



FEDERAL ELECTION COMMISSION

1125 K STREET NW
WASHINGTON, DC 20463

THIS IS THE END OF MUR # 2062

Date Filmed 11/18/85 Camera No. --- 4

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FEDERAL ELECTION COMMISSION

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

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| <input type="checkbox"/> | (1) Classified Information | <input type="checkbox"/> | (6) Personal privacy |
| <input checked="" type="checkbox"/> | (2) Internal rules and practices | <input type="checkbox"/> | (7) Investigatory files |
| <input checked="" type="checkbox"/> | (3) Exempted by other statute | <input type="checkbox"/> | (8) Banking information |
| <input type="checkbox"/> | (4) Trade secrets and commercial or financial information | <input type="checkbox"/> | (9) Well Information (geographic or geophysical) |
| <input checked="" type="checkbox"/> | (5) Internal Documents | | |

Signed Al Pat Moore
date 11/13/85

IP

4340 Connecticut Avenue, N.W.
Washington, DC 20008

Telephone
202 537 2070

C. James Nelson
President

REC'D
GOC # 8914
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M2062
Raich
NOV 12 12:57
GENERAL INVESTIGATIVE
DIVISION



The National Bank
of Washington

November 8, 1985

Mr. Kenneth A. Gross
Associate General Counsel
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463

Dear Mr. Gross:

This will acknowledge receipt of your letter of October 29, 1985 concerning the Federal Election Commission's decision to take no action regarding the loan to Americans with Hart, Inc. We appreciate your advising us on this matter, and we have placed your notification in our file concerning this extension of credit.

Thank you for informing us.

Yours sincerely,

C. James Nelson

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4340 Connecticut Avenue, N.W.
Washington, DC 20008

REGISTERED
FIRST CLASS



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 The National Bank
of Washington

Mr. Kenneth A. Gross
Associate General Counsel
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463



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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

October 29, 1985

Americans with Hart, Inc.
Mr. Michael R. Moore, Treasurer
707 17th Street, Suite 3800
Denver, Colorado 80202

Re: MUR 2062

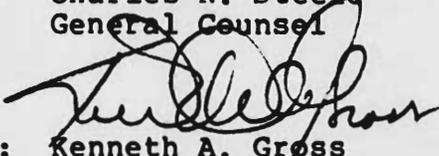
Dear Mr. Moore:

On October 22, 1985, the Federal Election Commission voted to take no action on whether to find reason to believe that Americans with Hart, Inc. and you, as treasurer, violated 2 U.S.C. § 441b(a) by accepting loans from various banks. The Commission also voted to close the file in this matter. The file will become part of the public record within thirty days.

Should you have any questions, contact Robert Raich, 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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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

October 29, 1985

The Honorable Gary W. Hart
United States Senate
Washington, D.C. 20510

Re: MUR 2062

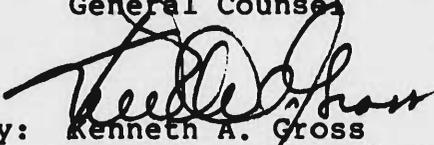
Dear Senator Hart:

On October 22, 1985, the Federal Election Commission voted to take no action on whether to find reason to believe that you violated 2 U.S.C. § 441b(a) in connection with various bank loans to your 1984 presidential primary campaign. The Commission also voted to close the file in this matter. The file will become part of the public record within thirty days.

Should you have any questions, contact Robert Raich, the staff member assigned to this matter, at (202) 523-4000.

Sincerely

Charles N. Steele
General Counsel


By: Kenneth A. Gross
Associate General Counsel

35040561417



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

October 29, 1985

Mr. Robert F. Tardio
Chairman of the Board
Suburban Bank
6601 Rockledge Drive
Bethesda, Maryland 20817

Re: MUR 2062

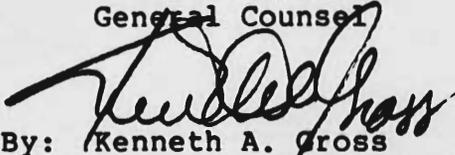
Dear Mr. Tardio:

On October 22, 1985, the Federal Election Commission voted to take no action on whether to find reason to believe that Suburban Bank violated 2 U.S.C. § 441b(a) by making a loan to Americans with Hart, Inc. The Commission also voted to close the file in this matter. The file will become part of the public record within thirty days.

Should you have any questions, contact Robert Raich, the staff member assigned to this matter, at (202) 523-4000.

Sincerely

Charles N. Steele
General Counsel


By: Kenneth A. Cross
Associate General Counsel

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

October 29, 1985

Mr. Robert B. Leek, President
California National Bank
601 Montgomery Street
San Francisco, California 94111

Re: MUR 2062

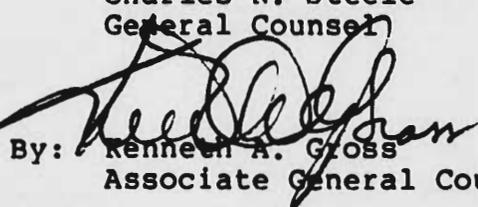
Dear Mr. Leek:

On October 22, 1985, the Federal Election Commission voted to take no action on whether to find reason to believe that California National Bank violated 2 U.S.C. § 441b(a) by making a loan to Americans with Hart, Inc. The Commission also voted to close the file in this matter. The file will become part of the public record within thirty days.

Should you have any questions, contact Robert Raich, 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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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 29, 1985

Mr. Timothy Coughlin, President
The Riggs National Bank of Washington, D.C.
800 17th Street, N.W.
Washington, D.C. 20006

Re: MUR 2062

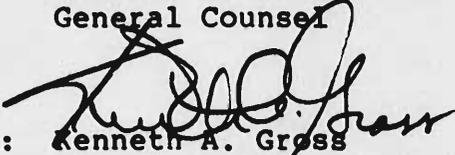
Dear Mr. Coughlin:

On October 22, 1985, the Federal Election Commission voted to take no action on whether to find reason to believe that The Riggs National Bank of Washington, D.C. violated 2 U.S.C. § 441b(a) by making a loan to Americans with Hart, Inc. The Commission also voted to close the file in this matter. The file will become part of the public record within thirty days.

Should you have any questions, contact Robert Raich, 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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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

October 29, 1985

Mr. Michael Francis Ryan, President
NS&T Bank, N.A.
15th Street & New York Avenue, N.W.
Washington, D.C. 20005

Re: MUR 2062

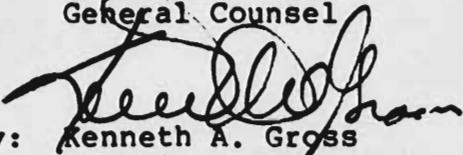
Dear Mr. Ryan:

On October 22, 1985, the Federal Election Commission voted to take no action on whether to find reason to believe that NS&T Bank, N.A. violated 2 U.S.C. § 441b(a) by making a loan to Americans with Hart, Inc. The Commission also voted to close the file in this matter. The file will become part of the public record within thirty days.

Should you have any questions, contact Robert Raich, 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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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

October 29, 1985

Ms. Barbara D. Blum, President
The Women's National Bank
1627 K Street, N.W.
Washington, D.C. 20006

Re: MUR 2062

Dear Ms. Blum:

On October 22, 1985, the Federal Election Commission voted to take no action on whether to find reason to believe that The Women's National Bank violated 2 U.S.C. § 441b(a) by making a loan to Americans with Hart, Inc. The Commission also voted to close the file in this matter. The file will become part of the public record within thirty days.

Should you have any questions, contact Robert Raich, 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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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 29, 1985

Mr. C. James Nelson, President
The National Bank of Washington
619 14th Street, N.W.
Washington, D.C. 20005

Re: MUR 2062

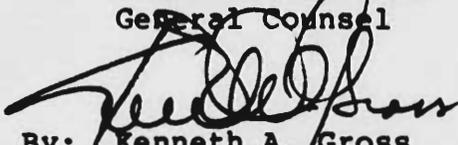
Dear Mr. Nelson:

On October 22, 1985, the Federal Election Commission voted to take no action on whether to find reason to believe that The National Bank of Washington violated 2 U.S.C. § 441b(a) by making loans to Americans with Hart, Inc. The Commission also voted to close the file in this matter. The file will become part of the public record within thirty days.

Should you have any questions, contact Robert Raich, 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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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 29, 1985

Mr. Francis G. Addison
Chief Executive Officer
First American Bank, N.A.
740 15th Street, N.W.
Washington, D.C. 20005

Re: MUR 2062

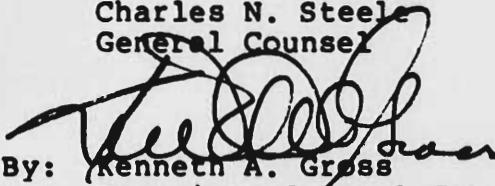
Dear Mr. Addison:

On October 22, 1985, the Federal Election Commission voted to take no action on whether to find reason to believe that First American Bank, N.A. violated 2 U.S.C. § 441b(a) by making loans to Americans with Hart, Inc. The Commission also voted to close the file in this matter. The file will become part of the public record within thirty days.

Should you have any questions, contact Robert Raich, 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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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)	
)	
Americans with Hart, Inc. and)	
Michael R. Moore, as treasurer)	
Senator Gary W. Hart)	
First American Bank, N.A.)	
National Bank of Washington)	MUR 2062
Women's National Bank)	
NS&T Bank, N.A.)	
Riggs National Bank)	
California National Bank)	
Suburban Bank)	

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session of October 22, 1985, do hereby certify that the Commission took the following actions in MUR 2062:

1. Decided by a vote of 6-0 to take no action against the First American Bank, N.A. with respect to a violation of 2 U.S.C. § 441b(a).

Commissioners Aikens, Elliott, Harris, Josefiak, McDonald, and McGarry voted affirmatively for this decision.

2. Decided by a vote of 5-1 to take no action against the National Bank of Washington with respect to the loan in the amount of \$50,000.

Commissioners Aikens, Elliott, Josefiak, McDonald, and McGarry voted affirmatively for this decision; Commissioner Harris dissented.

(continued)

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3. Decided by a vote of 6-0 to take no action against the Women's National Bank with respect to a violation of 2 U.S.C. § 441b(a).

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

4. Decided by a vote of 6-0 to take no action against NS&T Bank, N.A. with respect to a violation of 2 U.S.C. § 441b(a).

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

5. Decided by a vote of 6-0 to take no action against Riggs National Bank with respect to a violation of 2 U.S.C. § 441b(a).

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

6. Decided by a vote of 5-1 to take no action against National Bank of Washington with respect to its agreement to extend a line of credit for \$3.5 million to the Committee.

Commissioners Aikens, Elliott, Josefiak, McDonald, and McGarry voted affirmatively for the decision; Commissioner Harris dissented.

(continued)

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7. Decided by a vote of 6-0 to take no action against California National Bank with respect to a violation of 2 U.S.C. § 441b(a).

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

8. Decided by a vote of 5-1 to take no action against Suburban Bank with respect to a violation of 2 U.S.C. § 441b(a).

Commissioners Aikens, Elliott, Josefiak, McDonald, and McGarry voted affirmatively for the decision; Commissioner Harris dissented.

9. Decided by a vote of 5-1 to take no action on recommendations 8 and 9 in the General Counsel's report dated September 30, 1985.

Commissioners Aikens, Elliott, Josefiak, McDonald, and McGarry voted affirmatively for the decision; Commissioner Harris dissented.

10. Decided by a vote of 5-1 to take no action on recommendations 10 through 18 in the General Counsel's report dated September 30, 1985, and that the General Counsel be directed to send the appropriate letters pursuant to the decisions made on October 22, 1985, and to close the file in this matter.

Commissioners Aikens, Elliott, Josefiak, McDonald, and McGarry voted affirmatively for the decision; Commissioner Harris dissented.

Attest:

10-24-85

Date

Marjorie W. Emmons

Marjorie W. Emmons
Secretary of the Commission

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
Americans with Hart, Inc.,) MUR 2062
et al.)

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session of October 8, 1985, do hereby certify that the Commission decided by a vote of 5-0 to continue consideration of the General Counsel's September 23, 1985 report on MUR 2062 at the FEC executive session of October 22, 1985.

Commissioners Aikens, Elliott, Josefiak, McDonald, and McGarry voted affirmatively for the decision. Commissioner Harris was not present.

Attest:

10-8-85

Date

Marjorie W. Emmons

Marjorie W. Emmons
Secretary of the Commission

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

RECEIVED
OFFICE OF THE FEDERAL
COMMISSIONER SECRETARY

FIRST GENERAL COUNSEL'S REPORT 85 OCT 1 All: 48

DATE AND TIME OF TRANSMITTAL
BY OGC TO THE COMMISSION _____

MUR# 2062
Staff Raich

SOURCE OF MUR: INTERNALLY GENERATED

RESPONDENTS' NAMES: Americans with Hart, Inc. and
Michael R. Moore, as treasurer
Senator Gary W. Hart
First American Bank, N.A.
National Bank of Washington
Women's National Bank
NS&T Bank, N.A.
Riggs National Bank
California National Bank
Suburban Bank

SENSITIVE

RELEVANT STATUTES: 2 U.S.C. § 441b(a)
2 U.S.C. § 441b(b) (2)
2 U.S.C. § 431(8) (B) (vii)
11 C.F.R. § 100.7(b) (11)

FEDERAL AGENCIES CHECKED: None

INTERNAL REPORTS CHECKED: Audit Report of Americans with
Hart, Inc.
Disclosure Reports through 6/30/85

GENERATION OF MATTER

This matter was referred to the Office of General Counsel by the Audit Division pursuant to the Commission's decision of June 25, 1985. Having reviewed the proposed interim audit report on Americans With Hart, Inc. ("the Committee") the Commission voted to refer the matter regarding eight bank loans obtained by the Committee during the course of Senator Hart's Presidential primary campaign bid in 1984.

SUMMARY OF ALLEGATIONS

During the course of the Committee's existence, it obtained eight loans from various banks totaling more than six million

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dollars. The Office of the General Counsel has reviewed records obtained from the Committee by the Audit Division during the course of the audit regarding these loans and believes, for the reasons stated below, that the Commission should find reason to believe the extension of credit by these institutions violated 2 U.S.C. § 441b(a) and that the Committee and its treasurer and the candidate violated 2 U.S.C. § 441b(a) by knowingly accepting the proceeds.

The following is a brief factual analysis of each loan transaction involved in this matter:

1. First American Bank, N.A.

On two separate occasions, the Committee obtained a line of credit from the First American Bank, N.A. ("First American"). On July 27, 1983, the Committee applied for and obtained a \$350,000 line of credit at an interest rate equivalent to First American's floating prime plus two percent with payment due upon demand. (Attachments 1-2.) The second line of credit was issued by First American on September 8, 1983, at the same interest rate. Although the Committee received a total of \$1,437,865 in loan proceeds against the line of credit, the Audit Division concluded in its referral that "[a]t no time did the outstanding balance ... exceed the amount specified by the letter of credit."

The promissory note, and related documents incorporated into the note (Attachments 7-10), regarding the \$350,000 line of credit indicate collateral for that loan was to be Matching Fund payment proceeds. The letter of agreement between First American

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and the Committee concerning the \$750,000 line of credit states that it was additionally secured by a life insurance policy of the same amount issued on Senator Hart with First American as beneficiary. (Attachments 35-36). No promissory note for the second loan is available for our review. The loans to First American were finally repaid with a \$732,658.05 payment on March 9, 1984, with proceeds from a loan from the Riggs National Bank, discussed in greater detail below.

2. National Bank of Washington

On or about February 9, 1984, the Committee secured a loan from the National Bank of Washington ("NBW") in the amount of \$50,000. The promissory note fixed the interest rate for this loan at NBW's floating prime rate plus one percent and calls for payment upon demand. (Attachments 40-41.) Collateral for this loan is identified in a letter from the Committee to NBW as priority over proceeds received from nine specific concerts during the period between February 17, 1984 and June 6, 1984. (Attachment 42.)

The Audit Division has reported that this loan was paid in full (with interest totaling \$466.67). In a letter from NBW to the Committee dated March 8, 1984, NBW stated it was prepared to deliver the appropriate U.C.C. release agreements within 24 hours of receipt of a wire in the amount of the loan balance plus interest. (Attachment 44.)

3. Women's National Bank

On or about February 27, 1984 the Committee obtained a sixty-day loan from the Women's National Bank in the amount of

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\$150,000 at an interest rate of two percent "above the rate from time to time established by the Lender as its prime rate of interest for its large commercial customers." (Attachments 47-49.) Collateral for this loan included proceeds from Matching Fund payments, subject to the agreement with First American, together with a \$170,000 life insurance policy issued on Senator Hart naming the Women's National Bank as beneficiary, as well as "any and all contributions now or hereafter received by [the Committee] . . . in response to direct-mail solicitations" (Attachment 62.)

The Audit Division has reported that this loan was paid in full together with \$593.83 in interest with the loan proceeds obtained from the Riggs National Bank, discussed in greater detail below.

4. NS&T Bank, N.A.

On or about February 29, 1984, the Committee obtained an \$80,000 loan from the NS&T Bank, N.A. ("NS&T") for 30 days. The interest rate on the loan was set at two percent above NS&T's floating prime rate. (Attachments 71-75.) Collateral for the loan included, inter alia, all of the Committee's present and future accounts including all cash and non-cash proceeds. No mention was made in this agreement acknowledging subordination to the security agreements already in existence with other lenders.

The Audit Division has reported that the Committee only obtained advances totaling \$54,520 from NS&T and repaid the full

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amount (plus \$131.31 in interest) on March 9, 1984, with proceeds from a loan from the Riggs National Bank, details of which are more fully discussed below.

After Senator Hart won the New Hampshire Primary on February 28, 1985, he received substantial media attention and required an airplane for members of the press traveling with him. According to the Audit Division, the proceeds from this NS&T loan were used for the payment of charter air service.

5. Riggs National Bank of Washington, D.C.

On or about March 8, 1984, the Committee obtained a loan from the Riggs National Bank of Washington, D.C. ("Riggs") for \$1.3 million. The interest rate on that loan was established at Riggs' floating prime rate plus one percent. The note further provided that full payment (principal plus interest) be made by April 9, 1984. (Attachment 86.) Collateral for the loan was all presidential primary matching fund payments, campaign contributions, and other tangibles and intangibles. (Attachments 87-90.) Riggs received a security interest in matching fund payments and notified the Department of the Treasury to make all matching funds payments directly to Riggs. (Attachments 99-102.)

The Committee's counsel, by letter to Riggs dated March 8, 1984, advised Riggs, inter alia, that there would be no outstanding liens or security interests in the collateral assigned to Riggs once the proper releases and termination statements from the First American Bank, N.A., the National Bank of Washington, NS&T Bank, N.A., and the Women's National Bank

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were filed. Counsel further advised Riggs that his letter expressed "no opinion on whether the loan to be extended to the Committee constitutes a loan made in accordance with the applicable banking laws and regulations and in the ordinary course of Riggs business as required by 11 CFR §100.7(b)(11)." (Attachments 92-93.)

The Audit Division reports that the proceeds of this loan were used to repay the four existing loans mentioned above (totaling \$1,022,661.61), plus a payment of \$277,338 to the Committee's media consultant. On March 20, 1984, the Committee repaid Riggs in full, including an interest payment of \$4,280.05, with a portion of the proceeds from a line of credit issued by the National Bank of Washington.

6. National Bank of Washington

In addition to the \$50,000 loan obtained from NBW on February 9, 1984, the Committee, on March 19, 1984, obtained a \$3.5 million line of credit from NBW. A copy of the "Master Promissory Note," dated March 19, 1984, obtained by the Audit Division from the Committee reveals that the interest rate for the line of credit was to be established at 1/2 percent above NBW's floating prime rate. The note further called for the repayment in full of all amounts advanced plus interest by May 14, 1984. (Attachments 129-134.) Collateral for the line of credit included, inter alia, all assets of the Committee together with future fundraising proceeds and Matching Fund payments. (Attachment 136-144.) The Audit Division reports that the \$1.3

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million loan extended by the Riggs National Bank was paid in full (with interest) with part of the proceeds of this loan from NBW.

In the "Security and Loan Agreement" NBW further required that

"On or before Thursday of each week Debtor will provide the Secured Party with weekly totals of sums received from all fundraising or any other income generating sources. Secured Party reserves the right at any time to directly collect all proceeds received by the Secured Party from these sources, or from any other sources at any time in its sole option, should Secured Party's current levels of fundraising decline from its March 19, 1984 levels.*/"

(Attachment 137.)

