



FEDERAL ELECTION COMMISSION
WASHINGTON, D C 20461

9-21-87

THE FOLLOWING MATERIAL IS BEING ADDED TO THE
PUBLIC FILE OF CLOSED MUR 1725

87040654049

GA. FEDERAL ELECTIONS COMMITTEE,
DEMOCRATIC PARTY OF GA.
1252 WEST PEACHTREE ST. SUITE 305
ATLANTA, GA 30309

145

March 25, 19 87

845
870

PAY TO THE ORDER OF Treasurer of the United States | \$ 1,000.00

One thousand dollars and no/100----- DOLLARS

C&S The Citizens and Southern
National Bank
Atlanta, Georgia

GEORGIA FEDERAL ELECTIONS COMMITTEE
DEMOCRATIC PARTY OF GEORGIA

Payment pursuant to MUR 1725

⑆000145⑆ ⑆061000052⑆ 040 35 507⑆

870454050

CG#3057

MEMORANDUM

TO: Trimiew
Debra A. Reed

TO: Cecilia Lieber
~~Trimiew~~

FROM: Cecilia Lieber
~~Trimiew~~

FROM: Trimiew
Debra A. Reed

BT APR 7 1987

RECEIVED
GENERAL COUNSEL

CHECK NO. 145 (a copy of which is attached)

TO MUR 1725 (Hagan) AND NAME Democratic Party of Georgia
Charles Harris, as treas.

WAS RECEIVED ON 4/7/87. PLEASE INDICATE THE ACCOUNT INTO

WHICH IT SHOULD BE DEPOSITED:

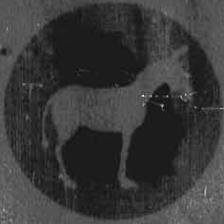
BUDGET CLEARING ACCOUNT (\$95F3875.16)

CIVIL PENALTIES ACCOUNT (\$95-1099.160)

OTHER _____

SIGNATURE Debra A. Trimiew

DATE 4/8/87



DEMOCRATIC PARTY OF GEORGIA

1252 WEST PEACHTREE STREET • SUITE 305 • ATLANTA, GEORGIA 30309 • (404) 875-1986

GC# 3057
RECEIVED AT THE FEC
MAILED DELIVERED
87 APR 6 10:55
JOHN HENRY ANDERSON
Chairman

BOBBY KAHN
Executive Director

April 3, 1987

VIA FEDERAL EXPRESS/SATURDAY DELIVERY

Ms. Frances B. Hagan, Esquire
Federal Elections Commission
999 E. Street, N.W.
Sixth Floor
Washington, D. C. 20463

RE: MUR 1725

Dear Ms. Hagan:

Enclosed please find a check in the amount of \$1,000 made payable to the Treasurer of the United States pursuant to Paragraph VII (2) of the Conciliation Agreement.

Sincerely,

Bobby Kahn
Executive Director

87 APR 7 10:41

RECEIVED
OFFICE OF THE
GENERAL COUNSEL

87040554051



DEMOCRATIC PARTY OF GEORGIA

1252 WEST PEACHTREE STREET • SUITE 305 • ATLANTA, GEORGIA 30309 • (404) 875-1986

RECEIVED AT THE FLC

87 APR 28 P 2: 01
QCC# 3247

JOHN HENRY ANDERSON
Chairman

BOBBY KAHN
Executive Director

April 24, 1987

BY CERTIFIED MAIL

Frances B. Hagan, Esquire
Federal Elections Commission
999 E. Street, NW
Sixth Floor
Washington, D. C. 20463

RE: MUR 1725

Dear Ms. Hagan:

Enclosed please find a check in the amount of \$1,000 made payable to the Treasurer of the United States pursuant to Paragraph VII (2) of the Conciliation Agreement.

Sincerely


Bobby Kahn
Executive Director

87 APR 29 P 2: 55

RECEIVED
OFFICE OF THE
GENERAL COUNSEL

87040654052

8 7 0 4 0 6 5 4 0 5 3

GA. FEDERAL ELECTIONS COMMITTEE,
DEMOCRATIC PARTY OF GA.
1252 WEST PEACHTREE ST., SUITE 305
ATLANTA, GA 30309

147

April 24, 19 87

64-5
610

PAY TO THE ORDER OF Treasurer of the United States \$ 1,000.00

One thousand dollars and no/100----- DOLLARS

C&S The Citizens and Southern
National Bank
Atlanta, Georgia

GEORGIA FEDERAL ELECTIONS COMMITTEE
DEMOCRATIC PARTY OF GEORGIA

Payment pursuant to MUR 1725

⑈000147⑈ -⑈061000052⑈ 040 35 507⑈

GCC# 3247

MEMORANDUM

TO: Debra A. Reed

TO: *Pecilia Lieber*
~~Debra Reed~~

FROM: *Pecilia Lieber*
~~Debra Reed~~

FROM: Debra A. Reed

07 APR 29 1987 2:55

RECEIVED
GENERAL COUNCIL

CHECK NO. 147

(a copy of which is attached)

TO MUR 1725

AND NAME Dem. Party of Ga.

WAS RECEIVED ON 4-28-87

PLEASE INDICATE THE ACCOUNT INTO WHICH IT SHOULD BE DEPOSITED:

1 1 BUDGET CLEARING ACCOUNT (#95F3875.16)

1 1 CIVIL PENALTIES ACCOUNT (#95-1099.160)

1 1 OTHER

SIGNATURE

Retha L. Nipon

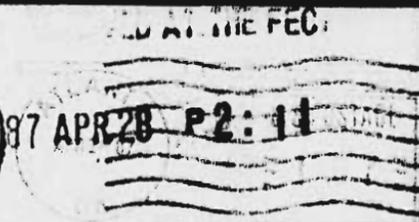
DATE

4-29-87



DEMOCRATIC PARTY OF GEORGIA

1252 WEST PEACHTREE STREET • SUITE 305 • ATLANTA, GEORGIA 30309



RETURN RECEIPT
REQUESTED

87040

Fold at line over top of envelope to the right of the return address.

CERTIFIED

P 284 497 560

MAIL

Frances B. Magan, Esquire
Federal Elections Commission
999 E. Street, NW
Sixth Floor
Washington, D. C. 20463





FEDERAL ELECTION COMMISSION

WASHINGTON, D C 20463

THIS IS THE BEGINNING OF MUR # 1725

DATE FILMED 4/15/88 CAMERA NO. 2

CAMERAMAN GPC

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NRN



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

A83-88

June 5, 1984

MEMORANDUM

TO: CHARLES N. STEELE
GENERAL COUNSEL

THROUGH: JOHN C. SURINA

FROM: BOB COSTA *BC*

SUBJECT: GEORGIA FEDERAL ELECTIONS COMMITTEE

On June 4, 1984, the Commission approved the final audit report (see Attachment I) of the above named committee. This final report includes a matter which was referred to your office as a result of the approval by the Commission (see Exhibit A).

Should you have any questions regarding this memorandum, please contact Ray Lisi at 523-4155.

Attachments as stated

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FEDERAL ELECTION COMMISSION
WASHINGTON, DC 20463

A83-88

REPORT OF THE AUDIT DIVISION
ON THE
GEORGIA FEDERAL ELECTIONS COMMITTEE

I. Background

A. Overview

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This report is based on an audit of the Georgia Federal Elections Committee ("the Committee"), undertaken by the Audit Division of the Federal Election Commission in accordance with the Commission's audit policy to determine whether there has been compliance with the provisions of the Federal Election Campaign Act of 1971, as amended ("the Act"). The audit was conducted pursuant to Section 438(b) of Title 2 of the United States Code which states, in part, that the Commission may conduct audits and field investigations of any political committee required to file a report under Section 434 of this title.

The Committee registered with the Federal Election Commission on June 14, 1976 and maintains its headquarters in Atlanta, Georgia.

The audit covered the period January 1, 1981, through December 31, 1982. The Committee reported a beginning cash balance on January 1, 1981 of \$2,823.47; total receipts for the period of \$222,071.24; total disbursements for the period of \$222,692.93; and an ending cash balance on December 31, 1982 of \$2,201.78.

This report is based on documents and work papers supporting each of its factual statements. They form part of the record upon which the Commission based its decisions on the matters in this report and were available to Commissioners and appropriate staff for review.

B. Key Personnel

The Treasurers of the Committee during the period covered by the audit were Mr. Tommy Coleman from January 1, 1981 through November 22, 1982; and Mr. Paul Weston from November 23, 1982 through December 31, 1982. The current Treasurer is Ms. Carole Dabbs.

C. Scope

The audit included such tests as verification of total reported receipts and expenditures and individual transactions; review of required supporting documentation; analysis of Committee debts and obligations; and such other audit procedures as deemed necessary under the circumstances.

A. Misstatements of Financial Activity

Section 434(b)(2) and (4) of Title 2 United States Code state, in part, that each report(s) shall disclose for the reporting period and the calendar year the total amount of all receipts and disbursements.

During the reconciliation of the Committee's reported activity to the bank activity, it was determined that the Committee understated both receipts and disbursements by \$4,997.96.

This understatement was the net result of the following reporting errors:

1) The Committee disclosed \$115,000 in expenditures on the pre-general election report schedules B; however, the detailed summary page disclosed only \$110,000. Therefore the Committee's expenditures were understated \$5,000.00.

2) On November 18, 1982, the Committee received \$5,000 from the proceeds of a loan secured by the Georgia Democratic Party. The Committee did not report receipt of the funds which resulted in a \$5,000 understatement of receipts.

3) Minor reporting errors accounted for the remaining \$2.04 differences.

On November 25, 1983, the Committee filed amended reports which materially corrected the misstatements noted above.

Recommendation

The Audit staff recommends no further action in this matter.

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C. Committee Loans and Repayment.

Section 441b(a) of Title 2 United States Code states, in part, that it is unlawful for any corporation or labor organization to make a contribution or expenditure in connection with any Federal election to a political office.

Section 102.5(a)(1)(i) of Title 11 of the Code of Federal Regulations states, in part, that when a party committee establishes a separate federal account no transfers may be made to such federal account from any other account(s) maintained by such organization for the purpose of financing activity in connection with non-federal elections.

Section 100.7(b)(11) of Title 11 Code of Federal Regulations states, in part, that the term contribution does not include a loan of money by a State bank, a federally chartered depository institution (including a national bank) or a depository institution whose deposits and accounts are insured by the FDIC, FSLIC or the NCUA, if such loan is made in accordance with applicable banking laws and regulations and is made in the ordinary course of business. A loan will be deemed to be made in the ordinary course of business if it: bears the usual and customary interest rate of the lending institution for the category of loan involved; is made on a basis which assures repayment; is evidenced by a written instrument; and is subject to a due date or amortization schedule.

The Democratic Party of Georgia established a separate Federal account (the Committee) pursuant to 11 C.F.R. 102.5(a)(i) through which all Federal candidate activity was to occur. During the period covered by the audit, the Committee disclosed the receipt of the following loans:

1. a. Citizens and Southern National Bank

The first loan was secured by the Democratic Party of Georgia (the Party) on October 8, 1982 in the amount of \$125,000. The maker of the note was the Chairman of the State Finance Council of the Party. The note was due on April 8, 1983 and accrued interest at the rate of 1/2% above prime.

The Committee received \$96,920 of the loan proceeds with the balance (\$28,080) going to the Democratic Party of Georgia's administrative account (Administrative account). ^{1/} The Committee's proceeds did not pass through any other Party accounts.

^{1/} The Administrative account was used to finance the day to day activities of the Democratic Party of Georgia and according to the Committee's Treasurer contained corporate and labor union contributions which are permissible for use in state elections in Georgia.

3304059453

On November 5, 1982, the Party received an additional \$125,000 loan from the same bank and on November 18, 1982, disbursed \$5,000 to the Committee's account which at that time had checks drawn against insufficient funds. The transfer of funds was made through a Party account at the Fayette State Bank which at that time contained a \$10,000 corporate contribution and the proceeds of this loan. This \$5,000 transfer was not reported by the Committee on its disclosure reports (See Finding II.A.). The terms of the loan were the same as the first \$125,000 loan with the same due date.

On April 8, 1983, a \$100,000 payment was made on the two loans by check drawn on the Administrative account. On that date the interest due on the first loan was \$7,243.98 and \$6,232.63 on the second loan. At this point the bank renewed the loans and issued a new note for \$163,476.61 (\$125,000 + \$125,000 = \$250,000 + \$13,476.61 int. = \$263,476.61 - \$100,000 pmt. = \$163,476.61). The Committee continued to disclose the outstanding balance for this loan as \$96,920 after April 8, 1983. Therefore the payment was only applied to the interest due on the Committee's portions of the loans with no reduction in principal. The remainder of the payment was applied to the principal and interest portions of the loans owed by the Administrative account. Interest on the Committee's portion of the loans totals \$5,899.61 (See Attachment #1). Based on the payment activity noted above, interest accrued on Committee debts totalling \$5,899.61 has been paid from an account which contains funds not permissible under the Act.

b. The First National Bank of Atlanta

A third loan was taken out by the Party on October 27, 1982, in the amount of \$100,000. The maker of the note was the Chairman of the State Finance Council of the Party. The interest rate was quoted as 1/2% above the prime rate and the note was due on April 8, 1983.

According to bank documents provided by the Committee, the loan proceeds were disbursed in the following manner: \$70,000 to the Committee and \$30,000 to the Administrative account. Separate checks were prepared by the bank and the Committee's portion was deposited directly into the Committee's account.

On April 8, 1983, a \$50,000 payment was made on the loan by check drawn on the Administrative account. According to Committee officials, \$30,000 was applied to pay off the Administrative account's portion of the loan and the remaining \$20,000 was applied to the Committee's portion of the

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loan. As a result of that payment, the Committee subsequently disclosed a \$20,000 debt owed to the Administrative account. In addition, the Committee disclosed the remaining balance of \$50,000 as a loan due to the bank.

The interest due on the loan at the time of the \$50,000 payment was \$5,224.66. If the interest is prorated in the same proportion as the principal was disbursed then the Committee's portion of the interest is \$3,657.26 and the Administrative account's portion is \$1,567.40. Since the interest would have to be paid prior to any reduction of principal, the payment was applied as follows: Administrative account \$30,000 principal and \$1,567.40 interest; Committee \$14,775.34 principal and \$3,657.26 interest.

Based on the information presented above it appears that the Committee's debt was reduced by an \$18,432.60 payment made by checks drawn on the Administrative account which contained funds not permissible under the Act.

However, it should be noted that although the Party established the separate Federal account pursuant to 11 CFR 102.5(a)(1)(i), the majority of the funds expended from that account were contributions to state and local candidates. The Audit staff verified that \$87,000 was disbursed from the account to state and local candidate committees while only \$35,000 was disbursed to Federal candidate committees.

The Committee did not have the funds available to repay the Administrative account for the loan payments and transfer noted above. Therefore, on November 25, 1983, the Committee filed amended reports which disclosed the loan payments made on behalf of the Committee by the Administrative account and the transfer (noted in C.1. a. and b. above) as debts owed by the Committee to the Administrative account.

2. Loan Collateral

In addition to the payments made by the Administrative account noted above, an additional question is raised regarding whether the loans were made in the ordinary course of business. During a two month period the Party was able to obtain \$350,000 in loans from two separate financial institutions. According to the Committee Treasurer the only collateral on the loans was a \$500,000 life insurance policy on the Democratic candidate for Governor. At the time of the \$50,000 payment noted in l.b. above, a letter was received from the bank which referred to an original letter agreement which calls for various guarantees on any renewals should the original note not be paid in full. The letter does not provide detail on the guarantees. According to the bank statements provided to the Audit staff, at the time of the first \$125,000 loan on October 8,

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1982, the Committee account had a balance of \$18,059.40 and the Administrative account had a balance of \$22,519.52. On November 18, 1982, the date of the second \$125,000 loan, the Committee account had checks totalling \$1,095.80 drawn on a balance of \$58.58. In addition, the Administrative account had a balance of \$887.74 on that date. On October 27, 1982, the date of the \$100,000 loan, the Committee account had a balance of \$2,926.12 and the Administrative account had a balance of \$16,898.13.

None of the bank documents supplied by the Committee indicated any accounts maintained by the Party with either of the banks issuing the loans. Based on the information noted above, it does not appear that the banks issuing the loans had reasonable assurance that the Party was in a position to repay the loans given the limited collateral and financial position of the party.

In the interim audit report the Audit staff recommended that in the future the Committee establish procedures to prevent the payment of Committee obligations by Party accounts which contain funds not permissible under the Act as noted in C.1. above.

The Audit staff further recommended that the Committee provide the Audit staff evidence, including any additional guarantees which were provided the banks which made the \$350,000 in loans (noted in C.2 above), that the loans were made in the ordinary course of business and should not be considered contributions to the Committee.

In a letter received on May 24, 1984 (Attachment 2), the Committee states that it has established procedures to prevent payment of Committee obligations by party accounts which contain funds not permissible under the Act.^{2/} In addition, the letter states that the Committee repaid \$45,000 to the administrative account during the first quarter of 1984.

^{2/} According to the 1983 year end report filed by the Committee, covering the period July 1, 1983 through December 31, 1983, an additional payment of \$2,989.38 was made by the Administrative account on the Committee's loan at the First National Bank. A representative of the Committee's accounting firm confirmed, in a phone conversation, that the payment had been made before she had had a chance to stop it.

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The letter further states that the Committee feels that the loans were made in the ordinary course of business. The Committee also indicated that letters from the banks involved would be forthcoming. In a telephone conversation on May 22, 1984, the Committee's counsel said that he would be forwarding a copy of the life insurance policy used as collateral on the loans. He also stated that the loans did contain additional guarantees from individuals. The Committee's response did not contain the policy nor did it address the issue of the additional guarantees.

Recommendation

Based on the Committee's response, which appears incomplete, at this time, the Audit staff recommends that this matter be referred to the Office of General Counsel for review.

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an #1

Proceeds Disbursed:

Federal - \$96,920.00

Administrative account - \$28,080.00

$$\frac{\$ 96,920}{\$125,000} = .78 \text{ Committee}$$

$$\frac{\$ 28,080}{\$125,000} = .22 \text{ Administrative Acct.}$$

Committee Interest

Administrative Account Interest

73 x \$7,243.98 = \$5,650.30

.22 x 7,243.98 = \$1,593.68

an #2

Proceeds Disbursed:

Federal - \$5,000.00

Administrative Account - \$120,000

$$\frac{\$ 5,000}{\$125,000} = .04$$

$$\frac{\$120,000}{\$125,000} = .96$$

Committee Interest

Administrative Account Interest

30 x \$6,232.63 = \$249.31

.96 x \$6,232.63 = \$5,983.32

Total Committee Interest Paid	\$ 5,899.61
Total Administrative Account Interest Paid	<u>7,577.00</u>
	\$13,476.61

HAND DELIVERED
84 MAY 24 7 9: 57

GEORGE A. PENNINGTON & CO.
CERTIFIED PUBLIC ACCOUNTANTS
SUITE 100, THREE PIEDMONT CENTER
3565 PIEDMONT ROAD, N. E.
ATLANTA, GEORGIA 30305

TELEPHONE 404-233-9415

PARTNERS
GEORGE A. PENNINGTON (1888-1968)
CARL SPRAGGINS (1901-1972)
GEORGE B. PENNINGTON
C. RAY JONES
R. DARRELL WILSON, JR.
WILLIAM J. GASTON, JR.
LINDA L. BARTLETT

May 23, 1984

Mr. Raymond Lisi
Audit Division
Federal Elections Commission
Washington, D.C. 20463

Dear Sir:

The following letter is our reply on behalf of the Georgia Federal Elections Committee, in compliance with the recommendations of the audit committee of the Federal Elections Commission as indicated in their Interim Report on the Georgia Federal Elections Committee.

In response to the Audit staff first recommendation, the Georgia Federal Elections Committee has established procedures to prevent payment of Committee obligations by Party accounts which contain funds not permissible under the act. Sufficient funds from permissible sources are to be maintained in the Georgia Federal Elections Committee's bank accounts to pay for any anticipated obligations. In addition, an effort is being made to repay the obligations paid by the administrative account, as evidenced by a repayment of \$45,000.00 made during the quarter ended March 31, 1984.

In response to the Audit staff's second recommendation, we feel that the loans made were made in the ordinary course of business. As stated in the Federal Elections Commission Audit report, "A loan will be deemed to be made in the ordinary course of business if it: bears the usual and customary interest rate of the lending institution for the category of loan involved; is made on a basis which assures repayment; is evidenced by a written instrument; and is subject to a due date or amortization schedule."

The loans made to the Democratic Party of Georgia satisfy these conditions as shown below:

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Mr. Raymond Lisi

-2-

May 23, 1984

- 1) bears the usual and customary interest rate of the lending institution for the category of loan involved.

The notes from C & S Bank and First Atlanta both had a stated rate of interest of prime rate plus 1/2%. This is customary for this type of loan. Interest payments have been made on a timely basis for all loans.

- 2) is made on a basis which assures repayment

The loans in question were executed in October and November, 1982. The cash flow of the Georgia Federal Elections Committee and the Democratic Party of Georgia is very seasonal. The majority of their contributions comes from two particular sources, the Jefferson-Jackson Day Dinner which is held in February of each year, and election qualifying fees, which generally come in during May and June of each year. When the loans were made, it was anticipated that they would be repaid by May of the following year, with anticipated revenues from the two sources noted above, Governors club dues and other miscellaneous contributions. A payment of \$100,000 on the principal balance of the C & S note and \$50,000 on the principal balance of the First Atlanta note were made on 4/8/83. The balance of these notes were expected to be able to be paid off by the end of 1983.

- 3) is evidenced by a written instrument

Attached are copies of the notes in question showing all terms, due dates and appropriate signatures.

- 4) is subject to a due date or amortization schedule

Each loan in question had a due date as shown on attached copies. Loans were renewed at due date where necessary, all accrued interest paid to date and a new note instrument signed.

In addition to the above information, we are also obtaining letters from the banks in question which we will be forwarding to you as soon as possible.

Since these loans were made in a customary and businesslike manner, with the complete expectation of being repaid, and since all accrued interest and substantial principal payments have been made to date, we do not feel that these loans should be considered contributions on the part of the banks but bona fide loans made in the ordinary course of business.

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Mr. Raymond Lisi

-3-

May 23, 1984

If you need any additional information regarding this matter, please let us know. Thank you for your cooperation in this matter.

Very truly yours,



Christine K. Peterson

CKP:bfm

Enclosures

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154 days

AFTER DATE THE UNDERSIGNED AGREES TO PAY TO THE ORDER

HEREAFTER TOGETHER WITH ANY HOLDERS HEREOF CALLED "HOLDERS",
ATANTA GEORGIA OR AT SUCH OTHER PLACE AS THE HOLDER MAY DESIGNATE AND NOTIFY UNDERSIGNED

Hundred Twenty-Five Thousand and 00/100----- \$ 125,000.00

such lesser amount as may be due and owing as a result of prior repayment of principal contemplated below.

Code 1 [Prime Rate (Commercial Paper (daily))]
Interest on the daily unpaid principal balance from date until paid in full at a per annum rate which is the greater of (i) _____ percentage points above the Prime Rate in effect on each respective day, or (ii) _____ percentage points above the weekly average rate of interest for 90 to 115-day prime commercial paper, as quoted by dealers, in effect on each respective day

Code 2 [Prime Rate (daily)]
Interest on the daily unpaid principal balance from date until paid in full at a per annum rate of 1/2 percentage points above the Prime Rate in effect on each respective day

Code 3A [Prime Rate (periodic)]
Interest on the unpaid principal balance, from time to time, from date until paid in full at a per annum rate of _____ percentage points above the Prime Rate in effect from time to time. Such interest rate shall be determined by the Holder on the date hereof and as of each day of each month or the end of each such time period as Holder elects, and the rate so determined shall be effective until the next such determination.

Code 3B [Prime Rate (Commercial Paper (periodic))]
Interest on the unpaid principal balance, from time to time, from date until paid in full at a per annum rate which is the greater of (i) _____ percentage points above the Prime Rate in effect from time to time, or (ii) _____ percentage points above the weekly average rate of interest for 90 to 115-day prime commercial paper, as quoted by dealers, in effect from time to time. Such interest rate shall be determined by the Holder on the date hereof and as of each day of each month or the end of each such time period as Holder elects, and the rate so determined shall be effective until the next such determination.

So long as there exists no default hereunder, undersigned may borrow principal amount of this note at any time to the maximum contract rate of interest allowed by applicable law.

Interest after maturity shall accrue at a rate equal to one hundred fifty percent of the effective rate in existence when this note matures, not to exceed the maximum contract rate of interest allowed by applicable law.

To secure the payment of this Note and all other indebtedness or liability of the undersigned to Holder, however and whenever incurred or evidenced, whether direct or indirect, absolute or contingent, or due or to become due (hereafter with this Note, collectively called "Liabilities"), undersigned transfers and assigns to Holder any and all balances, credits, deposits, accounts, items and monies of the undersigned now or hereafter with the Holder, and the undersigned agrees that the Holder shall have a lien upon, security title to and a security interest in all property of the undersigned of every kind and description now or hereafter in the possession or control of the Holder for any reason, including all dividends and distributions or other rights in connection therewith.

If at any time the undersigned should become insolvent (as defined in the Uniform Commercial Code as in effect at that time in Georgia), or should any proceeding be instituted by undersigned seeking an order for relief on its behalf as debtor under any Chapter of the Bankruptcy Code or should undersigned file a proceeding seeking reorganization, arrangement, adjustment or composition of its debts under any other law relating to insolvency, reorganization or relief of debtors, or if undersigned should seek appointment of a receiver, trustee, custodian, or other similar official for or any substantial part of its property, or make a general assignment for the benefit of creditors, or if any proceeding be instituted against undersigned seeking to have an order of relief entered against it as debtor under any Chapter of the Bankruptcy Code, or if a proceeding be instituted against undersigned seeking reorganization, arrangement, adjustment or composition under any other law relating to insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian, or other similar official for or any substantial part of its property, or if any judgment be entered against the undersigned, or if undersigned shall fail to meet at maturity any indebtedness or liability to the Holder, or if any warranty or representation of undersigned pertaining to this credit (whether contained in this Note or not) prove untrue or misleading, or if the Holder shall feel insecure for any reason whatsoever, (1) any and all of Liabilities may, at the option of the Holder, and without demand or notice of any kind, become due and payable, and thereupon immediately shall become due and payable, (2) the undersigned will pay all expenses of the Holder in the collection of this Note including reasonable attorney's fees and legal expenses, (3) the Holder may exercise from time to time any rights and remedies available to the Holder under the Uniform Commercial Code as in effect at that time in Georgia or otherwise available to Holder, including those available under any written instrument in addition to this Note relating to any of the Liabilities or any security therefor, and (4) the Holder may, at any time, without demand or notice of any kind, appropriate and apply toward the payment of such of the Liabilities, and in such order of application, as the Holder may from time to time elect, any balances, credits, deposits, accounts, items or monies of the undersigned with the Holder. Notice of failure on the part of the Holder in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Holder of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy.

If more than one party shall execute this Note, the term undersigned as used herein shall mean all parties signing this Note and each of them, who shall be jointly and severally obligated hereunder.

Given under the hand and seal of each of the undersigned
Date 4/8/83 No _____
Address 1627 Peachtree Street, N.E.
Atlanta, Georgia 30309
Telephone No _____

GEORGIA DEMOCRATIC PARTY
Barbara Ann H. Lewis (SEAL)
Charles E. Lewis (SEAL)

BANK USE
APPROVED BY: _____
D.L.D. _____
R.A.M. _____
INTEREST CHECK _____
CREDIT LIFE INS. _____
DATE OF BIRTH _____
PERSON TO BE _____

THE FIRST NATIONAL BANK OF ATLANTA, Atlanta, Ga.

One hundred thousand and 00/100 DOLLARS

Office of said bank, and such other place as may be designated in the notes from date of the rate of

percent per annum in excess of the rate from time to time announced by The First National Bank of Atlanta at its principal office in Atlanta as the Prime Rate of The First National Bank of Atlanta (the "Prime Rate") (any change in rate due to a change in the Prime Rate shall be adjusted to the date on which such change in the Prime Rate occurs, with interest after maturity at a rate equal to one hundred fifty percent of the effective rate in existence on the date when this note matures, not to exceed the maximum legal rate.

percent per annum in excess of the discount rate on 90-day Commercial paper in effect from time to time at the Federal Reserve Bank of Atlanta, any change in rate due to a change in the discount rate shall be adjusted to the date on which such change in the discount rate occurs, with interest after maturity of a rate equal to one hundred fifty percent of the effective rate in existence on the date when this note matures, not to exceed the maximum legal rate.

with all costs of collection, upon default, including fifteen percent as attorney's fees, if collected by law or through an attorney at law. The term "Collateral" as used herein shall mean the following property, which Maker does hereby grant to Holder as security interest in and security title to, to secure this indebtedness, along with any extensions or renewals thereof, and all other indebtedness of Maker, now existing or hereafter incurred or arising however incurred thereafter, sometimes referred to collectively as the "Liabilities":

See Following Paragraph

with any and all additions and accessions thereto or replacements thereof, returned or unearned premiums from any insurance written in connection with the note and any products and/or proceeds of any of the foregoing.

In addition, Maker hereby grants to Holder a security interest in and security title to all other property of Maker of every kind or description now or hereafter in possession or control of Maker for any reason, including all cash, stock or other dividends and all proceeds thereof, and all rights to subscribe for securities of any corporation, including all substitutes, replacements, or other rights in connection with any of the Collateral, and Maker further grants to Holder a security interest and security title to any balances or deposit accounts of Maker, whether such accounts be general or special, or individual or joint, and upon all drafts, checks, and other items deposited for collection by Maker with Holder, and Holder may at any time, without demand or notice appropriate and apply any of such property of any of the Liabilities, whether or not due.

At any time the Collateral above or hereafter pledged as security for any of the Liabilities shall be or become unsatisfactory to Holder or any of its officers, agents, or representatives, Maker will immediately furnish such further Collateral or more such payment on account as will be satisfactory to such Holder, or, if Holder is not satisfied as to the adequacy of the Collateral, Maker may substitute for or add to the Collateral herein deposited such other property as Holder may deem to be the date of the original obligation secured by this note. Maker warrants and covenants that Maker owns and has full power and authority to sell, convey and encumber the Collateral hereinafter described, and any substitutes and additional Collateral which may be given.

At the failure of any Obligor herein herein shall include each Maker, and Maker shall be a guarantor of this note to perform any agreement or promise made or to pay any liability made or to Holder when due, in any way, by representation or statement made or furnished to Holder by or on behalf of Maker in connection with this agreement, proving to have been false in any material respect when made or furnished, and such breach, substantial damage, loss, or loss of income or enjoyment to or of any of the Collateral, or the loss of any security or attachment thereof or the rendering of the assignment or lien of commitment or attachment against any Obligor or property of Maker, actual or threatened, civil death, dissolution, termination or liquidation, business failure, appointment of a receiver or any other act of insolvency, assignment for the benefit of creditors by or the commencement of proceedings under any bankruptcy or insolvency laws, State or Federal, by or against Maker or any Obligor, or Holder deeming itself insecure or the Collateral subject of seizure or confiscation, thereupon, and at any time thereafter, upon default not having been previously cured, Holder's remedies may include all of the remedies to be immediately due and payable less any charges or expenses of collection, and in addition to the remedies of the right to collect and any other rights of Holder shall then be the remedies of a secured party under the Uniform Commercial Code of the jurisdiction in which the Collateral has been located, and the jurisdiction in which the remedies are asserted, including without limitation, the right to foreclose on the Collateral, to the proceeds thereof, and to sell or lease or otherwise dispose thereof, and the proceeds to be paid to the name of Holder or its assignee or assignees, and the proceeds of the Collateral, and Holder shall be deemed to have taken any such action on account of making any such Holder may require Maker to execute the Collateral and note the same to include the Collateral and note to be assigned to Holder which is a security agreement to both parties. The right to assign shall be under the name of any party named or its name on the Collateral hereunder, and to receive the income thereon and hold the same in security for the note, and to pay the Liabilities, unless the Collateral is payable in the form of a note or other instrument of a type customarily sold or a recognized

instrument, Holder shall give Maker written notice of the time and place of any disposition thereof and the time after which any private sale or other intended disposition thereof is to be made. The requirement of sending reasonable notice shall be met if such notice is mailed, postage prepaid, or otherwise given to Maker at his last address shown on Maker's records, or at least five days before such disposition. Expenses of retaking, taking, preparing for sale, selling or otherwise disposing of the Collateral, including attorney's fees and legal expenses, and all costs of collection. The rights of Holder specified herein shall be in addition to, and not in limitation of, Holder's rights under the Uniform Commercial Code, as amended, from time to time or any other statute or rules of law concerning rights similar to those conferred by said Code, and under the provisions of any other statute now or hereafter enacted by Maker or Holder, and any rights or remedies of Holder may be exercised or taken in any order or sequence whatsoever, at the sole option of Holder.

This agreement and the security interest in the Collateral created hereby shall terminate when all of the Liabilities have been paid in full. No waiver by Holder of any default shall be effective unless in writing and operate as a waiver of any other default of the same kind or of a future occasion. All rights of Holder hereunder shall inure to the benefit of its successors and assigns, and of the Liabilities of Maker and the heirs, legal representatives, successors and assigns of Maker. This agreement shall take effect as a sealed instrument.

Each Maker Obligor or other party herein hereby severally covenants, promises, warrants, agrees, and holds and covenants, promises and covenants, and any other party required by law relative hereto which may be so waived and any and all of them Maker may have a right prior to maturity of persons property of the Maker, including interest, dividends, proceeds of the Maker. Each Obligor and any other party herein may be renewed or extended any part or security may be released or substituted or reduced. Holder may compromise or receive less than the amount due on any Collateral, and may grant any other indulgence to any party without notice to any party and without affecting this liability, and Holder may proceed against any party without first proceeding against Maker or any other party, or against any Collateral.

This note and the rights and obligations of the parties hereunder shall be governed by and construed in accordance with the laws of the State of Georgia.

At the date hereof, the said "note" shall mean each of the undersigned, jointly and severally.

Insurance Statement: Credit Life Insurance is a condition of this note. Credit Life Insurance Date of Issue: Insurance Premiums: Insurance coverage continues until the maturity date.

Witness my hand and seal of each party. MICHAEL J. COWAN, Chairman State Finance Council

COMMERCIAL LOAN PROCESSING

THIS NOTE IS DUE 83 days 8 3 7 1981. THE UNDERSIGNED PROMISES TO PAY TO THE ORDER OF Citizens and Southern National Bank (HEREAFTER TOGETHER WITH ANY HOLDER HEREOF, CALLED "HOLDER") AT ATLANTA, GEORGIA OR AT SUCH OTHER PLACE AS THE HOLDER MAY DESIGNATE AND NOTIFY UNDERSIGNED

One Hundred Sixty-three Thousand Four Hundred Seventy-six & 61/100 163,476.61 DOLLARS

TOGETHER WITH INTEREST (CALCULATED ON THE BASIS OF A YEAR OF 360 DAYS) AS PROVIDED IN CODE 2 INDICATED BELOW AND ALL COSTS OF COLLECTION (INCLUDING FIFTEEN PERCENT (15%) OF THE PRINCIPAL AND INTEREST AS ATTORNEY'S FEE IF COLLECTED BY LAW OR THROUGH AN ATTORNEY AT LAW

Code 1 [Prime Rate/Commercial Paper (daily)] Interest on the daily unpaid principal balance from date until paid in full at a per annum rate which is the greater of (i) percentage points above the Prime Rate in effect on each respective day, or (ii) percentage points above the weekly average rate of interest for 91 to 119 day prime commercial paper, as quoted by dealers, in effect on each respective day

Code 2 [Prime Rate (daily)] Interest on the daily unpaid principal balance from date until paid in full at a per annum rate of .50 percentage points above the Prime Rate in effect on each respective day. The interest rate so calculated as of this date is 11 1/2 per annum

Code 3A [Prime Rate (periodic)] Interest on the unpaid principal balance, from time to time, from date until paid in full at a per annum rate of percentage points above the Prime Rate in effect from time to time. Such interest rate shall be determined by the Holder on the date hereof and as of each day of each month or the end of each such time period as Holder elects, and the rate so determined shall be effective until the next such determination

Code 3B [Prime Rate Commercial Paper (periodic)] Interest on the unpaid principal balance, from time to time, from date until paid in full at a per annum rate which is the greater of (i) percentage points above the Prime Rate in effect from time to time, or (ii) percentage points above the weekly average rate of interest for 91 to 119 day prime commercial paper, as quoted by dealers, in effect from time to time. Such interest rate shall be determined by the Holder on the date hereof and as of each day of each month or the end of each such time period as Holder elects, and the rate so determined shall be effective until the next such determination

"Prime Rate" means the rate of interest announced by The Citizens and Southern National Bank in Atlanta, Georgia from time to time as its Prime Rate

Interest after maturity shall accrue at a rate equal to one hundred fifty percent of the effective rate in existence when this note matures, not to exceed the maximum contract rate of interest allowed by applicable law.

To secure the payment of this Note and all other indebtedness or liability of the undersigned to Holder, however and whenever incurred or evidenced, whether direct or indirect, absolute or contingent, or due or to become due (hereafter with this Note, collectively called "Liabilities"), undersigned transfers and conveys to Holder any and all balances, credits, deposits, accounts, items and monies of the undersigned now or hereafter with the Holder, and the undersigned agrees that the Holder shall have a lien upon, security title to and, a security interest in all property of the undersigned of every kind and description now or hereafter in the possession or control of the Holder for any reason, including all dividends and distributions on or other rights in connection therewith

If at any time the undersigned should become insolvent (as defined in the Uniform Commercial Code) as in effect at that time in Georgia, or should any proceeding be instituted by undersigned seeking an order for relief on its behalf as debtor under any Chapter of the Bankruptcy Code or should undersigned file a proceeding seeking reorganization, arrangement, adjustment or composition of its debts under any other law relating to insolvency, reorganization or relief of debtors, or if undersigned should seek appointment of a receiver, trustee, custodian, or other similar official for it or any substantial part of its property, or make a general assignment for the benefit of its creditors, or if any proceeding be instituted against undersigned seeking to have an order of relief entered against it as debtor under any Chapter of the Bankruptcy Code, or if a proceeding be instituted against undersigned seeking reorganization, arrangement, adjustment or composition under any other law relating to the insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property, or if any judgment be entered against the undersigned, or if undersigned shall fail to meet at maturity any indebtedness or liability to the Holder, or if any warranty or representation of undersigned pertaining to this credit (whether contained in this Note or not) prove untrue or misleading, or if the Holder shall feel necessary for any reason whatsoever, (1) any and all of Liabilities may, at the option of the Holder, and without demand or notice of any kind, be declared and the responsibility shall be come due and payable, (2) the undersigned will pay all expenses of the Holder in the collection of this Note, including reasonable attorney's fees and legal expenses, (3) the Holder may exercise from time to time any rights and remedies available to Holder under the Uniform Commercial Code as in effect at that time in Georgia or otherwise available to Holder, including those available under any written instrument in addition to this Note relating to any of the Liabilities or any security therefor, and (4) the Holder may, at any time, without demand or notice of any kind, appropriate and apply toward the payment of such of the Liabilities, and in such order of application, as the Holder may from time to time elect, any balances, credits, deposits, accounts, items or monies of the undersigned with the Holder. No delay or failure on the part of the Holder in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Holder of any right or remedy shall preclude either or further exercise thereof or the exercise of any other right or remedy

If more than one party shall execute this Note, the term undersigned as used herein shall mean all parties signing this Note and each of them, who shall be jointly and severally obligated hereunder

Given under the hand and seal of each of the undersigned
DATE 10/11/81 NO. ADDRESS A627 Peachtree Street, N.E. Atlanta, GA 30309 TELEPHONE NO.

GEORGIA DIPLOMATIC PARTY
By [Signature] (SEAL)
By [Signature] (SEAL)
15 3150 ONE PL 1 82

BANK USE ONLY
APPROVED BY
O.L.D.
R.A.M.
INTEREST CHECKED BY

CREDIT LIFE INSURANCE
DATE OF BIRTH OF
PERSON TO BE INSURED

Attachment 2
Page 4 of 7



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

RECEIVED
OFFICE OF THE
COMMISSION SECRETARY

84 JUN 7 P 4: 40

June 7, 1984

SENSITIVE

MEMORANDUM TO: The Commission
FROM: Charles N. Steele
General Counsel
By: Kenneth A. Gross
Associate General Counsel
SUBJECT: Audit Referral

On June 4, 1984 the Commission decided that a portion of the Final Audit Report of the Georgia Federal Elections Committee should be referred to the Office of General Counsel and should become a MUR. Therefore, all documents which had previously been contained in the Audit file for the Georgia Federal Elections Committee should now become MUR 1725.

Attachment
Copy of Certification

88040594571

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Final Audit Report -) A83-88
Georgia Federal Elections)
Committee)

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on June 4, 1984, the Commission approved by a vote of 6-0 the Final Audit Report of the Georgia Federal Elections Committee, as submitted with the Audit Division's Memorandum to the Commissioners dated May 30, 1984, and referral of Exhibit A of the Final Audit Report to the Office of General Counsel.

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

Attest:

6/14/84

Date

Marjorie W. Emmons

Marjorie W. Emmons
Secretary of the Commission

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SENSITIVE

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

FIRST GENERAL COUNSEL'S REPORT

DATE AND TIME OF TRANSMITTAL BY OGC
TO THE COMMISSION 9-20-84 12:25 pm

MUR NO. 1725
STAFF MEMBER
Frances B. Hagan

SOURCE OF MUR: I N T E R N A L L Y G E N E R A T E D

RESPONDENTS' NAMES: The Democratic Party of Georgia
Citizens and Southern National Bank
First National Bank of Atlanta

RELEVANT STATUTES: 2 U.S.C. § 441b(a)
11 C.F.R. § 102.5(a)(1)(i)
2 U.S.C. § 431(8)(B)(vii)
11 C.F.R. § 100.7(b)(11)
Georgia Code § 7-1-285

INTERNAL REPORTS
CHECKED:

Audit Workpapers
Disclosure Reports
MUR 448

GENERATION OF MATTER

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

SUMMARY OF ALLEGATIONS

1. The Democratic Party of Georgia ("the Party") violated 2 U.S.C. § 441b(a)
 - a) when prohibited funds were used to make loan repayments on behalf of the federal account;
 - b) when a loan of \$5,000 was commingled with prohibited funds in a non-federal account, then transferred to the federal account;
 - c) through receipt of bank loans not made in the ordinary course of business because the bank could not be sure of repayment.

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2. Citizens and Southern National Bank ("C and S") violated 2 U.S.C. § 441b(a) by making loans to the Party which were not within the normal course of business.

3. First National Bank of Atlanta ("First Atlanta") violated 2 U.S.C. § 441b(a) by making loans to the Party which were not within the normal course of business.

FACTUAL AND LEGAL ANALYSIS

A. Party Loans and Repayments

2 U.S.C. § 441b(a) prohibits the making or receipt of corporate or labor contributions in connection with a federal election.

11 C.F.R. § 102.5(a)(1)(i) states in part, that when a party committee establishes a separate federal account, "No transfers may be made to such federal account from any other account(s) maintained by such organization for the purpose of financing activity in connection with non-federal elections."

The Party established a separate Committee bank account pursuant to 11 C.F.R. § 102.5(a)(1)(i) to handle federal activity.

The Democratic Party of Georgia obtained three loans from two banks during 1982; portions of each loan were transferred into the Georgia Federal Elections Committee ("the federal account" or "the Committee"). The Party made payments on behalf of the Committee's portion of these loans^{1/} from a non-federal administrative account.

^{1/} The portion of 3 loans received by the federal account totaled \$171,920.

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In addition, one of the loans was commingled with corporate funds in a non-federal account before it entered the federal account.

Because Georgia State Law allows corporate and union contributions in connection with State elections (and such funds were in the non-federal accounts), prohibited funds were used in connection with federal elections as a result of commingled funds and non-federal payments on federal account loans.

Loan 1:

According to the audit referral, on October 8, 1982, the Party obtained a loan of \$125,000 from C and S Bank. Of this amount, the Committee received proceeds of the loan totaling \$96,920 and the Party's non-federal administrative account received the balance of \$28,080. The Committee's portion was transmitted directly from the lending bank into the Committee account.

Loan 2:

On November 5, 1982, the Party obtained a second loan of \$125,000 from the C and S Bank. The proceeds of this loan also entered the Party's non-federal administrative account, but were transferred into another non-federal bank account at the Fayette State Bank. From the Fayette non-federal account, \$5,000 were transferred to the Committee. At the time of these transfers, the Fayette non-federal account contained \$10,000 from a corporate source.

The amount of funds from the C and S Bank loans to the Party which the federal account received totaled \$101,920 as follows:

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Loan 1: Amount Party
Obtained from C and S

\$125,000

Amount Transferred
to Federal Account

\$96,920

Loan 2: Amount Party
Obtained from C and S

\$125,000

Amount Transferred
to Federal Account

\$ 5,000

1) Payment on C and S Loans 1 and 2

When both C and S Bank loans came due on April 8, 1983, the Party made a payment of \$100,000 from its non-federal administrative account. The payment was applied to both loans. The bank renewed the loans, issuing a new note for the balance owed of \$163,476.61 (the amount of both loans plus interest accrued, less the amount of payment on the loans):

Party Loan 1	\$125,000.00
Party Loan 2	+ \$125,000.00
	<u>\$250,000.00</u>
Interest accrued	+ \$ 13,476.61
	<u>\$263,476.61</u>
Party Payment	- <u>\$100,000.00</u>
Amount of Renewed Loans 1 and 2 April 8, 1983	\$163,476.61

The Committee reports continue to show an outstanding debt for the principal of Loan 1 (\$96,920) and Loan 2 (\$5,000). The auditors state that since interest on a loan must be paid prior to reduction of the principal, a portion of the Party's \$100,000 payment on the loans is applicable to the interest accrued on the Committee's portion of the loans. As a result, the auditors calculated that the non-federal account paid interest totaling \$5,899.61 on the federal Committee's loans. Therefore, it appears that corporate and/or labor monies have been used in

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connection with federal election activity. Also, the proceeds of Loan 2 were commingled with funds prohibited by the Act before \$5,000 were transferred from the non-federal account to the Committee account.

Loan 3:

On October 27, 1982, the Party obtained a loan of \$100,000 from the First National Bank of Atlanta. Bank documents show that in separate checks the Committee received \$70,000 and the non-federal administrative account received \$30,000 of the loan proceeds.

On April 8, 1983, the Party's non-federal administrative account made a payment of \$50,000 on the First Atlanta loan. Committee officials explained to the auditors that this payment was to extinguish the non-federal account's share of the loan (\$30,000 plus interest) and the remainder was applied to the Committee's portion. Because interest is paid before reduction of principal, the auditors calculated that the non-federal account paid off its loan portion totaling \$31,567.40; and the amount paid on behalf of the Committee totals \$14,775.34 principal and \$3,657.26 interest, or \$18,432.60. The Committee reports a balance due to First Atlanta of \$50,000. The auditors stated that the non-federal administrative account used to make the loan payment on behalf of the Committee contained funds prohibited by the Act.

Analysis: As discussed herein, the audit review disclosed the following findings:

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a) the Committee received a transfer of \$5,000 in loan form which had been commingled with corporate funds in one of the Party's non-federal accounts before entering the Committee account (Loan 2);

b) the Party's non-federal administrative account, containing funds prohibited by the Act, made a payment of \$5,899.61 for the Committee's portion of the interest accrued on two loans (Loans 1 and 2);

c) the Party's non-federal administrative account made a loan payment of \$18,432.60 on behalf of the Committee (Loan 3).

The audit report recommended that the Committee repay or report a debt of \$29,332.21 to the non-federal administrative account for the loan and loan payments which were commingled with corporate and labor funds in the non-federal account. The audit report also recommended that the Committee establish procedures to avoid similar future occurrences.

On November 25, 1983, lacking available funds to make repayments, the Committee amended its reports to disclose as debts outstanding to the non-federal account the loan payments and the transfer from a non-federal account.

Based on the findings articulated above, it appears that the Party has violated 2 U.S.C. § 441b(a) by making and receiving funds prohibited by the Act, funds which were spent on behalf of or transferred to the Committee by the Party's non-federal accounts.

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B. Loan Collateral

The auditors' review of the three loans discussed above indicates that during a two month period the Party obtained loans totaling \$350,000 from two banks, loans which were apparently unsecured. Therefore, the Interim Audit Report questioned whether the loans were made in the ordinary course of business or in accordance with applicable State law.

2 U.S.C. § 441b(a) prohibits a national bank from making a contribution in connection with any election to any political office. The same statute prohibits receipt of such contributions by a political committee or for any officer or director of any national bank to consent to such prohibited contribution.

2 U.S.C. § 431(8)(b)(vii) excludes a loan made by a national or State bank to a political committee from the definition of contribution if the loan is made in the ordinary course of business and in accordance with applicable law. 11 C.F.R. § 100.7(b)(11) sets forth guidelines for determining whether a loan is made in the ordinary course of business. Under this provision, a loan will be deemed to be made in the ordinary course of business if it 1) bears the usual interest rate of the bank for the type of loan; 2) is made on a basis which assures repayment; 3) is evidenced by a written instrument; and 4) is subject to a due date or amortization schedule.

1) Interest Rate, Written Instrument, Due Date

Bank documents submitted to the auditors by the Committee show that Loans 1 and 2 from C and S and Loan 3 from First

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Atlanta were evidenced by written instruments, due on specific dates and subject to definite interest rates. C and S Loan 1 of \$125,000 was made on October 8, 1982, carried an interest rate of prime plus 1/2 percentage point, and matured April 8, 1983.

C and S Loan 2 of \$125,000 was made on November 5, 1982, also carried an interest rate of 1/2 percent above prime and matured on April 8, 1983. The proceeds of these loans were shared in differing proportions (as discussed in A above) between the Party's non-federal account and the federal Committee.

On the due date, the Party paid \$100,000 applicable to both loans. The bank renewed the loans and issued a new note of \$163,476.61 for the balance. This note carried an interest rate of 1/2 percent above prime and was due on October 11, 1983.

First Atlanta Loan 3 of \$100,000 was made on October 27, 1982, carried an interest rate of 1/2 above prime and was due on April 8, 1983. The proceeds were shared between the Party non-federal account (30%) and the Committee (70%). On the due date, the Party made a payment on the loan of \$50,000. First Atlanta renewed the loan for \$55,224.66 with the same interest rate, and due in 180 days. There is no evidence that the interest charged on these loans was not usual and customary for these types of loans.^{2/}

^{2/} The customary charges could be confirmed through review of the banks' interest rate schedule for the period in question. However, the auditors indicated that the rate of 1/2% above prime is generally found nationwide as the interest rate on political loans.

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2) Assurance of Repayment

The loans appear to meet the Act's criteria for determining the ordinary course of business except for the provision that the loans are to be made "on a basis which assures repayment." The loan transactions are questionable when examined in terms of the banks' expectation of repayment. The Committee's assets, in the form of account balances on the loan dates, seem rather tenuous as security for such loans.

The auditors reviewed bank statements from the accounts receiving proceeds of the loans (the non-federal administrative account and the Committee account). The auditors concluded from their review that the amount of funds in the two bank accounts at the time of the loans would not give reasonable assurance that the Party could repay the loans:

	<u>Committee Balance</u>	<u>Non-Federal Admin. Account Balance</u>
Loan 1 (\$125,000) October 8, 1982	\$18,059.40	\$22,519.52
Loan 2 (\$125,000) November 18, 1982 ^{3/}	checks outstanding totaling \$1,095.80 drawn on \$58.58 balance.	887.74
Loan 3 (\$100,000) October 27, 1982	2,926.12	16,898.13

The auditors noted that the Party did not maintain these or any other bank accounts with C and S or First Atlanta.

^{3/} The loan was obtained on November 5, 1982. The Committee received its portion of the proceeds on November 18, 1982.

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annually in February, and by election qualifying fees received in May and June of each year. The Party states that it made partial payments on the loans (as discussed above) in April 1983, and had expected to pay the balance of the renewed loans by the end of 1983. The balance of these loans apparently remains outstanding.

3) Applicable Law

The Code of Georgia 1983 amendment § 7-1-285 prohibits a bank's making loans which exceed 15 percent of the statutory capital base of the bank unless the entire amount of such loans is secured by good collateral or other ample security and does not exceed 25 percent of the statutory capital base.^{4/} Since these banks are larger, well-established national banks, it is evident that C and S could lend \$250,000 and First Atlanta could lend \$100,000 without approaching the limit of 15% of the banks' capital base.^{5/} Therefore, the loans appear to comport with the state banking laws which apply to limitations on the percentage of the bank's capital base which may be lent at one time.

^{4/} § 7-1-4(35) states that Statutory Capital Base means:

- (A) the sum of the capital stock, the paid-in capital, the appropriated retained earnings, and the capital debt of a bank or trust company; or
- (B) the amount of the net assets of such financial institution, whichever is the lower amount.

^{5/} The 1979 condensed statement of condition for C and S shows total assets and offsetting liabilities in excess of \$4 billion with capital of \$72 million. First Atlanta showed assets and offsetting liabilities of \$2.5 billion with nearly \$15 million in capital. (Source: Polk's World Bank Directory - Spring 1980).

RECOMMENDATIONS

1. Find reason to believe that the Democratic Party of Georgia and as treasurer, Charles Harris, violated 2 U.S.C. § 441b(a).
2. Find reason to believe that the Citizens and Southern National Bank violated 2 U.S.C. § 441b(a).
3. Find reason to believe that the First National Bank of Atlanta violated 2 U.S.C. § 441b(a).
4. Send attached letters.

Charles N. Steele
General Counsel

BY:


Kenneth A. Gross
Associate General Counsel

Attachments

- Letters (3)
- General Counsel's Factual and Legal Analysis
- Interrogatories

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September 20, 1954
Date



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20543

MEMORANDUM TO: CHARLES STEELE, GENERAL COUNSEL
 FROM: MARJORIE W. EMMONS/JODY C. RANSOM *JCR*
 DATE: SEPTEMBER 24, 1984
 SUBJECT: OBJECTIONS - MUR 1725 First General
 Counsel's Report signed September 20,
 1984

The above-named document was circulated to the
 Commission on Thursday, September 20, 1984 at 4:00.

Objections have been received from the Commissioners
 as indicated by the name(s) checked:

Commissioner Aikens	<u> X </u>
Commissioner Elliott	<u> X </u>
Commissioner Harris	<u> </u>
Commissioner McDonald	<u> </u>
Commissioner McGarry	<u> </u>
Commissioner Reiche	<u> </u>

This matter will be placed on the Executive Session
 agenda for Tuesday, October 2, 1984.

03040674585

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
The Democratic Party of Georgia) MUR 1725
Citizens and Southern National Bank)
First National Bank of Atlanta)

CERTIFICATION

I, Mary W. Dove, Recording Secretary for the Federal Election Commission Executive Session of October 2, 1984, do hereby certify that the Commission decided by a vote of 4-2 to take the following actions in MUR 1725:

1. Find reason to believe that the Democratic Party of Georgia and as treasurer, Charles Harris, violated 2 U.S.C. § 441b(a).
2. Find reason to believe that the Citizens and Southern National Bank violated 2 U.S.C. § 441b(a).
3. Find reason to believe that the First National Bank of Atlanta violated 2 U.S.C. § 441b(a).
4. Send letters attached to the General Counsel's September 20, 1984, report.

Commissioners Harris, McDonald, McGarry, and Reiche voted affirmatively for the decision. Commissioners Aikens and Elliott dissented.

Attest:

10-3-84
Date

Mary W. Dove
Mary W. Dove
Recording Secretary

3374764580



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

October 4, 1984

Mr. Charles Harris, Treasurer
Democratic Party of Georgia
901 South Omni International
Atlanta, Georgia 30303

RE: MUR 1725
Democratic Party of Georgia
Charles Harris, Treasurer

Dear Mr. Harris:

On October 2, 1984, the Federal Election Commission determined that there is reason to believe that the Democratic Party of Georgia 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"). 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. 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 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.

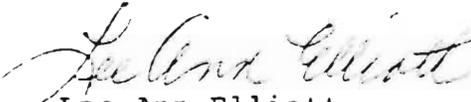
9974057597

Mr. Charles Harris, Treasurer
Page 2

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,


Lee Ann Elliott
Chairman

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

8 3 0 4 0 5 9 4 5 8 8



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

October 4, 1984

Citizens and Southern
National Bank
35 Broad Street
Atlanta, Georgia 30303

RE: MUR 1725
Citizens and Southern National Bank

Dear Sir or Madam:

On October 2, 1984, the Federal Election Commission determined that there is reason to believe that your bank violated 2 U.S.C. § 441b(a), a provision of the Federal Election Campaign Act of 1971, as amended ("the Act"). 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 your bank. 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 the bank, 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).

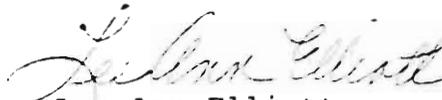
If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel, and a statement authorizing such counsel to receive any notifications and other communications from the Commission.

83040594589

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,



Lee Ann Elliott
Chairman

Enclosures

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

88040594590

CITIZENS AND SOUTHERN NATIONAL BANK

INTERROGATORY

- 1.a) Please state all criteria used by your Bank to make a loan.
b) Please supply any documents which reflect these criteria.
c) Have these criteria been formally adopted?

If so, explain how they were adopted, by whom, and on what date.

- 2.a) Please specify the information submitted to you by the Democratic Party of Georgia in requesting the loans.
b) Please supply any documents submitted to you by the borrower.
c) Please explain how this information was approved, by whom and on what date.
- 3.a) State all the information on which the Bank relied in making the decision to approve the loans to the Democratic Party of Georgia.
b) Please supply any documents on which the Bank relied in making its decision.
c) State who approved the loans and on what date.
4. Please list all repayments made on the Party's original loans and the dates of such repayments.
- 5.a) If any payment on the original loans was missed, please state the Bank's efforts to obtain payment.
b) Please provide all documents which support this effort.
c) Please state all steps taken to collect these loans whether written or oral.
- 6.a) Have the loans been renegotiated or renewed?
b) If so, please state the date, the terms of the renewal agreement; name the person or persons who approved the renewed loans as well as the person or person requesting the renewal.
c) Please specify what information, other than that relied upon in approving the original loans, was used in your decision to approve the renewal.
d) Supply the documentation supporting this decision.

98040524591

- 7.a) State the Bank's criteria for renegotiating loans.
- b) Please supply any documents which reflect these criteria.
- c) Have these criteria been formally adopted?

If so, explain how they were adopted, by whom and on what date.

- 8.a) Has the Bank written off the loans to the Democratic Party of Georgia?
- b) If so, when were the loans written off?

9. For the period January 1, 1980 to the present:

- a) how many loans has the Bank made of amounts between \$50,000 and \$300,000?
- b) How many such loans were made under the same interest rate as that approved for the Democratic Party of Georgia?
- c) How many of these loans have been paid according to this rate schedule?
- d) How many such loans not repaid pursuant to this schedule have been renegotiated?
- e) For how many loans not repaid according to the schedule have you taken steps to obtain payment other than renegotiation of the loan?
- f) How many of these loans has the Bank written off?

- 10.a) Has the Bank previously made loans to the Party?
- b) If so, state the date, amount and terms of the loan(s) and whether those terms were met.
- c) If the terms were not met, what steps were taken to obtain payment of these loans?
- d) Are these loans still outstanding?

3 8 0 4 0 6 7 4 5 9 2

Mr. Kermit V. Wiles
Page 2

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,


Lee Ann Elliott
Chairman

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

83040694594

FIRST NATIONAL BANK OF ATLANTA

INTERROGATORY

- 1.a) Please state all criteria used by your Bank to make a loan.
b) Please supply any documents which reflect these criteria.
c) Have these criteria been formally adopted?

If so, explain how they were adopted, by whom, and on what date.

- 2.a) Please specify the information submitted to you by the Democratic Party of Georgia in requesting the loan.
b) Please supply any documents submitted to you by the borrower.
c) Please explain how this information was approved, by whom and on what date.
- 3.a) State all the information on which the Bank relied in making the decision to approve the loan to the Democratic Party of Georgia.
b) Please supply any documents on which the Bank relied in making its decision.
c) State who approved the loan and on what date.
4. Please list all repayments made on the Party's original loan and the dates of such repayments.
- 5.a) If any payment on the original loan was missed, please state the Bank's efforts to obtain payment.
b) Please provide all documents which support this effort.
c) Please state all steps taken to collect this loan whether written or oral.
- 6.a) Has the loan been renegotiated or renewed?
b) If so, please state the date, the terms of the renewal agreement; name the person or persons who approved the renewed loan as well as the person or person requesting the renewal.
c) Please specify what information, other than that relied upon in approving the original loan, was used in your decision to approve the renewal.
d) Supply the documentation supporting this decision.

33040574595

- 7.a) State the Bank's criteria for renegotiating loans.
- b) Please supply any documents which reflect these criteria.
- c) Have these criteria been formally adopted?

If so, explain how they were adopted, by whom and on what date.

- 8.a) Has the Bank written off the loan to the Democratic Party of Georgia?

b) If so, when was the loan written off?

9. For the period January 1, 1980 to the present:

a) how many loans has the Bank made of amounts between \$50,000 and \$300,000?

b) How many such loans were made under the same interest rate as that approved for the Democratic Party of Georgia?

c) How many of these loans have been paid according to this rate schedule?

d) How many such loans not repaid pursuant to this schedule have been renegotiated?

e) For how many loans not repaid according to the schedule have you taken steps to obtain payment other than renegotiation of the loan?

f) How many of these loans has the Bank written off?

- 10.a) Has the Bank previously made loans to the Party?

b) If so, state the date, amount and terms of the loan(s) and whether those terms were met.

c) If the terms were not met, what steps were taken to obtain payment of these loans?

d) Are these loans still outstanding?

93040674596

The First National Bank of Atlanta
2 Peachtree Street, N.E.
Atlanta, Georgia 30383

FIRST ATLANTA
RECEIVED AT THE FEC
GCC# 5346
84 OCT 29 AM 8:05

Vice President

October 23, 1984

Ms. Frances B. Hagan
Federal Election Commission
Washington, D. C. 20463

RE: MUR 1725
First National Bank of Atlanta

Dear Ms. Hagan:

Pursuant to our telephone conversation today, I am requesting an extension of the deadline to submit our package to you. The reason for this request is that we have not yet received from you a copy of the Procedures or the Designation of Counsel Statement.

I appreciate your help in getting these to us and in the granting of the extension.

Sincerely,



Robert C. Osborne
Vice President

RCO/pn

83040684597

11:11 AM

STATEMENT OF DESIGNATION OF COUNSEL

MUR 1725

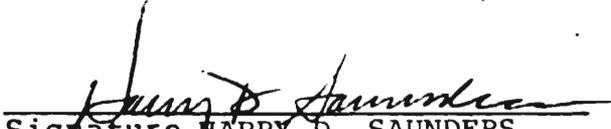
NAME OF COUNSEL: Alston & Bird (Messrs. Ben F. Johnson, III & Timothy S. Perry)

ADDRESS: 1200 C&S National Bank Building
35 Broad Street
Atlanta, Georgia 30335

TELEPHONE: Alston & Bird 404/586-1500
Ben F. Johnson, III 404/586-1776
Timothy S. Perry 404/586-1642

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.

October 24, 1984
Date


Signature HARRY D. SAUNDERS,
Senior Vice-President - Corporate
Counsel

RESPONDENT'S NAME: The Citizens & Southern National Bank

ADDRESS: Marietta and Broad
P. O. Box 4899
Atlanta, Georgia 30302-4899

HOME PHONE: 404/352-2946

BUSINESS PHONE: 404/581-2322

33740594599

LAW OFFICES

ALSTON & BIRD

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

1200 CITIZENS & SOUTHERN NATIONAL BANK BUILDING
35 BROAD STREET
ATLANTA, GEORGIA 30335
404-586-1500

DIRECT DIAL NUMBER

GALLERIA OFFICES
100 GALLERIA PARKWAY
SUITE 1200
ATLANTA, GEORGIA 30339
404-955-8400

CABLE: AMGRAM ATLANTA
TELEX: 54 2996

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HAND DELIVERED
34 OCT 25 A 8:56
GCC#S301

October 24, 1984

VIA FEDERAL EXPRESS

Frances B. Hagan, Esquire
Office of the General Counsel
Federal Election Commission
Washington, D.C. 20463

Re: MUR 1725 The Citizens and Southern National Bank

Dear Ms. Hagan:

You will shortly receive a designation of counsel from The Citizens and Southern National Bank designating Ben Johnson and myself of Alston & Bird as counsel for The Citizens and Southern National Bank in MUR 1725.

In that capacity, we are writing to request an extension of time for fifteen days for our client's response. As I understand it the time for response was extended through October 26 at the earlier request of our client, and our request is now made to enable us as its counsel to review the matters addressed in your letter of October 4 and prepare a written response.

I appreciated the opportunity to talk with you today about this situation. Please feel free to contact me if you have any questions.

Sincerely,



TIMOTHY S. PERRY

TSP:dw
cc: Harry Saunders

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14 OCT 25
A10
RE
DEPT



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 30, 1984

Timothy S. Perry, Esquire
Alston and Bird
1200 Citizens and Southern
National Bank Building
35 Broad Street
Atlanta, Georgia 30335

RE: MUR 1725
Citizens and Southern National
Bank

Dear Mr. Perry:

This is in reference to your letter dated October 24, 1984, requesting an extension of 15 days to respond to the Commission's notice of reason to believe. After considering the circumstances presented in your letter, the Commission has determined to grant your requested extension. Accordingly, your response will be due on November 12, 1984.

If you have any questions, please contact Frances B. Hagan, the staff member assigned to this matter at (202) 523-4000.

Sincerely,

Charles N. Steele
General Counsel

BY: Kenneth A. Gross
Associate General Counsel

160494601

**DEMOCRATIC
PARTY
OF
GEORGIA**

901 SOUTH TOWER
OMNI
INTERNATIONAL
ATLANTA,
GEORGIA 30303
(404) 688-1984

0-CCTH-SS19

RECEIVED
OFFICE OF THE FEC
SECRETARY

84 NOV 8 P 2:47

November 2, 1984

Ms. Lee Ann Elliott
Chairman, Federal Election
Commission
Washington D.C. 20463

Re: MUR 1725
Democratic Party of Georgia
Charlie Harris, Treasurer

14 NOV 8 P 4:19

GENERAL COUNSEL

Dear Ms. Elliott:

On behalf of the Democratic Party of Georgia, we hereby request an extension on the your letter of October 4, 1984 in order that we can fully respond to the points you raised. With your permission we would like this extension through December 3, 1984.

All correspondence and communications regarding this matter should be directed to me as general counsel for the Party and as the Party's Assistant Treasurer.

Thanking you in advance for your cooperation,
I am

Sincerely,

Wayne Reece
Wayne Reece

kt

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 7, 1984

Robert C. Osborne, Vice President
The First National Bank of
Atlanta
2 Peachtree Street, N.E.
Atlanta, Georgia 30383

Re: MUR 1725
First National Bank of Atlanta

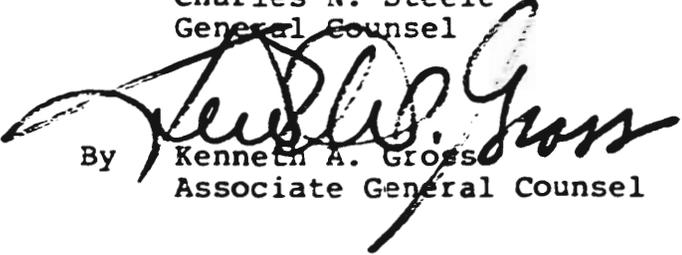
Dear Mr. Osborne:

This is in reference to your letter dated October 23, 1984, requesting an extension to respond to the Commission's reason to believe notification. After considering the circumstances presented in your letter, the Commission has determined to grant your requested extension. Accordingly, your response will be due on November 12, 1984.

If you have any questions, please contact Frances B. Hagan, the staff member assigned to this matter at (202) 523-4000.

Sincerely,

Charles N. Steele
General Counsel

By 
Kenneth A. Gross
Associate General Counsel

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60075688
24 NOV 19 84 10:10

November 9, 1984

Ms. Frances B. Hagan
Federal Election Commission
Washington, D. C. 20463

Re: MUR 1725
The First National Bank of Atlanta

Dear Ms. Hagan:

This is in response to your letter of October 4, 1984 to Mr. Kermit V. Wiles.

Attached are our answers to the questions enclosed with your letter.

We have reviewed the General Counsel's factual and legal analysis which formed a basis for the Commission's finding that there is reason to believe that our Bank violated 2 USC §441B(a), a provision of the Federal Election Campaign Act of 1971, as amended (the "Act").

As we understand the General Counsel's factual and legal analysis, the sole basis for the Commission's determination is the General Counsel's opinion that the loan did not meet the Act's criteria on the grounds that the loan transaction is "questionable when examined in terms of the Bank's expectation of repayment".

We believe that the loan was made in the ordinary course of business and on a basis which assures repayment. Our credit analysis and decision is reflected in the documents set forth in response to your questions. As stated in Exhibit 2c2, we believed at the time the loan was made, and continue to believe, that the borrower has the ability to repay the loan. As noted in Exhibit 2c2, the borrower previously borrowed and assumed indebtedness of approximately \$575,000, which it repayed in an orderly fashion through its fund raising efforts. Since those repayments, the borrower incurred no substantial indebtedness, and at the

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COMM-FED

Page 2 of 2
Frances B. Hagan
November 9, 1984

time of our loan, had no indebtedness; therefore the Bank had a reasonable expectation that the borrower would be able to retire the new indebtedness from its fund raising efforts, as it had done in the past. Furthermore, it should be clear to you that this loan was made in the ordinary course of the Bank's business, in accordance with its loan and credit policies for similar transactions, as reflected in Exhibits 1a1 through 1a3.

Sincerely,



Robert C. Osborne
Vice President

RCO/bc
Attachments

3 3 0 4 0 5 9 4 6 0 6

RESPONSE TO INTERROGATORY

- 1.a) -
Q: Please state all criteria used by your Bank to make a loan.
A: See Exhibits 1a1 - 1a3.
- 1.b) -
Q: Please supply any documents which reflect these criteria.
A: See Exhibits 1a1 - 1a3.
- 1.c) -
Q: Have these criteria been formally adopted? If so, explain how they were adopted, by whom, and on what date.
A: Yes, as part of the Credit Policies and Procedures Manual adopted by the Credit Policy Division of the Bank in 1981.
- 2.a) -
Q: Please specify the information submitted to you by the Democratic Party of Georgia in requesting the loan.
A: See Exhibits 2a1 through 2a9.
- 2.b) -
Q: Please supply any documents submitted to you by the borrower.
A: See Exhibits 2a1 through 2a9.
- 2.c) -
Q: Please explain how this information was approved, by whom and on what date.
A: See Exhibit 2c1. The loan was initially approved by John P. Stevens, Executive Vice President, on 10/28/82, and ratified by the Credit Policy Division on 11/18/82.
- 3.a) -
Q: State all the information on which the Bank relied in making the decision to approve the loan to the Democratic Party of Georgia.
A: See Exhibits 2a1 - 2a9, 2c1, and 2c2.
- 3.b) -
Q: Please supply any documents on which the Bank relied in making its decision.
A: See Exhibits 2a1 - 2a9, 2c1, and 2c2.
- 3.c) -
Q: State who approved the loan and on what date.
A: See the answer to 3a.

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4. -

Q: Please list all repayments made on the Party's original loan and the dates of such repayments.

A: April 8, 1983 - \$50,000
October 25, 1984 - \$14,393.17

5.a) -

Q: If any payment on the original loan was missed, please state the Bank's efforts to obtain payment.

A: Not applicable.

6.a) -

Q: Has the loan been renegotiated or renewed?

A: Yes, the loan was renewed.

6.b) -

Q: If so, please state the date, the terms of the renewal agreement; name the person or persons who approved the renewal loan as well as the person or persons requesting the renewal.

A: April 8, 1983; Mr. John Stevens agreed to renew the \$50,000 balance to October 5, 1983, at a rate of prime plus $\frac{1}{2}$ %. The renewal was requested by Joel Cowan.

October 5, 1983; Mr. John Stevens agreed to renew the balance of the loan to April 2, 1984, at a rate of prime plus $\frac{1}{2}$ %. The renewal was requested by Mr. Joel Cowan.

April 2, 1984; the loan was renewed by Mr. John Stevens at a rate of prime plus $\frac{1}{2}$ % until October 1, 1984. The renewal was requested by Mr. Joel Cowan.

October 1, 1984; the loan was renewed by Mr. John Stevens until December 31, 1984, at a rate of prime plus $\frac{1}{2}$ %. The renewal was requested by Mr. Joel Cowan.

6.c) -

Q: Please specify what information, other than that relied upon in approving the original loan, was used in your decision to approve the renewal.

A: April 8, 1983: See Exhibit 6c1.

October 5, 1983: See Exhibit 6c1 & 6c2.

April 2, 1984: See Exhibits 6c1 & 6c2.

October 1, 1984: See Exhibits 6c1 - 6c4.

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6.d) -

Q: Supply the documentation supporting this decision.

A: See Exhibits 6c1 through 6c4.

7.a) -

Q: State the Bank's criteria for renegotiating loans.

A: Not applicable.

8.a) -

Q: Has the Bank written off the loan to the Democratic Party of Georgia?

A: No.

9.a) -

Q: For the period January 1, 1980, to the present, how many loans has the Bank made of amounts between \$50,000 and \$300,000?

A: This information is not available from the Bank's computerized Loan Accounting System. This would require a manual examination of all loan files which could not be completed in the time frame requested.

9.b) -

Q: How many such loans were made under the same interest rate as that approved for the Democratic Party of Georgia?

A: See the answer to 9a.

9.c) -

Q: How many of these loans have been paid according to this rate schedule?

A: See the answer to 9a.

9.d) -

Q: How many such loans not repaid pursuant to this schedule have been renegotiated?

A: See the answer to 9a.

9.e) -

Q: For how many loans not repaid according to the schedule have you taken steps to obtain payment other than renegotiation of the loan?

A: See the answer to 9a.

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9.f) -

Q: How many of these loans has the Bank written off?

A: See the answer to 9a.

10.a) -

Q: Has the Bank previously made loans to the Party?

A: No.

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TOPIC: General Loan Policies and Procedures

I. DEFINITION: None

II. POLICY:

A. Composition of the Loan Portfolio:

1. The Bank's first obligation as a financial institution is to serve those existing and long standing customers in its primary service area; particularly, the community in which the Bank is located.
2. The loan portfolio will be managed in view of changing economic conditions and requirements of regulatory authorities.
3. The size of the loan portfolio is governed by the following:
 - a. The availability of capital;
 - b. The Bank's deposit mix;
 - c. Other funds sources; and
 - d. The general liquidity requirements of the Bank.
4. The Bank's Asset and Liability Committee indicates from time to time a general condition of tightness in the Money Market and, in those times, the Bank must be more selective in its lending:
 - a. Generally, during such times, there should be no loans extended for:
 - i. Business solicitation;
 - ii. Expansion plans;
 - iii. Capital investments; or
 - iv. Speculative purposes including loans for:
 - Mergers or acquisitions;
 - Commodity or inventory speculation.

CREDIT POLICIES AND PROCEDURES

EXHIBIT 1a1

33040694611

INDEX NO: 2.01
SECTION: General Loan Policy
PAGE: 2 of 8 DATE: 4/82

TOPIC: General Loan Policies and Procedures

b. It is recognized that there will be some cases when such loans enumerated, above, should be extended, but careful consideration must always be given to allocating sufficient funds and capital to servicing the existing customer and community base when there is greater demand for loans than the supply of funds can accommodate:

i. In all instances, such loans require prior approval of the appropriate Bank Loan Committee.

B. Risk:

1. The risk level of the loan portfolio is controlled through proper loan authority and approval policies and procedures, as well as through diversification of the portfolio:

a. This is to avoid undue industry concentration and an excess number and dollar amount of commitments which might impair liquidity.

2. All loans are systematically and regularly reviewed by the Independent Loan Review Division.

C. Profitability:

1. The profitability of the loan portfolio is managed through the analysis of each commitment on an individual basis by calculating the return on equity ("ROE"):

a. This calculation is prescribed as part of the normal profit plan process.

2. No new customer should be approved for a borrowing relationship where the profitability level is less than the prescribed minimum level unless:

CREDIT POLICIES AND PROCEDURES

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TOPIC: General Loan Policies and Procedures

- a. It is determined that the desired profitability level can be achieved in an orderly fashion over a reasonable period of time; and a plan for doing so is set forth.
- b. Account relationships are required in connection with the extension of all loans:
 - i. Generally, compensating collected balances for a commercial customer should not be less than 20% of the commitment.
 - ii. With national concerns, it is understood that the above mentioned compensating balance requirement may not be practical. Alternative arrangements for compensation may be flexible as long as the desired profitability levels are obtained.

D. Criteria for Granting Loans:

1. As a financial institution and corporate citizen, the Bank has an obligation beyond its own internal objectives:
 - a. A fundamental obligation of a commercial bank is to prudently evaluate all loan requests and support only those which represent:
 - i. Viable commercial or business endeavors;
 - ii. Legitimate personal needs of individuals and organizations dedicated to the general well being of the community.
2. The Bank's primary service area is the point of greatest concern and is that place on which the Bank puts greatest emphasis:

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TOPIC: General Loan Policies and Procedures

a. Generally, a company's primary place of business would be located in the Bank's primary service area for it to qualify as a company located in that service area:

i. In the case of firms whose primary office is located elsewhere, the size and relative value of the particular entities located in the Bank's primary service area would be considered.

ii. Generally, individuals borrowing for personal needs should be residents of the Bank's primary service area.

iii. The primary service area of the Bank is defined as follows:

Primary counties are: Fulton, DeKalb, Cobb, Richmond, Clayton, and Gwinnett

Primary correspondent cities (counties) are: Savannah (Chatham); Dalton (Whitfield); Columbus (Muscogee); Macon (Bibb); Albany (Dougherty); Athens (Clark); Rome (Floyd); Valdosta (Lowndes); and Brunswick (Glynn).

3. The Bank's secondary service area is that area which is secondarily important to the Bank as follows:

a. The remainder of Georgia (not listed above);

b. The Southeastern States; and

c. The nation.

TOPIC: General Loan Policies and Procedures

E. Loan Commitments:

1. The Bank Credit Policy Division maintains records of loan and credit line commitments extended by the Bank. Reports are produced and reviewed by the Credit Policy and Corporate Financial Services Committees for the purposes of:
 - a. Monitoring the level of commitments by loan type and division; and
 - b. Setting limits on commitments, as necessary.

F. Loan Mix:

1. The Bank maintains control over the mix of the loan portfolio in such a manner that the obligation to the local consumer and business communities is fulfilled.

G. Loan Funding:

1. It is the Bank's practice to maintain the consumer loan level at an amount not greater than the net available deposits generated in the local community consumer marketplace.
2. Corporate deposits generated from the State of Georgia, Southeast, and national markets will be used for loans in those marketplaces, as will certificates of deposit and other borrowed funds.
3. Generally, international loans will be funded with deposits purchased in the international marketplace.

H. Note Maturities:

1. All commercial transactions must be handled with notes maturing in approximately 90 days or less:

TOPIC: General Loan Policies and Procedures

- E. Loan Commitments:
1. The Bank Credit Policy Division maintains records of loan and credit line commitments extended by the Bank. Reports are produced and reviewed by the Credit Policy and Corporate Financial Services Committees for the purposes of:
 - a. Monitoring the level of commitments by loan type and division; and
 - b. Setting limits on commitments, as necessary.
- F. Loan Mix:
1. The Bank maintains control over the mix of the loan portfolio in such a manner that the obligation to the local consumer and business communities is fulfilled.
- G. Loan Funding:
1. It is the Bank's practice to maintain the consumer loan level at an amount not greater than the net available deposits generated in the local community consumer marketplace.
 2. Corporate deposits generated from the State of Georgia, Southeast, and national markets will be used for loans in those marketplaces as will certificates of deposit and other borrowed funds.
 3. Generally, international loans will be funded with deposits purchased in the international marketplace.
- H. Note Maturities:
1. All commercial transactions must be handled with notes maturing in approximately 90 days or less:

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TOPIC: General Loan Policies and Procedures

- a. This documentation should include a current audited set of financial statements for any unsecured extension of credit to a single customer which, in aggregate, exceeds \$100,000;
 - i. The audited statements should contain operating figures.
 - ii. The requirement of audited financial statements is a flexible one which requires judgment on the part of the lending officer.
 - iii. While audited figures are always preferable, the following are always factors to be considered as to whether audited figures are a requirement:
 - . The type of credit;
 - . Collateral, and marketability thereof;
 - . The borrower's past performance;
 - . The size of the company; and
 - . The practicality of requiring a full audit.
- J. Lending Officer's Responsibility:
- I. Officers extending commercial loans are responsible for compliance with all of the policies, procedures, and lending guidelines set forth in this Manual.

III. PROCEDURES: None

IV. EXHIBITS: None

V. REFERENCES:

A. Other Related Policies:

1. Real Estate
2. Real Estate Loan Service

INDEX NO: 2.01
SECTION: General Loan Policy
PAGE: 8 of 8 DATE: 4/82

TOPIC: General Loan Policies and Procedures

3. Portfolio Concentration

B. Responsible Divisions:

I. Credit Policy

VI. POLICY DATES:

A. Original Policy Date: 2/78

B. Policy Revision Date: 4/82

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CREDIT POLICIES AND PROCEDURES

TOPIC: Unsecured Lending

I. DEFINITION:

- A. Unsecured Loans, commonly referred to as signature or direct loans, are those on which no collateral is assigned to secure the funds advanced.

II. POLICY:

- A. In granting a request for credit on an unsecured basis, the loan officer should obtain as full knowledge as possible of the potential borrower's business and he must evaluate the advisability of making the unsecured loan in light of:

1. Character/management competence;
2. Bank history or experiences;
3. Financial condition;
4. Purpose of the loan;
5. Proposed schedule of repayment;
6. Primary and secondary sources of repayment.

