedures

21 "04" 1402 "14283

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

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MUR 4594

SUBPOENA TO PRODUCE DOCUMENTS
ORDER TO SUBMIT WRITTEN ANSWERS

TO: China Airlines
Tai-Shi Chang, Registered Agent
6053 West Century Blvd., Suite 800
Los Angeles, CA 90045

Pursuant to 2 U.S.C. § 437d(a)(1) and (3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby orders you to submit written answers to the questions attached to this Order and subpoenas you to produce the documents requested on the attachment to this Subpoena. Legible copies which, where applicable, show both sides of the documents may be substituted for originals.

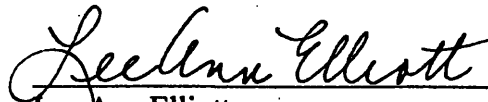
Such answers must be submitted under oath and must be forwarded to the Office of the General Counsel, Federal Election Commission, 999 E Street, N.W., Washington, D.C. 20463, within 30 days of your receipt of this Order.

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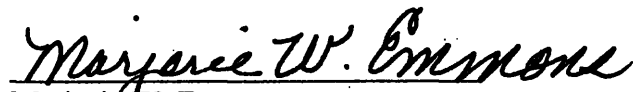
China Airlines
Subpoena and Order
Page 2

WHEREFORE, the Chairman of the Federal Election Commission has hereunto set her hand in Washington, D.C. on this 6th day of December, 1996.

For the Commission,


Lee Ann Elliott
Chairman

ATTEST:


Marjorie W. Emmons
Secretary to the Commission

Attachments

Interrogatories
Document Requests

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INSTRUCTIONS

In answering these interrogatories and request for production of documents, furnish all documents and other information, however obtained, including hearsay, that is in possession of, known by or otherwise available to you, including documents and information appearing in your records.

Each answer is to be given separately and independently, and unless specifically stated in the particular discovery request, no answer shall be given solely by reference either to another answer or to an exhibit attached to your response.

The response to each interrogatory propounded herein shall set forth separately the identification of each person capable of furnishing testimony concerning the response given, denoting separately those individuals who provided informational, documentary or other input, and those who assisted in drafting the interrogatory response.

If you cannot answer the following interrogatories in full after exercising due diligence to secure the full information to do so, answer to the extent possible and indicate your inability to answer the remainder, stating whatever information or knowledge you have concerning the unanswered portion and detailing what you did in attempting to secure the unknown information.

Should you claim a privilege with respect to any documents, communications, or other items about which information is requested by any of the following interrogatories and requests for production of documents, describe such items in sufficient detail to provide justification for the claim. Each claim of privilege must specify in detail all the grounds on which it rests.

Unless otherwise indicated, the discovery request shall refer to the time period from January 1, 1987 to present.

The following interrogatories and requests for production of documents are continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information prior to or during the pendency of this matter. Include in any supplemental answers the date upon which and the manner in which such further or different information came to your attention.

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DEFINITIONS

For the purpose of these discovery requests, including the instructions thereto, the terms listed below are defined as follows:

"You" shall mean the named respondent in this action to whom these discovery requests are addressed, including all officers, employees, agents or attorneys thereof.

"Persons" shall be deemed to include both singular and plural, and shall mean any natural person, partnership, committee, association, corporation, or any other type of organization or entity.

"Document" shall mean the original and all non-identical copies, including drafts, of all papers and records of every type in your possession, custody, or control, or known by you to exist. The term document includes, but is not limited to books, letters, contracts, notes, diaries, log sheets, records of telephone communications, transcripts, vouchers, accounting statements, ledgers, checks, money orders or other commercial paper, telegrams, telexes, pamphlets, circulars, leaflets, reports, memoranda, correspondence, surveys, tabulations, audio and video recordings, drawings, photographs, graphs, charts, diagrams, lists, computer print-outs, and all other writings and other data compilations from which information can be obtained.

"Identify" with respect to a document shall mean state the nature or type of document (e.g., letter, memorandum), the date, if any, appearing thereon, the date on which the document was prepared, the title of the document, the general subject matter of the document, the location of the document, the number of pages comprising the document.

"Identify" with respect to a person shall mean state the full name, the most recent business and residence addresses and the telephone numbers, the present occupation or position of such person, the nature of the connection or association that person has to any party in this proceeding. If the person to be identified is not a natural person, provide the legal and trade names, the address and telephone number, and the full names of both the chief executive officer and the agent designated to receive service of process for such person.

"And" as well as "or" shall be construed disjunctively or conjunctively as necessary to bring within the scope of these interrogatories and request for the production of documents any documents and materials which may otherwise be construed to be out of their scope.