The Audit Division reports that the Committee obtained a total of \$4,621,498.57 in advances from NBW against the \$3.5 million line of credit, but the outstanding indebtedness at no time exceeded the authorized line of credit. As of December 31, 1984, the Committee reported an outstanding indebtedness to NBW of \$1,193,003.13. The Committee's reports also indicate that the interest rate for each of the advances became 1 1/2 percent above the prime, as opposed to the "Master Promissory Note's" recitation of the interest rate at 1/2 percent above the prime. In addition, the Committee's reports show the due date was extended for short periods, then changed to "demand" for several months, and finally became December 31, 1985 on the April 1985 report.

*/ The Office of the General Counsel notes the apparent mistake in the second and third references to "Secured Party" in the second sentence. The copy of the agreement available for our review does not contain NBW's signatures, and thus, may have been later modified.

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7. California National Bank

On July 2, 1984, the Committee obtained a loan for \$41,995 from the California National Bank ("CNB"). The interest rate on this loan was established at 1 1/2 percent above CNB's floating prime as quoted by the Security Pacific National Bank. The due date for payment in full was December 14, 1984. (Attachment 151.) Collateral for the loan was a purchase money security interest in a communications system to be used at the convention. (Attachment 152.) The price of the system was \$65,239. The vendor of the communications equipment stated his opinion in a letter to the CNB, that the equipment's resale value would most likely be an amount greater than or equal to the loan value. (Attachments 174-175.) The full amount of the loan balance remained outstanding as of December 31, 1984.

On January 31, 1985, the Committee reported making a \$28,000 loan repayment to CNB. On that same day the Committee reported a receipt for \$30,000 from Modern Systems Technology Corp. for the purchase of telephone equipment. Later reports during 1985 show that the loan balance due date was extended to June 10, 1985 and when it had not been paid in full by then, the due date's terms changed to "demand." As of June 30, 1985, the balance on the loan was \$10,130 due on "demand."

8. Suburban Bank

On May 2, 1984, the Committee obtained a loan from the Suburban Bank for \$10,000. Interest was to be one percent over the prime rate and the "initial annual note rate is 13%." Collateral for the loan was stated as "Proceeds of fund raising

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event to be held on June 14, 1984." No reference was made to pre-existing assignments. The due date was established as June 18, 1984. (Attachments 177-178.)

As of December 31, 1984, the Committee reported having made payments totaling \$6,727.22, leaving an outstanding balance of \$3,272.78. No further payments were made against the balance until April 19, 1985 when it was paid in full.

FACTUAL AND LEGAL ANALYSIS

Title 2 of the United States Code at Section 441b(a) provides in part that "[i]t is unlawful for any national bank . . . to make a contribution or expenditure in connection with any election to any political office, or in connection with any primary election or political convention or caucus held to select candidates for any political office" The terms "contribution" and "expenditure" include, inter alia, loans, advances, deposits of money, or anything of value made to a campaign committee in connection with any election for Federal office. 2 U.S.C. § 441b(b)(2). Excluded from the definition of "contribution", however, are loans by certain banks made "in the ordinary course of business." 2 U.S.C. § 441b(b)(2).

To be considered "in the ordinary course of business," Section 431(8)(B)(vii) provides that such loan--

- (II) shall be made on a basis which assures repayment, evidenced by a written instrument, and subject to a due date or amortization schedule; and
- (III) shall bear the usual and customary interest rate of the lending institution.

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The Commission's Regulations, at 11 C.F.R. § 100.7(b)(11) provide in addition that such loan must "bear the usual and customary interest rate of the lending institution for the category of the loan involved" [emphasis added] and be "made on a basis which assures repayment."

Knowingly accepting funds that fail to meet the above requirements may also constitute a violation of the Act. Therefore, the Office of the General Counsel recommends that the Commission find reason to believe that the Committee and Senator Hart violated 2 U.S.C. § 441b(a).

With the foregoing in mind, the General Counsel's Office offers the following analysis and recommendation regarding each of the above loans.

1. First American Bank, N.A.

As previously mentioned, First American extended two lines of credit to the Committee totaling \$1.1 million, against which advances totaling more than 1.4 million were made.

These were the only loans the Committee received during 1983. Both loans were extended during the third quarter. During the first half of 1983, the Committee received contributions other than loans of about \$823,000. During all of 1983, the Committee received contributions other than loans of about \$1,256,000. Thus, when the loans were made, they exceeded the Committee's total cumulative contributions to that date. Both loans appear to have been payable on demand, rather than subject to a due date or amortization schedule. The Office of the General Counsel therefore believes that these loans may not

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have been made in the "ordinary cause of business" under 2 U.S.C. § 431(8)(B)(vii)(II), and recommends that the Commission find reason to believe that First American violated 2 U.S.C. § 441b(a).

2. National Bank of Washington

On February 1, 1984, the Committee's reports indicated it had a cash balance of \$2,519.91. Outstanding debts owed by the Committee totaled \$557,475. On February 9, 1984, as noted earlier, the Committee obtained a \$50,000 loan, due upon demand, from NBW. NBW's loan called for an interest rate of one percent above its prime.

Having reviewed the documents presently available (the Promissory Note, the Loan Resolution, and a letter from the Committee to NBW), it appears that no due date or amortization schedule was established by the bank and no information is available that would shed any light on the basis for NBW's decision to make the loans in light of the Committee's financial status. These documents also raise the question of whether the collateral for this loan (proceeds from nine concerts) had already been committed to another lender.

Because of the Committee's high debts and low cash on hand, because the collateral may have already been committed to another lender, and because there appears to have been no due date or amortization schedule, the General Counsel's Office believes this loan may not have been made in the ordinary course of business,

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and recommends that the Commission find reason to believe that NBW violated 2 U.S.C. § 441b(a).

3. Women's National Bank

As discussed earlier, the Women's National Bank extended a \$150,000 loan to the Committee on February 27, 1984. The Committee at that time was approximately one million dollars in debt, had previously assigned its future proceeds from matching funds to First American, and had a negative cash on hand balance. In extending the loan for 60 days with an interest rate of two percent above its floating prime, the Women's National Bank accepted matching fund payments as collateral even though they were subordinated to First American's priority. On February 29, 1984, the Committee had a negative cash on hand balance of \$3,700.

Because the loan may have been under-collateralized, and because of the Committee's high debts and negative cash on hand balance, the General Counsel's Office believes this loan may not have been made in the ordinary course of business, and recommends that the Commission find reason to believe that Women's National Bank violated 2 U.S.C. § 441b(a).

4. NS&T Bank, N.A.

On February 29, 1984, NS&T extended an \$80,000 loan for 30 days to the Committee with an interest rate of two percent above its floating prime. According to the Committee's reports, on that date it had a negative cash on hand balance of \$3,726.29 and outstanding indebtedness of \$1.2 million. During the month of

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February, the Committee's expenditures exceeded its receipts. NS&T extended the loan with the Committee's "present and future accounts, including all cash and non-cash proceeds" as collateral. This was a short-term loan with a definite due date. On February 28, Senator Hart had won the New Hampshire primary, and thus may have seemed to be a good credit risk. However, this loan may have been under-collateralized, in view of previous obligations to other banks by the Committee.

Because of the apparent under-collaterization, and because of the Committee's high debts and negative cash on hand balance, the General Counsel's Office believes this loan may not have been made in the ordinary course of business, and recommends that the Commission find reason to believe that NS&T violated 2 U.S.C. § 441b(a).

5. Riggs National Bank of Washington, D.C.

As previously noted, Riggs, on March 8, 1984, extended a \$1.3 million loan to the Committee, due on April 9, 1984 at an interest rate of one percent over its floating prime rate. While the collateral for the loan included collateral previously obligated by the Committee, Riggs appears to have extended the loan on the condition that other security interests be released in accordance with the UCC. Thus, all but \$277,338 of the loan was used to repay other loans already in existence carrying higher interest rates.

This was a short-term loan with a definite due date. Riggs obtained a security interest with priority over all the collateral. Senator Hart had just won the New Hampshire primary

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and Maine caucuses, and thus may have seemed to be a good credit risk. However, on February 29, 1984, the Committee had a negative cash on hand balance, consequently the General Counsel's Office believes this loan may not have been made in the ordinary course of business, and recommends that the Commission find reason to believe that Riggs violated 2 U.S.C. § 441b(a).

6. National Bank of Washington

In addition to a previous loan made by NBW, it agreed to extend a line of credit for \$3.5 million to the Committee on March 19, 1984. According to the Audit Division, Riggs was repaid \$1.3 million (plus interest due) with the proceeds from this loan. This line of credit originally carried an interest rate of 1/2 percent above NBW's floating prime rate and was payable on May 14, 1984. The Committee offered as collateral for the loan all present and future assets including matching fund payments. Despite the Committee's low cash on hand balance at the close of several previous reporting periods, relatively high outstanding indebtedness, and past record of expending amounts nearly equal to income, NBW extended this loan at interest rates lower than any of the institutions making earlier loans.

The Office of the General Counsel has reviewed what appear to be the initial loan documents, described above. The Committee's reports, however, indicate that substantial advances were made after the May 14, 1984, due date and that the later advancements carried a higher interest rate (1 1/2 percent above NBW's floating prime). On May 31, 1984, total advances received

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from NBW were reported to have exceeded \$4.5 million, and a \$2.4 million balance was outstanding at that time. (The Committee's May 31, 1984, cash balance was reported to have been just under \$300,000 with total debts owed by the Committee of nearly \$4.7 million.) As of December 31, 1984, the Committee reported that it had a remaining obligation to NBW of nearly \$1.2 million, due upon demand at the interest rate of prime plus 1 1/2 percent.

On March 19, 1984, Senator Hart had just won most of the "Super Tuesday" primaries and caucuses, and may have seemed to be a good credit risk. However, this line of credit was by far the largest loan in the campaign and the loan with the lowest interest rate. One-half percent above prime may be unusually low for a borrower who is already largely in debt. Although the loan originally had a definite due date, according to the Committee's reports, the due date was extended for definite periods, then to "demand", and finally to December 31, 1985.

Because of the apparent temporary lack of due dates or amortization schedules, and because the adequacy of collateralization raises questions about whether the loan was made and the due date extended on a basis which assured repayment, the General Counsel's Office believes this loan may not have been made in the ordinary course of business. Accordingly, this Office recommends that the Commission find reason to believe that NBW violated 2 U.S.C. § 441b(a).

7. California National Bank

As previously discussed, the Committee obtained a loan from CNB to be applied towards the purchase of a communications system

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for use at the convention. No payment was made against the \$41,995 loan until January 31, 1985 despite the original due date on the loan of December 14, 1984.

The Committee's reports during 1985 indicate that the due date was changed to June 10, 1985, then to "demand", and that \$10,130 remained outstanding as of June 30, 1985. Despite the fact that the original collateral appeared to be sufficient (the purchase money security interest in the equipment), the General Counsel's Office believes the apparent failure by CNB to collect payment raises questions regarding the outstanding balance on the loan. While it is possible that the terms might have been renegotiated and additional collateral offered, no such documentation was obtained by the Audit Division from the Committee during the course of the fieldwork. (That the terms may have been renegotiated is evidenced by the fact that the Committee's reports since February of 1985 show the interest rate on the loan as prime plus two percent, rather than the original rate of prime plus 1 1/2 percent).

If indeed the loan was renegotiated, there is a question regarding the adequacy of collateralization. A loan due on "demand" may not be subject to a due date, which is required by the Act. For the foregoing reasons, the General Counsel's Office believes this loan may not have been made in the ordinary course of business, and recommends that the Commission find reason to believe that CNB violated 2 U.S.C. § 441b(a).

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8. Suburban Bank

We earlier noted that Suburban loaned the Committee \$10,000 on May 2, 1984. Collateral offered for the loan was to be proceeds from a concert on June 14, 1984. The due date was June 18, 1984, but the loan was not paid in full until April 19, 1985.

The only documentation currently available is the Promissory Note and the Pledge Agreement. The collateral had already been pledged to another lender, though Suburban Bank might have been able to utilize methods of obtaining priority for its security interest. On April 30, 1984, the Committee had \$580,000 of cash on hand, but was more than \$4.5 million in debt.

The Committee's poor financial posture on May 2, 1984 indicates that the loan may not have been made on a basis which assured repayment. Accepting as collateral proceeds already pledged to another lender indicates that the loan may have been under-collateralized. Repayment of the loan long after June 18, 1984 indicates that it may not have been subject to a bona fide due date or amortization schedule. Therefore, the Office of the General Counsel believes this loan may not have been made in the ordinary course of business, and recommends that the Commission find reason to believe that Suburban Bank violated 2 U.S.C. § 441b(a).

RECOMMENDATIONS

1. Find reason to believe that the First American Bank, N.A. violated 2 U.S.C. § 441b(a).
2. Find reason to believe that the National Bank of Washington violated 2 U.S.C. § 441b(a).

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3. Find reason to believe that the Women's National Bank violated 2 U.S.C. § 441b(a).
4. Find reason to believe that NS&T Bank, N.A. violated 2 U.S.C. § 441b(a).
5. Find reason to believe that the Riggs National Bank violated 2 U.S.C. § 441b(a).
6. Find reason to believe that California National Bank violated 2 U.S.C. § 441b(a).
7. Find reason to believe that Suburban Bank violated 2 U.S.C. § 441b(a).
8. Find reason to believe that Americans with Hart, Inc., and Michael R. Moore, as treasurer, violated 2 U.S.C. § 441b(a).
9. Find reason to believe that Senator Gary W. Hart violated 2 U.S.C. § 441b(a).
10. Approve and send the attached letter with Order and Subpoena, and Factual and Legal Analysis to First American Bank, N.A.
11. Approve and send the attached letter with Order and Subpoena, and Factual and Legal Analysis to National Bank of Washington.
12. Approve and send the attached letter with Order and Subpoena, and Factual and Legal Analysis to Women's National Bank.
13. Approve and send the attached letter with Order and Subpoena, and Factual and Legal Analysis to NS&T Bank, N.A.
14. Approve and send the attached letter with Order and Subpoena, and Factual and Legal Analysis to Riggs National Bank.
15. Approve and send the attached letter with Order and Subpoena, and Factual and Legal Analysis to California National Bank.
16. Approve and send the attached letter with Order and Subpoena, and Factual and Legal Analysis to Suburban Bank.
17. Approve and send the attached letter with Order and Subpoena, and Factual and Legal Analysis to Americans with Hart, Inc. and Michael R. Moore, as treasurer.

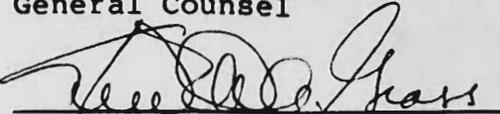
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18. Approve and send the attached letter with Order and Subpoena, and Factual and Legal Analysis to Senator Gary W. Hart.

Charles N. Steele
General Counsel

Sept. 30, 1985
Date

BY:


Kenneth A. Gross
Associate General Counsel

Attachments

- 1-38. Documents relating to loans by First American Bank, N.A.
- 40-44. Documents relating to loans by National Bank of Washington.
- 46-67. Documents relating to loans by Women's National Bank.
- 69-84. Documents relating to loans by NS&T Bank, N.A.
- 86-107. Documents relating to loans by Riggs National Bank.
- 129-149. Documents relating to loans by National Bank of Washington.
- 151-175. Documents relating to loans by California National Bank.
- 177-178. Documents relating to loans by Suburban Bank.
180. Letter with Order and Subpoena, and Factual and Legal Analysis to First American Bank, N.A.
181. Letter with Order and Subpoena, and Factual and Legal Analysis to National Bank of Washington.
182. Letter with Order and Subpoena, and Factual and Legal Analysis to Women's National Bank.
183. Letter with Order and Subpoena, and Factual and Legal Analysis to NS&T Bank, N.A.
184. Letter with Order and Subpoena, and Factual and Legal Analysis to Riggs National Bank.
185. Letter with Order and Subpoena, and Factual and Legal Analysis to California National Bank.
186. Letter with Order and Subpoena, and Factual and Legal Analysis to Suburban Bank.
187. Letter with Order and Subpoena, and Factual and Legal Analysis to Americans with Hart, Inc. and Michael R. Moore, as treasurer.
188. Letter with Order and Subpoena, and Factual and Legal Analysis to Senator Gary W. Hart.

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americans with hart
F: 00018
N: See Attached

PROMISSORY NOTE

July, 27, 1983
Washington, D.C.

UPON DEMAND, AMERICANS WITH HART, INC. DOES HEREBY PROMISE to pay to the order of First American Bank, N.A., a national banking association at its principal office at 740 15th Street, N.W., Washington, D.C., the sum of Three Hundred Fifty Thousand Dollars (\$350,000) in lawful money of the United States and to pay interest thereon at the rate of 2% per annum above the Prime Rate from time to time in effect at First American Bank, N.A., such interest to change as of the opening of business on the day on which the prime rate shall change. Interest shall be computed on the basis of the actual number of days elapsed over a 360-day year.

This Note is issued pursuant to a Letter Agreement of even date between First American National Bank, N.A. and the undersigned and is subject to prepayment, such prepayment to be applied first to accrued and unpaid interest hereon, and then to the unpaid principal amount hereof, all as more fully specified in said Letter Agreement.

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Attachments 1-178

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If this note is not paid when due and this note is placed by the holder hereof with an attorney for collection through legal proceedings or otherwise, the undersigned expressly waives notice, presentment, demand, protest or notice of protest, and the undersigned shall pay to holder attorneys' fees, together with the costs and reasonable expenses of collection.

Americans with East, Inc.

by:

Treasurer

RENEWAL
SEP 9 1983
First American Bank, N.A.
Washington

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PROMISSORY NOTE

July, 27, 1983
Washington, D.C.

UPON DEMAND, AMERICANS WITH HART, INC. DOES HEREBY PROMISE to pay to the order of First American Bank, N.A., a national banking association at its principal office at 740 15th Street, N.W., Washington, D.C., the sum of Three Hundred Fifty Thousand Dollars (\$350,000) in lawful money of the United States and to pay interest thereon at the rate of 2% per annum above the Prime Rate from time to time in effect at First American Bank, N.A., such interest to change as of the opening of business on the day on which the prime rate shall change. Interest shall be computed on the basis of the actual number of days elapsed over a 360-day year.

This Note is issued pursuant to a Letter Agreement of even date between First American National Bank, N.A. and the undersigned and is subject to prepayment, such prepayment to be applied first to accrued and unpaid interest hereon, and then to the unpaid principal amount hereof, all as more fully specified in said Letter Agreement.

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(3)

If this note is not paid when due and this note is placed by the holder hereof with an attorney for collection through legal proceedings or otherwise, the undersigned expressly waives notice, presentment, demand, protest or notice of protest, and the undersigned shall pay to holder attorneys' fees, together with the costs and reasonable expenses of collection.

Americans with Hart, Inc.

by:

Alvin C. Hood
~~Treasurer~~ Campaign Manager

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GUARANTY

In consideration of the making or continuing of, or forbearance of suit on, or extension of time of payment on discounts, loans or advances by First American Bank, N.A. (hereinafter referred to as Bank) to or for AMERICANS WITH HART, INC.

AMERICANS WITH HART, INC. (hereinafter referred to as Borrower, meaning both or all of the above-specified Borrowers, jointly and severally, if more than one), without the joinder of the undersigned Guarantor(s) (hereinafter referred to as Guarantor, meaning both or all of the undersigned guarantors, jointly and severally, if more than one) in any writing evidencing such indebtedness, which the Bank would be unwilling to do without the execution of the Guaranty, and for other consideration, Guarantor, directly and unconditionally and independently of the liability of Borrower, guarantees to Bank, its successors and assigns, the prompt payment at maturity of any and all liabilities of Borrower to Bank, whether now existing or hereafter arising, whether as maker, indorser or otherwise, and whether of the kind herein referred to or not, to the principal amount of \$ 45,000^{7/100}, or, if the foregoing blank space is not filled in, then in an unlimited amount, plus attorneys' fees and all other collection costs. Guarantor expressly agrees that Guarantor's liability to Bank shall, at Bank's option, upon any default by Borrower in any obligation to Bank, become at once fixed, liquidated, due and payable, without condition, offset or counterclaim, and without demand or notice of any kind, and Bank shall not be required to make demand upon or first seek satisfaction from Borrower, or from any other guarantor or any indorser, surety or other party or any security or collateral, or to pursue any other remedy whatsoever, notwithstanding any demand or request therefor by Guarantor, but any payment of principal or interest thereafter by Borrower shall toll the statute of limitations against Guarantor. Bank's rights against Guarantor, in such event, shall extend to the entire aggregate of the indebtedness then owed by Borrower to Bank, including all expenses which Bank may incur in collection thereof, or any part thereof, or in any attempt to protect any security or collateral held by Bank.