- B. In assessing the credit worthiness of a customer in connection with a request for an unsecured loan, the lending officer must carefully evaluate a number of types of assets, commonly found on personal financial statements, from which he may not be able to realize repayment:

1. All securities and savings which are listed in joint names would automatically accrue to the spouse or other joint owner on the death of the individual. These assets would be unavailable for debt repayment.
2. Life insurance not payable to the estate would automatically pass to the beneficiary and both face value and cash value (unless assigned to the bank) would be unavailable for debt repayment.
3. Real Estate or interest in real estate which is not owned solely by the borrower may be unavailable for debt repayment, depending upon the existence and size of the first mortgages and the willingness of the joint owners to sell.

CREDIT POLICIES AND PROCEDURES

EXHIBIT 1a2

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TOPIC: Unsecured Lending

4. In the State of Georgia, the wife may also sue the estate for one year's support for herself and her children, and this support will be awarded to the wife and her children from the assets of the estate prior to the settlement of the unsecured creditors claims. The amount of one year's support usually approximates the total annual sources of income to which the borrower and his family are accustomed.
5. Personal property, such as furniture, automobiles, or boats are many times of little value in debt repayment.

III. PROCEDURE:

- A. In making an unsecured loan, the borrower must execute one of the following note forms:
 1. Form 91-3772: Notes requiring truth-in-lending disclosure; or
 2. Form 91-3764: non-disclosure note.
- B. The "Tried and True Credit Fundamentals" set forth in a separate statement should be closely followed when making unsecured loans.
- C. The lending officer should ascertain if properties listed on personal statements are solely or jointly owned.
- D. The beneficiaries for all life insurance policies should be determined.
- E. The loan officer should not take for granted the net worth of an individual without ascertaining the true value of underlying assets, the impact of other debt and its collateral on the overall financial condition, listed on personal statements.
- F. The loan officer should take all necessary steps to protect against any possibility which would create unnecessary exposure to loan losses. For example, the sale of credit life insurance on unsecured loans can be of benefit to both the borrower and the Bank in avoiding some of the problem situations described above.

TOPIC: Unsecured Lending

IV. EXHIBITS: None

V. REFERENCES:

A. Other Related Policies:

1. Tried and True Credit Fundamentals.

B. Responsible Division:

1. Credit Policy

VI. POLICY DATES:

A. Original Policy Date: 2/78

B. Policy Revision Dates: 5/80, 6/81

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TOPIC: Political Loans

I. DEFINITION:

- A. A political loan is a loan made to a political candidate for campaign purposes.

II. POLICY:

- A. Loans may be extended for campaign purposes if they are made in accordance with applicable banking laws and regulations. A loan will be deemed to be made in the ordinary course of business if it:

1. Bears the usual and customary interest rate of the Bank for the category of the loan involved;
2. Is made on a basis which assures repayment;
3. Is evidenced by a written instrument; and
4. Is subject to a due date or amortization schedule.

- B. Such loans must conform to the Bank's credit policies and procedures.

- C. Generally, such loans must be handled by and booked in the Governmental Affairs Division.

- D. When a loan is made to a political candidate based principally on the creditworthiness of guarantors on the loan, a written statement must be obtained from each guarantor acknowledging that his guarantee constitutes a political contribution to the candidate and such contribution will be duly reported.

III. PROCEDURE:

- A. Political loans are handled in the same manner as other loans.

IV. EXHIBITS: None

V. REFERENCES:

- A. Other Related Policies:

1. Loan Committee Approval

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INDEX NO: 6.10
SECTION: Categories of Credit
PAGE: 2 of 2 DATE: 6/81

TOPIC: Political Loans

B. Responsible Divisions:

1. Credit Policy
2. Legal
3. Governmental Affairs

VI. POLICY DATES:

- A. Original Policy Date: 2/78
- B. Policy Revision Dates: 6/81

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BUDGET

ADMINISTRATIVE OPERATING PROJECTION

May 1, 1982 - April 30, 1983

Georgia Democrat Party

STAFF

Salaries		\$67,670.00
Payroll Taxes	4,476.78	
Insurance	1,550.00	
Part-time Employment	3,600.00	
Total Staff Compensation		<u>\$77,296.78</u>

OPERATING EXPENSES

Rent	\$12,000.00	
Utilities	3,600.00	
Insurance	900.00	
Telephone	15,000.00	
Maintenance & Repairs	2,000.00	
Professional Fees (Accounting & Audit)	4,520.00	
Postage	6,000.00	
Newsletter	10,000.00	
Registration Fees	500.00	
Legal Fees	3,000.00	
Subscriptions	100.00	
Office Supplies & Printing	10,000.00	
Flowers & Gifts	700.00	
Total Operating Expenses		<u>\$68,320.00</u>

TRAVEL

Vehicle Lease	\$ 3,432.00	
Vehicle Operation	2,000.00	
Airline Travel (Mid-term)	1,000.00	
Meals & Lodging	4,000.00	
Total Travel		<u>\$10,432.00</u>
CONTINGENCY FUND		<u>\$ 2,500.00</u>
TOTAL		<u>\$158,548.78</u>

ARTICLE I
THE DEMOCRATIC PARTY OF GEORGIA

SECTION 1. **STATE PARTY:** The words "State Party" as used in this Charter shall mean the Democratic Party of Georgia.

SECTION 2. **The State Party shall:**

- (a) assist in the election of Democratic candidates;
- (b) adopt and promote statement of policy;
- (c) assist local Democratic organizations in the election of their candidates and the education of their voters.
- (d) establish standards and rules of procedure to afford all members of the State Party full, timely and equal opportunities to participate in decisions concerning the formulation of policy and the conduct of Party affairs;
- (e) raise and disburse moneys needed for the operation of the State Party;
- (f) work with Democratic officials at all levels to achieve the objectives of the State Party; and
- (g) promote fair adjudication of disputes and fair campaign practices, and, further, to encourage and support codes of political ethics that embody substantive rules of ethical guidance for all public officials, to assure that public officials shall at all times conduct themselves in a manner that reflects creditably upon the office they serve.

ARTICLE II
STATE CONVENTION

SECTION 1. **AUTHORITY:** The State Convention shall be the highest authority of the State Party, subject to the provisions of this Charter.

SECTION 2. **MEETINGS:** The State Party shall assemble in State Convention each fourth year beginning in the year 1978 on a date after the gubernatorial primary and before the general election. The date and call for the Convention shall be established by the Executive Committee. The State Committee may call the State Party into State Convention at such other times as it considers necessary and appropriate.

SECTION 3. **DUTIES:** Each State Convention may adopt party policy and legislative platforms, amend this Charter as provided herein, act upon such other matters as it deems necessary, and shall in those years of gubernatorial elections:

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(a) nominate and elect for four (4) year terms, as State Officers of the Georgia Democratic Party, the State Chairperson, the State Vice Chairperson, the State Secretary, the State Treasurer and other such officers as may be provided for by this Charter or the Bylaws; and

(b) nominate and elect a Congressional District Chairperson from each Congressional District to serve a four (4) year term, by a caucus of delegates representing such Congressional District at meetings during the time of the State Convention, as provided in the Bylaws.

SECTION 4.

DELEGATE SELECTION: Delegates to the State Convention shall be:

- (a) fifteen (15) delegates and five (5) alternate delegates from each State Senatorial District as provided in the Bylaws;
- (b) at least two (2) and no more than five (5) delegates, and no less than one (1) and no more than two (2) alternates (depending on population) selected by each County Committee as provided in the Bylaws;
- (c) two delegates from each State Senatorial District, to be appointed by the most recent nominee of the State Party for the Office of Governor, elected in the party primary immediately preceding the State Convention;
- (d) any Democratic nominee for the office of State Representative or for State Senator, nominated in the party primary immediately preceding the State Convention, who qualifies as prescribed in the Bylaws;
- (e) members of the State Committee.

SECTION 5.

STANDARDS FOR DELEGATES: The State Convention shall be composed of delegates who are chosen through processes which:

- (a) assure all voters full, timely and equal opportunity to participate and include affirmative action programs toward that end;
- (b) do not deny participation for failure to pay a cost fee, or poll tax; and
- (c) allows participation only by registered voters who desire to participate as Democrats.

**ARTICLE III
STATE OFFICERS AND
CONGRESSIONAL DISTRICT CHAIRPERSONS**

SECTION 1.

ELECTION OF STATE OFFICERS: The State Officers shall be State

- (b) preside over the State Convention and meetings of State Committee and Executive Committee;
- (c) provide general administrative direction to the Executive Director and the Party office; and
- (d) shall serve as exofficio member of all committees of the State Party.

SECTION 3. **DUTIES OF STATE VICE CHAIRPERSON:** The State Vice Chairperson of the State Party shall preside at any meetings of the State Committee in the absence of the State Chairperson and shall perform such other duties as may be delegated to him/her by the State Chairperson. If a vacancy occurs in the office of State Chairperson, the State Vice Chairperson shall discharge the duties of the State Chairperson until an election can be held pursuant to the Bylaws. The vice chairperson shall be an exofficio member of all committees of the State Party.

SECTION 4. **DUTIES OF STATE SECRETARY:** The State Secretary of the State Party shall keep all official minutes of the State Committee and the Executive Committee and shall perform such other duties as may be provided in the Bylaws.

SECTION 5. **DUTIES OF STATE TREASURER:** The State Treasurer of the State Party shall serve as custodian of the State Party funds and moneys, shall serve as a member of the State Finance Council, shall maintain financial records subject to audit and review by the State Committee and have such other responsibilities as shall be provided in the Bylaws.

SECTION 6. **DUTIES OF CONGRESSIONAL CHAIRPERSON:** The Congressional District Chairpersons shall be members of the State Committee and the Executive Committee and shall coordinate State Party affairs within the Congressional District as provided in this Charter and the Bylaws.

ARTICLE IV
STATE COMMITTEE

SECTION 1. **CREATION:** There shall be a State Committee which shall have general responsibility for the affairs of the State Party as prescribed in the Election Code Section 34-902, subject to the provisions of the Election Code, this Charter and the Bylaws.

SECTION 2. **MEMBERSHIP:** The State Committee shall be composed of the following:

- (a) the State Officers who shall be officers of the State Committee;
- (b) the Congressional District Chairperson of each Congressional District;

Chairperson, a State Vice Chairperson, a State Secretary, and a State Treasurer, each of whom shall be nominated and elected as provided in this Charter and the Bylaws.

SECTION 2.

DUTIES OF STATE CHAIRPERSON: The State Chairperson of the State Party shall:

- (a) carry out the programs and policies of the State Convention and the State Committee;

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(c) five (5) members elected from each Senatorial District as follows:

- (i) three (3) members elected at a caucus in each Senatorial District, to be divided equally as possible between men and women, as provided in the Bylaws; and
 - (ii) two (2) members elected from each Senatorial District, to be divided equally between men and women, as provided in the Bylaws.
 - (1) by the County Committee when the Senate District lies wholly within a single county; or
 - (2) by a Senatorial District Convention when the Senate District contains more than one county, such Convention to be composed of an equal number of delegates elected by the County Committee of each county lying wholly or partially within such District;
- (d) thirty (30) members appointed by the State Chairperson from the state-at-large, taking into account appropriate representation of women and minorities;
- (e) the following who shall be non-quorum members, who shall have voice and vote, during their term of office:
- (i) the most recent nominees of the State Party for the offices of Governor, Lieutenant Governor, Secretary of State, Attorney General, State School Superintendent, Comptroller General, Commissioner of Agriculture, Commissioner of Labor, U. S. Senate, U. S. House of Representatives and the Public Service Commission;
 - (ii) members of the Democratic National Committee;
 - (iii) officers of the General Assembly, if Democrats, as follows: the Speaker of the House of Representatives, the President Pro Tem of the Senate, the Speaker Pro Tem of the House, and the Majority or Minority Leaders of both Houses;
 - (iv) the Chairpersons of the Democratic Caucus of both Houses;
 - (v) the President, or in the absence of the president, the first Vice President, and National Committeeman and Committeewoman elected by the Young Democrats of Georgia;
 - (vi) the Chairperson of the State Finance Council;

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- (ii) the President, or in the absence of the president, the First Vice President of the Georgia Federation of Democratic Women;
- (viii) the State House of Representatives member and the State Senate member appointed to serve on the State Democratic Executive Committee;
- (ix) the Chair and Vice Chair of the Georgia Association of Democratic County Chairmen;
- (x) an elected member of a municipal governing body and an elected member of a county governing body, each of whom shall serve for a term concurrent with his/her term of public office. Initially such persons shall be appointed to the State Executive Committee and shall serve until December 1982. Such appointed persons shall agree to and shall have the responsibility for developing by December 1982 an affiliated organization within the Democratic Party of Georgia to be known as the Local Government Democratic Association. On and after December 1982 such Local Government Democratic Association shall elect the members of the State Executive Committee provided for in this paragraph.

SECTION 3.

ELECTION AND TERM OF OFFICE: State Committee members shall be elected in the same years as regular gubernatorial elections are held as provided in the Bylaws.

SECTION 4.

REMOVAL FROM COMMITTEE: State Officers may be removed from office and members of the State Committee, including non-quorum members, may be removed from the State Committee for cause and on reasonable notice and with opportunity to be heard, by a two-thirds (2/3) vote of the State Committee present and voting provided forty percent (40%) of the incumbent membership of the State Committee are present and voting. Cause shall include failure to perform designated duties, malfeasance or misfeasance in office, a member's public disclaimer of State Party affiliation, violation of or failure to comply with duly adopted provisions of this Charter and the Bylaws and such other grounds as may be provided in the Bylaws.

SECTION 5.

VACANCIES: A vacancy in the office of State Chairperson shall be filled by election by the State Committee. Vacancies in other State Officer positions shall be filled by election by the Executive Committee. Vacancies in the membership of the State Committee, exclusive of State Officers, shall be filled by appointment by the State Chairperson from among qualified persons.

SECTION 6.

MEETINGS: The State Committee shall convene at least two (2) times each year at such times and places as designated by the State Chairperson. Twenty percent (20%) of the incumbent membership of the State Committee, exclusive of non-quorum members, may call for a meeting upon reasonable notice in

writing all of the membership of the State Committee and to the Executive Director and State Chairperson of the State Party, setting out the general subject matter of such meeting as provided in the Bylaws. Said meeting shall be held at a place and time set by the State Chairperson, but no later than twenty-one (21) days from the date of said Chairperson's receipt of said notice.

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SECTION 7.

QUORUM: A quorum for a meeting of the State Committee shall be as provided in the Bylaws except as otherwise provided in ARTICLE XIII of this Charter.

SECTION 8.

STANDING COMMITTEES: The State Committee shall create such standing committees as the Bylaws shall provide.

SECTION 9.

PRESIDENTIAL ELECTORS: The Democratic slate of Presidential electors shall be appointed by the State Chairperson with the approval of the Executive Committee as provided in the Bylaws.

**ARTICLE V
EXECUTIVE COMMITTEE**

SECTION 1.

DUTIES: There shall be an Executive Committee of the State Committee which shall act for the State Committee between meetings of the State Committee, subject to this Charter and State Convention.

SECTION 2.

MEMBERSHIP: Members of the Executive Committee shall be as follows:

- (a) State Officers;
- (b) Congressional District Chairpersons;
- (c) All members of the Democratic National Committee from the State of Georgia;
- (d) The Chairperson of the State Finance Council;
- (e) The President or the First Vice President in the absence of the President of the Young Democrats of Georgia;
- (f) The President or the First Vice President in the absence of the President of the Georgia Federation of Democratic Women;
- (g) A Democratic member of the State House of Representatives to be appointed by the Speaker (if a democrat) or by the highest democratic officer in the House;
- (h) A Democratic member of the State Senate to be appointed by the Lieutenant Governor (if a democrat) or by the highest Democratic officer in the Senate;
- (i) Governor George D. Busbee during his term of office, or in his absence his appointed Democratic representative;
- (j) An elected member of a municipal governing body and an elected member of a county governing body, each of whom shall serve for a term concurrent with his/her term of public office. Initially such persons shall be appointed to the State Executive Committee and shall serve until December 1982. Such appointed persons shall agree to and shall have the responsibility for developing by December 1982 an affiliated organization within the Democratic Party of Georgia to be known as the Local Government Democratic Association. On and after December 1982 such Local Government Democratic Association shall elect the members of the State Executive Committee provided for in this paragraph;
- (k) The Chair and Vice Chair of the Georgia Association of Democratic County Chairmen.

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ARTICLE VI
NATIONAL COMMITTEE MEMBERS

SECTION 1.

ELECTION: The members of the National Committee shall be elected by the State Committee in accordance with the requirements of the Democratic National Committee and the Bylaws of the State Party.

SECTION 2.

DUTIES: The members of the National Committee shall represent the State Party on the Democratic National Committee and shall have such other responsibilities as provided in the Bylaws.

SECTION 3.

REMOVAL: The members of the National Committee shall be subject to removal from office on the same grounds and in accordance with the same procedures as provided herein for removal of State Officers and members of the State Committee.

SECTION 4.

VACANCY: Vacancies on the National Committee caused by resignation, non-residency, removal or death shall be filled by the State Committee as provided in the Bylaws.

ARTICLE VII-A
STATE FINANCE COUNCIL

SECTION 1.

CREATION & DUTIES: There shall be a State Finance Council which shall have general responsibility for the financial support of the State Party. The State Finance Council shall raise funds to support the State Party and shall advise and assist County Committees and Democratic nominees in securing funds for their purposes.

SECTION 2.

MEMBERSHIP: Members and officers of the State Finance Council shall be appointed by the State Chairperson, except for the Treasurer who shall serve ex-officio.

ARTICLE VII-B
CAMPAIGN SUPPORT COMMITTEE

SECTION 1.

CREATION & DUTIES: There shall be a CSC which shall have the authority for raising and disbursing financial support for the benefit of the nominees of the State Party in the General Election.

SECTION 2.

MEMBERSHIP: The members of the CSC shall be appointed by the State Chairperson. The members need not be members of the State Committee.

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ARTICLE IX
COUNTY COMMITTEES

SECTION 1.

CREATION: There shall be a County Committee in each County of the State which shall be known as the "County Committee," which shall have the general responsibility for the affairs of the County Party as prescribed in Election Code Section 34-902 (c), subject to the provisions of the Election Code, this Charter, the Bylaws and such rules and regulations as shall be adopted by the State Committee.

SECTION 2.

DUTIES: The County Committee shall:

- (a) foster development of local Democratic activities and affiliated organizations;
- (b) seek and encourage candidates for public office;
- (c) support Democratic nominees for office;
- (d) raise funds for Democratic business and activities;
- (e) hold municipal party primaries within the County;
- (f) perform such primary and election functions as are required by law;
- (g) maintain financial and other Party records, as shall be provided in the Bylaws;
- (h) provide and add logistical support to the State Affirmative Action program; and
- (i) perform such other duties as may be specified in the Bylaws.

SECTION 3.

MEMBERSHIP & PARTY DISTRICTS: Each County Committee shall consist of not less than twelve (12) members to be elected from two or more Party Districts established and apportioned by the County Committee in accordance with the Bylaws and in such a way as to provide for equitable representation for each such District and to insure full participation by all segments of the population in the county. At the time specified in the Bylaws each County Committee shall adopt and file with the State Committee its plan designating its Party Districts and providing for the election of at least two (2) County Committee members from each such District. The Bylaws or rules of the County may provide for such ex officio members of the County Committee who shall be non-voting members, but shall have voice and vote during the term of office.

SECTION 4.

TERM OF OFFICE: Each member of the County Committee shall serve a term of four (4) years.

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SECTION 5.

MEMBERSHIP: One-half (1/2) or the nearest whole number above one-half (1/2) of the membership of each County Committee shall be elected in those years of gubernatorial elections and the remainder shall be elected in those years of a national Presidential election.

SECTION 6.

METHODS OF ELECTION: All members of the County Committee shall be elected by either:

- (a) primary ballot;
- (b) a caucus at or within Party Districts; or
- (c) a combination of (a) and (b).

One of the above methods of election shall be chosen by a county-wide caucus or convention as provided in the Bylaws and the method so chosen shall remain in effect unless changed by a subsequent county caucus or convention called by the County Committee provided, however, that at least two (2) years shall intervene between calls for subsequent caucuses or conventions.

SECTION 7.

ORGANIZATIONAL MEETINGS: Within four (4) weeks following each election of new members each county shall hold an organizational meeting and shall elect its officers as required by the Bylaws and in compliance with the Election Code; however, any members of said committee completing their term of service may be members of an ad hoc election committee under the leadership of the newly organized county committee. In the event that a County Committee does not so meet, the Congressional District Chairperson shall call such meeting, specifying the time and place for the organizational meeting.

SECTION 8.

MEETINGS: Meetings of each County Committee shall be called as provided in the Bylaws and, subject thereto, as provided in the rules and regulations adopted by each County Committee, provided, however, if there has not been a duly held meeting of such County Committee within three (3) calendar months, twenty percent (20%) of the incumbent membership of the County Committees, exclusive of any non-quorum members, may call a meeting upon ten (10) days notice to the remaining members of the County Committee specifying the date and place of the meeting.

SECTION 9.

REMUNERATION: No member of a County Committee shall receive compensation for or be reimbursed for incurred expenses of attending any meeting of the County Committee.

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SECTION 10.

REMOVAL FROM COMMITTEE: County Officers be removed from office and members of the County Committee, including non-quorum members, if any, may be removed from the County Committee for cause and on reasonable notice and with opportunity to be heard, by a two-thirds (2/3) vote of the County Committee provided forty percent (40%) of the incumbent membership of the County Committee are present and voting. Cause shall include failure to perform designated duties, malfeasance or misfeasance in office, a member's public disclaimer of State Party affiliation, violation of or failure to comply with duly adopted provisions of this Charter and Bylaws or County Party rules & regulations.

SECTION 11.

AUTHORITY: Each County Committee shall adopt rules and regulations as long as not in conflict with the provisions of this Charter, the Bylaws and the Election Code. No such rules and regulations shall be effective until copies thereof, certified by the Chairperson, have been filed with the Judge of Probate and the State Party.

SECTION 12.

LOCAL ORGANIZATIONS: Each County Committee may recognize as affiliate organizations such county organizations as it deems appropriate. Such local organizations shall not extend beyond county lines.

**ARTICLE X
STATE EDUCATION AND TRAINING COUNCIL**

Section 1.

CREATION & MEMBERSHIP: There shall be a State Education and Training Council composed of such members as may be appointed by the State Chairperson with the approval of the State Committee.

SECTION 2.

DUTIES: The State Education and Training Council of the State Party shall be responsible for developing and implementing education and training programs for the State Party. The Council shall also assist County Committees and local Democratic organization in building and strengthening local Democratic activity.

SECTION 3.

BUDGET AND STAFF: The Council shall be provided with staff assistance to perform its duties and shall submit a proposed annual budget to the State Committee for the purpose of carrying out its responsibilities.

**ARTICLE XI
AFFILIATED ORGANIZATIONS**

SECTION 1.

YOUNG DEMOCRATS: A single, statewide organization composed of Young Democrats shall be chartered by the State Committee as the Young Democrats of Georgia as provided in the Bylaws.

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SECTION 2.

OTHER ORGANIZATIONS: The State Committee may recognize other multi-county or statewide Democratic Organizations as affiliated organizations subject to such standards and provisions as shall be provided in this Charter and the Bylaws.

**ARTICLE XII
PARTY PARTICIPATION**

SECTION 1.

MEMBERSHIP: Membership in the State Party shall be open to all who desire to support the State Party and who wish to participate as Democrats.

SECTION 2.

PARTY OFFICES & VOTING RIGHTS: Only registered voters shall be eligible to hold offices or delegate positions or to vote to fill such offices or positions.

SECTION 3.

PROTECTIONS: There shall be no discrimination in the conduct of State Party affairs on the basis of sex, race, religion, economic status, ethnic origin or age (except as provided in Section 2 of this Article).

SECTION 4.

FULL PARTICIPATION: In order to encourage full participation by all segments of the population who desire to participate as Democrats, the State Party shall adopt and implement affirmative action programs in compliance with the Charter of the National Democratic Party.

**ARTICLE XIII
AMENDMENTS, BYLAWS, RULES**

SECTION 1.

AMENDMENTS: This Charter may be amended by a vote of a majority of all of the delegates to a State Convention. Proposed amendments to this Charter shall be submitted in writing to the State Chairperson at the State Party Office at least thirty (30) days prior to the commencement of the State Convention.

This Charter may also be amended by a majority vote of the State Committee. Each member of the State Committee shall receive written notice including the full text of any proposed amendment(s) at least thirty (30) days in advance of a meeting held for this purpose. Each amendment shall be in effect and binding until the next State Convention is held and shall be presented to such State Convention for ratification.

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SECTION 2.

BYLAWS: Bylaws of the State Party not in conflict with this Charter shall be adopted for the governance of the affairs of the State Party in matters not provided for in this Charter. Proposed Bylaws or changes in the Bylaws may not be adopted by the State Committee without a quorum of forty percent (40%) of the incumbent membership of the State Committee being present and voting. Thirty (30) days written notice of any proposed Bylaw(s) shall be given to all members of the State Committee.

SECTION 3.

WRITTEN RULES: Each official body of the State Party, including Affiliated Organizations, created under the authority of this Charter and the Bylaws shall adopt and conduct its affairs in accordance with written rules, consistent with this Charter and Bylaws. Copies of such rules and of any changes or amendments thereto shall be filed promptly with the State Party Office and with such public officials as required by the Election Code.

ARTICLE XIV
GENERAL PROVISIONS

SECTION 1.

The term "convention" as used in this Charter shall mean an official Party meeting at which only elected or appointed delegates thereto may vote.

Except as used in ARTICLE II, SECTION 3 (b), the term "caucus" as used in this Charter shall mean an official Party meeting, not a convention, at which any person present: (i) meeting the requirements of ARTICLE XII, SECTION 2, of this Charter and (ii) a resident of the Party District or representative area concerned shall have the right to vote on any candidate or question.

SECTION 2.

The State Party shall not require a delegate at a convention or a member of a caucus to cast a vote contrary to the delegate's expressed preference.

SECTION 3.

Voting by proxy shall not be permitted at the State Convention. Voting by proxy in other affairs of the State Party shall be permitted only as provided in the Bylaws.

SECTION 4.

All meetings of the State Party and each official body, including Affiliated Organizations, shall be open to the public. Secret ballot shall be permissible only in the election of persons to Party offices or delegate positions.

SECTION 5.

The State Committee shall prepare and make available to the public an annual report concerning the financial affairs of the State Party.

SECTION 6.

The term of each Party Office shall be as specified herein until the successor is elected or appointed and qualified.

SECTION 7.

No person shall be entitled to vote for, be nominated for, elected to or appointed to nor may any person hold a Party office or position to represent a particular district or representative area (such representative area may be the state-at-large) unless such person resides in and continues to reside in such district or area.

SECTION 8.

The rules of statutory construction contained in the Georgia code, Section 102-102(2), (3), (4), shall govern the construction of this Charter and the Bylaws.

SECTION 9.

Unless otherwise provided in this Charter or the Bylaws, Robert's Rules of Order (as most recently revised) shall govern the conduct of all meetings of each body, including Affiliated Organizations, of the State Party.

SECTION 10.

Notwithstanding any other provisions of this Charter:

(a) No person shall be entitled to more than one (1) vote in or on any convention, caucus, committee or any affiliated organization, whether or not such person shall be a member of or delegate or alternate to any of the foregoing in more than one capacity.

(b) The elected position of the State Committee of any person, pursuant to ARTICLE IV, SECTION 2 (c) of this Charter (or appointed to fill such an elected position) shall be terminated and a vacancy made if such person shall subsequently become a member of the State Committee in any other way than under ARTICLE IV of this Charter.

(c) If an elected County Committee member is also eligible to serve as an ex-officio member of the County Committee, (pursuant to ARTICLE IX, SECTION 3) the elected position shall be declared vacant and shall be filled as prescribed in the Bylaws.

(d) No person who by virtue of this Charter is a delegate or alternate to a State Convention without having to stand for election as a delegate or alternate shall be eligible to be a candidate for or to be elected as a delegate or alternate to such convention pursuant to ARTICLE IV, SECTION 2 (a) or (b) of this Charter, unless National Party rules for delegate selection make such a provision unfair by prohibiting the participation of such ex-officio delegates in the delegate selection process.

ADOPTED - September 20, 1975
STATE COMMITTEE - Macon, Ga.
AMENDED THROUGH - Feb. 20, 1982



CERTIFIED RESOLUTIONS OF THE EXECUTIVE COMMITTEE
OF THE GEORGIA DEMOCRATIC PARTY

I, John Cox, hereby certify that I am the Secretary of the Georgia Democratic Party and that the following is a true copy of resolutions duly adopted by the Executive Committee of the Georgia Democratic Party at a meeting duly held on October 6, 1982 and that such resolutions have not been rescinded or modified and are now in full force and effect:

"WHEREAS, the State Finance Council pursuant to Article VII, Section 1 of the Charter of the Georgia Democratic Party has general financial responsibility for the Georgia Democratic Party;

NOW, THEREFORE, BE IT RESOLVED, that the Georgia Democratic Party is authorized to borrow up to \$150,000 from a bank or banks on such terms and conditions as are acceptable to the Chairman of the State Finance Council and that Joel H. Cowan, as Chairman of the State Finance Council, may execute and deliver on behalf of the Georgia Democratic Party whatever notes or other documents as are necessary or desirable in his judgment to consummate such borrowing; and

FURTHER RESOLVED, that John Cox as Secretary of the Georgia Democratic Party is authorized and directed to certify these resolutions to the lending bank or banks."

88040694642

This 8th day of October, 1982.



JOHN COX, Secretary
Georgia Democratic Party

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615-834-7111

THE DEMOCRATIC PARTY OF GEORGIA



1627 PEACHTREE STREET, N.E. • SUITE 306
ATLANTA, GEORGIA 30309
404/892-4788

- GEORGE F. BUSBEE
GOVERNOR
- ZELL MILLER
LIEUTENANT GOVERNOR
- MAJORIE C. THURMAN
CHAIRMAN
- ROBERT WALLING
VICE CHAIRMAN
- CARRIE MAVS
SECRETARY
- W.D. TRIPPE
TREASURER
- RANDY TYE
GENERAL COUNSEL
- TOMMY COLEMAN
EXECUTIVE DIRECTOR

*For Study
288-1112*

Correspondence

October 8, 1982

The Honorable Wyche Fowler, M. C.
Congressman
3079 A Peachtree Road, NE
Atlanta, Georgia 30305

Dear Wyche:

As we near the 1982 general election, it has become increasingly apparent that we must have a strong, viable Democratic Party organization in Georgia. Our Party must be able to provide Democratic candidates with meaningful financial and technical assistance, if our candidates are to meet the challenge that lies ahead.

I am committed to an effective Party organization and have already begun to institute these programs and policies which will result in a more healthy Democratic Party. Of course, fundraising will be a major part of our efforts. I know I can count on you to assist me with fundraising and other party programs, both on the state level and in your district.

Attached you will find a check for \$1,000.00. Please accept this contribution from the Democratic Party as an indication of my commitment to a Party that will continue to be a strong advocate for honest, effective, common-sense government in our state.

Sincerely,

Joe Frank Harris

*Report to
10/12/82*

- JFH: jh
cc: Governor George Busbee
Lt. Governor Zell Miller
Speaker Tom Murphy
Chairman Bert Lance
Finance Chairman Joel Cowan

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GEORGE D. BUSBEE
GOVERNOR
ZELL MILLER
LIEUTENANT GOVERNOR
MAJORIE C. THURMAN
CHAIRMAN
ROBERT WALLING
VICE CHAIRMAN
CARRIE MAVS
SECRETARY
W.D. TRIPPE
TREASURER
RANDY TYE
GENERAL COUNSEL
TOMMY COLEMAN
EXECUTIVE DIRECTOR



1627 PEACHTREE STREET, N.E. · SUITE 306
ATLANTA, GEORGIA 30309
404/892-4788

October 27, 1982

Mr. John P. Stevens
Executive Vice President
First National Bank
P. O. Box 4148
Atlanta, Georgia 30302

Re: Loan by First National Bank to the
Georgia Democratic Party

Dear John:

To induce the First National Bank to make a loan to the Georgia Democratic Party in the amount of \$100,000.00 I inform you that the Executive Committee of the Party has amended its recently passed resolution authorizing the Party to borrow up to \$150,000.00 "from a bank or banks on such terms and conditions as are acceptable to the Chairman of the State Finance Council" to substitute the sum of \$400,000.00 as the amount authorized to be borrowed. This resolution will be forthcoming upon its execution by John Cox, the Secretary of the Georgia Democratic Party.

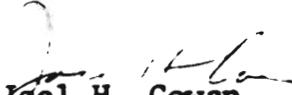
I enclose for your information a copy of Article VII of the Charter of the Georgia Democratic Party which authorizes the State Finance Council to conduct the financial arrangements of the Party. I also offer my assurance that the Party has no outstanding substantial debts other than miscellaneous items besides the \$125,000.00 note outstanding to the Citizens & Southern National Bank. I further certify to you that the bank will be receiving letters from Senator Sam Nunn, Governor George Busbee, Speaker of the House Tom Murphy, Joe Frank Harris, Lt. Governor Zell Miller and myself, pledging our best efforts to conduct fund raising activities to raise the funds to satisfy the note. (Should the loan be renewed beyond its original six month period each of the above guarantees this loan along with the one from Citizens & Southern in the amount of \$5,000.00, in a form substantially similar to the attached, or I will obtain an agreement from the C & S National Bank that the existing guarantee to that bank will extend to this loan also.)

Mr. John P. Stevens
Page 2

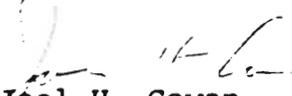
I further certify that as these fund raising functions are held the loan to Citizens & Southern National Bank and First National Bank will be re-paid on a pro-rata basis. The Party further agrees to provide the bank with a proposal for the type of fund raising activities that will be conducted when such a proposal has been formulated.

Finally, I assure you that the Party will obtain an assignment from the Joe Frank Harris For Governor Committee of a life insurance policy on the life of Joe Frank Harris in an amount exceeding the sum of this loan and upon receiving such assignment will make an assignment to you, in form satisfactory to you, of the proceeds of such policy to the extent necessary to pay you in full in connection with the loan made this date.

Sincerely yours,


Joel H. Cowan
Chairman
State Finance Council

Additionally, I further assure you that the State Democratic Party will not incur debts exceeding \$400,000, and that in the event the Party should assume any other obligations of candidates running, or having run, for political office during 1982, that proceeds from the Party's fund-raising activities will first be applied on a pro rata basis to the repayment of bank notes.


Joel H. Cowan
Chairman
State Finance Council

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Aud



**FINANCIAL STATEMENTS
APRIL 30, 1982**

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DEMOCRATIC PARTY OF GEORGIA

FINANCIAL STATEMENTS

April 30, 1982

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CONTENTS

INDEPENDENT AUDITORS' STATEMENT	Page 1
EXHIBIT A - BALANCE SHEET AT April 30, 1982	Page 2
EXHIBIT B - STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED April 30, 1982	Page 3, 4
SCHEDULE 1 - SCHEDULE OF CHANGES IN FUND BALANCE FOR THE YEAR ENDED April 30, 1982	Page 5
SCHEDULE 2 - SCHEDULE OF DISBURSEMENTS FOR THE YEAR ENDED April 30, 1982	Page 6, 7
NOTES TO FINANCIAL STATEMENTS	Page 8

2
3
7
4
7
5
7
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Directors
Democratic Party of Georgia
Atlanta, Georgia

INDEPENDENT AUDITORS' STATEMENT

We have examined the Balance Sheet arising from cash transactions of the Democratic Party of Georgia at April 30, 1982, and the Statement of Cash Receipts and Disbursements for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The aforementioned statements do not give effect to accrued items or fixed assets, and, therefore, do not present the organization's financial position or results of transactions in conformity with generally accepted accounting principles.

In our opinion, the accompanying statements present fairly the assets, liabilities and fund balance of the Democratic Party of Georgia at April 30, 1982, arising from cash transactions and its receipts collected and disbursements made for the year then ended on a basis consistent with that of the preceding year.

Very truly yours,



CROSBY & WESTER
Certified Public Accountants

May 28, 1982

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DEMOCRATIC PARTY OF GEORGIA

BALANCE SHEET
April 30, 1982ASSETS

Current Assets	
Cash in bank-note 2	\$ 2,246.74
Due from Heritage House Foundation, Inc.	1,900.00
Due from GADCC	75.00
Total current assets	<u>4,221.74</u>
Total Assets	<u>\$ 4,221.74</u>

LIABILITIES AND FUND BALANCE

Current Liabilities	
Payroll Taxes	\$ 6,351.99
Total current liabilities	<u>6,351.99</u>
Total Liabilities	6,351.99
Fund Balance-Schedule 1	<u>2,130.25</u>
Total Liabilities and Fund Balance	<u>\$ 4,221.74</u>

The Accompanying Notes To Financial Statements
are in Integral part of this statement.

DEMOCRATIC PARTY OF GEORGIA

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

For The Year Ended April 30, 1982

	<u>General Administrative</u>	<u>Jefferson Jackson Day Dinner</u>	<u>Dollars For Democrats</u>
Receipts			
Governor's Club	\$ 38,960.00	\$	\$
Donations	2,000.00		7,834.17
Membership Fees	6,309.20		
Tickets		53,010.00	
Advertising		1,800.00	
Registration Fees			
Donations-County Committees	2,615.00		
Interest Income	385.52		
Congressional District #3			
Congressional District #4			
Congressional District #5			
Congressional District #6			
Congressional District #7			
Congressional District #8			
Congressional District #10			
Total Receipts	50,469.72	54,810.00	7,834.17
Disbursements-Schedule 2	132,055.40	30,622.74	--
Excess Receipts over Disbursements	\$(81,585.68)	\$ 24,187.26	\$ 7,834.17

The Accompanying Notes to Financial Statements
are in integral part of this statement.

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<u>Federal Elections</u>	<u>Congressional Districts Fund Raising</u>	<u>Total</u>
\$	\$	\$ 38,960.00
		9,834.17
		6,509.20
		53,010.00
		1,800.00
335.00		335.00
		2,615.00
		385.52
	1,000.00	1,000.00
	1,155.00	1,155.00
	3,146.00	3,146.00
	8,835.00	8,835.00
	1,123.00	1,123.00
	3,525.50	3,525.50
	1,965.18	1,965.18
<u>335.00</u>	<u>20,749.68</u>	<u>134,198.57</u>
<u>27.20</u>	<u>6,411.86</u>	<u>169,117.20</u>
<u>\$ 307.80</u>	<u>\$ 14,337.82</u>	<u>\$ (34,918.63)</u>

DEMOCRATIC PARTY OF GEORGIA

SCHEDULE OF CHANGES IN FUND BALANCE
For The Year Ended April 30, 1982

Fund Balance April 30, 1981	\$ 32,788.38
Less: Excess of Disbursements over Receipts-Exhibit B	<u>(34,918.63)</u>
Fund Balance April 30, 1982	<u>\$ 2,130.25</u>

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DEMOCRATIC PARTY OF GEORGIA

SCHEDULE OF DISBURSEMENTS
For The Year Ended April 30, 1982

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	General Administrative	Jefferson Jackson Day Dinner	Dollars For Democrats
Executive Director's Salary	\$ 33,000.00	\$	\$
Other Salaries	33,594.84		
Temporary Labor	3,789.00		
Seminars and Conventions	334.00		
Committee Meetings	416.89		
Newsletter expense	2,362.96		
Office Rent	9,052.32		
Equipment-Lease Expense	1,147.68		
Telephone	12,411.80		
Repairs	1,525.20		
Travel-Executive Director	2,853.57		
Travel-other	800.05		
Vehicle Lease	2,069.60		
Vehicle Operating Expense	1,445.58	23.00	
Meals and Lodging	481.23		
Receptions	296.28	1,063.76	
Payroll Taxes	5,217.98		
Young Democrat Supplements	100.00		
Gifts and Flowers	768.47		
Postage	4,174.74	1,400.00	
Office Supplies and Printing	6,040.39	4,433.30	
Governor's Club Expense	2,355.36		
Photography and Supplies	210.19	160.00	
Professional Fees	3,591.27		
Legal Fees	1,896.44		
Bank Charges	96.58		
Insurance-General	897.79		
Insurance-Group	897.44		
Advertising	100.00		
Hotel Charges		22,753.24	
Decorations		489.44	
Entertainment		300.00	
Travel-Transportation	77.75		
Total Disbursements	<u>\$ 132,055.40</u>	<u>\$ 30,622.74</u>	<u>\$ --</u>

3304064656

<u>Federal Elections</u>	<u>Congressional Districts Fund Raising</u>	<u>Total</u>
\$	\$	\$ 33,000.00
		33,594.84
		3,789.00
		334.00
		416.39
		2,362.96
		9,052.32
		1,147.68
		12,411.80
		1,525.20
		2,853.57
		800.05
		2,069.61
		1,468.58
	2,983.08	3,464.31
	1,745.80	3,105.84
		5,217.98
		100.00
		768.47
	114.30	5,689.04
	1,568.88	12,042.37
		2,305.36
		370.19
		3,591.27
		1,896.44
27.20		123.78
		397.79
		397.44
		110.00
		12,753.24
		489.44
		300.00
		77.75
<u>\$ 27.20</u>	<u>\$ 6,411.86</u>	<u>\$ 169,117.20</u>

DEMOCRATIC PARTY OF GEORGIA
NOTES TO FINANCIAL STATEMENTS
 April 30, 1982

Note 1 - Significant Accounting Policies

The Financial Statements of the organization are prepared on the cash basis and do not give effect to accrued items. Additionally, no accounts are maintained for fixed assets or depreciation. Consistent with the organization's practice in prior years, fixed assets have been expensed when purchased rather than being booked as assets.

Note 2 - Cash in Bank

At April 30, 1982, cash in bank consisted of the following accounts:

<u>First Georgia Bank</u>	
Administrative Account	\$ 1,356.09
Savings Account	22.11
<u>Bank of the South</u>	
Savings Account	43.35
Federal Elections Fund Account	432.67
Qualifying Account (Savings)	<u>392.52</u>
Total Cash in Bank	<u>\$ 2,046.74</u>

Note 3 - Office Lease

In addition to the liabilities stated in the Balance Sheet at April 30, 1982, the organization is lessee of office space in the Peachtree Building at 1627 Peachtree Street, N.E., Atlanta, Georgia. The lease is for the period May 21, 1979, through September 30, 1980. As amended, the lease provides for annual rental of \$9,957.60 payable \$829.80 per month.

Note 4 - Equipment Purchases

There were no equipment purchases.

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Democratic Party of
ARTICLE II
STATE CONVENTION

Georgia

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Information

SECTION 1: MEETINGS

1. At least thirty days prior to the State Convention, the following Committees shall be appointed by the State Chairperson from those persons elected by the senatorial district delegates, to serve on major convention committees and from recommendations of Congressional District Chairpersons:
- (A) The Rules Committee shall be composed of the members of the Rules Committee of the State Party, plus one additional member from each Congressional District.
 - (B) The Platform Committee shall be composed of at least three members from each Congressional District and shall formulate platform resolutions for the State Convention.
 - (C) The Credentials Committee shall be composed of at least two members from each Congressional District and shall establish credentials criteria and arbitrate credentials disputes prior to State Convention.
 - (D) The Resolutions Committee shall be composed of at least three members from each Congressional District and shall receive and recommend resolutions to the State Convention.
 - (E) Minority reports from any Convention Committee shall be considered by the Convention if supported by a petition signed by five members of the Committee, or by 20% of the membership of the Committee, whichever is greater.
2. The Convention shall:
- (A) Adopt Rules and Agenda to conduct the Business of the Convention;
 - (B) Adopt resolution and platform;
 - (C) In the appropriate years, nominate and elect such Party Officials as necessary;
 - (D) Consider Charter Amendments and Bylaws changes as seemed appropriate; and,
 - (E) Conduct any other business deemed appropriate.

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SECTION 2: DELEGATE SELECTION

1. The following shall be delegates and alternates to the State Convention with full voting rights:

- (A) Fifteen delegates and five alternates from each State Senatorial District selected as hereinafter provided;
- (B) At least two (2) and no more than five (5) delegates, and no less than one (1) and no more than two (2) alternates (depending on population) selected by each County Committee as herein provided;
- (C) Two delegates from each State Senatorial District to be appointed by the most recent nominee of the State Party for the Office of Governor, as herein provided;
- (D) Any Democratic nominee for the office of State Representative or for State Senator, nominated in the party primary immediately preceding the State Convention, who files notice of candidacy as prescribed by rules and procedures of the State Committee shall be automatically elected delegates; and,
- (E) Members of the State Committee.

2. Senate District Elections:

(A) A local caucus shall be held in each State Senatorial District on such date as is set in the Call of the Caucus for the purpose of electing delegates and alternates to the State Convention. The place of these shall be determined by the State Chairperson, provided:

- 1. That such caucus shall be scheduled for public places which would be the most likely to encourage the participation of all Democrats, and that the caucus begin and end at reasonable hours; and
- 2. The local caucus should be scheduled for 10:00 A.M. except where it is determined by the State Chairperson that inclement weather or any other unforeseen impediment of reasonable nature would significantly reduce Democratic participation in the election process.

(B) The local caucus shall be publicized widely so as to encourage the participation of all Georgia Democrats. The following steps will be taken to publicize the caucuses:

- 1. The Executive Director of the State Democratic Party shall, well in advance of the local caucuses, undertake a comprehensive publicity campaign to inform the public of the purpose of the Convention, the mechanics of the election process, who is eligible to participate in the process and become a delegate to the Convention, and where to obtain through mass mailings to sustaining members of the Democratic Party of Georgia providing

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complete information on how to become a delegate to the Convention, and through dissemination of such information to youth, women's and minority organizations affiliated with or supportive of the Democratic Party of Georgia.

2. Additional public notice shall be given by the County Democratic Committee at least ten days before, but not more than twenty-five (25) days before the date of the local caucus, giving the date, time, and place for the convening of the caucus and the purposes for which the caucus shall be held. Such notices shall be posted at the County Courthouse in each county, and the County Democratic Committee shall give such other notice as it deems appropriate to publicize the conventions most effectively in that Senatorial District.
- (C) Any registered voter of the Senatorial District in which the local caucus is held may be a member of that caucus, provided each member executes the following affidavit upon entering:

To: _____ Chairperson
_____ Senatorial District Caucus

I am a resident of and a registered voter in the _____ Senatorial District. I hereby make application to be a member of the _____ Senatorial District Caucus held on _____. I fully intend to support the Democratic Party in the future.

Applicant

Address

All applicants who sign such affidavits shall be issued credentials and shall be members entitled to vote at the caucus held in their Senatorial District. None other than certified members shall be permitted to vote at said caucus.

- (D) A candidate for delegate to the State Convention must be a registered voter in and a resident of the Senatorial District from which he/she seeks to be elected.

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(E) All persons desiring to be delegates to the State Convention shall give notice in writing no later than the close of nominations for delegate election. Such notice shall be given to the Senate Caucus Chairperson and shall state substantially the following:

To: _____ Chairperson
_____ Senatorial District Caucus

I am a resident of and a registered voter in the _____ Senatorial District and hereby make application to be delegate to the State Convention. I fully intend to support the Democratic Party in the future.

_____ Applicant
Address

(F) The State Chairperson shall designate a Chairperson to convene and preside at each local caucus; provided, however, said Chairperson shall first consult with members of the State Democratic Committee from the affected Senatorial District regarding the proposed district chairperson.

(G) A quorum, at each local caucus, shall consist of thirty members. If a quorum is not in attendance upon the convening of the caucus by the Senate Chairperson, then the State Chairperson may grant him/her the option to extend the time in which to qualify members; or, may waive the quorum requirement. The Senate Chairperson should telephone the State Party Office for a determination.

(H) If less than fifteen candidates, but at least five, qualify as delegates to the State Convention, those delegates elected shall select the remaining delegates up to ten in the same manner as that provided hereinafter for alternates; provided, that the selection of the remaining delegates shall be made before the selection of alternates.

(I) Each person elected a delegate to the State Convention must receive a majority of the votes of all members voting. The voting shall be as follows:

1. One short (1 minute) speech may be made in behalf of those seeking to be delegates to the State Convention.
2. Ballots will be distributed only to those members who have signed the affidavit hereinbefore provided.

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3. In the event a run-off is necessary, the following rules shall apply:

(a) If no one is elected for any of the fifteen positions, the Chairperson will strike all but the top thirty vote getters and proceed to ballot again.

(b) If at least one, but not all the positions are filled, the Chairperson will strike all but two times the remaining positions to be filled and proceed to ballot again (i.e., if there are five positions remaining to be filled, all but the top ten vote getters will be struck).

4. The Chairperson of the District Caucus shall certify the names, addresses and phone numbers of those persons elected as delegates to the Convention at such caucus and shall file the names with the State Chairperson within two days following the election of said delegates.

3. Election of Alternates

(A) There shall be five alternates from each Senatorial District, which five alternates shall be chosen by the delegates from such Senatorial District. The election of alternates shall be held immediately after the Senatorial Caucus aforementioned.

(B) The order in which alternates will fill delegate vacancies shall be determined by lot by the Caucus Chairperson at the time of their election.

4. In the event a district fails to elect its full quota of delegates, or a caucus is not timely or properly convened in any Senatorial District, the State Chairperson, after first conferring with the State Committee members residing in such district, shall designate the appropriate number of delegates and alternates for said district. Such delegates so designated shall be deemed "elected" for the purpose of complying with and construing rules of the State Committee regarding the State Convention.

5. Election of Convention Committee Members. The delegates elected at the Senatorial Caucus shall immediately following the election of alternates, select one person to serve on a major Convention Committee such Committee to be designated by the State Chairperson.

6. Delegate Selection (County Committees)

(A) The Chairperson of each County Committee shall convene a meeting of the County Committee within one week following the date of the Senatorial District Caucuses.

2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

(B) The County Committee shall elect delegates and alternates from that County Committee as follows:

(1) Counties under 10,000 - one delegate and one alternate

(2) Counties 10,000 to 25,000 - two delegates and one alternate

(3) Counties 25,000 and over - three delegates and one alternate

(C) The County Committee shall select delegates and alternates from among Democratic municipal and county office holders residing within the county as follows (provided that such Democratic elected officials selected are not otherwise delegates to the State Convention by virtue of some other process or position):

(1) Counties under 10,000 - one delegate

(2) Counties 10,000 to 25,000 - one delegate and one alternate

(3) Counties over 25,000 - two delegates and one alternate

(D) A quorum for the County Committee meeting shall be 30% (thirty percent) of the membership or the percentage required by the rules of that County Committee, whichever is greater.

(E) The County Committee Chairperson shall certify the names, addresses and phone numbers of those persons elected with the State Party Office within two days following their election.

(F) The most recent nominee of the State Party for the Office of Governor, elected in the party primary immediately preceding the State Convention, shall select and appoint two (2) delegates to the State Convention from each State Senatorial District.

SECTION 3: RULES FOR CONVENTION PROCEDURE

1. To the extent not provided in the Charter, these Bylaws or the Rules of the Convention, the most recently revised edition of Robert's Rules of Order shall govern the conduct of the State Convention.
2. As used herein, the term "delegates", shall mean all elected and ex-officio delegates set forth in Article 2, Section 4 of the Charter.
3. As used herein, the term "elected delegates" or "delegates elected to the convention" means those delegates the election for which is provided in Article 2, Section 4 (a) and (b) of the Charter.
4. As used herein, the term "Chair" shall mean such person who shall be acting as the presiding officer of the State Convention from time to time.

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5. The person in the Chair shall not be entitled to speak to any matter, but may vote if a delegate to the State Convention. The chair may, however, vacate his/her position and appoint another person to serve as presiding officer of the State convention, and take the floor and speak on any matter, provided that the person who was in the Chair may not then resume the Chair until completion of the matter on which the Chair has spoken.
6. The Chair may from time to time, at its discretion, appoint other persons to serve as presiding officer, but may resume the Chair as desired from time to time.
7. The State Chairperson may appoint a Parliamentarian or Parliamentarians for the purpose of interpreting the Charter, the Bylaws and the Rules of the Convention. However, all rulings as to interpretation shall be made by the Chairperson presiding, and the Chair shall not be bound to comply with the advice of the Parliamentarian.
8. A majority of the delegates entitled to vote at the State Convention shall constitute a quorum for all purposes at the State Convention. When a quorum is once established to organize a meeting of the State Convention, a quorum shall be conclusively presumed for all subsequent business until adjournment of the Convention.
9. Actions of the State Convention shall require a majority vote of those present and voting, unless the vote of a greater number of delegates is required by the Charter, the Bylaws, or the Rules of the Convention.
10. Delegates and alternates shall be seated on the floor in designated areas according to their respective Senatorial Districts. Access to the floor shall be restricted to delegates, alternates, and persons bearing credentials under authority of the State Convention.
11. Adoption of the rules and agenda shall be the first order of business.
12. At least ten (10) days before the Convention date, delegates to the State Convention shall be provided with the proposed Agenda, Rules of the Convention, Delegate Seating Plan, and accommodations availability by the State Party office.
13. Voting shall be by voice vote, or, at the discretion of the Chairperson or the demand of any delegate shall be by standing vote (but in the latter case, the Chairperson shall not count the members but shall make only a visual comparison of the delegates standing for or against the proposition.) A roll call vote shall be conducted if the Chairperson is in doubt as to the vote or upon the demand of twenty-five percent (25%) of the delegates of the convention present at the time (such percentage to be determined at the discretion of the Chairperson).
14. Immediately after the State Convention has been convened, delegates from each Senatorial District shall caucus and select a Chairperson who, should a roll call be required, shall poll the members of his delegation and report to the Chair the number of ayes and nays on said proposition under consideration.

15. When a question has been put, the vote thereon may not be interrupted for any purpose other than a demand for a roll call vote or a point of order directed to the conduct of the vote.
16. Only those persons who are duly certified delegates to the State Convention (or duly certified alternates in their absence) may vote on any issue before the Convention.
17. Only duly certified delegates (or duly certified alternates in their absence) may be recognized to speak on questions before the Convention.
18. All proposed resolutions for consideration by the State Convention shall be submitted in writing to the Resolutions Committee and shall be signed by at least one delegate to the State Convention. Resolutions received by the State Party Office at least five days prior to the meeting of the State Convention shall require only one such signature. Resolutions received later than five days prior to such meeting shall require the signature of at least one delegate from each of ten (10) Senatorial Districts. Rules of the State Convention will designate the time at which all resolutions to be considered by the Convention must be received.

SECTION 4: ELECTION OF STATE OFFICERS

1. Election of State Officers shall be by a roll call vote unless no more than one person is nominated for a State Office.
2. State Officers shall be elected at secretion and in the following order: State Chairperson, State Vice-Chairperson, State Secretary, State Treasurer.
3. Nomination for a State Officer shall be made with a three (3) minute speech from the floor provided, however, that a nomination of a person to be a State Officer shall be out of order unless such person is present at the State Convention and has indicated in writing prior to the time of the nomination to the Chair that such person is willing to accept such nomination and if elected will serve in the office to which elected. The requirement for attendance of a candidate for State Office may be waived for good cause if approved by the Rules Committee.
4. Nominations for each State Office shall remain open until closed by the State Convention.

5. After nominations for such State Office have been closed, there shall be two (2) one minute seconding speeches for those nominated, in order of nomination from the floor, or as shall be provided for in the Rules of the State Convention.
6. Each person nominated for State Office and receiving a second to the nomination, shall be allowed to speak for five (5) minutes, before the balloting shall begin.
7. Once nominations have been closed by the State Convention, nominations for a State Office may not be reopened until at least three ballots have been taken on the nominations made and no person has been elected on such ballot and then only by a majority vote of those present and willing.

SECTION 5: ELECTION OF CONGRESSIONAL DISTRICT CHAIRPERSON

1. Immediately following completion of the election of the State Officers and such acceptance speeches and other related actions as shall be required, the State Convention shall be recessed by the Chair, to allow the delegates to meet by Congressional District, for the Congressional District Chairperson Elections.
2. Delegates and alternates shall then meet according to the Congressional District in which such delegates and alternates reside, under the Chairmanship of the Existing Congressional District Chairperson, unless such Chairperson is placing himself for reelection, in which case the State Chairperson shall appoint a Congressional District Caucus Chairperson to conduct the election process in such Congressional District.
3. To the extent not provided for in the Charter, the Bylaws or the Rules of the Convention, the most recently revised edition of Robert's Rules of Order shall govern the conduct of the State Convention in all Congressional District Caucuses. All rulings as to interpretation shall be made by the Chairperson presiding at a Congressional District Caucus.
4. A quorum for the purpose of a Congressional District Caucus shall be a majority of the seated delegates and alternates of the State Convention residing in that particular Congressional District.
5. Pursuant to the procedure for the Election of Congressional District Chairpersons under the Charter, these Bylaws and the Rules of the Convention, each Congressional District Caucus shall proceed to elect by a majority of those present and voting, provided a quorum is present, a Congressional District Chairperson.
6. All votes shall be by show of hands or by secret ballot as determined by each Congressional District Caucus. In the event of secret ballot, paper ballots shall be used and special officers appointed by the Chair shall assist with the counting of votes.

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ARTICLE III
STATE OFFICERS
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CONGRESSIONAL DISTRICT CHAIRPERSONS

1. The State Officers shall be elected at State Convention and shall take office immediately upon election.
2. State Chairperson
 - (A) The Chairperson shall have over-all responsibility for the State Party affairs and shall be the official spokesperson for the party subject only to the provisions of the Charter and these Bylaws and to such additional directives as may be given from time to time by the State Committee and the Executive Committee.
 - (B) The Chairperson shall be responsible for maintaining the records of office: lists of contributors, party membership lists, records, Party Officers, reports, etc., and at the expiration of the term shall turn same over to the succeeding Chairperson.
 - (C) The Chairperson shall have the authority to appoint Chairpersons and members of special Committees and standing Committees of the State Committee unless otherwise prescribed within these Bylaws.
3. State Vice Chairperson
 - (A) The Vice Chairperson shall preside at any meeting of the State Committee in the absence of the Chairperson, and shall perform such other duties as may be delegated to him/her by the Chairperson.
 - (B) In the event of a vacancy in the office of Chairperson on account of resignation, illness, death or removal from office, the Vice Chairperson shall immediately become acting Chairperson and shall discharge the duties of the office until a new Chairperson is elected by the State Committee.
 - (C) While acting as Chairperson, the Vice Chairperson shall have all authority, powers, and duties of the Chairperson.
4. State Secretary
 - (A) The Secretary shall keep all official minutes of the State Committee and the Executive Committee. Official minutes of the State Committee shall be distributed to members of the State Committee within thirty (30) days of the date of any meeting of the State Committee. Minutes of the Executive Committee shall be mailed to all members of the State Committee as soon as possible following the date of any meeting of the Executive Committee.
 - (B) The Secretary shall also be responsible for ensuring that adequate and accurate records and files are maintained on the official records of the State Party in the State Party Office.

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- (C) The Secretary shall certify all delegates to the State Convention, all members of the State Committee and all members of the Executive Committee as well as issuing certificates of election to all new officers elected for the State Party.
- (D) The Secretary shall be responsible to provide appropriate persons to keep accurate and official minutes of the State Convention, to prepare the same as official minutes of the convention and to distribute same to all delegates to the Convention within sixty (60) days of the holding of the Convention.
- (E) The Secretary shall have the power to attest the signature of the Chairperson to all official documents of the State Party and when the signature of the Chairperson is so attested by the Secretary, such attestation shall be conclusive evidence as to the official action of the State Party or the official action of the Chairperson as the case may be.

5. State Treasurer

- (A) The Treasurer, in addition to the duties provided in the Charter and not in limitation thereof, shall also at least ten (10) days before the first of the State Committee bi-monthly meetings for each calendar year draw up, in consultation with the Chairperson, an annual State Party budget which shall be presented to the Executive Committee for approval prior to being submitted to the State Committee for adoption.
- (B) The Treasurer shall also every six (6) months provide to all members of the State Committee a financial report as to the finances of the State Party, such report to be in such form and contain such information as the Committee shall determine from time to time.
- (C) The Treasurer shall also assist the Chairperson in providing a financial report of the financial affairs of the State Party to the members of the State Executive Committee at each Convention.
- (D) The Treasurer shall not expend more than fifteen hundred dollars (\$1500.00) of non-specific budget items nor make contributions to individual Democratic nominees without prior approval of the State Executive Committee.
- (E) Before entering upon the discharge of his/her duties the Treasurer shall execute a bond or other obligation, with good and sufficient sureties or guarantors to the satisfaction of the State Committee, conditioned to pay over and account for on demand of the Committee any and all money that may come into his/her hands, as Treasurer, and/or the faithful performance by the Treasurer of the duties of office without loss or detriment to any person. The cost for said bond shall be paid by the State Committee.
- (F) Vouchers shall be filed with the Treasurer for all disbursements of money to be made from the treasury, who shall therefore draw

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an order from the amount stipulated. The order so drawn shall be approved by the Chairperson, and the Treasurer shall pay out no money without such approval.

6. Congressional District Chairpersons

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- (A) shall appoint a District Coordinating Committee composed of one person from each Senatorial District located wholly or partially within the Congressional District, and shall be responsible for performing within each Congressional District such duties as may be delegated to them by the State Committee, State Executive Committee, the State Chairperson, and these Bylaws;
 - (B) shall be responsible that every Senatorial District meeting is held, which is required to be held within their Congressional District by the Charter, Bylaws, State Committee or the Executive Committee;
 - (C) shall co-ordinate the work of the County Committee Chairpersons and the Affirmative Action Committee, for each Senatorial District meeting, to ensure maximum publicity and participation of Democrats;
 - (D) shall be responsible for establishing liaison with the County Committees and other Democratic organizations within Congressional Districts served and shall co-ordinate their affairs with those of the State Party;
 - (E) shall be responsible that every County Committee is functioning and shall take such action as may be necessary to assist County Committees in complying with the Charter;
 - (F) shall receive two copies of the bi-annual report or the recorded minutes of the County Committees as prescribed within these Bylaws. He or she shall retain one copy for his or her files and send one copy to the State Party Office;
 - (G) shall be responsible for maintaining lists of County Committee members within his Congressional District and shall file a copy of such lists with the State Party Office. Lists of State Committee members, Affirmative Action Committee members and officers of other Democratic Organizations shall be maintained and utilized in establishing liaison with County Committees, local Democratic organizations and the State Party Office;
 - (H) shall serve as liaison with the State Education and Training Council and shall be a member of the State Affirmative Action Committee;

(I) in consultation with the State Chairperson shall appoint the Chairperson of the County Committee Convention held to elect state Committee members, from names submitted by the respective County Committee Chairpersons;

(J) shall be responsible for performing such other duties as maybe delegated to them by the State Chairperson, State Committee or the Executive Committee;

(K) may be removed from office for cause in accordance with Article 4, Section 4 of the Charter.

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7. The State Officers are and include only the State Chairperson, the State Vice Chairperson, the State Secretary and the State Treasurer. The State Chairperson may, subject to contrary rules and regulations adopted from time to time by the State Committee, with the concurrence of the Executive Committee and the particular office involved, appoint assistants to the State Secretary and the State Treasurer.
 8. In the event of a vacancy in the office of Secretary or Treassurer, such assistants shall succeed to the duties of the Secretary or the Treasurer as the case may be until a new Secretary or Treasurer has been elected by the Executive Committee in a meeting to be held not less than ten (10) nor more than thirty (30) days after the date of such vacancy.
 9. The Chairperson may appoint a Parliamentarian to serve at the discretion of the Chairperson for such purposes as the Chairperson shall determine.
 10. With the concurrence of the Executive Committee, the Chairperson may appoint or hire legal counsel for the State Party under such terms and conditions and for such fees as shall be approved by the Executive Committee. Such legal counsel shall serve at the pleasure of the Chairperson.
 11. In addition, the Chairperson may appoint special assistants or create other positions and fill the same as the Chairperson shall deem to be appropriate in his/her sole discretion, subject to the approval of the Executive Committee, all persons filling such positions to serve at the pleasure of the Chairperson.

ARTICLE IV
STATE COMMITTEE

SECTION 1: ELECTION OF MEMBERS: SENATE DISTRICT ELECTIONS:

- (A) Beginning with the year 1978 and quadriennially thereafter, a local caucus shall be held in each State Senatorial District for the purpose of electing three (3) members of the State Committee. These district caucuses shall be held at a time set by the State Chairperson. The location of these caucuses shall be determined by the Congressional District Chairpersons and approved by the State Chairperson. Appointment of Chairpersons for such caucuses shall be by the Congressional District Chairpersons as hereinafter provided.
- (1) Such caucuses shall be scheduled for public places which would be most likely to encourage participation of all Democrats; the caucuses shall begin and end at reasonable hours.
- (2) The local caucuses shall be scheduled for ten o'clock (10:00) a.m. except where it is determined by the State Chairperson that inclement weather or any other unforeseen impediment of reasonable nature would significantly reduce Democratic participation in the election process.
- (B) The local caucuses shall be publicized widely so as to encourage participation of all Georgia Democrats. The following steps will be taken to publicize the caucuses.
- (1) The Executive Director of the State Democratic Party shall, well in advance of the local caucuses, undertake a comprehensive publicity campaign to inform the public of the purpose of the State Committee elections, the mechanics of the election process, who is eligible to participate in the process and become a member of the State Committee, and where to obtain additional information. This campaign shall be undertaken through mass mailings to sustaining members of the Democratic Party of Georgia providing complete information on how to become a member of the State Committee, and through dissemination of such information to youth, women's and minority organizations affiliated with or supportive of the Democratic Party of Georgia.
- (2) Additional public notice shall be given by the County Democratic Committee at least ten (10) days before, but not more than twenty-five (25) days before the date of the local caucus giving the date, time, and place for the convening of the caucus, and the purposes for which the caucus shall be held. Such notices shall be posted at the County Courthouse in each County, and the County Democratic Committee shall give such other notice as it deems appropriate to publicize the caucus most effectively in each Senatorial District.

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- (C) Any registered voter in and resident of the Senatorial District in which the local caucus is held may be a member of that caucus provided each member executes the following affidavit upon entering the caucus meeting place:

To _____ Chairperson
_____ Senatorial District Caucus

I am a registered voter in and a resident of the _____ Senatorial District. I hereby make application to be a member of the _____ Senatorial District Caucus held on the _____. I fully intend to support the Democratic Party in the future.

Applicant: _____
Address: _____
City: _____ Zip Code: _____
Phone: _____

All applicants who sign such affidavits shall be entitled to vote at the caucus.

- (D) A candidate for State Committee member must be a registered voter in and a resident of the Senatorial District from which he/she seeks to be elected.
- (E) All persons desiring to be candidates for State Committee members shall give notice in writing signed by such person, of such candidacy to the Caucus Chairperson not later than the close of nominations of such caucus. Such notice shall state the following:

To: _____, Chairperson
_____ Senatorial District Caucus

I am a registered voter in and a resident of the _____ Senatorial District and hereby make application to be a candidate for State Committee member. I fully intend to support the Democratic Party in the future.

Applicant: _____
(Please print full name as you would want it listed.)
City: _____ Zip Code _____
Home Phone: _____ Office Phone _____

Signature of Applicant _____

- (F) The Congressional District Chairperson of the Congressional District in which each Senate District lies (or when a Senate District lies in more than one Congressional District, then the Congressional District Chairperson shall be designated by the State Chairperson) shall designate a Chairperson to convene and

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preside at each local caucus. The Chairperson of such caucus shall refrain from any partisan activity on behalf of any candidate, but shall be entitled to vote if therein qualified.

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- (G) A quorum at each local caucus shall consist of thirty (30) qualified members. If a quorum is not in attendance upon the convening of the caucus by the Senate Chairperson, the Chairperson of the State Democratic Party may grant him/her option of extending the time for qualifying members or may waive the quorum requirement. In this situation the Chairperson will call the State Party office for a determination.
 - (H) In the event a caucus is not timely or properly convened in any Senatorial District, the State Chairperson, first conferring with the Congressional District Chairperson responsible for such Senate Caucus, shall appoint the State Committee members for such Senate District in the same manner as provided in the Charter for the filling of State Committee vacancies.
 - (I) Each member of the caucus shall vote for one man and one woman and one other person of either sex. Candidates shall be listed on the ballot in two columns, one for women and one for men. Each member of the caucus shall vote first for one man and one woman. The highest candidate who attains a majority of the votes cast from each list shall be elected. The remaining persons listed on the ballot shall be the candidates for the third State Committee post. The highest vote getter who attains a majority of all the votes cast for this position shall be elected. The voting will be as follows:
 - (1) Nominations may be made from the floor without a nominating speech.
 - (2) One short (3 minute) speech may be made by or in behalf of those seeking to be State Committee members.
 - (3) Ballots will be distributed only to those caucus members who have signed the affidavit hereinbefore provided.
 - (4) In the event a run-off is necessary, the Chairperson shall strike all but the top two (2) vote getters and proceed to ballot again.
 - (J) The Chairperson of the caucuses shall certify the names, addresses and phone numbers of those persons elected as members of the State Committee at such caucuses and shall file the names and affidavits with the Congressional District Chairperson within two (2) days following the election of said members.
 - (K) A challenge to any election of a State Committee member at any such District Caucus shall be filed in writing to the State Chairperson within five (5) days after such Senate Caucus. The State Chairperson shall then follow the rules and procedures as set forth in the Georgia Affirmative Action Program.

SECTION 2: ELECTION OF STATE COMMITTEE MEMBERS BY COUNTY COMMITTEES

- (A) Two (2) State Committee members (one man and one woman) shall be elected from each Senatorial District by County Committees when the Senate District lies wholly within a single county. Such State Committee members must be registered voters in and residents of the Senate District they wish to represent. The County Committees shall follow the following procedures for such elections:
- (1) The County Chairperson shall call a meeting of the County Committee for the purpose of electing two (2) State Committee members from each Senate District lying wholly within such county. Such meeting shall be held in the month of November as determined by the State Chairperson.
 - (2) Notice of date, time and place of such meeting shall be filed in writing with the Congressional District Chairperson and State Chairperson no later than two (2) weeks before such meeting.
 - (3) The County Chairperson shall, well in advance of the County Committee meeting, undertake a comprehensive publicity campaign to inform county citizens of the purpose for such Committee meeting. Notices shall be posted at the County Courthouse in each county. Notices shall be disseminated as far as possible to youth, women's and minority organizations affiliated with or supportive of the County Party.
 - (4) Candidates shall be listed on the ballot in two columns, one for women and one for men. Each member of the Committee shall vote for one man and one woman. The highest candidate who attains a majority of the votes cast from each list shall be elected. In the event a run-off is necessary, the Chairperson shall strike all but the top two (2) vote getters and proceed to ballot again.
 - (5) Those State Committee members so elected by the County Committee shall be certified to District Chairpersons with names, addresses and phone numbers within two (2) days after the election.
 - (6) A quorum for the County Committee meetings shall be thirty percent (30%) of the incumbent membership of such committee or no less than the quorum as provided in the rules of such Committee or which ever is the greatest.
- (B) When a Senate District contains more than one (1) county, two (2) members (one man and one woman) shall be elected from each Senatorial District by a Senatorial District Convention. Such Convention shall be composed of an equal number of delegates elected by the County Committee of each county lying wholly or partially within such Senate District. The Convention delegates shall be elected as follows:

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- (1) The County Committee shall hold a well publicized meeting for the purpose of electing five (5) delegates to attend the Senate District Convention to elect two (2) members to the State Committee.
- (2) Such Committee shall be held in the month of November and shall be called by the Chairperson of each County Committee.
- (3) Notice of date, time and place of such meeting shall be filed in writing with the Congressional District Chairperson and the State Chairperson no later than two (2) weeks before such meeting.
- (4) The five (5) delegates to the Senate District Convention selected by the County Committee must be registered voters and must live in the Senate District they are representing for the County Committee.
- (5) The County Chairperson shall, well in advance of the County Committee meeting, undertake a comprehensive publicity campaign to inform county citizens of the purpose for such County Committee meeting. Notices shall be posted at the County Courthouse in each county. Notice shall be disseminated as far as possible to youth, women's and minority organizations affiliated with or supportive of the County Party.
- (6) Those delegates elected by each County Committee to attend the Senatorial District Conventions to elect State Committee members shall be certified by full name, address, and phone number to Congressional District Chairpersons within two (2) days of elections.
- (7) A quorum for the County Committee meetings to elect such delegates to the Senate Conventions shall be thirty percent (30%) of the incumbent membership of such Committee or no less than the quorum as provided in the rules of such Committee or whichever is the greatest.

The election of delegates to the Senate District Conventions shall be decided by a majority vote of those present and voting provided a quorum of the County Committee is present.

- (8) Candidates shall be listed on the ballot in two columns, one for women and one for men. Each member of the caucus shall vote for one man and one woman. The highest candidate who attains a majority of the votes cast from each list shall be elected. In the event a run-off is necessary, the Chairperson shall strike all but the top two (2) vote getters and proceed to ballot again.
- (9) A challenge to any election of a delegate(s) to the Senate Conventions shall be filed in writing to the State Chairperson within five (5) days after such County

Committee meeting held for this purpose. The State Chairperson shall then follow the rules and procedures as set forth in the Georgia Affirmative Action Program.

(C) The Senate District Conventions to elect two (2) members to the State Committee shall be held in December with the dates set by the State Chairperson. The place of meeting and Chairpersons of such Conventions shall be determined by the Congressional District Chairpersons as hereinafter provided.

(1) Such Conventions shall be scheduled for ten o'clock (10:00) a.m. except where it is determined by the State Chairperson that inclement weather or any other unforeseen impediment of reasonable nature would significantly reduce Democratic participation in the election process.

(2) Such convention shall be scheduled for public places which would be most likely to encourage participation of all Democrats.

(3) The following steps shall be taken to publicize the Conventions:

(a) The Executive Director of the State Party shall well in advance of the Senate District Conventions undertake a comprehensive publicity campaign to inform the public of the purpose of the Senate Conventions, the mechanics of election process, who is eligible to participate in the process to become a member of the State Committee and where to obtain additional information. Such information shall have already been mailed, as part of an informational packet distributed prior to the Senate Caucuses held to elect State Committee members, to sustaining members of the Democratic Party of Georgia.

(b) Additional public notice shall be given by the County Committee Chairpersons at least ten (10) days before, but not more than twenty five (25) days before the date of the District Convention giving the date, time and place for the convening of the Convention and the purposes for which the Convention shall be held. Such notices shall be posted at the County Courthouse in each county and shall be disseminated as far as possible to youth, women's and minority organizations affiliated with or supportive of the County and State Party.

(4) Only certified Delegates shall be eligible to vote in such Senate District Conventions. Delegates shall be certified on a list provided to the Convention Chairperson and/or the Executive Director of the State Party.

- (5) In case of illness or death of an Elected Delegate to such Convention, the County Chairperson shall appoint such Delegate.
- (6) A candidate for State Committee member must be a resident of and a registered voter in the Senate District from which he/she seeks to be elected.
- (7) All persons desiring to be candidates for the State Committee to be elected at Senate Conventions shall give notice in writing signed by such person, or such candidacy to the Convention Chairperson not later than the close of nominations at such Convention. Such notice shall state the following:

To: _____, Chairperson
 _____, Senatorial District Convention

I am a registered voter in and a resident of the _____ Senatorial District and hereby make application to be a candidate for State Committee member. I fully intend to support the Democratic Party in the future.

Applicant:
 (Please print full name as you would want to be listed on the State Committee.)

Address: _____
 City: _____ Zip Code: _____
 Home Phone: _____ Office Phone: _____

(Signature of Applicant) _____

- (8) The Congressional District Chairperson of the Congressional District in which each Senate District lies (or when a Senate District lies in more than one Congressional District, then the Congressional District Chairperson shall be designated by the State Chairperson) shall designate a Chairperson to convene and preside at each local Convention. The Chairperson of such Convention shall refrain from any partisan activity on behalf of any candidate and shall be entitled to vote only if a certified delegate to such Convention.
- (9) A quorum at each local convention shall be the presence of Delegates equal in number to a majority of the Delegates elected to the Senate Convention by County Committees in such Senate District.

All business of a Senate District Convention shall be decided by a majority vote of those present and voting provided a quorum is present.

- (10) All votes in each Senatorial District Convention shall

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be by secret ballot unless otherwise determined by a majority vote of those present and voting provided a quorum is present.

- (11) Each person elected a member of the State Committee must receive a majority of the ballots cast. Each Delegate of the Convention should vote for two (2) candidates. The voting will be as follows:
- (a) Nominations may be made from the floor without a nominating speech.
 - (b) One short (three minute) speech may be made by or in behalf of those seeking to be State Committee members.
 - (c) Ballots will be distributed only to those delegates who have their names on the certified list as hereinbefore provided.
 - (d) In the event a run-off is necessary, the following rules will apply:
 - (i) If no one is elected for any of the two (2) positions, the Chairperson will strike all but the top four (4) vote getters and proceed to ballot again.
 - (ii) If one, but not the other position is filled, the Chairperson will strike all but the top two (2) vote getters and proceed to ballot again.
- (12) The Chairperson of the Senate Convention shall certify the names, addresses and phone numbers of those persons elected as members of the State Committee at such Convention and shall file the names with the candidacy affidavits with the Congressional District Chairperson within two (2) days following the elections of said members.
- (13) If any Senate Convention has been unable to take action because of lack of quorum, the Convention Chairperson shall notify the State Chairperson who shall determine whether the Convention shall adjourn to a future date or whether to declare a State Committee vacancy in such Senate District and appoint such members as provided in the Charter or whether to waive the quorum requirement. In this situation, the Convention Chairperson will call the State Party Office for a determination.
- (14) A Challenge to any election of a State Committee member at any such Senate Convention shall be filed in writing to the State Chairperson within five (5) days after such Senate Convention. The State Chairperson shall then follow the rules and procedures as set forth in the Georgia Affirmative Action Program.

written notice of the reasons alleged for the person's discharge. The Executive Committee shall not submit said charges to any said person unless by majority vote of its parties present and voting at a duly held meeting favors submission of the charges to said person.

- (B) The person to be removed shall have the right to be informed of all persons who will be witnesses against him/her, and who will testify in support of the charges against him/her, at least ten (10) days before a hearing on said charges before the full State Committee.
- (C) The person to be removed shall have the right to counsel and to present all witnesses, documents and arguments in support of his position. The Executive Committee which has tendered the charges may likewise have counsel and present all witnesses, documents, and arguments in support of its position.
- (D) No member of the Executive Committee may vote on the charges at the time of voting by the full State Committee.
- (E) Removal is accomplished when at least two thirds (2/3) of the members (excluding members of the Executive Committee, who may not vote) of the State Committee supports said removal provided forty percent (40%) of the incumbent membership is present and voting.
- (F) No hearing before the State Committee shall be held before thirty (30) days from the time charges have been received by the person to be removed.

SECTION 6: VACANCIES OF STATE PARTY POSITIONS

- (A) STATE CHAIRPERSONS. A vacancy in the office of State Chairperson shall be filled at a meeting of the State Committee called by the State Vice-Chairperson no less than ten (10) or more than thirty (30) days after the vacancy occurs. Election shall be by a majority of State Committee members present, provided at least forty percent (40%) of the incumbent membership is present and voting.
- (B) OTHER STATE OFFICERS. Vacancies in other State Officer positions shall be filled by election by the Executive Committee.
- (C) CONGRESSIONAL DISTRICT CHAIRPERSONS. Vacancies in the office shall be filled by appointment by the State Chairperson from nominations made by a Caucus of State Committee members and other Congressional District officers (if any) from the Congressional District involved and the County Chairpersons of the Counties lying wholly or partially within such Congressional District.
- (D) STATE COMMITTEE MEMBERS. Vacancies in State Committee memberships shall be filled as follows:
 - (1) Members elected by Senatorial District Caucus pursuant to

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Bylaws Article 5, Section 1, shall be filled by appointment of the State Chairperson after consultation with the remaining committee members so elected, the Congressional District Chairperson and the County Committee Chairman of each County lying wholly or partly in said Senatorial District.

(2) Members elected by County Committees:

(a) Senatorial Districts wholly within one county pursuant to Bylaws Article 4, Section 2 A, shall be filled by selection of the County Committee.

(b) Senatorial Districts containing more than one county, pursuant to Bylaws Article 4, Section 2 D, shall be filled by selection by the County Chairpersons of the counties lying wholly or partly within said Senatorial District.

SECTION 7:

Except as otherwise provided in the Charter and Bylaws, a quorum for a meeting of the State Committee shall be 20% of the incumbent quorum membership.

SECTION 8:

Committee members shall be in receipt of written notice at least ten (10) days prior to any called meeting of the State Committee. Such notice shall include a proposed agenda for such meeting.

SECTION 9:

All meetings of the State Committee shall remain in continuous session until all business properly coming before said Committee has been disposed of, but may recess for a time certain.

SECTION 10:

In the event twenty percent (20%) of the incumbent membership of the State Committee, exclusive of non-quorum members, call for a special or emergency meeting, in addition to the biannual meetings as prescribed in the Charter, with reasonable notice in writing to all of the membership of the State Committee, and the Executive Director and the State Chairperson has failed within twenty one (21) days from the receipt of said notice to call such meeting, the aforementioned twenty percent (20%) of the incumbent membership who called for such special meeting shall once again give notice in writing to all of the membership of the State Committee and the Executive Director setting out the general subject matter of such meeting and establishing the date, time and place of such meeting.

SECTION 11:

Duties of the members of the State Committee shall include:

(A) Members shall attend all meetings of the State Committee after

receiving sufficient written notice.

- (B) Members shall promptly answer all communications from the Chairperson and/or any other elected or appointed officer of the State Committee.
- (C) Members shall aid the County Committees in their districts and assist the County Chairpersons in organizing and promoting the Democratic Party and in the election of Democratic candidates to office.
- (D) Members are encouraged to attend as many of the County Committee meetings as possible in their district.
- (E) Members shall help organize and establish meetings in the Senate Districts to encourage attendance at caucuses held for election of State Committee members and State Convention delegates and to promote voter registration and education as well as Party organization in such Senate Districts.
- (F) Members shall work closely with their respective Congressional District Chairpersons to insure coordination of all Party affairs with State and County Committees, Affiliated Organizations, and Senatorial Caucus meetings.
- (G) Members are encouraged to volunteer to work with a Standing Committee of the State Party and should suggest his or her preference to the State Chairperson.