INTERROGATORIES

1. Explain the relationship of China Airlines to the Chinatown Cultural Plaza Shopping Center ("Cultural Plaza"), 100 North Beretania Street, Honolulu, Hawaii.
 - a. State whether China Airlines is or has ever been the owner of Cultural Plaza. If yes, give the dates of ownership, and state whether China Airlines is or was the sole owner.
 - b. If China Airlines is not or was not the sole owner of Cultural Plaza, state what, if any, is or was its interest in Cultural Plaza. If joint ownership is or was involved, identify all other entities sharing ownership.
 - c. If China Airlines has never been the owner, or an owner, of Cultural Plaza, identify any and all owners of this property, if known to you.
2. If China Airlines has been the, or an, owner of Cultural Plaza, or has been otherwise associated with this property, answer the following:
 - a. Identify any and all companies which have been employed to manage Cultural Plaza and the time frames of their management periods.
 - b. State whether Friends for Fasi ("the Fasi committee"), Frank Fasi, or another entity associated with Frank Fasi has leased space in Cultural Plaza for the use of Friends for Fasi.
 - i. If yes, identify the lessor(s) and the lessee.
 - ii. State the date of the initial lease agreement entered into by Friends for Fasi, or another lessee identified above, with regard to space in Cultural Plaza.
 - iii. Specify the time frames for the initial lease arrangement entered into by Friends for Fasi, or another lessee identified above, related to space in Cultural Plaza, and for any subsequent renewals.
 - iv. State whether Friends for Fasi, Frank Fasi, or another entity associated with Frank Fasi, is at present a lessee of space in Cultural Plaza. If no, state the date that lessee vacated the premises.

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- c. State whether officers, directors and/or managers of China Airlines took part in discussions or negotiations leading to the initial leasing of space at Cultural Plaza to Friends for Fasi, or to another lessee identified in answer to Interrogatory 2b.
 - i. If yes, identify those representatives of China Airlines, including job descriptions and nationalities.
 - ii. If yes, identify the individuals and/or entities representing the lessee in the negotiations.
 - d. State the number of rental units which existed within Cultural Plaza at the time of the initial agreement with Friends for Fasi, or another lessee identified in answer to Interrogatory 2b. State whether this number has changed in the intervening years. If the number has changed, state the current number of rental units.
 - e. State whether it is correct that the initial lease agreement with Friends for Fasi, or another lessee identified in answer to Interrogatory 2b, involved 2,700 square feet at \$800 per month. If no, state the actual terms of the agreement, including the amount of space and the rental charge per month.
 - f. State whether, at the time of the initial lease agreement, there were other units in Cultural Plaza which were comparable in size and location to the space leased by Friends for Fasi, or by another lessee identified in answer to Interrogatory 2b.
 - i. If yes, state how many units were comparable.
 - ii. If yes, state the rental charges for these comparable units at the time of the initial agreement with the Fasi committee or the other lessee.
 - g. If, at the time of the initial lease agreement with Friends for Fasi, or another lessee identified in answer to Interrogatory 2b, there were no other units in Cultural Plaza comparable to the space leased by or for Friends for Fasi, explain how the other units differed from the space leased by or for the Fasi committee.
 - h. State whether there have been any revisions, modifications, or amendments of the lease agreement with Friends for Fasi, or another lessee identified in answer to Interrogatory 2b, since the initial agreement. If yes, specify those changes by date, and identify the parties to any new agreements and the individuals representing those parties who were involved in the negotiations or discussions leading up to such revisions, modifications or amendments of the initial lease.

- i.. Using the classification method employed by the Society of Industrial and Office Realtors ("SIOR") (see Factual and Legal Analysis, page 6), state the class to which you would assign Cultural Plaza. Identify other commercial rental property in Honolulu with which you would include Cultural Plaza for classification purposes.

REQUESTS FOR DOCUMENTS

1. Provide all documents related to the leasing of space at Cultural Plaza to Friends for Fasi.
2. Provide a picture, map, diagram and/or other visual representation of Cultural Plaza, with an indication of the space leased by Friends for Fasi.

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FEDERAL ELECTION COMMISSION
FACTUAL AND LEGAL ANALYSIS

RESPONDENT: China Airlines

RE: MUR 4594

I. GENERATION OF MATTER

This matter was initiated by the Federal Election Commission ("the Commission") pursuant to information ascertained in the normal course of its supervisory responsibilities. See 2 U.S.C. § 437g(a)(2). From the information available, it appears that, from at least 1988 to the present, China Airlines, a foreign national, made in-kind contributions to the Friends of Fasi ("the Committee") in the form of reduced rental costs for office space at the Chinatown Cultural Plaza Shopping Center in Honolulu.