Guarantor agrees to indemnify and save harmless Bank against any loss, damage or liability, plus attorneys' fees and all other collection costs, which Bank may suffer or incur through the making or continuing of any such discounts, loans or advances to or for Borrower.

This guaranty shall be a continuing guaranty and shall bind Guarantor and Guarantor's executors, administrators, heirs, successors and assigns, for all discounts, loans and advances hereafter made by Bank to or for Borrower until ten days after notice in writing terminating this guaranty as to future transactions has been received by certified or registered mail and acknowledged by Bank; and Guarantor shall remain liable for all obligations of Borrowers, up to the principal amount noted above, if any, contracted before ten days after the receipt and acknowledgment of such notice. Neither any notice of termination from nor the death of any one or more of the undersigned Guarantors, or such Guarantor's executors, administrators, heirs, successors or assigns, shall in any manner affect, modify or lessen the obligation hereunder of the remaining Guarantors, if any, or such remaining Guarantors' executors, administrators, heirs, successors and assigns.

Guarantor consents and agrees that Bank may, without prejudice to any claim against Guarantor hereunder, and without affecting in any manner the liability of Guarantor hereunder at any time or from time to time, in its discretion with or without consideration, and without notice to Guarantor: (1) extend or change the time of payment, or the manner, place or terms of payment of or otherwise modify any obligation hereby guaranteed; (2) exchange, release or surrender all or any collateral security for any such obligation; (3) sell and itself purchase any such collateral security at public or private sale or broker's board, and apply the proceeds in its discretion to any indebtedness of Borrower; and (4) settle or compromise with Borrower or with any other person primarily or secondarily liable with Borrower, any obligation hereby guaranteed, or subordinate the payment of any such obligation to payment of any other debt which may be owing to Bank.

Guarantor waives notice of acceptance, presentment, demand, protest, all other notices of every kind, and the benefit of all homestead and other exemptions and valuation and appraisement laws. Guarantor waives any defense arising by reason of any disability or other defense of Borrower or by reason of the cessation from any cause whatsoever of Borrower, and agrees that this Guaranty shall be valid and enforceable without regard to the regularity, validity or enforceability of any liability or obligation of Borrower. Until all indebtedness of Borrower to Bank shall have been paid in full, Guarantor shall have no right of subrogation, and waives any right to enforce any remedy which Bank now has or may hereinafter have against Borrower, and waives any benefit of and any right to participate in any security now or hereafter held by Bank. Guarantor agrees to pay Bank's reasonable attorney's fee and all other costs of collection in enforcing this guaranty.

All rights under this agreement shall inure to the benefit of Bank, its successors and assigns, and any holder (whether with or without recourse) of any or all of the discounts, loans and advances covered by this guaranty.

Waiver of any right, covenant or benefit herein by Bank shall not waive any other or further right, covenant or benefit or bind Bank again to waive the same provision. If maturity of any obligation hereby guaranteed is accelerated as against Borrower, such maturity shall also be accelerated hereunder, without demand or notice. Guarantor hereby gives Bank a lien upon all money and other property of every sort of Guarantor now or hereafter in custody or possession of Bank, for whatever purpose delivered and in whatever capacity held, and upon any balances of Guarantor with Bank, as security for the performance of Guarantor's obligations hereunder. This guaranty shall be both supplemental and additional to any other guaranty or guaranties furnished or to be furnished to Bank.

Signed and sealed this 27th day of July 19 83.

WITNESS:

[Signature]

GUARANTOR:

[Signature] (SEAL)

_____ (SEAL)

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SECURITY AGREEMENT dated July 27, 1983, between First American Bank, N.A. a national banking association (hereinafter called the Bank) and Americans with Hart, Inc.

(hereinafter called the Borrower).

1. Definitions.

(a) "Liability" or "Liabilities" includes all liabilities (primary, secondary, direct, contingent, sole, joint or several) due or to become due, or that may be hereafter contracted or acquired, of Borrower to Bank,

(b) "Proceeds" means whatever is received when Collateral is collected or otherwise disposed of and includes the account arising when the right to payment is earned,

(c) "Security Interest" means a lien or other interest in Collateral which secures payment of a liability or performance of obligation,

(d) "Collateral" means the following described property in which the Bank has a Security Interest:

(1) any and all matching payments^{*} paid to Senator Gary Hart pursuant to the Federal Election Campaign Fund Act, as amended, 26 U.S.C. Sec. 9001, et seq, such payments to be transferred by the Secretary of the Treasury, pursuant to Senator Hart's request, into an account which Borrower shall establish for the purpose of receiving and holding such payments.

** up to the amount of the outstanding indebtedness incurred under any promissory notes executed between the Borrower and Bank*

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JRC
OCHD

2. Security Interest.

As security for the payment of all loans now or in the future made hereunder and all other liabilities of Borrower to Bank, Borrower hereby grants to Bank a Security Interest in the above-described Collateral and in all and any Proceeds arising therefrom.

3. Decrease in Value of Collateral.

If in the judgment of Bank collateral has materially decreased in value or if Bank shall at any time deem itself insecure, Borrower shall either provide additional collateral sufficient to satisfy Bank or reduce the total indebtedness by an amount sufficient to satisfy Bank.

4. Alienation of Collateral.

Borrower will not, without the written consent of Bank, encumber, or otherwise dispose of collateral or any interest therein until this security agreement and all debts secured thereby have been full satisfied.

*was written
consent to
spend the
money*

5. Default.

Default shall exist hereunder: (1) if the Borrower shall fail to pay any amount of the Liabilities when due; (2) if the Borrower shall or shall attempt to encumber or otherwise dispose of the Collateral or any interest therein without a written release of the Collateral, or any part thereof, from the Bank, or conceal Collateral; (3) if bankruptcy or insolvency proceedings shall be instituted by or against the Borrower, (4) if the Collateral shall be attached,

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Bank through any of its officers or agents, at all reasonable times, to examine or inspect any of the Collateral and to examine, inspect and make extracts from the Borrower's books and records relating to the Collateral. (c) Borrower will promptly pay when due all repayments and assessments upon the Collateral or for its use or operation or upon the proceeds thereof or upon this Agreement or upon any instrument of instruments evidencing the Liabilities. (d) At its option, the Bank may discharge taxes, liens or security interests or other encumbrances at any time levied or placed on the Collateral, and may pay for the maintenance and preservation of the Collateral, and the Borrower agrees to reimburse the Bank on demand for any payment made or any expense incurred by the Bank pursuant to the foregoing authorization including counsel fees and disbursements incurred or expended by the Bank in connection with this Agreement. (e) Borrower hereby authorizes the Bank to file the financing statement and any amendments thereto without the signature of Borrower. Such authorization is limited to the security interest granted by this Agreement. (f) The Bank shall not be deemed to have waived any of its rights hereunder or under any other agreement, instrument or paper signed by the Borrower unless such waiver is in writing and signed by the Bank. No delay or omission on the part of the Bank in exercising any right shall operate as a waiver thereof or of any other right. A

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waiver upon any one occasion shall not be construed as a bar or a waiver of any right or remedy on any future occasion. All of the rights and remedies of the Bank, whether evidenced hereby or by any other agreement, instrument or paper, shall be cumulative and may be exercised singly or concurrently.

7. Execution by Bank.

This Agreement shall take effect immediately upon execution by the Borrower, and the execution hereof by the Bank shall not be required as a condition to the effectiveness of this Agreement. The provision for execution of this Agreement by the Bank is only for purposes of filing this Agreement as a Security Agreement under the Uniform Commercial Code, if execution hereof by the Bank is required for purposes of such filing.

Americans with Hart, Inc.

by: *Alvin C. Wood*
~~President~~ Campaign Manager

By: *[Signature]*
Senator Gary Hart
Recipient of Matching Funds

FIRST AMERICAN BANK,

by: *Joseph R. Pasymarcino*
Assistant Vice President

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LOAN RESOLUTIONS

I, Michael R. Moore, Vice-President and Secretary-Treasurer of Americans With Hart, Inc., a non-profit corporation organized and existing under the laws of the State of Colorado, do hereby certify to the FIRST AMERICAN BANK, N.A., WASHINGTON, D.C., that the following is a true copy of resolutions duly adopted by the Board of Directors of such corporation at a meeting held on July 22, 1983, and that such resolutions are in full force and effect as of this date, have not been modified, and are not inconsistent with any of the provisions of the bylaws or the Amended and Restated Articles of Incorporation of such corporation:

"Resolved, that Oliver C. Henkel II is hereby authorized, as agent for Americans With Hart, Inc., to contract for a loan on behalf of such corporation with the First American Bank, N.A., Washington, D.C., and to execute all evidence of indebtedness and instruments, including without limitation instruments securing the repayment of such loan with the assets of such corporation, as may be necessary or appropriate for such purpose; such loan to be in a principal amount not to exceed \$350,000.00 and to be at an interest rate not to exceed the prime lending rate of such bank plus ~~2%~~ 2% *MI/MW 7/27/83*

"Further Resolved, that the foregoing resolution shall remain in full force and effect until written notice of its amendment or rescission shall have been received by such bank."

IN WITNESS WHEREOF, I have affixed my official signature this July 23, 1983.

Michael R. Moore

Vice-President and
Secretary-Treasurer

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GARY HART

WASHINGTON, DC

June 27, 1983

Mr. Donald P. Burchell
Vice President and District Manager
1st American Bank, N.A.
740 15th Street, N.W.
Washington, D.C. 20005

Dear Don:

Please consider this letter and the accompanying documentation as an application for a line of credit and accompanying services from the 1st American Bank.

Americans with Hart, a Colorado corporation, is asking for a line of credit not to exceed 50% of our matchable campaign funds or \$350,000, whichever is lesser. The security that we can offer is a personal guarantee of Senator Gary Hart for the first \$50,000, an encumbrance on our federal matching funds available January 15, 1984, and an encumbrance on our other assets such as office furniture and machinery.

We would use this line of credit to reduce our accounts payable, institute our direct mail campaign, purchase computing and word processing equipment, and secure credit cards for Senator Hart and myself.

From you we would ask you to manage our idle funds, secure our deposits, provide checking accounts for our regular and payroll expenses, and submit a proposal to manage our direct mail receipts in a lock box or caging operation.

The accompanying information includes our spending levels for 1983 by category, our revenue plans for the same period, and a letter from Michael Moore, partner at Arthur Young, Denver, and Treasurer of Americans with Hart. The 01 category is for the travel cost of Senator Hart and his family for campaign purposes. The 02 category is the cost of the campaign manager, his secretary and travel. The 03 category is the expense associated with the campaign's scheduling and advance operation. The 04 category is the

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Mr. Donald P. Burchell
June 27, 1983
Page 2

political operation or strategy, delegate work and constituency work. The 05 category is in two parts: the national office and state field offices. In the Washington office there are desk people responsible for different geographical regions. The field offices are broken out with obvious emphasis on Iowa and New Hampshire. The 06 category is field services. Field services relate to all the buttons, posters, stickers and other printed material needed in a campaign. Also included in this category are the voter targeting services of data banks and phone banks. The 07 and 08 categories of polling and press are obvious. The 09 category is media. The October cost is for production and the November and December costs are for the placement of the media. The 10 category is for the running of the Washington office, including rent, phone, supplies, postage, salaries, and so forth. The Denver office is in the budget as a political and fundraising office and is included in category 11. The 12 category is fundraising. Salaries, \$40,000 for concert seed money and event costs are included. The event cost figure is entered as a percentage of the gross to include room rental and meals for a fundraising event.

The income plan is based on a growth curve as the interest in the campaign grows and as we place more emphasis on fundraising. I am acting national fundraising director over the next quarter. By fall we hope to have added a national fundraising director to our staff. I will be organizing a national finance committee of 50 people from whom I expect \$50,000 each in fundraising. I am scheduling 28 events with Senator Hart or surrogates each month and plan to raise an average of \$5,000 per event in the summer and a \$14,000 by fall. Phone banks are in place on a volunteer basis today, and I expect a professional phone bank by September. The direct mail income relates to our own in-house program. (A national direct mail program is discussed later.) I am personally overseeing the concert program. I have had two excellent meetings in Hollywood with Senator Hart and myself where commitments have been made by major musicians and their campaign managers to produce a series of concerts in the fall. The campaign hopes to raffle

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at different gatherings during the fall and winter months goods and services donated to the campaign by our supporters. For example, a famous artist can donate a painting worth \$50,000. Even though this is in excess of the \$1,000 limit for a contribution, the FEC allows us to value it only at the cost of canvas and paint. We can then raffle the painting over a period of time to earn full value for the painting. We cannot auction the painting for then we would receive more than \$1000 from a single source. Another part of our revenue projections is canvassing. Canvassing has been very successful in raising money for issue-oriented campaigns or referenda. In that Senator Hart's campaign is the "idea campaign" I am confident that we will be able to use this form of fundraising successfully. Lastly, transom relates to money received over the transom, not from any specific fundraising effort.

The largest single source of most campaign income is in the direct mail effort. We have selected an experienced team of direct mail experts to manage our direct mail program. A separate budget is enclosed. There is a large front-end cost necessary in direct mail programs. A prospecting program is initiated by purchasing mailing lists of people whose demographics and ideals are compatible with our research concerning those who support Senator Hart. We then test each list we mail to the winners and test a few new lists. We proceed in this fashion developing our "house list" of known donors. Every few weeks we mail to the house list pleading for a little more support. Historically, prospecting will return a 1-1½% at an average of \$25.00 and a house list will return 12-15% with a gift of \$25.00 each time they are asked. A listing of the parameters is attached to these projections to demonstrate the conservative nature of those projections.

The last page shows the effort of matching monies to be secured by our efforts. These are the expected revenues to be paid no later than January 15, 1984. The percentages after each category are those historically associated with each area of fundraising.

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Mr. Donald P. Burchell
June 27, 1983
Page 4

By looking at the cumulative cash flow, including direct mail, you see that our low point is in September-October with a need to borrow \$281,000. Because from week to week it may be necessary to borrow more, I have asked for a limit of \$350,000.

There is a great deal of precedent for loaning to a campaign prior to official certification of FEC compliance for matching funds. This year the Cranston campaign has secured such a line of credit. In order for the Hart campaign to qualify for matching funds, we must have raised \$5,000 in each of more than 20 states in increments not to exceed \$250. We must also show that our donors gave their money from their own funds, and we must have their address and occupation. Mr. Moore states in his letter that to the best of his knowledge we have so complied. Attached also is a printout of matchable funds by state with generous overages in each state. Historically the FEC has accepted 92% of all applications throughout a campaign. Because we have been extra meticulous with our first application, I anticipate no difficulty with our application. The application will be submitted on June 30. I anticipate that the process of scrutiny by the FEC should take no longer than 60 days.

Attached also is a statement of our current position as well as that of each previous month's closing. Our current situation is not one of mismanagement. We made decisions to invest heavily in preparation for the Massachusetts straw poll and even more in the preparation for the Wisconsin straw poll. We did this even though they had not been budgeted because the national press and political events forced our participation. We do not expect any more aberrations. Secondly, we sponsored two poorly conceived and executed fundraising events before my coming on as campaign manager. The Massachusetts effort cost \$30,000, the Wisconsin effort \$70,000 and the two fundraising disappointments a total of \$15,000. This total of \$115,000 well exceeds our level of payables over 30 days old, \$90,000.

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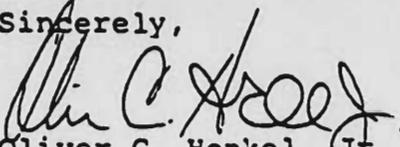
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Mr. Ronald P. Burchell
June 27, 1983
Page 5

Please let me know if there is any other material or explanation that is necessary for you to properly review our application. I look forward to working with you during the campaign with you as a very important member of our team. Your advice and support will always be appreciated.

Sincerely,


Oliver C. Henkel, Jr.

Enclosures

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GARY HART
WASHINGTON, DC

Enclosures

Exhibit A	Budget July-December, 1983
Exhibit B	Direct Mail Budget July, 1983-July, 1984
Exhibit C	Balance Sheet December, 1982-May, 1984
Exhibit D	Letter from Michael Moore & accompanying FEC matching funds printout

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GARY HART
WASHINGTON, DC

CONFIDENTIAL

July 21, 1983

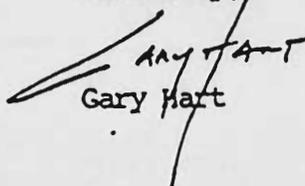
First American Bank, N.A.
1100 Connecticut Ave., N.W.
Washington, DC 20036

Re: Americans with Hart

Dear Sir or Madam:

In connection with the line of credit that has been sought by Americans with Hart, my presidential campaign committee, you have asked for various information and assurances. This letter is to advise you that I shall not withdraw from my campaign to become the nominee for President of the Democratic Party in 1984 prior to the time that I become fully qualified to receive federal matching funds in respect of such campaign. If you need further information please get in touch with me at 224-5852 or with my campaign manager, Oliver C. Henkel, Jr., at 675-9000.

Sincerely,


Gary Hart

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FIRST AMERICAN BANK, N.A.
WASHINGTON, D.C.

July 26, 1983

Americans with Hart, Inc.
Washington, D.C. 20002

Attention of Oliver Hinkle

Gentlemen:

You have requested that the undersigned make loans (collectively the "Loans" and each a "Loan"), to Americans with Hart (hereinafter called the "Committee") from the date hereof in an aggregate principal amount equal to \$350,000. The Loans shall be evidenced by a promissory note duly executed on behalf of your Committee payable to the order of the undersigned and to be substantially in the form attached hereto as Exhibit A. It is understood that each loan shall bear interest at 2% per annum above the Prime Rate from time to time in effect of the undersigned, (hereinafter called the "Prime Rate"), such interest rate to change as of the opening of business on any day on which the Prime Rate shall change.

In consideration of the undersigned's agreement to make the Loans, you hereby authorize the undersigned to charge such account for payments of principal of and interest on such loans.

In further consideration of the undersigned's agreement to make the Loans you will obtain policies insuring without any condition the life of Senator Gary Hart in the amount of \$350,000. The undersigned will be designated as beneficiary thereof up to such amount as is required to pay in full the aggregate principal amount of the Loans of \$350,000 and any accrued interest thereon. Such a policy is to contain endorsements to the effect that they may not be canceled or terminated or the beneficiary changed without the prior written consent of the undersigned. You hereby agree that

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the undersigned's interest in such a policy insuring Senator Gary Hart shall be increased to the extent of any accrued interest on and unpaid principal amount of the Note and all other obligations of the Committee to the undersigned under this Letter Agreement; it being understood that the undersigned will consent to the cancellation of the policies upon payment in full of the principal of and interest on the Prior Loans and the Note, and the undersigned will further agree to periodic reductions in the amount of coverage as the principal of such loans is reduced.

In order to induce the undersigned to make this loan, you hereby represent and warrant to the undersigned that (a) you are a political committee duly established and in compliance with 2 U.S.C. Sec. 433 and that you will comply with 2 U.S.C. Sec. 434 and that all contributions solicited by you shall be in compliance with 2 U.S.C. Sec. 441a; (b) Senator Gary Hart has submitted to the Federal Election Commission the documents necessary to qualify for receipt of matching funds, that Senator Hart will personally guarantee to apply for such matching payments, and if he does not so apply or if he is not certified as eligible to require payments pursuant to 26 U.S.C. Sec. 9036, or if Senator Hart withdraws from the race and is deemed ineligible to receive matching payments pursuant to 26 U.S.C. Sec. 9036, Senator ~~and the Note~~ will personally agree to guarantee repayment of the Loans; (c) no authorization, consent, approval, license, exemption of filing or registration with any court or governmental department, commission, board, bureau, agency or instrumentality is or will be necessary to the valid execution, delivery or performance by you of this Letter Agreement, the Note or the Security Agreement.

This Letter Agreement shall be governed by and construed under the laws of the District of Columbia and is not subject to amendment, waiver or modification unless the same shall be in writing.

You shall pay all costs and expenses in connection with this Letter Agreement and the loan.

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If the foregoing is agreeable to you, please so indicate by signing the enclosed copy of this letter.