SECTION 12: STANDING COMMITTEES

- (A) The State Chairperson shall appoint annually at the fall meeting the Chairperson and members of the Standing Committees.
- (B) Committee members, including Chairpersons, will be drawn from the membership of the State Committee, and should represent positive consideration of Affirmative Action and reflect representation of all geographic areas of the State. Subcommittees and task forces working from within and through the Standing State Committees may have their membership drawn from active Democrats throughout the State.
- (C) The following shall be considered Standing Committees:
 - (1) **AUDIT COMMITTEE:** Shall annually oversee the conduct of an outside audit of the financial accounts of the Party. The Audit Committee shall select a qualified Auditor or Audit Firm. Results and recommendations of the audit must be presented to the next meeting of the Executive Committee and of the State Committee.
 - (2) **CHARTER AND BYLAWS COMMITTEE:** The Charter and Bylaws Committee shall at least biennially review the structure and procedures of the State Party as defined in the Charter and Bylaws and recommend any additions or changes to assure the effective operation of the Democratic Party of Georgia in compliance with the governing rules of the

Democratic Party of the United States. Proposed amendments to the Charter and Bylaws shall be placed in writing and referred to the Bylaws Committee for consideration. Minority reports on proposed Charter or Bylaws changes shall be considered by the State Convention if supported by a petition signed by at least five (5) members of the Charter and Bylaws Committee, or twenty percent (20%) of the total membership of the Committee, whichever is greater. Where proposed Bylaws amendments are to be considered at a convention of the State Party, the same rules of procedure as those prescribed for introduction of resolutions will apply.

- (3) **COMMUNICATIONS COMMITTEE:** This committee shall help the Executive Director and State Party staff publicize the activities of the Democratic Party of Georgia and shall also work with the Affirmative Action Committee to insist that all Democratic Party meetings receive as much notice and publicity as possible.

Important areas of possible concern for this committee may include: State Newsletter, media contacts, P. R. notices, and coordination with Membership Committee to maintain proper membership and contact lists for the Georgia Democratic Party.

- (4) **CONVENTION COMMITTEE:** This committee shall be responsible for all arrangements and physical coordination necessary to the conduct of the State Convention.

- (5) **COUNTY COORDINATING COMMITTEE:** The County Coordinating Committee shall:

- (a) Provide information about and assist in the implementation of State Party Charter and Bylaws standards;
- (b) Assure coordination of County Committee and State Party activities;
- (c) Audit the status of County Committee organizations and activities; and
- (d) Provide recommendations and mechanisms for counties failing to organize consistent with State Party standards.

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- (6) **MEMBERSHIP COMMITTEE:** To help devise a system and process for encouraging and increasing membership in the Georgia Democratic Party and to assist staff in seeing that Membership lists are maintained and used.
 - (7) **LEGISLATIVE COMMITTEE:** The Legislative Committee shall study and report to the State Committee about any legislation deemed necessary and desirable in the interest of the State Party. It shall be responsible for liaison between the State Committee and the Democratic legislators during legislative sessions.
 - (8) **RULES COMMITTEE:** The Rules Committee shall be composed of at least one member from each Congressional District, the Party Parliamentarian, as an ex-officio member, and such additional members as the State Chairperson shall appoint. Duties of the Rules Committee shall include consideration of proposed resolutions and special rules for the conduct of State Committee meetings.

All proposed resolutions for consideration by the State Committee shall be submitted in writing to the Rules Committee and shall be signed by at least one member of the State Committee. Resolutions received by the Rules Committee at least five (5) days prior to the meeting of the State Committee at which they are to be considered shall require the signature of at least one State Committee member from each of ten (10) Senatorial Districts.

Minority reports on Resolutions shall be supported by a petition signed by at least five (5) members of the Rules Committee, or twenty percent (20%) of the total membership of the Rules Committee, whichever is greater.

- (D) There shall be a report from all Standing Committees at each regular meeting of the State Committee.

SECTION 13:

The State Chairperson is authorized to activate or establish such other Committees as the Chairperson or the State Committee deems necessary.

SECTION 14:

There shall be established an **AFFIRMATIVE ACTION COMMITTEE** of the State Party whose membership shall be approved by State Committee and whose Chairperson shall serve on the State Executive Committee. The Affirmative Action Committee shall function in compliance with National Democratic Party guidelines and shall include a Judicial Sub-Committee and Compliance Review Committee.

SECTION 15:

The State Committee shall not endorse any candidate for office prior to the primary election.

SECTION 16: PRESIDENTIAL ELECTORS

(A) **QUALIFICATIONS:** The qualifications for Presidential Elector candidates shall be the same as those prescribed for membership in the Democratic Party, except that Presidential Electors may not be a member of the United States Congress or anyone who holds any office of profit or trust under the United States.

(B) **DUTIES:** The duties of Presidential Electors shall be to meet in the Capitol at Atlanta on the first Monday after the second Tuesday in November following their election (or at such other time and place as may be required by law) and vote for President and Vice-President of the United States, making such return thereof as is required by United States law.

(C) The State Party Chairperson shall submit names of Presidential elector candidates to the State Executive Committee for approval.

The party's official slate of Presidential elector candidates shall be certified to the Secretary of State by the State Party Chairperson and State Party Secretary at least seventy five (75) days prior to the National Election.

ARTICLE V
STATE EXECUTIVE COMMITTEE

SECTION 1:

Officers of the State Committee shall be Officers of the State Executive Committee.

SECTION 2:

A majority of the Executive Committee may fix dates on which regular meetings of the Executive Committee shall be held.

Special meetings of the Executive Committee may be called by the State Chairperson or at least one-fourth of the current membership of the Executive Committee by written notice of the time and place of such special meeting given to each member either by personal delivery or by mail, telegram or cablegram at least two (2) days before the date of such meeting.

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SECTION 3:

A majority of the number of members of the Executive Committee will constitute a quorum for the transaction of business at a meeting of the Executive Committee and the vote of a majority of the members present at the time of the vote, if a quorum is present at such time, shall be the act of the Executive Committee, unless the vote of a greater number is required under the Charter or these Bylaws.

A majority of the members of the Executive Committee present, whether or not a quorum exists, may adjourn any meeting of the Executive Committee to another time and place. Notice of any such adjourned meeting shall be given by the State Chairperson (or if the State Chairperson refuses; by any other two members of the Executive Committee) to all members who are not present at the time of adjournment and, unless the time and place of the adjourned meeting are announced at the time of the adjournment, to all other members.

SECTION 4:

If an immediate vote of the Executive Committee is necessary, members may be polled by telephone and shall have their votes and conversations concerning such vote recorded as part of the official minutes of that meeting.

SECTION 5:

Minutes of Executive Committee meetings shall be mailed to Executive Committee members within one week following such meeting. And to members of the State Committee as soon as possible following the date of any meeting of the Executive Committee. A copy or copies of such minutes shall also be placed on file with the State Party Office. This file shall be available for each State Committee meeting.

ARTICLE VI
NATIONAL COMMITTEE MEMBERS

SECTION 1:

The members of the National Committee elected from Georgia Party are members of the State Committee and State Executive Committee.

SECTION 2:

Vacancies in these positions shall be filled by the State Executive Committee to serve until the next meeting of the State Committee at which time the vacancy shall be filled by the incumbent membership of the State Committee through the process set forth in these Bylaws.

SECTION 3:

The National Committee Members shall be elected by majority vote of the incumbent membership of the State Committee at the meeting of the State Committee immediately preceding the National Democratic Convention.

SECTION 4:

Notice of the State Committee meeting at which National Committee members are to be elected shall be mailed to all members of the Committee no less than thirty (30) days before the convening of that meeting, designating time, date, and place of the meeting and including in such mailing, copies of the Article and those sections of the Charter and Bylaws governing the National Committee member selection.

SECTION 5:

Those persons interested in running for a Committee member post, (National Committeeman, National Committeewoman, and others as designated by the Democratic National Committee), shall file an "intent to run" with the state Party Office no later than ten (10) days before the State Committee meeting.

SECTION 6:

A brief nominating speech may be made for each candidate of no more than three or four minutes duration. One seconding speech may be allowed of no more than one minute duration. The candidates themselves may then address the State Committee for no more than five (5) minutes.

SECTION 7:

Nominating and candidate speeches will be made in the following order: National Committeeman; National Committeewoman; Post #1; Post #2; etc.

SECTION 8:

Balloting will proceed by secret ballot using ballots already prepared by the State Party Office with provision for write-ins.

SECTION 9:

National Committee members shall hold themselves available for consultation prior to National Committee meetings. Written or (when possible) vocal reports shall be made to the State Executive Committee after each National Committee meeting.

SECTION 10:

National Committee members shall submit a report to be delivered at State Convention, a written copy of which shall become part of the official minutes of the State Convention.

SECTION 11:

Copies of written reports and copies of recorded minutes of vocal reports made by National Committee members to the State Executive Committee shall be placed on file with the State Party Office and such file shall be available by its physical presence at each State Committee meeting.

NO BYLAWS

ARTICLE VII-B
CAMPAIGN SUPPORT COMMITTEE

NO BYLAWS

ARTICLE VIII
STATE EXECUTIVE DIRECTOR

SECTION 1: STAFF POSITIONS

The Executive Director shall propose such staff positions as necessary to carry out the functions of the State Party, along with salaries to be paid. Such proposals shall be forwarded to the State Chairperson for inclusion or modification in the proposed annual budget. Except for temporary office help involving total expenditure of \$2500 or less, all unbudgeted positions or changes in salaries of budgeted positions must be approved by the State Chairperson and the Executive Committee.

SECTION 2: HIRING OF EMPLOYEES DISCIPLINARY ACTIONS

The Executive Director shall be responsible for the hiring of qualified staff members for all budgeted and other approved or temporary positions and may institute dismissal or other disciplinary actions as necessary against such employees. Hiring and disciplinary actions affecting the position of Associate Director or Administrative Assistant (Office Manager) shall require prior approval of the State Chairperson, with resolution to be made by the State Executive Committee if agreement is not reached within a reasonable period of time between the Executive Director and the Chairperson.

SECTION 3: APPEALS FROM DISCIPLINARY ACTIONS AFFECTING EMPLOYEES

An affected employee may appeal dismissal, suspension, demotion, lay-off, or alleged discrimination in promotional procedures to the State Executive Committee. Such appeal must be made in writing, signed by the employee, must state the action complained of, a brief statement of facts supporting the employee's position, and what remedy is sought. Appeal must be filed with the State Chairperson by receipt at the State Party office within five working days following the effective date of the action complained of. The Executive Director within five days of receipt of the appeal shall file with the Executive Committee a response to the employee's appeal and shall mail his response to the employee.

The Executive Committee may in its discretion conduct a hearing and hear testimony from witnesses knowledgeable of the facts in the case. Upon receipt of the response of the Executive Director, the Chairperson shall poll the members of the Executive Committee to determine if the members desire to hear testimony before deciding the appeal. If a majority of the members request a hearing, the Chairperson shall immediately set a hearing date.

The Committee shall render its decision within thirty (30) days after receipt of the appeal. In the event the Executive Committee does not elect to hold a hearing, the decision of the Executive Director shall be final; in the event a hearing is held, the decision of the Executive Committee shall be final.

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ARTICLE 1A
COUNTY COMMITTEES

SECTION 1:

Certification of County Committee Members and Officers within four (4) weeks following the organization meeting of the County Committee as specified in Article IX, Section 7 of the Charter, the Chairperson and Secretary of each County Committee shall submit to the State Chairperson and to the Congressional District Chairperson a certificate signed by them in substantially the following form:

GEORGIA _____ COUNTY
CERTIFICATION OF THE DEMOCRATIC
PARTY OF _____ COUNTY

This is to certify that the Democratic Party of _____ County, Georgia, has been duly organized in accordance with the Charter and Bylaws as enacted and published by the State Democratic Committee, all of whom were properly and duly elected as follows:

We further certify that the County Committee has complied with all requirements of the Georgia law as to the required filing of rules and regulations with the Probate Judge of this County. A copy, certified by the Probate Judge being hereto attached.

We further certify that the officers of the County Committee have read and are familiar with:

- (1) The Charter and Bylaws of the Democratic Party of Georgia; and
- (2) The Election Code of Georgia (Title 34)

(signed) _____
Chairperson

(signed) _____
Secretary

SECTION 2:

The County Committee shall provide a method for Democrats in the County to become members of and participants in the activities of the County Party.

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SECTION 3:

The County Committee shall encourage all qualified Democrats to seek office on their own merit.

SECTION 4:

The County Committee and/or any of its affiliated organizations are explicitly prohibited from supporting a Democratic candidate who has opposition during a primary or special election, nor shall any County Committee member use his/her office to support an opposed primary candidate or a candidate who has Democratic opposition in a special election. No affiliated organization or its officers and no County Committee member shall publicly support another candidate other than the Democratic nominee in a General Election.

SECTION 5:

Each County Committee shall have the duty and responsibility to raise funds by solicitation, donations, and/or any other acceptable methods for the support of the Party.

SECTION 6:

The County Committee shall be charged with the responsibility for holding all municipal party primaries within the County. It may elect to conduct such primaries itself, or it may designate a Municipal Primary Committee (referred to as Municipal Executive Committee in the Georgia Municipal Code, Section 34 A-801) for any such municipality holding a municipal primary. Such Municipal Primary Committee shall be composed of three or more citizens from the municipality concerned and shall be empowered by such designation to perform all the duties and responsibilities required by the Georgia Municipal Election Code in connection with the conduct of a municipal primary. It shall be the responsibility of the County Committee at the time it certifies its members and officers with the State Committee, to file with the City Clerk of each municipality concerned, the Secretary of the State of Georgia, and the State Party office, the names and addresses of the members and officers and other information required by Section 34 A-801 of the Georgia Municipal Election Code for each such Municipal Primary Committee, or to certify that the County Committee will serve as such Municipal Primary Committee.

SECTION 7:

(A). Poll Officers

In accordance with Section 34-501 of the Georgia Election Code, poll officers to conduct primaries and election shall be recommended by the County Committee in each county to the Judge of Probate or Election Board.

(B). Poll Watchers

In accordance with Section 34-1310(b) of the Georgia Election Code, two official poll watchers may be designated by the County

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Committee for each election district for each election.

(C). Substituted Nominations

Any vacancy in any nominations for party nomination for a Federal, State, or County office, by reason of the death, disqualification, or withdrawal of any candidate therefor, shall be governed by the provisions of Georgia Election Code, Section 34-1003. Any vacancies in any party nomination for a Municipal office by reason of the death, disqualification, or withdrawal of any candidate after nomination shall be governed by the provisions of Georgia Municipal Election Code, Section 34 A-903.

SECTION 8:

(A) County Committees must maintain, at the least, the following financial records:

- (1) Records showing revenues or other monies or property received by the County committee or any of its designated subcommittees during the year (kept on a calendar year basis) together with the amount, date, and source of said monies;
- (2) Records showing expenditures or distributions by the County Committee or any of its designated subcommittees during the year (kept on a calendar year basis) together with the amount, date, and person, firm or corporation to whom said funds or property are expended or distributed and the purpose therefore;
- (3) Records showing revenues or receipts and expenditures from, by, or to or for members of the County Committee during the year (kept on a calendar year basis).

(B) County Committees must maintain, at the least, the following other records:

- (1) A current list of names, addresses and telephone numbers of all members of the Committee;
- (2) A current list of all activities sponsored during the year (on a calendar year basis) by the Committee;
- (3) A list of all unpaid obligations owed by the Committee; and
- (4) Such other records as the State Committee shall require from time to time.

SECTION 9:

Each County Committee Chairperson shall appoint a County Affirmative Action Committee which shall be responsible for all Affirmative Action Programs in the county under the direction of the State Affirmative Action Committee.

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SECTION 10:

Each County Committee shall have a sub-committee or committees appointed by the Chairperson whose responsibility shall be to advertise and promote for general membership and support of the Party.

SECTION 11:

Party Districts

- (A) Within the time designated by the State Chairperson, after each decennial census or any census at which reapportionment of the state legislature is mandated, the County Committee of each County shall establish party district lines and allocate committee positions so as to provide for equitable representation for each such district and to insure full participation by all segments of the population in the county, as provided in Article IX, Section 3 of the State Party Charter.

Changes in party district lines may also be made as necessary by the County Committee to reflect changes made by County officials in county election districts where such changes materially affect party districts. Such changes must be made by the County Committee using guidelines herein provided to assure equitable representation and full participation by all segments of the population in the county and within sufficient time prior to the announcement of positions to be filled in the next party primary. Except as provided in Section 12 below, no member may be removed from the County Committee prior to the expiration of his/her term of office.

All actions taken by the County Committee to effect changes in or the redistricting and reapportionment of the committee shall be filed promptly with the State Chairperson. Information filed shall include: the number of party districts designated, the election district or districts contained in each such district, the approximate number of persons residing within each such district, the number of county committee members to be elected from each district, and any reasons for unequal districts if such districts are designated. If possible, a map showing such districts shall be furnished.

- (B) The following guidelines shall be used in establishing party districts:
- (1) Each county shall have two or more party districts. If practicable, each district shall be apportioned substantially equal on the basis of population;
 - (2) Each district shall have the same number of committee members unless it is impractical to apportion districts substantially equal; unequal districts shall have representation apportioned as nearly as practicable to population.
- (C) In order to assure participation by all segments of the

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population:

- (1) Each County of 10,000 or less population shall have two or more party districts.
- (2) Counties of over 10,000 population shall have at least one additional party district for each 10,000 population; provided however, that counties containing at least four House of Representative districts located wholly within the county may elect to apportion such districts on the basis of House Districts or portions thereof.

SECTION 12:

The County Committee shall designate the Committee positions to be elected in the gubernatorial election years and those to be elected in the presidential election years. The initial term for those positions designated to be filled two years after the reapportionment shall be for a term of two years, with the election of the other posts to be for a full four year term. Notwithstanding this provision, terms of all committee members shall be subject to termination at the time of general reapportionment.

SECTION 13:

Method of Election of County Committee Members

- (A) At least twelve months prior to the date set for beginning of qualifications for County Committee positions each two years the County Committee may call and set the time and place for a county-wide caucus or convention to consider change of the method used to elect members of the County Committee. Such caucus or convention may also be called upon petition of at least five percent (5%) of those electors who voted in the last Democratic Primary in the county. Such petition shall be in substantially the same form as petition requirements established under the State Election Code and shall be filed with the State Chairperson at least twelve months prior to the time set for opening of qualifications for the County Committee positions. The State Chairperson shall consider no petition which does not contain a sufficient number of signatures. Upon determination of the requisite number of signatures, the State Chairperson shall promptly notify the County Chairperson and require the publication of intention to hold a county caucus or convention. Absent any challenge to the filed petition within thirty (30) days after public notice thereof, the State Chairperson shall designate the time and place of the forthcoming county caucus or convention and so inform the County and Congressional District Chairpersons and the State Affirmative Action Committee. Any challenge to the petition's validity must be filed with the State Chairperson within thirty (30) days after publication of the notice of intent to hold a caucus or convention. The challenge shall be referred by the State Chairperson to the State CRC, which Committee shall be responsible for establishing such procedures as it deems necessary to verify the validity of the petition. Upon validation or rejection of the petition by the CRC, the State Chairperson shall promptly notify the

Chairperson of the County Committee concerned, stipulating the time and place for such caucus or convention if indicated.

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- (B) Fulton and DeKalb Counties shall use the county-wide convention method to decide the method of selecting their Committees. In all other counties, the County Committee will elect to use the county-wide caucus or convention method. Such county-wide caucus will be open to all interested Democrats who are registered voters; a county wide convention shall be composed of delegates elected from district caucuses within the county, delegates from such districts are to be apportioned by population or voter registration.
 - (C) The County Committee Chairperson shall be responsible for calling the county caucus or convention. Notice giving time, place, and purpose of such caucus or convention shall be posted not less than thirty (30) days preceding the date of the caucus or convention. At least ten (10) days prior to such caucus or convention, the County Committee Chairperson shall report to the State Chairperson the system (caucus/convention) which the county committee has elected to use, and if the convention method is selected, the time and date for district caucuses, the districts to be used, and the number of delegates to be elected from each such district.
 - (D) The County Committee Chairperson or designee thereof, shall chair the county-wide caucus/convention under rules established by the State Chairperson, and shall promptly report the results of such caucus/convention to the State Chairperson as required in such rules.

SECTION 14: ELECTION PROCEDURES

- (A) If members of the County Committee are to be elected on the Primary ballot, the same procedures and rules as those for other county elected officials shall prevail, except that the candidate receiving the highest number of votes shall be elected without the necessity of a run-off.
- (B) When County Committee members are to be elected to represent party districts, public notice shall be given by the Committee by the posting of notice in a prominent place in the county courthouse and by publishing same in a newspaper of general circulation in the county at least once a week for the four weeks preceding the closing of qualifications for such office. The notice shall contain the following and such other information as may be required by the State Chairperson:
 - (1) For Committee members elected on primary ballot: names of Party districts with designation of election districts or areas included in such districts, posts to be filled from each such district, opening and closing dates for qualification, fee to be charged, qualifications for holding office and time and place and person or persons with whom application for candidacy may be filed.
 - (2) For Committee members elected by caucus: date, time, and

place of district caucuses, with list of election districts or areas included in such districts; posts to be filled from each district; qualifications for holding committee office; method to be used to qualify as candidate.

(C) In order to further insure equal participation by all Democrats in the County:

(1) (a) County Committee membership should substantially reflect the percentage of minority population in the county, and each County Committee shall, in determining its method of composition (by the election of County Committee Members from party districts or otherwise), make a good faith effort to insure that all segments of the population of the county are fairly represented on the County Committee.

(b) The minority population shall be calculated by use of the most recent U.S. Census figures which have been or are to be used in reapportionment of the State Legislature.

(2) In order to insure substantially proportionate representation of all segments of the population on the County Committee, County Committees may at any time vote to enlarge themselves by the election by the existing County Committee Members of additional members to the County Committee.

(3) Any individual who voted in the last Democratic primary and who currently is a member of the Democratic Party of Georgia, shall have standing to challenge the drawing of County Committee district lines or the allocation of County Committee positions on the ground that the districting or election procedures involved preclude or substantially diminish fair representation for significant segments of the population. Such challenge may be made by executing a petition, setting forth the objections, and by filing the petition with the Chairperson or Secretary of the county Committee.

(a) The petition may be filed at any time, provided, however, that after a primary election held by the Democratic Party of Georgia, the relief granted in the case of any successful petition may take into account the fact that the petition was filed subsequent to the date on which members of the County Committee were last elected (if they were elected in a primary election) insofar as the relief may be prospective rather than retroactive, and thus allow elected members to continue to hold their office until the next election.

(b) The County Committee shall have forty-five (45)

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days from the date of receipt of a validly-filed petition to act thereon and rule and/or act upon such petition. If the County Committee does not rule and/or act upon the petition within said time, the State Democratic Party's Compliance Review Commission (CRC) shall have full jurisdiction to hear the challenge, as set forth in subparagraph (c) below.

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- (c) If the response by the County Committee to the petition is unsatisfactory to any petitioner, or if the County Committee fails to act within the forty-five (45) day period set forth in subparagraph (b) above, he/she may file an appeal in writing to the CRC at State Headquarters within thirty (30) days from the earlier of (i) the date of the decision by the County Committee or, (ii) in the event of failure to act on the petition on the part of the County Committee by the expiration of the forty-five day period set forth in subparagraph (b) above, the expiration of such forty-five (45) day period. The CRC shall thereafter have sixty (60) days from receipt of the notice of appeal to hear the matter and render a decision and/or fashion appropriate remedies.
 - (d) In acting on any such challenge or appeal, the CRC shall have authority to (i) appoint such fact-finding body as it considers necessary and appropriate and may act on the basis of such facts as determined by such fact-finding body, and (ii) to render any decision and/or fashion appropriate remedies including, without limitation, expulsion of or expansion of the County Committee through the appointment by the CRC or by local caucus of additional members, the establishment of a redistricting plan to provide for the election of County Committee members at a special or other election or any combination of such relief. Copies of any such decisions of the CRC shall be delivered by the CRC to the State Chairperson, the State Vice-Chairperson, the Executive Director, and the General Counsel, and such rulings shall not become effective for thirty (30) days thereafter, during which time any one or more of the aforesaid officers and officials of the Party may refer the matter to the Executive Committee, which shall review the ruling as provided in subparagraph (e) below. No ruling of the CRC pursuant to this Paragraph "C" shall become final if the same is pending before the Executive Committee, until the Executive Committee rules thereon.
 - (e) Any party to a proceeding under this Paragraph "C" who is not satisfied with the ruling issued

by the CRC pursuant to the procedures set forth in Subparagraph 3(d) hereof, may, within thirty (30) days of the date of such ruling, file an application for discretionary review with the Executive Committee of the State Committee, which may, if it desires in its sole discretion to do so, review the CRC ruling and render a final decision thereon.

- (f) This Paragraph "C" shall not be construed to require or constitute the implementation of any quotas, and the failure to have a certain number of minority members on the County Committee shall not be deemed in and of itself to set forth a conclusive ground for a challenge. Such under-representation shall, however, constitute proof of violation of Paragraph "C," however, in the absence of a countervailing showing that sufficient efforts were made to comply with the requirements of Paragraph "C".
- (g) Whenever this Subparagraph 3 requires that an act be done within a specified period of time, such period of time may be extended by mutual consent of the parties to the subject proceeding.
- (h) Any notices required to be given pursuant to the provisions of Subparagraph 3 hereof shall be required to be either hand-delivered or mailed by registered mail to the appropriate opposite party, and shall be deemed to be delivered as of the date of receipt of any hand delivery or the date of the U.S. Post Office receipt for the registered mailing.

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SECTION 15: ORGANIZATIONAL MEETING

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- (A) Within four (4) weeks after the election of said County Committee, the newly elected members of the Committee shall meet at some place at the county seat, the date and time to be fixed by the retiring Chairperson and shall organize as the County Committee by electing the officers hereinafter required.
 - (B) In the event a County Committee does not meet within four (4) weeks after its election, the Congressional District Chairperson shall call such meeting, specifying time and place for organizational meeting. In the event a Congressional District Chairperson does not so act within an additional two (2) weeks time, the newly elected members shall meet in the county courthouse upon the call of one or more such newly elected members.
 - (C) The County Committee shall organize by the election from its membership: a Chairperson, two or more Vice Chairpersons, a Secretary and a Treasurer. Where available, a woman shall be elected either as Chairperson or Vice Chairperson. In addition thereto, the County Committee may elect such other officers and may provide for the election or appointment of such subcommittees as the Committee may deem necessary and proper to perfect its organization, and which shall have been provided for in its rules. A person receiving a majority of votes for election to an office shall be declared elected to that office.
 - (D) The Chairperson, each Vice Chairperson, the Secretary, and the Treasurer of the Committee shall serve a two (2) year term, beginning at the close of the meeting at which they are elected. All other officers of the Committee and all members of any subcommittees, elected or appointed by the Committee, if any, may be elected or appointed at any time and shall serve at the pleasure of the Committee.

SECTION 16:

Each County Committee shall meet a minimum of once each quarter and other meetings may be called at any time by the Chairperson. Unless regular meetings are held at previously designated time and place, all members shall be notified either by mail or by telephone at least ten (10) days prior to each Committee meeting, except that an emergency meeting may be called with five (5) days notice with the approval of all committee officers.

SECTION 17:

- (A) Cause sufficient to permit removal under this Section shall be defined as follows:
 - (1) Failure to perform the designated duties of office;
 - (2) Malfeasance in office is defined as willful and intentional misconduct by the person to be removed in the performance of duties with the County Committee;

- (3) Misfeasance in office is defined as the performance in the course of duties with the Committee of a lawful action in an illegal or improper manner and need not involve intentional or willful misconduct. Conduct may be considered misfeasance without involving a misdemeanor or felony under state or federal law;
- (4) Public disclaimer of member's affiliation with the Democratic Party of Georgia or the County Democratic Party;
- (5) Violation of or failure to comply with duly adopted provisions of the Charter, if done by the person to be removed, with intention to so commit said violation;
- (6) For officers of the County Committee cause for removal from said office shall include intentional misrepresentation of positions or policies of the County or State Committee;
- (7) Other such grounds as may be added or deleted from time to time by amendment to these Bylaws.

- (3) Any person subject to removal under the above provisions must receive in writing from a special subcommittee of three persons appointed by the Chairperson, notice of the reasons alleged for the person's removal. If the Chairperson is the subject of the removal action, the subcommittee shall be appointed by majority action of the other county committee officers.
- (C) The person to be removed shall have the right to be informed of all persons who will be witnesses against him/her and who will testify in support of the charges against him/her, at least ten (10) days before a hearing on said charges before the full County Committee.
- (D) The person to be removed shall have the right to counsel and to present all witnesses, documents and arguments in support of his/her position. The Subcommittee which has tendered the charges may likewise have counsel and present all witnesses, documents and arguments in support of its position.
- (E) No member of said subcommittee may vote on the charges at the time of voting by the full County Committee.
- (F) Removal is accomplished when at least two thirds (2/3) of the members of the County Committee (excluding members of the subcommittee who may not vote) supports said removal provided thirty percent (30%) of the incumbent membership is present and voting.
- (G) No hearing before the County Committee shall be held before thirty (30) days from the time charges have been received by the person to be removed.

SECTION 18: VACANCIES

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- (A) All vacancies on the County Committee shall be filled by election by the remaining Committee members, provided at least three such members remain. In the event fewer than three members remain, or in the event fewer than three Committee members are elected and qualified as stipulated in the Charter and Bylaws of the State Party, the State Chairperson shall promptly notify the Congressional District Chairperson who shall publish a notice in a newspaper of general circulation in the county, at least once a week for two weeks. Such notice shall designate the vacancies on the Committee and shall stipulate the time, manner, and persons with whom any nominations may be filed for filling such vacancies.
 - (B) The Congressional District Chairperson shall certify at least two nominations for each such vacancy with the State Chairperson. Such nominations shall be made from among those who qualified in accordance with notice procedures, provided however, that an additional name or names may be added by the Congressional District chairperson where less than two persons qualified for the vacancy. The State Chairperson shall choose the Committee member for each vacancy from among those so nominated.

SECTION 19:

Each County Committee shall submit two copies of a report on its activities and itemized income and expenditures to the Congressional Chairperson of that district, twice yearly, on or before January 1 and July 1 of each calendar year. Copies of Committee minutes, including itemized treasurer's reports, for each meeting held during the six-month period may be submitted in lieu of such a report.

SECTION 20:

In all cases of County Committee activity, the County Committee shall have the right to promulgate such rules and regulations for the operation of the County Committee as are not in conflict with the Charter and Bylaws of the Georgia Democratic Party.

SECTION 21:

In any county not having a duly constituted County Democratic Committee the State Chairperson may:

- (A) appoint an Acting County Chairperson and an Acting County Secretary to receive declarations of candidacy and qualifying fees from candidates desiring to qualify for nomination in the Democratic Primary and to certify such candidates to the appropriate authority. Such Acting County Secretary shall forward the County Committee's portion of the qualifying fees collected to the State Chairperson to be held in escrow until released by the State Chairperson to a duly constituted Committee or said County; or
- (B) request the Judge of Probate Court of said County to receive declarations of candidacy and qualifying fees from candidates desiring to qualify for nomination in the Democratic Primary and

DEMOCRATIC PARTY OF GEORGIA
ESTIMATION OF QUALIFYING FEE AND
CONTRIBUTION INCOME

QUALIFYING FEES

Estimated Total Fees	\$362,700.
Less 50% to Secretary of State	<u>181,350.</u>
Net Qualifying Fee Income	<u><u>\$181,350.</u></u>

To arrive at this estimation we used gross Qualifying Fees for the FYE 4/30/81. This year included the May, 1980 Elections, which are the same elections taking place in May, 1984. This figure does not take into consideration salary raises, (upon which some Qualifying Fees are based), or the possibility of a greater or lesser number of candidates running for office. (Figure obtained from 4/30/81 Audit Report, Per C. Dabbs)

CONTRIBUTIONS

SIX MONTH HISTORY:

FEBRUARY	1983	\$31,106.
MARCH	1983	18,458.
APRIL	1983	12,275.
MAY	1983	11,675.
JUNE	1983	4,951.
JULY	1983	11,250.

It appears that February and March were unusually high; we attribute this to the recent Joe Frank Harris election and the J.J. Dinner. To obtain a monthly average representative of current operations we used April through July figures.

FOUR MONTH AVERAGE:	\$10,038.
ANNUALIZED:	120,456.
FYE 4/30/83 ACTUAL:	140,457.

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State Democratic Executive Committee

#1
Chairman, State Democratic Party
Hon. Bert Lance
Post Office Box 637
Calhoun Georgia 30701
404/688-6992 404/629-1226

#3
Vice Chair, Democratic Party of Ga.
Ms. Maxine Goldstein
Post Office Box "G"
Milledgeville Georgia 31061
912/452-2262

#5
Treasurer, Democratic Party of Ga.
Mr. Charles Harris

Ocilla Georgia 30125
912/468-5256

#7
Affirmative Action Chairman
Mr. Walt Bellamy
2343 Campbellton Road
Atlanta Georgia 30311
404/874-8493

#9
National Committeeman
Mr. Herb Mabry
501 Pulliam Street, S.W.
Atlanta Georgia 30312
404/525-2793

#11
General Counsel
Mr. Randy Tye
1400 Candler Building
Atlanta Georgia 30303
404/658-8112

#13
Georgia Senate Majority Leader
Hon. Thomas Allgood
Post Office Box 1523
Augusta Georgia 30903
404/724-6526R 404/656-5035B

#15
First Congressional District Chair
Ms. Pauline Woods
Post Office Box 9480
Savannah Georgia 31406
912/232-0163

#2
Governor, State of Georgia
Hon. George Busbee
State Capitol
Atlanta Georgia 30334
404/656-1771

#4
Secretary, Democratic Party of Ga.
Mr. John Cox
Hartsfield Int. Airport; Delta Airlines
Atlanta Georgia 30320
404/765-2600 404/765-2348

#6
Finance Chairman, Demo. Party of Ga
Mr. Joel Cowan
Post Office Box 2008
Peachtree City Georgia 30269
404/487-5700B

#8
National Committeeman
Mr. Irving Kaler
3400 Peachtree Road
Atlanta Georgia 30326
404/237-2230B

#10
National Committeewoman
Ms. Melba Williams
620 Forest Drive
Athens Georgia 30601
404/543-7146

#12
Parliamentarian
Mr. Denmark Groover
165 First Street
Macon Georgia 31201
912/742-3605

#14
Georgia HR, Majority Caucus Chair
Hon. William J. Lee
5325 Hillside Drive
Forest Park Georgia 30050
404/529-1935

#16
Second Congressional District Chair
Mr. John Dobrenic
Post Office Box 4253
Albany Georgia 31706
912/436-0083

#17
Third Congressional District Chair
Ms. Julia Payne
820 50th Street
Columbus Georgia 31904
404/322-6531

#19
Fifth Congressional District Chair
Hon. Reginald Eaves
208 Admin. Bldg.; 165 Central Ave., SW
Atlanta Georgia 30303
404/572-2458

#21
Seventh Congressional Dist. Chair
Mr. Norman Fletcher
Post Office Box 549
Lafayette Georgia 30728
404/638-2234

#23
Ninth Congressional District Chair.
Mr. Bill Gunter
710 Hillside Drive
Gainesville Georgia 30501
404/536-0683

#25
Pres., Young Democrats of Georgia
Mr. John M. Allan
105 Sylvan Road
Athens Georgia 30606
404/546-7017R 404/352-3901R

#27
Vice Pres., Ga. Assoc. Dem Co. Ch.
Mr. Charles Mobley
1125 Walnut Street
Macon Georgia 31201
912/743-0508B

#29
City Liaison
Hon. Ed McIntyre
Post Office Box 1897
Augusta Georgia 30903
404/736-0077

#18
Fourth Congressional District Chair
Mr. Gene Russo
2312 Pine Meadow Court
Tucker Georgia 30084
404/296-5553

#20
Sixth Congressional District Chair
Mr. Robert Bolander
2191 Carmen Court
Morrow Georgia 30260
404/363-7735 404/961-3510

#22
Eighth Congressional District Chair
Mr. Ben Dixon
303 Cotton Avenue
Macon Georgia 31201
912/745-7484B 912/743-5520R

#24
Tenth Congressional District Chair
Mr. Phil Blanchard
105 Moorehead Drive
Martinez Georgia 30907
404/863-6165

#26
Pres., Ga. Assoc. Demo. County Chs.
Dr. John Ellis
120 West Poplar Street
Griffin Georgia 30223
404/227-3514

#28
Pres Ga. Federation of Demo Women
Ms. Tommie Willis
1124 Postell Drive
St. Simons Georgia 31522
912/265-5931

#30
County Liaison
Hon. Manuel Maloof
2199 Spring Creek Road
Decatur Georgia 30033
404/633-8873

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Borrower(s): Democratic Party of Georgia
 Location: Atlanta, Georgia

Nature of Business _____ SIC Code _____

TERMS OF COMMITMENT				
	Rate Basis	Fee	Comm. Code	
Loan	\$ 100,000	P+3		
Confirmed Line	\$ _____			
Guidance Line	\$ _____			
Revolving Credit	\$ _____			
Term or Mortgage	\$ _____			
Installment	\$ _____			
Letter of Credit	\$ _____			
Contingent liabilities	\$ _____			
	\$ _____			
	\$ _____			

Last Commitment: N/A "New" or Last Approval Date: New

OUTSTANDINGS AS OF <u>11 / 8 / 82</u>			Actual Rate
Total	\$ <u>100,000</u>		
As follows:			
Unsecured	\$ <u>100,000</u>		<u>12.5</u>
Secured	\$ _____		
Term or Mortgage	\$ _____		
Installment	\$ _____		

COMMERCIAL LOAN ACTIVITY (last 12 months)		
Peak	From	To
\$ <u>100,000</u>	<u>10-27-82</u>	<u>Date</u>
Low Point	From	To
\$ _____		
Avg. Borrowing	Days Out of Debt	Last Paid Out
\$ _____		

BALANCE/COMPENSATION AGREEMENT(S):
N/A

DEPOSIT ACCOUNT BALANCE DATA AS OF ____ / ____ / ____					
PERIOD	AVERAGE COLLECTED	% OF COM-MITMENT	PROFIT (LOSS)	CHARGED (YES/NO)	RETURN ON EQUITY
Past 6 Mos.	<u>N/A</u>				
Past 12 Mos.					

RELATED ACCOUNTS	AVG COLLECTED Past 12 Mos.	PROFIT (LOSS)
<u>None</u>		

Legal Fees will be paid by: N/A Customer _____ Bank _____

PRINCIPAL OFFICERS: (Ex: CEO, CFO, VP-Fin., Key Atlanta Official):
Joel H. Cowan, Chairman, State Finance Counsel

TOTAL COMMITMENT REQUESTED
\$100,000 Loan
 Partially secured by BEST EFFORT pledges and personal guarantees (if the loan is not paid at maturity) and by face value insurance policy on Governor elect Joe Frank Harris. Policy to be in excess of \$125,000.

SECURITY (General description, value, advance ratios):
 Based on:
 BEST EFFORT PLEDGES FROM:
 Senator Sam Nunn, Lt. Gov.
 Zell Miller, Governor George Busbee, Speaker Tom Murphy,
 Governor elect Joe Frank Harris
 If loan is not paid at maturity, 4-8-83, we'll receive either a \$5,000 guarantee from each of the above or a shared guarantee with C&S from each of the above in the amount of \$2,500.00

LOAN SERVICE CLASS: of \$2,500.00
 PURPOSE OF CREDIT
 To fund Democratic Party activities prior to November 2 Election.

TERMS OF REPAYMENT (Amount & Dates)
 To be paid in full at maturity date: 4-8-83.

REPAYMENT SOURCE
 Contributions to the Democratic Party of Georgia

TOTAL BANK COMMITMENTS: \$ 225,000.00
 PRINCIPAL BANKS:
 Accounts at: First Georgia Bank
Bank of the South
 OTHER ATLANTA/S.E. BANKS:
C&S (Loan for \$125,000.00)

Projected Borrowing (Required only where commitment is \$250,000 or more). (000's omitted)												
	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1 Line or R/C												
2 Term												
3 Other												

Name of Customer: **Democratic Party of Georgia**

FINANCIAL STATEMENTS
actual \$

SOURCE	Audit			
AUDITOR	Crosby & Wester			
DATE	4/30/82			
Current Assets	4,222			
Current Liabilities	6,352			
Working Capital	(2,130)			
Total Assets	4,222			
Total Liabilities	6,352			
Net Worth	(2,130)			
Receipts	134,199 *			
Disbursements	169,117 *			
Excess (Deficit)	(34,918) *	%/	%/	%/
Dividends/Withdrawals	%/	%/	%/	%/
Current Ratio	* for 12 month period			
Worth/Debt				
Profit/Worth	%	%	%	%
Unfunded Vest. Pen. Ben./TNW				
DEBT RATINGS - Comm'l. Paper				
- L. T. Debt				
FNBA Risk Rating				

FINANCED

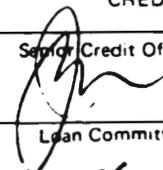
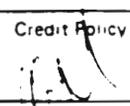
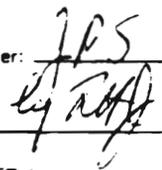
LOAN REVIEW

38304057470

LOAN OFFICER COMMENTS We have loaned the Democratic Party of Georgia \$100,000 for use in their activities of the November 2nd General Election. The Party has amended its resolutions to authorize borrowings up to \$400,000. They have already borrowed \$125,000 from C&S and have assured us that their total bank debt will not exceed an additional \$25,000 - above the \$225,000 - from ourselves and C&S. Both bank loans will mature April 8, 1983 and are expected to be repaid from contributions.

While the Democratic Party of Georgia has no debts of any consequence, they also have no assets of any consequence. Their bank debt will have to be repaid totally from their fund-raising efforts which they have assured us will be successful. Major Democratic Party leaders of Georgia are furnishing us "best effort pledges" to conduct fund raising activities of the Party in an amount sufficient to satisfy our debt. Should the loan go beyond its original maturity, 6 of the major Democratic Party leaders of Georgia will each give us their personal guaranty up to \$5,000 each or the C&S National Bank will agree that the same existing guaranty in a like amount will be extended to our loan as well. However, in this event, the personal guarantees of the 6 Democratic leaders will only be \$2,500 each with respect to our note. We will also receive a face value life insurance policy on the life of Joe Frank Harris in an amount in excess of our loan. Funds raised from contributions will be repaid to First Atlanta and C&S on a pro-rata basis.

The Democratic Party of Georgia has demonstrated in the past their ability to raise funds and retire debts. With the successful election of Joe Frank Harris on the November 2nd election as Georgia's next Governor, we believe there will be no problem obtaining the repayment of our loan.

LINE DIVISION APPROVAL		CREDIT POLICY APPROVAL	
Loan/Collateral documentaton has been reviewed for completeness and borrower compliance by the undersigned and approved by the Legal Division or Credit Policy, if required.		Senior Credit Officer 	Credit Policy 
Responsible Officer: 	Officer # 287	Loan Committee RRF	Risk Rating
	Credit Manager		Date of Committee Action NOV 18 1982

Fin. Reviews & Interviews

CREDIT MEMORANDUM

RE: DEMOCRATIC PARTY OF GEORGIA
1627 Peachtree Street, N.E.
Atlanta, Georgia

We have today loaned the above \$100,000 due April 8, 1983 at an interest rate of 1/2% above our prime on a floating basis. The proceeds of the loan are to be used in connection with Democratic Party activities concerning the November 2 election, and more particularly with respect to the Party effort to turn out a large Democratic vote through ads, etc.

We were approached by Joel Cowan, Chairman of the State Finance Council and Tom Perdue of the Governor's office in somewhat of a crisis situation in that they needed the loan immediately, and we in turn have relied on a letter of intent signed by Cowan to furnish us with additional documentation to support the loan. Our letter dated October 27 stipulates that the Executive Committee of the Democratic Party has already amended an existing resolution authorizing borrowings up to \$150,000 and has substituted the sum of \$400,000 as the amount authorized to be borrowed by the Party. The formal resolution is to be furnished to us by Cowan when it has been executed by the Secretary of the Party.

We have also been furnished a copy of Article VII of the Charter of the Democratic Party which gives broad authorization to the State Finance Council to conduct the financial affairs of the Party. We have been assured that the Party has no outstanding debts of any substance other than the \$125,000 owing to the Citizens and Southern National Bank which was borrowed on October 8 and is due on the same date as our note, April 8, 1983. Cowan has further assured us that the Bank will receive letters from Senator Sam Nunn, Governor George Busbee, Speaker Tom Murphy, Joe Frank Harris, Lieutenant Governor Zell Miller and Cowan himself to the effect that they will make a best effort pledge to conduct fund-raising activities of the Party in an amount sufficient to satisfy the debt. Further, should the loan be renewed beyond its original maturity, each of the above will either furnish us with a personal guaranty up to \$5,000, or Cowan assures us that the C & S National Bank will agree that the existing guaranty in a like amount to their note will be extended to this loan as well. However, in that event, the personal guarantees of the above will only be \$2,500 with respect to this note.

Additionally, any funds raised from the fund-raising activities will be repaid to both the C & S National Bank and to our ourselves on a pro-rate basis, and we are also to obtain as soon as feasible an assignment from the Joe Frank Harris for Governor Committee of a life insurance policy on the life of Joe Frank Harris in an amount exceeding the sum of our loan. The revised resolution

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Credit Memorandum

Re: Democratic Party of Georgia

Page 2

provides for borrowings up to \$400,000, and we have received assurances that loans will certainly not exceed this amount, and in fact have been assured that bank debt will not exceed an additional \$25,000. Additionally, should the Party assume any other obligations of candidates running or having run during 1982, the proceeds of any of the Party's fund-raising activities will first be applied on a pro-rate basis to the repayment of bank notes rather than the retirement of any other obligation so assumed.

We have reviewed all of this with our Legal Department (Langway) and it is felt that the loan as constituted will fully comply with and meet all requirements and regulations extending to such loans from the regulators. We have also been furnished with a proposed budget of the Party from an administrative and operating standpoint for the period May 1, 1982 to April 30, 1983, as well as the Party's audit dated April 30. As can be expected, while the Party has no debts of consequence other than the bank notes, they also have no assets of consequence and will be relying almost totally on their fund-raising efforts to retire bank notes. To substantiate this, we have been assured that the full faith and effort of the leadership of the Democratic Party office holders of Georgia will be put behind such efforts until the notes are fully paid including Senator Nunn, Governor Busbee, and those referred to above.

File also contains copies of the complete Charter for the Party, a list of the State Democratic Executive Committee, and we should receive the other supporting documents and letters along with the revised resolution sometime within the next week to ten days.

Disbursement of our loan was handled by Cashier's Check #02148924 payable to the Democratic Party of Georgia and was at the request of Joel Cowan forwarded to the First Georgia Bank for the Party's accounts.

While the Party has not been actively borrowing in the past eight years during the Busbee Administration, in an effort to establish something of the Party's ability to repay bank debt, it is well to keep in mind that as we have been advised, the Party did assume in 1974 approximately \$400,000 of the Busbee Campaign debt in addition to \$150,000 to \$175,000 in bank debt. Although we do not have dates of repayment, all of this was handled in a fairly orderly fashion, and in 1978 the Party was fairly inactive since the Busbee campaign was virtually self-sustaining and in view of the lack of serious opposition. All of this is to say that while the Party has not had a demonstrated ability to repay in the last several years, our loan is not unprecedented and the Party has demonstrated in the past that it can retire substantial debt from its fund-raising effort.

 John P. Stevens:ko
October 28, 1982
cc: Llew Haden
Loan Review

The Reviews of *Asarvis*

CREDIT MEMORANDUM

RE: DEMOCRATIC PARTY OF GEORGIA
Suite 901, South Omni
Atlanta, Georgia 30303

We have received a \$50,000 payment on their \$100,000 note with us and have agreed to renew the balance plus interest for an additional 180 days at which time, hopefully the loan will be retired in full. The \$50,000 payment represents our pro-rata share, along with the C&S who had a \$200,000 plus loan, from the Jefferson-Jackson Day Dinner, minus expenses and the Party's operating budget.

Additional regional fund raisers will be held by the Party during the next six months which we are told by Tom Perdue and Paul Weston should raise enough to retire the full debt. As file indicates in my memorandum dated October 28 we were to receive good faith letters from Senator Sam Nunn, Governor George Busbee, Speaker Tom Murphy, Joe Frank Harris, Lieutenant Governor Zell Miller and Joel Cowan certifying to make a best effort pledge to conduct fund-raising activities to retire the debt. In view of the \$50,000 payment and the plans for the retirement of the remaining debt, we are not insisting on these letters at this time, but can reassess the need if additional progress is not made at next maturity. Additionally, as file indicates, the initial agreement was that should the loan be renewed beyond its original maturity each of the above would furnish us with a personal guaranty up to \$5,000 or Joel Cowan was to arrange for the C & S National Bank to agree and to extend its existing guaranty to include our note. We are also reserving the right to require these guarantees should additional reductions not be made at the next maturity, but are not insisting that this be done now in view of the substantial progress. We are also checking with the attorneys (Langway) to be certain that the renewal without the guarantees at this time does not jeopardize our letter agreement with Cowan should we choose to do so at the next maturity.

Renewal note is being prepared and will be forwarded to Tom Perdue to secure the signature of Joel Cowan who continues as Chairman of the State Finance Council.



John P. Stevens:ko
April 12, 1983
cc: Llew Haden

88040594705

CREDIT MEMORANDUM

RE: DEMOCRATIC PARTY OF GEORGIA
1627 Peachtree St., N.E.,
Suite 306
Atlanta, Georgia 30309

Owes \$55,224.66

The above note with us matured on October 5, 1983, and we have received a check for \$3,081.84 in payment of interest on the old note to that date.

We have been asked to renew the full amount for an additional six months, which we have agreed to do since the Party's fund raising efforts have not materialized as originally anticipated with the major emphasis currently being placed on retiring the Governor's campaign debt. However, we do not anticipate any substantial longterm problems, although the note will run longer than anticipated. In fact, we will probably be called upon to handle an additional \$50,000, back up to the original amount, between now and the end of the year, for payment of accounts payable and operating capital until qualifying fees are received next year and the Jefferson/Jackson Day Dinner is held.

If this materializes, we will receive guarantees for the additional advance plus an assignment of qualifying fees. In the meantime, we are renewing the current note for an additional six months.

98040594707



SPS:bwc October 13, 1983

cc: Ed Hutchison (MC 423)
Loan Review

**DEMOCRATIC
PARTY
OF
GEORGIA**

**901 SOUTH TOWER
OMNI
INTERNATIONAL
ATLANTA,
GEORGIA 30303
(404) 688-1984**

**TO: John Stephens
The First National Bank of Atlanta**

**Brian Foster
The Citizens and Southern National Bank**

**FROM: Wayne Reece, General Counsel
Democratic Party of Georgia**

DATE: October 24, 1984

RE: Debt Repayment

Per our meeting of October 22, 1984, I am outlining the Democratic Party's plan to repay the debt to The Citizens and Southern National Bank and The First National Bank of Atlanta.

On October 25, 1984, we will make principal payments aggregating \$56,000. These funds will be paid as follows:

The First National Bank of Atlanta -- \$14,393.17
The Citizens and Southern National Bank -- \$42,606.83

There are basically four sources from which the Party anticipates receiving revenue between now and April, 1985. These sources are:

1. Governor's Club: A stepped up campaign has been initiated to renew memberships in the Governor's Club. There are basically two types of memberships - a \$500 "Gold" membership and a \$250 "Silver" membership. We anticipate raising \$50,000 from this campaign over the course of the next six months.

2. December Reception: A reception hosted by the top Democratic officeholders is planned for early December. The hosts will include the Governor, Lt. Governor, Speaker, Senator Nunn, and the nine Democratic Congressmen. Tickets will be \$100 per person. We anticipate raising \$125,000 through this effort.

3. Jefferson-Jackson Day Dinner: The annual Jefferson-Jackson Day Dinner will be held in March, 1985. We anticipate netting an additional \$100,000 from this function in 1985.

4. Contributions from County Committees: On September 22, 1984, the Governor met with Democratic County Chairmen from throughout Georgia at a specially convened meeting in Macon. The

John Stephens
Brian Foster
October 24, 1984
Page Two

County Chairmen pledged to join with the Party in retiring this debt. To date, \$12,000 has been collected for this purpose and an additional \$25,000 is expected.

The four sources of revenue should generate approximately \$300,000 over the course of the next four months. We are committed to minimizing the operating expenses of the Party in order that as much of these funds as possible can be used to retire the debt.

8 3 0 4 0 5 9 4 7 1 1

CREDIT MEMORANDUM

Re: DEMOCRATIC PARTY OF GEORGIA

Owes: \$55,224.66 due 12/31/84 - P+1/2%
25,000.00 due 12/31/84 - P+1/2%

We have today received a payment of \$14,393.17 to be applied totally on principal to the larger note we have outstanding to the Party.

Additionally, we have been supplied with an outline of plans for further repayment of the total loan. Plans consist of four primary methods, including a stepped up campaign with respect to the Governor's Club; a reception to be held in December and hosted by the top Democratic leadership; Jefferson-Jackson Day Dinner proceeds, which will be held in March of 1985; and finally contributions from County Committees.

The total of the four sources should generate close to \$300,000 over the next four months, and the Party seems to be now genuinely committed to minimizing operating expenses until all debt is retired.

John P. Stevens/bwc

October 26, 1984

cc: Loan Review
Ed Hutchison
Credit Files

80040594712

LAW OFFICES

ALSTON & BIRD

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

1200 CITIZENS & SOUTHERN NATIONAL BANK BUILDING
35 BROAD STREET
ATLANTA, GEORGIA 30335
404-586-1500

DIRECT DIAL NUMBER

RECEIVED THE FEC
HAND DELIVERED
84 NOV 13 8:39
6067 5602

GALLERIA OFFICES
100 GALLERIA PARKWAY
SUITE 1200
ATLANTA, GEORGIA 30339
404-955-8400

CABLE AMGRAM ATLANTA
TELEX 54 2996

November 9, 1984

Ms. Frances B. Hagan
Federal Election Commission
Washington, D.C. 20463

Re: MUR 1725
The Citizens and Southern National Bank

Dear Ms. Hagan:

This letter responds to the inquiry of the Federal Election Commission dated October 4, 1984 in connection with loans made by our client The Citizens and Southern National Bank ("Bank") to the Georgia Democratic Party ("Party"). It is submitted within the time as extended by the Commission's letter dated October 30, 1984 and is presented in narrative form rather than as an interrogatory response per our telephone conversation. To the extent that there are areas as to which you need any additional information or documentary materials, please advise and I will attempt to supplement this response with whatever else is needed.

The only aspect of the loans questioned in the General Counsel's Factual and Legal Analysis is whether the loans were made on a basis which assures repayment. To consider that question, we will summarize the facts with regard to the loans and then discuss the application of that standard to the situation presented. In the course of this discussion and based upon information provided to us by our client I hope to respond to the various questions of fact attached to your inquiry.

Facts

On October 8, 1982 the Bank made a loan to the Party in the principal amount of \$125,000 bearing interest at prime rate plus one-half and due April 8, 1983. This loan was evidenced by a note in the Bank's standard form which is attached as Exhibit A. The account officer was Paul R. Ferm and his loan report with regard to the loan is attached as Exhibit B. At the time this loan was made, the Party undertook to use its best efforts to obtain an assignment of an insurance policy on

NOV 13 11:52
GENERAL COUNSEL

713
4311

ALSTON & BIRD

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

Ms. Frances B. Hagan
November 9, 1984
Page 2

the life of Joe Frank Harris who was at that time the Party's nominee for Governor of Georgia and is now serving as Governor of Georgia. A copy of that undertaking is attached as Exhibit C. The Bank also had in its possession "stand-behind" letters from then-Governor George Busbee, Joe Frank Harris, and Joel H. Cowan, Chairman of the Finance Committee of the Party. Each of those stand-behind letters stated a personal obligation to guaranty the repayment of \$5,000 of the loan in the event the loan was renewed, and in fact Joe Frank Harris and Joel H. Cowan have executed and delivered such guarantees. In addition each of those letters as well as letters from Thomas B. Murphy, Speaker of the House of Representatives, and Zell Miller, Lieutenant Governor, stated personal commitments to assist in the fund-raising necessary for the Party to repay the loan. All five of those letters which were in the possession of the Bank at the time it made the loan are attached as Exhibit D. Zell Miller shortly thereafter also signed a stand-behind letter stating his individual obligation to guarantee up to \$5,000 of the loan in the event it was renewed. This second letter from Zell Miller is attached as Exhibit E. At the time the Bank made this loan it also had in its possession the certified resolutions of the Executive Committee of the Party which are attached as Exhibit F.

The Party in fact met its obligation to secure for the Bank an assignment of the designated life insurance policy of Joe Frank Harris. A copy of that assignment is attached as Exhibit G. This document should resolve the question raised in the General Counsel's Factual and Legal Analysis as to whether the assignment was in fact completed.

On November 5, 1982 a second loan was made by the Bank to the Party in the principal amount of \$125,000 bearing interest at prime rate plus one-half and due on April 8, 1983. The loan was represented by the Bank's standard note, a copy of which is attached as Exhibit H. Again the account officer was Paul R. Ferm, and his loan report on this loan is attached as Exhibit I. Also attached as Exhibit J is a copy of a Certificate of Executive Committee of the Georgia Democratic Party confirming the actions of the Party in connection with the loans.

ALSTON & BIRD

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

Ms. Frances B. Hagan
November 9, 1984
Page 3

On April 8, 1983, the loans were renewed after a \$100,000 payment which was applied to pay accrued interest on and reduce the outstanding principal amount of the combined loans from \$250,000 to \$163,476.61. The loan report with regard to that renewal is attached as Exhibit K.

On December 20, 1983 the Bank made an additional loan to the Party in the principal amount of \$25,000 bearing interest at prime rate plus one-half and represented by a note attached as Exhibit L. In connection with this advance, the Bank required the Party to execute and deliver to the Bank a Security Agreement, a copy of which is attached as Exhibit M hereto, which grants to the Bank a full security interest in two of the Party's sources of revenue: (1) payments in connection with the next Jefferson-Jackson Day Dinner and (2) qualification fees to be paid to the Party. This security interest secures not just the \$25,000 additional loan, but all of the Party's obligations to the Bank. The Bank also received from the Party a UCC financing statement which the Bank has in its possession but has not filed. This is attached as Exhibit N. As a result the Bank is a secured creditor of the Party with a security interest in the above-described collateral and with the capacity to perfect that security interest at any time. In addition the Bank received in connection with this loan five individual guarantees of \$5,000 each, copies of which are attached as Exhibit O, which were given by Governor Joe Frank Harris, Joel H. Cowan, Tom K. Perdue, Jim Williams, and Norman Fletcher. The loan report with regard to this loan is attached as Exhibit P.

A number of loan reports for subsequent renewals are also attached as Exhibit Q which show an outstanding amount due from the Party to the Bank as of October 1, 1984 of \$188,476.61.

This outstanding amount was reduced by payment received by the Bank on October 25, 1984 in the amount of \$42,606.83. After payment of interest, this reduced the outstanding obligations of the Party to the Bank to \$145,869.78. At the same time the Bank received from the Party the memorandum attached as Exhibit R outlining in detail the Party's future sources of revenue which are to be utilized to repay this remaining amount.

ALSTON & BIRD

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

Ms. Frances B. Hagan
November 9, 1984
Page 4

The Bank also has in its credit files copies of the financial statements of the Party for the years ended April 30, 1983 and April 30, 1982. The Bank's loan portfolio is subject both to rigorous internal credit examinations and to examination by the Comptroller of the Currency. These loans have not been classified or subjected to any adverse comment by either internal credit auditors or national bank examiners in the course of their review of the Bank's portfolio, nor has any amount of these loans been written off. The interest on the loans has been kept current and substantial principal reductions have been made. The loans are current.

Loan Policies

The criteria used by the Bank in making loans is dealt with in the Bank's Lending Policy. The first formal adoption of the Lending Policy was in January of 1976. It was revised in January of 1980 and again in December of 1983. The Lending Policy is regularly reviewed by the Credit Committee of the Board of Directors and approved by the full Board of Directors. Copies of the January 1980 and December 1983 Lending Policies which were in force during the period of the loans here in question are attached as Exhibits S and T.

The Lending Policy does not seek to specifically address every conceivable lending situation. Indeed, the Preamble to the Lending Policy states: "We recognize that a loan policy cannot cover all potential lending situations." The Preamble also states: "There is a normal business risk inherent in the lending function. To ensure the quality of our portfolio, we should accept only that risk which can be adequately measured. Our policy is to control our risks and to achieve the most efficient allocation of our financial resources." The Preamble also states that the Bank is only interested in "quality business" and that quality business implies consideration of the customer's character, track record, capitalization and financial records. The Lending Policy is designed to provide a framework for lending that establishes lending authorities for account officers, a system of loan review, and a system of loan ratings and loan practices. The goal of the Bank in the words of the loan policy is to be an aggressive lender, but to control the level of its risk.

ALSTON & BIRD

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

Ms. Frances B. Hagan
November 9, 1984
Page 5

The Bank's Lending Policy specifies certain lending practices as to which there are no exceptions. As applied to the loans to the Party, these include: (1) prior credit investigation of the borrower, the borrower's principals and guarantors and a review of the borrower's credit history for any adverse information; and (2) the completion of a loan report which contains certain specified information. The loans to the Party complied with these lending practices and the loan reports have been attached as Exhibits B, I, K, P, and Q.

The loan reports indicate that the loans were handled by the Government Banking Division and were at all times approved by officers within that Division having lending limits at or in excess of the amounts of the loans being approved. The Lending Policy requires that credit relationships above an approved minimal amount be reviewed annually by the appropriate credit committee. The credit relationship with the Party received such review and the most recent review is evidenced by a copy of the Minutes of the Credit Committee of the Government Banking Division for July 2, 1984, which is attached as Exhibit U.

The Lending Policy requires that all loans within the Bank's loan portfolio be rated. This rating will either be a satisfactory rating of "1", "2" or "3", a rating of OAEM (other assets especially mentioned) or ratings of "substandard," "doubtful" or "loss." A review of the loan reports attached as Exhibits and the Minutes attached as Exhibit U, reflect that the loan to the Party is and has been rated a "3". A rating of "3" would be the highest rating likely for a loan such as this. A "1" rating is reserved for major companies having ready and continuous access to national money markets with equity in excess of \$20 million. A "2" rating is for strong national, regional and local companies and certain individuals.

Also attached are the bank's current policy on Asset Quality and its Charge Off Policy. These are attached as Exhibits V and W. The Asset Quality policy describes a rating of "3" as follows:

ALSTON & BIRD
A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

Ms. Frances B. Hagan
November 9, 1984
Page 7

Similarly, the Lending Policy has a Section IV A 6 which states:

"Unsecured loans may not be made for capitalized interest. This is defined as loans for the payments of interest that is due on another C&S loan."

The Bank never renewed any loans and capitalized outstanding interest. Suffice it to say that to the Bank's best knowledge and information nothing involved in the reduction and renewal of loans to the Party constituted any violation of the Bank's policies or procedures. Indeed, nothing constituted any variation from the Bank's customary banking practice. Although a portion of the original \$250,000 advanced is still outstanding after two years, the loans have had significant principal reduction; interest has been paid on a current basis; and the Bank has over the period improved its collateral position.

The Bank has a loan portfolio of thousands of loans which total \$4,200,000,000. The Bank does not maintain any records on how many loans it has made since January 1, 1980, between \$50,000 and \$300,000 or how many of those loans are at an interest rate of prime plus one-half. It cannot therefore answer how many of such loans were paid when due, how many were reduced and renewed and those other questions covered by paragraph 9 of the Commission's Interrogatory. The Bank could, however, provide the Commission with Affidavits of its senior credit officers to the effect that a loan of \$50,000 to \$300,000 is in no sense unusual, that an interest rate of prime plus one-half is not unusual, and that a reduction and renewal of a commercial loan is not unusual. Such affidavits could also be provided to indicate that the Bank's handling of these loans to the Party has not been unusual.

This summary responds to questions attached to your inquiry. Certainly if you need further information, please contact us.

Discussion

The Federal Election Campaign Act and regulations issued pursuant thereto require that a loan be made "on a basis which

ALSTON & BIRD

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

Ms. Frances B. Hagan
November 9, 1984
Page 8

assures repayment" in order for that loan not to be deemed a "contribution." As the Commission recognized in Advisory Opinion 1980-108 the legislative history of the 1979 amendments to FECA sheds little light on the intent underlying the requirement that a loan be made "on a basis which assures repayment." The Commission recognized as well in that Advisory Opinion that its regulations do not serve substantially to clarify the meaning of that requirement.^{1/} It seems clear, however, that this standard is to be used to distinguish a legitimate business loan from a gift masquerading as a loan.

Every loan, whether a commercial loan or a campaign loan, bears a risk of nonpayment. That is the nature of lending, and it is one justification for the charging of interest. The question of making loans on "a basis which assures repayment" is therefore not a question whether there is some risk that the

^{1/} The Commission published for comment on April 3, 1978 seven potential criteria for determining whether a loan was in fact a loan or a prohibited contribution (43 Fed. Reg. 14673 (1978)). These criteria were suggested for discussion and were inconsistent with each other. Criterion 3 would have required "full security" for any campaign loan. The 1979 amendments to FECA did not adopt the standard requiring "full security" but instead adopted the approach of Criteria 5 that reasonable expectation of repayment should be the standard. This rejection of a flat requirement of security for any campaign loan is consistent with the legislative history in connection with the adoption of FECA in 1972 when the Senate Committee on Rules and Administration reported as follows:

"This means that a bank should exercise sound business judgment in extending loan privileges to a political candidate or committee in the ordinary course of business and demand, where necessary, certain security or collateral in order to support a reasonable expectation of payment in due course. (S.Rep. No. 92-229, 2 U.S. Code Cong. & Ad. News 1823 (1972))."
(Emphasis Added)

ALSTON & BIRD

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

Ms. Frances B. Hagan
November 9, 1984
Page 9

loan may not be paid. It is instead a question of the Bank's reasonable expectation of repayment. The Bank's reasonable expectation of repayment is a credit decision made by the Bank in the course of its business. The essence of that credit decision is the determination of the potential sources of funds for repayment. If the Bank can reasonably anticipate that there will be a source of funds for repayment of the loan, then the Bank should be viewed as having a reasonable expectation of repayment. Banks make credit decisions every day, and the good faith determination by a bank that it has a reasonable expectation of repayment should be persuasive evidence of compliance with the requirement that the loan be made "on a basis which assures repayment."

It is essential to note that the loans in question were made to an organization that has been in existence for decades. These are not loans to an individual candidate who may or may not win an election and whose capacity to repay a loan may vary widely with his success at the polls. These are not loans to a candidate's committee which is an ephemeral organization with no credit history and no significant future. The Bank in making its credit decision and in assessing the likelihood of sources of repayment must carefully analyze the nature of the borrower in question. Where that borrower is an ongoing organization, such as the Georgia Democratic Party, the Bank is entitled to weigh that factor in reaching its determination that the cash flow of the Party in the future is a source for repayment.

At the time the original loan here was made, the Bank had not only the assurance of the Party itself that it would repay the loan, the Bank had the assurance of five senior members of the Party that they would use their personal prestige and individual effort to assist in the fundraising necessary for repayment of the loan. Those individuals included the then-current Governor, Lieutenant Governor, Speaker of the House of Representatives, nominee for Governor, and Chairman of the State Finance Committee of the Party. Three of those individuals, and shortly thereafter a fourth, agreed personally to guarantee at the Bank's request up to \$5,000 of the loan in the event it was renewed. In other words, these individuals were willing to back up their commitment to assist in

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ALSTON & BIRD

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

Ms. Frances B. Hagan
November 9, 1984
Page 10

fundraising with their own personal funds in a significant amount.

In addition the Bank had the commitment of the Party to obtain and assign to the Bank as additional security a life insurance policy on the life of Joe Frank Harris, then-nominee for Governor. This form of security was recognized by the Commission as a factor in reaching its determination in Advisory Opinion 1980-108.

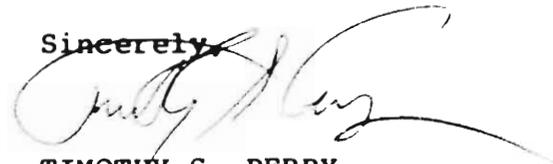
The Bank's reasonable expectation of repayment has in fact been confirmed by principal payments to date in the amount of \$129,130.22. In addition the Bank has received \$44,954.47 in interest on the loans. The Bank has been willing to work with the Party in terms of payment schedules as it would with any credit-worthy borrower, and has received assurances from the Party with regard to its future fundraising efforts as demonstrated by the letter attached dated October 24, 1984.

In addition, the Bank in the course of the credit relationship has secured its position both by the obtaining of individual guarantees in the aggregate amount of \$25,000 and by the obtaining of a security interest in significant revenues of the Party.

The Bank entered into these transactions as bona fide loans. These loans have been profitable for the Bank. The Bank has no intention of writing off any portion of these loans and fully intends to collect these loans in their entirety. At the time the loans were made the Bank made a credit decision based upon its experience developed in loaning billions of dollars over the years. The Bank's credit judgment is that these loans were made on a basis which assured the Bank that it would be paid. That judgment has been confirmed by events to date.

We believe these loans were made on a basis which assures repayment and fully comply with the requirements of FECA and the regulations thereunder in that regard.

Sincerely,



TIMOTHY S. PERRY

88040594722

ATLANTA, GA., October 8 19 82 \$ 125,000.00

Six months

AFTER DATE, THE UNDERSIGNED PROMISES TO PAY TO THE ORDER

The Citizens and Southern National Bank (HEREAFTER, TOGETHER WITH ANY HOLDER HEREOF, CALLED "HOLDER"), ATLANTA, GEORGIA, OR AT SUCH OTHER PLACE AS THE HOLDER MAY DESIGNATE AND NOTIFY UNDERSIGNED

One Hundred Twenty-Five Thousand and no/100 (\$ 125,000.00) DOLLARS

TOGETHER WITH INTEREST (CALCULATED ON THE BASIS OF A YEAR OF 360 DAYS) AS PROVIDED IN CODE INDICATED BELOW, AND ALL COSTS OF COLLECTION, INCLUDING FIFTEEN PERCENT (15%) OF THE PRINCIPAL AND INTEREST ATTORNEYS FEES IF COLLECTED BY LAW OR THROUGH AN ATTORNEY AT LAW.

Code 1 [Prime Rate/Commercial Paper (daily)]

Interest on the daily unpaid principal balance from date until paid in full at a per annum rate which is the greater of (i) _____ percentage points above the Prime Rate in effect on each respective day, or (ii) _____ percentage points above the weekly average rate of interest for 90 to 119-day prime commercial paper, as quoted by dealers, in effect on each respective day.

Code 2 [Prime Rate (daily)]

Interest on the daily unpaid principal balance from date until paid in full at a per annum rate of 1/2 percentage points above the Prime Rate in effect on each respective day.

Code 3A [Prime Rate (periodic)]

Interest on the unpaid principal balance, from time to time, from date until paid in full at a per annum rate of _____ percentage points above the Prime Rate in effect from time to time. Such interest rate shall be determined by the Holder on the date hereof and as of such day of each month or the end of each such time period as Holder elects, and the rate so determined shall be effective until the next such determination.

Code 3B [Prime Rate Commercial Paper (periodic)]

Interest on the unpaid principal balance, from time to time, from date until paid in full at a per annum rate which is the greater of (i) _____ percentage points above the Prime Rate in effect from time to time, or (ii) _____ percentage points above the weekly average rate of interest for 90 to 119-day prime commercial paper, as quoted by dealers, in effect from time to time. Such interest rate shall be determined by the Holder on the date hereof and as of such day of each month or the end of each such time period as Holder elects, and the rate so determined shall be effective until the next such determination.

"Prime Rate" means the rate of interest announced by The Citizens and Southern National Bank in Atlanta, Georgia from time to time as its Prime Rate.

Interest after maturity shall accrue at a rate equal to one hundred fifty percent of the effective rate in existence when this note matures, not to exceed the maximum contract rate of interest allowed by applicable law.

To secure the payment of this Note and all other indebtedness or liability of the undersigned to Holder, however and whenever incurred or evidenced, direct or indirect, absolute or contingent, or due or to become due thereafter with this Note, collectively called "Liabilities", undersigned transfers and assigns to Holder any and all balances, credits, deposits, accounts, items and monies of the undersigned now or hereafter with the Holder, and the undersigned agrees that the Holder shall have a lien upon, security title to and, a security interest in all property of the undersigned of every kind and description now or hereafter in the possession or control of the Holder for any reason, including all dividends and distributions on or other rights in connection therewith.

If at any time the undersigned should become insolvent (as defined in the Uniform Commercial Code as in effect at that time in Georgia), or should any proceeding be instituted by undersigned seeking an order for relief on its behalf as debtor under any Chapter of the Bankruptcy Code or should undersigned file a petition seeking reorganization, arrangement, adjustment or composition of its debts under any other law relating to insolvency, reorganization or relief of debtors, or if undersigned should seek appointment of a receiver, trustee, custodian, or other similar official for it or any substantial part of its property, or make a general assignment for the benefit of creditors, or if any proceeding be instituted against undersigned seeking to have an order of relief entered against it as debtor under any Chapter of the Bankruptcy Code, or if a proceeding be instituted against undersigned seeking reorganization, arrangement, adjustment or composition under any other law relating to the insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for or for any substantial part of its property, or if any judgment be entered against the undersigned, or if undersigned shall fail to meet at maturity any indebtedness or liability to the Holder, or if any warranty or representation of undersigned pertaining to this credit (whether contained in this Note or not) prove untrue or misleading, or if the Holder shall feel insecure for any reason whatsoever, (1) any and all of Liabilities may, at the option of the Holder, and without demand or notice of any kind, be declared and thereupon immediately shall become due and payable, (2) the undersigned will pay all expenses of the Holder in the collection of this Note including reasonable attorney's fees and legal expenses, (3) the Holder may exercise from time to time any rights and remedies available to the Holder under the Uniform Commercial Code as in effect at that time in Georgia or otherwise available to Holder, including those available under any written instrument in addition to this Note relating to any of the Liabilities or any security therefor, and (4) the Holder may, at any time, without demand or notice of any kind, appropriate and apply toward the payment of such of the Liabilities, and in such order of application, as the Holder may from time to time elect, any balances, credits, deposits, accounts, items or monies of the undersigned with the Holder. No delay or failure on the part of the Holder in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Holder of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy.

If more than one party shall execute this Note, the term undersigned as used herein shall mean all parties signing this Note and each of them, who shall be jointly and severally obligated hereunder.

Executed under the hand and seal of each of the undersigned.

GEORGIA DEMOCRATIC PARTY

DUE April 8, 1983 No. _____

By: Joel H. Cowan (SEAL)

ADDRESS _____

JOEL H. COWAN, Chairman (SEAL)

TELEPHONE NO. _____

State Finance Council

15-3150-0 REPL 1-82

BANK USE ONLY	
APPROVED BY	
	
O.L.D. _____	
R.A.M. _____	
INTEREST CHECKED BY _____	

CREDIT LIFE INSURANCE
DATE OF BIRTH OF
PERSON TO BE INSURED

October 8, 1982

The Citizens and Southern National Bank

Gentlemen:

In order to induce you to make the loan of even date herewith to the Georgia Democratic Party, the Georgia Democratic Party agrees as follows:

1. to use its best efforts to obtain an assignment from the Joe Frank Harris for Governor Committee of a life insurance policy on the life of Joe Frank Harris in an amount exceeding \$125,000 and upon receiving such assignment to make an assignment to you, in form satisfactory to you, of the proceeds of such policy to the extent necessary to pay you in full in connection with the loan made this date; and
2. to renew the loan made this date for an additional 6 months in the event that it has not been paid on April 8, 198₃ and you agree to such renewal.

*350-417
W International
WJ Doe Co*

GEORGIA DEMOCRATIC PARTY

By: _____
Joel H. Cowan, Chairman
State Finance Council

88040594725

Office of the Governor
Atlanta, Georgia 30334

George Busbee
GOVERNOR

October 7, 1982

Mr. Lee Sessions
Citizens and Southern
National Bank
99 Annex
Atlanta, Georgia 30399

RE: Loan to Democratic Party

Dear Lee:

This letter is to serve as my commitment to assist the officers and members of the Democratic Party of Georgia in a fund-raising effort to retire the \$125,000 loan.

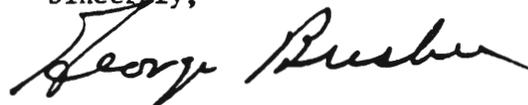
Although the note is to be signed by Joel Cowan as the finance chairman of the Party, his signature is backed by the good faith effort and unified support of the Democratic Party, including those of us who currently hold statewide office as Democrats. I personally intend to be active in the future fund-raising of the Party, and I will be working closely with the current Democratic nominee and future Governor of Georgia to retire this debt expeditiously.

I am personally committed to use my best efforts to raise the funds necessary to repay that loan in full within six (6) months. If the loan is not repaid in full within six (6) months, I understand the bank may be willing to renew the loan for six (6) additional months. If the loan is renewed, I agree personally to guarantee the repayment of \$5,000.00 of the loan. If my guarantee becomes effective, I will execute the bank's standard guarantee form to that effect showing a maximum exposure of \$5,000.00.

Thank you for the courtesies you have extended to me and to the Democratic Party in the past and for your commitment to continue to work with us in the future.

With kindest personal regards, I am

Sincerely,



George Busbee

GB/tpj

cc: Joe Frank Harris
Joel Cowan

Joe Frank Harris
POST OFFICE BOX 550
CARTERSVILLE, GEORGIA 30120

OFFICE
314 EAST MAIN STREET

TELEPHONE
(404) 386 8140

October 6, 1982

The Citizens and Southern
National Bank
Atlanta, Georgia

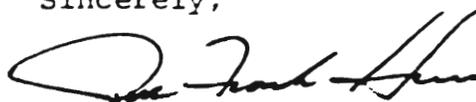
Gentlemen:

I understand the Georgia Democratic Party is borrowing \$125,000.00 from The Citizens and Southern National Bank.

I am personally committed to use my best efforts to raise the funds necessary to repay that loan in full within six (6) months. If the loan is not repaid in full within six (6) months, I understand the bank may be willing to renew the loan for six (6) additional months.

Only and if the loan is renewed I agree personally to guarantee the repayment of \$5,000.00 of the loan. If my guarantee becomes effective, I will execute the bank's standard guarantee form to that effect showing a maximum exposure of \$5,000.00.

Sincerely,


Joe Frank Harris

JOEL H. COWAN
ABERDEEN VILLAGE CENTER
PEACHTREE CITY, GEORGIA 30269

404/487-7601

October 7, 1982

The Citizens and Southern
National Bank
Atlanta, Georgia

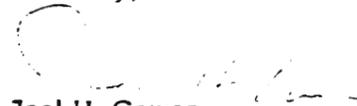
Gentlemen:

I understand that the Georgia Democratic Party is borrowing \$125,000 from The Citizens and Southern National Bank.

I am personally committed to use my best efforts to raise the funds necessary to repay that loan in full within six (6) months. If the loan is not repaid in full within six (6) months, I understand the Bank may be willing to renew the loan for an additional six (6) months.

Only and if the loan is renewed, I agree personally to guarantee the repayment of \$5,000 of the loan. If my guarantee becomes effective, I will execute the Bank's standard guaranty form to that effect showing a maximum exposure of \$5,000.

Cordially,


Joel H. Cowan

JHC/ac

89040574728



House of Representatives
Atlanta, Georgia

THOMAS B. MURPHY
SPEAKER

332 STATE CAPITOL
ATLANTA, GEORGIA 30334
P. O. BOX 63
BREMEN, GEORGIA

October 8, 1982

Mr. Lee Sessions
Citizens and Southern
National Bank
99 Annex
Atlanta, Georgia 30399

RE: Loan to Democratic Party

Dear Lee:

This letter will serve as my commitment to assist the officers and members of the Democratic Party of Georgia in a fund-raising effort to retire the \$125,000 loan.

Although the note is to be signed by Joel Cowan as the finance chairman of the Party, his signature is backed by the good faith effort and unified support of the Democratic Party of Georgia. I personally intend to be active in the future fund-raising of the Party, and I will be working closely with the current Democratic nominee and future Governor of Georgia to retire this debt expeditiously.

Thank you for the courtesies you have extended to me and to the Democratic Party in the past and for your commitment to continue to work with us in the future.

With kindest personal regards, I am

Sincerely,


Thomas B. Murphy
Speaker

TBM:lj

88040574729



OFFICE OF LIEUTENANT GOVERNOR

418 STATE CAPITOL
ATLANTA, GEORGIA 30334

ZELL MILLER
LIEUTENANT GOVERNOR

BILL BURSON
ADMINISTRATIVE ASSISTANT

October 8, 1982

Mr. Lee M. Sessions, Jr.
Citizens & Southern National Bank
99 Annex
Atlanta, Georgia 30399

Dear Lee:

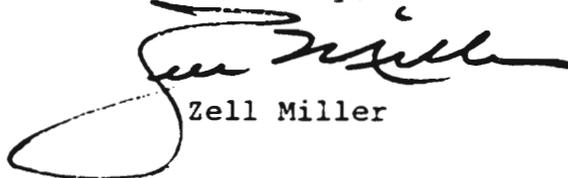
This letter will serve as my commitment to assist the Democratic Party of Georgia in its fundraising efforts to erase the \$125,000.00 loan.

Although the note is to be signed by Joel Cowan as the Finance Chairman of the Party, his signature is backed by the good faith effort and unified support of the Democratic Party of Georgia. As I always have, I will be active in the present and future fundraising of the Party, and I will be working closely with the Democratic nominee for Governor, Joe Frank Harris, to expeditiously retire this debt.