II. FACTUAL AND LEGAL ANALYSIS

a. The Law

The Federal Election Campaign Act of 1971, as amended, ("the Act"), prohibits a foreign national from making a contribution of money or anything of value in connection with an election to any political office, either directly or through any other person. 2 U.S.C. § 441e. It is also unlawful under the Act for any person to solicit, accept, or receive such a contribution from a foreign national. Id. Section 441e defines a foreign national as

(1) a foreign principal, as such term is defined by section 611(b) of title 22, except that the term "foreign national" shall not include any individual who is a citizen of the United States; or

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(2) an individual who is not a citizen of the United States and who is not lawfully admitted for permanent residence as defined at section 1101(a)(20) of title 8.¹

The Commission's regulations include the following prohibitions at 11 C.F.R. § 110.4(a):

(1) A foreign national shall not directly or through any other person make a contribution, or an expenditure, or expressly or impliedly promise to make a contribution, or an expenditure, in connection with a convention, a caucus, or a primary, general, special or run-off election in connection with any local, State, or Federal public office.

(2) No person shall solicit, accept, or receive a contribution as set out above from a foreign national.

(3) A foreign national shall not direct, dictate, control, or directly or indirectly participate in the decision-making process of any person, such as a corporation, labor organization, or political committee, with regard to such person's Federal or nonfederal election-related activities, such as decisions concerning the making of contributions or expenditures in connection with elections for any local, State, or Federal office or decisions concerning the administration of a political committee.

Foreign national corporations are thus flatly prohibited from making contributions to Federal, state and local campaigns. Individuals who are foreign nationals may not participate in

¹ For purposes of 22 U.S.C. § 611(b), "[t]he term 'foreign principal' includes: -

- (1) a government of a foreign country and a foreign political party;
- (2) a person outside of the United States, unless it is established that such person is a citizen of and domiciled within the United States, or that such person is not an individual and is organized under or created by the laws of the United States or of any State or other place subject to the jurisdiction of the United States and has its principal place of business within the United States; and
- (3) a partnership, association, corporation, organization, or other combination of persons organized under the laws of or having its principal place of business in a foreign country.

For purposes of 8 U.S.C. § 1101(a)(20), "[t]he term 'lawfully admitted for permanent residence' means the status of having been lawfully accorded the privilege of residing permanently in the United States as an immigrant in accordance with the immigration laws, such status not having changed."

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decisions made by domestic corporations regarding contributions, including in-kind contributions, to either Federal or non-federal campaign committees and candidates. In making determinations regarding the legality of contributions from a corporation that is a domestic subsidiary of a foreign national corporation, the Commission has applied a two-fold test:

(1) whether the source of the funds contributed was foreign or domestic, and (2) whether those who participated in the decision to contribute were all United States citizens or permanent resident aliens. See MUR 2892 (Friends for Fasi Haseko (Hawaii), Inc., et al.) and Advisory Opinions 1989-20, 1985-3, and 1981-3. See also Advisory Opinion 1992-16.

Under the Act, the term "contribution" includes any gift, subscription, loan, advance, or anything of value made by any person. 2 U.S.C. § 431(8)(A)(i). The Commission's regulations define "anything of value" to include all in-kind contributions such as the provision of any goods or services at a charge which is less than the usual and normal charge for such goods or services. 11 C.F.R. § 100.7(a)(1)(iii)(A). If goods or services are provided at less than the usual and normal charge, the amount of the in-kind contribution is the difference between the usual and normal charge for the goods or services at the time of the contribution and the amount charged the political committee. 11 C.F.R. § 100.7(a)(1)(iii)(B).

b. Available Information

The information in hand indicates that China Airlines, a foreign national, may have made in-kind contributions to the Committee in the form of reduced rent for the latter's office located in the Chinatown Cultural Plaza Shopping Center ("Cultural Plaza") in Honolulu. It appears that the Committee has been making rent payments to Longevity International Enterprises Corporation ("Longevity"), which has also been the entity advertising vacancies at the shopping

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center; however, according to an article in the April 9, 1996 issue of the Honolulu Star Bulletin, the owner of Cultural Plaza is China Airlines, while Longevity has been the managing company since December, 1994. The same article also includes a cursory reference to "Taiwanese managers" as having been the predecessors of the shopping center's current management.