Very truly yours,

FIRST AMERICAN BANK, N.A.

by: Joseph R. [Signature]
Assistant Vice President

Accepted and agreed to this
27th day of July, 1983:

Americans with Hart, Inc.
by: [Signature]
Campaign Manager

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LOAN RESOLUTIONS

I, Michael R. Moore, Vice-President and Secretary-Treasurer of Americans With Hart, Inc., a non-profit corporation organized and existing under the laws of the State of Colorado, do hereby certify to the FIRST AMERICAN BANK, N.A., WASHINGTON, D.C., that the following is a true copy of resolutions duly adopted by the Board of Directors of such corporation at a meeting held on July 22, 1983, and that such resolutions are in full force and effect as of this date, have not been modified, and are not inconsistent with any of the provisions of the bylaws or the Amended and Restated Articles of Incorporation of such corporation:

"Resolved, that Oliver C. Henkel II is hereby authorized, as agent for Americans With Hart, Inc., to contract for a loan on behalf of such corporation with the First American Bank, N.A., Washington, D.C., and to execute all evidence of indebtedness and instruments, including without limitation instruments securing the repayment of such loan with the assets of such corporation, as may be necessary or appropriate for such purpose; such loan to be in a principal amount not to exceed \$350,000.00 and to be at an interest rate not to exceed the prime lending rate of such bank plus ~~1%~~ 2% *7-11-83 7/27/83*

"Further Resolved, that the foregoing resolution shall remain in full force and effect until written notice of its amendment or rescission shall have been received by such bank."

IN WITNESS WHEREOF, I have affixed my official signature this July 23, 1983.

Michael R. Moore

Vice-President and
Secretary-Treasurer

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GARY HART
WASHINGTON, DC

July 27, 1983

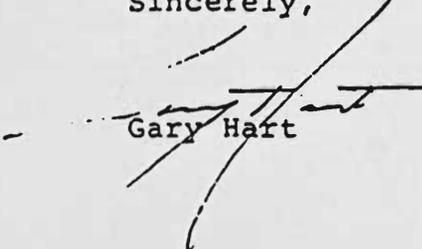
Mr. Joseph R. Lagomarcino
Assistant Vice President
First American Bank, N.A.
740 15th St., NW
Washington, D.C. 20005

Dear Mr. Lagomarcino:

In reference to the bank loan taken out this date by Americans with Hart, my authorized presidential campaign committee, I hereby agree to promptly seek an advisory opinion from the Federal Election Commission that the attached Guaranty Agreement does not in any way violate any provision of the Federal Election Campaign Act, as amended, 2 U.S.C. Sec. 431 et seq., the Presidential Primary Matching Payment Account Act, 26 U.S.C. 9031 et seq., or any regulations issued thereunder, 11 C.F.R. 100.1 et seq; 11 C.F.R. 9031.1 et seq.

If the Federal Election Commission advises me that the attached Guaranty Agreement is not in violation of any of the above cited provisions, and that it would not disqualify me from the receipt of federal matching payments pursuant to 26 U.S.C. Sec. 9031 et seq., then I shall promptly execute the attached Guaranty Agreement.

Sincerely,


Gary Hart

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FIRST AMERICAN BANK, N.A.

LOAN GUARANTY

WHEREAS, Americans with Hart, Inc. (hereinafter called the "Debtor") desires to obtain loans or borrow money from First American Bank, N.A. (hereinafter called the "Bank") from time to time, and has so requested in letter agreement dated _____ of the bank;

AND WHEREAS, the Bank requires additional assurances and guarantees by the undersigned as a condition for making loans to the debtor, it being understood that the bank does not by the acceptance hereof obligate itself to loan the Debtor up to any particular amount.

THEREFORE, in consideration of the promises and for other good and valuable considerations, the receipt of which is hereby acknowledged, the undersigned hereby unconditionally, except good and valuable considerations, the receipt of which is hereby as specified in the following paragraph, and directly guarantee to the Bank the punctual payment of any and all liabilities of the Debtor to the Bank of whatsoever kind or nature, and whether as maker, drawer, endorser or guarantor of any bills of exchange, notes, negotiable instruments and/or any and all other contracts and/or obligations whether now existing or hereafter from time to time arising and whether of the kind herein specified or referred to or not, to the extent of \$350,000.00, all of which liabilities shall be deemed to have been incurred on the faith hereof. The obligation of the guarantors hereunder shall mature, at the option of the Bank, without notice to guarantor(s), at any time or times that the Debtor shall be in default in the payment of any obligation to the Bank of any description whatsoever.

If Senator Gary Hart has not qualified for, and received, federal matching payments, pursuant to 26 U.S.C. Sec. 9033, by January 31, 1984, this Guaranty Agreement shall be effective, but not otherwise, and if the Guaranty Agreement is in violation of the limitation on personal expenditures set forth in 26 U.S.C. Sec. 9035 or 11 C.F.R. Sec. 9035, or would disqualify Senator Hart for the receipt of federal matching funds under 26 U.S.C. Sec. 9033 or 11 C.F.R. Sec. 9033, then it shall not be effective.

This guaranty shall be a continuing one, and shall include any and all new or increased liabilities up to the aforesaid amount, and whether the same shall be incurred after satisfaction, payment or reduction or previous liabilities or not.

The proceeds of any sale of collateral may be applied by the Bank to any one or more of the liabilities of the Debtor to the Bank in such manner as the Bank may deem fit, and whether said application is made to the liabilities of the Debtor covered by this guaranty, or to the liabilities of the Debtor not covered

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by this guarantee, and/or exceeding the amount thereof. Any payments made to the Bank by the Debtor or by any trustee, receiver, assignee, personal representative or any other person for or on behalf of the Debtor or of his estate or any part thereof, may also be applied by the Bank to the liabilities of the Debtor not covered by this guaranty and/or exceeding the amount thereof.

The undersigned hereby waive demand, presentment for payment, protest, notice of dishonor and of protest and agree that at any time and from time to time and with or without consideration, the Bank may, without notice to or further consent of the undersigned and without in any manner releasing, lessening or affecting the obligations of the undersigned hereunder: (a) make future advances from time to time at the request of indulgences with respect to, (i) this Guaranty Agreement, (ii) any loans to the Debtor, (iii) all or any part of any collateral or security for loans to the Debtor or this Guaranty Agreement, and (iv) any undersigned; (b) complete any blank space in this Guaranty Agreement according to the terms upon which the guaranty evidenced hereby is made; and (c) grant any extension or other postponements of the time of payment hereof or of any loan to the Debtor. The Bank may (without notice to or consent of any of the undersigned, and with or without consideration) release, compromise, settle with or proceed against any one or more of the undersigned without releasing, lessening or affecting the obligations hereunder or under any of the documents relating to any loans to the Debtor.

As security for the payment of all obligations under this Guaranty Agreement, each undersigned hereby pledges and grants to the Bank a lien on and security interest in, and authorizes the Bank to offset such obligations of each undersigned to the Bank against, all property of each of the undersigned now or at any time hereafter in the possession of, in transit to, under the control of, or on deposit with the Bank in any capacity whatsoever, including, without limitation, any balance of any deposit account and any credits with the Bank.

The undersigned further agrees that should any litigation ensue to the Bank with respect to the enforcement of this Guaranty Agreement or loans to the Debtor or the holding or sale of any collateral security or any part thereof, the Bank shall be paid such reasonable costs and expenses as it may incur in that behalf, which sum shall also be secured by any collateral security and be payable on demand, in default or payment of which any collateral security may be sold as is hereinbefore provided, and the undersigned hereby promise to pay the Bank, in addition to the foregoing, any deficiency resulting from the inadequacy of any collateral security in this respect.

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Each right, power and remedy of the Bank under this Guaranty Agreement, under promissory notes or agreements signed by the Debtor or under applicable laws shall be cumulative and concurrent, and the exercise of any one or more of them shall not preclude the simultaneous or later exercise by the Bank of any such other rights, powers or remedies. No failure or delay by the Bank to insist upon the strict performance of any one or more of its rights, powers or remedies consequent upon a breach thereof or default hereunder shall constitute a waiver thereof, or preclude the Bank from exercising any such right, power or remedy. By accepting partial payment on this Guaranty Agreement, the Bank shall not be deemed to have waived the right either to require prompt payment when due and payable of all other amounts due under this Guaranty Agreement or to exercise any rights and remedies available to it in order to collect all such other amounts due and payable under this Guaranty Agreement. No modification, change, waiver or amendment of this Guaranty Agreement shall be deemed to be made by the Bank unless in writing signed by the Bank, and each such waiver, if any, shall apply only with respect to the specific instance involved.

The undersigned further agree to indemnify the Bank from and against any and all losses, costs, damages or attorney's fees which it may suffer, incur or be put to by reason or in consequence of the liabilities of the Debtor to the Bank made on the faith hereof.

Any one or more of the undersigned, or the personal representative of any one or more of the undersigned who may then be deceased, shall have the right to terminate and revoke this Guaranty Agreement by a notice in writing delivered to the Bank and acknowledged by it in writing, but such act of termination or revocation shall in no way or manner affect or release the undersigned, or any one or more of them, or their personal representatives, from their obligations or the liabilities of the Debtor due or incurred before the receipt and acknowledgement of any such notice, nor shall any such notice from any one or more of the undersigned guarantors in any manner affect, modify or lessen the obligations hereunder of any of the remaining undersigned guarantors or their personal representatives, who have not given such notice in writing to the Bank, which has been acknowledged as aforesaid.

This Guaranty Agreement shall bind the heirs, personal representatives, successors, and assignees of the undersigned and it shall inure to the Bank, its successors and assignees. This Guaranty Agreement is enforceable notwithstanding any statute of frauds or statute of limitations applicable to the indebtedness of the Debtor or the indebtedness of the undersigned hereunder. If the undersigned consists of two or more parties, their obligations hereunder are joint and several.

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This agreement shall be governed by the law of the District of Columbia, and is to construed in conformance with the Federal Election Campaign Act of 1971 as amended.

WITNESS the hands and seals of the undersigned this ____ day of _____, 1983.

WITNESS:

_____ (seal)

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GUARANTY

In consideration of the making or continuing of, or forbearance of suit on, or extension of time of payment on discounts, loans or advances by First American Bank, N.A. (hereinafter referred to as Bank) to or for AMERICANS WITH HART, INC.

(hereinafter referred to as Borrower, meaning both or all of the above-specified Borrowers, jointly and severally, if more than one), without the joinder of the undersigned Guarantor(s) (hereinafter referred to as Guarantor, meaning both or all of the undersigned guarantors, jointly and severally, if more than one) in any writing evidencing such indebtedness, which the Bank would be unwilling to do without the execution of the Guaranty, and for other consideration, Guarantor, directly and unconditionally and independently of the liability of Borrower, guarantees to Bank, its successors and assigns, the prompt payment at maturity of any and all liabilities of Borrower to Bank, whether now existing or hereafter arising, whether as maker, indorser or otherwise, and whether of the kind herein referred to or not, to the principal amount of \$ 45,000⁰⁰/₁₀₀, or, if the foregoing blank space is not filled in, then in an unlimited amount, plus attorneys' fees and all other collection costs. Guarantor expressly agrees that Guarantor's liability to Bank shall, at Bank's option, upon any default by Borrower in any obligation to Bank, become at once fixed, liquidated, due and payable, without condition, offset or counterclaim, and without demand or notice of any kind, and Bank shall not be required to make demand upon or first seek satisfaction from Borrower, or from any other guarantor or any indorser, surety or other party or any security or collateral, or to pursue any other remedy whatsoever, notwithstanding any demand or request therefor by Guarantor, but any payment of principal or interest thereafter by Borrower shall toll the statute of limitations against Guarantor. Bank's rights against Guarantor, in such event, shall extend to the entire aggregate of the indebtedness then owed by Borrower to Bank, including all expenses which Bank may incur in collection thereof, or any part thereof, or in any attempt to protect any security or collateral held by Bank.

Guarantor agrees to indemnify and save harmless Bank against any loss, damage or liability, plus attorneys' fees and all other collection costs, which Bank may suffer or incur through the making or continuing of any such discounts, loans or advances to or for Borrower.

This guaranty shall be a continuing guaranty and shall bind Guarantor and Guarantor's executors, administrators, heirs, successors and assigns, for all discounts, loans and advances hereafter made by Bank to or for Borrower until ten days after notice in writing terminating this guaranty as to future transactions has been received by certified or registered mail and acknowledged by Bank; and Guarantor shall remain liable for all obligations of Borrowers, up to the principal amount noted above, if any, contracted before ten days after the receipt and acknowledgment of such notice. Neither any notice of termination from nor the death of any one or more of the undersigned Guarantors, or such Guarantor's executors, administrators, heirs, successors or assigns, shall in any manner affect, modify or lessen the obligation hereunder of the remaining Guarantors, if any, or such remaining Guarantors' executors, administrators, heirs, successors and assigns.

Guarantor consents and agrees that Bank may, without prejudice to any claim against Guarantor hereunder, and without affecting in any manner the liability of Guarantor hereunder at any time or from time to time, in its discretion with or without consideration, and without notice to Guarantor: (1) extend or change the time of payment, or the manner, place or terms of payment of or otherwise modify any obligation hereby guaranteed; (2) exchange, release or surrender all or any collateral security for any such obligation; (3) sell and itself purchase any such collateral security at public or private sale or broker's board, and apply the proceeds in its discretion to any indebtedness of Borrower; and (4) settle or compromise with Borrower or with any other person primarily or secondarily liable with Borrower, any obligation hereby guaranteed, or subordinate the payment of any such obligation to payment of any other debt which may be owing to Bank.

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Guarantor waives notice of acceptance, presentment, demand, protest, all other notices of every kind, and the benefit of all homestead and other exemptions and valuation and appraisal laws. Guarantor waives any defense arising by reason of any disability or other defense of Borrower or by reason of the cessation from any cause whatsoever of Borrower, and agrees that this Guaranty shall be valid and enforceable without regard to the regularity, validity or enforceability of any liability or obligation of Borrower. Until all indebtedness of Borrower to Bank shall have been paid in full, Guarantor shall have no right of subrogation, and waives any right to enforce any remedy which Bank now has or may hereinafter have against Borrower, and waives any benefit of and any right to participate in any security now or hereafter held by Bank. Guarantor agrees to pay Bank's reasonable attorney's fee and all other costs of collection in enforcing this guaranty.

All rights under this agreement shall inure to the benefit of Bank, its successors and assigns, and any holder (whether with or without recourse) of any or all of the discounts, loans and advances covered by this guaranty.

Waiver of any right, covenant or benefit herein by Bank shall not waive any other or further right, covenant or benefit or bind Bank again to waive the same provision. If maturity of any obligation hereby guaranteed is accelerated as against Borrower, such maturity shall also be accelerated hereunder, without demand or notice. Guarantor hereby gives Bank a lien upon all money and other property of every sort of Guarantor now or hereafter in custody or possession of Bank, for whatever purpose delivered and in whatever capacity held, and upon any balances of Guarantor with Bank, as security for the performance of Guarantor's obligations hereunder. This guaranty shall be both supplemental and additional to any other guaranty or guaranties furnished or to be furnished to Bank.

Signed and sealed this 27th day of July 19 83.

WITNESS:

GUARANTOR:

[Handwritten Signature]

[Handwritten Signature] (SEAL)

_____ (SEAL)

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SECURITY AGREEMENT dated July 27, 1983, between First American Bank, N.A. a national banking association (hereinafter called the Bank) and Americans with Hart, Inc.

(hereinafter called the Borrower).

1. Definitions.

(a) "Liability" or "Liabilities" includes all liabilities (primary, secondary, direct, contingent, sole, joint or several) due or to become due, or that may be hereafter contracted or acquired, of Borrower to Bank,

(b) "Proceeds" means whatever is received when Collateral is collected or otherwise disposed of and includes the account arising when the right to payment is earned,

(c) "Security Interest" means a lien or other interest in Collateral which secures payment of a liability or performance of obligation,

(d) "Collateral" means the following described property in which the Bank has a Security Interest:

(1) any and all matching payments^{*} paid to Senator Gary Hart pursuant to the Federal Election Campaign Fund Act, as amended, 26 U.S.C. Sec. 9001, et seq, such payments to be transferred by the Secretary of the Treasury, pursuant to Senator Hart's request, into an account which Borrower shall establish for the purpose of receiving and holding such payments.

** up to the amount of the outstanding indebtedness incurred under any promissory notes executed between the Borrower and Bank*

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2. Security Interest.

As security for the payment of all loans now or in the future made hereunder and all other liabilities of Borrower to Bank, Borrower hereby grants to Bank a Security Interest in the above-described Collateral and in all and any Proceeds arising therefrom.

3. Decrease in Value of Collateral.

If in the judgment of Bank collateral has materially decreased in value or if Bank shall at any time deem itself insecure, Borrower shall either provide additional collateral sufficient to satisfy Bank or reduce the total indebtedness by an amount sufficient to satisfy Bank.

4. Alienation of Collateral.

Borrower will not, without the written consent of Bank, encumber, or otherwise dispose of collateral or any interest therein until this security agreement and all debts secured thereby have been full satisfied.

5. Default.

Default shall exist hereunder: (1) if the Borrower shall fail to pay any amount of the Liabilities when due; (2) if the Borrower shall or shall attempt to encumber or otherwise dispose of the Collateral or any interest therein without a written release of the Collateral, or any part thereof, from the Bank, or conceal Collateral; (3) if bankruptcy or insolvency proceedings shall be instituted by or against the Borrower, (4) if the Collateral shall be attached,

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levied upon, seized in any legal proceedings, or held by virtue of any lien or distress; (5) if the Borrower shall make any assignment for the benefit of creditors; (6) if the Bank with reasonable cause determines that its interest in the Collateral be in jeopardy.

In the event of default or the breach of any undertaking of or conditions to be performed by the Borrower (1) all liabilities shall become immediately due and payable, and (2) the Borrower agrees upon demand to deliver the Collateral to the Bank, or the Bank may, with or without legal process, and with or without previous notice or demand for performance, enter any premises wherein the Collateral may be, and take possession of the same, together with anything therein; and the Bank may make disposition of the Collateral subject to any and all applicable provisions of the law. The Bank, provided it has sent the statutory notice of default, may retain from the proceeds of such sale, rental or leasing, all reasonable costs incurred in the said taking and sale, rental or lease, and also, all sums then owing by the Borrower, and any overplus of any such sale shall be paid to the Borrower.

6. General Agreements.

(a) Borrower agrees to pay the costs of filing financing statements and of conducting searches in connection with this Agreement. (b) Borrower agrees to allow the

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Bank through any of its officers or agents, at all reasonable times, to examine or inspect any of the Collateral and to examine, inspect and make extracts from the Borrower's books and records relating to the Collateral. (c) Borrower will promptly pay when due all repayments and assessments upon the Collateral or for its use or operation or upon the proceeds thereof or upon this Agreement or upon any instrument of instruments evidencing the Liabilities. (d) At its option, the Bank may discharge taxes, liens or security interests or other encumbrances at any time levied or placed on the Collateral, and may pay for the maintenance and preservation of the Collateral, and the Borrower agrees to reimburse the Bank on demand for any payment made or any expense incurred by the Bank pursuant to the foregoing authorization including counsel fees and disbursements incurred or expended by the Bank in connection with this Agreement. (e) Borrower hereby authorizes the Bank to file the financing statement and any amendments thereto without the signature of Borrower. Such authorization is limited to the security interest granted by this Agreement. (f) The Bank shall not be deemed to have waived any of its rights hereunder or under any other agreement, instrument or paper signed by the Borrower unless such waiver is in writing and signed by the Bank. No delay or omission on the part of the Bank in exercising any right shall operate as a waiver thereof or of any other right. A

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waiver upon any one occasion shall not be construed as a bar or a waiver of any right or remedy on any future occasion. All of the rights and remedies of the Bank, whether evidenced hereby or by any other agreement, instrument or paper, shall be cumulative and may be exercised singly or concurrently.

7. Execution by Bank.

This Agreement shall take effect immediately upon execution by the Borrower, and the execution hereof by the Bank shall not be required as a condition to the effectiveness of this Agreement. The provision for execution of this Agreement by the Bank is only for purposes of filing this Agreement as a Security Agreement under the Uniform Commercial Code, if execution hereof by the Bank is required for purposes of such filing.

Americans with Hart, Inc.

by:

Alvin C. Wood
~~Executive~~ Campaign Manager

By:

[Signature]
Senator Gary Hart
Recipient of Matching Funds

FIRST AMERICAN BANK,

by:

Joseph R. Pasomarcino
Assistant Vice President

35040561481

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34

FIRST AMERICAN BANK, N.A.
Washington, D.C.

Americans with Hart, Inc.
Washington, D.C. 20002

Attention of Oliver Hinkle

Gentlemen:

You have requested that the undersigned make loans (collectively the "Loans" and each a "Loan"), to Americans with Hart (hereinafter called the "Committee") from the date hereof in an aggregate principal amount equal to \$750,000. The Loans shall be evidenced by a promissory note duly executed on behalf of your Committee payable to the order of the undersigned and to be substantially in the form attached hereto as Exhibit A. It is understood that each loan shall bear interest at 2% per annum above the Prime Rate from time to time in effect of the undersigned, (hereinafter called the "Prime Rate"), such interest rate to change as of the opening of business on any day on which the Prime Rate shall change.