Thank you for all your many past courtesies to me and to the Democratic Party of Georgia and for your commitment to continue working with us.

With deepest gratitude and warmest personal regards.

Sincerely,



Zell Miller

ZM/mp

88040694730



OFFICE OF LIEUTENANT GOVERNOR

418 STATE CAPITOL
ATLANTA, GEORGIA 30334

ZELL MILLER
LIEUTENANT GOVERNOR

BILL BURSON
ADMINISTRATIVE ASSISTANT

October 12, 1982

Mr. Lee M. Sessions, Jr.
Citizens and Southern National Bank
99 Annex
Atlanta, Georgia 30399

Dear Lee:

This letter will serve as my commitment to assist the Democratic Party of Georgia in its fundraising efforts to erase the \$125,000.00 loan.

Although the note is to be signed by Joel Cowan as the Finance Chairman of the Party, his signature is backed by the good faith effort and unified support of the Democratic Party of Georgia. As I always have, I will be active in the present and future fundraising of the Party, and I will be working closely with the Democratic nominee for Governor, Joe Frank Harris, to expeditiously retire this debt.

I am personally committed to use my best efforts to raise the funds necessary to repay that loan in full within six (6) months. If the loan is not repaid in full within six (6) months, I understand the bank may be willing to renew the loan for six (6) additional months. If the loan is renewed, I agree personally to guarantee the repayment of \$5,000.00 of the loan. If my guarantee becomes effective, I will execute the bank's standard guarantee form to that effect showing a maximum exposure of \$5,000.00.

Thank you for all your many past courtesies to me and to the Democratic Party of Georgia and for your commitment to continue working with us.

With deepest gratitude and warmest personal regards.

Sincerely,

Zell Miller

ZM/eg

33040674731

[Handwritten signature]

CERTIFIED RESOLUTIONS OF THE EXECUTIVE COMMITTEE
OF THE GEORGIA DEMOCRATIC PARTY

I, John Cox, hereby certify that I am the Secretary of the Georgia Democratic Party and that the following is a true copy of resolutions duly adopted by the Executive Committee of the Georgia Democratic Party at a meeting duly held on October 6, 1982 and that such resolutions have not been rescinded or modified and are now in full force and effect:

"WHEREAS, the State Finance Council pursuant to Article VII, Section 1 of the Charter of the Georgia Democratic Party has general financial responsibility for the Georgia Democratic Party;

NOW, THEREFORE, BE IT RESOLVED, that the Georgia Democratic Party is authorized to borrow up to \$150,000 from a bank or banks on such terms and conditions as are acceptable to the Chairman of the State Finance Council and that Joel H. Cowan, as Chairman of the State Finance Council, may execute and deliver on behalf of the Georgia Democratic Party whatever notes or other documents as are necessary or desirable in his judgment to consummate such borrowing; and

FURTHER RESOLVED, that John Cox as Secretary of the Georgia Democratic Party is authorized and directed to certify these resolutions to the lending bank or banks."

38040594732

This 8th day of October, 1982.



JOHN COX, Secretary
Georgia Democratic Party

8804064736

ASSIGNMENT OF LIFE INSURANCE POLICY AS COLLATERAL

A. For Value Herein the undersigned hereby assign, transfer and set over to The Citizens and Southern National Bank of _____
 its successors and assigns, (herein called the "Assignee") Policy No. 350-417 issued by the
Georgia International Life Insurance Company
 (herein called the "Insurer") and any supplementary contracts issued in connection therewith (said policy and contracts being
 herein called the "Policy"), upon the life Joe Frank Harris
 of Cartersville, Georgia

and all claims, options, privileges, rights, title and interest therein and thereunder (except as provided in Paragraph C hereof), subject to all the terms and conditions of the Policy and to all superior liens, if any, which the Insurer may have against the Policy. The undersigned by this instrument jointly and severally agree and the Assignee by the acceptance of this assignment agrees to the conditions and provisions herein set forth.

- B. It is expressly agreed that, without detracting from the generality of the foregoing, the following specific rights are included in this assignment and pass by virtue hereof:
1. The sole right to collect from the Insurer the net proceeds of the Policy when it becomes a claim by death or maturity;
 2. The sole right to surrender the Policy and receive the surrender value thereof at any time provided by the terms of the Policy and at such other times as the Insurer may allow;
 3. The sole right to obtain one or more loans or advances on the Policy, either from the Insurer or, at any time, from other persons, and to pledge or assign the Policy as security for such loans or advances;
 4. The sole right to collect and receive all distributions or shares of surplus, dividend deposits or additions to the Policy now or hereafter made or apportioned thereon, and to exercise any and all options contained in the Policy with respect thereto; provided, that unless and until the Assignee shall notify the Insurer in writing to the contrary, the distributions of shares of surplus, dividend deposits and additions shall continue on the plan in force at the time of this assignment; and
 5. The sole right to exercise all nonforfeiture rights permitted by the terms of the Policy or allowed by the Insurer and to receive all benefits and advantages derived therefrom.

- C. It is expressly agreed that the following specific rights, so long as the Policy has not been surrendered, are reserved and excluded from this assignment and do not pass by virtue hereof:
1. The right to collect from the Insurer any disability income; provided payment of such income does not affect the cash surrender value or loan value of the policy;
 2. The right to designate and change the beneficiary;
 3. The right to elect optional modes of settlement;

but the reservation of these rights shall in no way impair the right of the Assignee to surrender the Policy completely with all its incidents or impair any other right of the Assignee hereunder, and any designation or change of beneficiary or election of a mode of settlement shall be made subject to this assignment and to the rights of the Assignee hereunder.

- D. This assignment is made and the Policy is to be held as collateral security for any and all liabilities of the undersigned, or any of them, to the Assignee, either now existing or that may hereafter arise between any of the undersigned and the Assignee (all of which liabilities secured or to become secured are hereinafter called "Liabilities"). It is expressly agreed that all sums received by the Assignee hereunder, either in event of death of the insured, the maturity or surrender of the Policy, the obtaining of a loan or advance on the Policy, or otherwise, shall first be applied to the payment of one or more of the following in such order of preference as the Assignee shall determine: (a) principal of and/or interest on Liabilities; (b) premiums on the Policy; (c) principal of and/or interest on loans or advances made by the Insurer on the Policy.

- E. The Assignee covenants and agrees with the undersigned as follows:
1. That any balance of sums received hereunder from the Insurer remaining after payment of the then existing Liabilities shall be paid by the Assignee to the persons entitled thereto under the terms of the Policy had this assignment not been executed;
 2. That the Assignee will not exercise either the right to surrender the Policy or (except for the purpose of paying premiums) the right to obtain policy loans from the Insurer, until there has been default in any of the Liabilities or a failure to pay any premium when due, nor until twenty days after the Assignee shall have mailed, by first-class mail, to the undersigned at the address given hereinafter, notice of intention to exercise such right; and
 3. That the Assignee will upon request forward without unreasonable delay to the Insurer the Policy for endorsement of any designation or change of beneficiary or any election of an optional mode of settlement.

- F. The Insurer is hereby authorized to recognize the Assignee's claims to rights hereunder without investigating the reason for any action taken by the Assignee, or the validity or the amount of the Liabilities or the existence of any default thereon, or the giving of any notice under Paragraph E (2) above or otherwise, or the application to be made by the Assignee of any amounts to be paid to the Assignee. The sole signature of the Assignee shall be sufficient for the exercise of any rights under the Policy assigned hereby and the sole receipt of the Assignee for any sums received shall be a full discharge and release therefor to the Insurer. Checks for all or any part of the sums payable under the Policy and assigned herein, shall be drawn to the exclusive order of the Assignee if, when, and in such amounts as be, requested by the Assignee.

- G. The Assignee shall be under no obligation to pay any premium, or the principal of or interest on any loans or advances on the Policy whether or not obtained by the Assignee, or any other charges on the Policy, but any such amounts so paid by the Assignee from its own funds, shall become a part of the Liabilities hereby secured, shall be due immediately, and shall draw interest at a rate fixed by the Assignee from time to time not exceeding 5% per annum.

- H. The exercise of any right, option, privilege or power given herein to the Assignee shall be at the option of the Assignee, but (except as restricted by Paragraph E (2) above) the Assignee may exercise any such right, option, privilege or power without notice to, or assent by, or affecting the liability of, or releasing any interest hereby assigned by the undersigned, or any of them.

- I. The Assignee may take or release other security, may release any party primarily or secondarily liable for any of the Liabilities, may grant extensions, renewals or indulgences with respect to the Liabilities, or may apply to the Liabilities proceeds of the Policy hereby assigned or any amount reserved on account of the Policy by the exercise of any right permitted under this assignment, without resorting or regard to other security.

- J. In the event of any conflict between the provisions of this assignment and provisions of the note or other evidence of any liability, with respect to the Policy or rights of collateral security therein, the provisions of this assignment shall prevail.

- K. Each of the undersigned declares that no proceedings in bankruptcy are pending against him and that his property is not subject to any assignment for the benefit of creditors.

Signed and sealed this _____ day of _____ 19____
Joe Frank Harris Committee to Elect Joe Frank Harris Governor
 and Georgia Democratic Party (L. S.)
 Witness: _____ Insured or Owner
 _____ By: Joe H. Dowan Address _____
 _____ Beneficiary (L. S.)
 _____ Address _____

83040689734

154 days

AFTER DATE, THE UNDERSIGNED PROMISES TO PAY TO THE ORDER

OF The Citizens and Southern National Bank (HEREAFTER, TOGETHER WITH ANY HOLDER HEREOF, CALLED "HOLDER"), AT ATLANTA, GEORGIA, OR AT SUCH OTHER PLACE AS THE HOLDER MAY DESIGNATE AND NOTIFY UNDERSIGNED.

One Hundred Twenty-Five Thousand and 00/100 \$ 125,000.00 DOLLARS or such lesser amount as may be due and owing as a result of prior repayment of principal as contemplated below.

Code 1 [Prime Rate/Commercial Paper (daily)] Interest on the daily unpaid principal balance from date until paid in full at a per annum rate which is the greater of (i) percentage points above the Prime Rate in effect on each respective day, or (ii) percentage points above the weekly average rate of interest for 90 to 119-day prime commercial paper, as quoted by dealers, in effect on each respective day.

Code 2 [Prime Rate (daily)] Interest on the daily unpaid principal balance from date until paid in full at a per annum rate of 1/2 percentage points above the Prime Rate in effect on each respective day.

Code 3A [Prime Rate (periodic)] Interest on the unpaid principal balance, from time to time, from date until paid in full at a per annum rate of percentage points above the Prime Rate in effect from time to time. Such interest rate shall be determined by the Holder on the date hereof and as of such day of each month or the end of each such time period as Holder elects, and the rate so determined shall be effective until the next such determination.

Code 3B [Prime Rate Commercial Paper (periodic)] Interest on the unpaid principal balance, from time to time, from date until paid in full at a per annum rate which is the greater of (i) percentage points above the Prime Rate in effect from time to time, or (ii) percentage points above the weekly average rate of interest for 90 to 119-day prime commercial paper, as quoted by dealers, in effect from time to time. Such interest rate shall be determined by the Holder on the date hereof and as of such day of each month or the end of each such time period as Holder elects, and the rate so determined shall be effective until the next such determination.

So long as there exists no default hereunder, undersigned may borrow principal amount of this loan at any time prior to the maturity hereof. "Prime Rate" means the rate of interest announced by The Citizens and Southern National Bank in Atlanta, Georgia from time to time as its Prime Rate.

Interest after maturity shall accrue at a rate equal to one hundred fifty percent of the effective rate in existence when this note matures, not to exceed the maximum contract rate of interest allowed by applicable law.

To secure the payment of this Note and all other indebtedness or liability of the undersigned to Holder, however and whenever incurred or evidenced, whether direct or indirect, absolute or contingent, or due or to become due (hereafter with this Note, collectively called "Liabilities"), undersigned transfers and conveys to Holder any and all balances, credits, deposits, accounts, items and monies of the undersigned now or hereafter with the Holder, and the undersigned agrees that the Holder shall have a lien upon, security title to and, a security interest in all property of the undersigned of every kind and description now or hereafter in the possession or control of the Holder for any reason, including all dividends and distributions on or other rights in connection therewith.

If at any time the undersigned should become insolvent (as defined in the Uniform Commercial Code as in effect at that time in Georgia), or should any proceeding be instituted by undersigned seeking an order for relief on its behalf as debtor under any Chapter of the Bankruptcy Code or should undersigned file a proceeding seeking reorganization, arrangement, adjustment or composition of its debts under any other law relating to insolvency, reorganization or relief of debtors, or if undersigned should seek appointment of a receiver, trustee, custodian, or other similar official for it or any substantial part of its property, or make a general assignment for the benefit of creditors, or if any proceeding be instituted against undersigned seeking to have an order of relief entered against it as debtor under any Chapter of the Bankruptcy Code, or if a proceeding be instituted against undersigned seeking reorganization, arrangement, adjustment or composition under any other law relating to the insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property, or if any judgment be entered against the undersigned, or if undersigned shall fail to meet at maturity any indebtedness or liability to the Holder, or if any warranty or representation of undersigned pertaining to this credit (whether contained in this Note or not) prove untrue or misleading, or if the Holder shall feel insecure for any reason whatsoever, (1) any and all of Liabilities may, at the option of the Holder, and without demand or notice of any kind, be declared and thereupon immediately shall become due and payable, (2) the undersigned will pay all expenses of the Holder in the collection of this Note including reasonable attorney's fees and legal expenses, (3) the Holder may exercise from time to time any rights and remedies available to Holder under the Uniform Commercial Code as in effect at that time in Georgia or otherwise available to Holder, including those available under any written instrument in addition to this Note relating to any of the Liabilities or any security therefor, and to the Holder may, at any time, without demand or notice of any kind, appropriate and apply toward the payment of such of the Liabilities, and in such order of application, as the Holder may from time to time elect, any balances, credits, deposits, accounts, items or monies of the undersigned with the Holder. No delay or failure on the part of the Holder in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Holder of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy.

If more than one party shall execute this Note, the term undersigned as used herein shall mean all parties signing this Note and each of them, who shall be jointly and severally obligated hereunder.

Given under the hand and seal of each of the undersigned.

GEORGIA DEMOCRATIC PARTY

DUE 4/8/83 No ADDRESS 1627 Peachtree Street, N.E. Atlanta, Georgia 30309 TELEPHONE NO

By [Signature] (SEAL) [Signature] (SEAL)

BANK USE ONLY APPROVED BY O.L.D. R.A.M. INTEREST CHECKED

CREDIT LIFE INSURANCE DATE OF BIRTH OF PERSON TO BE INSURE

LOAN REPORT

DATE 11/5/82

Bank Name National		Branch/Dept. Name Main		Division Name Govt Banking		Lending Authority 250,00		Loan Date 11/5/82	
Name GEORGIA DEMOCRATIC PARTY							Average collected balance past month		
Address Peachtree Street, Atlanta, Georgia							Date of Last Credit Committee Review never		
Type of Business Political Party							New Loan <input type="checkbox"/> #1 <input type="checkbox"/>		
Originating Officer Ferm							Renewal <input type="checkbox"/> #2 <input checked="" type="checkbox"/>		
Current Officer Ferm							Commitment <input checked="" type="checkbox"/> #3 <input type="checkbox"/>		
Orig. Loan Amt. \$ _____ Time Renewed _____							Declaration <input type="checkbox"/> #8 <input type="checkbox"/>		
Orig. Loan Date _____ Increase \$ _____							Other <input type="checkbox"/> #9 <input type="checkbox"/>		
Orig. Loan Date _____ Reductions \$ _____									
This report covers		Amount \$ 125,000.00		Maturity 4/8/83		Rate P+1/2 %		Sec <input type="checkbox"/> Unsub <input checked="" type="checkbox"/> Good <input type="checkbox"/>	
Borrower's Total Debt to Bank (including this loan)		Direct		Indirect		Approved Line of Credit			
250,000		250,000		—		—			
Date of Fin. Statement							7 year <input type="checkbox"/>		
Date of Fin. Statement							Interim <input type="checkbox"/>		
Fin. Statement Prepared by following for statement							Qualified <input type="checkbox"/>		
Amt. Guaranteed							Unqualified <input type="checkbox"/>		
Guarantor (if applicable)		Amt. Guaranteed		Net Worth		Date of Fin. Statement			
Guarantor (if applicable)		Amt. Guaranteed		Net Worth		Date of Fin. Statement			
If term loan or revolving credit, do we have formal agreement?							Yes <input type="checkbox"/>		
If term loan or revolving credit, do we have formal agreement?							No <input checked="" type="checkbox"/>		
Written report to include: (Be Specific) PURPOSE: Campaign funds - 1982 elections									
TERMS: Reduce after 6 months - one renewal - PAM 12 months									
SOURCE OF REPAYMENT - PRIMARY: Cash flow of party									
SOURCE OF REPAYMENT - SECONDARY: *see below									
COLLATERAL DESCRIPTION: _____ Collateral Value: (Indicate date & basis of)									
ADDITIONAL INFORMATION REGARDING BACKGROUND, BANKING STRATEGY, FOLLOW-UP, ETC. *See stand behind letters with potential guarantees of \$20,000 on renewal. (George Busbee, Joe Frank Harris, Zell Miller and Joel H. Cowan) and commitment for fund raising efforts by these four individuals along with Thomas Murphy.									
LEADING POLICY EXCEPTIONS							Approved By:		
_____							_____		
_____							_____		
							Continued on back? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>		

Copies to: Central Credit Files (Approved Copy)
Supervisor: Peters, Berthy, Cothran, Sessions,
Vollertsen, Ryer, Andrews, cf, df

Each Person Approving Should Sign or Initial:

Supervisor _____
Supervisor _____
Account Officer: Paul R. Ferm *[Signature]* 250,000
(Name) (Lending Auth.)

CERTIFICATE OF EXECUTIVE COMMITTEE
OF THE GEORGIA DEMOCRATIC PARTY

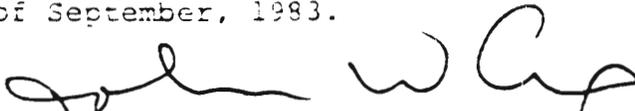
The undersigned, Secretary of the Executive Committee of the Georgia Democratic Party (the "Executive Committee"), hereby certifies as follows:

1. The undersigned is the duly qualified and acting Secretary of the Executive Committee and as such is familiar with the books and records of the Executive Committee.

2. The resolution was duly adopted by an affirmative vote of a majority of the Executive Committee (18 Yea and 0 Nay) at a legally convened meeting of the Executive Committee held on September 6, 1983, and a true, complete and correct copy of the Resolution and a record of the action taken in its adoption appear in the official records of the Executive Committee. Such meeting was duly called in accordance with the Charter and Bylaws of the Georgia Democratic Party, and at such meeting a quorum was present and acting throughout. The Resolution was adopted in the form attached hereto as Exhibit A and incorporated herein by reference, is in full force and effect and has not been altered, amended or repealed as of the date hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's signature and the seal of the Executive Committee, as of the 6th day of September, 1983.

(CORPORATE SEAL)


Secretary, Executive Committee
of the Georgia Democratic Party

83040594737

RESOLUTIONS OF THE EXECUTIVE COMMITTEE
OF THE GEORGIA DEMOCRATIC PARTY

WHEREAS, the State Finance Council, pursuant to Article VII, Section 1 of the Charter of the Georgia Democratic Party has general financial responsibility for the Georgia Democratic Party; and

WHEREAS, in connection with the 1982 General Election, the chairman of the State Finance Council borrowed the following amounts on behalf of the Georgia Democratic Party from the named commercial lending institutions on the dates set forth below, such loans having outstanding balances, as indicated:

<u>Lending Institution</u>	<u>Date</u>	<u>Original Principal Amount</u>	<u>Outstanding Principal Amount</u>
C & S National Bank	10/8/82	\$125,000	\$163,476.61*
C & S National Bank	11/5/82	125,000	
First National Bank of Atlanta	10/27/82	100,000	55,224.66**

*As evidenced by Promissory Note, dated April 8, 1983.

**As evidenced by Promissory Note, dated April 8, 1983.

NOW, THEREFORE, BE IT RESOLVED, that these transactions are hereby ratified, confirmed and approved by the Executive Committee of the Georgia Democratic Party, such transactions constituting a true and proper debt of the Georgia Democratic Party;

BE IT FURTHER RESOLVED, that the Chairman of the State Finance Council, with the consent of the Chairman of the Georgia Democratic Party, is hereby authorized to borrow funds on behalf of the Georgia Democratic Party on a

Exhibit A

revolving basis in an aggregate outstanding principal amount of up to \$400,000 from such lending institutions and on such terms and conditions as are acceptable to the Chairman of the State Finance Council, with the consent of the Chairman of the Georgia Democratic Party;

BE IT FURTHER RESOLVED, that the Chairman of the State Finance Council is hereby authorized to execute and deliver on behalf of the Georgia Democratic Party whatever notes or other documents as are necessary or desirable in the judgement of the Chairman of the State Finance Council to consummate such borrowing, including, but not limited to any certification of the balance then outstanding on all such loans to the Georgia Democratic Party;

BE IT FURTHER RESOLVED, that the members of the Executive Committee shall be mailed notice of all such actions taken by the Chairman of the State Finance Council on behalf of the Georgia Democratic Party within three days; and

BE IT FURTHER RESOLVED, that John Cox as Secretary of the Georgia Democratic Party is hereby authorized and directed to certify these resolutions to such lending institutions as the Chairman of the State Finance Council may direct.

89040594739

LOAN REPORT

DATE 4-8-83

Bank Name National		Branch/Dept Name Main		Division Name Gov't Banking		Lending Authority 250.000		Loan Date 4-8-83		
Name(s) Georgia Democratic Party							Average collected balance past month			
Address Peachtree Street Atlanta, Georgia							Date of Last Credit Committee Review Never			
Principals							New Loan <input type="checkbox"/> #1 <input type="checkbox"/>			
							Renewal <input checked="" type="checkbox"/> #2 <input checked="" type="checkbox"/>			
Type of Business Political party							Commitment <input type="checkbox"/> #3 <input type="checkbox"/>			
Originating Officer Ferm							Declination <input type="checkbox"/> SS <input type="checkbox"/>			
Current Officer Ferm		Orig. Loan Amt. \$ 250,000		Time Renewed 1		Increase \$		Other <input type="checkbox"/> D <input type="checkbox"/>		
		Orig. Loan Date 11-5-83		Reductions \$ 87,000						
This report covers		Amount \$ 163,476.61		Maturity 11-11-83		Rate P+1/2%		Sec <input type="checkbox"/> Unsec <input checked="" type="checkbox"/> Good <input type="checkbox"/>		
Borrower's Total Debt to Bank (including this loan)		Direct 163,476.61		Indirect 163,476.61		Approved Line of Credit				
Net worth of borrower \$							Date of Fin. Statement		Fiscal <input type="checkbox"/>	
Fin Statement Prepared by following for statement									Interim <input type="checkbox"/>	
Guarantor (if applicable)							Amt Guaranteed		Net Worth	
Guarantor (if applicable)							Amt Guaranteed		Date of Fin. Statement	
Guarantor (if applicable)							Amt Guaranteed		Net Worth	
Guarantor (if applicable)							Amt Guaranteed		Date of Fin. Statement	
If term loan or revolving credit do we have formal agreement?									Yes <input type="checkbox"/>	
If term loan or revolving credit do we have formal agreement?									No <input type="checkbox"/>	
Written report to include (Be Specific) PURPOSE Renewal of two \$125,000 loans for 1982 campaign funds with a reduction of \$87,000										
TERMS Renew after 6 months to 4-8-84 - PAM from Jefferson/Jackson Day Dinner										
SOURCE OF REPAYMENT - PRIMARY Cash flow of party										
SOURCE OF REPAYMENT - SECONDARY *See below										
COLLATERAL DESCRIPTION Collateral Value (Indicate date & basis of)										
ADDITIONAL INFORMATION REGARDING BACKGROUND BANKING STRATEGY, FOLLOW-UP ETC *See stand behind letters with potential guarantees of \$20,000. (George Busbee, Joe Frank Harris, Zell Miller and Joel H. Cowan) and commitment for fund raising efforts by these four individuals along with Thomas Murphy.										
LEADING POLICY EXCEPTIONS							Approved By			

Continued on back? Yes No

Copies to Central Credit Files - Approved Copy

Supervisors: Peters, Berthy, Cotran, Sessions,
Voilertsen, Ryer, Andrews, CF, DF

Each Person Approving Should Sign or Initial

Supervisor _____
Supervisor _____
Account Officer Paul R. Ferm *[Signature]* 250,000
Name: _____ (Lending Auth.)

DOCUMENTATION CHECKLIST

Date: _____

Documentation listed below references collateral of: Borrower
*Guarantor Personal _____ (Name)
Corporate _____ (Name)

Form of organization (e.g., partnership, corporation) _____

County of principal place of business _____

County of residence (if different) _____

Location of Collateral: Collateral Type _____ Location (County and State) _____

- DOCUMENTATION INCLUDES:
Corporate Resolution
Guaranty Resolution
Partnership Agreement
Statement Respecting Collateral Waiver Form (Commercial Loans)
Other

Note Form Used:

- Were Proceeds Disbursed to:
A. Party(s) Other Than Borrower
B. If Multiple Borrowers - Fewer Than All Borrowers
Borrower's Authorization Form

- Was Purchase Money Security Interest Taken?
Were Court Records Checked?
If Guaranty, Was Long (Separate) Form Used?
Is Collateral On Previous Debt PAUL To Cover This Debt? If so, date of previous loan report:

*List Collateral of Guarantor on Separate Attached Form

- EQUIPMENT
S/A - General
S/A consumer goods & equipment
S/A inventory & equipment
Financing Statement - recorded
Fixtures checked
Proceeds checked
Insurance

- If in leased premises:
Landlord's agreement & waiver
If in mortgaged premises:
Mortgagee agreement & waiver

- ACCOUNTS RECEIVABLE
Aging
S/A - General
S/A - Specific Accounts
S/A inventory & accounts
A/R Financing Contract
Assignment Form (Sp. Accounts)
Financing Statement
Proceeds checked
A/R Insurance
Other (specific):

- INVENTORY
S/A - General
S/A inventory & equipment
S/A inventory & accounts
Financing Statement - recorded
Products & proceeds checked
Insurance
PMSI Notification
Other:

- ASSIGNED NOTES
Possession of Note
D/S/D - Recorded Assignment
Assignment of S/A
Notification
Financing Statement - recorded
Proceeds checked

- CD's, SAVINGS ACCOUNTS, ETC.
Assignment of Bank Account
Savings Document
Collateral Receipt
Savings Status Change Order
S/A Hypothecation

- LEASEHOLD IMPROVEMENTS
S/A
Financing Statement - recorded
Fixtures checked
Landlord's Waiver
Mortgagee's Waiver
Insurance

- LEASE
Copy of recorded lease
S/A - Assignment of lease

- LIFE INSURANCE
Life Ins. Assign. Questionnaire
Life Ins. Assign. Form
Life Ins. Policy - possession

- ROLLING STOCK
MV-1 _____ MV-2 _____ MV-3 _____
T-3 _____

- S/A
Insurance Binder
Notice to Lien Holders

- AIRCRAFT
S/A
Bill of Sale (FAA form 8050-2)
Application of Registration
Release of Lien (FAA form 8050-4)
Title Search
Insurance Binder

- RENTAL INCOME
Lease Agreement
S/A - Assignment of rentals - recorded
Acknowledgment of Lessee
Acknowledgment of Agent

- REAL ESTATE
D/S/D
1st 2nd 3rd
Other
Appraisal

- By Whom
Title Opinion
Title Insurance
Survey & Site Plan
Insurance
Right to Rescind
Estoppel Letter (notice to senior lien holders)

- NEGOTIABLE SECURITIES
Registered Owner:
S/A Hypothecation

- Dated:
Reg U-1 Form
Assignment of Invest. Sec.
Securities in Possession
Loan to Value

- MISCELLANEOUS
Consumer Goods
Contract Rights
Farm Products
Operating Rights
Insurance Commissions
Small Boats
Other:

- Collateral Note
Financing Statement - recorded
Proceeds checked
S/A (Type)
Insurance Binder
Other

COMMENTS: Other Documentation Checklist(s) Attached
Checklist Completed By: _____

SECURITY AGREEMENT

FOR VALUE RECEIVED, the undersigned hereby conveys to The Citizens and Southern National Bank (hereafter called the "Secured Party"), and hereby grants to the Secured Party security title to and a security interest in the following property:

1. All payments to be made to the undersigned in connection with the next Jefferson-Jackson Day Dinner; and
2. All qualification fees to be paid to the undersigned hereafter

(hereafter collectively called "Goods"); all accounts, instruments, and contract rights of undersigned related to the Goods whether now or hereafter existing or acquired (hereafter collectively called "Accounts"); and all products and proceeds of any of the foregoing ("Goods" and "Accounts" are sometimes hereafter collectively called "Collateral") to secure the payment of the principal of, interest on and satisfaction of all obligations under a promissory note (hereafter called the "Note"), dated September , 1933, executed and delivered by the undersigned payable to the order of the Secured Party, in the amount of Twenty-Five Thousand Dollars (\$25,000), satisfaction of all obligations of the undersigned hereunder, and all other obligations of the undersigned to the Secured Party, its successors and assigns, however created, arising or evidenced, whether direct or indirect, absolute or contingent, or now or hereafter existing, or due or to become due including but not limited to obligations under the note dated April 8, 1933 and any renewals thereof. The Note and all other obligations secured hereby are herein collectively called the "Liabilities".

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Until Default (as defined herein), or until the Secured Party shall notify the undersigned of the revocation of such power of authority, the undersigned may have possession of the Goods and use the same in any lawful manner not inconsistent with this Agreement or with any policy of insurance on any of the Goods, the undersigned may collect any amounts which may be owing on the Accounts or enforce thereunder any rights which may be in the undersigned, and may use or consume in the ordinary course of the undersigned's business such collections on the Accounts.

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The undersigned hereby warrants and agrees that: (1) it has, or forthwith will acquire, full title to the Collateral, and will at all times keep the Collateral free of all liens and claims whatsoever, other than the security interest hereunder; (2) no financing statement covering any of the Collateral is on file in any public office and the undersigned will from time to time, on request of the Secured Party, execute such financing statements and other documents (and pay the cost of filing or recording the same in all public offices deemed necessary by the Secured Party) and do such other acts and things, all as the Secured Party may request to establish and maintain a valid security title and interest in the Collateral (free of all other liens and claims whatsoever) to secure the payment of the Liabilities, including, without limitation, deposit with the Secured Party of any certificate of title issuable with respect to any of the Goods and notation thereon of the security interest hereunder; 3) it will not sell, transfer, lease or otherwise dispose of any of the Collateral or any interest

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therein except as expressly permitted herein with respect to Accounts or except with the prior written consent of the Secured Party; 4) it will at all times keep accurate and complete records reflecting the current status of the Accounts, permit the Secured Party to examine and extract from the same and furnish to Secured Party, on request, duly verified copies or summaries thereof in form and content satisfactory to Secured Party; and 5) the Secured Party may examine and inspect the Collateral or any thereof, wherever located, at any reasonable time or times. The Secured Party may from time to time, at its option, perform any agreement of the undersigned hereunder which the undersigned shall fail to perform and take any other action which the Secured Party deems necessary for the maintenance or preservation of any of the Collateral or its interest therein.

The Secured Party may, at any time, notify any parties obligated on any of the Accounts to make payment to the Secured Party of any amounts due or to become due thereunder, and enforce collection of any of the Accounts by suit or otherwise and surrender, release or exchange all or any part thereof, or compromise or extend or renew for any period (whether or not longer than the original period) any indebtedness thereunder or evidenced thereby. Upon request of Secured Party the undersigned will, at its own expense, notify any parties obligated on any of the Accounts to make payment to the Secured Party of any amounts due or to become due thereunder.

The undersigned agrees to forthwith reimburse the Secured Party for all expenses of the Secured Party in connection with the

foregoing, together with interest thereon at the rate of 8% per annum from the date incurred until reimbursed by the undersigned.

The occurrence of any of the following events shall constitute a Default (as such term is used herein): (a) Non-payment, when due, of any amount payable on any of the Liabilities or failure to perform any agreement of the undersigned contained herein; (b) any statement, representation or warranty of the undersigned herein or in any other writing at any time furnished by the undersigned to the Secured Party is untrue in any material respect as of the date made; (c) any Obligor (which term, as used herein, shall mean the undersigned and each other party primarily or secondarily liable on any of the Liabilities) becomes insolvent or unable to pay debts as they mature or makes an assignment for the benefit of creditors, or any proceeding is instituted by or against any Obligor alleging that such Obligor is insolvent or unable to pay debts as they mature; (d) entry of any judgment against any Obligor; (e) death of any Obligor who is a natural person, or death or withdrawal of any partner of any Obligor which is a partnership; (f) dissolution, merger or consolidation, or transfer of a substantial part of the property of any Obligor which is a corporation or a partnership; (g) sale, transfer or exchange, either directly or indirectly, of a controlling stock interest of any Obligor which is a corporation; (h) appointment of a receiver for any of the Collateral or for any property in which undersigned has an interest; (i) seizure of any of Collateral; or (j) the Secured Party feels insecure for any other reason whatsoever. Whenever a Default shall be existing, the Note

and all other Liabilities may (notwithstanding any provisions thereof), at the option of Secured Party, and without demand or notice of any kind, be declared, and thereupon immediately shall become due and payable, and the Secured Party may exercise from time to time any rights and remedies available to it under applicable law. The undersigned agrees, in case of Default, except with written consent of Secured Party, to cease collection of the Accounts and to cease use or consumption thereof in business, and to assemble, at its expense, all the Collateral at a convenient place acceptable to the Secured Party and to pay all costs of the Secured Party of collection of the Note and all other Liabilities, and enforcement of rights hereunder, including 15% of the principal and interest of the Liabilities as attorneys' fees, and expenses of any repairs to any realty or other property to which any of the Goods may be affixed or be a part. If any notification of intended disposition of any of the Collateral is required by law, such notification, if mailed, shall be deemed reasonably and properly given if mailed at least five days before such disposition, postage prepaid, addressed to the undersigned either at the address shown below, or at any other address of the undersigned appearing on the records of the Secured Party. Any proceeds of any disposition of any of the Collateral may be applied by the Secured Party to the payment of expenses in connection with the Collateral, including 15% of the principal and interest of the Liabilities as attorneys' fees, and any balance of such proceeds may be applied by the Secured Party toward the payment of such of the Liabilities, and in such

order of application, as the Secured Party may from time to time elect.

No delay or failure on the part of the Secured Party in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Secured Party of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy. Time is of the essence of this Agreement. If more than one party shall execute this Agreement, the term "undersigned" shall mean all parties signing this Agreement and each of them, and all such parties shall be jointly and severally obligated hereunder. The neuter pronoun, when used herein, shall include the masculine and feminine and also the plural. If this Agreement is not dated when executed by the undersigned, the Secured Party is authorized, without notice to the undersigned, to date this Agreement.

The additional provisions, if any, set forth or referred to below are hereby made a part of this Agreement.

This Agreement has been delivered in the State of Georgia and shall be construed in accordance with the laws of that State. Wherever possible each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Agreement.

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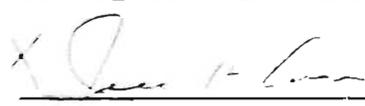
The rights and privileges of the Secured Party hereunder shall inure to the benefit of its heirs, legal representatives, successors and assigns.

The undersigned represents and warrants that:

1. The total borrowings of the undersigned, including the \$25,000 borrowing on this date, as authorized by resolution of its Executive Committee on September 6, 1983 do not exceed \$400,000 in aggregate outstanding principal amount;
2. The resolutions of the Executive Committee of the undersigned adopted on September 6, 1983 and certified to Secured Party have not been altered or amended and are still in full force and effect; and
3. The borrowing on this date of \$25,000 has been made in accordance with such resolutions and with the consent of the Chairman of the Georgia Democratic Party and the undersigned covenants to give the members of the Executive Committee notice of this transaction as required by those resolutions.

IN WITNESS WHEREOF, this Agreement is given under the hand and seal of each of the undersigned as of the ____ day of September, 1983.

GEORGIA DEMOCRATIC PARTY

By: 

, Chairman

of the State Finance Council

5478

STATE OF GEORGIA
 UNIFORM COMMERCIAL CODE—FINANCING STATEMENT—FORM 1

INSTRUCTIONS

- 1 PLEASE TYPE this form. Fold only along perforation for mailing.
- 2 Remove Secured Party and Debtor copies and send first 2 copies with interleaved carbon paper to the filing officer. Enclose filing fee of \$2.50.
- 3 If the space provided for any item(s) on the form is inadequate the item(s) should be continued on additional sheets, preferably 5" x 8" or 4" x 11". Only one copy of such additional sheets need be presented to the filing officer with a set of two copies of the financing statement. Long schedules of collateral, indentures, etc., may be on any size paper that is convenient for the secured party.
- 4 When a copy of the security agreement is used as a financing statement, it is requested that it be accompanied by a completed but unsigned set of these forms, without extra fee.
- 5 At the time of original filing, filing officer should return second copy as an acknowledgment. At a later time, secured party may date and sign Termination Legend and use second copy as a Termination Statement. Filing fee is \$1.00 for Termination Statement.

This FINANCING STATEMENT is presented to a filing officer for filing pursuant to the Uniform Commercial Code:		(For Filing Officer Only) File Number: Time: Date: _____ County, Georgia, Office of _____ Clerk of Superior Court. _____ Maturity date (if any):
1 Debtor(s) (Last Name First) and address(es): Georgia Democratic Party 1627 Peachtree Street, N.E. Atlanta, Georgia 30309	2 Secured Party(ies) and address(es): The Citizens and Southern National Bank 35 Broad Street Atlanta, Georgia 30303	

Assignee of Secured Party (if any):
 (Name and address):

Check box and complete where applicable: <input type="checkbox"/> Crops are covered. Land described in block 4. <input type="checkbox"/> Fixtures are covered. Land described in block 4. _____ is the record (owner) (lessee) of the land involved. <input checked="" type="checkbox"/> Proceeds are also covered. <input type="checkbox"/> Products are also covered. No of additional sheets presented:	4. This financing statement covers the following type(s) (or item(s)) of property: All payments to be made to Debtor in connection with the next Jefferson-Jackson Day Dinner and all qualification fees to be paid to the undersigned hereafter, whether now or hereafter existing or acquired and all instruments, accounts, and contract rights related to any of the above.
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By: _____ Signature(s) of Debtor(s) Chairman of State Finance Council	By: _____ Signature(s) of Secured Party(ies)
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The Citizens and Southern

Fulton County, Georgia

FOR VALUE RECEIVED, the sufficiency of which is hereby acknowledged, and in consideration of any loan or other financial accommodation heretofore or hereafter at any time made or granted to Democratic Party of Georgia

hereinafter called the "Debtor") by Citizens and Southern National Bank (hereinafter, together with its successors and assigns, called the "Bank"), the undersigned hereby unconditionally guarantee(s) the full and prompt payment when due, whether by declaration or otherwise, and at all times hereafter, of all obligations of the Debtor to the Bank, however and whenever incurred or evidenced, whether direct or indirect, absolute or contingent, or due or to become due (collectively called "Liabilities"), and the undersigned further agree(s) to pay the following (herein called "Expenses"): (a) all expenses paid or incurred by the Bank in endeavoring to collect the Liabilities or any part thereof from the Debtor, including attorney's fees of 15% of the total amount sought to be collected if the Bank endeavors to collect from the Debtor by law or through an attorney at law; and (b) all expenses paid or incurred by the Bank in collecting this guaranty, including attorney's fees of 15% of the total amount sought to be collected if this guaranty is collected by law or through an attorney at law. The right of recovery against the undersigned is, however,

limited to Five Thousand and No/100----- Dollars (\$ 5,000.00-----) of the principal amount of the Liabilities plus the interest on such amount and plus the Expenses as applicable thereto and as applicable to this guaranty.

Undersigned hereby represents that loans or other financial accommodations by the Bank to the Debtor will be to the direct interest and advantage of the undersigned.

Undersigned hereby transfers and conveys to the Bank any and all balances, credits, deposits, accounts, items and monies of the undersigned now or hereafter with the Bank, and the Bank is hereby given a lien upon security title to and a security interest in all property of the undersigned of every kind and description now or hereafter in the possession or control of the Bank for any reason, including all dividends and distributions on or other rights in connection therewith.

In the event of the death, incompetency, dissolution or insolvency (as defined by the Uniform Commercial Code as in effect at that time in Georgia) of the Debtor, or if a petition in bankruptcy be filed by or against the Debtor, or if a receiver be appointed for any part of the property or assets of the Debtor, or if any judgment be entered against the Debtor, or if the Bank shall feel insecure with respect to Liabilities and if any such event should occur at a time when any of the Liabilities may not then be due and payable, the undersigned agrees to pay to the Bank upon demand the full amount which would be payable hereunder by the undersigned if all Liabilities were then due and payable.

Bank may, without demand or notice of any kind, at any time when any amount shall be due and payable hereunder by any of the undersigned, appropriate and apply toward the payment of such amount, and in such order of application as the Bank may from time to time elect, any property, balances, credits, deposits, accounts, items or monies of such undersigned in the possession or control of the Bank for any purpose.

This guaranty shall be continuing, absolute and unconditional and shall remain in full force and effect as to the undersigned, subject to discontinuance of this guaranty as to any of the undersigned (including, without limitation, any undersigned who shall become deceased, incompetent or dissolved) only as follows: Any of the undersigned, and any person duly authorized and acting on behalf of any of the undersigned, may give written notice to the Bank of discontinuance of this guaranty as to the undersigned by whom or on whose behalf such notice is given, but no such notice shall be effective in any respect until it is actually received by the Bank and no such notice shall affect or impair the obligations hereunder of the undersigned by whom or on whose behalf such notice is given with respect to any Liabilities existing at the date of receipt of such notice by the Bank, any interest thereon or any expenses paid or incurred by the Bank in endeavoring to collect such Liabilities, or any part thereof, and in enforcing this guaranty against such undersigned. Any such notice of discontinuance by or on behalf of any of the undersigned shall not affect or impair the obligations hereunder of any other of the undersigned.

The Bank may, from time to time, without notice to the undersigned (or any of them), (a) retain or obtain a security interest in any property to secure any of the Liabilities or any obligation hereunder, (b) retain or obtain the primary or secondary liability of any party or parties, in addition to the undersigned, with respect to any of the Liabilities, (c) extend or renew for any period (whether or not longer than the original period), alter or exchange any of the Liabilities, (d) release or compromise any liability of any of the undersigned hereunder or any liability of any other party or parties primarily or secondarily liable on any of the Liabilities, (e) release its security interest, if any, in all or any property securing any of the Liabilities or any obligation hereunder and permit any substitution or exchange for any such property, and (f) resort to the undersigned (or any of them) for payment of any of the Liabilities, whether or not the Bank shall have resorted to any property securing any of the Liabilities or any obligation hereunder or shall have proceeded against any other of the undersigned or any other party primarily or secondarily liable on any of the Liabilities.

Any amount received by the Bank from whatever source and applied by it toward the payment of the Liabilities shall be applied in such order of application as the Bank may from time to time elect.

The undersigned hereby expressly waive(s): (a) Notice of the acceptance of this guaranty, (b) notice of the existence or creation of all or any of the Liabilities, (c) presentment, demand, notice of dishonor, protest, and all other notices whatsoever, and (d) all diligence in collection or protection of or realization upon the Liabilities or any thereof, any obligation hereunder, or any security for any of the foregoing.

The creation or existence from time to time of Liabilities in excess of the amount to which the right of recovery under this guaranty is limited is hereby authorized, without notice to the undersigned (or any of them), and shall in no way affect or impair this guaranty.

The Bank may, without notice of any kind, sell, assign or transfer all or any of the Liabilities, and in such event each and every immediate and successive assignee, transferee, or holder of all or any of the Liabilities, shall have the right to enforce this guaranty, by suit or otherwise, for the benefit of such assignee, transferee or holder, as fully as if such assignee, transferee or holder were herein by name specifically given such rights, powers and benefits, but the Bank shall have an unimpaired right, prior and superior to that of any such assignee, transferee or holder, to enforce this guaranty for the benefit of the Bank, as to so much of the Liabilities as it has not sold, assigned or transferred.

No delay or failure on the part of the Bank in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Bank of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy. No action of the Bank permitted hereunder shall in any way impair or affect this guaranty. For the purpose of this guaranty, Liabilities shall include all obligations of the Debtor to the Bank, notwithstanding any right or power of the Debtor or anyone else to assert any claim or defense, as to the invalidity or unenforceability of any such obligation, and no such claim or defense shall impair or affect the obligations of the undersigned hereunder.

This guaranty is cumulative of and shall not effect, modify or limit any other guaranty executed by the undersigned with respect to any Liabilities.

This guaranty shall be binding upon the undersigned, and upon the heirs, legal representatives, successors and assigns of the undersigned. If more than one party shall execute this guaranty, the term "undersigned" shall mean all parties executing this guaranty, and all such parties shall be jointly and severally obligated hereunder.

This guaranty has been made and delivered in the State of Georgia, and shall be governed by the laws of that State. Wherever possible each provision of this guaranty shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this guaranty shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this guaranty.

IN WITNESS WHEREOF the undersigned have hereunto set their hands and affixed their seals the day and year above written.

Joe Frank Harris (SEAL)

(SEAL)

(SEAL)

The Citizens and Southern.....

Fulton County, Georgia

FOR VALUE RECEIVED, the sufficiency of which is hereby acknowledged, and in consideration of any loan or other financial accommodation heretofore or hereafter at any time made or granted to Georgia Democratic Party

(hereinafter called the "Debtor") by The Citizens and Southern National Bank hereinafter, together with its successors and assigns, called the "Bank", the undersigned hereby unconditionally guarantee(s) the full and prompt payment when due, whether by declaration or otherwise, and at all times hereafter, of all obligations of the Debtor to the Bank, however and whenever incurred or evidenced, whether direct or indirect, absolute or contingent, or due or to become due (collectively called "Liabilities"), and the undersigned further agree(s) to pay the following (herein called "Expenses"): (a) all expenses paid or incurred by the Bank in endeavoring to collect the Liabilities or any part thereof from the Debtor, including attorney's fees of 15% of the total amount sought to be collected if the Bank endeavors to collect from the Debtor by law or through an attorney at law; and (b) all expenses paid or incurred by the Bank in collecting this guaranty, including attorney's fees of 15% of the total amount sought to be collected if this guaranty is collected by law or through an attorney at law. The right of recovery against the undersigned is, however,

limited to Five Thousand and No/100----- Dollars (\$ 5,000.00) of the principal amount of the Liabilities plus the interest on such amount and plus the Expenses as applicable thereto and as applicable to this guaranty.

Undersigned hereby represents that loans or other financial accommodations by the Bank to the Debtor will be to the direct interest and advantage of the undersigned.

Undersigned hereby transfers and conveys to the Bank any and all balances, credits, deposits, accounts, items and monies of the undersigned now or hereafter with the Bank, and the Bank is hereby given a lien upon security title to and a security interest in all property of the undersigned of every kind and description now or hereafter in the possession or control of the Bank for any reason, including all dividends and distributions on or other rights in connection therewith.

In the event of the death, incompetency, dissolution or insolvency (as defined by the Uniform Commercial Code as in effect at that time in Georgia) of the Debtor, or if a petition in bankruptcy be filed by or against the Debtor, or if a receiver be appointed for any part of the property or assets of the Debtor, or if any judgment be entered against the Debtor, or if the Bank shall feel insecure with respect to Liabilities and if any such event should occur at a time when any of the Liabilities may not then be due and payable, the undersigned agrees to pay to the Bank upon demand the full amount which would be payable hereunder by the undersigned if all Liabilities were then due and payable.

Bank may, without demand or notice of any kind, at any time when any amount shall be due and payable hereunder by any of the undersigned, appropriate and apply toward the payment of such amount, and in such order of application as the Bank may from time to time elect, any property, balances, credits, deposits, accounts, items or monies of such undersigned in the possession or control of the Bank for any purpose.

This guaranty shall be continuing, absolute and unconditional and shall remain in full force and effect as to the undersigned, subject to discontinuance of this guaranty as to any of the undersigned (including, without limitation, any undersigned who shall become deceased, incompetent or dissolved) only as follows: Any of the undersigned, and any person duly authorized and acting on behalf of any of the undersigned, may give written notice to the Bank of discontinuance of this guaranty as to the undersigned by whom or on whose behalf such notice is given, but no such notice shall be effective in any respect until it is actually received by the Bank and no such notice shall affect or impair the obligations hereunder of the undersigned by whom or on whose behalf such notice is given with respect to any Liabilities existing at the date of receipt of such notice by the Bank, any interest thereon or any expenses paid or incurred by the Bank in endeavoring to collect such Liabilities, or any part thereof, and in enforcing this guaranty against such undersigned. Any such notice of discontinuance by or on behalf of any of the undersigned shall not affect or impair the obligations hereunder of any other of the undersigned.

The Bank may, from time to time, without notice to the undersigned (or any of them), (a) retain or obtain a security interest in any property to secure any of the Liabilities or any obligation hereunder, (b) retain or obtain the primary or secondary liability of any party or parties, in addition to the undersigned, with respect to any of the Liabilities, (c) extend or renew for any period (whether or not longer than the original period), alter or exchange any of the Liabilities, (d) release or compromise any liability of any of the undersigned hereunder or any liability of any other party or parties primarily or secondarily liable on any of the Liabilities, (e) release its security interest, if any, in all or any property securing any of the Liabilities or any obligation hereunder and permit any substitution or exchange for any such property, and (f) resort to the undersigned (or any of them) for payment of any of the Liabilities, whether or not the Bank shall have resorted to any property securing any of the Liabilities or any obligation hereunder or shall have proceeded against any other of the undersigned or any other party primarily or secondarily liable on any of the Liabilities.

Any amount received by the Bank from whatever source and applied by it toward the payment of the Liabilities shall be applied in such order of application as the Bank may from time to time elect.

The undersigned hereby expressly waive(s): (a) Notice of the acceptance of this guaranty, (b) notice of the existence or creation of all or any of the Liabilities, (c) presentment, demand, notice of dishonor, protest, and all other notices whatsoever, and (d) all diligence in collection or protection of or realization upon the Liabilities or any thereof, any obligation hereunder, or any security for any of the foregoing.

The creation or existence from time to time of Liabilities in excess of the amount to which the right of recovery under this guaranty is limited is hereby authorized, without notice to the undersigned (or any of them), and shall in no way affect or impair this guaranty.

The Bank may, without notice of any kind, sell, assign or transfer all or any of the Liabilities, and in such event each and every immediate and successive assignee, transferee, or holder of all or any of the Liabilities, shall have the right to enforce this guaranty, by suit or otherwise, for the benefit of such assignee, transferee or holder, as fully as if such assignee, transferee or holder were herein by name specifically given such rights, powers and benefits, but the Bank shall have an unimpaired right, prior and superior to that of any such assignee, transferee or holder, to enforce this guaranty for the benefit of the Bank, as to so much of the Liabilities as it has not sold, assigned or transferred.

No delay or failure on the part of the Bank in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Bank of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy. No action of the Bank permitted hereunder shall in any way impair or affect this guaranty. For the purpose of this guaranty, Liabilities shall include all obligations of the Debtor to the Bank, notwithstanding any right or power of the Debtor or anyone else to assert any claim or defense, as to the invalidity or unenforceability of any such obligation, and no such claim or defense shall impair or affect the obligations of the undersigned hereunder.

This guaranty is cumulative of and shall not effect, modify or limit any other guaranty executed by the undersigned with respect to any Liabilities.

This guaranty shall be binding upon the undersigned, and upon their heirs, legal representatives, successors and assigns of the undersigned. If more than one party shall execute this guaranty, the term "undersigned" shall mean all parties executing this guaranty, and all such parties shall be jointly and severally obligated hereunder.

This guaranty has been made and delivered in the State of Georgia, and shall be governed by the laws of that State. Wherever possible each provision of this guaranty shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this guaranty shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this guaranty.

IN WITNESS WHEREOF the undersigned have hereunto set their hands and affixed their seals the day and year above written.

Joel H. Cowan (SEAL)
Joel H. Cowan (SEAL)
(SEAL)

The Citizens and Southern.....

Fulton County, Georgia

FOR VALUE RECEIVED, the sufficiency of which is hereby acknowledged, and in consideration of any loan or other financial accommodation heretofore or hereafter at any time made or granted to Georgia Democratic Party

(hereinafter called the "Debtor") by The Citizens and Southern National Bank (hereinafter, together with its successors and assigns, called the "Bank"), the undersigned hereby unconditionally guarantee(s) the full and prompt payment when due, whether by declaration or otherwise, and at all times hereafter, of all obligations of the Debtor to the Bank, however and whenever incurred or evidenced, whether direct or indirect, absolute or contingent, or due or to become due (collectively called "Liabilities"), and the undersigned further agree(s) to pay the following (herein called "Expenses"): (a) all expenses paid or incurred by the Bank in endeavoring to collect the Liabilities or any part thereof from the Debtor, including attorney's fees of 15% of the total amount sought to be collected if the Bank endeavors to collect from the Debtor by law or through an attorney at law; and (b) all expenses paid or incurred by the Bank in collecting this guaranty, including attorney's fees of 15% of the total amount sought to be collected if this guaranty is collected by law or through an attorney at law. The right of recovery against the undersigned is, however,

limited to Five Thousand and No/100----- Dollars \$ 5,000.00-----) of the principal amount of the Liabilities plus the interest on such amount and plus the Expenses as applicable thereto and as applicable to this guaranty.

Undersigned hereby represents that loans or other financial accommodations by the Bank to the Debtor will be to the direct interest and advantage of the undersigned.

Undersigned hereby transfers and conveys to the Bank any and all balances, credits, deposits, accounts, items and monies of the undersigned now or hereafter with the Bank, and the Bank is hereby given a lien upon security title to and a security interest in all property of the undersigned of every kind and description now or hereafter in the possession or control of the Bank for any reason, including all dividends and distributions on or other rights in connection therewith.

In the event of the death, incompetency, dissolution or insolvency (as defined by the Uniform Commercial Code as in effect at that time in Georgia) of the Debtor, or if a petition in bankruptcy be filed by or against the Debtor, or if a receiver be appointed for any part of the property or assets of the Debtor, or if any judgment be entered against the Debtor, or if the Bank shall feel insecure with respect to Liabilities and if any such event should occur at a time when any of the Liabilities may not then be due and payable, the undersigned agrees to pay to the Bank upon demand the full amount which would be payable hereunder by the undersigned if all Liabilities were then due and payable.

Bank may, without demand or notice of any kind, at any time when any amount shall be due and payable hereunder by any of the undersigned, appropriate and apply toward the payment of such amount, and in such order of application as the Bank may from time to time elect, any property, balances, credits, deposits, accounts, items or monies of such undersigned in the possession or control of the Bank for any purpose.

This guaranty shall be continuing, absolute and unconditional and shall remain in full force and effect as to the undersigned, subject to discontinuance of this guaranty as to any of the undersigned (including, without limitation, any undersigned who shall become deceased, incompetent or dissolved) only as follows: Any of the undersigned, and any person duly authorized and acting on behalf of any of the undersigned, may give written notice to the Bank of discontinuance of this guaranty as to the undersigned by whom or on whose behalf such notice is given, but no such notice shall be effective in any respect until it is actually received by the Bank and no such notice shall affect or impair the obligations hereunder of the undersigned by whom or on whose behalf such notice is given with respect to any Liabilities existing at the date of receipt of such notice by the Bank, any interest thereon or any expenses paid or incurred by the Bank in endeavoring to collect such Liabilities, or any part thereof, and in enforcing this guaranty against such undersigned. Any such notice of discontinuance by or on behalf of any of the undersigned shall not affect or impair the obligations hereunder of any other of the undersigned.

The Bank may, from time to time, without notice to the undersigned (or any of them), (a) retain or obtain a security interest in any property to secure any of the Liabilities or any obligation hereunder, (b) retain or obtain the primary or secondary liability of any party or parties, in addition to the undersigned, with respect to any of the Liabilities, (c) extend or renew for any period (whether or not longer than the original period), alter or exchange any of the Liabilities, (d) release or compromise any liability of any of the undersigned hereunder or any liability of any other party or parties primarily or secondarily liable on any of the Liabilities, (e) release its security interest, if any, in all or any property securing any of the Liabilities or any obligation hereunder and permit any substitution or exchange for any such property, and (f) resort to the undersigned (or any of them) for payment of any of the Liabilities, whether or not the Bank shall have resorted to any property securing any of the Liabilities or any obligation hereunder or shall have proceeded against any other of the undersigned or any other party primarily or secondarily liable on any of the Liabilities.

Any amount received by the Bank from whatever source and applied by it toward the payment of the Liabilities shall be applied in such order of application as the Bank may from time to time elect.

The undersigned hereby expressly waive(s): (a) Notice of the acceptance of this guaranty, (b) notice of the existence or creation of all or any of the Liabilities, (c) presentment, demand, notice of dishonor, protest, and all other notices whatsoever, and (d) all diligence in collection or protection of or realization upon the Liabilities or any thereof, any obligation hereunder, or any security for any of the foregoing.

The creation or existence from time to time of Liabilities in excess of the amount to which the right of recovery under this guaranty is limited is hereby authorized, without notice to the undersigned (or any of them), and shall in no way affect or impair this guaranty.

The Bank may, without notice of any kind, sell, assign or transfer all or any of the Liabilities, and in such event each and every immediate and successive assignee, transferee, or holder of all or any of the Liabilities, shall have the right to enforce this guaranty, by suit or otherwise, for the benefit of such assignee, transferee or holder, as fully as if such assignee, transferee or holder were herein by name specifically given such rights, powers and benefits, but the Bank shall have an unimpaired right, prior and superior to that of any such assignee, transferee or holder, to enforce this guaranty for the benefit of the Bank, as to so much of the Liabilities as it has not sold, assigned or transferred.

No delay or failure on the part of the Bank in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Bank of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy. No action of the Bank permitted hereunder shall in any way impair or affect this guaranty. For the purpose of this guaranty, Liabilities shall include all obligations of the Debtor to the Bank, notwithstanding any right or power of the Debtor or anyone else to assert any claim or defense, as to the invalidity or unenforceability of any such obligation, and no such claim or defense shall impair or affect the obligations of the undersigned hereunder.

This guaranty is cumulative of and shall not effect, modify or limit any other guaranty executed by the undersigned with respect to any Liabilities.

This guaranty shall be binding upon the undersigned, and upon the heirs, legal representatives, successors and assigns of the undersigned. If more than one party shall execute this guaranty, the term "undersigned" shall mean all parties executing this guaranty, and all such parties shall be jointly and severally obligated hereunder.

This guaranty has been made and delivered in the State of Georgia, and shall be governed by the laws of that State. Wherever possible each provision of this guaranty shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this guaranty shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this guaranty.

IN WITNESS WHEREOF the undersigned have hereunto set their hands and affixed their seals the day and year above written.

Tom K. Perdue (SEAL)
Tom K. Perdue

(SEAL)

(SEAL)

The Citizens and Southern National Bank

Fulton County, Georgia

FOR VALUE RECEIVED, the sufficiency of which is hereby acknowledged, and in consideration of any loan or other financial accommodation heretofore or hereafter at any time made or granted to Democratic Party of Georgia

(hereinafter called the "Debtor") by The Citizens and Southern National Bank (hereinafter, together with its successors and assigns, called the "Bank"), the undersigned hereby unconditionally guarantee(s) the full and prompt payment when due, whether by declaration or otherwise, and at all times hereafter, of all obligations of the Debtor to the Bank, however and whenever incurred or evidenced, whether direct or indirect, absolute or contingent, or due or to become due (collectively called "Liabilities"), and the undersigned further agree(s) to pay all expenses (including 15% of the total amount due as attorneys' fees if collected by law or through an attorney at law) paid or incurred by the Bank in endeavoring to collect the Liabilities, or any part thereof, and in enforcing this guaranty. The right of recovery against the undersigned is, however, limited to

*SEE REVERSE SIDE

the amount of ---Five Thousand and NO/100--- Dollars (\$ 5,000.00---), plus interest on such amount and plus all expenses of enforcing this guaranty. (including 15% of the total amount due as attorneys' fees if collected by law or through an attorney at law). Undersigned hereby represent that loans or other financial accommodations by the Bank to the Debtor will be to the direct interest and advantage of the undersigned.

Undersigned hereby transfers and conveys to the Bank any and all balances, credits, deposits, accounts, items and monies of the undersigned now or hereafter with the Bank, and the Bank is hereby given a lien upon security title to and a security interest in all property of the undersigned of every kind and description now or hereafter in the possession or control of the Bank for any reason, including all dividends and distributions on or other rights in connection therewith.

In the event of the death, incompetency, dissolution or insolvency (as defined by the Uniform Commercial Code as in effect at that time in Georgia) of the Debtor, or if a petition in bankruptcy be filed by or against the Debtor, or if a receiver be appointed for any part of the property or assets of the Debtor, or if any judgment be entered against the Debtor, or if the Bank shall feel insecure with respect to Liabilities and if any such event should occur at a time when any of the Liabilities may not then be due and payable, the undersigned agrees to pay to the Bank upon demand the full amount which would be payable hereunder by the undersigned if all Liabilities were then due and payable.

Bank may, without demand or notice of any kind, at any time when any amount shall be due and payable hereunder by any of the undersigned, appropriate and apply toward the payment of such amount, and in such order of application as the Bank may from time to time elect, any property, balances, credits, deposits, accounts, items or monies of such undersigned in the possession or control of the Bank for any purpose.

This guaranty shall be continuing, absolute and unconditional and shall remain in full force and effect as to the undersigned, subject to discontinuance of this guaranty as to any of the undersigned (including, without limitation, any undersigned who shall become deceased, incompetent or dissolved) only as follows: Any of the undersigned, and any person duly authorized and acting on behalf of any of the undersigned, may give written notice to the Bank of discontinuance of this guaranty as to the undersigned by whom or on whose behalf such notice is given, but no such notice shall be effective in any respect until it is actually received by the Bank and no such notice shall affect or impair the obligations hereunder of the undersigned by whom or on whose behalf such notice is given with respect to any Liabilities existing at the date of receipt of such notice by the Bank, any interest thereon or any expenses paid or incurred by the Bank in endeavoring to collect such Liabilities, or any part thereof, and in enforcing this guaranty against such undersigned. Any such notice of discontinuance by or on behalf of any of the undersigned shall not affect or impair the obligations hereunder of any other of the undersigned.

The Bank may, from time to time, without notice to the undersigned (or any of them), (a) retain or obtain a security interest in any property to secure any of the Liabilities or any obligation hereunder, (b) retain or obtain the primary or secondary liability of any party or parties, in addition to the undersigned, with respect to any of the Liabilities, (c) extend or renew for any period (whether or not longer than the original period), alter or exchange any of the Liabilities, (d) release or compromise any liability of any of the undersigned hereunder or any liability of any other party or parties primarily or secondarily liable on any of the Liabilities, (e) release its security interest, if any, in all or any property securing any of the Liabilities or any obligation hereunder and permit any substitution or exchange for any such property, and (f) resort to the undersigned (or any of them) for payment of any of the Liabilities, whether or not the Bank shall have resorted to any property securing any of the Liabilities or any obligation hereunder or shall have proceeded against any other of the undersigned or any other party primarily or secondarily liable on any of the Liabilities.

Any amount received by the Bank from whatever source and applied by it toward the payment of the Liabilities shall be applied in such order of application as the Bank may from time to time elect.

The undersigned hereby expressly waive(s): (a) Notice of the acceptance of this guaranty, (b) notice of the existence or creation of all or any of the Liabilities, (c) presentment, demand, notice of dishonor, protest, and all other notices whatsoever, and (d) all diligence in collection or protection of or realization upon the Liabilities or any thereof, any obligation hereunder, or any security for any of the foregoing.

The creation or existence from time to time of Liabilities in excess of the amount to which the right of recovery under this guaranty is limited is hereby authorized, without notice to the undersigned (or any of them), and shall in no way affect or impair this guaranty.

The Bank may, without notice of any kind, sell, assign or transfer all or any of the Liabilities, and in such event each and every immediate and successive assignee, transferee, or holder of all or any of the Liabilities, shall have the right to enforce this guaranty, by suit or otherwise, for the benefit of such assignee, transferee or holder, as fully as if such assignee, transferee or holder were herein by name specifically given such rights, powers and benefits, but the Bank shall have an unimpaired right, prior and superior to that of any such assignee, transferee or holder, to enforce this guaranty for the benefit of the Bank, as to so much of the Liabilities as it has not sold, assigned or transferred.

No delay or failure on the part of the Bank in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Bank of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy. No action of the Bank permitted hereunder shall in any way impair or affect this guaranty. For the purpose of this guaranty, Liabilities shall include all obligations of the Debtor to the Bank, notwithstanding any right or power of the Debtor or anyone else to assert any claim or defense, as to the invalidity or unenforceability of any such obligation, and no such claim or defense shall impair or affect the obligations of the undersigned hereunder.

This guaranty is cumulative of and shall not effect, modify or limit any other guaranty executed by the undersigned with respect to any Liabilities.

This guaranty shall be binding upon the undersigned, and upon the heirs, legal representatives, successors and assigns of the undersigned. If more than one party shall execute this guaranty, the term "undersigned" shall mean all parties executing this guaranty, and all such parties shall be jointly and severally obligated hereunder.

This guaranty has been made and delivered in the State of Georgia, and shall be governed by the laws of that State. Wherever possible each provision of this guaranty shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this guaranty shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this guaranty.

IN WITNESS WHEREOF the undersigned have hereunto set their hands and affixed their seals the day and year above written.

ACCEPTED:

Signature of Jim Williams (SEAL)

BY: _____ (SEAL)

ADDITIONAL LIMITATION ON RIGHT OF RECOVERY

The right of recovery under this Guaranty is further limited as follows. In the event the Bank holds any other guaranty or guarantys with regard to all of the Liabilities hereunder and the sum of the stated maximum recovery amounts of all such then-outstanding guarantys (including this guaranty) exceeds the amount of Liabilities at the point in time this guaranty is satisfied by the undersigned, then the stated maximum recovery amount hereunder shall be reduced to the "Adjusted Maximum" if it is lower than the stated maximum recovery amount hereunder. "Adjusted Maximum" shall mean a portion of total Liabilities as prorated among each of such then-outstanding guarantys based upon their stated maximum recovery amounts.

937476754

The Citizens and Southern National Bank

Fulton County, Georgia

FOR VALUE RECEIVED, the sufficiency of which is hereby acknowledged, and in consideration of any loan or other financial accommodation heretofore or hereafter at any time made or granted to Democratic Party of Georgia

(hereinafter called the "Debtor") by The Citizens and Southern National Bank (hereinafter, together with its successors and assigns, called the "Bank"), the undersigned hereby unconditionally guarantee(s) the full and prompt payment when due, whether by declaration or otherwise, and at all times hereafter, of all obligations of the Debtor to the Bank, however and whenever incurred or evidenced, whether direct or indirect, absolute or contingent, or due or to become due (collectively called "Liabilities"), and the undersigned further agree(s) to pay all expenses (including 15% of the total amount due as attorneys' fees if collected by law or through an attorney at law) paid or incurred by the Bank in endeavoring to collect the Liabilities, or any part thereof, and in enforcing this guaranty. The right of recovery against the undersigned is, however, limited to

the amount of Five Thousand and No/100----- 5,000.00----- *SEE REVERSE SIDE Dollars (\$), plus interest on such amount and plus

all expenses of enforcing this guaranty. (including 15% of the total amount due as attorneys' fees if collected by law or through an attorney at law). Undersigned hereby represent that loans or other financial accommodations by the Bank to the Debtor will be to the direct interest and advantage of the undersigned.

Undersigned hereby transfers and conveys to the Bank any and all balances, credits, deposits, accounts, items and monies of the undersigned now or hereafter with the Bank, and the Bank is hereby given a lien upon security title to and a security interest in all property of the undersigned of every kind and description now or hereafter in the possession or control of the Bank for any reason, including all dividends and distributions on or other rights in connection therewith.

In the event of the death, incompetency, dissolution or insolvency (as defined by the Uniform Commercial Code as in effect at that time in Georgia) of the Debtor, or if a petition in bankruptcy be filed by or against the Debtor, or if a receiver be appointed for any part of the property or assets of the Debtor, or if any judgment be entered against the Debtor, or if the Bank shall feel insecure with respect to Liabilities and if any such event should occur at a time when any of the Liabilities may not then be due and payable, the undersigned agrees to pay to the Bank upon demand the full amount which would be payable hereunder by the undersigned if all Liabilities were then due and payable.

Bank may, without demand or notice of any kind, at any time when any amount shall be due and payable hereunder by any of the undersigned, appropriate and apply toward the payment of such amount, and in such order of application as the Bank may from time to time elect, any property, balances, credits, deposits, accounts, items or monies of such undersigned in the possession or control of the Bank for any purpose.

This guaranty shall be continuing, absolute and unconditional and shall remain in full force and effect as to the undersigned, subject to discontinuance of this guaranty as to any of the undersigned (including, without limitation, any undersigned who shall become deceased, incompetent or dissolved) only as follows: Any of the undersigned, and any person duly authorized and acting on behalf of any of the undersigned, may give written notice to the Bank of discontinuance of this guaranty as to the undersigned by whom or on whose behalf such notice is given, but no such notice shall be effective in any respect until it is actually received by the Bank and no such notice shall affect or impair the obligations hereunder of the undersigned by whom or on whose behalf such notice is given with respect to any Liabilities existing at the date of receipt of such notice by the Bank, any interest thereon or any expenses paid or incurred by the Bank in endeavoring to collect such Liabilities, or any part thereof, and in enforcing this guaranty against such undersigned. Any such notice of discontinuance by or on behalf of any of the undersigned shall not affect or impair the obligations hereunder of any other of the undersigned.

The Bank may, from time to time, without notice to the undersigned (or any of them), (a) retain or obtain a security interest in any property to secure any of the Liabilities or any obligation hereunder, (b) retain or obtain the primary or secondary liability of any party or parties, in addition to the undersigned, with respect to any of the Liabilities, (c) extend or renew for any period (whether or not longer than the original period), alter or exchange any of the Liabilities, (d) release or compromise any liability of any of the undersigned hereunder or any liability of any other party or parties primarily or secondarily liable on any of the Liabilities, (e) release its security interest, if any, in all or any property securing any of the Liabilities or any obligation hereunder and permit any substitution or exchange for any such property, and (f) resort to the undersigned (or any of them) for payment of any of the Liabilities, whether or not the Bank shall have resorted to any property securing any of the Liabilities or any obligation hereunder or shall have proceeded against any other of the undersigned or any other party primarily or secondarily liable on any of the Liabilities.

Any amount received by the Bank from whatever source and applied by it toward the payment of the Liabilities shall be applied in such order of application as the Bank may from time to time elect.

The undersigned hereby expressly waive(s): (a) Notice of the acceptance of this guaranty, (b) notice of the existence or creation of all or any of the Liabilities, (c) presentment, demand, notice of dishonor, protest, and all other notices whatsoever, and (d) all diligence in collection or protection of or realization upon the Liabilities or any thereof, any obligation hereunder, or any security for any of the foregoing.

The creation or existence from time to time of Liabilities in excess of the amount to which the right of recovery under this guaranty is limited is hereby authorized, without notice to the undersigned (or any of them), and shall in no way affect or impair this guaranty.

The Bank may, without notice of any kind, sell, assign or transfer all or any of the Liabilities, and in such event each and every immediate and successive assignee, transferee, or holder of all or any of the Liabilities, shall have the right to enforce this guaranty, by suit or otherwise, for the benefit of such assignee, transferee or holder, as fully as if such assignee, transferee or holder were herein by name specifically given such rights, powers and benefits, but the Bank shall have an unimpaired right, prior and superior to that of any such assignee, transferee or holder, to enforce this guaranty for the benefit of the Bank, as to so much of the Liabilities as it has not sold, assigned or transferred.

No delay or failure on the part of the Bank in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Bank of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy. No action of the Bank permitted hereunder shall in any way impair or affect this guaranty. For the purpose of this guaranty, Liabilities shall include all obligations of the Debtor to the Bank, notwithstanding any right or power of the Debtor or anyone else to assert any claim or defense, as to the invalidity or unenforceability of any such obligation, and no such claim or defense shall impair or affect the obligations of the undersigned hereunder.

This guaranty is cumulative of and shall not effect, modify or limit any other guaranty executed by the undersigned with respect to any Liabilities.

This guaranty shall be binding upon the undersigned, and upon the heirs, legal representatives, successors and assigns of the undersigned. If more than one party shall execute this guaranty, the term "undersigned" shall mean all parties executing this guaranty, and all such parties shall be jointly and severally obligated hereunder.

This guaranty has been made and delivered in the State of Georgia, and shall be governed by the laws of that State. Wherever possible each provision of this guaranty shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this guaranty shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this guaranty.

IN WITNESS WHEREOF the undersigned have hereunto set their hands and affixed their seals the day and year above written.

ACCEPTED:

Norman S. Fletcher (SEAL) Norman Fletcher

BY:

(SEAL)

(SEAL)

ADDITIONAL LIMITATION ON RIGHT OF RECOVERY

The right of recovery under this Guaranty is further limited as follows. In the event the Bank holds any other guaranty or guarantys with regard to all of the Liabilities hereunder and the sum of the stated maximum recovery amounts of all such then-outstanding guarantys (including this guaranty) exceeds the amount of Liabilities at the point in time this guaranty is satisfied by the undersigned, then the stated maximum recovery amount hereunder shall be reduced to the "Adjusted Maximum" if it is lower than the stated maximum recovery amount hereunder. "Adjusted Maximum" shall mean a portion of total Liabilities as prorated among each of such then-outstanding guarantys based upon their stated maximum recovery amounts.