Other, conflicting information available extends back to 1989, when, on June 20, in his answer to the complaint in MUR 2892, counsel for Longevity stated that this company "is a California corporation, licensed to do business in the State of Hawaii. . . . Longevity's main business in the State of Hawaii is [sic] the owner and landlord of a shopping complex known as the Chinese Cultural Plaza . . . located at 100 North Beretania Street [in Honolulu]." More recently, an August 5, 1996, Dunn & Bradstreet report cites Longevity as the current "operator" of the Chinatown Cultural Plaza Shopping Center. The current CDB real estate property data base for Hawaii lists Longevity as the "owner" of Cultural Plaza and a relatively recent sale date of December 30, 1993.

The information available to the Commission indicates that the Committee has been renting an office at Cultural Plaza since at least 1988 at a rental rate of \$800 per month for approximately 2,700 square feet of space, or at a cost of approximately \$.30 per square foot. It appears that in June, 1996, Longevity was advertising vacancies at Cultural Plaza at \$1.70 per square foot, a rate which in itself may be considerably lower than the market rate for similar space in recent years.

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c. Analysis

1. Status of Ownership of the Chinatown Cultural Plaza Shopping Center

The ownership of the Chinatown Cultural Plaza Shopping Center cannot be resolved with the information presently in hand. Specifically, it is not clear whether Longevity or China Airlines or some other entity can claim such a relationship with this enterprise. According to some sources, Longevity is termed the "owner" of the shopping center while in others, such as the Star Bulletin article cited above, China Airlines is named as the "owner," China Airlines being owned in turn by the Government of the Republic of China on Taiwan.

2. Rental Costs

As stated above, the Committee has apparently been renting office space in Cultural Plaza since at least 1988 at a rate of \$800 per month for approximately 2,700 square feet of space. Thus, the cost to the Committee per month would have been \$.296 per square foot. This amount appears to have been well below market value in Honolulu.

According to Comparative Statistics of Industrial and Office Real Estate Markets, which is produced annually by the Society of Industrial and Office Realtors ("SIOR"), Washington, DC, a \$.296 rate would be far below the average for comparable property in the Honolulu area during the period 1988 - 1995, as the chart below demonstrates. While the information available to the Commission is based upon a monthly calculation for price per square foot, it is customary in the industry to apply a yearly calculation, as is used in this chart.

Inside Central Business District, Honolulu² (Average price per square foot per year)

		Low	High	Weighted Average³
1988	Class A: ⁴ Class B ⁵	Not available Not available		
1989	Class A Class B	25.20 22.80	36.00 27.00	30.60 24.90
1990	Class A Class B	27.00 25.20	37.80 28.80	32.40 27.00
1991	Class A Class B	Not available Not available		
1992	Class A Class B	31.20 24.60	40.40 34.90	32.25 26.40
1993	Class A Class B	30.36 25.20	49.80 36.60	34.56 31.80
1994	Class A Class B	21.60 12.00	49.80 35.88	30.00 24.00
1995	Class A Class B	24.60 18.00	37.80 33.00	27.72 24.00

² SIOR defines the central business district as space located near the historical urban core commonly associated with traditional government and financial districts in most cities.

³ SIOR defines weighted average as the average quoted rental rate weighted by the vacant space available at the rental rate in each class.

⁴ According to SIOR, Class A property has an excellent location, high-quality tenants, high-quality finish, well-maintained, professionally managed and usually new, or older buildings that are competitive with new buildings.

⁵ SIOR defines Class B property as having good location, professionally managed, fairly high-quality construction and tenancy. Class B buildings generally show very little functional obsolescence and deterioration.

Using these figures, it appears that the office rent charged the Committee since 1988 has been outside the ordinary course of business. The class of the property where Friends for Fasi has its office is not known, although the Dun & Bradstreet report describes the property's location as "central business section on well traveled street." Nor is the actual rental price in years other than 1995 known at present. However, if one applies only the most conservative figure in the chart above, or the \$18.00 per year per square foot (or \$1.50 per square foot per month) shown as the low figure for Class B property in 1995, the yearly charge which would have represented the ordinary course of business with regard to Cultural Plaza would have been \$48,600 ($\$18.00 \times 2,700$) rather than the \$9,590 ($\$.296 \times 2,700 \times 12$ months) apparently charged to the Committee by the owners of Cultural Plaza. Applying these figures to all eight years at issue, the total amount in violation could be as much as \$312,000.⁶

d. Conclusion

Based on the foregoing information, there is reason to believe that China Airlines has violated 2 U.S.C. § 441e.

⁶ The Committee has apparently paid \$800 per month [at \$.296 per square foot] x 12 months = \$9,600 per year x 8 years = \$76,800 rather than at least \$48,600 [at \$18.00 per square foot per year] x 8 years = \$388,800. $\$388,800 - \$76,800 = \$312,000$ in-kind contribution.

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