In consideration of the undersigned's agreement to make the Loans, you hereby authorize the undersigned to charge such account for payments of principal of and interest on such loans.

In further consideration of the undersigned's agreement to make the Loans you will obtain policies insuring without any condition the life of Senator Gary Hart in the amount of \$750,000. The undersigned will be designated as beneficiary thereof up to such amount as is required to pay in full the aggregate principal amount of the Loans of \$750,000 and any accrued interest thereon. Such a policy is to contain endorsements to the effect that they may not be cancelled or terminated or the beneficiary changed without the prior written consent of the undersigned. You hereby agree that the undersigned's interest in such a policy insuring Senator Gary Hart shall be increased to the extent of any accrued interest on and unpaid principal amount of the Note and all other obligations of the Committee to the undersigned under this Letter Agreement; it being understood that the undersigned will consent to the cancellation of the policies upon payment in full of the principal of and interest on the Prior Loans and the Note, and the undersigned will further agree to periodic reductions in the amount of coverage as the principal of such loans is reduced.

In order to induce the undersigned to make this loan, you hereby represent and warrant to the undersigned that (a) you are a political committee duly established and in compliance with 2 U.S.C. Sec. 433 and that you will comply with 2 U.S.C. Sec. 434 and that all contributions solicited by you shall be in compliance with 2 U.S.C. Sec. 441a; (b) Senator Gary Hart has submitted to the Federal Election Commission the documents necessary to qualify for receipt of matching funds, ~~that Senator Hart will personally guarantee to apply for such matching payments, and if he does not so apply, if he is not certified as eligible to require payments pursuant to 26 U.S.C. Sec. 9036, or if Senator Hart withdraws from the race and is deemed ineligible to receive matching payments pursuant to 26 U.S.C.~~

PH

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BL
OCH, J.

~~Section 8036, Section 8037 will personally agree to guarantee repayment of the~~
loans; (c) no authorization, consent, approval, license, exemption of
filing or registration with any court or governmental department,
commission, board, bureau, agency or instrumentality is or will be necessary
to the valid execution, delivery or performance by you of this Letter
Agreement, the Note or the Security Agreement.

This Letter Agreement shall be governed by and construed under the laws
of the District of Columbia and is not subject to amendment, waiver or
modification unless the same shall be in writing.

You shall pay all costs and expenses in connection with this Letter
Agreement and the loan.

If the foregoing is agreeable to you, please so indicate by signing the
enclosed copy of this letter.

Very truly yours,

FIRST AMERICAN BANK, N.A.

By:

JR Pagonis
day of September, 1983.

Accepted and agreed to this

8th

day of September, 1983.

Americans with Hart, Inc.

by:

Alan C. Hood

85040561483

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This FINANCING STATEMENT is presented to a Filing Officer for filing pursuant to the Uniform Commercial Code		Maturity date (if any):
1. Debtor(s) Name (Last Name First) Americans with Hart, Inc.	2. Debtor(s) Complete Address(es) 225 4th Street, N.E. Washington, D.C. 20002	For Filing Officer (Date, Time, and Number)
3. & 4. Secured Party(ies) and Complete Address(es) First National Bank, N.A. 740 15th St., N.W. Washington, D.C. 20005	5. & 6. Assignee(s) of Secured Party(ies) and Complete Address(es)	
7. This financing statement covers the following types (or items) of property: (Describe)		
<p>1. Federal Election Campaign Matching Funds, issued pursuant to 26 U.S.C. §9033 <u>et seq.</u></p> <p>2. Life Insurance Policy on Senator Gary Hart</p> <p>3. Disability Insurance Policy on Senator Gary Hart JRL OCHD.</p>		
(If collateral is crops) The above described crops are growing or are to be grown on: (Describe Real Estate)		
(If collateral is goods which are or are to become fixtures) The above described goods are affixed or to be affixed to: (Describe Real Estate)		
8a. () Proceeds are also covered.	No. of additional sheets presented.	
8b. () Products of collateral are also covered.	()	
9. This statement to be returned after recordation to Secured Party, shown above or to _____		
Signature(s) of Debtor(s) <u>Joseph R. Haggan</u>	Signature(s) of Secured Party(ies) or Assignee(s) <u>Don C. [Signature]</u> CAMPAIGN MANAGER	
Type or Print Names Clearly Below Signature.		

35040561434

LOAN RESOLUTIONS

I, Michael R. Moore, Vice-President and Secretary-Treasurer of Americans With Hart, Inc., a non-profit corporation organized and existing under the laws of the State of Colorado, do hereby certify to the FIRST AMERICAN BANK, N.A., WASHINGTON, D.C., that the following is a true copy of resolutions duly adopted by the Board of Directors of the corporation at a meeting held on September 8, 1983, and that such resolutions are in full force and effect as of this date, have not been modified, and are not inconsistent with any of the provisions of the bylaws or the Amended and Restated Articles of Incorporation of the corporation:

"Resolved, that Oliver C. Henkel II is hereby authorized, as agent for Americans With Hart, Inc. (the "Corporation"), to contract for a loan on behalf of the Corporation with the First American Bank, N.A., Washington, D.C., and to execute all evidence of indebtedness and instruments, including without limitation instruments securing the repayment of such loan with the assets of the Corporation, as may be necessary or appropriate for such purpose; such loan to be in a principal amount of not to exceed \$750,000 and to be at an interest rate not to exceed the prime lending rate of such bank plus 2%; provided that the aggregate total of all amounts drawn against such loan and remaining unpaid shall not exceed an amount equal to 80% of the Corporation's Federal matching funds entitlement, as reflected in the Corporation's records and as certified by the Corporation's Treasurer."

"Further Resolved, that the foregoing resolution shall be supplemental to that certain resolution of the Board of Directors of the Corporation, adopted July 22, 1983, relating to a loan on behalf of the Corporation with the First American Bank, N.A., Washington, D.C., but that to the extent of any inconsistency therewith the foregoing resolution shall control."

"Further Resolved, that the foregoing resolutions shall remain in full force and effect until written notice of their amendment or rescission shall have been received by such bank."

IN WITNESS WHEREOF, I have affixed my official signature this September 8, 1983.



Vice-President and
Secretary-Treasurer

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(For Bank reference only)
COMMERCIAL DEMAND

- Variable Rate
- Fixed Rate
- Secured
- Unsecured
- Guarantor(s)/Endorser(s)

\$ 50,000.00

Washington, D.C.

....., 19.....

PROMISSORY NOTE

FOR VALUE RECEIVED, Americans with Hart, Inc

hereinafter called "Maker", promises to pay to the order of THE NATIONAL BANK OF WASHINGTON, hereinafter called "Bank", the principal sum of Fifty Thousand Dollars and 00/100 50,000.00 (.....), together with interest from the date hereof until paid in full at the rate as hereinafter provided at the offices of the Bank or such other address as Bank may designate by written notice to Maker.

INTEREST: The aforesaid sum shall bear interest at the following rate:

- At the Bank's floating prime rate plus 1.0 % on the unpaid principal balance hereunder until paid.
- percent per annum until paid.
- Other:

Interest in any case is computed on the basis of a 360 day year and of the actual number of days elapsed. Changes in the prime rate will be effective as of the date the prime rate changes. All payments hereunder shall be made in lawful money of the United States of America, without offset.

REPAYMENT: The principal sum and interest shall be paid by Maker to Bank on demand. Until such time as demand shall be made, Maker will repay the obligation as follows:

Interest shall be due on a monthly basis with first payment due on March 1, 1984

COLLATERAL: To secure the performance of this and all other obligations to Bank of Maker or any other parties to the Note, whether now existing or hereafter incurred, Maker grants to Bank a security interest in the collateral described below, complete with all present and future attachments, accessories and replacements of all or any parts thereof and all additions thereto or substitutions therefor, together with any and all other property of Maker, whether in the form of securities, cash or otherwise, now or hereafter in the possession of Bank, and in any insurance policies thereon, and the proceeds of all the foregoing with authority to collect, sell, transfer and re-hypothecate:

As more fully described in letter of same date

In case the market value of the Collateral or any part thereof shall suffer any decline, Maker agrees, upon demand of the Bank, to deliver to and pledge with the Bank additional securities or collateral or to make payments sufficient to correct the decline in market value or cure any deficiency in the value as represented to the Bank.

LATE CHARGE: If any payment hereunder is not paid when due and continues unpaid for a period of ten (10) days thereafter, Maker agrees to pay to Bank or any other holder hereof, in addition to all amounts of principal and interest, a late charge of 2% per annum in excess of the interest rate described herein computed on the unpaid principal balance, or such lesser late charge as may be required by law. The date of imposition of this late charge shall relate back to the due date and the late charge shall be assessed monthly until any delinquency is cured.

REMEDIES: Upon the demand for payment hereunder, Bank shall have all rights and remedies provided under all applicable law and shall be deemed to have exercised the same immediately upon the occurrence of any such event without notice or future action, irrespective of when any record of the same may thereafter be entered on the Bank's books. Bank may set off against all other obligations of Maker to Bank all money owed by Bank in any capacity to Maker; and Bank shall be deemed to have exercised such right of set off and to have made a charge against any such money immediately upon the occurrence of such default even though such charge is made or entered on the books of Bank subsequent thereto.

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Bank shall not be required to resort to any particular security or persons to enforce payment and Bank shall not be subject to any marshalling requirements or equities among the person(s) designated by Maker or among any other persons who may be liable on this note or other obligations as endorsers, sureties, guarantors or otherwise.

Maker waives any benefit which might be accorded by the applicable Statute of Limitations as a result of any extensions granted by Bank, and the exercise of any right hereunder shall not waive the right to exercise such right thereafter. Maker agrees that, in addition to the principal sum with interest as above provided, Bank shall be entitled to recover fifteen percent (15%) of the unpaid balance of principal and interest additionally as attorney fees, and with costs of suit, should suit be instituted to collect this note, subject to applicable law.

MISCELLANEOUS: Presentment for payment or acceptance, protest, and notice of dishonor of payment or acceptance, notice of protest and notice of any renewal, extension, modification or change of time, manner, place or terms of payment are hereby waived by Maker or any endorsers, sureties, and guarantors. Any notice, including but not limited to demand for payment hereunder, to Maker shall be sufficiently served for all purposes if placed in the mail addressed to, or left upon the premises at the address of Maker shown on the Bank's records. Bank may surrender this note to any person paying the final installment or payment due hereunder, and may endorse or assign it to such person or his order without recourse. Payments shall be applied first to the payment of all interest and other amounts accrued hereunder and the balance, if any, shall be applied to the principal amount hereof.

AMERJEANS WITH HART, INC.
By: *Alan C. Hood*

ATTEST: _____
SEAL

CAMPAIGN MANAGER (SEAL)

Witness _____

_____ (SEAL)

Witness _____

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ENDORSEMENT: Payment of the within note, whether due by acceleration or otherwise, is irrevocably and unconditionally guaranteed, together with interest thereon and all late charges, attorneys' fees, costs and expenses of collection incurred by the Bank in enforcing any of such liabilities.

Witness _____

_____ (SEAL)

Witness _____

_____ (SEAL)

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ATTEST: _____
SEAL

By: _____

FOR PRESENT

February 9, 1984

The National Bank of Washington
619 Fourteenth Street, NW
Washington, D.C. 20005

Attention: David A. Splaine

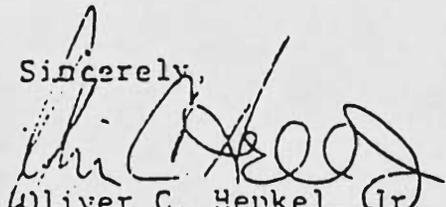
Gentlemen:

As we have previously advised you, Carole King is performing a series of concerts for the benefit of Americans with Hart. She will sing in two concerts in New York of February 17; two in Boston on February 18; one each in Manchester, New Hampshire on February 19, Santa Barbara, California on March 10, Los Angeles on March 11 and San Diego on March 12. Further, Dan Fogelberg is performing a concert for us at Red Rocks Park, Colorado, on June 8, 1984.

This letter will confirm that, as an inducement for you to make a loan to Americans with Hart, I, as Campaign Manager, have pledged that The National Bank of Washington will receive first priority to the funds generated by these concerts for the purpose of loan repayment until the outstanding balance on the loan has been paid in full.

Please get in touch with me immediately should you have any questions about this commitment.

Sincerely,


Oliver C. Henkel, Jr.
Campaign Manager

RECEIVED MAR - 1 1984

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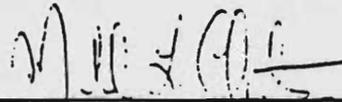
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LOAN RESOLUTION

The undersigned hereby certify that they are the duly elected officers, as indicated, of Americans With Hart, Inc., a non-profit corporation duly organized and existing under the laws of the State of Colorado; that the following is a true and correct copy of a resolution duly adopted by them as the Board of Directors on February 9, 1984; that such resolution has not been rescinded, modified or amended, and is now in full force and effect; and that such resolution appears in the minute book of such corporation.

RESOLVED that Oliver C. Henkle, Jr., is hereby authorized to enter into a loan on behalf of Americans With Hart, Inc., from The National Bank of Washington, in the maximum principal amount of \$50,000, on such terms as he may determine, and to execute on behalf of such corporation all instruments in connection therewith as may be required.

WITNESS my hand and the seal of the corporation, this February 9, 1984.



President



Secretary

(SEAL)

85040561439

 The National Bank
of Washington

 The National
BANK OF
WASHINGTON

David A. Splaine
Account Executive

Corporate Lending
619 Fourteenth Street, N.W.
Washington, DC 20005
202 624 3407

Corporate Lending
619 Fourteenth Street, N.W.
Washington, D.C. 20005
202-624-3407

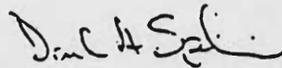
March 8, 1984

Mr. Stephen J. Hintersehr
Vice President
The Riggs National Bank
800 17th Street, N.W.
Washington, D.C. 20008

Dear Mr. Hintersehr:

This letter certifies that I, David A. Splaine, as an officer of The National Bank of Washington, have executed the Release Agreement and accompanying UCC Terminations relating to our bank's security agreements from Americans With Hart, Inc. Upon our receipt of a wire in the amount of \$50,466.67 satisfying loan amounts due from Americans With Hart, Inc., I hereby agree to deliver to your office the above mentioned documents within 24 hours.

Sincerely,



David A. Splaine
Assistant Cashier

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LOAN RESOLUTION

The undersigned hereby certifies that he is the duly elected Secretary of Americans With Hart, Inc., a non-profit corporation duly organized and existing under the laws of the State of Colorado; that the following is a true and correct copy of a resolution duly adopted by the Board of Directors on February 24, 1984; that such resolution has not been rescinded, modified or amended, and is now in full force and effect; and that such resolution appears in the minute book of such corporation.

RESOLVED that Oliver C. Henkel, Jr., is hereby authorized to enter into a loan on behalf of Americans With Hart, Inc., from The Women's National Bank, on such terms as he may determine, provided, however, that the loan shall comply with applicable provisions of the Federal Election Campaign Act, and to execute on behalf of such corporation all instruments in connection therewith as may be required.

WITNESS my hand and the seal of the corporation, this February 24, 1984.

(SEAL)

Michael L. Moran
Secretary

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PROMISSORY NOTE

\$150,000.00

Washington, D.C.

February 27, 1984

FOR VALUE RECEIVED, on or before sixty (60) days after the date hereof, the undersigned, AMERICANS WITH HART, a political committee organized pursuant to the Federal Election Campaign Act of 1971, as amended (hereinafter called the "Maker"), promises to pay to the order of THE WOMEN'S NATIONAL BANK, a national banking association (hereinafter called the "Lender"), at 1627 K Street, N.W., Washington, D.C. 20006, the principal sum of One Hundred Fifty Thousand Dollars (\$150,000.00), plus interest on the principal balance thereof from time to time outstanding at the rate of 2% per annum above the rate from time to time established by the Lender as its prime rate of interest for its large commercial customers, whether publicly or privately announced ("Lender's Prime Rate") (such interest rate to be adjusted as and when a change in Lender's Prime Rate shall occur). The entire principal balance hereof and all accrued and unpaid interest thereon shall be due and payable in full on the date which is sixty (60) days after the date hereof, the maturity date hereof. Interest shall be calculated on the basis of the actual number of days elapsed in a . . . 360-day year. All payments of principal and interest hereon shall be payable in lawful money of the United States and in immediately available funds.

In the event that any payment of principal and/or interest is not actually received by the Lender within ten (10) days of the date such payment is due, the Maker agrees to pay a late charge equal to five percent (5%) of the total amount of the delinquent payment. All payments received hereon shall be applied first to late charges, if any, then to interest and then to principal.

If default be made in the payment of any amount due hereunder or in the performance of any covenant or agreement set

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BIRM & NASH
 1100 K STREET, N.W.
 WASHINGTON, D.C. 20004

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forth in this Note or in the Loan and Security Agreement (hereinafter defined), then, in such event, the entire principal balance hereof and all accrued and unpaid interest thereon shall at once become due and payable at the option of the Lender. Failure to exercise this option shall not constitute a waiver of the right to exercise the same in the event of any subsequent default.

This Note may be prepaid, in whole or in part, at any time without penalty.

Maker (i) waives presentment, demand, protest and notice of presentment, notice of protest and notice of dishonor of this debt and each and every other notice of any kind respecting this Note, and (ii) agrees that the Lender, at any time or times, without notice to it or its consent, may grant extensions of time, without limit as to the number or the aggregate period of such extensions, for the payment of any principal or interest due hereon.

The Maker promises to pay all costs of collection, including reasonable attorney's fees, upon default in the payment of the principal of this Note or interest thereon when due, whether at maturity, as herein provided, or by reason of acceleration of maturity under the terms hereof or under the terms of the Loan and Security Agreement, whether suit be brought or not.

This Note may not be changed orally, but only by an agreement in writing signed by the parties against whom enforcement of any waiver, change, modification or discharge is sought.

This Note is issued in connection with and is secured by a certain Loan and Security Agreement of even date herewith by and among the Maker and the Lender (the "Loan and Security Agreement").

All of the terms, covenants, provisions, conditions, stipulations, promises and agreements contained in the Loan and Security Agreement to be kept, observed and performed by the

DEAN & NASH
ATTORNEYS AT LAW
1100 BROADWAY
NEW YORK, N. Y. 10004

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Maker are hereby made a part of this Note and incorporated herein by reference to the same extent and with the same force and effect as if they were fully set forth herein.

The Maker warrants and represents that the loan evidenced hereby is being made for the purpose of funding "qualified campaign expenses" within the meaning of the Presidential Election Campaign Funding Act.

This Note shall be governed in all respects by the laws of the District of Columbia and shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

WITNESS:

Balm W. Sherman

AMERICANS WITH HART

By: [Signature] (SEAL)

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BLUM & NASH
INCORPORATED
WASHINGTON, D. C.

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LOAN AND SECURITY AGREEMENT

This Loan and Security Agreement is made this 27th day of February, 1984, by and among (i) AMERICANS WITH HART, a political committee organized pursuant to the Federal Election Campaign Act of 1971, as amended (hereinafter called the "Debtor"), with its main campaign headquarters located at 507 8th Street, S.E., Washington, D.C. 20003, and (ii) THE WOMEN'S NATIONAL BANK, a national banking association (hereinafter called the "Bank"), with its main office located at 1627 K Street, N.W., Washington, D.C. 20006.

W I T N E S S E T H :

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Debtor hereby agrees with the Bank as follows:

1. CERTAIN DEFINITIONS.

(a) "Act" means the Federal Election Campaign Act of 1971, as amended.

(b) "Collateral" means any and all property in which a security interest is or has been granted under or pursuant to this Agreement on the date hereof or at any time hereafter.

(c) "Commission" means the Federal Election Commission.

(d) "Obligations" mean (i) the loan referred to in section 2 hereof, the Promissory Note referred to in such section 2 evidencing such loan and any and all modifications, renewals and extensions thereof and substitutions therefor, and (ii) any and all liabilities hereunder.

(e) "Security Interest" means an interest in property which secures payment or performance of one or more of the Obligations.

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2. LOAN.

The Loan shall be evidenced by a Promissory Note of even date herewith (the "Note") executed by the Debtor as "Maker." A copy of the Note is attached hereto and is incorporated herein by this reference as "Exhibit A."