38040694750

LOAN REPORT

DATE 12/19/83

Bank Name NATIONAL		Branch/Dept Name MAIN		Division Name GOVT BANKING		Lending Authority 1,000,000		Loan Date 12/20/83	
Name(s) GEORGIA DEMOCRATIC PARTY								Average collected balance past month ---	
Address Peachtree Street, Atlanta, Georgia								Date of Last Credit Committee Review ---	
Principals Joel H. Cowan								New Loan <input type="checkbox"/> #1 <input type="checkbox"/>	
Type of Business Political Party								Renewal <input type="checkbox"/> #2 <input checked="" type="checkbox"/>	
								Commitment <input checked="" type="checkbox"/> #3 <input type="checkbox"/>	
Originating Officer Ferm		Current Officer Ferm		Orig. Loan Amt. \$ _____		Time Renewed _____		Declination <input type="checkbox"/> SS <input type="checkbox"/>	
				Orig. Loan Date _____		Increase \$ _____		Other <input type="checkbox"/> D <input type="checkbox"/>	
				Orig. Loan Date _____		Reductions \$ _____			
This report covers		Amount \$ 25,000.00		Maturity 4/11/84		Rate P+1/2 %		Sec <input type="checkbox"/> Unsec <input type="checkbox"/> Good <input checked="" type="checkbox"/>	
Borrower's Total Debt to Bank (including this loan)				Direct 198,476.61		Indirect ---		Approved Line of Credit 25,000.00	
Net worth of borrower \$ (182,823)		Date of Fin. Statement 4/30/83						Fiscal <input checked="" type="checkbox"/> Interim <input type="checkbox"/>	
Fin Statement Prepared by		George A. Pennington & Company -- CPA						Qualified <input type="checkbox"/> Unqualified <input type="checkbox"/>	
Guarantor (if applicable)		Amt Guaranteed		Net Worth		Date of Fin. Statement			
Guarantor (if applicable)		Amt Guaranteed		Net Worth		Date of Fin. Statement			
If term loan or revolving credit do we have formal agreement?								Yes <input type="checkbox"/> No <input type="checkbox"/>	
Written report to include (Be Specific): PURPOSE Working Capital									
TERMS: To be reduced at maturity and scheduled									
SOURCE OF REPAYMENT - PRIMARY: (1) receipts from Jefferson/Jackson Day Dinner (2) 1984 Qualifying fees									
SOURCE OF REPAYMENT - SECONDARY:									
COLLATERAL DESCRIPTION Collateral Value (Indicate date & basis of)									
5 individual guarantees at \$5,000.00 each									
ADDITIONAL INFORMATION REGARDING BACKGROUND, BANKING STRATEGY, FOLLOW-UP, ETC.									
LEADING POLICY EXCEPTIONS								Approved By	

Copies to Central Credit Files (Approved Copy)

Supervisor: Berthy, Vollertsen, Sessions,
Foster, Cothran, Andrews, Crotts
df, cf

Each Person Approving Should Sign or Initial

Supervisor: Edward P. Vollertsen 1,000,000
Supervisor: Paul R. Ferm 250,000

Account Officer: _____ (Name) _____ (Lending Auth)

DOCUMENTATION CHECKLIST

Date: _____

Documentation listed below references collateral of: Borrower
*Guarantor Personal _____ (Name)
Corporate _____ (Name)

Form of organization (e.g., partnership, corporation) _____

County of principal place of business _____

County of residence (if different) _____

Location of Collateral: Collateral Type _____ Location (County and State) _____

DOCUMENTATION INCLUDES:

- Corporate Resolution
Guaranty Resolution
Partnership Agreement
Statement Respecting Collateral
Waiver Form (Commercial Loans)
Other

Note Form Used:

- Were Proceeds Disbursed To:
A. Party(s) Other Than Borrower
B. If Multiple Borrowers - Fewer Than All Borrowers
Borrower's Authorization Form

- Was Purchase Money Security Interest Taken?
Were Court Records Checked?
If Guaranty, Was Long (Separate) Form Used?
Is Collateral On Previous Debt PATL To Cover This Debt? If so, date of previous loan report:

*List Collateral of Guarantor on Separate Attached Form

38040624753

- EQUIPMENT
S/A - General
S/A consumer goods & equipment
S/A inventory & equipment
Financing Statement - recorded
Fixtures checked
Proceeds checked
Insurance

If in leased premises:
Landlord's agreement & waiver
If in mortgaged premises:
Mortgagee agreement & waiver

- ACCOUNTS RECEIVABLE
Aging
S/A - General
S/A - Specific Accounts
S/A inventory & accounts
A/R Financing Contract
Assignment Form (Sp. Accounts)
Financing Statement
Proceeds checked
A/R Insurance
Other (specific):

- INVENTORY
S/A - General
S/A inventory & equipment
S/A inventory & accounts
Financing Statement - recorded
Products & proceeds checked
Insurance
PMSI Notification
Other:

- ASSIGNED NOTES
Possession of Note
D/S/D - Recorded Assignment
Assignment of S/A
Notification
Financing Statement - recorded
Proceeds checked

- CD's, SAVINGS ACCOUNTS, ETC.
Assignment of Bank Account
Savings Document
Collateral Receipt
Savings Status Change Order
S/A Hypothecation

- LEASEHOLD IMPROVEMENTS
S/A
Financing Statement - recorded
Fixtures checked
Landlord's Waiver
Mortgagee's Waiver
Insurance

- LEASE
Copy of recorded lease
S/A - Assignment of lease

- LIFE INSURANCE
Life Ins. Assign. Questionnaire
Life Ins. Assign. Form
Life Ins. Policy - possession

- ROLLING STOCK
MV-1 MV-2 MV-3
T-3

- AIRCRAFT
S/A
Bill of Sale (FAA form 8050-2)
Application of Registration
Release of Lien (FAA form 8050-4)
Title Search
Insurance Binder

- RENTAL INCOME
Lease Agreement
S/A - Assignment of rentals - recorded
Acknowledgment of Lessee
Acknowledgment of Agent

- REAL ESTATE
D/S/D
1st 2nd 3rd
Other
Appraisal

By Whom
Title Opinion
Title Insurance
Survey & Site Plan
Insurance
Right to Rescind
Estoppel Letter
(notice to senior lien holders)

- NEGOTIABLE SECURITIES
Registered Owner:
S/A Hypothecation
Dated:
Reg U-1 Form
Assignment of Invest. Sec.
Securities in Possession
Loan to Value

- MISCELLANEOUS
Consumer Goods
Contract Rights
Farm Products
Operating Rights
Insurance Commissions
Small Boats
Other:

- Collateral Note
Financing Statement - recorded
Proceeds checked
S/A (Type)
Insurance Binder
Other

COMMENTS:

Other Documentation Checklist(s) Attached
Checklist Completed By: _____

TODAY'S DATE 7/13/84	CITY Atlanta	DIVISION/BRANCH Government Banking	DATE OF LOAN / COMMIT 4/11/84	<input type="checkbox"/> No. 1
NAME Georgia Democratic Party			OFFICERS / TITLES Bert Lance, Chairman	
ADDRESS Peachtree Street			<input type="checkbox"/> No. 2	
Atlanta, Georgia			<input checked="" type="checkbox"/> No. 3	
TYPE OF BUSINESS Political Party			<input type="checkbox"/> O	
			<input type="checkbox"/> SS	
			<input type="checkbox"/> D	

THIS REPORT COVERS <input checked="" type="checkbox"/> LOAN RENEWAL <input type="checkbox"/> LINE OR COMMITMENT RENEWAL <input type="checkbox"/> NEW LOAN <input type="checkbox"/> NEW LINE OR COMMITMENT <input type="checkbox"/> OTHER—INDICATE	AMOUNT \$ 163,476.61	RENEWAL AMOUNT REFLECTS <input type="checkbox"/> INCREASE <input type="checkbox"/> DECREASE \$ -0-		LOAN NO.
	MATURITY 9/28/84	ORIGINAL LOAN DATE 11/5/83	ORIGINAL LOAN AMOUNT \$ 250,000.00	TIMES RENEWED 2
	RATE/OPTIONS Prime plus 1/2			
	PURPOSE Renewal of loans originally for 1982 campaign funds			

CO-GUARANTOR Joe Frank Harris and Norman Fletcher	AMOUNT GUARANTEED \$ 5,000.00 \$ 5,000.00	NET INCOME \$	NET WORTH \$	FIN. STATEMENT DATE
CO-GUARANTOR Tom K. Perdue and Joel H. Cowan	AMOUNT GUARANTEED \$ 5,000.00 \$ 5,000.00	NET INCOME \$	NET WORTH \$	FIN. STATEMENT DATE

WRITTEN LOAN AGREEMENT NO YES

REPAYMENT AGREEMENT / TERMS
To be renewed each 90 days for 1 year - 7/85

PRIMARY SOURCE OF REPAYMENT Special fund raisings thru Governors Office	SECONDARY SOURCE OF REPAYMENT Governors request of contributions from local party leaders
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FIN STATEMENT DATE	<input type="checkbox"/> PRO FORMA <input type="checkbox"/> FISCAL <input type="checkbox"/> INTERIM	NO OF MONTHS	BORROWER'S NET INCOME \$	BORROWER'S NET WORTH \$
PREPARED BY	<input type="checkbox"/> SELF <input type="checkbox"/> SERVICE CO <input type="checkbox"/> CPA <input type="checkbox"/> COMPILED <input type="checkbox"/> REVIEWED <input type="checkbox"/> AUDITED <input type="checkbox"/> QUALIFIED <input type="checkbox"/> UNQUALIFIED			
BORROWER'S TOTAL LOANS & UNFUNDED COMMITMENTS \$ 188,476.61	RELATED BORROWER'S NAME	TOTAL RELATED DEBT \$		

LENDING POLICY EXCEPTIONS

MATRIX RANGE	APPROVALS	APPROVED UNDER 10% INCREMENTAL AUTHORITY <input type="checkbox"/> YES	
BASIC MATRIX PRICE			
ADJUSTED MATRIX PRICE			
DISTRIBUTION Bertha Sessions, Foster, Cochran, Andrews, Crofts, DF, CF		Edward P. Vollertsen	4,000,000
		RELATIONSHIP MANAGER	INITIALS LENDING AUTHORITY

LOAN REPORT

TODAY'S DATE 7/13/84	CITY Atlanta	DIVISION BRANCH Government Banking	DATE OF LOAN / COMMIT 4/11/84	<input type="checkbox"/> No. 1
NAME Georgia Democratic Party			OFFICERS / TITLES Bert Lance, Chairman	
ADDRESS Peachtree Street			<input type="checkbox"/> No. 2	
Atlanta, Georgia			<input checked="" type="checkbox"/> No. 3	
TYPE OF BUSINESS Political Party			<input type="checkbox"/> O	
			<input type="checkbox"/> SS	
			<input type="checkbox"/> D	

THIS REPORT COVERS	AMOUNT \$ 25,000.00	RENEWAL AMOUNT REFLECTS <input type="checkbox"/> INCREASE <input type="checkbox"/> DECREASE		\$ -0-	LOAN NO
<input checked="" type="checkbox"/> LOAN RENEWAL	MATURITY 9/28/84	ORIGINAL LOAN DATE 12/20/83	ORIGINAL LOAN AMOUNT \$ 25,000.00	TIMES RENEWED 1	
<input type="checkbox"/> LINE OR COMMITMENT RENEWAL	RATE/OPTIONS Prime plus 1/2				
<input type="checkbox"/> NEW LOAN	PURPOSE Working Capital				
<input type="checkbox"/> NEW LINE OR COMMITMENT					
<input type="checkbox"/> OTHER—INDICATE					

GUARANTOR	AMOUNT GUARANTEED	NET INCOME	NET WORTH	FIN. STATEMENT DATE
Joe Frank Harris and Norman Fletcher	\$ 5,000.00	\$	\$	
Tom K. Perdue and Joel H. Cowan	\$ 5,000.00	\$	\$	

WRITTEN LOAN AGREEMENT NO YES REPAYMENT AGREEMENT / TERMS
To be renewed each 90 days for 1 year - 7/85

PRIMARY SOURCE OF REPAYMENT: Special fund raisings thru Governors Office
SECONDARY SOURCE OF REPAYMENT: Governors request of contributions from local party leaders

COLLATERAL DESCRIPTION / DATE / VALUE / BASIS OF VALUATION

FIN. STATEMENT DATE: PRO FORMA FISCAL INTERIM NO. OF MONTHS: BORROWER'S NET INCOME: \$ BORROWER'S NET WORTH: \$

PREPARED BY: SELF SERVICE CO CPA COMPILED REVIEWED AUDITED QUALIFIED UNQUALIFIED

BORROWER'S TOTAL LOANS & UNFUNDED COMMITMENTS: \$ 188,476.61 RELATED BORROWER'S NAME: TOTAL RELATED DEBT: \$

RELATED DEBT SUMMARY / CP & BOND RATINGS / REASON FOR QUALIFIED STATEMENTS / OTHER INFORMATION

LENDING POLICY EXCEPTIONS

MATRIX RANGE	APPROVALS	APPROVED UNDER 10% INCREMENTAL AUTHORITY <input type="checkbox"/> YES
BASIC MATRIX PRICE		
ADJUSTED MATRIX PRICE		
DISTRIBUTION: Berthy, Sessions, Foster, Cothran, Andrews, Crotts, DF, CF	Edward P. Vollertsen	4,000,000
	RELATIONSHIP MANAGER	LENDING AUTHORITY

LOAN REPORT

TODAY'S DATE 10/1/84	CITY Atlanta	VISION/BRANCH Government Banking Division	DATE OF LOAN / COMMIT 9/28/84	<input type="checkbox"/> No 1
NAME GEORGIA DEMOCRATIC PARTY			OFFICERS / TITLES Bert Lance, Chairman	<input type="checkbox"/> No 2
ADDRESS Poachtree Street			Joel Cowan, Chairman-State Finance Council	<input checked="" type="checkbox"/> No 3
Atlanta, Georgia				<input type="checkbox"/> O
TYPE OF BUSINESS Political Party			LAST CREDIT REVIEW DATE 7/2/84	<input type="checkbox"/> SS
				<input type="checkbox"/> D

THIS REPORT COVERS	AMOUNT \$ 188,476.61	RENEWAL AMOUNT REFLECTS <input type="checkbox"/> INCREASE <input type="checkbox"/> DECREASE \$		LOAN NO.
<input type="checkbox"/> LOAN RENEWAL	MATURITY 3/28/85	ORIGINAL LOAN DATE 11/5/83	ORIGINAL LOAN AMOUNT \$ 250,000.00	TIMES RENEWED 3
<input type="checkbox"/> LINE OR COMMITMENT RENEWAL	RATE/OPTIONS Prime plus 1/2%			
<input type="checkbox"/> NEW LOAN	PURPOSE Combination of two loans for 1982 campaign funds totalling \$163,476.61 and \$25,000.00			
<input type="checkbox"/> NEW LINE OR COMMITMENT				

<input checked="" type="checkbox"/> OTHER—INDICATE				
GUARANTOR	AMOUNT GUARANTEED	NET INCOME	NET WORTH	FIN STATEMENT DATE
Joe Frank Harris Norman Fletcher	\$ 5,000	\$	\$	
GUARANTOR	AMOUNT GUARANTEED	NET INCOME	NET WORTH	FIN STATEMENT DATE
Tom K. Perdue Joel H. Cowan	\$ 5,000	\$	\$	

WRITTEN LOAN AGREEMENT	REPAYMENT AGREEMENT / TERMS
<input type="checkbox"/> NO <input type="checkbox"/> YES	To be renewed each six months for one year

PRIMARY SOURCE OF REPAYMENT Special fund raising programs through the Governor's Office	SECONDARY SOURCE OF REPAYMENT Governor's request for contributions from loan party leaders
--	---

FIN STATEMENT DATE 9/30/83	<input type="checkbox"/> PRO FORMA <input type="checkbox"/> FISCAL <input type="checkbox"/> INTERIM	NO OF MONTHS	BORROWER'S NET INCOME \$	BORROWER'S NET WORTH \$
PREPARED BY SELF	<input type="checkbox"/> SERVICE CO <input type="checkbox"/> CPA <input type="checkbox"/> COMPILED <input type="checkbox"/> REVIEWED <input type="checkbox"/> AUDITED <input type="checkbox"/> QUALIFIED <input type="checkbox"/> UNQUALIFIED			
BORROWER'S TOTAL LOANS & UNFUNDED COMMITMENTS \$	RELATED BORROWER'S NAME	TOTAL RELATED DEBT \$		

RELATED DEBT SUMMARY / CP & BOND RATINGS / REASON FOR QUALIFIED STATEMENTS / OTHER INFORMATION

LENDING POLICY EXCEPTIONS

MATR & RANGE	APPROVED UNDER 10% INCREMENTAL AUTHORITY <input type="checkbox"/> YES
RAT & MATR & PRICE	
ADJUSTED MATR & PRICE	
APPROVALS Isop, Burt, Coley, Sessions, Foster, Cochran, Andrews, Crofts, cf, cf	Tom Coley
	P. Robert Lamb, Jr. 250,000
	RELATIONSHIP MANAGER INITIALS LENDING AUTHORITY

LOAN REPORT

**DEMOCRATIC
PARTY
OF
GEORGIA**

901 SOUTH TOWER
OMNI
INTERNATIONAL
ATLANTA,
GEORGIA 30303
(404) 688-1984

TO: John Stephens
The First National Bank of Atlanta

Brian Foster
The Citizens and Southern National Bank

FROM: Wayne Reece, General Counsel
Democratic Party of Georgia

DATE: October 24, 1984

RE: Debt Repayment

Per our meeting of October 22, 1984, I am outlining the Democratic Party's plan to repay the debt to The Citizens and Southern National Bank and The First National Bank of Atlanta.

On October 25, 1984, we will make principal payments aggregating \$56,000. These funds will be paid as follows:

The First National Bank of Atlanta -- \$14,393.17
The Citizens and Southern National Bank -- \$42,606.83

There are basically four sources from which the Party anticipates receiving revenue between now and April, 1985. These sources are:

1. Governor's Club: A stepped up campaign has been initiated to renew memberships in the Governor's Club. There are basically two types of memberships - a \$500 "Gold" membership and a \$250 "Silver" membership. We anticipate raising \$50,000 from this campaign over the course of the next six months.

2. December Reception: A reception hosted by the top Democratic officeholders is planned for early December. The hosts will include the Governor, Lt. Governor, Speaker, Senator Nunn, and the nine Democratic Congressmen. Tickets will be \$100 per person. We anticipate raising \$125,000 through this effort.

3. Jefferson-Jackson Day Dinner: The annual Jefferson-Jackson Day Dinner will be held in March, 1985. We anticipate netting an additional \$100,000 from this function in 1985.

4. Contributions from County Committees: On September 22, 1984, the Governor met with Democratic County Chairmen from throughout Georgia at a specially convened meeting in Macon. The

John Stephens
Brian Foster
October 24, 1984
Page Two

County Chairmen pledged to join with the Party in retiring this debt. To date, \$12,000 has been collected for this purpose and an additional \$25,000 is expected.

The four sources of revenue should generate approximately \$300,000 over the course of the next four months. We are committed to minimizing the operating expenses of the Party in order that as much of these funds as possible can be used to retire the debt.

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LENDING POLICY

JANUARY 1, 1980

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TABLE OF CONTENTS

Preamble. Page 1

I. Lending Authorities. Page 5

II. Credit Committee Review System.Page 8

III. Rating Loans/Credit Examination. Page 14

IV. Specialized Credits - Assignment.Page 17

V. Specialized Lending Division
Loan Practices & Procedures. Page 20

VI. General Loan Practices

Preamble.Page 22

A. Practices which may not be waived. Page 22

B. Practices for loans of any amount
which may only be waived by the
Division Head or Division Senior
Credit Officer. Page 25

C. Practices for loans exceeding \$25,000
which may only be waived by the Division
Head or Division Senior Credit Officer. . . Page 27

D. Collateral & Documentation which may only
be waived by the Division Head or Division
Senior Credit Officer.Page 29

VII. Glossary.Page 30

VIII. Exhibits.Page 32

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LENDING POLICY

PREAMBLE

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The Board of Directors delegates responsibility for all lending activities of the Bank to the Credit Policy Committee and through them to all officers of the Bank. (See Exhibit A) The loan policy will, therefore, be presented at least annually to the Board of Directors; they will satisfy themselves that Bank lending policies and procedures insure the overall soundness of the Bank's loan portfolio. The Chairman of the Credit Policy Committee is the final authority on all matters related to the loan portfolio. This policy governs our handling of the Loan Portfolio. In addition, all policies related to loans, including but not limited to the Charge off, Non Accrual, Reduced Accrual, and Rated Asset Policies are included by reference. Consumer lending procedures are in the Consumer Credit Operating Guide.

The policy by itself will not insure a quality portfolio; proper implementation and adherence to established policies and procedures are required. Each Division Level Manager will be responsible for reviewing this policy in detail, at least annually, with all lending officers in his area. He is accountable for compliance in his Division. All violations of this policy are considered serious and appropriate action will be taken. Those deemed most serious by the Credit Examination Department will be reported to the Audit and Examination Committee and the Credit Committee of the Board of Directors.

We recognize that a loan policy cannot cover all potential lending situations. Proper training and supervision of our lenders is also essential to a quality portfolio. We will take steps to insure that each lender is familiar with the Bank's objectives and policies, principles of sound credit judgement, proper documentation procedures, and current legal, regulatory and accounting developments. Each account officer must insure that his/her relationships with the Bank's customers comply with the letter and spirit of the C&S Code of Conduct.

The loan portfolio is our largest asset, and the interest income it generates is our most important source of earnings. Because C&S is located in the growing Southeastern region where the demand for loans is great, we expect continued loan growth. Our Bank has always been proud of its progressive lending and we will continue to be aggressive in our business development efforts. However, we are interested in quality business only. Quality business implies:

1. Excellent character
2. Proven track record or capacity
3. Adequate capitalization
4. Adequate financial records

There is a normal business risk inherent in the lending function. To insure the quality of our portfolio, we should accept only that risk which can be adequately measured. Our policy is to control our risks and to achieve the most efficient allocation of our financial resources. We will lend money to customers in our defined market area. These customers should provide us with deposits, and they should also use other Bank services. Our primary market area includes Georgia, Southeastern states, and selected national and international markets with present or potential economic or financial ties to our region. We want to develop relation-

snips, not just loan transactions. Additionally we must provide top quality service to all our customers.

We must comply with the letter and the spirit of all applicable laws, Federal, State, and International, and rules and regulations of applicable regulatory agencies. We will not discriminate with respect to the borrower's race, creed, color, religion, national origin, age, sex or marital status.

To control our loan portfolio, we will establish lending authorities for each account officer based on his overall experience, training, knowledge and demonstrated performance. The amount of individual lending authorities is a Division Level responsibility. Division Managers are responsible for assigning and reviewing at least annually the individual lending authorities in their areas. Individual lending authorities must be adequate to carry on normal lending activities. However, much can be gained from having higher levels of management involved in the approval of as many loan requests as is practical prior to actually committing the funds. Even if a request is within his lending authority, the loan officer is encouraged to seek guidance and assistance.

We recognize that we will not always make loans that perform adequately and will, therefore, maintain a Loss Reserve sufficient to absorb all losses that can reasonably be expected. In addition, we will strive to keep our classified assets (Substandard or less) below 40% of capital. We are also concerned about our criticized assets (Classified - OREM). OREM rated assets may easily move into a classified category. Every effort must be made to eliminate the grounds for criticism, and we will require written plans of action that outline the steps to be taken. This objective must be accomplished within 12 months.

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We will not make any new advances to criticized borrowers unless it is in the best financial interest of the Bank, and we will always state why it is in our best financial interest.

We will maintain a Credit Examination Department that is independent of the lending function of the Bank, and it will be responsible for testing the overall quality of the Bank's loan portfolio.

To further insure a quality portfolio that is controlled, we have identified what we consider to be specialized lending activities. Only lending personnel assigned in these areas, or personnel in other areas of the Bank who have been specifically named, will handle loan transactions in these categories. All lending divisions are encouraged to outline in writing practices and procedures peculiar to their area. However, the Credit Policy Committee will designate specialized lending areas that must develop their own written practices and procedures within the parameters of this general lending policy.

Control of the portfolio includes more than controlling the individual transactions. Equally important from a management standpoint are the policies which will:

- a. Limit portfolio risk through a proper mix of loans by type, industry, location and maturity.
- b. Provide adequate liquidity in the loan portfolio.
- c. Provide sufficient interest sensitivity to allow the proper balance between interest income and the interest expense on funds employed.

These "portfolio" factors will be a part of the Bank's five year asset plan that is revised annually by the Asset-Liability Committee.

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I. Lending Authorities (See Exhibits A & M)

- A. The Credit Committee of the Board of Directors must pre-approve all new loans, renewals, or relationships above \$15,000,000.
1. The Credit Committee of the Board will consider a loan for approval after the following steps have been taken:
 - a. The loan request has been approved by the account officer up through and including the Credit Policy Committee.
 - b. The account officer has prepared a one page summary memo explaining the relationship, the loan request, and the recommended structuring.
 - c. The financial information on the borrowers has been condensed on Form #15-3425-0 (12/79) (See Exhibit B).
 2. The Credit Committee of the Board
 - a. Meetings held the 3rd Tuesday of each month
 - b. Will meet for emergencies when needed.
- B. The Credit Policy Committee must pre-approve all new loans or relationships of \$5,000,000 and above and all renewals or relationships of \$10,000,000 and above.
1. The Credit Policy Committee will consider a loan for approval only after the following steps have been taken:
 - a. The Loan Request has been approved in writing by the account officer, Division Head, and the Group Head.
 - b. The account officer has prepared a one page summary memo explaining the relationship, the loan request, and the recommended structuring.

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c. The financial information on the borrowers has been condensed on Form #15-3425-0 (12/79) (See Exhibit B).

2. The Credit Policy Committee

- a. Requires three of the six members to constitute a Quorum
- b. Meets the second and fourth Monday of the month
- c. Will meet for emergencies when needed

3. For other loans or commitments that require Credit Policy Committee pre-approval, see Exhibit C./

C. The Credit Policy Committee will approve the lending authorities for Group Heads. The Group Head's lending authority must be sufficient to approve all transactions below the Credit Policy Committee approval level.

D. The Group Head will approve the lending authorities for Divisions, Division Heads, and Division Senior Credit Officers no later than February 28th of each year. The Credit Policy Committee must review and concur with these authorities by April 30th of each year. A copy of these authorities will be maintained in Credit Administration. The maximum Division Lending Authorities will be based on:

1. Legal Lending Limit for Unit Banks
2. The amount of Lending Authority necessary to carry on the normal lending activity of a Division
3. The Lending Authority Ceiling for any Division can be no higher than the individual Lending Authority of the Division Head.

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- E. Division Heads will assign individual lending authorities in their area. Higher authorities may be assigned for loans fully secured by cash, U.S. Government Bonds, CVLI, or properly margined, readily marketable securities listed on a National Exchange. The Group Head must review and concur with these authorities by February 28th of each year. A copy of these authorities will be maintained in Credit Administration.
- F. All lending authorities will be evidenced in the format shown in Exhibit D
- G. Scope of Lending Authorities.
1. Lending Authorities include aggregate net outstandings of a total system relationship including borrowers which are related by ownership, control or guaranties. It is the account officer's responsibility to insure that the total relationship is being reported. When the aggregate net outstanding exceeds a lending authority, any incremental advance requires approval of the next higher level of authority prior to the commitment or the disbursement of the funds. This approval must be accomplished in writing by the appropriate person signing the completed loan report or the discount sheet in the case of consumer loans.
 2. Approval of a line will cover all transactions under that line so long as they are within the prescribed terms, and approval should also cover any renewals or changes that are a part of the original agreement. However, renewals beyond the terms originally agreed upon and other material changes in the transaction will require the appropriate additional approval.
 3. It is important to affirm that in every case the lending officer must make a decision and recommendation. All levels of authority that

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approve the loan request are equally responsible for that loan decision. Approval from a higher level of authority or the review by any credit committee does not in any way relieve the lending officer of the responsibility for his decision or the administration of the credit.

4. There will be instances, in the judgement of the account officer and his supervisor, where it is impractical to obtain written approval before funds are disbursed. In these cases, verbal approval is still required prior to disbursement of funds. Written approval should then be obtained as soon as possible.
5. Overdrafts are considered loans and are strongly discouraged. The account officer must determine whether his lending authority is sufficient before approving any net overdraft in excess of \$1,000. Higher levels of authority must approve overdrafts in the same manner that they approve loans. Loan reports are not required unless the net overdraft exceeds \$10,000 and is outstanding more than 24 hours.

II. CREDIT COMMITTEE - REVIEW SYSTEM

A. General Guidelines

1. All new loans, renewals or relationships requiring approval from the Credit Committee of the Board should be reviewed by the Credit Policy Committee prior to requesting the Board's approval.
2. The pre-approval given by the Credit Policy Committee on new loans and relationships \$5,000,000 and above and renewals or relationships \$10,000,000 and above constitutes the review of that relationship for that year.
3. New loans and relationships pre-approved in the above manner will be reviewed in subsequent years by the appropriate Committee.

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4. Below the level of pre-approval by the Credit Policy Committee, each credit relationship above \$50,000 must be reviewed at least annually at the Senior Review Committee or Division Credit Committee. In Divisions where the majority of lending relationships are below \$50,000, the Division Head is to establish a lower amount for review. Amortizing real estate loans up to \$100,000 may be exempted by the Division Head after the first review provided that they are fully secured and amortizing as agreed.
5. It is the responsibility of the Division Head to insure that all new loans and commitments are reviewed within a maximum of 60 days from the date of commitment.
6. Any significant changes, such as in collateral or terms, must be reported promptly to the Division Credit Committee by means of a loan report with copies to Central Files and Credit Examination.

3. Senior Review

1. The purpose of Senior Review is to allow Senior Management to review and assess in depth account officer's lending decisions and the composition and quality of the loan portfolio. In addition, it is a forum for communication and learning between members of Senior Management. The prerequisites for review by the committee will be flexible.

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2. Criteria for Review

- a. The following items are eligible for review. The Division Head is responsible for insuring that they are reviewed or waived as described in c below.
 - 1) All new loans, lines and commitments of \$1 Million or more.
 - 2) Renewals or reconfirmations of \$3 Million or more.
 - 3) Charge-offs over \$25,000
- b. Credit Administration is responsible for recommending review of the following:
 - 1) All relationships rated #3 or lower in excess of \$250,000.
 - 2) Industry studies, including a ranking by quality of the major companies we bank.
 - 3) A review of Division Lending Portfolios.
 - 4) Items brought to the attention of Credit Administration by the Credit Examination Department.
- c. Any item in the above criteria (with the exception of charge offs over \$25,000) may be exempted from Senior Review by Credit Administration and the Group Head. If a credit is exempted, it must still be reviewed in the Division Credit Committee.
- d. Scheduling Priorities
 - 1) Any new loan or commitment over \$1,000,000 must be reviewed within 60 days of the loan or commitment

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- 2) Any newly criticized borrowers in excess of \$250,000
- 3) Renewals of relationships in excess of \$3,000,000
- 4) All other items listed

3. The Senior Credit Committee

- a. Composition - All Group Heads and Division Heads will serve on this committee and are invited to attend meetings at any time. The Chairman of the Credit Policy Committee will be a permanent member.

The actual composition of the Committee will be as follows

- 1) Chairman of the Credit Policy Committee
- 2) One other Group Head, to rotate monthly
- 3) Three Division Heads, to rotate monthly
- 4) The affected Division Head
- 5) Other members as designated by the Chairman of the Credit Policy Committee.

- b. Attendance by the Committee members is mandatory. If they are unable to attend for any reason, they must designate a replacement. Five out of six members constitutes a quorum.

- c. Only Group Heads and Division Heads are invited to attend.

- d. Meetings bi-weekly

C. Division Level Credit Committee

1. Purpose of Committee

- a. Review decision and plan of the lending officer.
- b. Obtain the input of information and recommendations from committee members.

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- c. Provide both line management and Credit Administration with a means for evaluating the loan portfolio.
- d. Provide a vehicle for communication, clarification, and implementation of loan policy.
- e. Insure uniformly high standards of discipline in the credit process.

2. Staffing of Committee

- a. The Division Head
- b. Division Senior Credit Officer
- c. Account Officer
- d. Other Members as designated by the Division Head./

3. Scope of Review

- a. The committee will review indebtedness, not just financial statements. Thus, outdated statements are not a valid reason for postponing review. It is the account officer's responsibility to obtain the necessary financial statements.
- b. Information to be reviewed:
 - 1) Cover Sheet (15-3420-0,12/79) Exhibit P
 - 2) Strengths & Weaknesses Memo (15-3415-0,12/79) Exhibit P, prepared by account officer (including the game-plan for the relationship); outline future financing needs and establish guidelines.
 - 3) Debt Sheet
 - 4) Current Financial Statements (not more than 6 months old)
 - 5) Pricing
- c. Loans past due over 15 days must be reviewed at least monthly.

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- d. Net overdrafts on the books over 15 days and in excess of \$1,000 must be reviewed at least monthly.
 - e. The Division Head or Division Senior Credit Officer may schedule a review at any time.
 - f. The lending policy must be reviewed at least annually.
 - g. Practices and procedures in Specialized Lending Areas must be reviewed annually.
4. The Division Head and his designate are responsible for the following:
- a. Review of all credit relationships within the time frame and guidelines set forth in this policy.
 - b. Establishing the agenda at least one week prior to the meeting.
 - c. Follow-up to insure that corrective action requirements are accomplished or are being accomplished. Progress must be reported to the Committee within 60 days.
 - d. Recording and distributing the minutes of each meeting. He must insure that they are correct and that they enclose a summary of any recommendations made by the Committee. Copies must go to the Credit File, to Credit Examination and Credit Administration.
5. Content of the Minutes
- a. Primary Borrower's name
 - b. Division and Account Officer's name
 - c. Rating
 - d. Borrowing Relationship
 - e. What was reviewed (Date of Financial Statements)
 - f. Committee recommendations/Corrective action requirements

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III. RATING LOANS/CREDIT EXAMINATION

A. Rating Loans

1. Purpose

- a. Identify problem or potential problem borrowers and bring these borrowers' loans to the attention of management.
- b. It is the account officer's responsibility to properly rate all of his portfolio. All lending relationships will carry a rating of 1,2,3, OAEM, Substandard, Doubtful, or Loss. It is possible for a relationship to have more than one rating. For the definitions corresponding to the above ratings, see the Rated Asset Policy.
- c. A relationship or any portion of a relationship rated OAEM, Substandard, Doubtful, or Loss is considered a criticized asset. All criticized assets must be reviewed at least twice a year in the Division Credit Committee. One of two rated loan reviews must cover the information outlined in Section II., C, 3 b, above. These reviews should take place within 60 days of the completion of the Rated Loan Memorandums due each November 30th and May 31st.
 - 1) The Criticized Asset Review should focus on the Bank's position as to the ultimate collectibility of the loan. A determination should be made of the estimated liquidation value of collateral. (See the Charge-Off Policy for guidance in determining liquidation value.)

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- 2) Division Heads and Credit Administration will give special emphasis to the account officer's timetable contained in the Action Plan section of the report. This timetable should give a clear indication as to the anticipated length of time it will take to either have the relationship upgraded to a non criticized category or removed from the Bank.
 - 3) In addition to the Rated Asset Memorandum, account officers will report each 60 days on all criticized book assets \$250,000 or more. This report will show the progress the account officer is making towards completing his Action Plan for the next year. The Action Plan on the November 30th Rated Asset Memorandum is the starting point each year.
- d. All credit accommodations extended to criticized borrowers will require that the account officer state on the Loan Report or a separate memorandum why the new advance is in the best financial interest of the Bank. With these requirements in mind, it is the responsibility of the Credit Policy Committee to establish guidelines for approval of advances to criticized borrowers. Presently these guidelines are:
- 1) An account officer may approve new advances up to \$10,000 provided it

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is within his lending authority

- 2) The Division Head must pre-approve new advances or line renewals between \$10,000 and \$100,000.
- 3) The Credit Committee of the Board of Directors must pre-approve new advances or line renewals in excess of \$100,000.
- 4) For Affiliate Banks and Non-Bank Subs, the Head of Holding Company Administration must pre-approve new advances or line renewals in excess of \$100,000.
- 5) For Edge Act Banks, the President of C&S National Bank must pre-approve new advances or line renewals in excess of \$100,000.

B. Credit Examination Department

1. Purpose

- a. Test the overall quality of the Bank's loan portfolio and the reliability of the Rated Asset System.
- b. Detect problem or potential problem borrowers not previously recognized within the committee review system.
- c. Check compliance with the lending policy and applicable law and regulation.
- d. Assess adequacy of staffing in the lending units and plans to correct staffing deficiencies. /

2. Scope

- a. Examine loan relationships where the total liability exceeds an amount established for each unit - to be accomplished every 12-15 months or as deemed necessary.

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- b. Detect documentation deficiencies in recognized problem loans and a sampling of all other loans.
- c. Evaluate and, where appropriate, change asset quality ratings or potential loss amounts.
- d. Require written response to Exam outlining corrective action plans within 30 days.
- e. Follow-up exams where significant deficiencies were noted during the regular Exam.
- f. Give special attention to criticized assets to insure that plans for corrective action are reasonable and are followed on a timely basis.
- g. Conduct limited ongoing review of all new loans, renewals and reworks.

IV. SPECIALIZED CREDITS - ASSIGNMENT

A. Real Estate

- 1. The Credit Policy Committee will approve and disseminate policy and procedure for the making and housing of permanent loans.
- 2. Real estate loans, as defined below, will be made in the Mortgage Area or by specifically designated officers in other areas of the Bank.
 - a. All land acquisition loans where the purpose of the loan is for future development of the land by the borrower.
 - b. All land development loans.
 - c. All construction loans.

B. Receivable Lending

- 1. Where the loan is based primarily on receivables taken as collateral, and the primary source of repayment is the collection or liquidation of those receivables and control of the

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receivables is important to maintaining this collateral, then the loans must be housed in the Commercial Finance Division of the Factoring Department except as allowed in #2 below.

2. Exceptions may be made to allow accounts receivable loans in units outside of Atlanta only, and only with the approval of the Group Head or his designate. In these cases, the lending procedures and the borrower's records must be audited by the Commercial Finance Division on at least a semi-annual basis at the expense of the local branch.
3. If an account officer elects to make a loan taking a blanket lien on accounts receivables and where complete control is not maintained, then the loan must be recognized as one that is not fully protected by the assignment of accounts receivables. It should be recognized that the ultimate collectibility of receivables where control is not maintained is minimal. The Credit Examination Department will make recommendations and special comment in Credit Exams concerning reliance on blanket liens on account receivables.

C. Sales Finance

All relationships that involve buying of contracts from a dealer and/or floorplanning or financing in lieu of floorplanning must be handled in a centralized point in each city. Retail Sales Finance is the responsibility of the Senior Retail Sales Finance Officer. Commercial Sales Finance is the responsibility of an individual designated by the Division Head. This responsibility includes all financing that is based on the guaranty of the selling broker or dealer.

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D. Standby or Guaranty Letters of Credit

1. We should discourage C&S using standby or guaranty letters of credit because the funding of these instruments is precipitated by a lack of performance.
2. All standby or guaranty letters of credit must be issued and booked in the International Departments in Atlanta, Savannah, or the Edge Act Offices in Miami or New Orleans. The originating department will retain responsibility for the credit decision and any necessary surveillance. All letters of credit should be secured by cash, U.S. Government Bonds, CWLI, or properly margined, readily marketable securities listed on a National Exchange.
3. All standby or guaranty letters of credit with maturities in excess of 12 months must be secured.
4. The Division Head must pre-approve guaranty or standby letters of credit not fully secured by cash, U.S. Governments Bonds, CWLI, or properly margined, readily marketable securities listed on a National Exchange.
5. Guaranty or standby letters of credit in excess of \$50,000 not fully secured by cash, U.S. Government Bonds, CWLI, or properly margined, readily marketable securities listed on a National Exchange must be pre-approved by the Group Head.
6. These restrictions do not apply to transactions that fall within the normal lending activities of the International Department.

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2. Industries

Specialized knowledge of certain industries should be developed and maintained. Generally, these will be concentrated in specialized departments or assigned to lending personnel designated in writing by the Division Head. Exceptions may be made for loans fully secured by cash, U.S. Government Bonds, CVLI, or properly margined, readily marketable securities listed on a National Exchange. The following industries are presently considered Specialized:

1. Leasing companies (exception is a leasing company which is a subsidiary of a national company engaged principally in a business other than leasing).
2. Major utilities
3. Savings and Loan Associations
4. Building Contractors and Subcontractors (i.e., plumbing, heating, etc.), where debt to C&S exceeds \$25,000.
5. Motor Carriers and Truck Owner-Operators
6. Motels and Hotels
7. Finance Companies
8. Waste Control and Collection Companies
9. Government Guaranteed and Subsidized Loans
10. Commodities Financing
11. Loans to C&S Directors or Insiders.
12. Hospitals

V. SPECIALIZED LENDING DIVISIONS-LOAN PRACTICES & PROCEDURES

1. The following Divisions are considered specialized. Each is required to write its own Lending Practices and Procedures under the umbrella of this Policy, to be approved by the Credit Policy Committee.

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- A. Factoring
 - B. Commercial Finance
 - C. Equipment Leasing
 - D. Commercial Sales Finance
 - E. Commercial Real Estate
 - F. Residential Real Estate
 - G. International
 - H. Retail Sales Finance
 - I. Consumer Lending (The Consumer Credit Operating Guide is the operating policy.)
2. The Credit Policy Committee's approval of a Specialized Lending Area's Practices and Procedures will constitute the written waiver necessary to exempt that Division from certain requirements of this policy. For example, the Real Estate Division will not be required to have outside MAI appraisals on loans over \$100,000 if the alternative contained in their Practices and Procedures is approved by the Credit Policy Committee.
 3. The written Practices & Procedures for the named units must include as a minimum the following:
 - A. Definition of Market Area.
 - B. Definition of quality for the type of lending being done which includes acceptable credit and financial criteria.
 - C. Clear explanation of the type of lending opportunities that are considered outside normal lending activities for the unit and how they will be handled. (In Factoring, for example, overadvances for other than normal seasonal inventory build-up should not be considered normal.)

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D. Clear explanation of the yield and documentation expected.

4. Affiliate Banks must modify this Lending Policy and incorporate a definition of their market areas as required by the Community Reinvestment Act.

VI. GENERAL LOAN PRACTICES

This section of the Loan Policy is divided into four parts. The first section (A) addresses practices that may not be excepted for any reason. These items form the basis of good lending procedure and are required to make credit decisions, document files and support the Bank's philosophy of lending. The second section (B) addresses practices which may be waived only with the written approval of the Division Head or the Division Senior Credit Officer, regardless of the loan amount. These items are sound lending practices, and because of their importance, higher levels of management should always be involved in their waiver. The third section (C) addresses types of loans that generally contain a higher degree of risk. The Bank has experienced significant losses in these types of loans. Therefore, written pre-approval by the Division Head or Division Senior Credit Officer is required for loans or relationships in these categories that exceed \$25,000. The fourth section (D) addresses good collateral and documentation practices which should not be waived. Unusual circumstances may allow a written waiver. Only the Division Head or the Division Senior Credit Officer are authorized to waive these requirements.

A. ALL LENDING AUTHORITIES ARE SUBJECT TO THE FOLLOWING CONDITIONS:

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1. Prior to the first extension of credit to any borrower, the account officer must perform a thorough credit investigation of the borrower, company principals, and guarantors. Normally, this investigation will include the interview, a check of CIF, the Central Credit Files, other significant creditors, and appropriate agency reports.
2. At the time of each borrowing of \$10,000 (net) or more (unless under a pre-approved line or commitment), a "Loan Report" form (#15-3043-0, Rev. 9/77) (Exhibit G) must be completed in full to include specific information as to the purpose, source and schedule of repayment, and collateral description and value. Consumer installment loans with the proper approval in file are excluded. The original copy of all completed Loan Report Forms should be sent promptly to the account officer's supervisor. After prompt review and approval, the form should be forwarded to the credit file and the Credit Examination Department, with copies to other appropriate files. Copies should not be distributed until all required approvals have been affixed. A memorandum or loan report to the Central Credit File should be written any time there is a change in such things as the source and schedule of repayment, collateral value, financial conditions, etc.
3. The account officer must document the Central Credit File with a memo covering the total relationship of the borrower at the time of the initial commitment and at least annually on all

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credits of \$50,000 or more. Loans fully secured by cash, U.S. Government Bonds, CMLI, and properly margined, readily marketable securities listed on a National Exchange may be excepted. The analysis memo prepared by Corporate Services, if approved by the account officer, may substitute for the account officer memo.

4. The account officer must reach a clear understanding with the borrower as to purpose and repayment. The repayment plan should be closely followed with modifications promptly documented.
5. Loans must not be made for speculative purposes.
6. Loans must not be made to finance nightclubs or bars.
7. When legal assistance is required, the in-house legal department must be consulted first. They will determine whether outside counsel is necessary.
8. Outside attorney(s) must be approved by the Division Head or Division Senior Credit Officer. They should not be representing the customer.
9. C&S note forms should not be altered unless approved by the in-house legal department; such changes must be initialed by the borrower and account officer.
10. Note forms other than C&S note forms must be approved by the in-house legal department.
11. The account officer is responsible for completion of the entire documentation package, using the latest revision of the C&S

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12. Guarantors not directly involved in the borrower's business must be kept informed in writing of major deteriorations in the borrower's condition.

B. LENDING PRACTICES WHICH MAY BE WAIVED ONLY WITH THE WRITTEN APPROVAL OF THE DIVISION HEAD OR DIVISION SENIOR CREDIT OFFICER, REGARDLESS OF THE LOAN AMOUNT.

1. All debt of one borrower must be maintained in one office under the direct responsibility of the same account officer; where necessary, existing loans will be moved to accomplish this objective. An exception will be term or amortizing loans which may not be moved because of accounting difficulties. Other allowable exceptions include credits which must be placed in another department for specialized handling such as accounts receivable financing, construction lending or the like. However, in every case, a single officer of account will remain responsible for the full indebtedness and will participate in all decisions.
2. The account officer is responsible for maintaining in file:
 - a. Personal financial statements that are no more than 15 months old.
 - b. Corporate fiscal financial statements that are no more than 18 months old. Follow-up for obtaining these statements must begin at the fiscal date. Interim statements, when appropriate, are strongly encouraged.

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- c. Personal Credit Report - at least every 24 months except in consumer transactions which are amortizing as agreed.
 - d. D&B - at least every 15 months when the relationship exceeds \$25,000.
3. There must be a primary and secondary source of repayment to C&S. Do not make a loan based solely on cash flow, collateral, guaranties or large deposit balances controlled by the borrower. More specifically, do not make a loan based solely on any of the following repayment sources:
- a. Speculative stock offerings, debenture offerings, collection of stockholder notes;
 - b. Grants, donations, inheritances;
 - c. Unperformed contracts, retainages;
 - d. Purchase orders;
 - e. Sale of real estate syndications;
 - f. Proposed refinancing by other parties;
 - g. Take-out commitments from an institution whose financial strength and character is not fully known;
 - h. Dealer recourse, dealer repurchase.
4. Audited Financial Statements are strongly recommended in commercial borrowings exceeding \$100,000 that are unsecured or secured by accounts receivable or inventory. Audited financial statements are required for all commercial borrowings exceeding \$250,000.

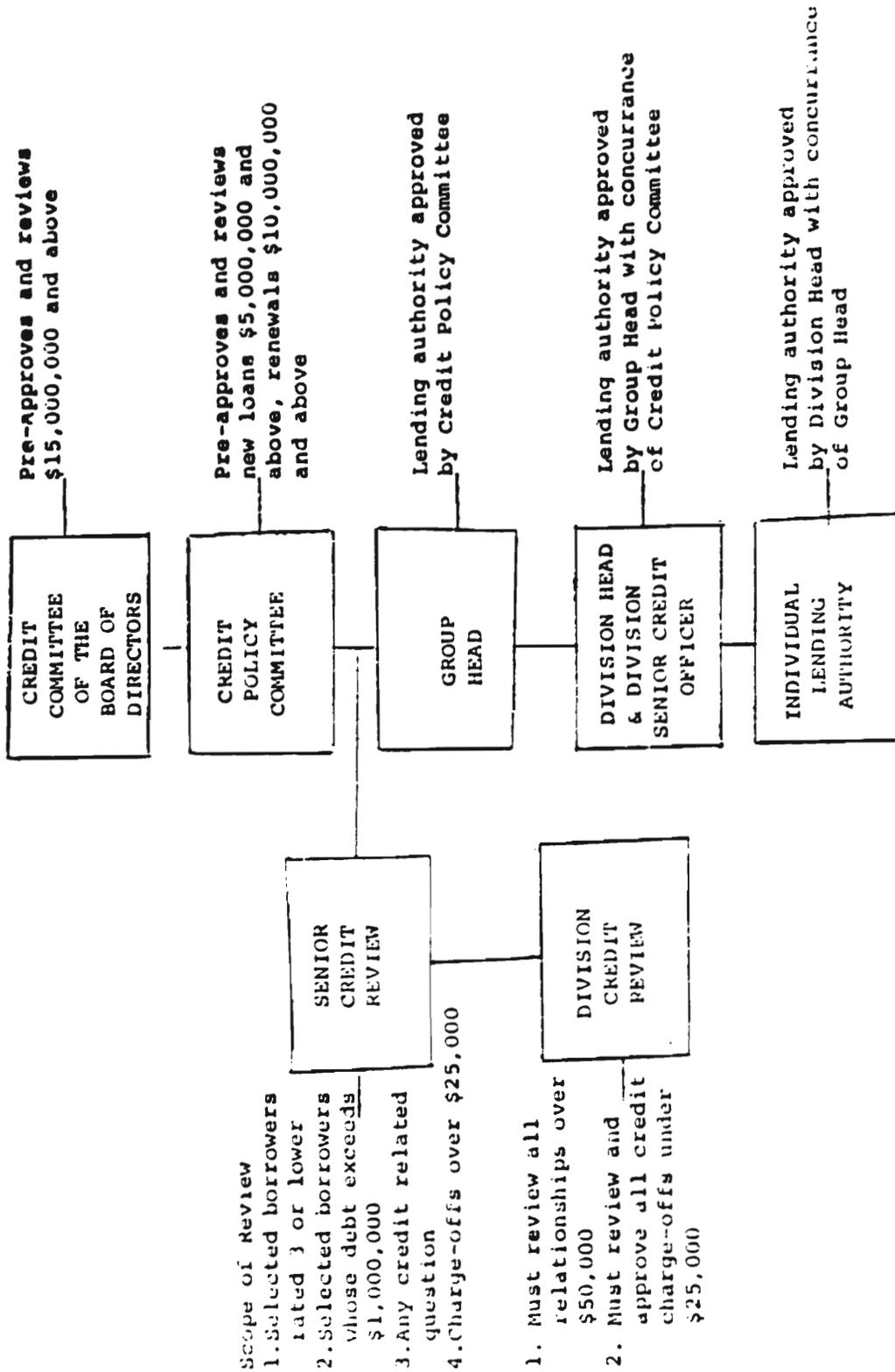
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5. Current financial statements (not more than 12 months old) signed by the borrower and guarantors are strongly recommended for loans under \$10,000. Current financial statements are required with each loan of \$10,000 and above if unsecured and \$25,000 and above if secured. Loans less than \$100,000 fully secured by cash, U.S. Government Bonds, CMLT, or properly margined, readily marketable securities listed on a National Exchange do not require financial statements, but they are recommended.
6. Loans should not be made to a borrower whose credit history contains records of significant derogatory information.
7. All loans above \$50,000 that are primarily secured by real estate must have an appraisal by a qualified in-house appraiser.
8. All loans above \$100,000 that are primarily secured by real estate must have an appraisal by a qualified outside appraiser.
9. In small, one-unit residential operations, life insurance should be required on all loans over \$50,000. WFL is strongly recommended on all loans, no matter the size or type of operation.
10. LENDING PRINCIPALS FOR ALL LOANS EXCEEDING \$10,000 WHICH MAY BE MADE TO ONLY ONE INDIVIDUAL MUST OBTAIN THE WRITTEN APPROVAL OF THE DIVISION HEAD OR HIS SENIOR CREDIT OFFICER.
11. Loans for investment purposes that are unsecured or secured by a 1st mortgage

EXHIBIT A

THE MAKING & REVIEW OF LOANS & RELATIONSHIPS



D. DOCUMENTATION PRACTICES WHICH MAY BE WAIVED ONLY WITH THE WRITTEN APPROVAL OF THE DIVISION HEAD OR DIVISION SENIOR CREDIT OFFICER.

1. All documentation should be completed before the proceeds of the loan are disbursed. Such items as recorded real estate deeds and auto titles are necessary exceptions, but all things that can be delivered by the borrower or his agents should be obtained.
2. All loans to closely held corporations should be guaranteed by the principals. When lending to partnerships or proprietorships, the guaranty of the partners or proprietor should be obtained.
3. The written approval of all guarantors should be obtained before changing the existing debt structure or releasing collateral subject to the original agreement.
4. Guaranties and collateral should not be released until the debt has been repaid unless consideration of equal value is received. Partial releases are acceptable provided that loan to value is maintained.
5. Loans against securities must be properly margined during the entire life of the loan.
6. A loan agreement should be executed in all term loans where debt exceeds \$100,000. Time loans over \$100,000 and smaller loans should have loan agreements when appropriate. The agreement should be reviewed at least annually, or in accordance with the loan agreement, for compliance. A checklist should be completed and placed in the Central Credit File.
7. The separate guaranty form should be used rather than the endorsement on the back of the note.

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GLOSSARY

Group Head - Member of Management Committee - line manager responsible for Divisions
e.g., President of C&S National Bank

Division Head - responsible for a major operating area
e.g., Head of Atlanta National Bank Branches

Division Senior Credit Officer - reports directly to a Division Head - responsible for communication of and compliance with all policies related to loans

Department Head - line manager reporting to a Division Head - responsible for a subsection of the Division
e.g., Head of Suburban Department of Atlanta National Branches

Qualified in-house appraiser - Individual employed by the Bank whose primary job is the appraisal of real estate; employed in the Mortgage Division of the Bank

Qualified outside appraiser - Independent appraiser who carries a designation of M.A.I. for Commercial appraisals or S.R.A. or R.M. for Residential appraisals

Relationships - Any combination of loans connected by ownership or guaranties

Net Overdraft - Credit exposure to the Bank created by overdrafts on one or more accounts that are not covered by collected balances in other accounts in the same name.

Fully Secured - Enough collateral is pledged to the Bank such that the Bank is completely protected from credit exposure

Properly Secured - Enough collateral is pledged to the Bank such that the Bank is not likely to have any credit exposure.

Properly margined - The amount of collateral pledged to the Bank throughout the life of the loan which offers to the Bank an additional amount of protection in the event the value of the collateral declines

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Adequately measured - Enough information is available and has been analyzed to make a judgement

Investment loans - Loans made for the purpose of purchasing assets (property, securities, a business, etc.) with the expectation of profit. The risk involved is borne primarily by the borrower as opposed to the Bank.

Speculative loans - Loans for investment purposes where a high degree of risk is involved and a substantial portion of that risk is to be borne by the Bank as opposed to the borrower.

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CONTROL OF C&S LENDING FUNCTION

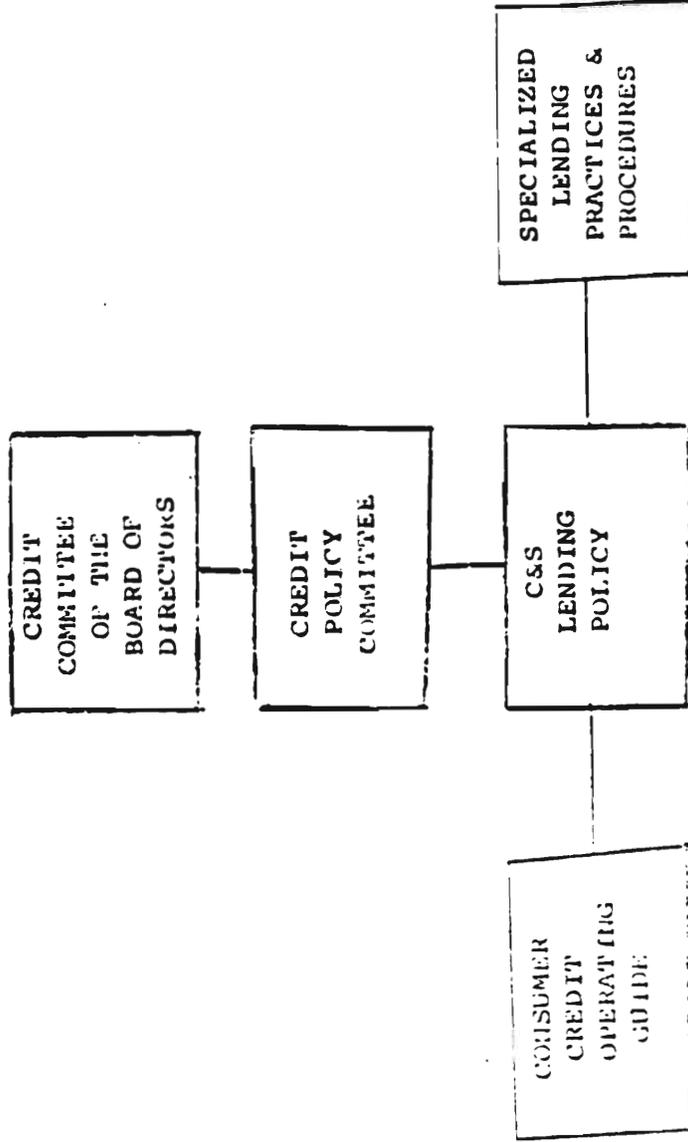


EXHIBIT C

CREDIT POLICY COMMITTEE

JOB DESCRIPTION

In its continuing efforts to improve the quality of the Bank's assets, a Credit Policy Committee has been established. This Job Description outlines the duties, responsibilities and membership of that committee.

Duties and Responsibilities

The duties and responsibilities of the Credit Policy Committee shall include but not be limited to the following:

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- A. Establish and maintain policies and procedures relating to the lending activities and the composition of the loan portfolios of the Bank.
 - B. Request, review and make recommendations with respect to reports and other information relating to lending activities and loan portfolios of the Bank prior to submission to the Credit Committee of the Board of Directors.
 - C. Approve in advance all extensions of credit or commitments to extend credit where the total indebtedness to the Bank would be equal to or greater than \$5,000,000 and less than the House Limit.
 - D. Approve all renewals of lines and commitments where the total indebtedness to the Bank would be equal to or greater than \$10,000,000 and less than the House Limit.
 - E. Review and make recommendations on all written programs to eliminate the grounds of criticism in the 1973 Report of Examination and any future examination where the outstanding amount exceeds \$500,000.
 - F. Review and make recommendations on manual or automated loan systems to ensure consistency of information and management needs.
 - G. Review and approve lending policies related to loans to officers and staff of the Bank.
 - H. Review pricing and compensation for various types of lending.
 - I. Review and approve specific policies on concentrations by industry, geographic location, by type of loan and by purpose.
 - J. Annually review division level lending authorities.
 - K. Annually review the level of the House Limit and make a recommendation to the Finance Committee of the Board of Directors.
 - L. Monitor and review, at least annually, total lines and commitments made by the Bank.

- M. Review and approve country exposure limits for International lending.
- N. Impose limits on classes and kinds of loans.
- O. Review and be knowledgeable on pertinent legislative and regulatory developments and ensure that policies and procedures conform with legal requirements.

Membership

The Credit Policy Committee shall consist of a Chairman, Secretary (non-voting) and other such voting members as shall be appointed by the Chairman from time to time. The Chairman shall be the General Officer - Credit Administration. The regular members of the Credit Policy Committee are the President, C&S Bank; Group Managers of Atlanta National, Out of Town National Branches and Holding Company.

Three members of the Credit Policy Committee shall constitute a quorum.

The committee will meet at a time and place determined by the Chairman.

Minutes of each meeting will be recorded and sent to all members of the committee, General Officers and other affected parties.

An agenda and all necessary material will be sent to all members attending a meeting no later than the second business day prior to that meeting date.

Comments on policy and procedure matters to be considered at a particular Credit Policy Committee meeting are encouraged from members unable to attend.

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EXHIBIT D

LENDING AUTHORITIES

Bank/Division Name _____ Date _____

Division: _____ Lending Authority: _____

Division Head: _____ Lending Authority: _____

Division Senior
Credit Officer: _____ Lending Authority: _____

Group Head Approval: _____

Individual Account Officer's Lending Authorities:

Optional Lending
Authority for Loans
Secured by Cash or Cash
Equivalents as Defined
in Lending Policy:

Name

Lending Authority

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Division Head Approval: _____

Group Head Concurrence: _____

CREDIT ANALYSIS

EXHIBIT 2

Analyst:
Statements Received:
Memo Distributed:

Account Officer:
Location:
Division:

Customer:

Customer Since:

Address:

Other Branches/Depts.

Business:

DBS Services Used:

Form of Organization:

Yield: Excess of Goal:

Established:

12 Month Average Coll Balances:

Industry Index:

Do we have formal loan agreement?

Other Banks:

Principals/Officers:

Name

Position

Age

Owner-ship

Banking Serv-ices used

Total Com-pensation

Date last I&B:

Date last Trade Check:

Date last Personal CR:

Last Committee Review:

date, Committee, statements:

Rating:

Classification:

REVISIONS:

Revised Name

Type
Form

Date

Prepared by

Initialed

Number

Directors: Name

Age of age

Net worth

Time on

Time

Time

REMARKS:

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EXHIBIT F

STRENGTHS AND WEAKNESSES

CUSTOMER:

Date:

Strengths:

Weaknesses:

R 3 0 4 0 5 7 4 8 0 3

Is documentation complete?

YES

NO

Is relationship in compliance with Lending Policy?

YES

NO

Remedial:

UNIT 3

JOAN REPORT

Name		Address		City	
State		Zip		Telephone	
Occupation		Education		Age	
Marital Status		Number of Children		Date of Birth	
Employer		Employment Dates		Employment Status	
Mortgage Officer		Mortgage Amount		Mortgage Term	
Mortgage Interest Rate		Mortgage Type		Mortgage Status	

Mortgage Description		Mortgage Amount		Mortgage Term	
Mortgage Interest Rate		Mortgage Type		Mortgage Status	
Mortgage Officer		Mortgage Amount		Mortgage Term	
Mortgage Interest Rate		Mortgage Type		Mortgage Status	

Mortgage Description		Mortgage Amount		Mortgage Term	
Mortgage Interest Rate		Mortgage Type		Mortgage Status	
Mortgage Officer		Mortgage Amount		Mortgage Term	
Mortgage Interest Rate		Mortgage Type		Mortgage Status	

COPIES OF REPORT - PRIMARY

COPIES OF REPORT - SECONDARY

COLLATERAL DESCRIPTION

ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED

DATE OF POLICY CANCELLATION

DATE OF POLICY CANCELLATION

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DOCUMENTATION CHECKLIST

Date: _____

Documentation listed below references collateral of: Borrower
 *Guarantor Personal _____ Name
 Corporate _____ Name

Form of organization (e.g., partnership, corporation) _____

County or principal place of business _____

County of residence (if different) _____

Location of Collateral:	Collateral Type	Location (County and State)

DOCUMENTATION INCLUDED:

- Corporate Resolution
- Guaranty Resolution
- Partnership Agreement
- Statement Respecting Collateral
- Waiver Form (Commercial Loans)
- Other _____

Note Form Used:

- Were Proceeds Disbursed to:
- A. Party(ies) Other Than Borrower
 - B. If Multiple Borrowers - Fewer Than All Borrowers
 - Borrower's Authorization Form

- Has Purchase Money Security Interest Taken?
- Were Court Records Checked?
- If Guaranty, Has Long "Separate" Form Used?
- Is Collateral on Previous Debt PFTL to Cover This Debt? If so, date of previous loan report: _____

List Collateral of Guarantor on Separate Attached Form

<p>EQUIPMENT</p> <ul style="list-style-type: none"> <input type="checkbox"/> S/A - General <input type="checkbox"/> S/A - Consumer goods & equipment <input type="checkbox"/> S/A - Inventory & equipment <input type="checkbox"/> Financing Statement - recorded <input type="checkbox"/> Fixtures checked <input type="checkbox"/> Proceeds checked <input type="checkbox"/> Insurance <p><input type="checkbox"/> Leased premises: Landlord's agreement & waiver Mortgagee agreement & waiver</p> <p><input type="checkbox"/> Mortgaged premises: Mortgagee agreement & waiver</p> <p>ACCOUNTS RECEIVABLE</p> <ul style="list-style-type: none"> <input type="checkbox"/> S/A - General <input type="checkbox"/> S/A - Special Accounts <input type="checkbox"/> S/A - Inventory & accounts <input type="checkbox"/> S/A - Financing Contract <input type="checkbox"/> Assignment Form (Sp. Accounts) <input type="checkbox"/> Financing Statement <input type="checkbox"/> Proceeds checked <input type="checkbox"/> Insurance <input type="checkbox"/> Other specifications: <p>INVENTORY</p> <ul style="list-style-type: none"> <input type="checkbox"/> S/A - General <input type="checkbox"/> S/A - Inventory & equipment <input type="checkbox"/> S/A - Inventory & accounts <input type="checkbox"/> Financing Statement - recorded <input type="checkbox"/> Proceeds & proceeds checked <input type="checkbox"/> Insurance <input type="checkbox"/> Other specifications: <p>REAL ESTATE</p> <ul style="list-style-type: none"> <input type="checkbox"/> D/S/D <input type="checkbox"/> Lec <input type="checkbox"/> Ind <input type="checkbox"/> Jrd <input type="checkbox"/> Other _____ <input type="checkbox"/> Appraised <input type="checkbox"/> By Whom _____ <input type="checkbox"/> Title Opinion <input type="checkbox"/> Title Insurance <input type="checkbox"/> Survey & Site Plan <input type="checkbox"/> Insurance <input type="checkbox"/> Right to Rec'd <input type="checkbox"/> Escrowed Letter <input type="checkbox"/> Notice to Senior Lien Holders! <p>RECEIVABLE SECURITIES</p> <p>Registered Owner: _____</p> <p><input type="checkbox"/> S/A - Hypothecation</p> <p>Dated: _____ By Whom: _____</p> <p><input type="checkbox"/> Assignment of Interest, Sec. Securities in Possession</p> <p>Loan to Value: _____</p> <p>OTHER COLLATERAL</p> <ul style="list-style-type: none"> <input type="checkbox"/> Consumer Goods <input type="checkbox"/> Contracts <input type="checkbox"/> Farm Products <input type="checkbox"/> Operating Rights <input type="checkbox"/> Insurance Commissions <input type="checkbox"/> Small Boats <input type="checkbox"/> Other: _____ <p>LOAN PROCS</p> <ul style="list-style-type: none"> <input type="checkbox"/> Assignment of Note <input type="checkbox"/> D/S/D - Recorded Assignment <input type="checkbox"/> Assignment of S/A <input type="checkbox"/> Application <input type="checkbox"/> Financing Statement - recorded <input type="checkbox"/> Proceeds checked 	<p>CD's, SAVINGS ACCOUNTS, ETC.</p> <ul style="list-style-type: none"> <input type="checkbox"/> Assignment of Bank Account <input type="checkbox"/> Savings Document <input type="checkbox"/> Collateral Receipt <input type="checkbox"/> Savings Status Change Order <input type="checkbox"/> S/A Hypothecation <p>LEASEHOLD IMPROVEMENTS</p> <ul style="list-style-type: none"> <input type="checkbox"/> S/A <input type="checkbox"/> Financing Statement - recorded <input type="checkbox"/> Fixtures checked <input type="checkbox"/> Landlord's Waiver <input type="checkbox"/> Mortgagee's Waiver <input type="checkbox"/> Insurance <p>LEASE</p> <ul style="list-style-type: none"> <input type="checkbox"/> Copy of recorded lease <input type="checkbox"/> S/A - Assignment of Lease <p>LIFE INSURANCE</p> <ul style="list-style-type: none"> <input type="checkbox"/> Life Ins. Assn. Questionnaire <input type="checkbox"/> Life Ins. Assn. Form <input type="checkbox"/> Life Ins. Policy - possession <p>ROLLING STOCK</p> <p>MV-1 _____ MV-2 _____ MV-3 _____</p> <ul style="list-style-type: none"> <input type="checkbox"/> S/A <input type="checkbox"/> Insurance Binder <input type="checkbox"/> Notice to Lien Holders <p>AIRCRAFT</p> <ul style="list-style-type: none"> <input type="checkbox"/> S/A <input type="checkbox"/> Bill of Sale (FAA form 8050-2) <input type="checkbox"/> Application of Registration <input type="checkbox"/> Release of Lien (FAA form 8050-4) <input type="checkbox"/> Title Search <input type="checkbox"/> Insurance Binder <p>RENTAL INCOME</p> <ul style="list-style-type: none"> <input type="checkbox"/> Lease Agreement <input type="checkbox"/> S/A - Assignment of rentals - recorded <input type="checkbox"/> Acknowledgment of Lease <input type="checkbox"/> Acknowledgment of Agent 	<p>REAL ESTATE</p> <ul style="list-style-type: none"> <input type="checkbox"/> D/S/D <input type="checkbox"/> Lec <input type="checkbox"/> Ind <input type="checkbox"/> Jrd <input type="checkbox"/> Other _____ <input type="checkbox"/> Appraised <input type="checkbox"/> By Whom _____ <input type="checkbox"/> Title Opinion <input type="checkbox"/> Title Insurance <input type="checkbox"/> Survey & Site Plan <input type="checkbox"/> Insurance <input type="checkbox"/> Right to Rec'd <input type="checkbox"/> Escrowed Letter <input type="checkbox"/> Notice to Senior Lien Holders! <p>RECEIVABLE SECURITIES</p> <p>Registered Owner: _____</p> <p><input type="checkbox"/> S/A - Hypothecation</p> <p>Dated: _____ By Whom: _____</p> <p><input type="checkbox"/> Assignment of Interest, Sec. Securities in Possession</p> <p>Loan to Value: _____</p> <p>OTHER COLLATERAL</p> <ul style="list-style-type: none"> <input type="checkbox"/> Consumer Goods <input type="checkbox"/> Contracts <input type="checkbox"/> Farm Products <input type="checkbox"/> Operating Rights <input type="checkbox"/> Insurance Commissions <input type="checkbox"/> Small Boats <input type="checkbox"/> Other: _____ <p>LOAN PROCS</p> <ul style="list-style-type: none"> <input type="checkbox"/> Assignment of Note <input type="checkbox"/> D/S/D - Recorded Assignment <input type="checkbox"/> Assignment of S/A <input type="checkbox"/> Application <input type="checkbox"/> Financing Statement - recorded <input type="checkbox"/> Proceeds checked
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State Documentation checked or checked

Special: _____

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LENDING POLICY

DECEMBER 1983

TABLE OF CONTENTS

	<u>Page</u>
Preamble	1
I. Lending Authorities	I-1
A. Legal Limit	I-1
B. House Limit	I-1
C. Board Approvals	I-1
D. Group Head Approvals	I-1
E. Division Head Approvals	I-2
F. Chart of Lending Authorities	I-2 & I-6
G. Authorities for Specialized Lending	I-2
H. Lending Authorities Form	I-2
I. Scope of Lending Authorities	I-3
J. Approval of Fixed Rate Loans	I-4
II. Credit Committee - Review System.	II-4
A. General Guidelines	II-1
B. Credit Committee Responsibilities	II-2
1. Credit Committee of the Board	II-2
2. Credit Policy Committee	II-2
3. Division Level Credit Committee	II-3
III. Loan Rating System	III-1
A. Rating Procedure	III-1
B. Advances to Criticized Borrowers	III-1
IV. General Loan Practices	IV-1
A. Lending Practices For Which There Are No Exceptions	IV-1

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B. Lending Practices Which May Be Waived With the Written Approval of the Division Head or Division Senior Credit Officer . . .	IV-3
C. Recommended Practices	IV-8
V. Specialized Credits	V-1
A. General Guidelines	V-1
B. Specialized Credit Types	V-2
1. Asset Based Lending	V-2
2. Commodity Dealers and Brokers	V-3
3. Correspondent Banking	V-3
4. Enterprise Banking and Small Business Lending	V-4
5. Government Banking	V-5
6. Industrial Development Authority Bonds and Loans	V-5
7. International Banking	V-7
8. Loans to Directors, Management Committee and Senior Officers	V-8
9. Real Estate Lending.	V-9
10. Retail Credit Services	V-11
C. Lending Authority Reference Chart	V-11
VI. Specialized Industries	VI-1
VII. General Loan Practices Guideline.	VII-1
VIII. Glossary.	VIII-1
A. File Organization	VIII-3
IX. Exhibits	

LENDING POLICY

PREAMBLE

The Board of Directors delegates responsibility for all lending activities of the Bank to the Credit Policy Committee and through them to all officers of the Bank. (See Exhibit A) The loan policy will, therefore, be presented at least annually to the Board of Directors; they will satisfy themselves that Bank lending policies and procedures insure the overall soundness of the Bank's loan portfolio. The Chairman of the Credit Policy Committee is the final authority on all matters related to the loan portfolio. This policy governs our handling of the loan portfolio. In addition, all policies related to loans, including but not limited to the Charge off, Non Accrual, Reduced Accrual, and Asset Quality Rating Policies are included by reference. Consumer lending procedures are in the Consumer Credit Operating Guide.

The policy by itself will not insure a quality portfolio; proper implementation and adherence to established policies and procedures are required. Each Division Level Manager will be responsible for reviewing this policy in detail, at least annually, with all lending officers in his area. He is accountable for compliance in his Division. All violations of this policy are considered serious and appropriate action will be taken. Those deemed most serious by the Credit Examination Division will be reported to the Audit and Examining Committee and the Credit Committee of the Board of Directors.

We recognize that a loan policy cannot cover all potential lending situations. Proper training and supervision of our lenders is also essential to a quality portfolio. We will take steps to insure that each lender is familiar with the Bank's objectives and policies, principles of sound credit judgment, proper documentation procedures, and current legal, regulatory and accounting developments. Each account officer must insure that his/her relationships with the Bank's customers comply with the letter and spirit of the C&S Code of Conduct.

The loan portfolio is our largest asset, and the interest income it generates is our most important source of earnings. Because C&S is located in the growing Southeastern

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region where the demand for loans is great, we expect continued loan growth. Our Bank has always been proud of its progressive lending and we will continue to be aggressive in our business development efforts. However, we are interested in quality business only. Quality business implies:

1. Excellent character
2. Proven track record or capacity
3. Adequate capitalization
4. Adequate financial records

There is a normal business risk inherent in the lending function. To insure the quality of our portfolio, we should accept only that risk which can be adequately measured. Our policy is to control our risks and to achieve the most efficient allocation of our financial resources. We will lend money to customers in our defined market area. These customers should provide us with deposits, and they should also use other Bank services, however, we will consider transactional lending when conditions warrant it. Our primary market area includes Georgia, the Southeastern states, and selected national and international markets with present or potential economic or financial ties to our region. We want to develop relationships, not just loan transactions. Additionally, we must provide top quality service to our customers.

To best serve our market, corporate lending functions have been organized according to the size of the companies being banked. Smaller companies will be banked systemwide in the local branches. Mid-sized and larger companies will be banked in the appropriate corporate banking departments in Atlanta. (In Atlanta, mid-sized is defined as sales exceeding \$15 million; in the system as sales exceeding \$20 million.) Specialized forms of lending are exceptions to this guideline and are to be handled according to the Specialized Credits section of this policy.

We must comply with the letter and the spirit of all applicable laws, Federal, State, and International, and rules and regulations of applicable regulatory agencies. We will not discriminate with respect to the borrower's race, creed, color, religion, national origin, age, sex or marital status.

To control our loan portfolio, we will establish lending authorities for each account officer based on overall experience, training, knowledge and demonstrated performance. The amount of individual lending authorities is a

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Division Level responsibility. Division Managers are responsible for assigning and reviewing at least annually the individual lending authorities in their areas. Individual lending authorities must be adequate to carry on normal lending activities. However, much can be gained from having higher levels of management involved in the approval of as many loan requests as is practical prior to actually committing the funds. Even if a request is within his/her lending authority, the account officer is encouraged to seek guidance and assistance.

We recognize that we will not always make loans that perform adequately and will, therefore, maintain a Loss Reserve sufficient to absorb all losses that can reasonably be expected. In addition, we will strive to maintain loan portfolio quality standards within the following parameters:

Classified Loans:	25 - 45% of equity
Non-Performing Loans:	.75 - 2.00% of total outstandings
Net Charge-Offs:	.30 - .45% of average outstandings

Although these ranges are fairly wide, actual performance is expected to be in the upper end of the ranges only during periods of economic adversity. During normal economic conditions, performance should be in the lower-mid range.

Because we are concerned with maintaining classified loans within established parameters every effort must be taken to eliminate the possibility of assets moving into the classified category. We will require written plans of action that outline the steps to be taken to prevent ODEM's from becoming classified's.

We will not make any new advances to classified borrowers unless it is in the best financial interest of the Bank, and we will always document the credit file to explain why the new advance or renewal is being made.

We will maintain a Credit Examination Division that is independent of the lending function of the Bank. This department will be responsible for testing the overall quality of the Bank's loan portfolio, the reliability of the Criticized/Classified Asset Rating System, and compliance with Lending and Documentation Policy. The department will also be responsible for detection of problem or potential problem borrowers, confirmation that the loan loss reserve is adequate, compliance with laws and regulations, and staffing adequacy.

To further insure a quality portfolio that is controlled, we have identified what we consider to be specialized lending activities. Only lending personnel assigned in these areas, or personnel in other areas of the Bank who have been specifically named, will handle loan transactions in these categories. All lending divisions are encouraged to outline in writing practices and procedures peculiar to their area. However, the Credit Policy Committee will designate specialized lending areas that must develop their own written practices and procedures within the parameters of this general lending policy.

Control of the portfolio includes more than controlling the individual transactions. Equally important from a management standpoint are the policies which will:

- a. Limit portfolio risk through a proper mix of loans and commitments by type, industry, location and maturity.
- b. Provide adequate liquidity in the loan portfolio.
- c. Provide sufficient interest sensitivity to allow the proper balance between interest income and the interest expense on funds employed.

Together these disciplines constitute "Portfolio Management." Credit Administration has the primary responsibility for portfolio management with regard to monitoring total lines and commitments. Portfolio liquidity and interest sensitivity are the responsibility of the Asset-Liability Committee. These combined factors are included in the Bank's five year business plan.

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I. LENDING AUTHORITIES

- A. Legal Limit. The Bank's legal lending limit to any one borrower or related group of borrowers is limited to a percentage of the unimpaired capital and surplus of the bank, as defined by the Office of the Comptroller of the Currency. This limit excludes overnight Fed Funds and Eurodollars lines, however it does, by internal policy, include Foreign Exchange lines (defined as 15% of the line plus one day settlement).
- B. House Limit. The house lending limit of the bank is \$25 million, as determined by the Credit Policy Committee. This is the maximum aggregate amount which may be committed to any one customer/relationship, excluding transactional letters of credit. This limit may be exceeded in special situations as determined by Bennett Brown, John McIntyre, or Willie Alexander.
- C. Board Approvals. The Board of Directors of The C&S National Bank has approved the following individual lending authorities through Group Head Level.
 - 1. The legal lending limit of CSNB is granted individually to Bennett Brown, John McIntyre and Willie Alexander.
 - 2. The Credit Policy Committee establishes the lending authorities of Group Heads and the Senior Credit Officer of the Atlanta Corporate Bank. This committee also establishes guidelines for the approval of advances to criticized/classified borrowers. (See Loan Rating System Section III, Page 1).
 - 3. The Board has delegated the granting of lending authorities below this level to the respective Group Heads.
- D. Group Head Approvals. The Group Heads will approve the lending authorities for Divisions, Division Heads and Division Senior Credit Officers no later than February 15th of each year. The Chairman of the Credit Policy Committee must review and concur with

these authorities by February 28th of each year. A copy of these authorities will be maintained in Credit Administration. The maximum Division Lending Authority will be based on

1. Legal Lending Limit for Unit Banks.
 2. The amount of lending authority necessary to carry on the normal lending activity of a Division.
 3. The lending authority ceiling for any Division can be no higher than the individual lending authority of the Division Head.
- E. Division Head Approvals. Division Heads will assign individual lending authorities in their respective areas. The basic lending authority may be used for loans of any kind not specifically excepted or prohibited by this policy. However, this authority may be increased to a specified higher limit to accommodate loans fully secured by cash, U.S. Government bonds, CVLI, or properly margined, readily marketable securities listed on a national exchange. In no event shall the total of related debt exceed the higher limit without prior approval by the appropriate approving authority. The Group Head must review and concur with these authorities by March 15th of each year. A copy of these authorities will be maintained in System Credit Administration.
- F. Chart of Lending Authorities. Page 6 of this section provides the current lending limits down to the Group Head level.
- G. Authorities for Specialized Lending. Lending authorities for specialized types of lending are outside of our account officers' normal activity. These specialized authorities are outlined in the section on specialized credits in this policy manual and in the individual specialized lending policies.
- H. Lending Authorities Form. All lending authorities for normal activity will be evidenced in the format shown in Exhibit C. Specialized Lending Authorities will be evidenced in the format shown in Exhibit D.

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I. Scope of Lending Authorities.

1. Lending authorities encompass all commitments, internal guidelines and net borrowings (including overdrafts, letters of credit, Forex, Eurodollars, etc.) outstanding of a total system relationship. A total system relationship includes borrowers which are related by ownership (at least 20%), control, or guaranties. It is the account officer's responsibility to ensure that the total relationship is being reported. When the aggregate net commitment/outstanding exceeds a lending authority, any incremental amount requires approval of the next higher level of authority prior to the commitment or the disbursement of the funds (unless it falls within the incremental approval authority as outlined in number two below). This approval must be accomplished in writing by the appropriate person signing the completed loan report or the discount sheet in the case of consumer loans.

2. Incremental approval authority. Unless specifically excluded by an approving authority the account officer may approve up to a 10% increase in a total approved commitment so long as the total increase(s) is within the account officer's lending authority.

Example: On a \$1,000,000 approved line of credit the account officer may approve up to an additional \$100,000 as long as the account officer's lending authority is \$100,000 or more. This would make the new exposure \$1,100,000.

3. Approval of a line or guideline will cover all transactions under that line so long as they are within the prescribed terms, and approval should also cover any renewals or changes that are a part of the original agreement. However, renewals beyond the terms originally agreed upon and other material changes in the transaction will require the appropriate additional approval.

4. It is important to affirm that in every case the account officer must make a decision and

recommendation. All levels of authority that approve the loan request are equally responsible for that loan decision. Approval from a higher level of authority or the review by any credit committee does not in any way relieve the account officer of the responsibility of his decision or the administration of the credit.

5. There will be instances, in the judgment of the account officer and his supervisor, where it is impractical to obtain written approval by the appropriate higher authority before funds are disbursed. In these cases, verbal approval is still required prior to disbursement of funds. Written approval must then be obtained as soon as possible.
6. Overdrafts are considered non-approved loans and are strongly discouraged. The account officer must determine whether his lending authority is sufficient before approving any net overdraft in excess of \$1,000. Higher levels of authority must approve overdrafts in the same manner that they approve loans. Net overdrafts that can be totally covered by unused availability on confirmed lines of credit do not have to be approved by the next higher level of authority. Loan reports are required if the net overdraft exceeds \$10,000 and is outstanding more than 24 hours and is not covered under a confirmed line.

Overdrafts created by operational errors are not extensions of credit and thus are not covered by this policy.

- J. Approval of Fixed Rate Loans. The Bank's policy is for loans to float with the prime, except as provided in certain specialized lending policies. Whenever the account officer believes it is important for the bank to make a fixed rate commitment(s) or loan(s) to a customer totaling \$100,000 or more with a maturity of twelve months or longer, the following approval process prior to committing is to be used:

\$100,000 thru \$500,000 Approval by the Division Head

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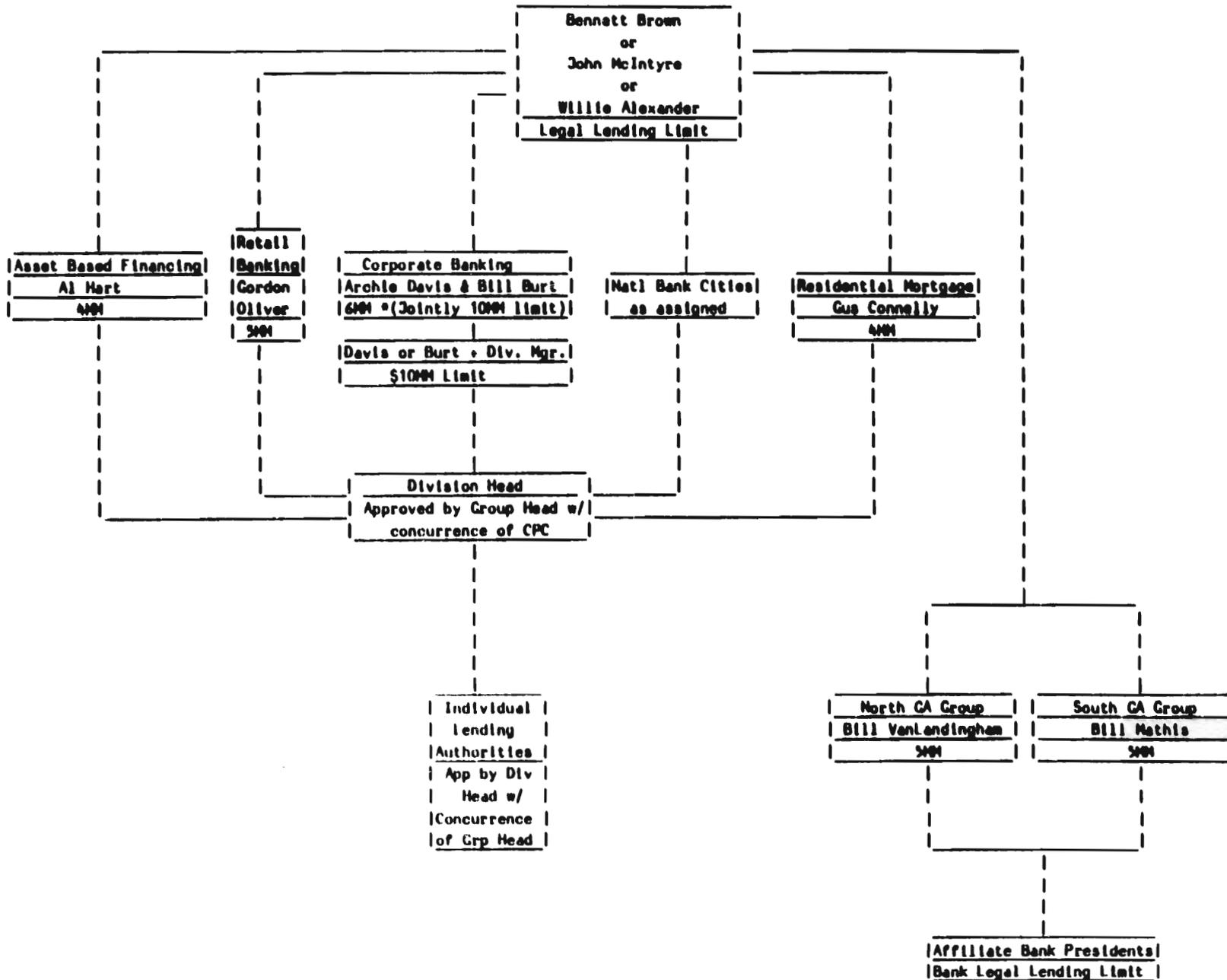
\$500,001 thru \$1,500,000
or maturities in excess
of five years

Approval by Group Head or a
Senior Vice President in
System Credit Administration

Above \$1,500,000

Approval by the Chairman of
the Credit Policy Committee
or the President of the Bank

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II. CREDIT COMMITTEE - REVIEW SYSTEM

A. General Guidelines

1. The committee review system is divided into three levels of authority: (1) the Credit Committee of the Board of Directors, (2) the Credit Policy Committee, and (3) Division Credit Reviews. Specific responsibilities of each committee will be detailed later in this section.
2. All new loans, renewals or relationships being reviewed by the Credit Committee of the Board should be reviewed by the Credit Policy Committee prior to the review by the Credit Committee of the Board. The Chairman of the Credit Policy Committee may at his discretion exempt certain credits from this prior review. All members of the Credit Policy Committee will receive copies of exempted credit memos for their review.
3. It is the responsibility of the Division Head to insure that new loans and relationships are reviewed in their division committee within 90 days of approval; however, if the loan has been approved by the Division Head as part of the approval process, the initial review may be waived by the Division Senior Credit Officer. If the loan is exempted from the initial review it must still be read in to committee. In subsequent years after approval, the relationship must be reviewed in the normal manner.
4. Each credit relationship above an approved minimum amount must be reviewed at least annually in the appropriate committee. The Division Head is responsible for recommending the minimum review amount for their division, which must be approved by Credit Administration. A record of the review limit will be maintained by Credit Administration. After the initial review, the Division Head or Division Senior Credit Officer may waive the annual review on relationships fully secured by cash, U.S. Government Securities, CVLI, fully amortizing first mortgage real estate loans and property margined, readily marketable securities listed on a national exchange.

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5. Any significant changes, such as in collateral or term, must be reported to the Division Senior Credit Officer by means of a Loan Report with copies to Credit Examination, and the credit file.

B. Credit Committee Responsibilities

1. Credit Committee of the Board of Directors

- a. The Credit Committee of the Board will review initially and then annually all lending relationships with commitments or outstandings \$15MM and over. Included in this requirement is the review of all Fed Funds, Eurodollar, or Forex guideline exposure (individually or in aggregate) \$25 million and over.
- b. The Credit Committee will review all charge-offs \$50,000 and over.
- c. The Credit Committee will review "Reg O" Reports, all new loan requests, as well as the annual review of total credit relationships of Directors and Policy Making Officers of the Bank in accordance with Regulation O.
- d. The Credit Committee may, from time to time, request to review specific credits, charge-offs, or industries.
- e. The Credit Committee will meet on the third Tuesday of each month. Additional meetings will be scheduled if emergencies arise.

2. Credit Policy Committee

- a. The Credit Policy Committee will review industry studies and major concentrations of C&S debt in those industries.
- b. Unless reviewed as part of an industry study, all relationships that have related debt over \$10 million must be reviewed within 90 days of commitment by the Credit Policy Committee and at least annually thereafter. Exposure in Fed Funds,

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Eurodollar, and Forex lines (individually or in aggregate) over \$10 million must also be reviewed annually. Individual credits reviewed may utilize a one page summary memo by the account officer and must include selected financial information to include balance sheet and income statement spread sheets and the cover sheet from the credit analysis memo.

- c. The house limit will be determined from time to time by the Credit Policy Committee.
- d. All charge-offs \$50,000 and greater must be reviewed by the Credit Policy Committee the month after the booking of the charge-off.
- e. Review of credits as part of an industry study constitutes their annual review.
- f. Composition of the reviewing Credit Policy Committee will be as follows:
 - Permanent members of the committee are Bennett Brown, John McIntyre, John Poelker, Willie Alexander, Bill Mathis, Gordon Oliver, Bill VanLandingham, and Archie Davis. Three of these members must be present at each meeting. The head of Credit Administration will serve as Chairman.
 - Experienced account officers specifically invited by Credit Administration.
 - The responsible account officer, the Division Senior Credit Officer and/or the respective Division head.
- g. The Credit Policy Committee will meet monthly to review loan pricing and to provide system guidance for future loan pricing.

3. Division Level Credit Committee

- a. Items to be reviewed
 - All credit relationships between an established minimum amount through \$10

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million will be reviewed. The minimum amount for each division will be approved by Credit Administration and kept with each division's lending authorities. Credits reviewed in Credit Policy Committee are exempt from Division Credit Reviews.

- All charge-offs under \$50,000 will be reviewed by the Division Credit Committee.
- Standby letters of credit are considered to be the same as loans and commitments and must be reviewed following the same procedure. Standby L/C's must be added to loans and commitments to determine minimum review limits.
 - Fed Funds, Eurodollar, and Forex line exposure between the minimum amount through \$10 million are to be reviewed in the same manner as loans.

b. Purpose of the Committee

- Review decision and plan of the lending officer.
- Obtain the input of information and recommendations from committee members.
- Provide both line management and credit administration with a means for evaluating the loan portfolio.
- Provide a vehicle for communication, classification and implementation of loan policy.
- Insure uniform high standards of discipline in the credit process.

c. Staffing of the Committee

- The Division Head
- The Division Senior Credit Officer, who serves as Chairman.

- Account officer
- At least one other senior lender or representative from Credit Administration.
- The quorum for a credit committee meeting should consist of at least three committee members or their acceptable substitutes.

d. Scope of Review

- The committee will review indebtedness, not just financial statements. Thus, outdated statements are not a valid reason for postponing review. It is the account officer's responsibility to obtain the necessary financial statements.
- Information to be reviewed:

1) Cover Sheet, Exhibit E

- 2) Strengths and Weaknesses Memo, Exhibit F, prepared by account officer (including the gameplan for the relationship); outline future financing needs and establish guidelines.
- 3) Debt Sheet
- 4) Current Financial Statements (not more than 6 months old)
- 5) Pricing
- Time loans past due over 15 days and installment loans over 30 days must be reviewed at least monthly.
- Net overdrafts on the books over 15 days and in excess of \$1,000 must be reviewed at least monthly.
- The Division Head or Division Senior Credit Officer may schedule a review at any time.

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- The bank's general lending policy must be reviewed at least annually.
 - Practices and procedures in specialized lending areas must be reviewed annually.
 - Loan declinations over the division minimum review amount.
- e. The Division Head and his/her designate are responsible for the following:
- Review of all credit relationships within the time frame and guidelines set forth in this policy.
 - Establishing the agenda at least one week prior to the meeting.
 - Follow-up to insure that corrective action requirement are accomplished or are being accomplished. Progress must be reported to the Committee within 60 days.
 - Recording and distributing the minutes of each meeting. He/she must assure that they are correct and that they enclose a summary of any recommendations made by the Committee. Copies must go to the credit file, to Credit Examination and Credit Administration.
- f. Content of the Minutes
- Primary borrower's name, as well as related borrower's names.
 - Division and account officer's name
 - Rating or classification
 - Borrowing relationship
 - What was reviewed (Date of financial statements)
 - Committee recommendations/corrective action requirements

III. LOAN RATING SYSTEM

The purpose of the loan rating system is to identify problem or potential problem borrowers and bring these borrowers' loan to the attention of management.

A. Rating Procedure. It is the account officer's responsibility to properly rate all of his portfolio. All lending relationships will carry a rating of 1,2,3, OAEM, Substandard, Doubtful, or Loss. It is possible for a relationship to have more than one rating. For the definitions corresponding to the above ratings, see the Asset Quality Rating Policy.

A relationship or any portion of a relationship rated OAEM, Substandard, Doubtful or Loss is considered a "Criticized" asset. ("Classified" assets are those rated Substandard, Doubtful or Loss.)

A Criticized/Classified Asset Memorandum must be completed when assets are first criticized, when the rating is changed and quarterly as detailed in the Asset Quality Rating Policy.

To upgrade the rating on a loan or relationship, the account officer should prepare a one page memo outlining the reasons for the recommended upgrade. The Division Senior Credit Officer must approve the recommendations and sign the memo, a copy of which must be sent to Credit Administration.

B. Advances to Criticized/Classified Borrowers. All credit accommodations extended to criticized/classified borrowers will require that the account officer state on the Loan Report or a separate memorandum why the new advance is being made. It is the responsibility of the Credit Policy Committee to establish guidelines for approval of advances to criticized/classified borrowers. Presently these guidelines are:

1. Advances to OAEM credits may be handled under the normal lending authorities.
2. An account officer may approve new advances to classified credits up to \$100,000 provided the amount is within the lending authority.
3. The Group Manager may approve new advances to classified credits through \$500,000.

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4. New advances in excess of \$500,000 must be approved by John McIntyre or Willie Alexander.
5. Advances under approved commitments are excluded from approval requirements. However, renewals, material alterations in terms, collateral, guarantys, etc., not under commitments must be approved under these guidelines.

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IV. GENERAL LOAN PRACTICES

This section of the Loan Policy is divided into three parts. The first section (A) addresses practices that may not be excepted for any reason. These items form the basis of good lending procedure and are required to make credit decisions, document files and support the Bank's philosophy of lending. The second section (B) addresses practices which may be waived with the written approval of the Division Head or the Division Senior Credit Officer. The third section (C) addresses recommended practices, these practices should be adhered to if at all possible, however, no approval is needed if these practices are not followed.

Waiver authority for any of the specific practices outlined in section B may be delegated by a Division Head to the next level of authority. Blanket delegation of waiver authority, however, is not permissible. A record of the specific delegated authority must be acknowledged and maintained by Credit Administration. Specific waiver authority shall be included in an addendum to the Lending Authority form (exhibit D).

Division Heads, Division Senior Credit Officers, or account officers who have been delegated waiver authority may not waive requirements on relationships they are the account officer for, nor may they waive requirements on relationships that have commitments and outstandings that exceed their lending authorities. They must get the approval of the appropriate authority.

A. Lending Practices For which There Are No Exceptions:

1. Prior to the first extension of credit to any borrower, the account officer must perform a thorough credit investigation of the borrower, company principals, and guarantors. Normally, this investigation will include the interview, a check of CIF, the credit files, other significant creditors, credit reports on the principals/guarantors, D&B's on the borrower and other agency reports.
2. Unless under a preapproved line or commitment, a Loan Report (see Exhibit G) must be

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completed in full to include specific information as to the purpose, source and schedule of repayment, and collateral description and value - whenever:

- a. the loan requires approval by a higher lending authority or there is an exception to Loan Policy
- b. any single loan which totals \$15,000 or more unsecured debt or any renewal thereof.
- c. the loan or line or commitment or exposure creates total debt of \$25,000 or more or any renewal thereof.
- d. the loan is to a criticized or classified borrower.

A copy of the discount sheet may be used in lieu of the Loan Report provided the loan is repayable in monthly installments, the total debt is less than \$25,000 and the borrower is not criticized or classified and there is no exception to Loan Policy.

Advances that do not require loan reports must be documented on the discount sheet as to purpose, terms, source of repayment and collateral.

The copy of the discount sheet or the original Loan Report should be sent promptly to the account officer's supervisor. After prompt review and approval, the form should be forwarded to the credit file with a copy to the Division Senior Credit Officer and, if over \$50,000, to the Credit Examination Department, with copies to other appropriate files. Copies should not be distributed until all required approvals have been affixed. A memorandum or loan report to the credit file should be written any time there is a change in such things as the source and schedule of repayment, collateral value, financial conditions, etc.

3. The account officer must document the credit file with a memo covering the total

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relationship of the borrower at the time of the initial commitment and at least annually on all credits of \$50,000 or more. Loans fully secured by cash, U.S. Government Bonds, CVLI, fully amortizing first mortgage real estate loans, and properly margined, readily marketable securities listed on a national exchange may be exempted. The analysis memo prepared by Corporate Services, if approved by the account officer, may substitute for the account officer memo.

4. The account officer is responsible for completion of the entire documentation package, using the latest revision of the C&S note forms and security instruments.
 5. Guarantors not directly involved in the borrower's business must be kept informed in writing of major changes in the borrower's condition or changes in the terms, conditions, collateral of the loan. In major rework situations, all guarantors should agree in writing to the rework.
 6. Unsecured loans may not be made for capitalized interest. This is defined as loans for the payments of interest that is due on another C&S loan. When interest becomes due on a loan, the only means for capitalizing it is to make the new loan and secure it by additional cash collateral, which is defined as cash, CVLI, CD's, U.S. Government Bonds, or properly margined, readily marketable securities listed on a national exchange. Loans for this purpose using a first mortgage as collateral must be approved by the Division Head, while loans secured by second mortgages (or other inferior liens) are prohibited. Loans that are structured including an interest provision at loan inception are not subject to this provision. There are also instances on non-accrual, workout loans where interest may be capitalized providing it is not recognized as income and the transaction is reported to Credit Administration.
- B. Lending Practices Which May Be Waived With the Written Approval of the Division Head or Division Senior Credit Officer.

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1. All debt of one borrower must be maintained in one office under the direct responsibility of the same account officer; where necessary, existing loans will be moved to accomplish this objective. An exception will be term or amortizing loans which may not be moved because of accounting difficulties. Other allowable exceptions include credits which must be placed in another department for specialized handling such as accounts receivable financing, construction lending or the like. However, in every case, a single officer of account will remain responsible for the full indebtedness and will participate in all decisions.
2. The account officer is responsible for maintaining in file:
 - a. Personal financial statements that are no more than 15 months old (see #5 of this section), this would exclude consumer and mortgage transactions amortizing as agreed.
 - b. Company fiscal financial statements that are no more than 18 months old. Follow-up for obtaining these statements must begin within 60 days after the fiscal year-end. Interim statements, when appropriate, are strongly encouraged.
 - c. Personal Credit Report - at least every 24 months except in consumer and mortgage transactions which are amortizing as agreed.
 - d. D&B - required on new customers before the initial approval/commitment as part of the credit investigation. The need for additional D&B's should be determined by the account officer at the time of his required annual review of the credit relationship.
3. There must be a primary and secondary source of repayment to C&S. Do not make a loan based solely on cash flow, collateral, guaranties or large deposit balances controlled by the borrower. More specifically, do not make a loan based solely on any of the following repayment sources:

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- a. Speculative stock offerings, debenture offerings, collection of stockholder notes; "lettered" stock or stock of closely held corporations;
- b. Grants, donations, inheritances;
- c. Unperformed contracts, retainages;
- d. Purchase orders;
- e. Sales of real estate syndications;
- f. Proposed refinancing by other parties;
- g. Take-out commitments from an institution whose financial strength and character is not fully known;
- h. Dealer recourse, dealer repurchase;
- i. Assigned future commissions.

4. CPA Prepared Statements.

- a. CPA Reviewed Statements are required on all commercial borrowings between \$300,000 - \$500,000.
- b. CPA Unqualified Audited Statements are required on all commercial borrowings exceeding \$500,000. If qualified, the seriousness of the qualification should be determined, i.e. no previous audit, different CPA firm prior audit, no inventory taken, etc.

5. Current personal financial statements (not more than 15 months old) signed by the borrowers and guarantors are strongly recommended for loans under \$10,000. Current financial statements are required with each loan of \$10,000 and above if unsecured and for secured loans of \$25,000 and above. Loans less than \$100,000 fully secured by cash, U.S. Government Bonds, CVLI, or properly margined, readily marketable securities listed on a national exchange do not require financial statements, but they are recommended. Consumer and mortgage transactions amortizing as agreed are excluded.

6. Loans should not be made to a borrower whose credit history contains significant derogatory information.
7. All loans between \$50,00 and \$100,000 that are primarily secured by real estate must have an appraisal by a qualified in-house appraiser or if none available, an appraisal from a qualified independent appraiser.
8. All loans of \$100,000 or larger that are primarily secured by real estate must have an appraisal by (a) the Commercial Real Estate Appraisal Department in Atlanta or (b) a qualified independent appraiser.
9. Loans to finance night clubs or bars.
10. Loans for investment purposes that are unsecured or secured by a junior position in the assets pledged.
11. Loans to restaurants except where the loan is supported by substantial outside creditworthiness and outside collateral which gives full assurance of repayment.
12. Unsecured loans to builders, developers, contractors, or real estate brokers.
13. Demand loans to individuals. Demand loans should be made only when fully secured and when necessitated by procedural requirements (i.e., in the case of fluctuating payments and disbursements).
14. Loans to truck owner/operators without recourse to a reputable and credit-worthy dealer or the guaranty of a credit-worthy guarantor.
15. Financing for new business ventures is an attractive but highly specialized form of lending, consequently approval of a higher authority is needed.
16. Loans originating beyond usual market area.
17. Loans to gas stations and car washes.

19. Loans with balloons except where the balloon is extended to facilitate rate renegotiation.
19. Loans declined in one area of the bank which are made in another area. (This would not include loans that are referred to another area.)
20. Loans must not be made for speculative purposes. Speculative loans are difficult to define, but should not be confused with investment loans, which are defined as follows:

Speculative Loans

The borrower would have extreme difficulty in absorbing the loss if the investment failed.

Investment Loans

The borrower would have no difficulty in absorbing any potential loss if the investment failed.

Account officers are encouraged to discuss specific requests with their Division Head or Division Senior Credit Officer to ensure that we meet legitimate needs of our good customers.

21. Note forms other than C&S note forms must be approved by bank counsel.
22. All documentation should be completed before the proceeds of the loan are disbursed. Such items as recorded real estate deeds and auto titles are necessary exceptions, but all things that can be delivered by the borrower or his agents should be obtained.
23. All loans to closely held corporations should be guaranteed by the principals. When lending to partnerships or proprietorships, the guaranty of the partners or proprietor should be obtained.
24. Guaranties and collateral should not be released until the debt has been repaid unless consideration of equal value is received. Partial releases are acceptable provided that loan to value is maintained.

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25. Loans against securities must be properly margined at inception, and the margin should be maintained throughout the life of the loan. After loan inception, account officers may approve up to a maximum of 10% of the loan amount being out of margin due to fluctuating values of the securities held as collateral. If greater than 10% of the loan becomes unmargined, the Division Head or the Division Senior Credit Officer must waive it in writing.
26. The separate guaranty form (#15-531 Rev 5-72) should be used for any type of guaranty. Alterations must be prepared or reviewed by Bank counsel.
27. All non-negotiable collateral should be insured for its replacement value. As evidence of proper insurance coverage, a complete copy of the customer's insurance policy should be in file, showing all waivers, special coverages and limitations.
28. A New York (Standard) Mortgagee Clause showing C&S as mortgagee must be taken on all loans where collateral value exceeds \$50,000. Loss payable clauses, which show C&S as loss payee, may be taken on loans where the collateral value is less than \$50,000. Standard mortgagee protection is preferred. A copy of the New York Standard Mortgage Clause is shown in the Documentation section of Loan Policies and Procedures Manual.

C. Recommended Practices. The following practices are strongly recommended, and should be adhered to if at all possible, however, no approval is needed if these practices are not followed. Please seek guidance from a senior lender if unsure about any of the following.

1. The account officer should reach a clear written understanding with the borrower as to the purpose and the repayment of the loan. The repayment plan should be closely followed with modifications promptly documented. The written agreement should include at least the following:

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- a. Purpose
- b. Amount
- c. Collateral
- d. Conditions
- e. Term, expiration/maturity date, renewal agreements
- f. Signature of borrower and account officer

2. In small, one or two-person operations, face value life insurance should be assigned on all loans over \$50,000. FVLI is strongly recommended on all loans to small, one or two-person operations.
3. Loans primarily collateralized by non marketable stocks, closely held stocks, or traded stocks priced under \$5.00 are discouraged.
4. Loans with maturities beyond 7 years are discouraged.
5. When legal assistance is required, the in-house legal department should be consulted first. They will determine whether outside counsel is necessary.
6. Outside attorney(s) should be approved by the Division Head or Division Senior Credit Officer. They should not be representing the customer.
7. C&S note forms should not be altered unless approved by the in-house legal department; such changes must be initialed by the borrower and account officer.
8. Secured loans in excess of \$250,000 should be reviewed by legal counsel.
9. Loans collateralized by C&S Georgia Corporation stock or notes are permissible but limited to a percent of the Bank's capital and surplus. Loans of this nature of \$50,000 or more should be reported to System Credit Administration. If used for the purchase of CSGA stock, these loans should meet stringent credit criteria.

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10. Loans of \$25,000 or more which do not have a firm schedule for repayment in 12 months or less should be secured.

11. A formal loan agreement should be executed in all term loans where debt exceeds \$100,000. Time loans over \$100,000 and smaller loans should have loan agreements when appropriate. The agreement should be reviewed at least annually, or in accordance with the loan agreement, for compliance. A checklist should be completed and placed in the credit file.

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V. SPECIALIZED CREDITS

A. General Guidelines

Certain types of lending which may bear greater than normal risks or which require special knowledge or skill to handle have been designated as "specialized credits". These credits are governed by specialized lending policies and may be made only by specialized lending areas or by lenders designated as specialists or by account officers under specific exceptions as outlined in this policy. These credits and the means of approving and handling them are outlined in summary form below and in the chart which follows. However, for a full explanation, consult the appropriate specialized lending policy.

1. Specialized Lending Policies. Each form of specialized lending is governed by its own specialized lending policy. The policy must be approved by the Credit Policy Committee and will specify who is authorized to make and approve these loans and the lending procedures which must be followed. These policies apply to all specialized loans regardless of where they are booked. The specialized policies are included as inserts to the general policy manual and Division Senior Credit Officers throughout the system maintain copies for account officer reference.
2. Lending Specialists. Specialists should be designated in system cities and divisions on an as needed basis. Persons who are designated lending specialists under this policy are appointed by the Division Head with the approval of the Group Head. Lending authorities for designated specialists will be established for each speciality and approved by the Division Head. Specialized lending authorities will be listed by speciality and amount on the reverse side of the lending authority approval memorandum, Exhibit D, and will be reviewed annually by Credit Administration.
3. Exceptions. When it is not feasible to name specialists because of manpower limitations or limited transaction volume, specialized loans

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can be made by account officers on an exception basis. However, account officers must stay within the scope of their lending authority and comply with appropriate policy and obtain the required approvals (including the sign-off of the specialized lending area or a lending specialist, where appropriate).

Loans which are normally classified as specialized credits may be handled as exceptions to specialized lending policy when the loan is fully secured by cash, cash equivalents, U.S. government bonds, cash surrender value of life insurance, or properly margined, readily marketable securities listed on a national exchange or in the national listing of over-the-counter securities.

Persons handling credits which fall under specialized policy guidelines must always follow the specialized lending policy for the type credit being handled.

B. Specialized Credit Types

The Credit Policy Committee has designated the following lending activities and forms of lending as specialized.

1. Asset Based Lending. Includes factoring of receivables and revolving loans to customers primarily secured by accounts receivable, inventory, machinery and equipment.
 - a. Factored Accounts Receivables. Accounts and customer balances purchased from factoring clients. All factoring relationships are handled by the Factoring Division of CSCC, and line account officers are not authorized to handle factoring relationships.
 - b. Commercial Finance/Accounts Receivable Loans. Loans primarily secured by accounts receivable which rely on the collection or liquidation of receivables as the primary source of repayment, and where control of receivables is of primary importance in the maintenance of collateral, must be made by the Commercial Finance Division.

Exceptions may be made to allow accounts receivable loans in units outside Atlanta only, and only with the approval of the Group Head or his designate. In these cases, lending procedures and the borrowers records must be audited by the Commercial Finance Division on at least a semi-annual basis at the expense of the local branch.

NOTE: Loans secured by blanket liens on accounts receivable. When relying on a blanket lien on receivables without the controls provided by a commercial finance arrangement, lenders must remember that there is little protection in the event of a default. The Credit Examination Department will make recommendations and special comments in Credit Exams concerning reliance on blanket liens on accounts receivables.

c. Equipment Leasing. Leases of heavy machinery, manufacturing equipment and transportation equipment are handled exclusively by the Equipment Financing and Leasing Division, and account officers are encouraged to submit prospects to them for approval.

c. Commercial Sales Finance. The financing of heavy equipment, which includes whole-sale financing of heavy equipment for dealers and the purchase of retail contracts from dealers. Commercial sales finance loans must be made by specialists in the Equipment Financing and Leasing Department in Atlanta or by Sales Finance lending specialists in system cities.

2. Commodity Dealer and Broker Loans. Handled by designated lending specialists in Corporate Banking-Atlanta. May be handled by designated specialists outside Atlanta or by account officers, with approval of the Division Head or Division Senior Credit Officer.

3. Correspondent Banking.

a. Loans to correspondent banks, bank holding companies, bank officers and directors of non-C&S banks, and purchase of participation loans from correspondents. These

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loans are handled by the Correspondent Banking Division in Atlanta and by designated specialists throughout the system. In cities where no designated specialist is located, account officers may be authorized to handle correspondent bank relationships on an exception basis with Group Head approval.

b. Federal Funds (Domestic)

Term Fed Funds lines (Term Fed Funds are defined as those maturing more than one business day from the date of transaction) are subject to the legal lending limit of the Bank. These credit exposures must be included with other debt obligations when considering our total relationship. Overnight Fed Funds lines are covered by a separate policy which is included in the Specialized Lending Policy Section of this manual. Domestic Term Fed Funds lines and overnight Fed Funds lines will be handled only by those account officers in the Corporate Banking Group in Atlanta who are responsible for foreign and domestic correspondent bank relationships.

4. Enterprise Banking and Small Business Lending.

a. Small Business Administration or other Government Guarantee Programs are handled by Enterprise Banking in Atlanta. Outside Atlanta, SBA guaranteed loans may be handled on an exception basis by account officers within the scope of their lending authority and with the approval of the Division Head or Division Senior Credit Officer.

b. Rehabilitation Real Estate Loans. Rehabilitation real estate loans are loans to rehabilitate residential real estate in deteriorating or redeveloping inner-city neighborhoods. Loans to homeowners, developers and contractors for improvements to and the upgrading of inner city neighborhoods in Atlanta must be handled by Enterprise Banking.

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Rehabilitation loans made outside of the Atlanta inner-city area may be handled by account officers on an exception basis with Division Head or Division Senior Credit Officer approval, within the scope of their lending authority, and in accordance with Specialized Lending Policies #4 and 5.

5. Government Banking. Loans to states, counties, municipalities, and other government agencies or authorities which have the power to levy taxes or collect revenues.
 - a. Tax Anticipation Notes. Loans to states, counties or municipalities in anticipation of collection of outstanding taxes may be made by lending specialists in Government Banking, designated lending specialists throughout the system, or on an exception basis by account officers with the approval of the Division Head or Division Senior Credit Officer and the concurrence of Government Banking in Atlanta.
 - b. Loans to states, counties, and municipalities for the financing of facilities, machinery, automobiles, etc. Loans are approved in the same manner as in a. above.
6. Industrial Development Authority Bonds and Loans. (IRB and IRL). Bonds issued by an industrial development authority or loans made to a development authority differ from normal commercial banking transactions because the source of repayment is the lessee of the property and not the authority. Development authorities generally have no assets with which to satisfy debt and serve as conduits for tax-free financing by industry. The availability of IRB/IRL funds in the Bank is restricted, and either John McIntyre or Willie Alexander must allocate all funds before any commitment to lend is made.

IRB/IRL Loans may be made by account officers within the scope of their lending authorities and in accord with Commercial Real Estate and Equipment Finance special policies, if applicable.

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7. **International Banking.** Loans to companies to finance international trade transactions, loans to foreign governments, financial institutions and companies. Loans to U.S. companies which are owned by foreign corporations.

a. Short term self liquidating trade obligations; export and import financing. These loans may be made by International Banking Officers in Atlanta, Savannah, Miami, or New Orleans. Loans to domestic companies engaged in foreign trade, but whose primary business is not foreign trade related may be handled by account officers, within the scope of their lending authorities when it is necessary in order to best serve the customer.

b. U. S. Government Agency. Foreign Credit Insurance Agency (FCIA) or Export-Import (EX-IM) credits. Loans of this type may be made only by International Banking specialists in Atlanta, Savannah, Miami, or New Orleans.

c. Loans to entities owned or effectively controlled or guaranteed by any entity located outside the continental U.S. Account officers may handle with clearance from the Division Senior Credit Officer of the International Department or the appropriate foreign Division Head, and approval of their Division Head or Division Senior Credit Officer.

d. Foreign International Bank Placements, Eurodollar lines, foreign exchange lines (FOREX) and term or overnight fed funds placements to foreign banks. All transactions in these fields are handled only by International Banking specialists and may not be handled by account officers.

e. Commercial (or Documentary) Letters of Credit. Letters of credit used in the normal course of commerce must be issued by the International Department in Atlanta, Savannah, Miami, or New Orleans. Account officers will approve the credit,

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within the scope of their lending authority. The International Department must approve the language of the letter of credit prior to issuance.

f. Standby or Guaranty Letters of Credit:

- Secured by cash, listed securities or other cash equivalent collateral. May be approved by account officers if within their lending authorities. These letters of credit must be booked in the International Department in Atlanta, Savannah, Miami, or New Orleans. The International Department must approve the language of the letter of credit prior to its issuance.
- Unsecured or secured by collateral other than cash or cash equivalent collateral may be approved by account officers only as follows:
 - 1) Standby letters of credit for \$100,000 and over must be approved by the Group Head prior to commitment and issue by the International Department.
 - 2) Standby letters of credit under \$100,000 must be approved by the Division Head or Division Senior Credit Officer prior to commitment and issue by the International Department.
 - 3) Unsecured loans, the proceeds of which are used to secure standby or guarantee letters of credit, are subject to the same approval process as are unsecured standby or guarantee letters of credit.

g. Bankers Acceptances. BA's will be handled only through the International Department in Atlanta.

8. Loans to Directors, Members of the Management Committee, and Senior Officers, SVP and above.

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a. Directors: Directors are defined as members of the Board of Directors of the C&S Georgia Corporation, C&S National Bank, and direct subsidiaries of the C&S National Bank.

- Loans. No loans or any other extension of credit may be made to any director (or that director's related business interests), nor may any existing loan relationship be modified in any way (such as rate, term, collateral, etc.), without the prior written approval of the CSGA Board of Directors.

- Overdrafts. C&S will not pay an overdraft to a director or director-affiliated account unless that overdraft is charged to an approved line of credit. The only exception to this rule is that an inadvertent overdraft of less than \$1,000, which is outstanding for less than 5 days is allowable. The director must pay full customer charges. Designated account officers service director credit needs.

Directors of Affiliate Banks (Albany, Dublin, Newnan, etc.) When borrowing from their respective bank must follow the above process with the approval of the local board. These rules, however, do not apply to advisory board members.

b. Policy Making (Management Committee and the General Auditor) Officers. Loans or other extensions of credit to policy making (Management Committee) officers must be preapproved by the CSGA Board of Directors and the SEC Subcommittee. Loans to policy making officers must be carried at customer rates and must conform to OCC Guidelines. Loans to policy making officers will be serviced by Employee Accounts in Atlanta.

c. Senior Officers. Loans to senior officers, their immediate family members and

related interests excluding consumer loans not in excess of \$5,000, charge card and ready money transactions must be immediately reported to Credit Administration. Any request where the total debt relationship exceeds \$25,000 (exclusive of residential mortgage loans in compliance with C&S policy) requires prior review by the Subcommittee and must be channeled through System Credit Administration to schedule such review. These relationships must also be reviewed at least annually by the SEC Subcommittee and Consultant. All loans to senior officers must be approved and booked in the Employee Accounts Section in Atlanta in conformity with guidelines stated in Personnel Policies and Procedures Manual.

9. Real Estate Lending

a. Commercial Real Estate Loans: All loans are governed by Special Policy #6 or #15.

- Land Acquisition and Development Loans.

1) Loans in excess of \$50,000 are to be made only by the Commercial Real Estate Department in Atlanta or in Mortgage Departments in system cities. Division Heads for divisions which do not have a Mortgage Department may designate a real estate lending specialist. Loans may also be made on an exception basis by account officers with the approval of the Division Head or the Division Senior Credit Officer and concurrence of one of the system Mortgage Departments.

2) Loans less than \$50,000 for land acquisition and development may be made by account officers, provided the request is within their lending authority.

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- Commercial Construction Loans:

- 1) \$1,000,000 and up. May be made only by Commercial Real Estate Department in Atlanta.
- 2) \$500,000 but less than \$1,000,000. May be made in Atlanta by the Commercial Real Estate Department. In system cities, may be made by designated specialists within their assigned authority and with concurrence of Atlanta Commercial Real Estate or the specialist in System Credit Administration.
- 3) Up to \$500,000. May be made by Mortgage Departments or designated lending specialists. May be made by account officers as an exception with the approval of the Division Head or Division Senior Credit Officer.
- 4) Recommend account officer seek assistance of a specialist.

- Permanent Commercial Real Estate Loans

- 1) Loans not booked in Atlanta Real Estate up to and including \$1,000,000. Follow normal loan approval procedure but approval limits restricted to 50% of individual lending authorities.
- 2) Loans not booked in Atlanta Real Estate - over \$1,000,000. Normal loan approval procedure with no restrictions on lending authority, but require concurrence of Atlanta Commercial Real Estate Department or Specialist in System Credit Administration.

b. Residential Real Estate Loans

All phases of residential real estate lending, acquisition and development, construction, and permanent loans, will be

handled only by Residential Mortgage Loan Department in Atlanta and in system cities. Where there is no Mortgage Loan Department, a lending specialist may be appointed by the Division Head, with approval by the Group Head.

On an exception basis, residential construction loans and permanent loans may be made by account officers, with the approval of the Division Head. All residential real estate lending is subject to specialized lending policy #4 and special directives issued by the Mortgage Loan Department governing construction loans to individuals.

10. Retail Credit Services.

- a. Retail Sales Finance Loans. Loans made to dealers for the financing of inventory for resale, the purchase of retail paper from dealers, and direct loans to dealers for normal credit needs. These loans must be handled only in Sales Finance Departments throughout the system.
- b. Ready Equity Loans. Retail revolving credit transactions secured by junior or senior deeds to secure debt on real estate. These loans will be approved and administered only in the Ready Equity Department in Atlanta.
- c. Auto Leasing. The leasing of vehicles to companies and individuals. Leases are made only by the Auto Leasing Department in Atlanta or by designated specialists throughout the system.
- d. Credit Card and Ready Money lines. Handled only in CAS, Atlanta.

C. Lending Authority Reference Chart

The attached chart is a synopsis of specialized lending policies and directives. The chart contains guidelines and restrictions regarding specialized loans. Lending personnel should note that the chart does not supercede specialized policy guidelines, but serves as a reference to guide account officers to appropriate instructions and restrictions.

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LOANS OF A SPECIALIZED NATURE MAY BE MADE BY:

SPECIALIZED LOAN TYPE	AUTHORIZED LENDERS IN SPECIALIZED LENDING UNIT	DESIGNATED LENDING SPECIALISTS	COMMERCIAL LENDING OFFICERS	RESTRICTIONS TO LOANS AND POLICY REFERENCE	SPECIALIZED POLICY NUMBER
1. ASSET BASED LENDING					
A. <u>Factored Accounts Receivable</u>	A. Factoring Dept. Atlanta	A. N/A	A. N/A		11,12
B. <u>Commercial Finance Accounts Receivable Lending</u>	B. Commercial Finance Dept. Atlanta	B. N/A	B. Handled on exception basis by acct officers approved by Group Head and audited by commercial finance		8
C. <u>Equipment Leasing</u>	C. Leasing Dept. Atlanta	C. N/A	C. N/A		9
D. <u>Commercial Sales Finance</u>	D. Commercial SF only-Atlanta	D. May have specialist outside Atlanta	D. N/A		10
2. COMMODITY DEALERS AND BROKERS	A. Corporate Banking-Atlanta	A. N/A	A. Within scope of lending authority		
3. CORRESPONDENT BANKING					
A. <u>Participations Bought and Sold, Loans to Bank Holding Companies</u>	A. Correspondent Bank Division	A.	A. Account officer may handle with Group Head Approval		7,18,21
B. <u>Federal Funds</u>	B. Correspondent Bank Division		B. Account officer's responsible for foreign and domestic correspondent bank relationships		22

V - 12

12/83

SPECIALIZED LOAN TYPE	LOANS OF A SPECIALIZED NATURE MAY BE MADE BY:			RESTRICTIONS TO LOANS AND POLICY REFERENCE	SPECIALIZED POLICY NUMBER
	AUTHORIZED LENDERS IN SPECIALIZED LENDING UNIT	DESIGNATED LENDING SPECIALISTS	COMMERCIAL LENDING OFFICERS		
4. ENTERPRISE BANKING AND SMALL BUSINESS LENDING					
A. <u>SBA Guaranteed Loans</u>	A. Enterprise Banking Atlanta-All metro area loans	A. N/A	A. Outside Atlanta, account officers may approve SBA Loan applications within scope of lending authority with Division Head or Div. Senior Credit Officer approval	A. Enterprise Banking available for consultation	5
B. <u>Rehab. Real Estate Loans</u>	B. Enterprise Banking, Atlanta only	B. Real Estate specialists outside Atl.	B. May be made by account officers within scope of authority with Division Head or Div. Senior Credit Officer approval	B. Enterprise Banking Policy Residential Real Estate Policy	5 4
5. GOVERNMENT BANKING	Govt. Banking Atlanta	Specialists within scope of lending authority	May be made by account officers within scope of lending authority with Division Head or Div. Senior Credit Officer approval	Government Banking	20
A. <u>Tax Anticipation Notes</u>	"	"	"	"	"
B. <u>Loans to States, Counties, Cities</u>	"	"	"	"	"
C. <u>Revenue Bonds and Loans</u>	"	"	"	"	"

SPECIALIZED LOAN TYPE	LOANS OF A SPECIALIZED NATURE MAY BE MADE BY:			RESTRICTIONS TO LOANS AND POLICY REFERENCE	SPECIALIZED POLICY NUMBER
	AUTHORIZED LENDERS IN SPECIALIZED LENDING UNIT	DESIGNATED LENDING SPECIALISTS	COMMERCIAL LENDING OFFICERS		
6. INDUSTRIAL DEVELOPMENT AUTHORITY BONDS AND LOANS	Government Banking Atlanta, McIntyre or Alexander must approve funds allocation	N/A	McIntyre or Alexander approval of funds allocation	Subject to Commercial Real Estate or Equipment Finance policies if applicable	13
7. INTERNATIONAL BANKING					
A. <u>Short-Term Self Liquidating Trade Obligation; Import and Export Financing</u>	A. International Banking Departments in Atlanta, Savannah, Miami, or New Orleans	A. N/A	A. May be made by account officers as deemed necessary	International Banking Special policy	2
B. <u>U.S. Govt. Agency, FCIA and EXIM Guaranteed Credits</u>	B. Same as A Above	B. Same as A Above	B. N/A		
C. <u>Loans to Entities Owned or Effectively Controlled by Any Entity Located Outside the Continental U.S.</u>	C. International Banking Departments in Atlanta, Savannah, Miami, or New Orleans	C. NA	C. May be made by account officers within scope of lending authority with concurrence of International Department, Division Head or Division Senior Credit Officer		2
D. <u>Eurodollar, Foreign Exchange (FOREX) and Fed Funds Lines to foreign banks</u>	D. International Dept.	D. N/A	D. N/A	D. Subject to International Special Policy. Legal limit authorized only for Brown, McIntyre & Alexander	

SPECIALIZED LOAN TYPE	LOANS OF A SPECIALIZED NATURE MAY BE MADE BY:			RESTRICTIONS TO LOANS AND POLICY REFERENCE	SPECIALIZED POLICY NUMBER
	AUTHORIZED LENDERS IN SPECIALIZED LENDING UNIT	DESIGNATED LENDING SPECIALISTS	COMMERCIAL LENDING OFFICERS		
E. <u>Commercial (Documentary) Letters of Credit</u>	E. Issued by International, Atlanta, Savannah, Miami, and New Orleans	E. N/A	E. Account officers approve and submit commercial L/C's to International Dept for issuance.		2
F. <u>Standby (Guarantee) Letters of Credits</u>	F. Issued by International, Atlanta, Savannah, Miami and New Orleans	F. N/A	F. Secured guarantee Letter of Credit. Lending officer may approve guarantee letters, secured by cash or cash equiv. collateral within lending authority. Issued by International Department only Unsecured guarantee letters or secured by other than cash equivalent collateral above \$50M must be approved by Group Head. Under \$50M must be approved by Division Head or Division Senior Credit Officer. Issued by	F. Unsecured Loans, proceeds of which are used to secure guarantee letters of credit, are subject to the same approval process as described below.	2 2

LOANS OF A SPECIALIZED NATURE MAY BE MADE BY:

SPECIALIZED LOAN TYPE	AUTHORIZED LENDERS IN SPECIALIZED LENDING UNIT	DESIGNATED LENDING SPECIALISTS	COMMERCIAL LENDING OFFICERS	RESTRICTIONS TO LOANS AND POLICY REFERENCE	SPECIALIZED POLICY NUMBER
<p>8. LOANS TO DIRECTORS, POLICY MAKING OFFICERS, SR. OFFICERS SVP AND UP</p>			<p>International Department only.</p>		
<p>A. <u>Directors</u></p>	<p>A. NA</p>	<p>A. NA</p>	<p>A. Made by line officers within lending authority and in accordance with policy guidelines that requires prior approval of SEC Sub-Committee and Credit Committee of CSGA Corp Board</p>	<p>A. All loans to directors must be <u>pre-approved</u> by SEC Sub-Committee and Credit Committee of CSGA Corp Board</p>	
<p>B. <u>Policy Making Officers</u></p>	<p>B. Handled only in Employee Accounts Atlanta</p>	<p>B. NA</p>	<p>B. NA</p>	<p>B. All loans to policy making officers must be approved by SEC Sub-Committee and Credit Committee of CSGA Corp Board</p>	
<p>C. <u>Senior Officers, SVP & Up</u></p>	<p>C. Handled only in Employee Accounts Atlanta</p>	<p>C. NA</p>	<p>C. NA</p>	<p>C. All loans to senior officers (SVP & up) over \$25,000 must be approved by SEC Sub-Committee</p>	

V - 16

12/83

SPECIALIZED LOAN TYPE	LOANS OF A SPECIALIZED NATURE MAY BE MADE BY:			RESTRICTIONS TO LOANS AND POLICY REFERENCE	SPECIALIZED POLICY NUMBER
	AUTHORIZED LENDERS IN SPECIALIZED LENDING UNIT	DESIGNATED LENDING SPECIALISTS	COMMERCIAL LENDING OFFICERS		
9. REAL ESTATE LENDING					
A. <u>Commercial Real Estate Loans</u>					
1. Land Acquisition and Development	1. Loans in Excess of \$50,000 restricted to Mortg Dept. in Atlanta & System Cities	1. Specialist may be named in areas without Commercial Mortg. Department	1. Loans under \$50M may be made by account officers. Above \$50M may be made by account with Division Head or Division Senior Credit Officer and concurrence of System Mortgage Department	1. Governed By Specialized Lending Pol.	6
B. <u>Commercial Construction Loans</u>					
1. \$1,000,000 and up	1. Made only By Commercial Construction Dept. Atlanta	1. N/A	1. N/A	1. Governed by Specialized Lending Pol.	6
2. \$500,000 to 1,000,000	2. Made by Commercial Construction Department	2. Specialist may be named in areas without Mortg Dept with concurrence of Atlanta Commercial Mortgage Department or specialist in System Credit Administration	2. Made By Account Officer with preapproval by Division Head or Division specialist in System Credit Administration	2. Governed by Specialized Lending Pol.	6

V - 17

12/83

LOANS OF A SPECIALIZED NATURE MAY BE MADE BY:

SPECIALIZED LOAN TYPE	AUTHORIZED LENDERS IN SPECIALIZED LENDING UNIT	DESIGNATED LENDING SPECIALISTS	COMMERCIAL LENDING OFFICERS	RESTRICTIONS TO LOANS AND POLICY REFERENCE	SPECIALIZED POLICY NUMBER
3. \$500,000 and below	3. Made by any Mortgage Department	3. Specialist may be named in areas without Mortgage Dept.	3. May be made by account officers within Lending Authority with approval of Division Head or Division Senior Credit Officer. Advice from Specialist recommended.	3. Governed by Specialized Lending Pol.	6
C. <u>Permanent Commercial RE Loans</u> 1. Up to 1,000,000, made outside Atlanta Real Estate	1. Made by Commercial Real Estate Section, Mortgage Loan Depts	1. May be handled by designated specialists	1. Account Officer may commit up to 50% of lending authority		15
2. Over 1,000,000, made outside Atlanta Real Estate	2. Made by Commercial Real Estate Section, Mortgage Loan Depts	2. May be handled by designated specialists	2. Require concurrence of Atlanta Real Estate Department or Specialist in System Credit Administration		15

V - 18

12/83

SPECIALIZED LOAN TYPE	LOANS OF A SPECIALIZED NATURE MAY BE MADE BY:			RESTRICTIONS TO LOANS AND POLICY REFERENCE	SPECIALIZED POLICY NUMBER
	AUTHORIZED LENDERS IN SPECIALIZED LENDING UNIT	DESIGNATED LENDING SPECIALISTS	COMMERCIAL LENDING OFFICERS		
D. <u>Residential RE Loans</u> 1. Acquisition and Develop. 2. Residential Construction 3. Permanent Loans (non-portfolio)	D. May be made only in Mortgage Departments Throughout the System	D. May be made only by designated Real Estate Lending Specialist in areas where there is no Mortg. Dept.	D. N/A	D. See Specialized Lending Policy	4
10. RETAIL LOANS					
A. <u>Retail Sales Finance Loans</u> 1. Direct Loans to SF Dealers 2. Wholesale Inventory Financing 3. Purchase of Retail Installment Papers 4. Dealer Reserve Transactions	A. Made only in sales finance units throughout the system	A. N/A	A. N/A	A. Prohibited outside sales finance areas	1
B. <u>Retail Ready Equity Loans</u> 1. Direct Revolving Lines of Credit to Consumers Secured by Real Estate	B. Made and administered by Ready Equity Dept. Atlanta	B. N/A	B. N/A	B. Prohibited outside Ready Equity Dept. Atl.	17
C. <u>Auto Leasing</u>	C. Atl. Leasing Dept.	C. Specialists throughout system	C. N/A	C. Covered by Specialized Lending Pol.	14
D. <u>Credit Card and Revolving Credit Services</u>	D. Atlanta CAS - Ready Money Only	D. N/A	D. N/A	D. Prohibited outside Atlanta CAS - Ready Money	-

v - 19

12/83

VI. SPECIALIZED INDUSTRIES

In those industries where bank exposure is significant lending specialists have been designated with the responsibility for monitoring each industry and the bank's total exposure. These specialists will be responsible for developing any specialized lending skills or knowledge required and for assisting other account officers making loans within the industry. The specialist will also review annually the industry study before the Credit Policy Committee.

Account officers lending to companies in a specialized industry should consult with the designated specialists. The specialists should also be sent loan reports and memos to keep them informed. The industries and specialists are as follows:

<u>Industry</u>	<u>Specialist</u>	<u>Telephone</u>
Automotive	Tim Geraghty	581-3647
Banks, Bank Holding Companies	Herm Manderson	581-3655
Brokers and Dealers	Bob Clayton	581-3658
Carpets	Factoring	491-4415
Chemicals	Bill Rhodes	212-265-1130
Commercial Real Estate	Mike Buchanan	491-4770
Commodities (All)	Jim Newport	581-3927
Contractors	Chad Zimmerman	581-2402
Drugs and Pharmaceuticals	Bill Rhodes	212-265-1130
Energy	Darrell Sumner	581-2298
Furniture	Factoring	491-4415
Health Care, Hospital Management	Bob Elliott	581-3356
Heavy Equipment	Frank Roedl	312-329-9696
High Tech Electronics	Doug McKeever	581-2251
Insurance	Bruce Noel	581-3641
Motor Carriers	Ros Bowers	581-2515
Paper and Forest Products	John Fowler	581-2169
Retailers	Peter Pomeroy	212-265-1130
Shoes and Apparel	Factoring	491-4415
Steel	Paul McLaughlin	581-2252
Textiles	Tony Royal	581-3654
Title Insurance Companies	Pat Flinn	581-4053
Transportation	Ros Bowers	581-2515
Utilities	Doug McKeever	581-2251

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VII. GENERAL LOAN PRACTICES GUIDELINE

This is intended as an outline/guideline only. Please refer back to the appropriate pages in the text.

A. No Exceptions

1. Complete credit check including D&B and credit bureau reports.
2. Loan report if \$15M+ unsecured, or total debt \$25M+, or to criticized/classified borrower.
3. \$50M+ loan must have annual memo covering relationship, credit analysis memo may substitute.
4. Account officer responsible for complete documentation package.
5. Guarantors must be kept informed in writing of major changes in borrowers condition, change in terms, collateral, etc.
6. Loans for the payment of interest are prohibited except when secured by cash collateral first mortgage (with Division Head approval) and in certain work-out situations, Credit Administration must be notified.

B. Approval of Division Head or Division Senior Credit Officer

1. All debt (except "specialized" loans) in one location.
2. Following must be maintained in file:
 - a. personal financial statements not over 15 months old
 - b. company FYE statements not over 18 months old
 - c. personal credit reports every 24 months except for amortizing consumer or mortgage loan.

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- d. D&B required before initial advance;
additional D&B's as determined by account
officer
- 3. There must be a primary and secondary source
of repayment. Do not base solely on cash flow,
collateral, guaranties or large deposit
balances, or any of the following:
 - a. speculative stocks, debentures, stockholder
notes, "lettered" stocks, or stock of
closely held corporations
 - b. grants, donations, inheritances
 - c. unperformed contracts, retainages
 - d. purchase orders
 - e. sales of real estate syndications
 - f. proposed refinancing by other parties
 - g. take-out commitments from unknown
institutions
 - h. dealer recourse/repurchase
 - i. assigned future commissions.
- 4. CPA reviewed statement required in
commercial borrowing \$300,000 to \$500,000.
CPA unqualified audited statements required
in borrowings exceeding \$500,000.
- 5. Personal statement not over 15 months old
required if:
 - a. loan of \$10,000 and over, unsecured
 - b. loan of \$25,000 and over, secured
- 6. No loans to borrowers with significant
derogatory credit.
- 7. Real estate loans \$50,000-\$100,000 must have
appraisal by qualified in-house appraiser.

12/83

8. Real estate loans \$100,000+ must have appraisal by (a) Commercial Real Estate Appraisal Department Atlanta or (b) qualified independent recommended by that department.
9. Loans to night clubs and bars.
10. Investment purpose loans secured by junior lien.
11. Loans to restaurants.
12. Unsecured loans to builders, developers, real estate brokers
13. Unsecured demand loans to individuals.
14. Loans to truck owner/operators.
15. Financing new business ventures.
16. Loans beyond market area.
17. Loans to gas stations and car washes.
18. Loans with balloons except for rate renegotiation.
19. Loans already declined in another area.
20. No loans for speculative purposes.
21. Non C&S note forms must be approved by bank counsel.
22. All documentation completed before loan is made.
23. Loans to closely held corporations should be guaranteed by principals.
24. Guaranties and collateral should not be released until payout or consideration of equal value.
25. Securities secured loans must be properly margined.

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26. Long form guaranty only (#15-531 Rev. 5-72).
27. Collateral should be insured for replacement value.
28. New York Standard Mortgage Clause on loans in excess of \$150,000.

C. Recommended Practices. No additional approval required, however, it is advisable to seek guidance from a senior lender if uncertainty exists.

1. Written repayment agreement signed by borrower.
2. Face Value Life Insurance on principals of closely held operations.
3. Loans secured by traded stocks under \$5.00 are discouraged.
4. Loans maturing beyond 7 years are discouraged.
5. For legal assistance, consult in-house counsel first.
6. Outside attorneys should be approved by Division Head or Division Senior Credit Officer.
7. C&S note forms should not be altered without approval of in-house counsel.
8. Secured loans in excess of \$250,000 should be reviewed by counsel.
9. Loans secured by CSGA Corp Stocks or notes are limited by law. Loans of this type in excess of \$50,000 should be reported to System Credit Administration.
10. Loans without firm repayment within 12 months should be secured.
11. Term loan agreements on loans \$100,000 and over.

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VIII. GLOSSARY

Group Head - Member of Management Committee - line manager responsible for Divisions
e.g., President of C&S National Bank

Division Head or - Responsible for a major operating area
City Executive or e.g., Head of National Accounts,
President of Affil. Metro Area, or Savannah

Division Senior Credit Officer - Reports directly to a Division Head - responsible for communication of and compliance with all policies related to loans

Department Head - Line manager reporting to a Division Head - responsible for a subsection of the Division
e.g., Head of suburban department of Atlanta National Branches

Qualified In-house Appraiser - Individual employed by the Bank whose primary job is the appraisal of real estate; employed in the Mortgage Division of the Bank

Qualified Outside Appraiser - Independent appraiser who carries a designation of M.A.I. for Commercial appraisals or S.R.A. or R.M. for Residential appraisals

Relationships - Any combination of loans connected by ownership or guaranties

Net Overdraft - Credit exposure to the Bank created by overdrafts in one or more accounts that are not covered by collected balances in other accounts in the same name

Fully Secured - Enough collateral is pledged to the Bank such that the Bank is completely protected from credit exposure

Properly Secured - Enough collateral is pledged to the Bank such that the Bank is not likely to have any credit exposure.

Properly Margined - The amount of collateral pledged to the Bank throughout the life of the loan which offers to the Bank an additional amount of protection in the event the value of the collateral diminishes

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Net Aggregate Commitments - This is defined as the bank's total commitments to a relationship less only unearned interest. U.S. Government guaranties (such as SBA or exim) are not netted out.

Adequately Measured - Enough information is available and has been analyzed to make a judgment

Investment Loans - The borrower would have no difficulty in absorbing any potential loss if the investment failed.

Speculative Loans - The borrower would have extreme difficulty in absorbing the loss if the investment failed.

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ORGANIZATION

Each lending division should have files structured for its particular requirement and use. However, each account officer is responsible and the Division Head will be held accountable for the condition of their files.

The file should be neat, organized, and up to date, purged of all unnecessary information and duplication. Any credit with a large volume of material should be maintained in an expandable divider file. There should generally be six main sections with the following information in this order:

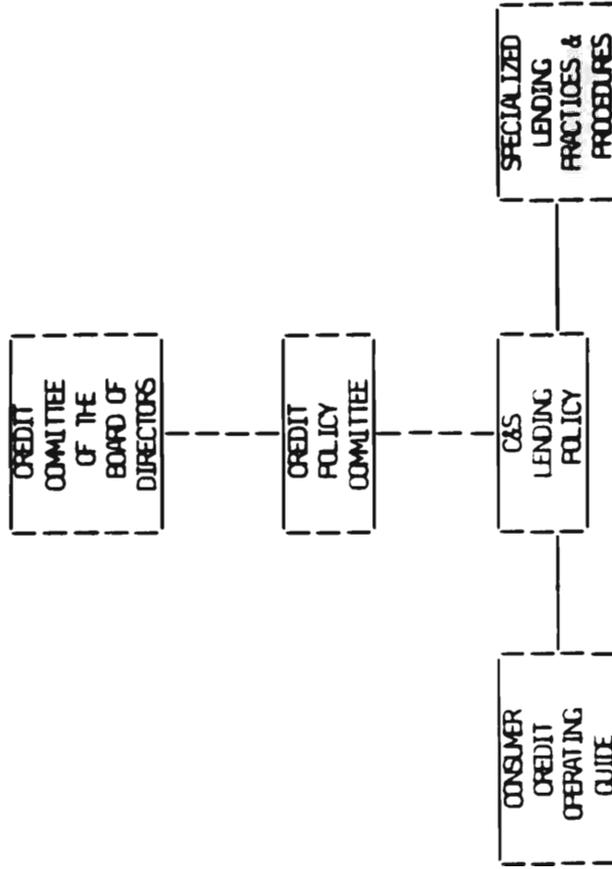
- I. Statements - personal and company separate (there should be a separate statement file if excessive with the credit file noting as such).
- II. Financial analysis, spreads, copies of minutes of reviews (the last review information should be noted at the top of this section for easy reference).
- III. Call reports, memos, correspondence.
- IV. Loan reports, discount sheets, loan agreements, loan documentation (if a separate document file is not maintained).
- V. Credit investigation, D&B's, CBR's, etc.
- VI. Credit inquiries, miscellaneous.

Generally, notes, guaranties and real estate files should be kept in a fireproof cabinet.

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Exhibit A

CONTROL OF C&S LENDING FUNCTION



THE MAKING & REVIEW OF LOANS & RELATIONSHIPS

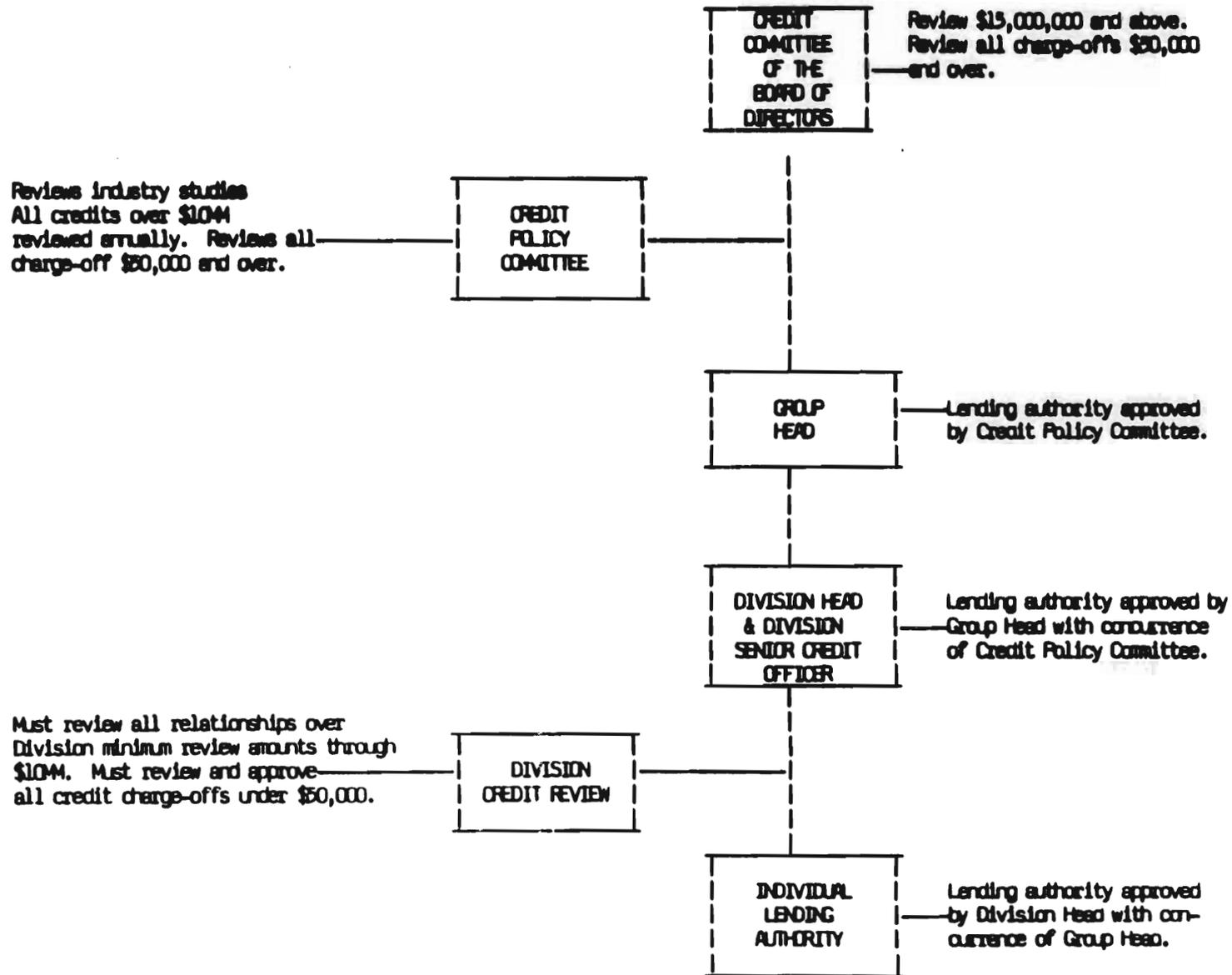


EXHIBIT C

LENDING AUTHORITIES

Bank/Division Name _____ Date _____

Division: Lending Authority:

Division Head: Lending Authority:

Division Senior
Credit Officer: Lending Authority:

Group Head Approval: _____

Individual Account Officer's Lending Authorities:

Optional Lending
Authority for Loans
Secured by Cash or Cash
Equivalents as Defined
in Lending Policy

Name

Lending Authority

0
3
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Division Head Approval _____
Group Head Concurrence _____

(Use extra sheets if needed)

EXHIBIT D

DELEGATION OF WAIVER AUTHORITY

Paragraphs waived under
General Lending Policy
Section IV General Loan
Practices (List specific
paragraphs under subsection
B, C, and D which are to be
waived)

Name

Lending Authority

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SPECIALIZED LENDING AUTHORITIES

Name

Lending Authority

Type of Specialized Lending

Division Head Approval _____

Group Head Concurrence _____

EXHIBIT E

CREDIT ANALYSIS

Customer:
 Address:
 Business:
 Form of Org:
 Established:
 SIC:
 Bond Rating:
 Paper Rating:
 Total Bank Lines:
 Comm Paper O/S:
 Lead Bank:
 Other Lenders:

Analyst:
 Statements Received:
 Memo Distributed:
 File Name:
 Account Officer:
 Location:
 Division:
 Customer since:
 Other depts/branches:
 Date last line increase:
 Yield: Excess of Goal:
 12 month avg. coll. balances:
 Last Com. Review: (Date/Comm./Statem.)
 Rating:
 Classification:
 Last D&B:
 Last Credit Bureau:

Principals/Officers:					
Name	Position	Age	% Owner-ship	Banking Services Used	Total Compensation

C&S Direct Debt O/S:	Summary of Borrowing Relationship:
C&S Indirect Debt O/S:	
C&S Unfunded Commitments:	
Total Exposure:	

STATEMENTS	Type				
Company Name	F. l	Date	Prepared by	Scope	Opinion

Accounting changes or qualification:

Guarantors:	Amt. of	Net	Statement		Joint
Name	Guaranty	Worth	Date	Signed?	Statement

DISTRIBUTION:

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EXHIBIT F

STRENGTHS AND WEAKNESSES

Date:

CUSTOMER:

Strengths:

Weaknesses:

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Is documentation complete? YES NO

Is relationship in compliance with Lending Policy? YES NO

Gameplan:

Account Officer

EXHIBIT G LOAN REPORT

DATE _____

Bank Name	Branch/Dept. Name	Division Name	Lending Authority	Loan Date
Name				Average collected balance past month
Address				Date of Last Credit Committee Review
Principal				New Loan <input type="checkbox"/>
				Renewal <input type="checkbox"/>
Type of Business				Commitment <input type="checkbox"/>
				Declaration SS <input type="checkbox"/>
Originating Officer	Current Officer	If Renewed Times Renewed _____	Increase \$ Reduction \$	Other <input type="checkbox"/> D
This report covers	Amount \$	Maturity	Rate %	Sec <input type="checkbox"/> Unsec <input type="checkbox"/> Credit <input type="checkbox"/>
Borrower's Total Debt to Bank including this loan:		Direct	Indirect	Approved Line of Credit
Net worth of borrower \$				Date of Fin. Statement
Fin. Statement Prepared by				Qualified <input type="checkbox"/> Unqualified <input type="checkbox"/>
Guarantor if applicable	Asst. Guaranteed	Net Worth	Date of Fin. Statement	
Guarantor if applicable	Asst. Guaranteed	Net Worth	Date of Fin. Statement	
If terms, loan or revolving credit, do we have formal agreement?				Yes <input type="checkbox"/> No <input type="checkbox"/>
Written report to include (Be Specific): PURPOSE				
TERMS				
SOURCE OF REPAYMENT - PRIMARY				
SOURCE OF REPAYMENT - SECONDARY				
COLLATERAL DESCRIPTION				
Collateral Value (Indicate date & basis of)				
ADDITIONAL INFORMATION REGARDING BACKGROUND, BANKING STRATEGY, FOLLOW-UP, ETC.				
LEADING POLICY EXCEPTIONS				Approved By _____

Continued on back? Yes No

Copies to Central Credit Files (Approved Copy)

Each Person Approving Should Sign or Initial

Supervisor _____
Supervisor _____
Account Officer _____

Supervisor _____
Supervisor _____
Account Officer _____

Name

Lending Auth.

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M I N U T E S
Of The
CREDIT COMMITTEE

GOVERNMENT BANKING DIVISION

CITIZENS AND SOUTHERN NATIONAL BANK

Held
Monday, July 2, 1984 at 3:00 P.M.
11th Floor Commerce Building, Atlanta, Georgia

Those attending were: Les Berthy, Ed Vollertsen, Dick Gray, Bobby Lamb, Dick Carney, Rebecca Porter, Mike Bell and John Coleman.

Ed Vollertsen presided as Chairman and acted as Secretary.

Lending Relationships

- 8 3 0 4 0 6 7 4 8 7 1
- A. _____ - (Dick Gray) - The Committee reviewed the 6/17/83 Fiscal Statements in respect to the \$740,000 Tax Anticipation Loan and reaffirmed the #2 rating.
- B. _____ - (Dick Gray) - The Committee reviewed the 6/30/83 Fiscal Statements in respect to the \$6,600,000 Tax Anticipation Loan and reaffirmed the #2 rating.
- C. _____ - (Dick Gray) - The Committee reviewed the 12/31/83 Fiscal Statements in respect to the \$180,000 Renovation Loan - \$157,930 O/S and the \$65,000 Equipment Loan - \$47,827 O/S and reaffirmed the #2 rating.
- D. _____ - (Dick Gray) - The Committee reviewed the 4/30/83 Fiscal Statements in respect to the \$400,000 Commitment and reaffirmed the #2 rating.
- E. _____ - (Bobby Lamb) - The Committee reviewed the 4/30/83 Fiscal Statements in respect to the \$1,520,000 Commitment and reaffirmed the #2 rating.
- F. _____ - (Tommy Coleman) - The Committee reviewed and approved the proposed \$1,100,000 General Obligation Bond Underwriting.

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- G. GEORGIA DEMOCRATIC PARTY - (Ed Vollertsen) - The Committee in respect to the \$163,476.61 relationship reaffirmed the #3 rating.
- H. (Ed Vollertsen) - The Committee reviewed the \$73,555.62 relationship and reaffirmed the #2 rating.
- I. (Ed Vollertsen) - The Committee reviewed the 10/31/83 Fiscal Statements with respect to the \$675,000 Industrial Revenue Bond and reaffirmed the #2 rating.

L. READ-IN'S

The following loans were read-in:

M. CHARGE-OFF'S

N. Past Dues and Overdrafts were reviewed

There being no further business, the committee adjourned.



Edward P. Vollertsen III
Chairman and Secretary

cc: Credit Administration
Ray Cothran
John James/Herm Manderson
Dick Carney/Don Ingram
Lee Sessions/Brian Foster
Division - File

Notes

ASSET QUALITY

April 1984

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TABLE OF CONTENTS

	<u>Page</u>
Foreword	2
I. Policy and Purpose.....	3
II. Examiner Compatibility.....	4
III. The Ratings Defined.....	5
A. High-Quality - Acceptable Assets.....	5
1. "1".....	5
2. "2".....	6
B. Assets Not Criticized - "3".....	6-7
C. Criticized Assets - "OAEM".....	8-9
D. Classified Assets.....	9
1. "Substandard".....	9-10
2. "Doubtful".....	10-11
3. "Loss".....	11
IV. New Advances to Criticized and Classified Borrowers	12-13
V. Scope and Responsibility of Asset Rating.....	14
VI. Rating and Review Procedures.....	15
A. Satisfactory Credits.....	15
B. Criticized/Classified Credits.....	15
1. Criticized/Classified Assets Memoranda.....	15-17
2. Rated Loan Reports.....	17-18
3. Projected Charge-Off Reports.....	18-19
C. Conclusion.....	20
VII. Exhibits.....	21-28

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FOREWORD

This rating system parallels that used by the National Bank Examiners with regard to questionable assets, i.e., "OAEM," "Substandard," "Doubtful," and "Loss." In addition, the system includes satisfactory ratings of "1," "2," and "3."

All Bank Loans, Leases, Lines, Commitments, and OREO assets must be classified into one or more of these groupings. At the time any credit is rated, the definition provided for each asset category should be reviewed so that a classification may be assigned properly.

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I. POLICY AND PURPOSE

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C&S loan policy requires that classified loan outstandings be kept within established standards of 25% to 45% of equity, with classified assets being defined as all credits being rated as "Substandard," "Doubtful," or "Loss," plus all amounts outstanding in OREO. In order to meet these goals, assets that continue or are likely to continue in a classified category for eighteen months or longer should be moved out of the Bank. It is recognized that due to contractual obligations this may not always be possible; however, every effort must be made to comply with this guideline.

As a means of implementing this policy it is the Bank's intention that the Asset Quality Rating System function so as to provide quality standards for the Loan, Lease, and OREO portfolios and or identify problems or potential problems to be brought to the attention of line management, Credit Administration, and the Credit Examination Division.

It is the account officer's responsibility to ensure that all loans are classified in accordance with the definitions contained in this policy.

II. EXAMINER COMPATIBILITY

This rating system is designed to be compatible with the classifications used by the National and State Bank Examiners and to facilitate their examination of our banks and companies. In order that C&S may establish ratings comparable to those of the examiners, the Bank will need to apply different ratings to portions of the same asset in the manner employed by the examiners, so that, for example, a single loan may have a portion rated "Doubtful" with the balance rated "Substandard" (for category definitions, see Section III below).

Under the ratings system outlined herein, examiners can direct their attention toward verifying the accuracy of loan examination and control systems rather than in reviewing individual credits.

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III. THE RATINGS DEFINED

Asset ratings should reflect the quality of the credit and the level of existing risk. The absence of adequate compensating balances, an unattractive yield, or other earnings considerations are not germane.

Definitions of the ratings are as follows ("loan" being intended to include all types of assets that are graded):

High-Quality to Acceptable Assets

"1"

Loans rated "1" are of the highest quality. This category includes loans which have been made to major companies having ready and continuous access to national money markets. Borrowers have strong financial ratios and operating trends. Equity is normally in excess of \$20MM. Balance sheet leverage is sound and provides substantial asset protection. Cash flow and interest coverage are stable and strong in relation to liabilities and debt service. Industry outlook is good. We have complete financial information. Where present, long-term debt rating is "A" or better, and commercial paper rating is at least "P-2" or "A-2."

"2"

Loans to borrowers with credit strength ranging from high quality to acceptable are rated "2." The borrowers in this category will include strong national, regional, and local companies as well as smaller companies and individuals. Financial operations and operating trends generally are adequate, and cash flow will generally be sufficient to service debt. We have satisfactory financial information. Business or financial outlook is acceptable. The borrower will have the ability to repay the loan from operations or to refinance from other conventional financing sources within a reasonable period of time. Assets and earnings are protected, and any deficiencies are compensated by collateral of reasonable liquidity. We have confidence in the integrity of the borrower. The large portion of our loans having average credit risk will fall into this category.

Assets Not Criticized

"3"

A rating of "3" is a management tool to draw attention to satisfactory assets in which potential weaknesses exist. Accordingly, this category serves as a "watch" list for monitoring those fully-performing loans which need improvement. While assets in this category warrant closer than normal supervision, deficiencies (such as limited asset and earnings protection) are covered by collateral or other strengths, and there is little potential of undue credit risk.

The "3" category also includes loans which have banking problems caused by the way the bank has handled the customer. Examples of such banking problems are:

1. Inadequate financial information to support loan decision;
2. Improperly structured loans;
3. Unrealistic terms (often dictated by the borrower);
4. Poor or indefinite repayment agreements.

Banking problems of this nature arise most often out of the lending officer's relationship with the customer and, if left uncorrected, could cause credit problems later in the life of a loan. Banking problems may obscure certain facts which will allow the credit risk to be more accurately assessed.

It is possible to have part of an asset rated "3" and the balance rated "2" if a portion is secured by liquid collateral of unassailable value or a government guarantee. When any part of an asset or relationship is placed in a category lower than "3," the remaining portion must be rated no higher than "3" regardless of collateral or guarantees.

Criticized Assets

Other Assets Especially Mentioned ("OAEM")

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Loans or portions of loans in this category are currently protected but have a high potential to become weak credits. These loans constitute an undue and unwarranted credit risk, unlike a "3" asset, but not to the point of justifying a classification of "Substandard." OAEM loans have potential weaknesses which may, if not checked or corrected, threaten the integrity of the asset or inadequately protect the bank's credit position at some future date. This classification would include loans where an adverse trend in the borrower's operations or an unbalanced position in the balance sheet exists but which has not reached a point where the repayment of the loan is jeopardized.

This classification covers those situations in which credit risk itself may be relatively minor yet involve an unsound commitment in light of the circumstances surrounding a specific loan. Loans in this category may involve collateral in poor condition or over which the bank lacks control; a loan agreement inadequate to protect the bank; failure to obtain proper documentation; or other deviations from prudent lending practices. Portions of OAEM or lower-rated relationships which are secured by unassailable liquid collateral or government guarantees should be rated "3."

*

*

*

Any asset or portion of an asset with a projected loss must be rated lower than "OAEM." Loans or portions of loans in which actual weaknesses are evident and significant should receive a "Substandard" or lower classification:

Classified Assets

Substandard Assets

Assets in this category are inadequately protected by the current sound net worth and paying capacity of the borrower or by the collateral pledged. There is well defined weakness that jeopardizes the liquidation of the debt. Any loan not accruing interest must be rated at least "Substandard."

Substandard assets are characterized by the distinct possibility that the bank will sustain some loss if the deficiencies are not corrected. While Substandard credits are considered to be those for which a greater than normal credit risk presently exists, the probability of loss is still less than 60%. Where the amount and probability of loss can be estimated, it will appear on the Projected Charge-Off Report in the "C" or "D" probability categories. Loss potential, while existing in the aggregate amount of substantial assets does not have to exist in individual assets classified substandard. Therefore, the Bank will also have assets rated "Substandard" where more than a normal risk appears to exist but the degree of risk cannot be determined with sufficient accuracy to project a loss.

Deficiencies which normally require a "Substandard" rating include the following: inadequate earnings or cash flow; equity or working capital that does not provide adequate protection; collateral insufficient to overcome deficiencies; serious violations of lending policy; or a lack of integrity in the borrower. OREO, including non-bona fide sales, will normally be classified as "Substandard" unless specifically passed by an outside examiner. The full amount of an asset should fall into one of the three classified categories with the exception of those portions which are fully protected by liquid collateral of unassailable and clearly discernible value or government guarantees. These portions should be rated "3."

Doubtful Assets

A loan or portion of a loan classified as "Doubtful" has all the weaknesses inherent in the "Substandard" classification with the added provision that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. Possibility of loss is extremely high (60% - 90%), but because of certain important and reasonably specific pending factors which may work to the advantage and strengthening of the assets, its classification as a "Loss" is deferred until its ultimate status can be more precisely determined. Loans or portions of loans classified as "Doubtful" must appear on the Projected Charge-Off Report with a "B" probability; however, only that part of a loan which has a "B"

Probability of loss (60% - 90%) will be classified as "Doubtful," with the remainder being rated either higher or lower, depending on the circumstances. Those portions fully protected by liquid collateral of unassailable and clearly discernible value or government guarantees should be rated "3." All Doubtful loans over \$100,000 must be placed on a non-accrual basis.

Loss Assets

Loans or portions of loans classified under "Loss" are considered uncollectible and of such little value that maintaining them as active assets of the bank is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off this basically worthless asset even though partial or full recovery may be effected in the future. This category will include all assets or portions of assets where the probability of loss is determined to range between 90% to 100%. All assets or portions of assets listed in this category must appear on the Projected Charge-Off Report and graded as an "A" probability. Loan losses should be taken in the period in which they surface as uncollectible; therefore, any portion of an asset listed as "Loss" must be charged off within ninety days of the date that it first appears on the Projected Charge-Off Report with an "A" probability unless new developments occur to reduce the probability of loss within the period.

IV. NEW ADVANCES TO CRITICIZED AND CLASSIFIED BORROWERS

New advances to criticized and classified borrowers should be made only after critical evaluation. In order to ensure that new advances are in the best financial interest of the bank, the Credit Policy Committee has established the following policy:

- 2 3 0 4 0 5 9 9 8 5
- A. Criticized Borrowers (OAEM) - New advances or renewals to criticized borrowers ("OAEM's") may be handled exactly as other credits within the lending authority of the account officer.
- B. Classified Borrowers - New advances or renewals to classified borrowers ("Substandard" and below) may be handled in accordance with the following criteria:
1. An account officer may approve new advances, commitments, renewals of loans or lines, or changes in terms or collateral up to \$100,000, provided the relationship balance is within his lending authority.
 2. The Group Head, as defined in the Lending Policy, must pre-approve new advances, commitments, renewals of loans or lines, or changes in terms or collateral of from \$100,000 to \$500,000.
 3. John McIntyre or Willie Alexander must pre-approve new advances, commitments, renewals of loans or lines, or changes in terms or collateral of \$500,000 or more and renewals or extensions of Lines or Commitments of \$500,000 or more.

4. Renewals or advances may be made to criticized or classified borrowers in accordance with pre-approved lines of credit or the stipulations of the original loan agreement.

All new advances, renewals, changes in term, lines or commitments to criticized or classified borrowers must be documented by a Loan Report (Form No. 15-3048-0), Exhibit "1." A copy of the Loan Report must be sent to Credit Administration, 8 Main.

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V. SCOPE AND RESPONSIBILITY

Each bank, department, or branch will assign a rating to all assets, including those of highest quality, which exceed a prescribed dollar amount set by the Division Head or which have a projected charge-off in excess of \$25,000. These prescribed limits may vary from unit to unit depending upon the size of the unit and the nature of the assets developed by that unit. Reports to Credit Administration will be required only on those relationships which exceed, in the aggregate, \$50,000, unless there is a projected charge-off of over \$25,000. In determining whether an asset is of sufficient size to require a rating, the system's aggregate exposure to an individual borrower or interdependent borrowers should be reviewed. Each asset's current rating, including those for commitments, must appear on the Loan Report, in the Credit File, and also on the Debtors' List.

While the lending officer has the primary and initial responsibility for rating his assets, Credit Administration is responsible for the overall rating program of the C&S system. To ensure that ratings are consistently and properly administered, the Credit Examination Department, has the authority to make the final determination in the rating of any asset.

VI. RATING AND REVIEW PROCEDURES

Satisfactory Credits

Inasmuch as the lending officer has the primary responsibility for classifying his own assets, he should assign a rating at the time a loan is made and then adjust it promptly as changing conditions warrant. The Division Head or the Division Senior Credit Officer must concur in writing with any change in rating. Any change in classification should ultimately be reflected in the credit file, on the Time Loan System, on the next Rated Loan Report, and on the Debtors' List. The Division Senior Credit Officer should follow up to see the classifications have been assigned correctly.

A separate list of all assets rated "3" must be maintained by the Division Head or Senior Credit Officer. Credit Examination will periodically review this list with the Division Heads.

B. Criticized/Classified Assets

1. Criticized/Classified Assets Memoranda and Updates.

In cases of ratings changes to Criticized/Classified Assets, including collectible charge offs of \$50,000 or more, a Memorandum on this subject should be prepared

(Exhibit "2"), initialed by the Division Head or Division Senior Credit Officer, and forwarded to Credit Administration.

The face of the report contains detailed information, updated as received, regarding the financial status of the primary borrower, related debt, and all guarantors. The report also contains detailed information regarding Loans, Commitments, and Charge-Offs outstanding, to be updated on a quarterly basis so that progress in the credit can be traced. Collateral and collateral values should be listed in appropriate detail, including disclosure of sources of collateral valuation. All loan balances and statement information should be rounded to the nearest thousand dollars (\$000). Financial information should be updated as received.

On the reverse side of the Criticized/Classified Asset Memorandum a game plan must be prepared outlining the account officer's plan for repayment of the loan or recovery of the loss. Game plans should be specific as to the action which is contemplated and should contain a time schedule where appropriate, including a forecast of the bank's exposure on a quarterly basis.

In addition, criticized and classified assets will be reviewed on a quarterly basis, within 60 days of the end

of each quarter, by the Division Head and the Division Senior Credit Officer and at least annually by System Credit Administration. The review will consider (a) any improvement or deterioration in the asset, including an analysis of current financial information; and (b) the lending officer's strategy for the future relationship.

Specifically, the game plan will receive quarterly supplements outlining progress toward recovery or deviations from the plan and reasons therefor. All revised game plans and updates to the Criticized/Classified Asset Memorandum must be signed by the Account Officer and the Senior Credit Officer and incorporated into the customer's credit file on a quarterly basis.

2. Rated Loan Reports

Each Division will prepare four Rated Loan Reports each year, on November 30, February 28, May 31, and August 31. Six copies of this report, listing all criticized and classified loans and commitments (Exhibit "3") and attaching an updated Criticized/Classified Asset Memorandum, will be due in Credit Administration by the tenth of the following month.

Each Rated Loan Report should contain a forecast (Exhibit "4") for the total amount of criticized loans, with remarks on how the officer expects his rated assets to increase or decrease over the next four quarters. The quarterly rated loan report should include memorandums on criticized or classified relationships which have been upgraded since the last rated loan report. Each Rated Loan Report should also include a cover letter written by the Division Senior Credit Officer or Credit Department Manager to the Division Head highlighting and explaining the significant changes in the report. This memorandum should comment on newly rated assets and on assets deleted from the last report due to upgrading of rating or the repayment of the loan, as well as providing a good picture of what has happened to the rated assets for that unit since the last report. Finally, the report should include summary statistics of the rated assets.

3. Projected Charge-Off Report

The Projected Charge-Off Report (Exhibit "5") is submitted quarterly to Credit Administration by all lending units in the system, including those which have no charge-offs for the period. Reports are due in Credit Administration by the last day of each calendar quarter. Interim reports are required if new potential losses of \$100,000 or more are identified, regardless of probability.

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The Projected Charge-Off Report identifies and quantifies potential losses on Loans where there is serious doubt about the borrower's ability to continue as a going concern; where cash flow is insufficient to support repayment; or where the nature and salability of collateral casts doubt on the collectibility of the loan. The account officer must make an informed estimate of any exposure to the bank and must place a probability of loss factor ("A," "B," "C," or "D") on the report for each credit reported. All loans which have potential losses with a "C" or "D" probability code must be classified "Substandard." All loans containing potential losses with a "B" code are classified "Doubtful"; all loans containing an "A" code are classified as "Losses."

The Projected Charge-Off Report also reflects management's estimate of significant (\$25,000 and over) recoveries and the probability of their occurrence (using the same "A," "B," "C," "D" coding).

Projected Charge-Off Reports are reviewed by Credit Administration, Credit Examination, and the Bank's outside accountant. Identified losses which have been factored according to probability are reported quarterly to the Board of Directors. Finally, reports are analyzed quarterly by Credit Administration to evaluate the adequacy of the Corporation's Loan Loss Reserve.

C. Conclusion

Pursuant to the Bank's goal of keeping classified assets within a range of 25% to 45% of capital, Criticized/Classified Asset Memoranda, Rated Loan Reports, and Projected Charge-Off Reports are intended to furnish line and staff management with a concise presentation of our criticized borrowers and the steps being taken to eliminate the criticism. Consequently, diligent completion of these reports is essential. Questions regarding the filing of criticized/classified asset reports should be directed to System Credit Administration, 8 Main, Atlanta.

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CHARGE OFF POLICY

JULY 1982

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INDEX

	Page
I. Preamble	1.1
II. Scope.	1.2
III. Guidelines for Charge-offs	1.2
A. Unsecured Loans	1.2
B. Secured or Partially Secured Loans.	1.2
C. Disposition of Collateral	1.5
D. Interest.	1.6
E. Partial Charge-offs	1.7
F. Overdrafts.	1.7
G. Consumer Installment Loans.	1.8
H. Factored Customer Accounts.	1.9
I. Family Credit Services, Inc	1.10
J. Servicing Company	1.10
K. Bankruptcy.	1.11

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I. PREAMBLE

It is the policy of the Citizens and Southern National Bank that loans should be charged off when there is reasonable doubt that the balance is collectible, regardless of status. The basic determinant of whether a loan loss exists is whether or not the loan is an asset of the Bank. Any deviation from the policy must be approved in writing by a General Officer, Division Head, or Division Senior Credit Officer. Prior to the taking of any loss, asset value should be established by determining the nature, saleability, availability, and intrinsic value of any collateral pledged to secure a loan; the borrower's character, ability, and willingness to pay; the ultimate collectibility of all or part of the loan through utilization of the customer's cash flow; and the status of the account in the Bankruptcy Court. Delinquency and collection problems, while contributing to the lender's assessment of character and capacity, should not be the final determinant in the decision to take a loss. Charging off a loan does not mean that collection efforts are diminished. A charge-off reflects the questionable value of the Bank's asset.