3. SECURITY INTEREST.

As security for the payment and performance by the Debtor of all of the Obligations, the Debtor hereby assigns and grants to the Bank a Security Interest in all of the present and future right, title and interest of the Debtor in and to:

(a) Any and all contributions now or hereafter received by the Debtor and/or First American Bank, N.A. in response to direct-mail solicitations relating to the campaign by Gary Hart for the nomination for the office of the Presidency of the United States of America (the "Contributions").

(b) Any and all Presidential primary matching funds to which the Debtor may now be and/or may hereafter become entitled under the Act (the "Matching Funds"), but subject to a July 27, 1983 Security Agreement between Debtor and First American Bank, N.A., attached hereto as "Exhibit B" (the "First American Security Agreement").

(c) That certain deposit account \$ _____ maintained by the Debtor at First American Bank, N.A. (the "First American Contributions Account").

(d) That certain deposit account \$ _____ maintained by the Debtor at First American Bank, N.A. (the "First American Matching Funds Account"), but subject to the First American Security Agreement.

(e) That certain deposit account \$ _____ maintained by the Debtor at the Bank (the "MNB Account").

(f) All interest now or hereafter earned on any and all of the foregoing.

(g) All extensions, renewals, modifications and substitutions of and/or for any and all of the foregoing.

(h) All of the cash and non-cash proceeds of any and all of the foregoing.

PERIN & NASH
ATTORNEYS AT LAW
WASHINGTON, D.C.

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4. FINANCING STATEMENTS.

(a) Immediately upon the request(s) of the Bank, the Debtor will join with the Bank in executing one or more financing statements pursuant to the Uniform Commercial Code in form satisfactory to the Bank and will pay the cost of filing the same in all public offices wherever filing is deemed by the Bank to be necessary or desirable in order to perfect the Bank's security interest in the Collateral.

(b) Without the prior written consent of the Bank, the Debtor will not execute or allow any other financing statement covering the Collateral or any part thereof to be on file or recorded in any public office.

5. CONDITIONS PRECEDENT.

The obligation of the Bank to fund the Loan shall be subject to the prior satisfaction of all of the following conditions precedent:

(a) Execution by the Debtor and delivery to the Bank of the Note and this Agreement.

(b) The delivery to the Bank of an opinion of counsel for the Debtor, dated the date hereof, in a form acceptable to counsel for the Bank, stating that in the opinion of such counsel the representations and warranties contained in section 6 hereof are true and correct.

(c) The delivery to the Bank of a true and correct copy of the authorization filed by Gary Hart with the Commission under Commission Regulation § 9032.1 authorizing the Debtor to solicit or receive contributions and/or to make expenditures on his behalf.

(d) Delivery to the Bank of a true and correct copy of the agreement filed by Gary Hart with the Commission, pursuant to Commission Regulation § 9033.1, concerning compliance with general conditions, including record-keeping, etc.

BLUM & NASH
ATTORNEYS AT LAW
WASHINGTON, D. C.

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4. (e) Delivery to the Bank of a true and correct copy of the determination by the Commission, pursuant to Commission Regulation § 9033.3, that Gary Hart has satisfied the minimum contribution threshold requirement under Commission Regulation § 9033.2(c).

(f) Delivery to the Bank of true and correct copies of the Commission's initial certification to the Secretary of the Treasury, pursuant to Commission Regulation § 9036.1, and of each subsequent certification pursuant to Commission Regulation § 9036.2 as to the amounts of matching payments to which the Debtor is or may become entitled.

(g) Delivery to the Bank of the original of a life insurance policy (the "Life Policy"), issued by a company satisfactory to the Bank in all respects, insuring without condition the life of Gary Hart in the minimum face amount of One Hundred Seventy Thousand Dollars (\$170,000.00), naming the Bank as beneficiary, together with evidence satisfactory to the Bank in all respects that the premiums therefor have been paid at least through sixty (60) days after the date hereof. The Life Policy shall contain endorsements to the effect that it may not be cancelled or terminated or the beneficiary changed without the prior written consent of the Bank; provided, however, the Bank hereby consents to the cancellation of the Life Policy upon payment and performance of Debtor of all of the Obligations.

All premiums on the Life Policy shall be paid by the Debtor and in no event by Gary Hart. At no time shall Gary Hart have any incidents of ownership in the Life Policy.

(h) The Debtor shall have paid the reasonable fees and disbursements of the Bank's counsel as well as all other expenses of closing or recording the transactions contemplated hereby.

BURN & NASH
ATTORNEYS AT LAW
WASHINGTON, D.C.

6. REPRESENTATIONS AND WARRANTIES.

The Debtor hereby represents and warrants as follows:

(a) The financial reports heretofore delivered to the Bank by or on behalf of the Debtor are correct and complete and truly represent the financial condition and results of operations of the Debtor as of the date thereof and for the period covered thereby. Since the dates of such reports, there has been no materially adverse change in the condition of the Debtor, financial or otherwise.

(b) The Debtor is a validly organized and existing political committee within the meaning of 2 U.S.C. §§ 431(d) and (n), with full power and authority to borrow money, to assign and grant security interests in the Collateral and to execute and deliver the Note and this Agreement.

(c) This Agreement, the Note and all other documents executed and delivered by the Debtor in connection with the Loan have been duly, validly and legally authorized, executed and delivered and are the valid and legally binding obligations of the Debtor, enforceable in accordance with their respective terms.

(d) The Debtor is currently in compliance with all laws of the United States and regulations thereunder with regard to Presidential primary election campaigns and Presidential primary matching fund payments and with all other federal and state laws.

(e) All solicitations for any of the Contributions have been made in compliance with all applicable federal laws and regulations.

(f) The Loan constitutes a loan made in accordance with the applicable banking laws and regulations and in the ordinary course of the Bank's business.

(g) No litigation, proceeding and/or investigation affecting the Debtor or that may affect the Debtor is pending or threatened.

BLUM & NASH
NEW YORK, N.Y.
10019

(h) The Debtor has not assigned or granted any security interest in, or made any other disposition of, the Collateral or any part thereof, except as provided in the First American Security Agreement, and as provided for in this Agreement.

(i) The Debtor has established the First American Contributions Account to receive the Contributions.

(j) The Debtor has irrevocably instructed First American Bank, N.A. to transfer by wire at least weekly to the Bank for deposit in the WNB Account all amounts deposited to the First American Contributions Account since the date of the last such transfer, or, in the case of the first such transfer, the balance in the First American Contributions Account as of the date of such transfer.

(k) The Debtor has established the First American Matching Funds Account, and has irrevocably directed the Commission and the Secretary of the Treasury to pay all of the Matching Funds by wire transfer to the First American Matching Funds Account.

(l) The Debtor maintains its records with respect to the Contributions and the Matching Funds at the ~~main office of the Debtor as set forth hereinabove~~ ^{offices of the} Committee Treasurer, Michael R. Moore, ^{whose address is} Suite 2500, 1670 Broadway, Denver, Colorado, 80202.

7. COVENANTS OF DEBTOR.

During the term of this Agreement, and until payment in full of all of the Obligations, the Debtor hereby covenants and agrees with the Bank that, unless the Bank shall have otherwise previously consented in writing, the Debtor will:

(a) Use the proceeds of the Loan solely for the payment of qualified campaign expenses as defined in Commission Regulation § 9032.9.

(b) Furnish the Bank promptly each week with a report in the form attached hereto as "Exhibit C" and with such other information regarding the Debtor's actual and anticipated contri-

BLUM & NASH
ATTORNEYS AT LAW
1100 17TH ST.
DENVER, CO. 80202

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butions and expenditures and financial condition for and as of the end of the immediately preceding calendar week as the Bank may reasonably request, and each month furnish the Bank with financial statements certified by the Treasurer of the Debtor, all of which shall be correct and complete and shall truly represent the financial condition and operating results of the Debtor as of the dates thereof and for the periods covered thereby.

(c) Promptly give notice in writing to the Bank of all pending and threatened litigation, proceedings and/or investigations affecting or that may affect the Debtor which, if adversely determined, might have a material adverse effect on the Debtor's financial condition.

(d) Permit the Bank and its representatives to inspect the Debtor's property and its books and records and to make extracts therefrom at all reasonable times.

(e) Maintain the First American Contributions Account and make all solicitations for any of the Contributions so that all of the proceeds thereof shall be deposited to the First American Contributions Account.

(f) Maintain the First American Matching Funds Account.

(g) If the Debtor receives any Contributions and/or Matching Funds, deliver, or cause to be delivered, such payments forthwith to First American Bank, N.A. for deposit to the First American Contributions Account or the First American Matching Funds Account, respectively.

(h) Maintain the ENB Account.

(i) Maintain the Debtor's existence and its status as a political committee within the meaning of 2 U.S.C. §§ 431 (d) and (n).

(j) Comply with all applicable federal and state laws and the regulations issued pursuant thereto, including but not limited to the Act and Commission's regulations thereunder.

BIUS & NASH
ATTORNEYS AT LAW
WASHINGTON, D. C.

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(k) Promptly notify the Bank in writing of any change in the location of the Debtor's records with respect to the Contributions and/or the Matching Funds.

8. ADDITIONAL COVENANTS.

The Debtor hereby covenants and agrees that during the term of this Agreement, and unless the Bank shall have first given its written consent to the contrary, that the Debtor will not:

(a) Assign, grant a security interest in or make any other disposition of the Collateral or any part thereof, except to the Bank.

(b) Incur any (i) unusual or long-term obligations that are substantial in amount in relation to the projected receipts of the Contributions and of the Matching Funds, or (ii) increase the amount of the current outstanding indebtedness to First American Bank, N.A. or incur any additional obligation to First American Bank, N.A.

(c) Assign or transfer any of their respective rights and/or obligations hereunder.

9. DEFAULT.

(a) The Debtor shall be in default under this Agreement upon the happening of any of the following events or conditions:

(i) Default in the payment or performance of any of the Obligations or of any covenant, agreement or liability contained or referred to herein.

(ii) Any warranty, representation or statement made or furnished to the Bank by or on behalf of the Debtor in connection with this Agreement proves to be untrue.

(iii) Withdrawal for any reason by the Commission of Gary Hart's certification of eligibility to receive Presidential primary matching funds under the Act.

(iv) Termination for any reason of Gary Hart's status as a candidate for nomination to the Presidency of the United States of America.

BLUM & NASH
ATTORNEYS AT LAW
WASHINGTON, D.C.

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(v) If (A) the Debtor shall be liquidated or dissolved or shall discontinue operations; (B) the Debtor shall become insolvent or shall at any time fail generally to pay its obligations as they fall due or shall make an assignment for the benefit of creditors or apply for or consent to the appointment of a receiver, trustee or liquidator for all or a substantial portion of its assets; (C) any governmental agency or bankruptcy court or other court of competent jurisdiction shall assume custody or control of the whole or any part of the assets of the Debtor; (D) any obligation of the Debtor for the payment of borrowed money becomes or is declared to be due and payable prior to the expressed maturity thereof; and/or (E) any judgment against the Debtor or any attachment against any of its assets (for an amount not fully covered by insurance) remains unpaid, undischarged, unbonded or undismissed for a period of fifteen (15) days.

(vi) Any of the Bank's rights and/or prospects of repayment of the Obligations are, in the Bank's sole judgment, in any way prejudiced or impaired.

(b) Upon any such default and at any time thereafter (such default not having been previously cured), the Bank may at its election declare all of the Obligations to be immediately due and payable in full and shall have the rights and remedies of a secured party under the Uniform Commercial Code in addition to the rights and remedies provided herein, in any other instrument pursuant hereto, at law and/or in equity, all of which rights and remedies are cumulative and not alternative.

10. COSTS.

The Bank shall be entitled, whether suit be brought or not, to recover from the Debtor immediately, without demand, all losses, costs, expenses and/or damages sustained by the Bank in connection with any breach of warranty, covenant or agreement of the Debtor set forth herein, express or implied, and (11)

Brew & Nash
ATTORNEYS AT LAW
1000 ...

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attorney's fees, court costs, collection charges, accountant's fees, supervisory fees and all other reasonable expenses incurred by the Bank to enforce payment of any and all of the Obligations, together with interest thereon (at the rate provided for in the Note) from the date sustained until recovered by the Bank, and the same shall be deemed advanced under the Note and secured hereby.

11. WAIVER.

The Bank shall not, by any act, delay, omission, course of dealing, indulgence, failure or otherwise on its part and/or by its officers or employees, be deemed to have waived any of its rights or remedies hereunder or otherwise unless such waiver is in writing and signed by the Bank, and then only to the extent expressly set forth therein. A waiver by the Bank of any right or remedy under the terms of this Agreement, the Note or under any other instrument issued in connection herewith on any one occasion shall not be construed as a bar to or as a waiver of any such right or remedy which the Bank would have had on any subsequent occasion.

12. MODIFICATION.

This Agreement shall not be modified or amended except by a written instrument signed by the Bank and the Debtor. No transfer, renewal, extension, modification or assignment of this Agreement, the Note or any of the Obligations by the Bank shall release the Debtor from any of the Obligations. The provisions of this Agreement shall be in addition to those of the Note.

13. CONSTRUCTION.

This Agreement and all transactions, assignments and transfers hereunder and all rights of the parties, shall be governed as to validity, construction, enforcement and in all other respects, by the laws of the District of Columbia.

BLISS & NASH
ATTORNEYS AT LAW
WASHINGTON, D. C.

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14. SEVERABILITY.

In the event any one or more of the provisions contained in this Agreement or the Note shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not effect any other provision of this Agreement or the Note, but this Agreement and the Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

15. BENEFIT.

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, personal representatives, successors and assigns. All rights and remedies of the Bank relating to the Loan, whether provided hereunder, at law or in equity are cumulative and not alternative and may be enforced simultaneously or successively.

Signed, sealed and delivered on the day first above written.

WITNESS:

R. M. Leonard

AMERICANS WITH HART

By: Alvin C. Hill (SEAL)

Title: Campaign Manager
THE WOMEN'S NATIONAL BANK

By: Robert H. Keenan

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BIRM & NASH
ATTORNEYS AT LAW
MEMPHIS, TENNESSEE

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FINANCING STATEMENT

Check below if goods are
or are to become fixtures.

TO BE RECORDED IN
LAND RECORDS

For Filing Officer Use	
File No.....
Date &
Hour.....

This Financing Statement is presented to a filing officer for filing pursuant to the Uniform Commercial Code.

Maturity date (if any)

<u>Name(s) of Debtor(s) or assignor(s)</u> (Last Name First)	<u>No.</u>	<u>Street</u>	<u>City</u>	<u>State</u>
Americans With Hart	225	4th Street, Washington	DC	20002 .
		N.E.		

<u>Name of Secured Party or assignee</u>	<u>No.</u>	<u>Street</u>	<u>City</u>	<u>State</u>
The Women's National Bank	1627	K Street, NW	Washington	DC 20006

1. This financing statement covers the following types (or items) of property: (Lists or descriptions may be on separate sheets firmly attached hereto.) (Describe)

See Schedule "A" attached hereto and incorporated herein by reference.

(If affixed to realty—state value of each article)

CHECK THE LINES WHICH APPLY

- 2. If collateral is crops: The above described crops are growing or will be grown on: (Furnish general description of real estate and name of record owner.)
- 3. If collateral is goods which are or will become fixtures: The above described goods are fixed or will be affixed to: (If affixed to realty—state value of each article.) (Furnish general description of real estate and name of record owner.) If block system is maintained, state house number and street, if there be any, or block reference.
- 4. Proceeds of collateral are also covered: Products of collateral are also covered:
- 5. (This section applicable in Maryland only.) STRIKE OUT INAPPLICABLE WORDING
The underlying secured transaction(s) being publicized by this Financing Statement is is not subject to the Recordation Tax imposed by Article S), §§ 277, 278 annotated Code of Maryland, as amended. If subject, the principal amount of the debt is

Debtor (s) or assignor (s)

SECURED PARTY

Americans With Hart

The Women's National Bank (Seal)

(Corporate, Trade or Firm Name)

By: *Oliver C. Henkel, Jr.*

Robert H. Henkel

Signature of Secured Party or Assignor

CAMPAIGN MANAGER

ROBERT H. HENKEL

(Owner, Partner or Officer and Title)

(Type or print name under signature)

(Signatures must be in ink)

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RETURN TO:

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SCHEDULE "A" TO THE FINANCING STATEMENT

All of the present and future right, title and interest of the Debtor in and to:

(i) Any and all contributions now or hereafter received by AMERICANS WITH HART, GARY HART and/or First American Bank, N.A. in response to direct-mail solicitations relating to the campaign by GARY HART for the nomination for the office of the Presidency of the United States of America (the "Contributions"), and any account into which said funds may be received or held;

(ii) Any and all Presidential primary matching funds to which AMERICANS WITH HART and/or GARY HART may now be and/or hereafter become entitled under the Federal Election Campaign Act of 1971, as amended, in connection with the Contributions; and any account into which said funds may be received or held;

(iii) All interest now or hereafter earned on any and all of the foregoing;

(iv) All extensions, renewals, modifications and substitutions of and/or for any and all of the foregoing; and

(v) All of the cash and non-cash proceeds of any and all of the foregoing.

*but subject to a July 27, 1983 Security Agreement between Debtor and First American Bank, N.A.

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Handwritten notes in the top right corner, including "No. 10" and "with..."

1627 K Street, N.W.

Washington, D.C. 20006

(202)466-4090

February 27, 1984

Americans With Hart, Inc.
507 8th Street, S.E.
Washington, D.C. 20003

To Whom It May Concern:

With regard to Page 8, Section 8, Paragraph (b) of The Loan and Security Agreement dated February 27, 1984, The Women's National Bank has agreed to consent to ongoing borrowings against matching funds under the line of credit with First American Bank, N.A., subject to July 27, 1983 security agreement for ~~an six~~ ^{eight} week period ending April 10, 1984.

Very truly yours,

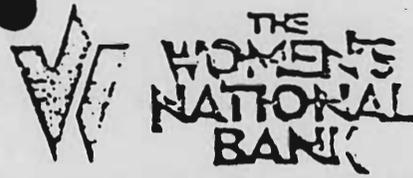
Barbara N. Greenwald

Barbara N. Greenwald
Executive Vice President

BNG: Tw

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1627 K Street, N.W.

Washington, D.C. 20006

(202)466-4090

March 8, 1984

Mr. Stephen J. Hintersehr
Vice President
The Riggs National Bank
800 M Street, N.W.
Washington, D.C. 20008

Dear Mr. Hincersehr:

This letter certifies that upon receipt of a wire in the amount of \$150,595.83 as of March 8, 1984, plus a per diem rate of \$54.17, we will execute release documents on behalf of The Women's National Bank, upon your request in all of our security interests relating to Americans With Hart, Inc.

Very truly yours,

Barbara N. Greenwald
Executive Vice President

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LAW OFFICE
SONOSKY, CHAMBERS, SACHSE & GUIDO

1050 31ST STREET, N.W.
WASHINGTON, D.C. 20007

TELEPHONE
(202) 342-0131

MARVIN J. SONOSKY
HARRY K. SACHSE
REID PEYTON CHAMBERS
KENNETH J. GUIDO, JR.

WILLIAM R. PERRY
LLOYD BENTON MILLER
KEVIN A. GRIFFIN
MARY V. BARNEY
LOFTUS E. BECKER, JR.
DONALD J. SIMON
DOUGLAS B. L. ENDRESON*

February 27, 1984

*ADMITTED ONLY IN WISCONSIN

Alan R. Schwartz, Esq.
Blum, Nash & Railsback
1015 Eighteenth Street, N.W.
Washington, D.C. 20036

Dear Mr. Schwartz:

As counsel for the Americans with Hart Committee, I am writing to state that the following representations and warranties made by the Committee in regards to a Loan and Security Agreement with the Women's National Bank are true and correct:

(a) The financial reports heretofore delivered to the Bank by or on behalf of the Americans with Hart Committee (Committee) are correct and complete and truly represent the financial condition and results of operations of the Committee as of the date thereof and for the period covered thereby. Since the dates of such reports, there has been no materially adverse change in the condition of the Committee, financial or otherwise.