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II. SCOPE

The Loan Loss Policy covers all classes of loans, leases, retail credit accounts, and overdrafts.

III. GUIDELINES FOR CHARGE-OFFS

- A. Unsecured Loans: must be charged off in their entirety when past due 120 days or more on either principal or interest.
- B. Secured or Partially Secured Loans: must be written down to the appraised value of collateral when past due 120 days or more.
1. Real estate loans. Appraised value equals fair value. Fair value will be determined by a qualified appraiser satisfactory to the lender and will be reduced in all cases by the cost of divestiture.
 2. Loans secured by inventory. Liquidation value is best determined by an independent appraisal from a knowledgeable source. Sources of inventory valuation include appraisers, salvage specialists, competing firms, auctioneers, and brokers. (Disposal of inventory should take

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place as quickly as is legally possible to avoid value reductions caused by obsolescence, damage in storage, and market deterioration.)

3. Accounts receivable. Receivables are subject to substantial shrinkage. Values should be assigned in accordance with the aging done at seizure with no values given to any receivable balances over 180 days past due.

4. Machinery, equipment, and vehicles. Valuation of machinery, equipment, and vehicles should be made through outside appraisers, dealers, auctioneers, or guidebooks which list wholesale or disposal values of such goods. Under normal circumstances, little value should be given to special purpose machinery. The ultimate value of any equipment is determined by the breadth of market in which it can be sold and demand for the particular equipment at time of sale.

5. Negotiable instruments

(a) Readily marketable stocks and bonds have a value which can be determined by consultation with daily published market reports or by consultation with a reputable brokerage house.

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(b) Stocks and bonds of closely held companies, family businesses and non-traded issues normally have little market value. A competent stock broker can be of great assistance to the lender in finding buyers for this type collateral.

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6. Cash surrender value of life insurance. Value is determined through correspondence with the insurance company which issued the policy.
 7. Government guaranteed loans - When a loss is recognized on a government guaranteed loan, the loan balance should be charged down to the amount of the guarantee. Claims to the appropriate agency must be made at the time of the write-down. EXIM or FCIA guaranteed loans are unusual cases, and should be exempted from this requirement. The Division Head or Senior Credit Officer is responsible for charge off decisions on FCIA or EXIM Loans, because, quite often, the amount of guarantee is not immediately determinable. EXIM and FCIA loans should be held until claims are filed and guarantees can be reasonably estimated.

8. Outside guaranties. When a loan reaches 120 days delinquency, demand for payment should be made against all outside guaranties. Demand for payment should be made against all outside guaranties prior to charge off. If a loan reaches 120 days delinquency and is a candidate for charge, value of the guaranties should be devalued to zero unless the guarantee is secured by collateral with a determinable value.

C. Disposition of Collateral: It is policy to dispose of collateral seized in satisfaction of debt as quickly as is legally practical. Detailed procedures for the disposal of collateral are outlined in the procedures addendum to this policy statement. Particular attention should be given to those sections of the procedures which deal with the liquidation of accounts receivable and inventories.

All loans charged down to the liquidation value of collateral should be collected within a reasonable time. Total liquidation of collateral should occur within one year of write-down. Retention of collateral and maintenance of active loan balances beyond the one year disposition period may be warranted. Such instances should be approved by the

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Division Head or Senior Lending Officer. Appraisals should be updated annually on collateral held beyond the disposal period, and outstanding balances further written down if values deteriorate.

- D. Interest: Current regulations of the office of the Comptroller of the Currency require that "loans charged off by a bank should include all applicable accrued interest. Interest which has accrued during the current period should be charged against the income account, while interest accruals of prior periods should be charged to the Reserve for Possible Loan Losses." (OCC Banking Bulletin 76-7, dated November 16, 1976)

C&S policy requires that all accrued (current and prior periods) but unpaid interest on time loans be reversed to the income account prior to charge-off, and to charge only principal to loan losses, Transactions in Process (99030). Current policy requires no change in the handling of loan losses originating through the installment loan-term loan accounting system. Interest which is included in the balance of consumer loans and term loans is to be reversed by repating the unearned portion of

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interest due in accordance with current procedures set out in the Consumer Credit Operating Guide. Certain special situations require the calculation of pro-rata rebates on installment loans prior to the commencement of litigation to collect a deficiency balance. Procedures for the calculation of pro rata rebates are contained in the Consumer Credit Operating Guide.

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- E. Partial Charge-Offs: There are occasions when only a portion of a loan is written off. Such loan records are usually maintained on the Time Loan System, and should be placed on a non-accruing status prior to the taking of a partial loss. All payments to such loans, whether of principal or interest, should be first directed to the net principal balance which remains an active loan and secondarily to any loss which may have occurred.
- F. Overdrafts: Overdrafts, regardless of how they were created, must be charged off when an account has been overdrawn 120 days. GOG 7.2050 outlines general policies and procedures for dealing with charge-offs involving cash items, fraud, robbery, service charges, and return items. Such losses are

charged to the "Other Losses and Recoveries" account of the bank. Overdrafts caused by the deliberate paying over of an account, whether by guideline or through an account officer action, must be charged off against the Loan Loss account.

G. Consumer Installment Loans:

1. Installment loans to consumers must be charged off in entirety, regardless of the collateral position, when the loan becomes 120 days or more delinquent. If a loan payment is due on June 1 and is not promptly paid, it is considered one month past due on July 1. If no subsequent payments are made to this loan, it should be charged off on or after October 1.

Example:

<u>Due Date</u>	<u>Past Due</u>	<u>Ageing</u>
Jun. 1	Jul. 1	30 Days
Jul. 1	Aug. 1	60 Days
Aug. 1	Sept. 1	90 Days
Sept. 1	Oct. 1	120 Days
Oct. 1	Charge-Off Submitted.	

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Regardless of aging, any loan should be charged off when a loss is recognized. The final determinant remains whether or not a loan is an asset of the Bank.

2. CAS and Ready Money accounts, with no payment activity for seven consecutive billings (6 zero billings), will be charged off by the end of the next calendar month. Any account should be charged off when recognized as a loss regardless of its past due status.

H. Factored Customer Accounts:

1. Any account at our risk, with a balance of \$2,500 or less will be charged off at the time of placement for collection, or when the oldest invoice becomes 180 days past due, whichever occurs first.
2. Any account at our risk, with a balance exceeding \$2,500 will be charged off at the time of placement for collection, or when the oldest invoice becomes 270 days past due, whichever occurs first.

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3. Any account which has filed a petition in bankruptcy or has executed any assignment for the benefit of creditors must be charged off if unsecured, or written down to the liquidation value of any collateral, such action to take place within 60 days of the filing of the petition or execution of the assignment.

4. Any invoice on a well rated chain or department store (e.g., Sears, J. C. Penney, Rich's) must be collected or charged off within 90 days after the invoice becomes 360 days past due.

5. Any exceptions to the above must be approved by the Division Head.

I. Family Credit Services, Inc.: Loans will be charged off the month following 180 day recency of payment delinquency. In addition, the loan must also be 180 days contractually past due. See Finance Company Operating Bulletin, dated April 5, 1976, for exceptions to this policy.

J. Servicing Company:

1. When a mobile home loan is delinquent in excess of 180 days, the loan should be charged down to

estimated wholesale value (NADA valuation may be used) unless there is a record of recent regular payments. At this point, the Bank will be considered as a mortgagee in possession. After one year, 50% of the book value shall be charged off and the remaining balance should be written off at the end of the second year.

2. If a bank repossesses a mobile home before the loan is 180 days delinquent, the asset should be charged down to its estimated wholesale value within 90 days or at the 180th day of delinquency, whichever is sooner. Collection and refurbishing costs should be expensed. The remaining book value of the repossessed asset should be charged down 50% one year after foreclosure, and the remaining balance should be charged off at the end of the second year.

K. Bankruptcy: The filing of a petition in Bankruptcy substantially alters the Bank's ability to collect or recover a loan. Bank policy requires that all loans to consumer customers who have filed for protection under Chapters 7 and 13 of the Bankruptcy Code be immediately charged off. Unsecured commercial loans to customers who file under chapters 7,

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11 and 13 should be immediately charged off. Secured loans to customers which fall below non-accrual limits should also be charged off immediately upon the filing of any petition in Bankruptcy. Secured loans which have balances in excess of non-accrual minimums should be charged off down to collateral value and placed immediately on non-accrual when notice of a Bankruptcy petition is received.

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K. Bankruptcy: The filing of a petition in Bankruptcy substantially alters the Bank's ability to collect or recover a loan. Bank policy requires the following disposition of loans to customers under the protection of the Bankruptcy Court:

1. Chapter 13. ←

Loans to consumer customers who file under Chapter 13, whether secured, guaranteed, or unsecured must be charged off immediately upon notice of filing. Residential First Mortgage Loans are specifically excepted from this requirement and should be handled in accordance with Section 4 of this policy.

2. Chapters 7 and 11 (Unsecured). ↵

Unsecured loans to consumer or commercial customers which have no guarantor or co-maker must be charged off immediately upon notice of filing. If a loan is guaranteed or has a co-debtor, immediate demand for payment should be made upon the guarantor or co-debtor. If the guarantor or co-debtor is unable to or refuses to pay, the loan should be charged off at the earliest of either:

- (a) The determination of unwillingness or inability to pay, or
- (b) When the loan reaches a 120-day delinquency status.

3. Chapters 7 and 11 (Secured)

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- (a) Secured loans to consumer or commercial customers which have balances below non-accrual limits must be charged off immediately upon notice of filing, unless the collateral pledged against the loan is of such value and liquidity that it assures the ultimate collection of all principal and interest; in which case, the loan may be retained on the Bank's books until disposition of collateral is complete. Retention of such loans requires a written request by the account officer to waive the charge off requirement. Waiver procedures are described in paragraph 5 of this section.

- (b) Secured loans to consumer or commercial customers which exceed non-accrual limits must be placed on non-accrual immediately upon notice of filing; and principal must be written down to the disposal value of

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the collateral. Collateral value and liquidity should assure the ultimate collection of the balance which remains on the Bank's books. Retention of written down loans requires a written request by the account officer to waive the charge off requirements. Waiver procedures are described in paragraph 5 of this section.

4. Residential First Mortgage Real Estate Loans.

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Because collateral protection is readily available to the Bank, and debtors often continue to make first mortgage payments without interruption, the charge off of residential first mortgage real estate loans upon receipt of a bankruptcy notice is not required. If there is sufficient equity in the property to satisfy unsecured creditors, the property may be sold and the Bank paid in full. If the property has no equitable value and the customer is unable to continue the monthly payments, the Bank petitions to have the property abandoned so that foreclosure proceedings can be instituted.

5. Waivers. ↖

Exceptions to charge off policy are allowed for secured transactions. To waive charge off requirements, the account officer must prepare a written analysis of the credit to justify the retention of all or a portion of the loan on the Bank's books. The memorandum should include a detailed description of the credit transaction, a thorough review of documentation, a reasonable estimate of collectibility and an estimate of the time required to collect the loan. Retention of loans requires the review and written approval of the Division Head or Division Senior Credit Officer. The memorandum and written approval must be retained in the credit file.

6. Cross Reference. ↖

CCOG Bulletin "Collections-Bankruptcy" March, 1983.

~~1857B/opp. 15-18~~

~~Draft to replace section K~~

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LAW OFFICES

ALSTON & BIRD

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

1200 CITIZENS & SOUTHERN NATIONAL BANK BUILDING
35 BROAD STREET
ATLANTA, GEORGIA 30335
404-586-1500

DIRECT DIAL NUMBER

GALLERY OFFICES
100 GALLERY PARKWAY
SUITE 1200
ATLANTA, GEORGIA 30339
404-955-8400

CABLE: AMGRAM ATLANTA
TELEX: 54-2996

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November 15, 1984

Ms. Frances B. Hagan
Federal Election Commission
Washington, D.C. 20463

Re: MUR 1725 The Citizens and Southern National Bank

Dear Ms. Hagan:

I noticed we had failed to include Exhibit L in the package we sent to you dated November 9, 1984.

I enclose a copy of Exhibit L for your records.

Cordially,


TIMOTHY S. PERRY

TSP:dw
Enclosures

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NOV 19 11:48

ATLANTA, GA.. December 20 19 83 \$ 25,000

113 days

AFTER DATE, THE UNDERSIGNED PROMISES TO PAY TO THE ORDER

OF The Citizens and Southern National Bank (HEREAFTER, TOGETHER WITH ANY HOLDER HEREOF, CALLED "HOLDER"), AT ATLANTA, GEORGIA, OR AT SUCH OTHER PLACE AS THE HOLDER MAY DESIGNATE AND NOTIFY UNDERSIGNED.

Twenty-five Thousand (\$ 25,000.00) DOLLARS

TOGETHER WITH INTEREST (CALCULATED ON THE BASIS OF A YEAR OF 360 DAYS) AS PROVIDED IN CODE INDICATED BELOW, AND ALL COSTS OF COLLECTION, INCLUDING FIFTEEN PERCENT (15%) OF THE PRINCIPAL AND INTEREST AS ATTORNEYS' FEES IF COLLECTED BY LAW OR THROUGH AN ATTORNEY AT LAW.

The interest rate so calculated as of this date is 1 1/2% per annum

Code 1 [Prime Rate/Commercial Paper (daily)]

Interest on the daily unpaid principal balance from date until paid in full at a per annum rate which is the greater of (i) _____ percentage points above the Prime Rate in effect on each respective day, or (ii) _____ percentage points above the weekly average rate of interest for 90 to 119-day prime commercial paper, as quoted by dealers, in effect on each respective day.

Code 2 [Prime Rate (daily)]

Interest on the daily unpaid principal balance from date until paid in full at a per annum rate of 1/2 percentage points above the Prime Rate in effect on each respective day.

Code 3A [Prime Rate (periodic)]

Interest on the unpaid principal balance, from time to time, from date until paid in full at a per annum rate of _____ percentage points above the Prime Rate in effect from time to time. Such interest rate shall be determined by the Holder on the date hereof and as of such day of each month or the end of each such time period as Holder elects, and the rate so determined shall be effective until the next such determination.

Code 3B [Prime Rate Commercial Paper (periodic)]

Interest on the unpaid principal balance, from time to time, from date until paid in full at a per annum rate which is the greater of (i) _____ percentage points above the Prime Rate in effect from time to time, or (ii) _____ percentage points above the weekly average rate of interest for 90 to 119-day prime commercial paper, as quoted by dealers, in effect from time to time. Such interest rate shall be determined by the Holder on the date hereof and as of such day of each month or the end of each such time period as Holder elects, and the rate so determined shall be effective until the next such determination.

"Prime Rate" means the rate of interest announced by The Citizens and Southern National Bank in Atlanta, Georgia from time to time as the Prime Rate.

Interest after maturity shall accrue at a rate equal to one hundred fifty percent of the effective rate in existence when this note matures, not to exceed the maximum contract rate of interest allowed by applicable law.

To secure the payment of this Note and all other indebtedness or liability of the undersigned to Holder, however and whenever incurred or evidenced, whether direct or indirect, absolute or contingent, or due or to become due hereafter with this Note, collectively called "Liabilities", undersigned transfers and conveys to Holder any and all balances, credits, deposits, accounts, items and monies of the undersigned now or hereafter with the Holder, and the undersigned agrees that the Holder shall have a lien upon, security title to and, a security interest in all property of the undersigned of every kind and description now or hereafter in the possession or control of the Holder for any reason, including all dividends and distributions on or other rights in connection therewith.

If at any time the undersigned should become insolvent (as defined in the Uniform Commercial Code as in effect at that time in Georgia), or should any proceeding be instituted by undersigned seeking an order for relief on its behalf as debtor under any Chapter of the Bankruptcy Code or should undersigned file a proceeding seeking reorganization, arrangement, adjustment or composition of its debts under any other law relating to insolvency, reorganization or relief of debtors, or if undersigned should seek appointment of a receiver, trustee, custodian, or other similar official for it or any substantial part of its property, or make a general assignment for the benefit of creditors, or if any proceeding be instituted against undersigned seeking to have an order of relief entered against it as debtor under any Chapter of the Bankruptcy Code, or if a proceeding be instituted against undersigned seeking reorganization, arrangement, adjustment or composition under any other law relating to the insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property, or if any judgment be entered against the undersigned, or if undersigned shall fail to meet at maturity any indebtedness or liability to the Holder, or if any warranty or representation of undersigned pertaining to this credit (whether contained in this Note or not) prove untrue or misleading, or if the Holder shall feel insecure for any reason whatsoever, (1) any and all of Liabilities may, at the option of the Holder, and without demand or notice of any kind, be declared and thereupon immediately shall become due and payable, (2) the undersigned will pay all expenses of the Holder in the collection of this Note including reasonable attorney's fees and legal expenses, (3) the Holder may exercise from time to time any rights and remedies available to Holder under the Uniform Commercial Code as in effect at that time in Georgia or otherwise available to Holder, including those available under any written instrument in addition to this Note relating to any of the Liabilities or any security therefor, and (4) the Holder may, at any time, without demand or notice of any kind, appropriate and apply toward the payment of such of the Liabilities, and in such order of application, as the Holder may from time to time elect, any balances, credits, deposits, accounts, items or monies of the undersigned with the Holder. No delay or failure on the part of the Holder in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Holder of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy.

If more than one party shall execute this Note, the term undersigned as used herein shall mean all parties signing this Note and each of them, who shall be jointly and severally obligated hereunder.

Given under the hand and seal of each of the undersigned.

DUE 4/11/84 NO 29756

GEORGIA DEMOCRATIC PARTY

By: [Signature] (SEAL)
Chairman, State Finance Council (SEAL)

ADDRESS Atlanta, GA

TELEPHONE NO.

15-3150-0 REPL 1-82

BANK USE ONLY
APPROVED BY [Signature]
O.L.D.
R.A.M.
INTEREST CHECKED

CREDIT LIFE INSURANCE
DATE OF BIRTH OF
PERSON TO BE INSURED



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

November 19, 1984

Mr. Wayne Reece, Esquire
Democratic Party of Georgia
901 South Tower
Omni International
Atlanta, Georgia 30303

RE: MUR 1725
Democratic Party of Georgia

Dear Mr. Reece:

This is in reference to your letter dated November 2, 1984, requesting an extension until December 3, 1984, to respond to the Commission's notice that it has reason to believe that the Democratic Party of Georgia and as treasurer Charles Harris have violated the Act.

Considering the Commission's responsibilities under 2 U.S.C. § 437g(a)(8)(A) to act expeditiously on complaints and the circumstances of this matter, we cannot agree to your request.

If you have any questions, please contact Frances B. Hagan, the staff member handling this matter, at (202) 523-4000.

Sincerely,

Charles N. Steele
General Counsel

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

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
The Democratic Party of)
Georgia) MUR 1725
Citizens and Southern National)
Bank)
First National Bank of Atlanta)
)

Comprehensive Investigative Report #1

On October 2, 1984, the Commission took the following action in MUR 1725:

1. Found reason to believe that the Democratic Party of Georgia ("the Party") and as treasurer, Charles Harris, violated 2 U.S.C. § 441b(a)

- a) when prohibited funds were used to make loan repayments on behalf of the federal account;
- b) when a loan of \$5,000 was commingled with prohibited funds in a non-federal account, then transferred to the federal account;
- c) through receipt of bank loans not made in the ordinary course of business because the bank could not be sure of repayment.

2. Found reason to believe that the Citizens and Southern National Bank ("C and S") and the First National Bank of Atlanta (First Atlanta) violated 2 U.S.C. § 441b(a) by making loans to the Party which were not within the normal course of business.

The reason to believe notification to the Banks included interrogatories containing ten multi-part questions each. The Banks requested and were granted extensions of time to respond. Their responses produced all the documents reflecting their criteria for approving and revising a bank loan, all documents submitted to each Bank by the Party in requesting the questioned

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loans, documents on which the Banks relied in approving or renewing these loans, information regarding the Banks practices concerning other similar loans as well as information concerning these specific loans.

Both Banks attest that the loans to the Party were made with "a reasonable expectation of repayment." Their documentation and narrative responses are voluminous in an attempt to concretize that assertion. The substantive review of these responses and the accompanying documents is underway in an effort to establish whether the Banks acted in the ordinary course of business and with a reasonable expectation of repayment to approve and renew the loans to the Party. The Party has not replied to the reason to believe finding. As soon as the analysis of these issues is complete, we will prepare briefs concerning each respondent.

Charles N. Steele
General Counsel

May 29, 1985
Date

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

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

MEMORANDUM TO: CHARLES N. STEELE
GENERAL COUNSEL

FROM: *MWE* MARJORIE W. EMMONS/JODY C. RANSOM *JCR*

DATE: MAY 31, 1985

SUBJECT: MUR 1725 - Withdrawal Memorandum dated
May 29, 1985 and Comprehensive Investigative
Report #1 signed May 29, 1985

The above-captioned matter was circulated to the Commission on a 24 hour no-objection basis at 4:00, May 29, 1985.

There were no objections to the Comprehensive Investigative Report at the time of the deadline.

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M1725

Vice President

September 10, 1985

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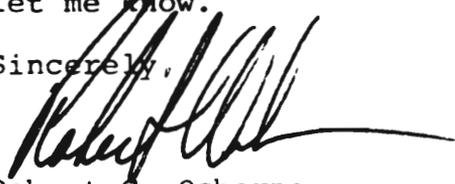
Ms. Frances B. Hagan
Federal Election Commission
Seventh Floor
1325 K Street, N. W.
Washington, D. C. 20463

Dear Ms. Hagan:

I have enclosed a copy of the affidavit from R. Gregg Magruder concerning our loan to the Democratic Party.

Think this will provide you with the information that you need but, if not, please let me know.

Sincerely,



Robert C. Osborne

RCO:bwc

Enclosure

AFFIDAVIT OF R. GREGG MAGRUDER

SEP 11 10 2:33

STATE OF GEORGIA .
.
COUNTY OF FULTON .

R. Gregg Magruder, being duly sworn, deposes and says:

1. I am an Executive Vice President of The First National Bank of Atlanta (the "Bank"), and have been employed by the Bank since 1958, and currently serve as senior credit officer of the Bank.

2. The information contained in this Affidavit is based on my personal knowledge, and I am personally acquainted with the facts set forth herein.

3. I am familiar with the Bank's credit policies and procedures.

4. In October, 1982, the Bank extended credit in the amount of \$100,000 to the Democratic Party of Georgia in the ordinary course of business and in accordance with the Bank's loan and credit policies for similar transactions.

5. While the Bank does not have any records which would show how many loans it made between \$50,000 and \$300,000 since January 1, 1980 or how many of those loans were at an interest rate of prime plus one-half, the Bank's records as of August 31, 1985, show that on that date there were 779 loans outstanding with interest at a rate of prime plus one-half per cent aggregating \$165,840,297 in principal amount, of which 250 were between \$50,000 and \$300,000 which is representative of the Bank's normal lending patterns.

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6. In the ordinary course of business the Bank extends credit to corporations and individuals on short term notes for 90 to 180 day periods and routinely renews those notes for successive periods of 90 to 180 days, in some instances accompanied by a reduction in principal.


R. GREGG MAGRUDER

Sworn to and subscribed
before me this 10 day
of September, 1985.


Notary Public
Notary Public, Georgia, State At Large
My Commission Expires Feb. 17, 1989

83040694920

LAW OFFICES

ALSTON & BIRD
A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

1200 CITIZENS & SOUTHERN NATIONAL BANK BUILDING
35 BROAD STREET
ATLANTA, GEORGIA 30335
404-586-1500

DIRECT DIAL NUMBER

(404) 586-1642

RECEIVED BY THE FEC
05 SEP 11 12:32

GALLERIA OFFICES
100 GALLERIA PARKWAY
SUITE 1200
ATLANTA, GEORGIA 30339
404-955-8400

CABLE: AMGRAM ATLANTA
TELEX: 54-2996

September 10, 1985

FEDERAL EXPRESS

Ms. Frances B. Hagan
Federal Election Commission
Washington, D.C. 20463

Re: MUR 1725
The Citizens and Southern National Bank

05 SEP 11 12:47

RECEIVED
GENERAL COUNSEL

38040694921

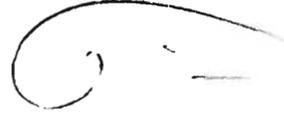
Dear Ms. Hagan:

In response to your request, I enclose an Affidavit of John E. McKinley, III, the Senior Credit Officer of The Citizens and Southern National Bank concerning the matters we discussed.

I hope that this Affidavit provides the factual support necessary to assist you in completing this matter.

Thanks again for your help.

Cordially,



TIMOTHY S. PERRY

TSP/gb

AFFIDAVIT

COMES NOW John E. McKinley, III, and upon oath deposes and states the following:

1.

I am an Executive Vice President of The Citizens and Southern National Bank ("C&S"). I have been with C&S since 1969. I am presently the senior credit officer for C&S and as such have responsibility for lending policy. In addition I have co-authored two text books: Corporate Banking - A Practical Approach to Lending (published by AIB) and Problem Loan Strategies (published by RMA). I have also served as a member of the faculty of the Stonier Graduate School of Banking. This Affidavit is given in response to a request of the Federal Election Commission in connection with an inquiry concerning a loan made by C&S to the Georgia Democratic Party.

2.

I have reviewed the C&S submission to the Federal Election Commission dated November 9, 1984, and have reviewed the history of the C&S loan to the Georgia Democratic Party since November 9, 1984.

3.

I was not responsible for nor involved in the making of the C&S loan to the Georgia Democratic Party. The statements made

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in this Affidavit are made by me from the perspective of C&S's lending policies and practices, not from the perspective of one involved in making or administering the loan in question.

4.

C&S presently has total loans in excess of \$5,000,000,000. Approximately one-half of these are commercial loans. A commercial loan between \$50,000 and \$300,000 is in no sense unusual in the C&S commercial loan portfolio.

5.

The interest rates charged by C&S on its commercial loans vary. The C&S Lending Policy which was provided to the Federal Election Commission at Tab T of the November 9, 1984, submission states: "The Bank's policy is for loans to float with the prime, except as provided in certain specialized lending policies." (page I-4) Thus, the great majority of the commercial loans made by C&S float with its announced prime rate. That a commercial loan would float based upon the prime at a rate of one-half a percentage above prime is not unusual.

6.

The reduction and renewal of a commercial loan is not unusual. Indeed, it is common for a short term commercial loan not to be paid in its entirety at maturity, but rather be reduced and renewed on the due date with the payment of the then accrued interest. Many commercial loans are structured as

short-term loans, not because it is anticipated that they will be paid on a short-term basis, but rather to allow for regular review and to assure the Bank maximum flexibility in the handling of the credit.

7.

Finally, I have reviewed the handling of this specific loan to the Georgia Democratic Party both up to the time of the C&S November 9, 1984, submission, and since that time. On March 21, 1985, after the November 9, 1984, submission to the Federal Election Commission, the Bank received a significant payment which brought the interest current to the date of the payment and reduced the principal by \$65,000.00. The loan now stands with total indebtedness of \$80,869.78, which is due on March 21, 1986. While every loan is unique and the Bank's handling of every loan is unique, there is nothing that suggests to me that the handling by C&S of the loan to the Georgia Democratic Party has been in any manner unusual or in any way that would be substantially different from how C&S would handle any other commercial loan. It is not unusual for the pay-out on a loan to take longer than is initially contemplated either by the Bank or the borrower. While the C&S loan to the Georgia Democratic Party has been outstanding for a somewhat longer period than was originally contemplated, the history of the loan reflects that C&S increased the security of its position,

received accrued interest on the occasion of renewals and was able to continually reduce the total of the outstanding indebtedness.

This 9 day of September, 1985.

John E. McKinley, II
JOHN E. MCKINLEY, II

Sworn to and subscribed
before me this 9 day
of September, 1985.

Rheda Carter
Notary Public RHEDA CARTER
Notary Public, Georgia, State at Large
My Commission Expires July 26, 1985

BEFORE THE FEDERAL ELECTION COMMISSION

RECEIVED
OFFICE OF THE FEO
COMMISSION SECRETARY

05 SEP 13 P 3:18

In the Matter of)
)
Democratic Party of Georgia)
Charles Harris, as treasurer) MUR 1725
First National Bank of Atlanta)
Citizens and Southern National)
Bank)

SENSITIVE

GENERAL COUNSEL'S REPORT

BACKGROUND

On October 2, 1984, the Commission took the following action in MUR 1725:

1. Found reason to believe that the Democratic Party of Georgia ("the Party") and as treasurer, Charles Harris, violated 2 U.S.C. § 441b(a)

- a) when prohibited funds were used to make loan repayments on behalf of the federal account;
- b) when a loan of \$5,000 was commingled with prohibited funds in a non-federal account, then transferred to the federal account;
- c) through receipt of bank loans not made in the ordinary course of business because the bank could not be sure of repayment.

2. Found reason to believe that the Citizens and Southern National Bank ("C and S") and the First National Bank of Atlanta ("First Atlanta") violated 2 U.S.C. § 441b(a) by making loans to the Party which were not within the normal course of business.

The reason to believe notification to the Banks included interrogatories containing ten multi-part questions each. The Banks requested and were granted extensions of time to respond. Their responses produced all the documents reflecting their

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criteria for approving and revising a bank loan, all documents submitted to each Bank by the Party in requesting the questioned loans, documents on which the Bank relied in approving or renewing these loans, information regarding the Banks' practices concerning other similar loans as well as information concerning these specific loans.

During the substantive review of these responses and the drafting of briefs, it became clear that more information was needed to discern which loan practices are customary and in the ordinary course of business for these banks. Specifically, additional information is necessary to determine if the Banks' handling of the Party's loans (1) comports with their established loan policies and (2) if it is in keeping with their handling of other loans of similar size in terms of the interest rate, payment schedule, renewal policy and efforts to obtain payment.

Both Banks have agreed to provide such information, but have indicated that a compilation of detailed data regarding the number and characteristics of loans made at the same rate and repayment schedules and credit risk would be an unduly burdensome task considering the loan portfolios of these larger banks. As an alternative to a costly and time consuming endeavor which would prove a drain on bank resources, this Office has requested that the Banks provide sworn affidavits concerning their loan practices. These affidavits will be submitted by senior credit officials who can attest to the general bank practices as well as to the specific handling of the loans to the Party.

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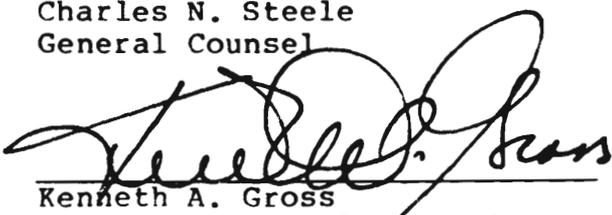
As for the Party itself, we have prepared an order for answers to questions. The order seeks to obtain accurate information regarding the total amount of funds paid by the Party's non-federal account on behalf of the federal account as well as the subsequent amount of offsetting repayments to the non-federal account from the federal account. At this point, we can only estimate these amounts based on figures from the Party's FEC reports. The response to these questions will be particularly significant in that we have had no substantive response from the Party in this matter.

RECOMMENDATION

Authorize the attached order and cover letter to the Democratic Party of Georgia.

Charles N. Steele
General Counsel

BY:


Kenneth A. Gross
Associate General Counsel

Date

Attachments:

- Copy of Order
- Copy of Letter

88040694928

Sept. 11, 1985



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM TO: CHARLES STEELE, GENERAL COUNSEL
FROM: MARJORIE W. EMMONS/JODY C. RANSOM *je/R*
DATE: SEPTEMBER 18, 1985
SUBJECT: OBJECTIONS - MUR 1725 General Counsel's
Report signed September 11, 1985

The above-named document was circulated to the
Commission on Monday, September 16, 1985 at 11:00.

Objections have been received from the Commissioners
as indicated by the name(s) checked:

Commissioner Aikens	_____
Commissioner Elliott	_____
Commissioner Harris	_____
Commissioner Josefiak	_____ X
Commissioner McDonald	_____ X
Commissioner McGarry	_____

This matter will be placed on the Executive Session
agenda for Tuesday, September 24, 1985.

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)	
)	
Democratic Party of Georgia)	
Charles Harris, as treasurer)	MUR 1725
First National Bank of Atlanta)	
Citizens and Southern National)	
Bank)	

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session of September 24, 1985, do hereby certify that the Commission decided by a vote of 5-0 to authorize the order and cover letter to the Democratic Party of Georgia, as recommended in the General Counsel's report dated September 11, 1985.

Commissioners Aikens, Elliott, Josefiak, McDonald, and McGarry voted affirmatively for the decision. Commissioner Harris did not cast a vote.

Attest:

Sept. 25, 1985

Date

Marjorie W. Emmons

Marjorie W. Emmons
Secretary of the Commission

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 4, 1985

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Wayne Reece, Esquire
Democratic Party of Georgia
901 South Tower
Omni International
Atlanta, Georgia 30303

RE: MUR 1725
Democratic Party of Georgia
Charles Harris, as treasurer

Dear Mr. Reece:

On October 4, 1984, you were notified that the Commission found reason to believe that the Democratic Party of Georgia and Charles Harris, as treasurer, violated 2 U.S.C. § 441b(a), a provision of the Federal Election Campaign Act of 1971, as amended. An investigation of this matter is being conducted and it has been determined that information from you is necessary.

Consequently, the Federal Election Commission has issued the attached order which requires that you provide information which will assist the Commission in carrying out its statutory duty of supervising compliance with the Federal Election Campaign Act of 1971, as amended, and Chapters 95 and 96 of Title 26, U.S. Code. It is required that you submit the information under oath and that you do so within ten days of your receipt of this order.

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If you have any questions, please direct them to Frances B. Hagan, the staff member handling this matter, at (202) 523-4000.

Sincerely,

Charles N. Steele
General Counsel



By: Kenneth A. Gross
Associate General Counsel

Enclosure
Order
Questions

83040574932

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Democratic Party of Georgia) MUR 1725
Charles Harris, as treasurer)

ORDER TO SUBMIT WRITTEN ANSWERS

To: Wayne Reece, Esquire
Democratic Party of Georgia
901 South Tower
Omni International
Atlanta, Georgia 30303

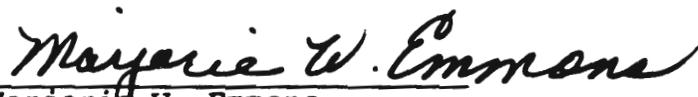
Pursuant to 2 U.S.C. § 437d(a)(1), and in furtherance of its investigation in the above-styled matter, the Federal Election Commission hereby orders you to submit written answers to the questions attached to this Order.

Such answers must be submitted under oath and must be forwarded to the Commission within 10 days of your receipt of this Order.

WHEREFORE, the Chairman of the Federal Election Commission has hereunto set his hand in Washington, D.C. on this *2nd* day of *Oct.*, 1985.


John Warren McGarry
Chairman

ATTEST:


Marjorie W. Emmons
Secretary to the Commission

Attachment
Questions

33040574933

QUESTIONS- Democratic Party of Georgia

1. Please show the amount and dates of payments (including interest) by the non-federal administrative account or other non-federal accounts made on behalf of the federal account for the federal portion of loans owed to the First National Bank of Atlanta and Citizens and Southern National Bank. List these payments by loan and by bank receiving payments.
2. Show the amount and dates of payment made by the non-federal administrative account or other non-federal accounts on behalf of the federal account's portion of administrative expenses.
3. Show the amount and dates of offsetting repayments from the federal account to the non-federal account(s) for (a) loan payments and (b) administrative expenses.

[Note: This payment history should be complete from the date of the original loans to the present.]

33040624954

CC#8867

HENDRICKS, BODKER & REECE

ATTORNEYS & COUNSELORS - AT - LAW
SUITE 615
1800 PEACHTREE STREET, N.W.
ATLANTA, GEORGIA 30309
(404) 551-1455

FLEX 559464
TELECOPIER (404) 352-9200

OF COUNSEL
WALTER PROBERT

FEDERAL EXPRESS

October 24, 1985

5
OCT 28
12:00

ORIGINAL

Mr. Charles N. Steele
General Counsel
Federal Election Commission
Washington, D.C. 20463

RE: MUR 1725
Democratic Party of Georgia
Charles Harris, as treasurer

Dear Mr. Steele:

I would appreciate a postponement on the information that you have requested concerning the above-referenced matter. This request is made in light of the fact that Ms. Carol Dabbs, the Staff Director for the Committee, has been involved in a serious automobile accident and has not yet recovered.

We would like to request a thirty day extension on providing the information that you have requested. Your understanding and cooperation in this matter would be greatly appreciated.

Sincerely,



Wayne Reece

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BEFORE THE FEDERAL ELECTION COMMISSION

RECEIVED
OFFICE OF THE FEDERAL
SECRETARY

85 DEC 24 11:41

In the Matter of)
)
Citizens and Southern)
National Bank)
First National Bank of)
Atlanta)

MUR 1725

SENSITIVE

GENERAL COUNSEL'S REPORT

The Office of General Counsel is prepared to close the investigation in this matter as to the Citizens and Southern National Bank and the First National Bank of Atlanta, based on the assessment of the information presently available.

23 Dec 1965
Date



Charles N. Steele
General Counsel

33040674930

SENSITIVE

EXEMPTIVE SECTION

BEFORE THE FEDERAL ELECTION COMMISSION

JAN 07 1986

In the Matter of)	
)	
Democratic Party of Georgia)	MUR 1725
Charles Harris, as treasurer)	

GENERAL COUNSEL'S REPORT

**REQUEST TO AUTHORIZE CIVIL ACTION
TO ENFORCE AN ORDER ISSUED TO
THE DEMOCRATIC PARTY OF GEORGIA
AND CHARLES HARRIS, AS TREASURER**

On September 24, 1985, the Commission decided to issue an order for answers to questions to the Democratic Party of Georgia ("the Party") and Charles Harris, as treasurer. The order sought to obtain accurate information regarding the amount of non-federal payments made on behalf of the federal account as well as the amount of offsetting repayments from the federal account to the Party's non-federal account. The Party's response was due 10 days after receipt of the order. On October 15, 1985, the Party received the Commission's order by certified mail.

The Party requested a 30-day extension to respond because the official directly concerned with FEC reporting was recovering from an automobile accident. Accordingly, this Office extended the response time to November 25, 1985. The Party has not responded to the order.

Based on the Party's failure to respond to the order, the Office of General Counsel recommends that the Commission authorize this Office to initiate an action in the United States District Court to enforce the order.

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Recommendation

1. Authorize the Office of General Counsel to initiate a civil action in the United States District Court to enforce the order issued to the Democratic Party of Georgia and Charles Harris, as treasurer.
2. Approve the attached letter.

24 December 1961
Date



Charles N. Steele
General Counsel

Attachment
Letter to the Party

8 3 0 4 0 6 7 4 9 3 8



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

Wayne Reece, Esquire
Hendricks, Bodker and Reece
Suite 615
1800 Peachtree Street, N.W.
Atlanta, Georgia 30309

Re: MUR 1725
Democratic Party of Georgia
Charles Harris, as treasurer

Dear Mr. Reece:

The Democratic Party of Georgia was previously notified that on September 24, 1985, the Commission voted to issue an order for answers to certain questions. At your request, this Office subsequently extended the response date to November 25, 1985.

The Commission has not received an answer to the order. Therefore, the Commission has authorized the Office of General Counsel to initiate a civil action in the United States District Court to enforce the order. Should you wish to discuss this matter prior to initiation of the enforcement action, please contact Ivan Rivera, the attorney assigned to this matter, at (202) 376-8200 within three days of receiving this notice.

Sincerely,

Charles N. Steele
General Counsel

Attachment

83040674937

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
Democratic Party of Georgia) MUR 1725
Charles Harris, as treasurer)

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session of January 8, 1986, do hereby certify that the Commission decided by a vote of 6-0 to take the following actions in MUR 1725:

1. Authorize the Office of General Counsel to initiate a civil action in the United States District Court to enforce the Order issued to the Democratic Party of Georgia and Charles Harris, as treasurer, if the respondent does not provide the information requested.
2. Approve the letter attached to the General Counsel's report dated December 24, 1985, and authorize the sending of the letter unless the respondent provides the information requested.

Commissioners Aikens, Elliott, Harris, Josefiak, McDonald, and McGarry voted affirmatively for the decision.

Attest:

1-10-86
Date

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

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM TO: THE COMMISSION
FROM: CHERYL A. FLEMING *CAF*
DATE: JANUARY 31, 1986
SUBJECT: MUR 1725 - Memorandum To The Commission
Dated January 29, 1986

The above-captioned matter was circulated by the Commission Secretary's Office to the Commissioners on Thursday, January 30, 1986 at 11:00 A.M.

The mailing date in the document was inadvertently omitted. Please note the attached memorandum with date added.

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SENSITIVE

RECEIVED
OFFICE OF THE ATTORNEY GENERAL
JAN 31 11:20 AM '86
January 29, 1986

MEMORANDUM

TO: The Commission

FROM: Charles N. Steele
General Counsel *CS*

SUBJECT: MUR 1725

Attached for the Commission's review are briefs stating the position of the General Counsel on the legal and factual issues of the above-captioned matter as it relates to the Citizens and Southern National Bank and the First National Bank of Atlanta. Copies of these briefs and letters notifying the respondents of the General Counsel's intent to recommend to the Commission findings of no probable cause to believe were mailed on January 29, 1986. Following receipt of the Respondents' replies to these notices, this Office will make a further report to the Commission.

Attachments

1. Briefs (2)
2. Letters to Respondents (2)

83040524942



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

January 29, 1986

Timothy S. Perry, Esquire
Alston and Bird
1200 Citizens & Southern National
Bank Building
35 Broad Street
Atlanta, Georgia 30335

RE: MUR 1725
Citizens and Southern
National Bank

Dear Mr. Perry:

Based on information ascertained in the normal course of carrying out its supervisory responsibilities, the Federal Election Commission, on October 2, 1984, found reason to believe that your client had violated 2 U.S.C. § 441b(a), a provision of the Act and instituted an investigation of this matter.

After considering all the evidence available to the Commission, the Office of General Counsel is prepared to recommend that the Commission find no probable cause to believe that a violation has occurred. The Commission may or may not approve the General Counsel's Recommendation.

Submitted for your review is a brief stating the position of the General Counsel on the legal and factual issues of the case. Within fifteen days of your receipt of this notice, you may file with the Secretary of the Commission a brief (10 copies if possible) stating your client's position on the issues and replying to the brief of the General Counsel. Three copies of such brief should also be forwarded to the Office of General Counsel, if possible. The General Counsel's brief and any brief which you submit will be considered by the Commission before proceeding to a vote of no probable cause to believe a violation has occurred.

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Letter to Timothy S. Perry
Page 2

Should you have any questions, please contact Frances B. Hagan, the staff member assigned to handle this matter, at (202) 376-8200.

Sincerely,



Charles N. Steele
General Counsel

Enclosure
Brief

88040694944

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Citizens and Southern) MUR 1725
National Bank)

GENERAL COUNSEL'S BRIEF

I. STATEMENT OF THE CASE

On October 2, 1984, the Commission found reason to believe that the Citizens and Southern National Bank ("C and S" or the "Bank") violated 2 U.S.C. § 441b(a) by making loans to the Democratic Party of Georgia ("the Party") which were not within the ordinary course of business.

This matter was referred to the Office of the General Counsel from the Audit Division as a result of an audit of the Party's federally-registered Committee conducted pursuant to 2 U.S.C. § 438(b). The audit review of the Party's loan history indicated that the C and S Bank made unsecured loans to the Party during the 1982 campaign cycle. The question was raised during the audit process as to whether the loans were made in the ordinary course of business and in accordance with applicable State law. According to information obtained from the FEC audit and from the C and S Bank's response to interrogatories accompanying the reason to believe finding, the Bank made three loans to the Party during 1982 and 1983. Each of the loans, \$125,000 on October 8, 1982, \$125,000 on November 5, 1982, and \$25,000 on December 20, 1983, was evidenced by written instruments (notes), due on specific dates and subject to interest rates of 1/2 percent above prime. (11 C.F.R. § 100.7(b)(11).)

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The C and S loan reports for the two loans of \$125,000 each stated that the primary source of repayment was "cash flow of Party." A secondary source of repayment was listed as "stand behind letters" from individuals with potential guarantees of \$20,000 on renewal. The letters, from five prominent local Democratic leaders, also provided commitment for fundraising efforts to retire the debt. Shortly after the first loan was made, the Bank obtained assignment of a life insurance policy on the Governor-elect's life. The policy was to be "in excess of \$125,000."

The primary source of repayment was still listed as "cash flow of Party" when the loans matured on April 8, 1983. At that time, the two loans were combined, the Party paid \$100,000 applicable to principal and interest on both loans and the note was renewed at \$163,476.61.

On December 20, 1983, C and S made a third loan of \$25,000 to the Party. the loan report listed the primary source of repayment as "(1) Jefferson-Jackson Day Dinner receipts and (2) 1984 qualifying fees." On this loan, collateral was described as "5 individual guarantees at \$5,000 each." For this loan, C and S required guarantees from the individuals as previously promised by the Party. Also in connection with this advance of funds, the Bank required the Party to execute a "Security Agreement" which, according to the Bank, "grants to the Bank a full security interest in two of the Party's sources of revenue: (1) payments in connection with the next Jefferson-Jackson Day Dinner and

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(2), qualification fees to be paid to the Party." The Bank asserts that the Security Agreement secures not only the additional \$25,000 loan, but all the Party's obligations to C and S. The Bank states:

As a result, the Bank is a secured creditor of the Party with a security interest in the above-described collateral and with the ability to perfect that security interest at anytime.

In connection with the security agreement, C and S obtained a Uniform Commercial Code financing statement from the Party, but has not filed the statement.

On July 13, 1984, both notes were renewed and the Party paid only the interest accrued to that date. This time, the terms for both loans specified renewal each 90 days for a year rather than the previous 180 days renewal. The primary source of repayment was listed as "special fundraising through the Governor's office." The secondary source was listed as "Governor's request of contributions from local party leaders." The same individual guarantees of \$5000 each were noted on loan reports for both loans.

When the loans again matured on October 1, 1984, the two loans were combined (\$163,476.61 + \$25,000) for a total of \$188,476.61, the Party paid accrued interest and the note was to be renewed each six months for one year. The sources of repayment and guarantees remained the same as at the previous renewal date.

On October 25, 1984, the Party made a payment of \$42,606.83 and submitted a description of four sources of anticipated revenue between the date of this payment and April 1985. These

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included (1) the "Governor's Club" memberships, expected to produce \$50,000 over six months, (2) a December reception by Democratic pols expected to raise \$125,000, (3) the annual Jefferson-Jackson Day Dinner held in March 1985, anticipated to raise a net figure of \$100,000 and (4), pledges by the Party's county chairs to raise \$25,000 more than "the \$12,000 already collected." The Party stated that it was committed to minimizing operating expenses to aid in retiring the debt.

According to C and S, on March 21, 1985, the Party reduced the loan principal by \$65,000, leaving total indebtedness at \$80,869.78, which is due on March 21, 1986.

C and S Bank asserts that neither its internal credit examiners nor the national examiners from the Comptroller of the Currency has made any adverse comment concerning the Bank's portfolio. No portion of the loans has been written off.

In discussing the Bank's lending policy and its application to the Party's loans, C and S states that policy requires that all loans in its portfolio must be rated. The Party received a numerical rating of "3" which is described in the Bank's lending policy as follows:

"A rating of "3" is a management tool to draw attention to satisfactory assets in which potential weaknesses exist. Accordingly, this category serves as a "watch" list for monitoring those fully-performing loans which need improvement. While assets in this category warrant closer than normal supervision, deficiencies (such as limited asset and earnings protection) are covered by collateral or other strengths, and there is little potential of undue credit risk."

The Bank states that its loans to the Party were handled in accordance with the lending policy in terms of loan practice requirements, lending limits review and rating requirements.

B 3 0 4 0 6 7 9 9 4 B

According to the Bank, this is in keeping with its policy to pursue "aggressive" lending while controlling the risk inherent in the lending function.

In response to the Office of General Counsel's interrogatories, C and S stated that it does not maintain records on how many loans it made since January 1980, between \$50,000 and \$300,000 at prime plus one-half and indicated that such specific data concerning a substantial loan portfolio could not be obtained. As an alternative, the Bank provided an affidavit by the senior credit officer, the executive vice president responsible for lending policy. The credit officer stated that he made the affidavit not as one involved in making or administering the loan to the Party, but as one who can attest to C and S's lending policies and practices.

The affiant stated that C and S has loans in excess of \$5,000,000,000, half of which are commercial loans. The affiant attested that a commercial loan between \$50,000 and \$300,000 is not unusual, nor is it unusual that a commercial loan would float based on the prime at a percentage rate of one-half above prime. The affidavit further stated that:

It is common for a short term commercial loan not to be paid in its entirety at maturity, but rather be reduced and renewed on the due date with the payment of the then accrued interest. Many commercial loans are structured as short term loans, not because it is anticipated that they will be paid on a short term basis, but rather to allow for regular review and to assure the Bank maximum flexibility in the handling of the credit.

R B O 4 0 5 2 4 9 4 7

Finally, the credit officer discussed the loan to the Party in terms of the credit policies. He concluded by stating:

While the C and S loan to the Georgia Democratic Party has been outstanding for a somewhat longer period than was originally contemplated, the history of the loan reflects that C and S increased the security of its position, received accrued interest on the occasion of renewal and was able to continually reduce the total of the outstanding indebtedness.

II. Legal Analysis

2 U.S.C. § 441b(a) prohibits a national bank from making a contribution in connection with any election to any political office. The same statute prohibits receipt of such contributions by a political committee or for any officer or director of any national bank to consent to such prohibited contribution.

2 U.S.C. § 431(8)(B)(vii) excludes a loan made by a national or State bank to a political committee from the definition of contribution if the loan is made in the ordinary course of business and in accordance with applicable law. 11 C.F.R. § 100.7(b)(11) sets forth guidelines for determining whether a loan is made in the ordinary course of business. Under this provision, a loan will be deemed to be made in the ordinary course of business if it 1) bears the usual interest rate of the bank for the type of loan; 2) is made on a basis which assures repayment; 3) is evidenced by a written instrument; and 4) is subject to a due date or amortization schedule.

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The salient issue here concerns whether the loans were made on a basis which assures repayment.^{1/} In determining whether a loan has been made on a basis which assures repayment, the Commission has considered the type and sufficiency of collateral offered by the borrower to guarantee repayment of the loan.

For example, loans secured by mortgages on real estate and stocks owned by a borrower are the type of collateral which can provide an adequate basis to assure repayment of the loan (See MUR 1098 (79) Walter Flowers for U.S. Senate Committee).

In addition, the Commission has allowed, with certain stipulations, that the future expectation of receipts can serve as collateral which can form an adequate basis to assure repayment of a loan. However, before deeming a "future expectation" as sufficient to assure repayment of a loan, the Commission has first considered whether there is an alternate source of repayment.

^{1/} As to applicable State law, the Code of Georgia 1983 amendment § 7-1-285 prohibits a bank's making loans which exceed 15 percent of the statutory capital base of the bank unless the entire amount of such loans is secured by good collateral or other ample security and does not exceed 25 percent of the statutory capital base. Since this bank is a large, well-established national bank, it is evident that C and S could lend \$250,000 without approaching the limit of 15% of the bank's capital base. Therefore, the loans appear to comport with the state banking laws insofar as they apply to limitations on the percentage of a bank's capital base which may be lent at one time.

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In MUR 215/239 (76) (James R. Sasser), the Commission considered loans collateralized by the future expectation of political contributions as sufficient collateral to assure repayment, but only because the guarantor had sufficient personal assets and earning capacity to repay the loan if the future expectancy was not realized. Thus, the future expectation of political contributions provides a basis of assuring repayment of a loan if the guarantor can provide a sufficient alternate source of repayment.^{2/}

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The policy of requiring an alternate source of repayment before allowing a future expectation of receipts to stand as sufficient collateral was also followed in MUR 382 (77) (the Brown for President Committee). As collateral for loans totaling \$375,000, the Brown for President Committee informally pledged expected receipts from future fundraising concerts. The committee also expected Federal Matching Fund payments.^{3/} In finding no reason to believe a violation had occurred, the Commission considered that the loans were made in the ordinary course of business "in view of the expected receipt of funds

^{2/} When the alternative source is a personal guarantee, the Commission has determined the sufficiency of the alternative source by considering: a) the credit-worthiness of the guarantor and b) the personal assets and earning capacity of the guarantor (MUR 216/239).

^{3/} In MUR 382, the Brown for President Committee requested FEC certification of eligibility for federal matching funds on June 10, 1976. Seven loans totaling \$375,000 were borrowed by the Brown for President Committee on the following dates: May 10, 1976 (\$75,000), May 13, 1976 (\$25,000), June 4, 1976 (\$125,000), June 18, 1976 (\$25,000) June 2, 1976 (\$25,000), July 1, 1976 (\$75,000), and July 9, 1976 (\$25,000).

from the fund-raising concerts and Federal matching payments." The Federal matching payments represented an alternate source of repayment if funds from the concert were not realized.

When there is no alternate source of repayment for expected receipts, the Commission has then considered whether there are "risk reducing features" in the loan agreement which would assure repayment. In MUR 1195 (80), a loan to the Kennedy for President Committee was collateralized with expected matching funds prior to Commission certification. In AO 1980-108, a loan to John Anderson for President Committee was collateralized with the expected receipt of post-election federal funding prior to the election. Neither loan had an alternate source of repayment if the future expectation did not occur. However, the Commission determined that both the Anderson and Kennedy loans were made on a basis which assures repayment.

In analyzing the two loans, the Commission considered the numerous "risk reducing features" in the loan agreements which in effect convinced the Commission that the loans would be repaid.^{4/}

^{4/}a) Risk reducing factors of Anderson loan:

1. Availability of post-election matching funds based on the number of votes received.
2. Amounts borrowed are within the amount of receipts expected.
3. Dollar amount limitations on subsequent borrowings.
4. Assignment of rights of post-election funding to banks.
5. Provisions spreading the risk among the guaranteeing banks.

b) Risk reducing factors of Kennedy loan:

1. Committee received matching funds in one designated account.
2. Documents submitted to bank by Committee treasurer certified that the Committee had, at the time, \$272,316 matchable contributions and at least \$5,000 of such contributions from thirty states.
3. A statement in the agreement that the Committee had incurred no unusual or long-term commitments or claims.
4. Committee obtained \$1,150,000 of insurance on Senator Kennedy's life, designating the bank as beneficiary.

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In conclusion, the Commission has considered a loan collateralized by future expectations of contributions as the type of loan made on a basis which assures repayment when: a) the loan has an alternative source of repayment; and, b) the alternative source of repayment itself is sufficient to repay the loan. If there is no alternative source of repayment, the Commission has considered whether the loan contains risk reducing features which provide reasonable assurance that the loan will be repaid.

It is evident that the C and S loans were made by relying on the future expectation of contribution receipts. Based on the commission's past actions, the loans must have an alternate source of repayment (should contributions fail to materialize) or the loans should have sufficient "risk reducing features" to comport with the requirement that loans be made on a basis which assures repayment .

In this case, the C and S loans did have an alternate source of repayment for part of the loan total. The Party provided guarantees from five prominent Party officials who signed agreements to back the Party's C and S loans in amounts of \$5,000 each or \$25,000 total.

In addition, there are items or considerations which significantly reduce the risk of non-payment. The Party signed a security agreement which, if perfected, could grant to C and S a security interest in the proceeds from the Party's annual fundraising dinner as well as the Party's qualifying fees from

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candidates. At the same time, the Party and C and S signed a financing statement under the Uniform Commercial Code which was to secure the expected receipts. However, C and S has not filed the UCC statement, thus its security agreement remains unperfected.

The Party also approved resolutions which formally agreed to allow the indebtedness based on the finance chairman's judgment within certain borrowing limits.

Finally, it is worth noting that the Party actually made three substantial reductions of the principal and kept current on accrued interest payments at each renewal date. While these payments are not considered risk reducing features for purposes of determining the legality of the loans when they were made, the payments tend to affirm in hindsight the Bank's judgment in agreeing to the loans.

The Bank's failure to require sufficient security on substantial loans dependent for repayment on future receipts would appear particularly egregious if made in connection with a single candidate or candidate committee whose fortunes depend on the transitory nature of an individual's political success. In contrast, the Democratic Party of Georgia is an ongoing entity which has been functioning as a strong Party organization for decades and has established a record of longevity and a credit history despite its "seasonal" changes in cash flow.

C and S did obtain partial guarantees as well as certain risk-reducing features discussed herein. While these measures may not thoroughly assure repayment of sizeable Party loans, the

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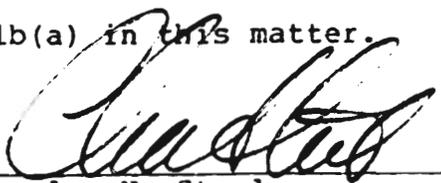
risk inherent in this, as in any lending decision, is balanced in this instance by the continuity of the Party organization which has demonstrated over time an ability to raise the funds to meet its financial obligations.

As a result of this analysis, the Office of the General Counsel is prepared to recommend that the Commission find no probable cause to believe that C and S Bank violated 2 U.S.C. § 441b(a) in connection with loans made to the Democratic Party of Georgia during 1982 and 1983.

III. General Counsel's Recommendation

Find no probable cause to believe that the Citizens and Southern National Bank violated 2 U.S.C. § 441b(a) in this matter.

24 January 1986
Date



Charles N. Steele
General Counsel

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

January 29, 1986

Mr. Robert C. Osborne, Vice President
First National Bank of Atlanta
P.O. Box 4148
Atlanta, Georgia 30302

RE: MUR 1725
First National Bank
of Atlanta

Dear Mr. Osborne:

Based on information ascertained in the normal course of carrying out its supervisory responsibilities, the Federal Election Commission, on October 2, 1984, found reason to believe that your Bank had violated 2 U.S.C. § 441b(a), a provision of the Act and instituted an investigation of this matter.

After considering all the evidence available to the Commission, the Office of General Counsel is prepared to recommend that the Commission find no probable cause to believe that a violation has occurred. The Commission may or may not approve the General Counsel's Recommendation.

Submitted for your review is a brief stating the position of the General Counsel on the legal and factual issues of the case. Within fifteen days of your receipt of this notice, you may file with the Secretary of the Commission a brief (10 copies if possible) stating your Bank's position on the issues and replying to the brief of the General Counsel. Three copies of such brief should also be forwarded to the Office of General Counsel, if possible. The General Counsel's brief and any brief which you submit will be considered by the Commission before proceeding to a vote of no probable cause to believe a violation has occurred.

Should you have any questions, please contact Frances B. Hagan, the staff member assigned to handle this matter, at (202) 376-8200.

Sincerely,

Charles N. Steele
General Counsel

Enclosure
Brief

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
First National Bank) MUR 1725
of Atlanta)

GENERAL COUNSEL'S BRIEF

I. STATEMENT OF THE CASE

On October 2, 1984, the Commission found reason to believe that the First National Bank of Atlanta ("First Atlanta" or "the Bank") violated 2 U.S.C. § 441b(a) by making loans to the Democratic Party of Georgia ("the Party") which were not within the ordinary course of business.

This matter was referred to the Office of the General Counsel from the Audit Division as a result of an audit of the Party's federally-registered Committee conducted pursuant to 2 U.S.C. § 438(b). The audit review of the Party's loan history indicated that the First Atlanta Bank made unsecured loans to the Party during the 1982 campaign cycle. The question was raised during the audit process as to whether the loans were made in the ordinary course of business and in accordance with applicable State law.

According to information obtained from the FEC audit and from First Atlanta Bank's response to the reason to believe finding, the Bank made two loans to the Party during 1982 and 1984. A loan of \$100,000 on October 27, 1982, was evidenced by a written instrument (note), due on specific dates and subject to an interest rate of prime plus one-half (11 C.F.R. § 100.7(b)(11).) The second loan apparently was made in April

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1984, in the amount of \$25,000. First Atlanta loan statements indicate that the second loan was anticipated, made, then renewed (perhaps in October 1984) and due on December 31, 1984.^{1/}

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The loan of \$100,000 initially was obtained by a Party letter pledging certain guarantees as inducement to the Bank to make the loan. The Party pledged "best efforts" letters from six prominent Party leaders along with guarantees from these individuals for \$5000 each should the note be renewed at maturity. The Party also pledged assignment to the Bank of a life insurance policy on the Governor-elect's life to exceed the amount of First Atlanta's loan. The Party further certified to the Bank that its loans and those incurred with Citizens and Southern National Bank would be repaid on a pro-rata basis according to the amount owed. The Party agreed to provide the Bank with a proposal for fundraising activities. Finally, the Party stated to the Bank (and subsequently approved a resolution which limited borrowing) that it would not incur debts exceeding \$400,000, and if it should assume obligations for candidates' campaign debts, that proceeds from the Party's fundraising events would first be applied to repayment of bank notes.

First Atlanta's initial loan report dated October 27, 1982, listed the repayment source as contributions to the Party. The

^{1/} The loan cannot be confirmed by the Party's FEC reports as it apparently entered the Party's non-federal administrative account.

report includes a summary of the Party's financial statement ending April 30, 1982, showing total assets of \$4,222, liabilities of \$6,352 and negative net worth of \$2,130. For a twelve month period, the financial statement showed receipts to the Party of \$134,199, disbursements of \$169,117 and a deficit of \$34,918.

The Bank's Credit memo for the loan of \$100,000 stated the following in support of the loan with its repayment source based on future expected contributions:

While the Party has not been actively borrowing in the past eight years...the Party did assume in 1974 approximately \$400,000 of the [Governor's] campaign debt in addition to \$150,000 to \$175,000 in bank debt...While the Party has not had a demonstrated ability to repay in the last several years, our loan is not unprecedented and the Party has demonstrated in the past that it can retire substantial debt from its fundraising effort.

On April 8, 1983, at loan maturity, the Party paid \$50,000 on the original loan (\$100,000). First Atlanta renewed the loan in the amount of \$55,224.66 without requiring the guarantees promised by the Party. A letter dated April 13, 1983, from First Atlanta to the Party concerning the note renewal, stated the following:

our original letter agreement calls for various guarantees on any renewals should the original note not be paid in full, and if you prefer to furnish the guarantees now, it is of course satisfactory with us. However, in view of the substantial reduction now and the definite plans for taking care of the balance by the end of the year . . . we can forego the guarantees on this renewal with the understanding that should repayment plans not progress as anticipated, we may require the guarantees at the next renewal.

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A similar judgment was made and noted in the internal credit memorandum at the same April 1983 renewal date. It further stated that the additional guarantees could be required at next maturity. This memorandum also explained that the \$50,000 payment represented First Atlanta's pro-rata share of Jefferson-Jackson Day Dinner net proceeds after allowing for related expenses and the Party's operating budget.

When the loan again matured on October 5, 1983, the Party paid accrued interest and the note was renewed for six months. The Bank's credit memorandum stated that the Party had placed its major emphasis on retiring the Governor's campaign debt. It stated, "we do not anticipate any substantial longterm problems, although the note will run longer than anticipated." The credit officer expected an additional request for \$50,000 for the Party's accounts payable and operating capital until the Party received contributions the following year from qualifying fees and its fundraising dinner.

The final credit memorandum provided by First Atlanta dated October 26, 1984, stated that the Bank received a payment of \$14,393.17 from the Party "to be applied totally on principal to the larger note..." of \$55,224.66. The credit memorandum indicated another note of \$25,000. Both notes were due on December 31, 1984. At the time of this payment, the Party submitted a description of four sources of anticipated revenue for the next six months. The Party expected that receipts from four fundraising efforts would produce \$300,000 to retire the Party's debts.

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In response to the Office of the General Counsel's interrogatories, First Atlanta stated that it does not maintain records on how many loans it made since January 1980, between \$50,000 and \$300,000 at prime plus one-half. As an alternative, the Bank provided an affidavit by the senior credit officer, an executive vice president who has been with the Bank since 1958. The credit officer stated that he is familiar with the Bank's credit policies and procedures.

The affidavit attests that First Atlanta extended credit to the Party "in accordance with the Bank's loan and credit policies for similar transactions." To illustrate the Bank's usual lending practices, the credit officer stated the following:

While the Bank does not have any records which would show how many loans it made between \$50,000 and \$300,000 since January 1, 1980 or how many of those loans were at an interest rate of prime plus one-half, the Bank's records as of August 31, 1985, show that on that date there were 779 loans outstanding with interest at a rate of prime plus one-half percent aggregating \$165,840,297 in principal amount, of which 250 were between \$50,000 and \$300,000 which is representative of the Bank's normal lending patterns.

Finally, the affidavit states that the Bank "routinely renews" short term notes of 90 to 180 days for successive periods of 90 to 180 days, "in some instances accompanied by a reduction in principal."

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II. Legal Analysis

2 U.S.C. § 441b(a) prohibits a national bank from making a contribution in connection with any election to any political office. The same statute prohibits receipt of such contributions by a political committee or for any officer or director of any national bank to consent to such prohibited contribution.

2 U.S.C. § 431(8)(B)(vii) excludes a loan made by a national or State bank to a political committee from the definition of contribution if the loan is made in the ordinary course of business and in accordance with applicable law. 11 C.F.R. § 100.7(b)(11) sets forth guidelines for determining whether a loan is made in the ordinary course of business. Under this provision, a loan will be deemed to be made in the ordinary course of business if it 1) bears the usual interest rate of the bank for the type of loan; 2) is made on a basis which assures repayment; 3) is evidenced by a written instrument; and 4) is subject to a due date or amortization schedule.

The salient issue here concerns whether the loans were made on a basis which assures repayment.^{2/} In determining whether a

^{2/} As to applicable State law, the Code of Georgia 1983 amendment § 7-1-285 prohibits a bank's making loans which exceed 15 percent of the statutory capital base of the bank unless the entire amount of such loans is secured by good collateral or other ample security and does not exceed 25 percent of the statutory capital base. Since this bank is a large, well-established national bank, it is evident that First Atlanta could lend \$100,000 without approaching the limit of 15% of its capital base. Therefore, the loans appear to comport with the state banking laws insofar as they apply to limitations on the percentage of a bank's capital base which may be lent at one time.

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loan has been made on a basis which assures repayment, the Commission has considered the type and sufficiency of collateral offered by the borrower to guarantee repayment of the loan.

For example, loans secured by mortgages on real estate and stocks owned by a borrower are the type of collateral which can provide an adequate basis to assure repayment of the loan (See MUR 1098 (79) Walter Flowers for U.S. Senate Committee).

In addition, the Commission has allowed, with certain stipulations, that the future expectation of receipts can serve as collateral which can form an adequate basis to assure repayment of a loan. However, before deeming a "future expectation" as sufficient to assure repayment of a loan, the Commission has first considered whether there is an alternate source of repayment.

In MUR 215/239 (76) (James R. Sasser), the Commission considered loans collateralized by the future expectation of political contributions as sufficient collateral to assure repayment, but only because the guarantor had sufficient personal assets and earning capacity to repay the loan if the future expectancy was not realized. Thus, the future expectation of political contributions provides a basis of assuring repayment of a loan if the guarantor can provide a sufficient alternate source of repayment.^{3/}

^{3/}When the alternative source is a personal guarantee, the Commission has determined the sufficiency of the alternative source by considering: a) the credit-worthiness of the guarantor and b) the personal assets and earning capacity of the guarantor (MUR 216/239).

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The policy of requiring an alternate source of repayment before allowing a future expectation of receipts to stand as sufficient collateral was also followed in MUR 382 (77) (the Brown for President Committee). As collateral for loans totaling \$375,000, the Brown for President Committee informally pledged expected receipts from future fundraising concerts. The committee also expected Federal Matching Fund payments.^{4/} In finding no reason to believe a violation had occurred, the Commission considered that the loans were made in the ordinary course of business "in view of the expected receipt of funds from the fund-raising concerts and Federal matching payments." The Federal matching payments represented an alternate source of repayment if funds from the concert were not realized.

When there is no alternate source of repayment for expected receipts, the Commission has then considered whether there are "risk reducing features" in the loan agreement which would assure repayment. In MUR 1195 (80), a loan to the Kennedy for President Committee was collateralized with expected matching funds prior to Commission certification. In AO 1980-108, a loan to the John Anderson for President Committee was collateralized with the

^{4/} In MUR 382, the Brown for President Committee requested FEC certification of eligibility for federal matching funds on June 10, 1976. Seven loans totaling \$375,000 were borrowed by the Brown for President Committee on the following dates: May 10, 1976 (\$75,000), May 13, 1976 (\$25,000), June 4, 1976 (\$125,000), June 18, 1976 (\$25,000) June 2, 1976 (\$25,000), July 1, 1976 (\$75,000), and July 9, 1976 (\$25,000).

expected receipt of post-election federal funding prior to the election. Neither loan had an alternate source of repayment if the future expectation did not occur. However, the Commission determined that both the Anderson and Kennedy loans were made on a basis which assures repayment.

In analyzing the two loans, the Commission considered the numerous "risk reducing features" in the loan agreements which in effect convinced the Commission that the loans would be repaid.^{5/}

In conclusion, the Commission has considered a loan collateralized by future expectations of contributions as the type of loan made on a basis which assures repayment when: a) the loan has an alternative source of repayment; and, b) the alternative source of repayment itself is sufficient to repay the loan. If there is no alternative source of repayment, the Commission has considered whether the loan contains risk reducing features which provide reasonable assurance that the loan will be repaid.

^{5/}a) Risk reducing factors of Anderson loan:

1. Availability of post-election matching funds based on the number of votes received.
2. Amounts borrowed are within the amount of receipts expected.
3. Dollar amount limitations on subsequent borrowings.
4. Assignment of rights of post-election funding to banks.
5. Provisions spreading the risk among the guaranteeing banks.

b) Risk reducing factors of Kennedy loan:

1. Committee received matching funds in one designated account.
2. Documents submitted to bank by Committee treasurer certified that the Committee had, at the time, \$272,316 matchable contributions and at least \$5,000 of such contributions from thirty states.
3. A statement in the agreement that the Committee had incurred no unusual or long-term commitments or claims.
4. Committee obtained \$1,150,000 of insurance on Senator Kennedy's life, designating the bank as beneficiary.

Clearly, the First Atlanta loans were made by relying on the future expectation of contribution receipts. The Party pledged a number of guarantees which would have been considered risk reducing features and, in the case of guarantees by individuals, partial alternative sources of repayment. However, the Party made a substantial reduction in the loan principal when the original loan first matured; and as a result, the Bank did not require the promised guarantees.

The Bank's failure to require sufficient security on loans dependent for repayment on future receipts would appear particularly egregious if made in connection with a single candidate or candidate committee whose fortunes depend on the transitory nature of an individual's political success. In contrast, the Democratic Party of Georgia is an ongoing entity which has been functioning as a strong Party organization for decades and has established a record of longevity and a credit history despite its "seasonal" changes in cash flow.

First Atlanta's credit memoranda indicate that the Bank considered the Party's credit history in making its lending decisions. First Atlanta noted that in 1974, the Party had repaid considerable loans and gubernatorial campaign debts in excess of \$400,000 which apparently had been satisfactorily handled. The amount of First Atlanta's loans to the Party apparently did not exceed \$100,000 at any time. The risk inherent in this, as in any lending decision, is balanced in this

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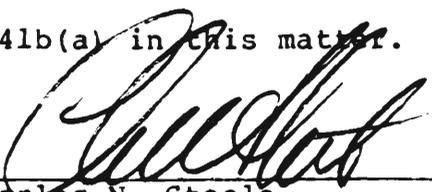
instance by the continuity of the Party organization which has demonstrated over time an ability to raise funds to meet its financial obligations.

Based on this analysis, the Office of the General Counsel is prepared to recommend that the Commission find no probable cause to believe that First Atlanta Bank violated 2 U.S.C. § 441b(a) in connection with loans made to the Democratic Party of Georgia during 1982 and 1984.

III. General Counsel's Recommendation

Find no probable cause to believe that the First National Bank of Atlanta violated 2 U.S.C. § 441b(a) in this matter.

24 July 1986
Date



Charles N. Steele
General Counsel

3304057-968

The First National Bank of Atlanta
2 Peachtree Street, N.E.
Atlanta, Georgia 30383

CCC# 9794
FIRST ATLANTA

06 FEB 24 7:54

Vice President

February 19, 1986

Mr. Charles N. Steele
General Counsel
Federal Election Commission
Washington, D. C. 20463

RE: MUR 1725
First National Bank of Atlanta

06 FEB 24 7:54

Dear Mr. Steele:

I have received your letter of January 29, 1986 and the accompanying brief. We believe that it fully reflects the Bank's position in the matter of the loan to the Democratic Party of Georgia, and therefore, we do not feel it would be necessary for us to file a reply brief.

If you need any further information from me, please do not hesitate to let me know.

Sincerely,



Robert C. Osborne

RCO/pn



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM TO: : CHARLES N. STEELE
GENERAL COUNSEL

FROM: *MWE* MARJORIE W. EMMONS/CHERYL A. FLEMING *CAF*

DATE: MARCH 12, 1986

SUBJECT: MUR 1725 - COMPREHENSIVE INVESTIGATIVE REPORT
SIGNED FEBRUARY 28, 1986

The above-captioned matter was circulated by the Commission Secretary's Office to the Commissioners Tuesday, March 11, 1986 at 11:00 A.M.

There were no objections received in the Office of the Secretary of the Commission to the Comprehensive Investigative Report at the time of the deadline.

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BEFORE THE FEDERAL ELECTION COMMISSION

SENSITIVE

In the Matter of)
Democratic Party of Georgia)
Charles Harris, as treasurer)

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MUR 1725

COMPREHENSIVE INVESTIGATIVE REPORT

On January 8, 1986, the Commission authorized the Office of General Counsel to initiate a civil action in the United States District Court to enforce the order issued to the Democratic Party of Georgia and Charles Harris, as treasurer; such action to be implemented if the necessary information was not obtained through the ongoing audit of the Committee. The Committee has not responded substantively to the Commission's subpoena. However, the auditors were able to obtain, through their fieldwork, the financial information which substantially answers the subpoena. Therefore, this Office will not pursue subpoena enforcement.

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Charles N. Steele
General Counsel

February 28, 1986
Date

BY: Kenneth A. Gross
Associate General Counsel

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
Democratic Party of Georgia)
Charles Harris, as treasurer)

MUR 1725 49:46

SENSITIVE

GENERAL COUNSEL'S REPORT

The Office of General Counsel is prepared to close the investigation in this matter as to the Democratic Party of Georgia and Charles Harris, as treasurer, based on the assessment of the information currently available.

11 April 1986
Date



Charles N. Steele
General Counsel

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

SENSITIVE

May 5, 1986

MEMORANDUM

TO: The Commission

FROM: Charles N. Steele *CS*
General Counsel

SUBJECT: MUR # 1725 - Democratic Party of Georgia

Attached for the Commission's review is a brief stating the position of the General Counsel on the legal and factual issues of the above-captioned matter. A copy of this brief and a letter notifying the respondent of the General Counsel's intent to recommend to the Commission findings of probable cause and no probable cause to believe was mailed on May 5, 1986. Following receipt of the respondents' reply to this notice, this Office will report further to the Commission.

Attachments
Brief and Letter to Respondents

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

SENSITIVE

May 5, 1986

Wayne Reece, Esquire
Democratic Party of Georgia
901 South Tower
Omni International
Atlanta, Georgia 30303

RE: MUR 1725
Democratic Party of Georgia
Charles Harris, as treasurer

Dear Mr. Reece:

Based on information ascertained in the normal course of carrying out its supervisory responsibilities, the Federal Election Commission, on October 2, 1984, found reason to believe that the Democratic Party of Georgia and Charles Harris, as treasurer, had violated 2 U.S.C. § 441b(a) and instituted an investigation in this matter.

After considering all the evidence available to the Commission, the Office of the General Counsel is prepared to recommend the following:

1. probable cause to believe that the Democratic Party of Georgia and Charles Harris, as treasurer, violated 2 U.S.C. § 441b(a) and 11 C.F.R. § 102.5(a)(1)(i):

- a) when prohibited funds in non-federal accounts were used to make loan payments on behalf of the federal account;
- b) when a loan of \$5000 was commingled with prohibited funds in a non-federal account, then transferred to the federal account;

2. no probable cause to believe that the Party and Charles Harris, as treasurer, violated 2 U.S.C. § 441b(a) in connection with loans received during 1982-1984 from the Citizens and Southern National Bank and the First National Bank of Atlanta.

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Letter to Wayne Reece
Page 2

Submitted for your review is a brief stating the position of the General Counsel on the legal and factual issues of the case. Within fifteen days of your receipt of this notice, you may file with the Secretary of the Commission a brief (10 copies if possible) stating your position on the issues and replying to the brief of the General Counsel. (Three copies of such brief should also be forwarded to the Office of General Counsel, if possible.) The General Counsel's brief and any brief which you may submit will be considered by the Commission before proceeding to a vote of probable cause to believe a violation has occurred.

If you are unable to file a responsive brief within 15 days, you may submit a written request to the Commission for an extension of time in which to file a brief. The Commission will not grant any extensions beyond 20 days.

A finding of probable cause to believe requires that the Office of General Counsel attempt for a period of not less than thirty, but not more than ninety, days to settle this matter through a conciliation agreement.

Should you have any questions, please contact Frances B. Hagan, the staff member assigned to handle this matter, at (202) 376-8200.

Sincerely,



Charles N. Steele
General Counsel

Enclosure
Brief

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
The Democratic Party of) MUR 1725
Georgia)
Charles Harris, as treasurer)

GENERAL COUNSEL'S BRIEF

I. Statement of the Case

On October 2, 1984, the Commission took the following action in MUR 1725:

1. Found reason to believe that the Democratic Party of Georgia ("the Party") and as treasurer, Charles Harris, violated 2 U.S.C. § 441b(a)

- a) when prohibited funds were used to make loan repayments on behalf of the federal account;
- b) when a loan of \$5,000 was commingled with prohibited funds in a non-federal account, then transferred to the federal account;
- c) through receipt of bank loans not made in the ordinary course of business because the bank could not be sure of repayment.

2. Found reason to believe that the Citizens and Southern National Bank ("C and S") and the First National Bank of Atlanta ("First Atlanta") violated 2 U.S.C. § 441b(a) by making loans to the Party which were not within the ordinary course of business.

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

The Party did not substantively respond to the reason to believe findings.

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II. Legal Analysis

A. Loan Repayments from Non-Federal Account and Federal Funds Commingled with Prohibited Funds

2 U.S.C. § 441b(a) prohibits the making or receipt of corporate or labor contributions in connection with a federal election.

11 C.F.R. § 102.5(a)(1)(i) states in part, that when a party committee establishes a separate federal account, "All disbursements, contributions, expenditures and transfers by the committee in connection with any federal election shall be made from its federal account. No transfers may be made to such federal account from any other account(s) maintained by such organization for the purpose of financing activity in connection with non-federal elections."

The Party established a separate Committee bank account pursuant to 11 C.F.R. § 102.5(a)(1)(i) to handle federal activity.

The Democratic Party of Georgia obtained three loans from two banks during 1982;^{1/} portions of each loan were transferred into the Georgia Federal Elections Committee ("the federal account" or "the Committee").^{2/} The Party made payments on behalf of the Committee's portion of these loans^{3/} from a

^{1/} Part B, loans from National Banks, will analyze these and other loans from the Banks regarding the ordinary course of business. Part A is discussing these three loans only in terms of the portions that were deposited into the federal account and which were partially repaid with non-federal funds.

^{2/} The Georgia Federal Elections Committee changed its name by amendment to the Statement of Organization. It is now known as the Georgia Democratic Elections Committee-Federal.

^{3/} The portion of 3 loans received by the federal account totaled \$171,920.

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non-federal administrative account ("the non-federal account" or "the Administrative account").

In addition, one of the loans was commingled with corporate funds in a non-federal account before it entered the federal account.

Because Georgia State Law allows corporate and union contributions in connection with State elections (and such funds were in the non-federal accounts), prohibited funds were used in connection with federal elections as a result of commingled funds and because of non-federal payments on federal account loans.

1. C and S Loans

Loan 1:

The auditors found that on October 8, 1982, the Party obtained a loan of \$125,000 from C and S Bank. Of this amount, the Committee received proceeds of the loan totaling \$96,920 and the Party's non-federal administrative account received the balance of \$28,080. The Committee's portion was transmitted directly from the lending bank into the Committee account.

Loan 2:

On November 5, 1982, the Party obtained a second loan of \$125,000 from the C and S Bank. The proceeds of this loan initially were transferred into a non-federal bank account at the Fayette State Bank. From the Fayette non-federal account, \$5,000 was transferred to the Committee. At the time of these transfers, the Fayette non-federal account contained funds from a corporate source.

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Of the \$250,000 received from the C and S Bank loans, the Party transferred \$101,920 to the federal account as follows:

<u>Loan 1: Amount Party</u>	<u>Amount of Loan 1</u>
<u>Obtained from C and S</u>	<u>Transferred</u>
	<u>to Federal Account</u>
\$125,000	\$96,920
<u>Loan 2: Amount Party</u>	<u>Amount of Loan 2</u>
<u>Obtained from C and S</u>	<u>Transferred to</u>
	<u>Federal Account</u>
\$125,000	\$ 5,000
<u>Total Received from C and S</u>	<u>Total C and S Loans</u>
	<u>1 and 2 Transferred to</u>
	<u>Federal Account</u>
\$250,000	\$101,920

Payment on C and S Loans 1 and 2

When both C and S Bank loans came due on April 8, 1983, the Party made a payment of \$100,000 from its non-federal administrative account. The payment was applied to both loans. The bank renewed the loans, issuing a new note for the balance owed of \$163,476.61 (the amount of both loans plus interest accrued, less the amount of payment on the loans):

Party Loan 1		\$125,000.00
Party Loan 2	+	<u>\$125,000.00</u>
		\$250,000.00
Interest accrued	+	<u>\$ 13,476.61</u>
		\$263,476.61
Party Payment	-	<u>\$100,000.00</u>
Amount of Renewed Loans 1 and 2 April 8, 1983		\$163,476.61

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The auditors calculated that of the total interest accrued as of April 8, 1983, the non-federal account paid interest totaling \$5,899.61 on the federal Committee's loans.

Based on information from the C and S Bank and subsequent calculations by FEC auditors, the Party renewed the loans on November 11, 1983, April 11 and September 28, 1984, and March 21, 1985. From April 8, 1983, through March 21, 1985, five interest payments totaling \$41,847.56 were made to C and S on the Party's loan. The payments were made from both the federal and non-federal accounts. Using Party bank records, the auditors calculated that of the total interest paid (\$41,847.56), the federal account's portion of the interest was \$24,156.35. The Committee made interest payments totaling \$15,121.24, representing \$13,538.93 in interest attributable to the federal account's portion of loans and \$1,582.31 interest attributable to the non-federal account's portion. The auditors calculated that the Administrative account made interest payments totaling \$10,617.42 on behalf of the Committee's C and S loans.

Loan 3:

On October 27, 1982, the Party obtained a loan of \$100,000 from the First National Bank of Atlanta. Bank documents show that in separate checks the Committee received \$70,000 and the non-federal administrative account received \$30,000 of the loan proceeds:

<u>Loan 3: Amount Party Obtained from First Atlanta</u>	<u>Amount Directed to Federal Account</u>	<u>Amount Directed to Non-Federal</u>
\$100,000	\$70,000	\$30,000

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Payment on First Atlanta Loan 3

On April 8, 1983, the Party's non-federal administrative account made a payment \$50,000 on the First Atlanta loan. Committee officials explained to the auditors that this payment was to extinguish the non-federal account's share of the loan (\$30,000 plus interest) and the remainder was applied to the Committee's portion. Because interest is paid before reduction of principal, the auditors calculated that the non-federal Administrative account paid off its loan portion totaling \$31,567.40. Therefore, the amount the Administrative account paid on behalf of the Committee on April 8, 1983, totaled \$14,775.34 principal and \$3,657.26 interest, or \$18,432.60.

Based on information obtained from the First Atlanta Bank and subsequent calculations by FEC auditors, on April 8, 1983, the Party renewed the loan from First Atlanta. The new note, representing a loan entirely attributable to the federal account, totaled \$55,224.66:

Party Loan 3	\$100,000.00
Interest Accrued	5,224.66
	<u>\$105,224.66</u>
Party Payment	-50,000.00
Amount of Renewed Loan 3 (4-8-83)	<u>\$ 55,224.66</u>

This note was renewed on October 5, 1983, April 2, October 1 and December 31, 1984, and April 1, 1985. The auditors calculated that from April 8, 1983 through March 21, 1985, interest payments totaling \$16,111.57 and principal payments of \$29,168.51 were made to First Atlanta on the Party's loan. These payments were made from both the federal and non-federal accounts. However, because the non-federal

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portion of the loan had been repaid on April 8, 1983, all subsequent payments were for the outstanding loan to the federal account and should have been paid from the Committee account. The auditors determined that the Administrative account made interest payments of \$7,370.46 and principal payments of \$29,168.51, for a total of \$36,538.97 on behalf of the Committee for its First Atlanta loan.

In summary of this particular issue, the following information has been compiled:

a) The Committee received a transfer of \$5,000 in loan form which had been commingled with corporate funds in one of the Party's non-federal accounts before entering the Committee account (C and S Loan 2);

b) The Party's non-federal administrative account, containing funds prohibited by the Act, made payments of \$10,617.42 for the Committee's portion of the interest accrued on two C and S loans (Loans 1 and 2);

c) The Party's non-federal administrative account made loan payments of principal and interest totaling \$36,538.97 on behalf of the Committee's First Atlanta Bank loan (Loan 3).

The audit report initially recommended that the Committee repay the administrative account or report a debt to the non-federal administrative account for the loan and loan payments which were commingled with corporate and labor funds in the non-federal account. The audit report also recommended that the Committee establish procedures to avoid similar future occurrences.

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Lacking available funds to make repayments to the non-federal account, the Committee amended its reports to disclose as debts outstanding to the non-federal account the loan payments and the transfer from a non-federal account along with other administrative items paid by the non-federal account. However, instead of paying its debt to the non-federal account as quickly as practicable, the Party continued to add to the debt to its non-federal account, making occasional transfers to the non-federal account while allowing additional non-federal payments on the Committee's loans and for general administrative costs. These practices continued despite a letter to the Reports Analysis Division dated May 21, 1984, in which the Committee stated:

As a result of our recent audit, we are now aware that [non-federal account payments on behalf of the Committee are] prohibited and that all payments for interest and principal on debts of the [Committee] are to be made directly out of the Federal Election account. Steps have been taken to ensure that this type of payment will not be made again.

Based on the findings articulated above, it appears that the Party has violated 2 U.S.C. § 441b(a) by using prohibited funds in connection with federal elections, funds totaling \$52,156.39 which were spent on behalf of or transferred to the Committee by the Party's non-federal accounts in violation of 11 C.F.R. § 102.5(a)(1)(i). The Office of the General Counsel is prepared to recommend a finding of probable cause to believe that violations of 2 U.S.C. § 441b(a) and 11 C.F.R. § 102.5(a)(1)(i) occurred in this matter.

B. Loans by National Banks

The audit review of the Party's loan history indicated that the Party obtained unsecured loans from two national banks, Citizens and Southern National Bank and First National Bank of Atlanta. The

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question was raised in the audit process as to whether the loans were made in the ordinary course of business and in accordance with applicable State law.

2 U.S.C. § 441b(a) prohibits a national bank from making a contribution in connection with any election to any political office. The same statute prohibits receipt of such contributions by a political committee or for any officer or director of any national bank to consent to such prohibited contribution.

2 U.S.C. § 431(8)(B)(vii) excludes a loan made by a national or State bank to a political committee from the definition of contribution if the loan is made in the ordinary course of business and in accordance with applicable law. 11 C.F.R. § 100.7(b)(11) sets forth guidelines for determining whether a loan is made in the ordinary course of business. Under this provision, a loan will be deemed to be made in the ordinary course of business if it 1) bears the usual interest rate of the bank for the type of loan; 2) is made on a basis which assures repayment; 3) is evidenced by a written instrument; and 4) is subject to a due date or amortization schedule.

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The salient issue here concerns whether the loans were made on a basis which assures repayment.^{4/} In determining whether a loan has been made on a basis which assures repayment, the Commission has considered the type and sufficiency of collateral offered by the borrower to guarantee repayment of the loan.

For example, loans secured by mortgages on real estate and stocks owned by a borrower are the type of collateral which can provide an adequate basis to assure repayment of the loan (See MUR 1098 (79) Walter Flowers for U.S. Senate Committee). In addition, the Commission has allowed, with certain stipulations, that the future expectation of receipts can serve as collateral which can form an adequate basis to assure repayment of a loan. However, before deeming a "future expectation" as sufficient to assure repayment of a loan, the Commission has first considered whether there is an alternate source of repayment.

^{4/} As to applicable State law, the Code of Georgia 1983 amendment § 7-1-285 prohibits a bank's making loans which exceed 15 percent of the statutory capital base of the bank unless the entire amount of such loans is secured by good collateral or other ample security and does not exceed 25 percent of the statutory capital base. Since these banks are large, well-established national banks, it is evident that C and S could lend \$250,000 and First Atlanta could lend \$100,000 without approaching the limit of 15% of the banks' capital base. Therefore, the loans appear to comport with the state banking laws insofar as they apply to limitations on the percentage of the bank's capital base which may be lent at one time.

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In MUR 215/239 (76) (James R. Sasser), the Commission considered loans collateralized by the future expectation of political contributions as sufficient collateral to assure repayment, but only because the guarantor had sufficient personal assets and earning capacity to repay the loan if the future expectancy was not realized. Thus, the future expectation of political contributions provides a basis of assuring repayment of a loan if the guarantor can provide a sufficient alternate source of repayment.^{5/}

The policy of requiring an alternate source of repayment before allowing a future expectation of receipts to stand as sufficient collateral was also followed in MUR 382 (77) (the Brown for President Committee). As collateral for loans totaling \$375,000 the Brown for President Committee informally pledged expected receipts from future fund raising concerts. The committee also expected Federal Matching Fund payments.^{6/} In finding no reason to believe a violation had occurred, the Commission considered that the loans were made in the ordinary course of business "in view of the expected receipt of

^{5/} When the alternative source is a personal guarantee, the Commission has determined the sufficiency of the alternative source by considering: a) the credit-worthiness of the guarantor and b) the personal assets and earning capacity of the guarantor (MUR 216/239).

^{6/} In MUR 382, the Brown for President Committee requested FEC certification of eligibility for federal matching funds on June 10, 1976. Seven loans totaling \$375,000 were borrowed by the Brown for President Committee on the following dates: May 10, 1976 (\$75,000), May 13, 1976 (\$25,000), June 4, 1976 (\$125,000), June 18, 1976 (\$25,000) June 2, 1976 (\$25,000), July 1, 1976 (\$75,000), and July 9, 1976 (\$25,000).

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funds from the fund-raising concerts and Federal matching payments." The Federal matching payments represented an alternate source of repayment if funds from the concert were not realized.

When there is no alternate source of repayment for expected receipts, the Commission has then considered whether there are "risk reducing features" in the loan agreement which would assure repayment. In MUR 1195 (80), a loan to the Kennedy for President Committee was collateralized with expected matching funds prior to Commission certification. In AO 1980-108, a loan to the John Anderson for President Committee was collateralized with the expected receipt of post-election federal funding prior to the election. Neither loan had an alternate source of repayment if the future expectation did not occur. However, the Commission determined that both the Anderson and Kennedy loans were made on a basis which assures repayment.

In analyzing the legality of the two loans, the Commission considered the numerous "risk reducing features" in the loan agreements which in effect convinced the Commission that the loans would be repaid.^{7/}

7/a) Risk reducing factors of Anderson loan:

1. Availability of post-election matching funds based on the number of votes received.
2. Amounts borrowed are within the amount of receipts expected.
3. Dollar amount limitations on subsequent borrowings.
4. Assignment of rights of post-election funding to banks.
5. Provisions spreading the risk among the guaranteeing banks.

b) Risk reducing factors of Kennedy loan:

1. Committee receiving matching funds in one designated account.
2. Documents submitted to bank by Committee treasurer certifying that the Committee had, at the time, \$272,316 matchable contributions and at least \$5,000 of such contributions from thirty states.
3. A statement in the agreement that the Committee had incurred no unusual or long-term commitments or claims.
4. Committee obtained \$1,150,000 of insurance on Senator Kennedy's life, designating the bank as beneficiary.

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In conclusion, the Commission has considered a loan collateralized by future expectation of contributions as the type of loan made on a basis which assures repayment when: a) the loan has an alternative source of repayment; and, b) the alternative source of repayment itself is sufficient to repay the loan. If there is no alternative source of repayment, the Commission has considered whether the loan contains risk reducing features which provide reasonable assurance that the loan will be repaid.

Analysis of Party loans from the C and S and First Atlanta Banks follows.

C and S Bank

According to information obtained from the FEC audit and from the C and S Bank, the Party obtained three C and S loans during 1982 and 1983. Each of the loans, \$125,000 on October 8, 1982, \$125,000 on November 5, 1982 and \$25,000 on December 20, 1983, was evidenced by written instruments (notes), due on specific dates and subject to interest rates of 1/2 percent above prime (11 C.F.R. § 100.7(b)(11).)

The C and S loan reports for the two loans of \$125,000 each stated that the primary source of repayment was "cash flow of party." A secondary source of repayment was listed as "stand behind letters" from individuals with potential guarantees of \$20,000 on renewal. The letters, from five prominent local Democratic leaders, also provided commitment for fundraising efforts to retire the debt. Shortly after the first loan was

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made, the Bank obtained assignment of a life insurance policy on the Governor-elect's life. The policy was to be "in excess of \$125,000."

The primary source of repayment was still listed as "cash flow of Party" when the loans matured on April 8, 1983. At that time, the two loans were combined, the Party paid \$100,000 applicable to principal and interest on both loans, and the note was renewed at \$163,476.61.

On December 20, 1983, the Party obtained a third loan of \$25,000 from C and S. The loan report listed the primary source of repayment as "(1) Jefferson-Jackson Day Dinner receipts and (2) 1984 qualifying fees." On this loan, collateral was described as "5 individual guarantees at \$5,000 each." For this loan, C and S required guarantees from the individuals as previously promised by the Party. Also in connection with this advance of funds, the Bank required the Party to execute a "Security Agreement" which, according to the Bank, "grants to the Bank a full security interest in two of the Party's sources of revenue: (1) payments in connection with the next Jefferson-Jackson Day Dinner and (2), qualification fees to be paid to the Party." The Bank asserts that the Security Agreement secures not only the additional \$25,000 loan, but all the Party's obligations to C and S. The Bank states:

As a result, the Bank is a secured creditor of the Party with a security interest in the above-described collateral and with the ability to perfect that security interest at any time.

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In connection with the security agreement, C and S also obtained a Uniform Commercial Code financing statement from the Party, but has not filed the statement.

On July 13, 1984, both notes were renewed and the Party paid only the interest accrued to that date. This time, the term for both loans specified renewal each 90 days for a year rather than the previous 180 days renewal. The primary source of repayment was listed as "special fundraising through the Governor's office." The secondary source was listed as "Governor's request of contributions from local party leaders." The same individual guarantees of \$5000 each were noted on loan reports for both loans.

When the loans again matured on October 1, 1984, the two loans were combined (\$163,476.61 + \$25,000) for a total of \$188,476.61, the Party paid accrued interest and the note was to be renewed each six months for one year. The sources of repayment and guarantees remained the same as at the previous renewal date.

On October 25, 1984, the Party made a payment of \$42,606.83 and submitted a description of four sources of anticipated revenue between the date of this payment and April 1985. These include (1) the "Governor's Club" memberships, expected to produce \$50,000 over six months, (2) a December reception by Democratic pols expected to raise \$125,000, (3) the annual

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Jefferson-Jackson Day Dinner held in March 1985, anticipated to raise a net figure of \$100,000 and (4), pledges by the Party's county chairs to raise \$25,000 more than "the \$12,000 already collected." The Party stated that it was committed to minimizing operating expenses to aid in retiring the debt.

It is evident that the C and S loans were made by relying on the future expectation of contribution receipts. Based on the Commission's past actions, the loans must have an alternate source of repayment (should contributions fail to materialize) or the loans should have sufficient "risk reducing features" to comport with the requirement that loans be made on a basis which assures repayment.

In this case, the C and S loans did have an alternate source of repayment for part of the loan total. The Party provided guarantees from five prominent Party officials who signed agreements to back the Party's C and S loans in amounts of \$5,000 each or \$25,000 total.

In addition, there are items or considerations which significantly reduce the risk of non-payment. The Party signed a security agreement which, if perfected, could grant to C and S a security interest in the proceeds from the Party's annual fundraising dinner as well as the Party's qualifying fees from candidates. At the same time, the Party and C and S signed a financing statement under the Uniform Commercial Code which was to secure the expected receipts. However, C and S has not filed the UCC statement, thus its security agreement remains unperfected.

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The Party also approved resolutions which formally agreed to allow the indebtedness based on the finance chairman's judgment within certain borrowing limits.

Finally, it is worth noting that the Party actually made two substantial reductions of the principal and kept current on accrued interest payments at each renewal date. While these payments are not considered risk reducing features for purposes of determining the legality of the loans when they were made, the payments tend to affirm in hindsight the Bank's judgment in agreeing to the loans.

C and S Bank asserts that neither its internal credit examiners nor the national examiners from the Comptroller of the Currency has made any adverse comment concerning the Bank's portfolio. No portion of the loans has been written off.

In discussing the Bank's lending policy and its application to the Party's loans, C and S states that policy requires that all loans in its portfolio must be rated. The Party received a numerical rating of "3" which is described in the Bank's lending policy as follows:

"A rating of "3" is a management tool to draw attention to satisfactory assets in which potential weaknesses exist. Accordingly, this category serves as a "watch" list for monitoring those fully-performing loans which need improvement. While assets in this category warrant closer than normal supervision, deficiencies (such as limited asset and earnings protection) are covered by collateral or other strengths, and there is little potential of undue credit risk."

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The Bank states that its loans to the Party were handled in accordance with the lending policy in terms of loan practice requirements, lending limits review and rating requirements. According to the Bank, this is in keeping with its policy to pursue "aggressive" lending while controlling the risk inherent in the lending function.

In response to OGC interrogatories, C and S stated that it does not maintain records on how many loans it made since January 1980, between \$50,000 and \$300,000 at prime plus one-half. It did offer to provide affidavits, if necessary, from senior credit officers that such arrangements in general, and the Party's loans specifically, are not unusual.

First Atlanta Bank

According to information obtained from the FEC audit and from First Atlanta Bank, the Party received two First Atlanta loans during 1982 and 1984. A loan of \$100,000 on October 27, 1982, was evidenced by a written instrument (note), due on specific dates and subject to an interest rate of prime plus one-half. (11 C.F.R. § 100.7(b)(11).) The second loan apparently was made in April 1984, in the amount of \$25,000. First Atlanta loan statements indicate that this second loan was anticipated, made, then renewed, (perhaps in October 1984) and due on December 31, 1984.^{8/}

^{8/} The loan cannot be confirmed by the Party's FEC reports as it apparently entered the Party's non-federal administrative account.

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The loan of \$100,000 initially was obtained by a Party letter pledging certain guarantees as inducement to make the loan. The Party pledged "best efforts" letters from six prominent Party leaders along with guarantees from these individuals for \$5000 each should the note be renewed at maturity. The Party also pledged assignment to the Bank of a life insurance policy on the Governor-elect's life to exceed the amount of First Atlanta's loan. The Party further certified to the Bank that its loans and those incurred with C and S Bank would be repaid on a pro-rata basis according to the amounts owed. The Party agreed to provide the Bank with a proposal for fundraising activities. Finally, the Party stated to the Bank that it would not incur debts exceeding \$400,000, and that if it should assume obligations for candidate campaign debts, that proceeds from the Party's fundraising events would first be applied to repayment of bank notes.

First Atlanta's loan report dated October 27, 1982, listed the repayment source as contributions to the Party. The report includes a summary of the Party's financial statement ending April 30, 1982, showing total assets of \$4,222, liabilities of \$6,352 and negative net worth of \$2,130. For a twelve month period, the financial statement showed receipts to the Party of \$134,199, disbursements of \$169,117 and deficit of \$34,918.

The Bank's Credit memo for the initial loan of \$100,000 states the following in support of the loan with its repayment source based on future expected contributions:

While the Party has not been actively borrowing in the past eight years...the Party did assume in 1974 approximately \$400,000 of the [Governor's] campaign debt in addition to \$150,000 to \$175,000 in bank debt...While the Party has not had a demonstrated ability to repay in the last several years, our loan is not unprecedented and the Party has demonstrated in the past that it can retire substantial debt from its fundraising effort.

On April 8, 1983, the Party paid \$50,000 on this original loan (\$100,000). First Atlanta renewed the loan in the amount of \$55,224.66 without requiring the guarantees promised by the Party. A letter dated April 13, 1983, from First Atlanta to the Party concerning the Party's note renewal, stated the following:

our original letter agreement calls for various guarantees on any renewals should the original note not be paid in full, and if you prefer to furnish the guarantees now, it is of course satisfactory with us. However, in view of the substantial reduction now and the definite plans for taking care of the balance by the end of the year. . . we can forego the guarantees on this renewal with the understanding that should repayment plans not progress as anticipated, we may require the guarantees at the next renewal.

At the same time, a similar judgment was noted in the credit memorandum prepared to support the loan renewal. That memorandum also explained that the Party's \$50,000 payment represented First Atlanta's pro-rata share of Jefferson-Jackson Day Dinner net proceeds after the Party paid related expenses and its operating budget.

On October 5, 1983, at the loan's next maturity, the Party paid accrued interest and the note was renewed for six months. The Bank's credit memorandum for this renewal stated that the

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Party placed its major emphasis on retiring the Governor's campaign debt. It stated, "we do not anticipate any substantial longterm problems, although the note will run longer than anticipated." The credit officer expected an additional Party request for \$50,000 to cover the Party's accounts payable and operating capital until the Party received contributions the following year from qualifying fees and its fundraising dinner.

The final credit memorandum provided by First Atlanta dated October 26, 1984, stated that the Bank received a payment of \$14,393.17 from the Party " to be applied totally on principal to the larger note..." of \$55,224.66. The credit memorandum shows another note of \$25,000. Both notes were due on December 31, 1984. At the time of this payment, the Party submitted a description of four sources of anticipated revenue for the next six months.^{9/} The Party expected that receipts from four fundraising efforts would produce \$300,000 to retire the Party's debts.

Conclusion: First Atlanta and C and S Banks

Clearly, the First Atlanta loans were made by relying on the future expectation of contribution receipts. The Party pledged a number of guarantees which would have been considered risk reducing features and, in the case of guarantees by individuals,

^{9/} This is the same memorandum submitted jointly to C and S Bank.

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partial alternative sources of repayment. The Bank did not require the promised guarantees because the Party made a substantial reduction in the loan principal when the original loan first matured.

The Bank's failure to require sufficient guarantees on loans dependent for repayment on future receipts would appear particularly egregious if made in connection with a single candidate or candidate committee whose fortunes depend on the transitory nature of an individual's political success. However, the Democratic Party of Georgia is an ongoing entity which has been functioning as a strong Party organization for decades and has established a record of longevity and a credit history despite its "seasonal" changes in cash flow.

First Atlanta's credit memoranda indicate that the Bank considered the Party's credit history in making its lending decisions. First Atlanta noted that in 1974, the Party had repaid considerable loans and gubernational campaign debts in excess of \$400,000 which apparently had been satisfactorily handled. The amount of First Atlanta's loans to the Party apparently did not exceed \$100,000 at any time.

As to the C and S loans, the Bank did obtain partial guarantees for its loans as well as certain risk-reducing factors discussed herein. While these measures may not thoroughly assure repayment of sizeable Party loans, the risk inherent in this, or any lending decision, is balanced in this instance by the continuity of the Party organization which has demonstrated over time an ability to raise funds to meet its financial obligations.

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As a result of the foregoing analysis, the Office of General Counsel is recommending that the Commission find no probable cause that the Party violated 2 U.S.C. § 441b(a) in connection with receipt of loans from First Atlanta Bank and C and S Bank.

General Counsel's Recommendations

1. Find probable cause to believe that the Democratic Party of Georgia and Charles Harris, as treasurer, violated

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

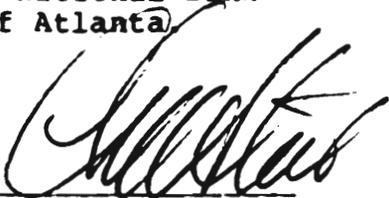
- a) when prohibited funds in non-federal accounts were used to make loan repayments on behalf of the federal account;
- b) when a loan was commingled with prohibited funds in a non-federal account, then transferred to the federal account.

2. Find no probable cause to believe that the Democratic Party of Georgia and Charles Harris, as treasurer, violated

2 U.S.C. § 441b(a) in connection with loans received during 1982-1984 from:

- a) Citizens and Southern National Bank
- b) First National Bank of Atlanta

2 May 1986
Date


Charles N. Steele
General Counsel

3304069998

BEFORE THE FEDERAL ELECTION COMMISSION

SENSITIVE

In the Matter of)
Citizens and Southern)
National Bank)
First National Bank)
of Atlanta)

99 MAY 5 10:46
MUR 1725

EXECUTIVE SESSION

MAY 13 1986

GENERAL COUNSEL'S REPORT

I. BACKGROUND

This matter was referred to the Office of the General Counsel from the Audit Division as a result of an audit of the Democratic Party of Georgia's ("the Party") federally-registered Committee conducted pursuant to 2 U.S.C. § 438(b). The audit review of the Party's loan history indicated that the Citizens and Southern National Bank ("C and S") and the First National Bank of Atlanta ("First Atlanta") made unsecured loans to the Party during the 1982 campaign cycle. The question was raised during the audit process as to whether the loans were made in the ordinary course of business and in accordance with applicable State law. On October 2, 1984, the Commission found reason to believe that C and S and First Atlanta violated 2 U.S.C. § 441b(a) by making loans to the Party which were not within the ordinary course of business. After conducting an investigation and analyzing responses to interrogatories, on January 29, 1986, the Office of General Counsel sent Briefs to the banks recommending findings of no probable cause to believe that violations of 2 U.S.C. § 441b(a) occurred in this matter. (See OGC Briefs dated January 24, 1986.) C and S and First Atlanta made ample replies during the course of the investigation and did

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not respond to the no probable cause briefs; although First Atlanta sent a letter simply stating that the General Counsel's Brief "fully reflects the Bank's position in the matter . . ."

Based on the analysis set forth in the General Counsel's Briefs, this Office is recommending that the Commission find no probable cause to believe that C and S Bank and First Atlanta Bank violated 2 U.S.C. § 441b(a) in connection with loans made to the Democratic Party of Georgia.

II. RECOMMENDATION

1. Find no probable cause to believe that the Citizens and Southern National Bank violated 2 U.S.C. § 441b(a).
2. Find no probable cause to believe that the First National Bank of Atlanta violated 2 U.S.C. § 441b(a).
3. Close the file as it relates to:
 - a) Citizens and Southern National Bank;
 - b) First National Bank of Atlanta.
4. Send the attached letters.

2 May 1986
Date



Charles N. Steele
General Counsel

Attachments
Letters to Respondents

0304060000

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
Citizens and Southern)
National Bank)
First National Bank)
of Atlanta)

MUR 1725

CERTIFICATION

I, Mary W. Dove, recording secretary for the Federal Election Commission executive session of May 13, 1986, do hereby certify that the Commission decided by a vote of 6-0 to take the following actions in MUR 1725:

1. Find no probable cause to believe that the Citizens and Southern National Bank violated 2 U.S.C. § 441b(a).
2. Find no probable cause to believe that the First National Bank of Atlanta violated 2 U.S.C. § 441b(a).
3. Close the file as it relates to:
 - a) Citizens and Southern National Bank;
 - b) First National Bank of Atlanta.
4. Send the letters attached to the General Counsel's report dated May 2, 1986.

Commissioners Aikens, Elliott, Harris, Josefiak, McDonald, and McGarry voted affirmatively for this decision.

Attest:

5-14-86
Date

Mary W. Dove
Mary W. Dove
Administrative Assistant

83740595001



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

May 16, 1986

Timothy S. Perry, Esquire
Alston and Bird
1200 Citizens and Southern National Bank Building
35 Broad Street
Atlanta, Georgia 30335

Re: MUR 1725
Citizens and Southern
National Bank

Dear Mr. Perry:

This is to advise you that after an investigation was conducted, the Commission concluded on May 13, 1986, that there is no probable cause to believe that your client violated the Act. Accordingly, the file in this matter has been closed as it pertains to your client. This matter will become part of the public record within 30 days after it has been closed with respect to all other respondents involved. Should you wish to submit any factual or legal materials to appear on the public record, please do so within 10 days. The Commission reminds you, however, that the confidentiality provisions of 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A) remain in effect until the entire matter has been closed. The Commission will notify you when the entire file has been closed.

If you have any questions, contact Frances B. Hagan, the staff member assigned to handle this matter, at (202)376-8200.

Sincerely,


Charles N. Steele
General Counsel

23740673072



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

May 16, 1986

Robert C. Osborne, Vice President
First National Bank of Atlanta
P.O. Box 4148
Atlanta, Georgia 30302

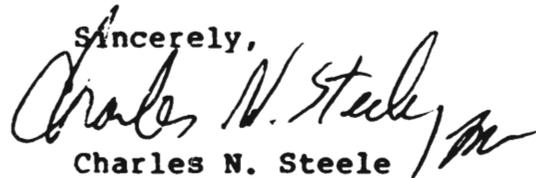
RE: MUR 1725
First National Bank of Atlanta

Dear Mr. Osborne:

This is to advise you that after an investigation was conducted, the Commission concluded on May 13, 1986, that there is no probable cause to believe that the First National Bank of Atlanta violated the Act. Accordingly, the file in this matter has been closed as it pertains to the Bank. This matter will become part of the public record within 30 days after it has been closed with respect to all other respondents involved. Should you wish to submit any factual or legal materials to appear on the public record, please do so within 10 days. The Commission reminds you, however, that the confidentiality provisions of 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A) remain in effect until the entire matter has been closed. The Commission will notify you when the entire file has been closed.

If you have any questions, contact Frances B. Hagan, the staff member assigned to handle this matter, at (202)376-8200.

Sincerely,


Charles N. Steele
General Counsel

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FEC

HENDRICKS, BODKER & REECE

ATTORNEYS & COUNSELORS - AT - LAW

SUITE 615

1800 PEACHTREE STREET, N.W.

ATLANTA, GEORGIA 30309

(404) 351-1455

MAY 16 8:59

TELEX: 559464
TELECOPIER: (404) 352-9200

OF COUNSEL
WALTER PROBERT

May 14, 1986

Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463

Re: MUR 1725
Democratic Party of Georgia
Charles Harris, as Treasurer

Dear Sir or Madam:

The Democratic Party of Georgia hereby requests an extension of 20 days in order to file a responsive brief in the above-styled matter. I received the General Counsel's brief on May 13, 1986, and require additional time to prepare a response.

Thank you for your consideration.

Sincerely,

HENDRICKS, BODKER & REECE



Curtis R. Boren
For the Firm

CRB/jw

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MAY 16 9:56

RECEIVED
GENERAL COUNSEL



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

May 30, 1986

Wayne Reece, Esquire
Hendricks, Bodker and Reece
Suite 615
1800 Peachtree Street, N.W.
Atlanta, Georgia 30309

Re: MUR 1725
Democratic Party of Georgia
Charles Harris, as treasurer

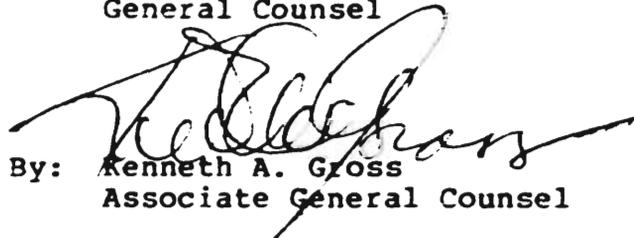
Dear Mr. Reece:

This is in reference to the letter signed by Curtis R. Boren dated May 14, 1986, requesting an extension of 20 days to respond to the General Counsel's Brief. After considering the circumstances presented in the letter, the Commission has determined to grant the requested extension. Accordingly, your response will be due on June 2, 1986.

If you have any questions, please contact Frances B. Hagan, the staff member assigned to this matter at (202) 376-8200.

Sincerely,

Charles N. Steele
General Counsel


By: Kenneth A. Gross
Associate General Counsel

83040695005

HENDRICKS, BODKER & REECE

ATTORNEYS & COUNSELORS - AT - LAW

SUITE 615

1800 PEACHTREE STREET, N.W.

ATLANTA, GEORGIA 30309

(404) 551-1455

TELEX: 559464
TELECOPIER: (404) 352-9200

OF COUNSEL
WALTER PROBERT

June 6, 1986

Office of the General Counsel
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463

Re: MUR 1725
Democratic Party of Georgia
Charles Harris, as Treasurer

Dear Sir or Madam:

Enclosed please find three (3) copies of Respondent's Answer in the above-styled matter.

Sincerely,

HENDRICKS, BODKER & REECE

Curtis R. Boren
Curtis R. Boren (R.S.)
For the Firm

CRB/rs

Enclosures

RECEIVED
OFFICE OF THE
GENERAL COUNSEL
85 JUN 10 8 17:46

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OFFICE OF THE
GENERAL COUNSEL

88040695006

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of the Democratic :
Party of Georgia : MUR 1725
Charles Harris, as Treasurer :

RESPONDENT'S BRIEF

I. Statement of the case

Respondent agrees with the general Counsel's Brief as to the statement of the case.

II. Legal Analysis

**A. Loan Repayments from Non-Federal Account and Federal Funds
Commingled with Prohibited Funds**

The Democratic Party of Georgia ("the Party"), Respondent in the above-styled matter, does not contest the factual findings of the auditors as set forth in the General Counsel's Brief. The Audit report recommended that the Georgia Federal Elections Committee ("the Committee") either repay the administrative account or report a debt to the administrative account for the loan and loan payments. Pursuant to the recommendation, the Committee amended its reports to disclose as debts outstanding the loan payments and the transfer of \$5,000.00 from the non-federal account.

Respondent disputes the conclusion of the General Counsel's brief that Respondent did not pay its debt to the non-federal account as quickly as practicable. As of April 8, 1983 when the three bank loans were renewed, Respondent owed a total of \$218,701.27 in principal on the loans. As a practical matter it was impossible to immediately repay the non-federal account because Respondent's contributions were directly dependent upon several fund-raising events over a period of time.

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Respondent shows that the reported debts to the non-federal account have in fact been repaid by the Committee.

Respondent contends that the principal and interest payments made by the non-federal account should be treated similarly to the allocation of administrative expenses, wherein the non-federal account may pay the total amount and be reimbursed by the federal account. The facts of this case are basically analogous. The Party paid principal and interest on notes taken out in the Party's name. The payment was made from the non-federal account and the Committee has reimbursed the non-federal account.

With respect to the \$5,000.00 transfer from the non-federal bank account at the Fayette State Bank to the Committee, it is undisputed that the \$5,000.00 came from a loan by Citizens and Southern National Bank (C&S) and as such clearly were not prohibited funds as such. The only error made by Respondent was not directly depositing the \$5,000.00 into the Committee. Notwithstanding the fact that the \$5,000.00 clearly came from the C&S loan, Respondent reported the \$5,000.00 as a debt to the non-federal account per the audit recommendation and has repaid the same.

Respondent also shows that its new executive director and treasurer met with Federal Election Commission auditors on January 17, 1986. As a result of that meeting, accounting procedures have been instituted to correct any accounting deficiencies of the past (Exhibit A).

In summary, Respondent has followed the audit recommendations and has repaid the debts enumerated to the non-federal account. The loan transfer and principal and interest payments were not knowing violations of the Act. Insofar as Respondent has repaid the non-federal accounts, no prohibited funds have in fact been used in connection with federal elections.

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B. Loans by National Banks

The Party obtained loans from two national banks, The Citizens and Southern National Bank and First National Bank of Atlanta during the period of time 1982 -1984. Respondent agrees with the recommendation of the General Counsel to find no probable cause to believe that the Respondent violated 2 U.S.C. Section 441b (a). In Summary, Respondent shows that the banks made the loans consistent with their lending policies and the loans have in fact been repaid in full.

This 6th day of June, 1986.

Respectfully submitted,

HENDRICKS, BODKER & REECE


Wayne Reece

1800 Peachtree Street, N.W.
Suite 315
Atlanta, Georgia 30309
404/351-1455

83040695009

**DEMOCRATIC
PARTY
OF
GEORGIA**

1252 WEST
PEACHTREE
STREET, SUITE 305
ATLANTA,
GEORGIA 30309
(404) 875-1986

MEMO TO: ACCOUNTING *bt.*
FROM: BOBBY KAHN, EXECUTIVE DIRECTOR
DATE: JANUARY 22, 1986
RE: FEDERAL/STATE ALLOCATION

In follow-up to a meeting with the F.E.C. auditors on Friday, January 17, 1986, the following procedures will be instituted, effective immediately:

1. Bank Accounts: 3 new accounts will be opened, and all other accounts will be phased out and closed. The three accounts will be:

- a. State Account
- b. Federal Account
- c. Administrative Account

If we accumulate sufficient funds to warrant interest-bearing accounts, we will open two more accounts, a federal and a state interest-bearing account.

2. Allocation Formula (Administrative Expenses): The allocation formula for administrative expenses will be determined by assigning a unit of one to each statewide office the Democratic Party of Georgia supports candidates for. Offices that are less than statewide (legislative, sheriffs, district attorneys, etc.) will be assigned a unit of one for each type of office.

Exhibit "A," attached hereto and made a part hereof, outlines the allocation formula. In short, the allocation formula for administrative expenses is:

Federal--15%
State----85%

3. Allocation Formula (Jefferson-Jackson Dinner): The allocation formula for the Jefferson-Jackson Dinner will be determined according to the formula in Exhibit "B," attached hereto and made a part hereof.

Exhibit A

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4. Transfers to Administrative Account: Each month, we will be furnished a monthly income statement. Upon receipt of said statement, we will make transfers from the state and federal accounts to the Administrative Account, based on the allocation formulas outlined in sections 2 and 3 above.

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EXHIBIT A: DETERMINATION OF ALLOCATION FORMULA

Federal Races Supported by the Democratic Party of Georgia:

1. United States Senate	2
2. United States House (1/10 x 10)	<u>1</u>
Total Federal Units	3.

State Races Supported by the Democratic Party of Georgia

1. Governor	1
2. Lieutenant Governor	1
3. Secretary of State	1
4. Attorney General	1
5. Commissioner of Insurance	1
6. Commissioner of Agriculture	1
7. State School Superintendent	1
8. Commissioner of Labor	1
9. Public Service Commissioners	5
10. State Senators (1/56 x 56)	1
11. State Representatives (1/180 x 180)	1
12. Sheriffs (1/159 x 159)	1
13. District Attorneys	1
Total State Units	<u>17</u>

Allocation:

Federal	3/20	15%
State	17/20	85%

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EXHIBIT B: JEFFERSON JACKSON DINNER ALLOCATION FORMULA

The participants in this Joint Fundraising Event are the Georgia Federal Elections Committee (an affiliated committee of the Democratic Party of Georgia) and the Democratic Party of Georgia.

Funds received in connection with this event shall be allocated 70% to the Georgia Federal Elections Committee and 30% to the Democratic Party of Georgia.

Notwithstanding the stated allocation formula, contributors may designate their contribution for either participant.

The allocation formula as set forth herein may change if any contributor makes a contribution that exceeds the amount he or she may lawfully give pursuant to any federal or state law, rule or regulation.

The allocation formula may change if either participant receives enough funds to pay its debts outstanding as of January 15, 1986.

Any contribution which the Georgia Federal Elections Committee may not receive pursuant to federal law shall be allocated to the Democratic Party of Georgia, notwithstanding the allocation formula hereinabove set forth.

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CERTIFICATE OF SERVICE

This is to certify that I have this day served counsel for the parties hereto with a true and correct copy of the within and foregoing RESPONDENT'S BRIEF by depositing same in the United States Mail in a properly addressed envelope with sufficient postage affixed or by hand delivery as follows:

Office of the General Counsel
Federal Election Commission
1325 K. Street, N.W.
Washington, D.C. 20463

This the 6th day of June, 1986.



Wayne Reece
Attorney for Respondent

83040695014

SENSITIVE

BEFORE THE FEDERAL ELECTION COMMISSION

RECEIVED
OFFICE OF THE FEC
COMMISSION SECRETARY

In the Matter of)
)
The Democratic Party of) MUR 1725
Georgia)
Charles Harris, as treasurer)

86 AUG 18 P 1: 22

EXECUTIVE SESSION

SEP 09 1986

GENERAL COUNSEL'S REPORT

I. BACKGROUND

On October 2, 1984, the Commission took the following action in MUR 1725:

Found reason to believe that the Democratic Party of Georgia ("the Party") and as treasurer, Charles Harris, violated

2 U.S.C. § 441b(a)

- a) when prohibited funds were used to make loan repayments on behalf of the federal account;
- b) when proceeds of a loan of \$5,000 entered a non-federal account containing prohibited funds and then were transferred to the federal account;
- c) through receipt of bank loans that were not made in the ordinary course of business because the banks (Citizens and Southern National Bank ("C and S") and the First National Bank of Atlanta ("First Atlanta")) were not assured of repayment.

This matter was referred to the Office of the General Counsel from the Audit Division as a result of the first of two audits conducted pursuant to 2 U.S.C. § 438(b). Information obtained through the second audit was incorporated herein to update the factual situation.

The Party did not substantively respond to the reason to believe findings. On May 5, 1986, the Office of the General Counsel sent to the Party a brief regarding these issues. On June 16, 1986, a response brief was received.

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II. LEGAL ANALYSIS OF RESPONDENTS' BRIEF

The Respondents' brief does not dispute the FEC audit's factual findings as set forth in the General Counsel's Brief of May 5, 1986. However, in their own defense, the respondents argued five points concerning the loan repayments from the non-federal account and concerning the use of funds which had been transferred from a non-federal account.

1) As explained in the General Counsel's Brief, the first audit concluded with a recommendation that the Committee repay the non-federal accounts (for payments made on behalf of or transferred to the federal account) or, lacking sufficient funds to repay, report a debt to the non-federal account. In either case, the auditors made it clear that all federal activity (such as payments owed on federal account loans) is to be conducted from the federal depository. (11 C.F.R. § 102.5(a)). The Party acknowledged this requirement in a letter to RAD dated May 21, 1984. (See General Counsel's Brief of May 5, 1986). The General Counsel's Brief stated in part that instead of paying its debt to the non-federal account as quickly as practicable, the Party continued to add to the debt to the non-federal account by allowing additional non-federal payments on the federal account's bank loans in violation of 2 U.S.C. § 441b(a) and 11 C.F.R. § 102.5(a)(1)(i). In their response brief, the respondents state that "as a practical matter it was impossible to immediately repay the non-federal account because Respondents' contributions were directly dependent upon several fund-raising events over a period of time." This argument is not sufficient as a rationale

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for the Party's increasing the non-federal payments to the lending banks on behalf of the federal account's loans when the Party was well aware of the Act's prohibition of such practice. (11 C.F.R. § 102.5(a) and 2 U.S.C. § 441b(a)). Nor does it explain the Party's failure to demonstrate an organized effort to repay funds owed to the non-federal account as soon as the proceeds from fundraisers were realized. Instead, the Party made occasional, seemingly arbitrary payments from the federal to the non-federal account which were significantly less than the amount owed.

2) Respondents contend that the non-federal account's payment of federal loans is "basically analogous" "...to the allocation of administrative expenses, wherein the non-federal account may pay the total amount and be reimbursed by the federal account."

11 C.F.R. § 106.1(e) requires that party committees shall allocate administrative expenses between their federal and non-federal accounts "in proportion to the amount of funds expended on federal and non-federal elections or on another reasonable basis." Because such allocation generally cannot be calculated until after the expenditures are made, party committees have, in practice, been allowed to pay current expenses from the non-federal account and later to be reimbursed by the federal account when the ratio of federal to non-federal expenditures has been determined. However, this procedure is permitted only in specific limited circumstances where the full extent of the federal committee's liability is not known at the time of payment

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of certain expenditures; and this procedure should not be interpreted as license for the non-federal account to fund the federal account. In contrast to the uncertainty of liability with regard to administrative expenses, here the Georgia Party knew the exact amount of payments owed to the banks on federal account loans when the loans came due at each renewal date. Consequently, Respondents' argument that the situations are analogous and should be treated the same is without merit.

3) Respondents assert that the proceeds of a \$5,000 loan which entered a non-federal account before they were deposited into the federal account "were not prohibited funds as such." According to the Respondents, "the only error made ... was not directly depositing the \$5,000 into the Committee [account]." Respondents state that they have nevertheless repaid the amount of this loan to the non-federal account.

The respondents' argument that the Party legally could have transferred the \$5,000 loan proceeds directly into the federal account from the lending bank is not pertinent in that it is the Party's failure to make such legal transfer that resulted in the violations. Because the Party first transferred the funds into a non-federal account, the transaction violates 11 C.F.R. § 102.5(a)(1)(i), which prohibits transfers from a non-federal account into the federal depository. This regulation also requires that only funds subject to the prohibitions and limitations of the Act shall be deposited in the separate federal account. Moreover, funds transferred from a non-federal account containing prohibited monies cannot be said to comply with the

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Act's prohibitions. The result of such a transfer is a violation of 2 U.S.C. § 441b(a) which underlies the regulation at 11 C.F.R. §102.5(a)(1)(i).

4) Respondents argue that they have now complied with the recommendation in the first audit to reimburse the non-federal account for monies disbursed on behalf of the federal account. The response brief states "the reported debts owed to the non-federal account [for non-federal payments on the federal account's bank loans] have in fact been paid by the Committee." However, this defense is flawed in that it is not clear from reports that the Committee has reported the total amount owed to the non-federal account because these debts are not specifically identified on reports and because the reported amounts differ from the audit figures. Further, of the \$52,156.39 found by the FEC audit to be owed the non-federal account, the auditors could verify a payback to the non-federal of only \$14,393.17, representing a principal payment on one bank loan. None of the reported payments to the non-federal account is labeled as to specific purpose (such as which transfers to the non-federal account include paybacks for the loan payments at issue here). Therefore, the Respondents' statement, and a potentially significant mitigating factor, cannot be verified.*/

*/ In follow-up telephone conversations with the Committee's treasurer (acting as the Party's counsel) and with the Party's executive director, we were told that the attorney who prepared the brief was away for two weeks and any verifying documents and information would have to come from him. Upon returning, he called and we requested the documents. We have not received such documents.

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5) Finally, the brief states that the respondents have instituted accounting procedures to correct past deficiencies and that the situations discussed were "not knowing violations of the Act."

As to the loans accepted from two national banks, the Respondents concur with this Office's recommendation to find no probable cause to believe regarding this issue.

III. DISCUSSION OF CONCILIATION AND CIVIL PENALTY

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IV. RECOMMENDATIONS

1. Find probable cause to believe that the Democratic Party of Georgia and Charles Harris, as treasurer, violated

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

- a) when prohibited funds in non-federal accounts were used to make loan repayments on behalf of the federal account;
- b) when loan proceeds entered a non-federal account containing prohibited funds and then were transferred to the federal account.

2. Find no probable cause to believe that the Democratic Party of Georgia and Charles Harris, as treasurer, violated

2 U.S.C. § 441b(a) in connection with loans received during 1982-1984 from:

- a) Citizens and Southern National Bank
- b) First National Bank of Atlanta.

15 August 1986
Date



Charles N. Steele
General Counsel

Attachments
Proposed Conciliation Agreement
Letter to Respondent

93040695021

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
The Democratic Party of Georgia) MUR 1725
Charles Harris, as treasurer)

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session of September 9, 1986, do hereby certify that the Commission decided by a vote of 6-0 to take the following actions in MUR 1725:

1. Find probable cause to believe that the Democratic Party of Georgia and Charles Harris, as treasurer, violated 2 U.S.C. § 441b(a) and 11 C.F.R. § 102.5(a)(1)(i):
 - a) when prohibited funds in non-federal accounts were used to make loan repayments on behalf of the federal account;
 - b) when loan proceeds entered a non-federal account containing prohibited funds and then were transferred to the federal account.
2. Find no probable cause to believe that the Democratic Party of Georgia and Charles Harris, as treasurer, violated 2 U.S.C. § 441b(a) in connection with loans received during 1982-1984 from Citizens and Southern National Bank and the First National Bank of Atlanta.
3. Approve the letter attached to the General Counsel's report dated August 15, 1986.

(continued)

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Federal Election Commission
Certification for MUR 1725
September 9, 1986

Page 2

4. Approve the conciliation agreement attached to the General Counsel's report dated August 15,

Commissioners Aikens, Elliott, Harris, Josefiak, McDonald, and McGarry voted affirmatively for the decision.

Attest:

9-10-86

Date

Marjorie W. Emmons

Marjorie W. Emmons
Secretary of the Commission

88040695023

plm



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

September 15, 1986

Wayne Reece, Esquire
Suite 355
1800 Peachtree Street, N.W.
Atlanta, Georgia 30309

RE: MUR 1725
Democratic Party of
Georgia
Charles Harris, as
treasurer

Dear Mr. Reece:

On September 9, 1986, the Commission determined that there is probable cause to believe your clients committed a violation of 2 U.S.C. § 441b(a), a provision of the Federal Election Campaign Act of 1971, as amended, and 11 C.F.R. § 102.5(a)(1)(i) of the Regulations, in connection with loan payments made by the non-federal account on behalf of the federal account and a transfer from the non-federal to the federal account.

The Commission also found no probable cause to believe that your clients violated 2 U.S.C. § 441b(a) through acceptance of loans from two national banks.

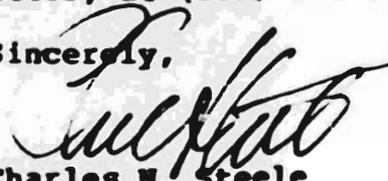
The Commission has a duty to attempt to correct such violations for a period of thirty to ninety days by informal methods of conference, conciliation and persuasion, and by entering into a conciliation agreement. If we are unable to reach an agreement during that period, the Commission may institute civil suit in United States District Court and seek payment of a civil penalty.

We enclose a conciliation agreement that this office is prepared to recommend to the Commission in settlement of this matter. If you agree with the provisions of the enclosed agreement, please sign and return it along with the civil penalty to the Commission within ten days. I will then recommend that the Commission approve the agreement. Please make your check for the civil penalty payable to the U.S. Treasurer.

83040575024

If you have any questions or suggestions for changes in the enclosed conciliation agreement, please contact Frances B. Hagan, the staff member assigned to this matter, at (202) 376-8200.

Sincerely,



Charles M. Steele
General Counsel

Enclosure
Conciliation Agreement

83040695025

WAYNE REECE, P.C.
ATTORNEYS & COUNSELORS - AT - LAW
SUITE 355
1800 PEACHTREE STREET, N.W.
ATLANTA, GEORGIA 30309
(404) 351-0388

RECEIVED AT THE FEC
GCE # 3,048
86 NOV 18 P 2: 57
17 7 7 7

November 17, 1986

Frances B. Hagan, Esquire
Federal Elections Commission
999 E. Street, N.W.
6th Floor
Washington, D.C. 20463

Re: MUR 1725

30 NOV 20 A 10: 04

RECEIVED
OFFICE OF THE
GENERAL COUNSEL

Dear Fran:

Enclosed is the executed Conciliation Agreement in the above-referenced matter which we have previously discussed. You will also find attached hereto evidence that the repayment has now been made to the non-federal account in the amount of \$37,763.22 pursuant to Paragraph VI of the Conciliation Agreement.

You will also find enclosed herewith a check in the amount of \$500.00 made payable to the Treasurer of the United States pursuant to paragraph VII (1) of the Conciliation Agreement.

Please contact me if you need further information.

With kindest regards, I am

Sincerely,



Wayne Reece

WR/dhl

cc: Robert S. Kahn

0 2 0 5 6 9 0 8 0 8 3

86 NOV 20 AM 04

RECEIVED
OFFICE OF THE
GENERAL COUNSEL

GA. FEDERAL ELECTIONS COMMITTEE,
DEMOCRATIC PARTY OF GA.
1252 WEST PEACHTREE ST. SUITE 305
ATLANTA, GA 30309

136

November 17, 19 86

645
610

PAY TO THE ORDER OF Treasurer of the United States \$ 500.00

Five hundred dollars and no/100----- DOLLARS

C&S The Citizens and Southern
National Bank
Atlanta, Georgia

GEORGIA FEDERAL ELECTIONS COMMITTEE
DEMOCRATIC PARTY OF GEORGIA

Robert A. Reed

⑆000136⑆ ⑆061000052⑆ 040 35 507⑆

GCC# 2048

MEMORANDUM

TO: Debra A. Reed TO: Judy Smith

FROM: Judy Smith FROM: Debra A. ^{Trimiew} Reed

CHECK NO. 136 (a copy of which is attached)

TO MUR 1725 (Hagan) AND NAME Democratic Party of Georgia
Charles Harris, as treasurer

WAS RECEIVED ON 11/20/86. PLEASE INDICATE THE ACCOUNT INTO

WHICH IT SHOULD BE DEPOSITED:

- BUDGET CLEARING ACCOUNT (#95F3875.16)
- CIVIL PENALTIES ACCOUNT (#95-1099.160)
- OTHER _____

SIGNATURE Debra A. Trimiew DATE 11/20/86

86 NOV 20 AM 04

RECEIVED
OFFICE OF THE
GENERAL COUNSEL

DEMOCRATIC PARTY OF GEORGIA

FEDERAL MARKET INVESTMENT ACCOUNT
1252 W PEACHTREE ST SUITE 308
ATLANTA, GA 30309

111

October 27, 1986

PAY TO THE ORDER OF Democratic Party of Georgia \$ 37,763.22

Thirty-seven thousand seven hundred sixty-three dollars and 22/100---DOLLARS

C&S The Citizens and Southern
National Bank
Atlanta, Georgia

FOR Transfer to 082-85-900 per FEC audit



⑈000111⑈ -⑈06⑈000052⑈ 057 85 803⑈ ⑈0003776322⑈

Account Statement

THE CITIZENS AND SOUTHERN NATIONAL BANK
BOX 4899, ATLANTA, GA 30302-4899

58-0910903 Account Number 057-85-803 Account Code: 497

DEMOCRATIC PARTY OF GEORGIA
FEDERAL MARKET INVESTMENT ACCT
1252 WEST PEACHTREE ST STE 305
ATLANTA GA 30309

Statement Date 10/31/86	Customer Service 493-3535	6DR	Items 14CR	20
Beginning Balance 39,042.80	+ Deposits/Interest 147,111.74	- Withdrawals/Charges 180,318.22	= New Balance	5,836.32

COMMERCIAL MARKET INVESTMENT

CHECKS	AMOUNT	DATE	CHECKS	AMOUNT	DATE
	12,500.00	10/02	110	25,000.00	10/27
	10,000.00	10/09	111	37,763.22	10/27 ✓
	45,000.00	10/27	112	50,000.00	10/31

-- -- OTHER DEBITS -- --

RETURN ITEM	30.00	10/08
RETURN ITEM	25.00	10/09

-- -- CREDITS -- --

CUSTOMER DEPOSIT	670.00	10/02
CUSTOMER DEPOSIT	795.00	10/02
CUSTOMER DEPOSIT	885.00	10/02
CUSTOMER DEPOSIT	1,695.00	10/02
CUSTOMER DEPOSIT	3,155.00	10/02
CUSTOMER DEPOSIT	3,750.00	10/02
CUSTOMER DEPOSIT	13,920.00	10/03
CUSTOMER DEPOSIT	1,400.00	10/09
CUSTOMER DEPOSIT	5,000.00	10/16
CUSTOMER DEPOSIT	7,821.00	10/16
CUSTOMER DEPOSIT	5,857.00	10/21
CUSTOMER DEPOSIT	56,175.00	10/27
CUSTOMER DEPOSIT	4,000.00	10/31
CUSTOMER DEPOSIT	41,801.48	10/31
INTEREST EARNED THROUGH 10/31/86	187.26	10/31

-- -- ACCOUNT BALANCES BY DAY -- --

09/30	39,042.80	10/08	51,382.80	10/21	61,435.80
10/02	37,492.80	10/09	42,757.80	10/27	9,847.58
10/03	51,412.80	10/16	55,578.80	10/31	5,836.32

COMMERCIAL MARKET INVESTMENT RATE HISTORY

FROM	TO	EFFECTIVE RATE
09/30/86	10/27/86	5.400
10/28/86	10/31/86	5.300

Account Statement

THE CITIZENS AND SOUTHERN NATIONAL BANK
 BOX 4899, ATLANTA, GA 30302-4899
 Account Number: 082-85-900 Account Code: 497

58-0910903

H

DEMOCRATIC PARTY OF GEORGIA
 STATE MARKET INVESTMENT ACCT
 1252 WEST PEACHTREE ST STE 305
 ATLANTA GA 30309

Statement Date	Customer Service			Items
10/31/86	493-3535			6DR 10CR 16
Beginning Balance	+ Deposits/Interest	- Withdrawals/Charges		= New Balance
25,664.72	198,318.22	150,000.00		73,982.94

COMMERCIAL MARKET INVESTMENT

CHECKS	AMOUNT	DATE	CHECKS	AMOUNT	DATE
	20,000.00	10/14		25,000.00	10/24
	10,000.00	10/17		50,000.00	10/30
	20,000.00	10/22	105	25,000.00	10/27

- - -CREDITS-

CUSTOMER DEPOSIT	6,320.00	10/02
CUSTOMER DEPOSIT	11,885.00	10/02
CUSTOMER DEPOSIT	4,850.00	10/09
CUSTOMER DEPOSIT	14,000.00	10/16
CUSTOMER DEPOSIT	250.00	10/21
CUSTOMER DEPOSIT	16,532.00	10/21
CUSTOMER DEPOSIT	37,763.22	10/27
CUSTOMER DEPOSIT	42,215.00	10/27
CUSTOMER DEPOSIT	16,000.00	10/31
CUSTOMER DEPOSIT	48,350.00	10/31
INTEREST EARNED THROUGH 10/31/86	153.00	10/31

- - -ACCOUNT BALANCES BY DAY-

09/30	25,664.72	10/16	42,719.72	10/24	4,501.72
10/02	43,869.72	10/17	32,719.72	10/27	59,479.94
10/09	48,719.72	10/21	49,501.72	10/30	9,479.94
10/14	28,719.72	10/22	29,501.72	10/31	73,982.94

COMMERCIAL MARKET INVESTMENT RATE HISTORY

FROM	TO	EFFECTIVE RATE
09/30/86	10/27/86	5.400
10/28/86	10/31/86	5.300

FEDERAL REGULATIONS PERMIT SIX PREAUTHORIZED WITHDRAWALS PER STATEMENT CYCLE ON THIS ACCOUNT, ONLY THREE OF WHICH MAY BE BY CHECK. THIS IS NOTIFICATION THAT YOU HAVE EXCEEDED THAT LIMIT. PLEASE OBSERVE THIS REGULATION ON FUTURE TRANSACTIONS.



Thank you for banking with us.

Member FDIC



DEMOCRATIC PARTY OF GEORGIA

1252 WEST PEACHTREE STREET • SUITE 305 • ATLANTA, GEORGIA 30309 • (404) 875-1986

RECEIVED THE FEC
HAND DELIVERED
36 DEC 31 12:49
JOHN HENRY ANDERSON
Chairman

BOBBY KAHN
Executive Director

December 30, 1986

BY FEDERAL EXPRESS

Frances B. Hagan, Esquire
Federal Elections Commission
999 E. Street, N.W.
6th Floor
Washington, D.C. 20463

Re: MUR 1725

Dear Ms. Hagan:

Enclosed please find a check in the amount of \$1,000 made payable to the Treasurer of the United States pursuant to paragraph VII (2) of the Conciliation Agreement.

Sincerely,

Bobby Kahn
Bobby Kahn
Executive Director

187
JAN 5 8:41

RECEIVED
OFFICE OF THE
GENERAL COUNSEL

83040645031

GA. FEDERAL ELECTIONS COMMITTEE,
DEMOCRATIC PARTY OF GA.
1252 WEST PEACHTREE ST. SUITE 305
ATLANTA, GA 30309

140

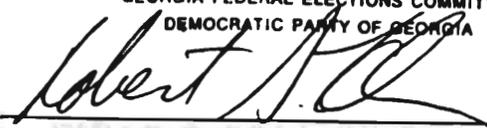
December 30, 1986 $\frac{645}{610}$

PAY TO THE ORDER OF Treasurer of the United States \$ 1,000.00

One thousand dollars and no/100----- DOLLARS

C&S The Citizens and Southern
National Bank
Atlanta, Georgia

GEORGIA FEDERAL ELECTIONS COMMITTEE
DEMOCRATIC PARTY OF GEORGIA



MUR 1725

⑈000140⑈ ⑆061000052⑆ 040 35 507⑈

Q00#2393

MEMORANDUM

TO: Debra A. Reed TO: Judy Smith

FROM: Judy Smith FROM: Debra A. Reed

187
JAN 87

GENERAL INVESTIGATIVE DIVISION

CHECK NO. 140 (a copy of which is attached) RELATING
TO MUR 1725 (Hagan) AND NAME Democratic Party of Georgia
and Charles Harris, treas.
WAS RECEIVED ON 1/5/87. PLEASE INDICATE THE ACCOUNT INTO
WHICH IT SHOULD BE DEPOSITED:

- BUDGET CLEARING ACCOUNT (#95F3875.16)
- CIVIL PENALTIES ACCOUNT (#95-1099.160)
- OTHER _____

SIGNATURE Debra A. Lippman DATE 1/5/87



DEMOCRATIC PARTY OF GEORGIA

1252 WEST PEACHTREE STREET • SUITE 305 • ATLANTA, GEORGIA 30309 • (404) 875-1986

RECEIVED AT THE FEC
600-2007
87 JAN 30 P 2:15
JOHN HENRY ANDERSON
Chairman
BOBBY KAHN
Executive Director

January 26, 1987

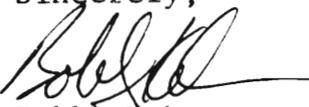
BY CERTIFIED MAIL

Frances B. Hagan, Esquire
Federal Elections Commission
999 E. Street, NW
Sixth Floor
Washington, D. C. 20463

RE: MUR 1725

Dear Ms. Hagan:

Enclosed please find a check in the amount of \$1,000.00 made payable to the Treasurer of the United States pursuant to paragraph VII (2) of the Conciliation Agreement.

Sincerely,

Bobby Kahn
Executive Director

RECEIVED
OFFICE OF THE
GENERAL COUNSEL
FEB 2 P 4: 21

88040595030

GA. FEDERAL ELECTIONS COMMITTEE,
DEMOCRATIC PARTY OF GA.

1252 WEST PEACHTREE ST. SUITE 305
ATLANTA, GA 30309

142

January 26, 19 87

64-5
610

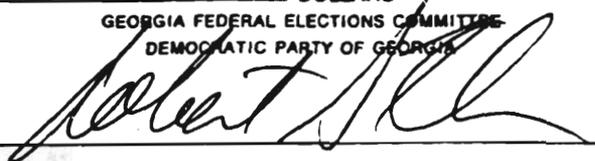
PAY TO THE ORDER OF Treasurer of the United States \$ 1,000.00

One thousand dollars and no/100----- DOLLARS

C&S The Citizens and Southern
National Bank
Atlanta, Georgia

GEORGIA FEDERAL ELECTIONS COMMITTEE
DEMOCRATIC PARTY OF GEORGIA

Payment pursuant to MUR 1725



⑆000142⑆ ⑆061000052⑆ 040 35 507⑆

602 # 2607

MEMORANDUM

TO: Debra A. Reed

TO: Judy Smith

FROM: Judy Smith

FROM: Debra A. Reed

- FFR 2
GENERAL COUNSEL

CHECK NO. 142 (a copy of which is attached) RELATING
TO MUR 1725 (Hagan) AND NAME Democratic Party of Georgia
Charles Harris, as treas.
WAS RECEIVED ON 2/2/87. PLEASE INDICATE THE ACCOUNT INTO
WHICH IT SHOULD BE DEPOSITED:

- / / BUDGET CLEARING ACCOUNT (#95F3875.16)
- / CIVIL PENALTIES ACCOUNT (#95-1099.160)
- / / OTHER _____

SIGNATURE Debra A. Trimmew

DATE 2/4/87

RECEIVED AT THE FEC
CCH 2827
87 MAR 2 11:33
JOHN HENRY ANDERS
Chairman

DEMOCRATIC PARTY OF GEORGIA

BOBBY KAHN
Executive Director

1252 WEST PEACHTREE STREET • SUITE 305 • ATLANTA, GEORGIA 30309 • (404) 875-1986

February 25, 1987

BY CERTIFIED MAIL

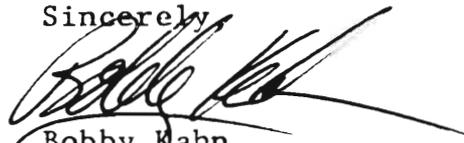
Frances B. Hagan, Esquire
Federal Elections Commission
999 E. Street, NW
Sixth Floor
Washington, D. C. 20463

RE: MUR 1725

Dear Ms. Hagan:

Enclosed please find a check in the amount of \$1,000 made payable to the Treasurer of the United States pursuant to Paragraph VII (2) of the Conciliation Agreement.

Sincerely



Bobby Kahn
Executive Director

87 MAR 3 12:44

RECEIVED
OFFICE OF THE
GENERAL COUNSEL

88040695035

GA. FEDERAL ELECTIONS COMMITTEE,
DEMOCRATIC PARTY OF GA.

1252 WEST PEACHTREE ST. SUITE 305
ATLANTA, GA 30309

143

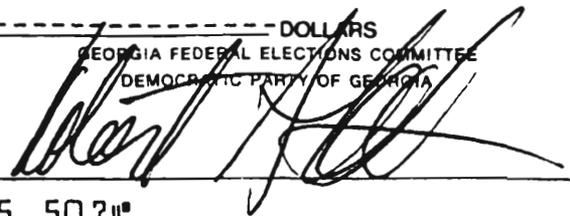
February 25, 1987 ⁸⁴⁵/₈₁₀

PAY TO THE ORDER OF Treasurer of the United States \$ 1,000.00

One thousand dollars and no/100-----DOLLARS

C&S The Citizens and Southern
National Bank
Atlanta, Georgia

GEORGIA FEDERAL ELECTIONS COMMITTEE
DEMOCRATIC PARTY OF GEORGIA



Re: MUR 1725

⑈000143⑈ ⑈06⑈000052⑈ 040 35 507⑈

MEMORANDUM

TO: Debra A. Reed

TO: Cecilia Lieber
~~Judy Smith~~

FROM: Cecilia Lieber
~~Judy Smith~~

FROM: Debra A. Reed

REC # 2822
BT MAR 3 P 2: 44
GENERAL COUNSEL
RECEIVED

CHECK NO. 143 (a copy of which is attached) RELATING
TO MUR 1725 (Hagan) AND NAME Democratic Party of Georgia,
Charles Harris, as treasurer
WAS RECEIVED ON 3/3/87. PLEASE INDICATE THE ACCOUNT INTO
WHICH IT SHOULD BE DEPOSITED:

- / / BUDGET CLEARING ACCOUNT (#95F3875.16)
- / ✓ CIVIL PENALTIES ACCOUNT (#95-1099.160)
- / / OTHER _____

SIGNATURE Debra A. Reed DATE 3/4/87

GCC 3464

RECEIVED AT THE FEC

37 MAY 26 P12:09

JOHN HENRY ANDERSON
Chairman

BOBBY KAHN
Executive Director

DEMOCRATIC PARTY OF GEORGIA

1252 WEST PEACHTREE STREET • SUITE 305 • ATLANTA, GEORGIA 30309 • (404) 875-1986

May 22, 1987

BY CERTIFIED MAIL

Frances B. Hagan, Esquire
Federal Election Commission
999 E. Street, NW
Sixth Floor
Washington, D. C. 20463

RE: MUR 1725

Dear Ms. Hagan:

Enclosed please find a check in the amount of \$1,000 made payable to the Treasurer of the United States pursuant to Paragraph VII (2) of the Conciliation Agreement.

Sincerely,

Bobby Kahn
Bobby Kahn
Executive Director

87 MAY 27 P 2: 57

RECEIVED
OFFICE OF THE
GENERAL COUNSEL

730340695037

GA. FEDERAL ELECTIONS COMMITTEE,
DEMOCRATIC PARTY OF GA.
1252 WEST PEACHTREE ST. SUITE 305
ATLANTA, GA 30309

148

May 22, 19 87

645
610

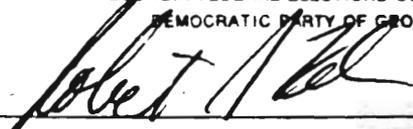
PAY TO THE ORDER OF Treasurer of the United States \$ 1,000.00

One thousand dollars and no/100----- DOLLARS

C&S The Citizens and Southern
National Bank
Atlanta, Georgia

GEORGIA FEDERAL ELECTIONS COMMITTEE
DEMOCRATIC PARTY OF GEORGIA

Payment pursuant to MUR 1725



⑈000148⑈ ⑆⑆061000052⑆ 040 35 507⑈

40595033

CCC 3464

87 MAY 27 9 2: 57

RECEIVED
GENERAL INVESTMENT

MEMORANDUM

TO: Debra A. ^{Trimiew} Reed

TO: ^{Cecilia Lieber} ~~Debra Reed~~

FROM: ^{Cecilia Lieber} ~~Debra Reed~~

FROM: Debra A. ^{Trimiew} Reed

CHECK NO. 148 (a copy of which is attached) RELATING
TO MUR 1725 (Hagan) AND NAME Democratic Party of Georgia
Charles Harris, as treasurer
WAS RECEIVED ON 5/27/87. PLEASE INDICATE THE ACCOUNT INTO
WHICH IT SHOULD BE DEPOSITED:

- / / BUDGET CLEARING ACCOUNT (#95F3875.16)
- / / CIVIL PENALTIES ACCOUNT (#95-1099.160)
- / / OTHER _____

SIGNATURE Debra A. Trimiew

DATE 5/28/87



DEMOCRATIC PARTY OF GEORGIA, INC.

RECEIVED AT THE FEC
COC # 3777
07 JUN 29 12: 22

JOHN HENRY ANDERSON
Chairman
BOBBY KAHN
Executive Director

SUITE 870 SOUTH TOWER • ONE CNN CENTER • ATLANTA, GEORGIA 30303 • (404) 681-1988

June 22, 1987

BY CERTIFIED MAIL

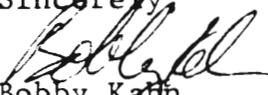
Ms. Frances B. Hagan, Esquire
Federal Election Commission
999 E. Street, NW
Sixth Floor
Washington, DC 20463

RE: MUR 1725

Dear Ms. Hagan:

Enclosed please find a check in the amount of \$1,000 made payable to the Treasurer of the United States pursuant to Paragraph VII (2) of the Conciliation Agreement.

Sincerely,


Bobby Kahn
Executive Director

BK/dmj

Enclosure

RECEIVED
Office of the
GENERAL COUNSEL
07 JUL 2 11: 23

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GA. FEDERAL ELECTIONS COMMITTEE,
DEMOCRATIC PARTY OF GA.

1252 WEST PEACHTREE ST. SUITE 305
ATLANTA, GA 30309

150

June 22, 19 87 $\frac{645}{610}$

PAY TO THE ORDER OF Treasurer of the United States \$*1,000.00*

One Thousand and 00/100-----

C&S The Citizens and Southern
National Bank
Atlanta, Georgia

DOLLARS
GEORGIA FEDERAL ELECTIONS COMMITTEE
DEMOCRATIC PARTY OF GEORGIA

Payment pursuant to MUR 1725

⑈000150⑈ ⑆0061000052⑆ 040 35 507⑆

RC#3777

MEMORANDUM

TO: Debra A. Reed *Trimiew*

TO: ~~Debra A. Reed~~ *Cecilia Lieber*

FROM: ~~Debra A. Reed~~ *Cecilia Lieber*

FROM: Debra A. Reed *Trimiew*

97 JUL 2

CHECK NO. 150 (a copy of which is attached) RELATING

TO MUR 1725 (Hagan) AND NAME Democratic Party of Georgia
Charles Harris, as treasurer

WAS RECEIVED ON 7/2/87. PLEASE INDICATE THE ACCOUNT INTO

WHICH IT SHOULD BE DEPOSITED:

- / / BUDGET CLEARING ACCOUNT (#95F3875.16)
- / ✓ CIVIL PENALTIES ACCOUNT (#95-1099.160)
- / / OTHER _____

SIGNATURE Debra A. Trimiew DATE 7/2/87

SENSITIVE

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 1725
Democratic Party of Georgia)
Charles Harris, as treasurer)

GENERAL COUNSEL'S REPORT

BACKGROUND

Attached is a conciliation agreement signed by counsel for the Democratic Party of Georgia ("the Party") who is also treasurer of the registered Georgia Democratic Elections Committee - Federal.

61:112 51000 2
11:11:19

88040695041

RECOMMENDATION

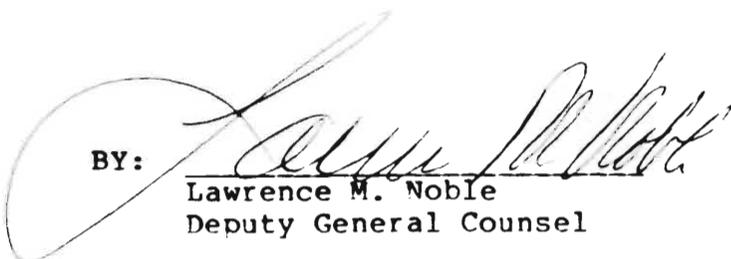
1. The Office of the General Counsel recommends accepting this agreement and closing the file.
2. Send attached letter.

Charles N. Steele
General Counsel

Date

1/16/87

BY:


Lawrence M. Noble
Deputy General Counsel

Attachments

Signed Agreement
Civil Penalty Check Copy
Letters to Respondents

83040695042



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20461

MEMORANDUM TO: CHARLES N. STEELE
GENERAL COUNSEL

FROM: MARJORIE W. EMMONS/JOSHUA MCFADDEN *JM*

DATE: JANUARY 21, 1987

SUBJECT: COMMENTS ON MUR 1725 - GENERAL COUNSEL'S REPORT
SIGNED JANUARY 16, 1987

Attached is a copy of Commissioner Thomas's
vote sheet with comments regarding the above-captioned matter.

33040695046

Attachment:
copy of vote sheet

BALLOT

15
SENSITIVE



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

DATE & TIME TRANSMITTED: FRIDAY, JANUARY 16, 1987 2:00

COMMISSIONER: AIKENS, ELLIOTT, JOSEFIAK, McDONALD, MCGARRY, THOMAS

RETURN TO COMMISSION SECRETARY BY WEDNESDAY, JANUARY 21, 1987 4:00

SUBJECT: MUR 1725 - GENERAL COUNSEL'S REPORT
SIGNED JANUARY 16, 1987

07 JAN 20 11:30

83040695044

- I approve the recommendation
- I object to the recommendation

COMMENTS: Add regulation cite to letter to Beers.

DATE: 1/20/87 SIGNATURE *Scott Thomas*

A DEFINITE VOTE IS REQUIRED. ALL BALLOTS MUST BE SIGNED AND DATED.
 PLEASE RETURN ONLY THE BALLOT TO THE COMMISSION SECRETARY.
 PLEASE RETURN BALLOT NO LATER THAN DATE AND TIME SHOWN ABOVE.

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Democratic Party of Georgia) MUR 1725
Charles Harris, as treasurer)

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on January 21, 1987, the Commission decided by a vote of 6-0 to take the following actions in MUR 1725.

1. Accept the conciliation agreement, as recommended in the General Counsel's Report signed January 16, 1987.
2. Close the file.
3. Send the letter, as recommended in the General Counsel's Report signed January 16, 1987.

Commissioners Aikens, Elliott, Josefiak, McDonald McGarry and Thomas voted affirmatively for this decision.

Attest:

1-22-87

Date

Marjorie W Emmons

Marjorie W. Emmons
Secretary of the Commission

Received in the Office of Commission Secretary: Fri., 1-16-87, 11:18
Circulated on 48 hour tally basis: Fri., 1-16-87, 2:00
Deadline for vote: Wed., 1-21-87, 4:00

83040695045

plm



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

February 3, 1987

Timothy S. Perry, Esquire
Alston and Bird
1200 Citizens and Southern
National Bank Building
35 Broad Street
Atlanta, Georgia 30335

Re: MUR 1725
Citizens and Southern National
Bank

Dear Mr. Perry:

This is to advise you that the entire file in this matter has now been closed and will become part of the public record within thirty days. Should you wish to submit any legal or factual materials to be placed on the public record in connection with this matter, please do so within 10 days.

Should you have any questions, contact Frances B. Hagan, the staff member assigned to this matter, at (202) 376-8200.

Sincerely,

Charles V. Steele
General Counsel

Lawrence M. Noble
By: Lawrence M. Noble
Deputy General Counsel

33040695045

plm



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

February 3, 1987

Robert C. Osborne, Vice President
First National Bank of Atlanta
P.O. Box 4148
Atlanta, Georgia 30302

Re: MUR 1725
First National Bank of Atlanta

Dear Mr. Osborne:

This is to advise you that the entire file in this matter has now been closed and will become part of the public record within thirty days. Should you wish to submit any legal or factual materials to be placed on the public record in connection with this matter, please do so within 10 days.

Should you have any questions, contact Frances B. Hagan, the staff member assigned to this matter, at (202) 376-8200.

Sincerely,

Charles N. Steele
General Counsel

Lawrence M. Noble
By: Lawrence M. Noble
Deputy General Counsel

83040675047



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20543

February 3, 1987

Wayne Reece, Esquire
Democratic Party of Georgia
Suite 355
1800 Peachtree Street, N.W.
Atlanta, GA 30309

RE: MUR 1725
Democratic Party of Georgia
Charles Harris, as treasurer

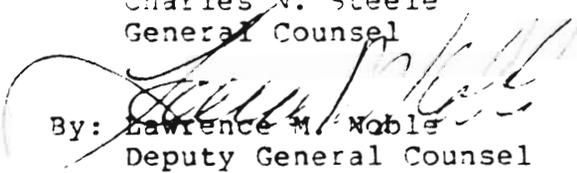
Dear Mr. Reece:

On January 21, 1987, 1986, the Commission accepted the conciliation agreement you signed and a civil penalty in settlement of violations of 2 U.S.C. § 441b(a), a provision of the Federal Election Campaign Act of 1971, as amended and of 11 C.F.R. § 102.5(a)(1)(i) of the Commission's Regulations. Accordingly, the file has been closed in this matter, and it will become a part of the public record within thirty days. Should you wish to submit any legal or factual materials to be placed on the public record in connection with this matter, please do so within 10 days. However, 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: 
Deputy General Counsel

Enclosure
Conciliation Agreement

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plm

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Democratic Party of Georgia) MUR 1725
Charles Harris, as treasurer)

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 probable cause to believe that the Democratic Party of Georgia and as treasurer, Charles Harris, ("Respondents") violated 2 U.S.C. § 441b(a) and 11 C.F.R. § 102.5(a)(1)(i) as follows:

- a) when prohibited funds in non-federal accounts were used to make loan payments on behalf of the federal account;
- b) when proceeds of a loan entered a non-federal account containing prohibited funds and then were transferred to the federal account.

NOW, THEREFORE, the Commission and Respondents, having duly entered into conciliation pursuant to 2 U.S.C. § 437g(a)(4) (A)(i) do hereby agree as follows:

I. The Commission has jurisdiction over the Respondents and the subject matter of this proceeding.

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

III. Respondents enter voluntarily into this agreement with the Commission.

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

1. Respondent, the Democratic Party of Georgia, is a State Party organization of the Democratic National Committee. Respondent Charles Harris is its treasurer.
2. Respondents maintain separate non-federal bank accounts and a federally-registered account (the Georgia Democratic Elections Committee-Federal) pursuant to 11 C.F.R. § 102.5(a)(1)(i).
3. Respondents' federal bank account received loans totaling \$171,920 from two banks during the 1982 campaign.
4. Respondents' federal account received a \$5,000 transfer representing loan proceeds, from one of Respondents' non-federal accounts.
5. Respondents' non-federal administrative account, containing funds prohibited by the Act (corporate and/or union funds), made payments of \$10,617.42 for the federal account's portion of the interest accrued on two bank loans from Citizens and Southern National Bank.
6. Respondents' non-federal administrative account, containing funds prohibited by the Act, made payments of principal and interest totaling \$36,538.97 to First National Bank of Atlanta on behalf of the federal account.

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7. 2 U.S.C. § 441b(a) prohibits the use of corporate or labor organization funds in connection with a federal election.
8. 11 C.F.R. § 102.5(a)(1)(i) states in part, that when a party committee establishes a separate federal account, "All disbursements, contributions, expenditures and transfers by the committee in connection with any federal election shall be made from its federal account. No transfers may be made to such federal account from any other account(s) maintained by such organization for the purpose of financing activity in connection with non-federal elections".
9. On March 18, 1985, Respondents transferred \$14,393.17 to the non-federal account from the federal account, representing a portion of the \$52,156.39 that the non-federal account had improperly expended on behalf of the federal account.

V. Respondents violated 2 U.S.C. § 441b(a) and 11 C.F.R.

§ 102.5(a)(1)(i):

- a) when prohibited funds in non-federal accounts were used to make loan repayments on behalf of the federal account (\$47,156.39);
- b) when loan proceeds of \$5,000 entered a non-federal account containing prohibited funds and then were transferred to the federal account.

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VI. Respondents' federal account will repay to the non-federal account the amount of all payments made on federal account loans as well as the amount of the loan proceeds transferred from the non-federal to the federal account (\$52,156.39 total - \$14,393.17 repaid = \$37,763.22 owed).

VII. Respondents will pay a civil penalty to the Treasurer of the United States in the amount of Seven Thousand Five Hundred Dollars (\$7,500), pursuant to 2 U.S.C. § 437q(a)(5)(A), such penalty to be paid as follows:

- 1) One initial payment of \$500, due on December 1, 1986;
- 2) Thereafter, beginning on January 1, 1987, seven consecutive monthly installment payments of \$1,000 each;
- 3) Each such installment shall be paid on the first day of the month in which it becomes due;
- 4) In the event that any installment payment is not received by the Commission by the fifth day of the month in which it becomes due, the Commission may, at its discretion, accelerate the remaining payments and cause the entire amount to become due upon ten days written notice to the respondent. Failure by the Commission to accelerate the payments with regard to any overdue installment shall not be construed as a waiver of its right to do so with regard to future overdue installments.

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

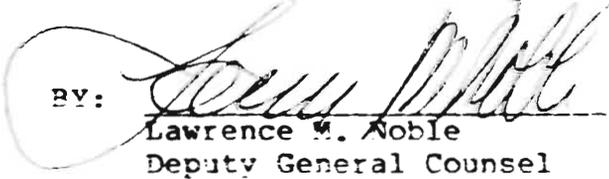
IX. This agreement shall become effective as of the date that all parties hereto have executed same and the Commission has approved the entire agreement.

X. 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:

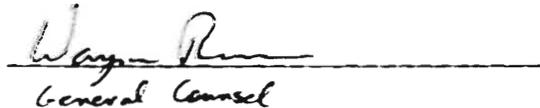
Charles N. Steele
General Counsel

BY:


Lawrence M. Noble
Deputy General Counsel

2/2/87
Date

FOR THE RESPONDENTS:


General Counsel

January 9, 1987
Date

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THIS IS THE END OF MUR # 1725

DATE FILMED 4/15/88 CAMERA NO. 2

CAMERAMAN GPC

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