(b) The Committee is a validly organized and existing political committee within the meaning of 2 U.S.C. §§ 431(d) and (n), with full power and authority to borrow money, to assign and grant security interests in the collateral and to execute and deliver the Note and the Loan and Security Agreement;

(c) The Loan and Security Agreement, the Note and all other documents executed and delivered by the Committee in connection with the Loan from the Women's National Bank have been duly, validly and legally authorized, executed and delivered and are the valid and legally binding obligations of the Committee, enforceable in accordance with their respective terms;

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(d) The Committee is currently in compliance with all laws of the United States and regulations thereunder with regard to Presidential primary election campaigns and Presidential primary matching fund payments and with all other federal and state laws;

(e) All solicitations for any of the Contributions, as defined in the Loan and Security Agreement with the Women's National Bank, have been made in compliance with all applicable federal laws and regulations;

(f) The Loan constitutes a loan made in accordance with the applicable banking laws and regulations and in the ordinary course of the Bank's business;

(g) No litigation, proceeding and/or investigation affecting the Committee or that may materially affect the Committee is pending or threatened;

(h) The Committee has not assigned or granted any security interest in, or made any other disposition of, the Collateral noted in the Loan and Security Agreement with the Women's National Bank, or any part thereof, except as provided in a July 27, 1983 Security Agreement between the Committee and First American Bank, N.A. (attached hereto as "Exhibit B"), and as provided for in the Agreement with the Women's National Bank;

(i) The Committee has established the First American Contributions Account to receive Contributions, as defined in the Loan and Security Agreement with the Women's National Bank;

(j) The Committee has irrevocably instructed First American Bank, N.A. to transfer by wire at least weekly to the Women's National Bank for deposit in the WNB Account all amounts deposited to the First American Contributions Account since the date of the last such transfer, or, in the case of the first such transfer, the balance in the First American Contributions Account as of the date of such transfer;

(k) The Committee has established an account at the First American Bank for deposit of all federal matching funds, and has irrevocably directed the Commission and the Secretary of the Treasury to pay all of the Committee's federal matching funds by wire transfer to this Account.

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(1) The Committee maintains its records with respect to contributions and matching funds at the offices of the Committee Treasurer, Michael R. Moore, whose address is Suite 2500, 1670 Broadway, Denver, Colorado 80202.

Sincerely,

/s/ Donald J. Simon

Donald J. Simon
Counsel for the
Americans with Hart Committee

DJS:jkr

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(61)

NS&T

LOAN RESOLUTION

The undersigned hereby certifies that he is the duly elected Secretary of Americans With Hart, Inc., a non-profit corporation duly organized and existing under the laws of the State of Colorado; that the following is a true and correct copy of a resolution duly adopted by the Board of Directors on February 28, 1984; that such resolution has not been rescinded, modified or amended, and is now in full force and effect; and that such resolution appears in the minute book of such corporation.

RESOLVED that John M. Quinn, is hereby authorized to enter into a loan on behalf of Americans With Hart, Inc., from NS&T bank, on such terms as he may determine, provided, however, that the loan shall comply with applicable provisions of the Federal Election Campaign Act, and to execute on behalf of such corporation all instruments in connection therewith as may be required.

WITNESS my hand and the seal of the corporation, this February 28, 1984.

(SEAL)

Michael R. Moore

Secretary

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LOAN RESOLUTION

The undersigned hereby certifies that he is the duly elected Secretary of Americans With Hart, Inc., a non-profit corporation duly organized and existing under the laws of the State of Colorado; that the following is a true and correct copy of a resolution duly adopted by the Board of Directors on February 28, 1984; that such resolution has not been rescinded, modified or amended, and is now in full force and effect; and that such resolution appears in the minute book of such corporation.

RESOLVED that John M. Quinn, is hereby authorized to enter into a loan on behalf of Americans With Hart, Inc., from NS&T bank, on such terms as he may determine, provided, however, that the loan shall comply with applicable provisions of the Federal Election Campaign Act, and to execute on behalf of such corporation all instruments in connection therewith as may be required.

WITNESS my hand and the seal of the corporation, this February 28, 1984.

(SEAL)

Michael R. Moore

Secretary

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SCHEDULE A TO

All of the Debtor's present and future right, title and interest in and to:

(1) All of the Debtor's present and future accounts, contract rights, chattel paper, general intangibles, notes, drafts, acceptances, chattel mortgages, conditional sales contracts, bailment leases, security agreements and other forms of obligations now or hereafter arising out of or acquired in the course of Debtor's business, together with all liens, guarantees, securities, rights, remedies and privileges pertaining to any of the foregoing;

(2) All property, goods and chattels of the same classes as those described above, acquired by the Debtor subsequent to the execution of this Financing Statement and prior to its termination;

(3) All cash and non-cash proceeds thereof; and

(4) All increases, substitutions, replacements, additions and accessions thereto.

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(1)

SECURITY AGREEMENT
(Chattel Mortgage)

THIS AGREEMENT, made the 31st day of February 1984 under the laws of the District of Columbia;
BETWEEN AMERICANS WITH HART, INC.

herein called the Debtor

whose business address is (if none, write "none")

507 - 8th Street, SE
Washington, DC 20003

and whose residence address is

and NS&T Bank, National Association, a national banking association

herein called the Secured Party

whose address is

15th & New York Avenue, NW, Washington, DC 20005

WITNESSETH:

To secure the payment of an indebtedness in the amount of \$ 80,000.00 plus ~~xxxx~~ interest, payable as follows upon the terms and conditions as set forth in and

as evidenced by a note or notes of even date herewith, and also to secure any other indebtedness or liability of the Debtor to the Secured Party direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, including all future advances or loans which may be made at the option of the Secured Party, (all hereinafter called the "obligation"); Debtor hereby grants and conveys to the Secured Party a security interest in, and mortgages to the Secured Party,

(a) the property described in the Schedule herein which the Debtor represents will be used primarily

- for personal, family or household purposes
- in farming operations
- in business or other use

(b) all property, goods and chattels of the same classes as those scheduled, acquired by the Debtor subsequent to the execution of this agreement and prior to its termination. (If the property described in the Schedule is for personal, family or household purposes then no security attaches under this section (b) unless the debtor acquires rights in them within 10 days after the Secured Party gives value.)

(c) all proceeds thereof, if any,

(d) all substitutions, replacements and accessions thereto

(the foregoing (a), (b), (c) and (d) hereinafter call the collateral).

1. DEBTOR WARRANTS, COVENANTS AND AGREES AS FOLLOWS:

- PAYMENT** 1a. To pay and perform all of the obligations secured by this agreement according to their terms.
- DEFEND TITLE** 1b. To defend the title to the collateral against all persons and against all claims and demands whatsoever, which collateral, except for the security interest granted hereby, is lawfully owned by the Debtor and is now free and clear of any and all liens, security interests, claims, charges, encumbrances, taxes and assessments except as may be set forth in the schedule.
- ASSURANCE OF TITLE** 1c. On demand of the secured party to do the following: furnish further assurance of title, execute any written agreement or do any other acts necessary to effectuate the purposes and provisions of this agreement, execute any instrument or statement required by law or otherwise in order to perfect, continue or terminate the security interest of the Secured Party in the collateral and pay all costs of doing so in connection therewith.
- POSSESSION** 1d. To retain possession of the collateral during the existence of this agreement and not to sell, exchange, assign, lease, deliver, lease, mortgage or otherwise dispose of same without the written consent of the Secured Party.
- LOCATION** 1e. To keep the collateral at the address specified in the schedule and not to remove same except in the usual course of business for temporary purposes without the prior written consent of the Secured Party.
- LIENS** 1f. To keep the collateral free and clear of all liens, charges, encumbrances, taxes and assessments.
- TAXES** 1g. To pay all taxes and assessments on the collateral.

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The terms, conditions and provisions herein contained shall bind and move to the benefit of the respective parties and their respective legal representatives, successors and assigns.

The gender and number used in this agreement are used as a reference term only and shall apply with the same effect whether the parties are of the masculine or feminine gender, corporate or other form, and the singular shall likewise include the plural.

This agreement may not be changed orally.

IN WITNESS WHEREOF, the Parties have respectively signed and sealed these presents the day and year first above written.

SECURED PARTY:

NS&T BANK NATIONAL ASSOCIATION

BY:

Robert D. Willey, Jr.
Robert D. Willey, Jr.
Vice President

AMERICANS WITH HART, INC.

BY:

John H. Quinn
John H. Quinn
Authorized Signer

SCHEDULE

Describe items of collateral, the address where each item will be located and describe any prior liens, etc., and the amounts due thereon. If items are crops or goods affixed or to be affixed to real estate describe the real estate and state the name and address of the owner of record thereof.

Items

Location, etc.

All accounts receivable of the undersigned more fully described in Schedule A attached hereto and incorporated herein by reference.

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SCHEDULE A TO _____

All of the Debtor's present and future right, title and interest in and to:

(1) All of the Debtor's present and future accounts, contract rights, chattel paper, general intangibles, notes, drafts, acceptances, chattel mortgages, conditional sales contracts, bailment leases, security agreements and other forms of obligations now or hereafter arising out of or acquired in the course of Debtor's business, together with all liens, guarantees, securities, rights, remedies and privileges pertaining to any of the foregoing;

(2) All property, goods and chattels of the same classes as those described above, acquired by the Debtor subsequent to the execution of this Financing Statement and prior to its termination;

(3) All cash and non-cash proceeds thereof; and

(4) All increases, substitutions, replacements, additions and accessions thereto.

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ARNOLD & PORTER

CABLE: "ARNPORT"
TELECOPIER: (202) 872-8720
TELEX: 89-8733

1200 NEW HAMPSHIRE AVENUE, N. W.
WASHINGTON, D. C. 20036

833 SEVENTEENTH STREET
DENVER, COLORADO 80202
13031 837-2900

(202) 872-8700

JOHN M. QUINN
DIRECT LINE (202) 872-6904

March 2, 1984

Robert D. Willey, Jr.
Vice President
NS&T Bank
Fifteenth Street & New York Avenue, N.W.
Washington, D.C. 20005

Dear Mr. Willey:

Enclosed are the invoices for part of the travel on the Hart plane by representatives of the Secret Service and media. These represent, in total, \$61,627.89 in accounts receivable.

As it turns out, it has been a rather time-consuming process to gather all the information we need to prepare these bills. The necessary records are in the hands of more than one individual, some of whom are travelling with Senator Hart and who are thus not immediately available to assist us. Specifically, we are presently unable to prepare invoices in connection with travel on the several days immediately prior to the New Hampshire primary.

We do expect to mail the remaining bills for travel already provided by no later than Monday, the 5th of March. I am assured that the campaign plane is full and certainly will be until at least March 13, the next day of major primaries.

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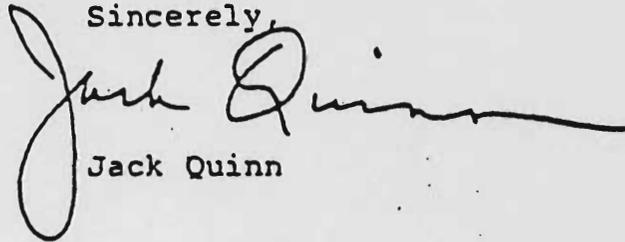
ARNOLD & PORTER

Robert D. Willey, Jr.
March 2, 1984
Page Two

I'll be calling this afternoon to discuss where we go from here.

Once again, many thanks for your continued cooperation and patience.

Sincerely,

A handwritten signature in cursive script that reads "Jack Quinn". The signature is written in dark ink and is positioned above the printed name.

Jack Quinn

Enclosures

cc: Oliver C. Henkel, Jr.
Don Simon

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JOHN M. QUINN
1200 NEW HAMPSHIRE AVENUE, N.W.
WASHINGTON, D. C. 20004

Hart Ex -
NS&T loan

February 29, 1984

BY HAND

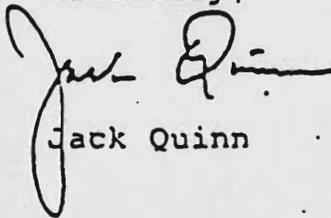
Mr. Robert Willey
NS&T Bank
805 Fifteenth St., N.W.
Suite 600, Southern Building
Washington, D.C.

Dear Mr. Willey:

Enclosed is the affidavit we discussed. I have directed the campaign to rewrite its invoices to reflect the names of the media representatives involved in each trip, the dates of each trip and the locations involved.

Many thanks for your help.

Sincerely,


Jack Quinn

Enclosure

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AFFIDAVIT

Laura E. Hirschfeld hereby deposes and says:

1. I am a staff assistant to Senator Gary Hart active in Americans With Hart, the principal presidential campaign committee for Senator Hart. Among my other responsibilities, I assist in arranging press travel with Senator Hart and billing news organizations for travel by their representatives on charter transportation arranged by Americans With Hart.

2. I have compiled a schedule entitled "Accounts Receivable From Press Travel" (attached hereto). This schedule reflects reimbursements due and payable to the Hart Committee for travel provided or to be provided by Americans With Hart to representatives of various news organizations and the Secret Service. These accounts are both for trips already taken and for travel which is scheduled for February 29 through March 5.

3. To the best of my knowledge, and upon information and belief, the amounts reflected in the attached schedule accurately represent accounts receivable for press travel due and payable to the Hart Committee.

4. The Hart Committee will send invoices billing

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various news organizations for these amounts postmarked no later than February 29, 1984.

5. The invoices will direct payment for these accounts to be made to the Hart Committee care of NS&T Bank, 805 15th Street, N.W., Washington, D.C. (attention Robert Willey) into an account which the Hart Committee will establish in the Bank.

L. E. Hirschfeld
Laura E. Hirschfeld

Sworn to and signed
before me this 24th
day of February, 1984.

Thomas A. [unclear]
Notary Public

My Commission Expires October 31, 1988

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Americans with Hart, Inc.

ACCOUNTS RECEIVABLE FROM PRESS TRAVEL

85040561525

FROM:	DUE:
Secret Service	\$19,860.61
ABC	12,875.04
NBC	12,251.70
CBS	12,251.70
Washington Post	4,771.68
NYT	5,051.12
UPI	5,459.45
AP	3,525.00
Denver Post	6,082.79
LA Times <i>Los Angeles Times</i>	4,148.34
St. Louis Globe-Dispatch	902.78
WSJ <i>Wall St. Journal</i>	2,213.89
Rocky Mountain News	4,771.68
Chicago Sun-Times	2,837.23
Chicago Tribune	2,213.89
Des Moines Register	1,805.56
Boston Globe	2,213.89
Cable News Network	2,622.22
Time	2,622.22
Newsweek	2,622.22
U.S. News WR	2,622.22
USA TODAY	2,622.22
Montgomery, ALA paper (?)	1,311.11

81

#0001

INVOICE
February 24, 1984

BILL TO: Secret Service
1800 G St., NW
Washington, D.C.
20006

PAY TO: Americans With Hart
507 6th St., SE
Washington, D.C. 20003
Attn: James Dwinnell

*US Secret Serv
Hunt Operations - Suite 5328
Sheraton Washington Hotel
2660 Woodley Road
WDC 20008*

TRAVEL REIMBURSEMENT:

\$19,860.61

85040561526

DATE: UPON RECEIPT

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Charter Services, Inc.
Post Office Box 25600
Albuquerque, NM 87125
505-242-9000

AIR CHARTER AGREEMENT

Charter Services

1. **CHARTER** Charter Services, Inc. hereby serves as agent for the Charter Company and the Charterer in arranging the chartered air transportation described herein. Air transportation hereunder shall be subject to applicable operating rules and regulations of the Charter Company, the regulations of competent aviation authorities, and the laws or regulations or authority of any government of any country to which or over which the charter will operate. The Charterer shall observe all such rules and regulations and carry out reasonable instructions of the Charter Company's agents and employees. The Charter Company shall perform all services described herein in good faith, and, to the extent possible, in accordance with the reasonable instructions of the Charterer, or its agent, which are not inconsistent with this agreement and applicable rules and regulations.

2. **CONTROL OF CHARTER** The Charter Company shall have exclusive control over the aircraft chartered hereunder and the crew of said aircraft, and further reserves the right, in its sole discretion, to determine the route or routes to be flown and the airports to be used and whether any flight shall be operated hereunder, to limit, for operational reasons, the number of passengers and the weight, size, type, contents and value of any baggage, to refuse passengers or any passenger whose condition may, in their opinion, involve hazard or risk to said passenger, other persons or property, and to examine the contents of any and all baggage, and to reject baggage which, in the opinion of the company is improperly packed or otherwise defective. Charter Services, Inc. or the Charter Company further reserves the right to substitute larger aircraft than that specified in the agreement without additional charge to the Charterer when such substitution is deemed necessary for operational reasons. Any flights in addition to those specified herein and any diversions from direct routes which are requested by the Charterer and which are approved by Charter Services, Inc. and The Charter Company shall be at an additional cost to the Charterer. The Charterer shall pay immediately upon demand any additional sum for such services or any further sum owed for services actually performed at the request of the Charterer.

3. **CANCELLATION OF FLIGHT** The Charter Company or Charter Services, Inc. reserves the right to cancel any charter flight contracted for herein or a portion thereof for any or more of the following reasons: breach of any of the conditions of this agreement by the Charterer or by a member of the group for whom the charter flight is engaged; failure to submit passenger manifests or other required documents; unavailability of fuel as further defined herein; acts of war, blockade, hijacking, civil commotion, interference by any government authority, sanctions (financial or otherwise), fire, hood, fog, frost, ice storms or unusual weather conditions, strikes, labor disputes, acts of God, public enemies, epidemics, quarantine, absence of necessary government waivers or approvals; breakdown or accident to the aircraft; reasons for safety or any other cause, whether of the same or different nature, beyond the control of the Charter Company, Charter Services, Inc. and The Charter Company shall be entitled to receive or retain that proportion of the Charter Fees as set forth herein which the miles actually flown in charter service bears to the total miles to be flown as specified herein and departure, layover, stopover, ferry departure and ferry mileage charges applicable to the service actually performed. Charter Services, Inc. and The Charter Company shall not otherwise be liable for failure of aircraft to depart or arrive according to any schedule, agreement, or otherwise.

4. **LIABILITY** The Charter Company and Charter Services, Inc. shall avail itself of the limitations of liability provided in the Convention for the Unification of Certain Rules relating to International Carriage by Air, signed in Warsaw, Poland, on October 12, 1929, or provided in said Convention as amended by the Protocol signed at The Hague on September 28, 1955, (the Convention), so long as the transportation to be furnished herein is "international carriage" as defined in the Convention, provided that: unless a greater weight is declared and paid for in advance of the services furnished hereunder, the weight of checked baggage shall be conclusively deemed not to exceed eighty (80) pounds per passenger.

Notwithstanding the Charter Company, or Charter Services, Inc. shall be liable if the transportation furnished herein is not "international carriage" to any passenger or other person by reason of loss of, damage to, or delay in the delivery of checked baggage shall be conclusively deemed not to exceed Seven Hundred Fifty Dollars (\$750.00) per passenger, the Charter Company or Charter Services, Inc. shall charge the Charterer for such excess value at the prevailing rates, but the maximum declared value shall be Five Thousand Dollars (\$5,000.00) per passenger. Charter Services, Inc. or The Charter Operator shall not be liable to any passenger, his representative, next of kin, or any other person for any injury to person or damage to property unless occasioned by the negligence of that company, Charter Services, Inc. or The Charter Company will not be liable for loss, injury, damage, delay or any other result caused by unavailability of fuel as defined herein, reduced or inadequate allocation of fuel, mechanical difficulties, acts of God, war, civil commotion, strikes, labor disputes, weather conditions, acts of God, public enemies, quarantine or the absence of necessary government waivers or approvals, or any cause, whether of the same or different nature, beyond the control of that company, nor will the company be liable for loss of, damage to, or delay in the delivery of fragile or perishable articles or articles which are not suitable or not suitably packed for transportation in aircraft which are included in the passenger's checked baggage whether with or without the knowledge of Charter Services, Inc. or The Charter Company.

No amenities will be provided for passengers of a Charter Services, Inc. charter flight when such a flight is delayed or cancelled because of U.S. Weather Bureau observations or forecasts which indicate that environmental conditions will be such that at the time of arrival or departure of the flight either the flight may be caused or weather conditions will be less than minimum allowed for landing or take-off as required by the Federal Aviation Administration. If an attempt is made to conduct such a flight, all passengers will be informed that an attempt will be made. If the flight operates to the passenger's destination or returns to the passenger's point of origin on this charter flight, no amenities will be provided. If the passenger departs at a point other than his destination or point of origin on this charter, amenities will be provided in accordance with the Civil Air Regulations Board Rules then in effect for scheduled flight passengers.

Charterer hereby expressly agrees to give all of its passengers on flights adequate and effective notice of the limited liability of The Charter Company and Charter Services, Inc. for loss or damage to baggage and death or personal injury of passengers as set forth above. Such notices shall be at the sole expense of Charterer. Charterer hereby assumes the duty to give such notices of liability limitations, and Charterer hereby expressly agrees to indemnify and hold harmless Charter Services, Inc. against any and all claims or judgments based upon failure of Charterer to give passengers adequate and effective notice of said liability limitations, or based upon the failure of passengers to receive such notices.

5. **CANCELLATION OF AGREEMENT**

- A. Charter Services, Inc. or the Charter Company through them may, by written or telegraphic notice to the Charterer, cancel this charter agreement without liability, except to refund the deposit and any other portion of the charter price paid on or before the date of cancellation, for one or more of the following reasons:
 - (1) Compliance with any governmental regulation or any governmental request for emergency transportation in connection with the national defense.
 - (2) Any breach of this charter agreement by the Charterer or by a member of the group for whom the charter flight is engaged.
 - (3) Unavailability of aircraft due to any condition set forth herein in the paragraph regarding Cancellation of Flights.
 - (4) Failure of the Charter Company to receive any necessary approval for any charter flight(s) as may be required by any governmental authority having jurisdiction.
 - (5) Unavailability of fuel or reduced or inadequate allocation of fuel. In the event the company cancels this agreement because of unavailability of fuel or reduced or inadequate allocation of fuel, the Charterer will be advised of such cancellation and the reason therefor as soon as practicable. Where it becomes necessary for the company to cancel any charter flight mentioned herein because of unavailability of fuel or reduced or inadequate allocation of fuel, the company shall refund all charter price payments made that are applicable to such flight(s) and shall be liable to the Charterer or any other person for any damage, loss, cost or expense arising out of or in connection with such cancellation. For purposes of this agreement, the term "unavailability of fuel" shall include but not be limited to the fuel being unusable, the fuel being exhausted, or any other condition which is deemed to be a total or partial fuel shortage or a condition which is more severe or unreasonable than the normal fueling prior to such flight and...

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of whether the entire capacity of the aircraft has been chartered by the charterer.

6 The Charterer may cancel this charter agreement by written notice to Charter Services, Inc. subject to the payment of cancellation charges to Charter Services, Inc. in accordance with the following schedule:

- (1) For cancellation of a charter flight less than ninety (90) days but not less than sixty (60) days prior to the scheduled departure date for such flight, the cancellation charge shall be five percent (5%) of the total charter price for said flight;
- (2) For cancellation of a charter flight less than sixty (60) days but not less than thirty (30) days prior to the scheduled departure date for such flight, the cancellation charge shall be ten percent (10%) of the total charter price for said flight;
- (3) For cancellation of a charter flight made less than thirty (30) days prior to the scheduled departure date for such flight, the cancellation charge shall be twenty percent (20%) of the total price for said flight.

Cancellation charges provided under the provisions herein will not be assessed if the Charterer notified Charter Services, Inc. in writing the Charterer is canceling all charter flights specified in this agreement within fifteen (15) days following notification by Charter Services, Inc. that additional charges will be assessed for the charter flights as a result of an increase in the charter rates and charges. Charter Services, Inc. will advise Charterer of proposed increases in charter rates and charges not less than fifteen (15) days prior to the effective date of said proposed increases.

Where this agreement provides for a series of round trip charter flights and the Charterer cancels one or more charter flights, if such cancellation results in flying ferry mileage which otherwise would not be flown, Charterer will pay as a cancellation charge an amount equal to the ferry rate per mile multiplied by said ferry mileage plus ferry departure charges in order to complete the series of charter flights. Such charges shall be paid by the Charterer in addition to any other charges paid under any other provision herein. Payment of the ferry charges shall be made no later than five (5) days after cancellation or thirty (30) days prior to scheduled departure for the next flight in the program for which the ferry flight was incurred, whichever is later. No charge will be assessed if the Charter Operator's series of trips can be completed without ferrying the aircraft.

6. NO GROUND TRANSPORTATION. This agreement shall not be construed as in any way requiring Charter Services, Inc. or the Charter Company to furnish ground transportation or any other services not specifically set forth herein or by separate contract in connection with any flight to be flown hereon.

7. CHARTERER AS AGENT. This charter agreement is entered into by the Charterer as agent for all participants of the charter carried on the aircraft except as may be excluded by separate agreement. The individual participants shall not have any right to claim any refund of the charter price or portions thereof from Charter Services, Inc., except as may be specifically provided in writing and signed by an authorized officer of Charter Services, Inc.

8. MISCELLANEOUS

- a. This charter agreement shall not be assigned by either party without the written consent of the other, first being obtained. Such consent shall not be unreasonably withheld by either party.
- b. The failure of either party at any time to require the performance by the other of any of the terms or provisions hereof shall in no way affect the right of this party thereafter to enforce the same, nor shall the waiver by either party of any breach of any of the terms or provisions hereof be taken or held to be a waiver of any succeeding breach of any such terms or provisions or as a waiver of the term or provision itself.
- c. If Charter Services, Inc. or its assigns is required to bring any action or suit to recover payments due under terms of this agreement, or to enforce any of its rights or any of its obligations of the Charterer, the cost of such action or suit, including reasonable attorney fees, shall be borne by the Charterer.

9. OTHER AGREEMENTS. It is understood and agreed that this charter agreement contains the entire agreement of the parties and that all matters discussed, referred to, or otherwise mentioned during the negotiations, to which the parties are to be bound, are hereby integrated or otherwise incorporated herein. The parties further agree that no party shall be bound by any provisions or understanding which is not incorporated herein.

\$ 1,300,000.00

Washington, D.C. March 8, 1984

FOR VALUE RECEIVED, the Undersigned promise(s) to pay to the order of The Riggs National Bank of Washington, D.C. (Bank), **One Million Three Hundred Thousand and no/100**** Dollars with interest at the rate and payable on the basis of the options checked and completed below and otherwise in accordance with the other applicable provisions set forth below and on the reverse side.

PAYMENT AGREEMENT

This Note is payable

- (1) Demand On demand together with interest which shall be payable at the end of each calendar quarter.
- (2) Single Payment In one payment due on April 9, 1984, together with interest.
- (3) Installment In _____ FIXED consecutive _____ installments of principal and interest in the amount of \$ _____ each beginning on the _____ day of _____, 19____, and continuing thereafter on the same day of the month of each succeeding payment period.
- (4) In _____ VARIABLE consecutive _____ installments of principal in the fixed amount of \$ _____ each plus interest on the declining principal balance to the date of payment of each installment beginning on the _____ day of _____, 19____, and continuing thereafter on the same day of the month of each succeeding payment period.

This Note is held by Bank as a Master Note against which advances may be made in lesser amount(s) than the principal amount. The Parties shall be liable only for so much of the principal amount as shall be equal to the total of the amounts advanced or readvanced against the Note to or for the undersigned by Bank from time to time less all payments made by or for the undersigned and applied by Bank to principal. The Parties shall also be liable for interest on each such advance and recourse as shown on Bank's books and records which books and records shall be prima facie evidence of the amount of principal and interest owed.

INTEREST

Interest will accrue daily on the unpaid principal balance and will continue to accrue after maturity whether by acceleration or otherwise, at the rate stated herein until the Note is paid in full. Payments will be applied first to accrued interest and then to principal. If this Note is a Demand Note, the rate of interest, even though stated as a fixed rate, is prospectively subject to increase or decrease in Bank's sole judgment if the rate is no longer commensurate with interest rates then prevailing and/or with the undersigned's deposit relationship with Bank. If Note is payable on an installment basis at a floating rate, adjustments in the payment schedule will be made as necessary. Subject to the above, interest payable on this Note shall be at the following rate per annum, calculated on the basis of 365 _____ day year:

- (1) _____ % FIXED (2) _____ % FLOATING at
 - Prime Rate Prime Rate + 1 %
 - (a) "Prime Rate" as used herein is the FORNIGHTLY RATE
 - Riggs National Bank _____
 - (b) With changes in the rate becoming effective:
 - The date the Prime Rate changes _____
- Changes in the interest rate at any time shall be limited so that the rate does not (a) exceed _____ %; (b) fall below _____ %.

COLLATERAL

This Note is:

- Unsecured.
- Secured by the following collateral security All Presidential primary matching funds, campaign contributions and similar items, and proceeds of the foregoing, all as more fully described in the Assignment and Grant of Security Interest dated March 8, 1984. (together with all additions and substitutions) subject to the terms of this Note and any other applicable contract.

PARTIES

"Party" (collectively, "Parties") includes each maker (borrower), endorser, or guarantor. Parties are liable hereunder jointly and severally.

PURPOSE

The purpose of this loan is to:

- acquire or carry on a business, professional or commercial activity.
- acquire real or personal property as an investment or for carrying on an investment activity.
- in a religious society as provided in chapter 9 of Title 29 of DC Code) acquire or make an improvement on any real or personal property for purposes other than commercial or investment activities.
- _____

OTHER PROVISIONS

This Note consists of the provisions appearing on its face and those on the reverse side.

MAKER: Americans with Hert, Inc.

BY: John M. Quinn

John M. Quinn, Attorney-in-Fact

507 8th St., S.E. Washington, D.C. 20003

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85040561529

ASSIGNMENT AND GRANT OF SECURITY INTEREST

As security for the payment of a loan (the "Loan") by The Riggs National Bank of Washington, D.C. ("Riggs") to Americans With Hart, Inc. (a corporation organized under the laws of the State of Colorado and a political committee) (the "Committee") and the performance by the Committee of all its obligations under a Note dated March 8, 1984, with Riggs evidencing the Loan, the undersigned and each of them (separately and collectively referred to herein as the "Undersigned") hereby assigns and grants a security interest to Riggs in (i) all Presidential primary matching funds under the Presidential Primary Matching Payment Account Act, as amended, to which the Undersigned is now entitled or shall hereafter at any time become entitled under said Act, (ii) any and all campaign contributions, pledges, accounts receivable, contract rights, notes, instruments, documents, and any items constituting general intangibles within the meaning of the Uniform Commercial Code received, or owned by the Undersigned or to which the Undersigned is or may become entitled, and (iii) any and all proceeds of any of the foregoing.

The Undersigned hereby authorizes and directs the United States Government acting through the Department of the Treasury and the Federal Election Commission or their authorized representatives to cause such funds to

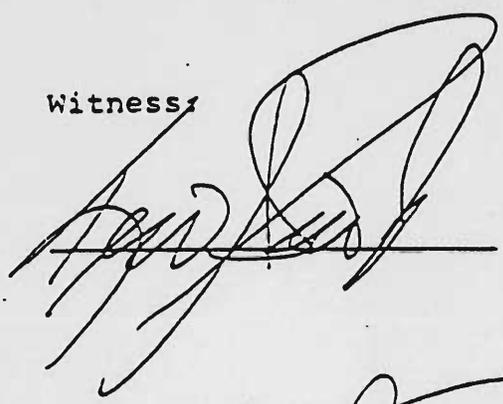
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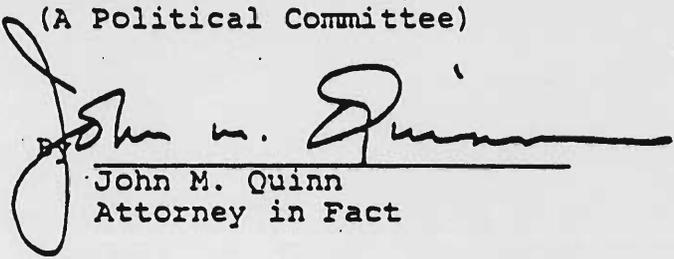
be paid directly to The Riggs National Bank of Washington,
D.C., 800 Seventeenth Street, N.W., Washington, D.C.
20006, Attention: Stephen J. Hintersehr.

Signed and delivered this 8th day of March, 1984.

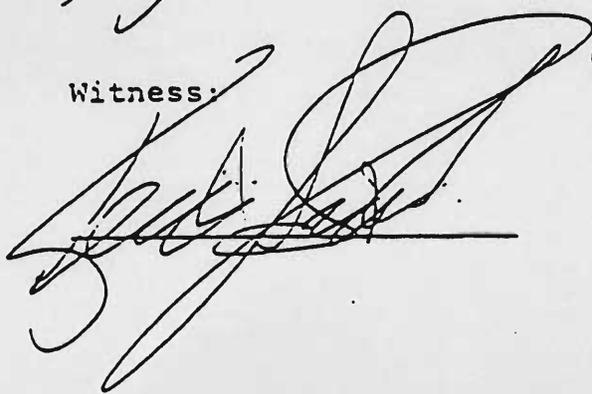
Witness:



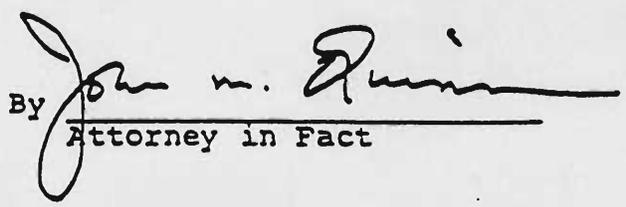
Americans With Hart, Inc.
(A Political Committee)

By 
John M. Quinn
Attorney in Fact

Witness:



Gary W. Hart
Candidate

By 
Attorney in Fact

85040561531



1. The information required on this form, Leave "File No." and "Date & Hour" blank.
 2. This form and Debtor's copy to and send other 2 copies with interleaved carbon paper to the Filing Office. ENCLOSE FILING FEE of \$1.00. Other charges for filing should be made payable to "XXXXXXXXXXXX".
 3. The state provided for any items on the form is inadequate the items should be continued on additional sheets 8 1/2" x 11". Only one copy of such additional sheets need be presented to the Filing Office with a set of 2 copies of the Financial Statement. Long schedules of collateral, other assets, should be submitted on sheets which are 8 1/2" x 11".
 4. If collateral is crops or goods which are or are to become fixtures, describe the real estate and give name and address of record owner.
 5. At the time of filing, Filing Office will return second copy as an acknowledgement. At a later time, secured party may date and sign Termination Legend and use second copy as a Termination Statement.

This FINANCING STATEMENT is presented to Filing Office for filing pursuant to the Uniform Commercial Code. Maturity date (if any):

FOR OFFICE USE ONLY	Debtor(s) Name (Last Name, First) Complete Address Americans With Hart, Inc. 1735 York Street Denver, Colorado 80206	Maturity date (if any): FOR OFFICE USE ONLY
	Secured Party(ies) and Complete Address The Riggs National Bank of Washington, D.C. 800 17th Street, N.W. Washington, D.C. 20006	
	Assignee(s) of Secured Party and Complete Address	

This financing statement covers the following types (or items) of property:

1. All Presidential primary matching funds under the Presidential Primary Matching Payment Account Act, as amended, to which the Debtor is now entitled or shall hereafter at any time become entitled under said Act.
2. Any and all campaign contributions, pledges, accounts receivable, contract rights, notes, instruments, documents, and any items constituting general intangibles within the meaning of the Uniform Commercial Code received, or owned by the Debtor or to which the Debtor is or may become entitled.
3. Any and all proceeds of any of the foregoing.

When collateral is crops or fixtures complete this portion of form.
 a. Description of real estate (Sufficient to identify the property).

b. Name and complete address of record owner.

a. Proceeds of Collateral are also covered. b. Products of Collateral are also covered. No. of additional sheets presented. ()

() Filed with Register of Deeds and Mortgages of _____ County. () Secretary of State
 () Filed with the County Clerk of _____ County.

Signature of Debtor(s)
 Americans With Hart, Inc.
 By: [Signature]
 John L. Quinn, Authorized Signer

Signature(s) of Secured Party(ies) or Assignee(s)
 The Riggs National Bank of
 Washington, D.C.
 By: [Signature]
 Stephen J. Hintersehr, Vice Pres.

FILING OFFICER COPY - This form of statement is approved by the XXXXXXXXXXXXXXXX

(59)

85040561532

UNIFORM COMMERCIAL CODE - FINANCING STATEMENT - FORM UCC-1

405 LEXINGTON AVE.
N.Y.C. 10017

INSTRUCTIONS

1. **FILING FEE:** The information required on this form. Leave "File No." and "Date & Hour" blank.
2. **SECURED PARTY AND DEBTOR COPIES:** Send one copy to the Filing Officer. ENCLOSE FILING FEE of \$10.00. Check or money order for fee should be made payable to "XXXXXXXXXXXX".
3. **ADDITIONAL SHEETS:** If the space provided for any item(s) on the form is inadequate the item(s) should be continued on additional sheets 8 1/2" x 11". Only one copy of such additional sheets need be presented to the Filing Officer with a set of 2 copies of the Financial Statement. Long schedules of collateral, mortgages, etc. should be submitted on sheets which are 8 1/2" x 11".
4. **COLLATERAL:** If collateral is crops or goods which are or are to become fixtures, describe the real estate and give name and address of record owner.
5. **ACKNOWLEDGEMENT:** At the time of filing, Filing Officer will return second copy as an acknowledgement. At a later time, secured party may date and sign Termination Legend and use second copy as a Termination Statement.

This FINANCING STATEMENT is presented to a Filing Officer for filing pursuant to the Uniform Commercial Code Maturity date (if any):

FOR OFFICE USE ONLY.

Debtor(s) Name (Last Name, First) Complete Address

Maturity date (if any):

Americans With Hart, Inc.
1735 York Street
Denver, Colorado 80206

FOR OFFICE USE ONLY

Secured Party(ies) and Complete Address

The Riggs National Bank of
Washington, D.C.
800 17th Street, N.W.
Washington, D.C. 20006

Assignee(s) of Secured Party and Complete Address

This financing statement covers the following types (or items) of property:

1. All Presidential primary matching funds under the Presidential Primary Matching Payment Account Act, as amended, to which the Debtor is now entitled or shall hereafter at any time become entitled under said Act.
2. Any and all campaign contributions, pledges, accounts receivable, contract rights, notes, instruments, documents, and any items constituting general intangibles within the meaning of the Uniform Commercial Code received, or owned by the Debtor or to which the Debtor is or may become entitled.
3. Any and all proceeds of any of the foregoing.

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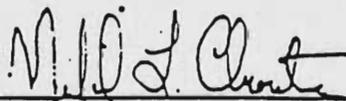
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LOAN RESOLUTION

The undersigned hereby certifies that he is the duly elected President of Americans With Hart, Inc., a non-profit corporation duly organized and existing under the laws of the State of Colorado; that the following is a true and correct copy of a resolution duly adopted by the Board of Directors on March 7, 1984; that such resolution has not been rescinded, modified or amended, and is now in full force and effect; and that such resolution appears in the minute book of such corporation.

RESOLVED that John M. Quinn is hereby authorized to enter into a loan on behalf of Americans With Hart, Inc., from Riggs National Bank, in the maximum principal amount of \$2,000,000, on such terms as he may determine and to execute on behalf of the corporation all instruments in connection therewith as may be required; provided, however, that such loan shall be in compliance with the applicable provisions of the Federal Election Campaign Act.

WITNESS my hand and the seal of the corporation this March 7, 1984.



President

(SEAL)

35040561534

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JOHN M. QUINN
1200 New Hampshire Avenue, N.W.
Washington, D.C. 20036

March 8, 1984

The Riggs National Bank
of Washington, D.C.
800 Seventeenth Street, N.W.
Washington; D.C. 20006

Attention: Stephen J. Hintersehr
Vice President, Commercial Banking

Gentlemen:

I am the General Counsel for Americans With Hart, Inc. (the "Borrower"). I have acted as counsel to Borrower in connection with a loan to be made by Riggs National Bank ("Riggs") to Borrower in the amount of \$1,300,000, to be evidenced by a Note and to be secured by an Assignment and Grant of Security Interest, both of even date herewith (the "Loan Documents").

In connection with said loan, I have examined the Loan Documents and such other books and records of Borrower and have considered such other facts and circumstances as I have deemed necessary. On the basis of that examination, it is my opinion that:

1. Borrower is a non-profit corporation, duly organized, validly existing, and in good standing under the laws of the State of Colorado, and is the validly organized and existing principal authorized presidential campaign committee for Gary W. Hart within the meaning of 2 U.S.C. § 431(5) and 26 U.S.C. § 9032(1) and has full power and authority to borrow money, to assign its property, and to execute and deliver the Loan Documents.

2. The execution and delivery of the Loan Documents have been duly authorized by, and the Loan Documents have been duly executed and delivered to Riggs on behalf of, Borrower. The Loan Documents are valid and legally binding obligations of Borrower enforceable in accordance with their terms. The execution and delivery of the Loan Documents does not violate any provision of any law or regulation, any order of any court or governmental agency, the Borrower's Articles of Incorporation or By-Laws, or, to the best of my knowledge, any agreement to which the Borrower is a party or by which it is bound.

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The Riggs National Bank
of Washington, D.C.
March 8, 1984
Page 2

3. The Borrower is currently in compliance with all laws of the United States and regulations thereunder with regard to Presidential primary election campaigns and Presidential primary matching fund payments, and with all other federal and state laws, regulations, and rules applicable to the Borrower.

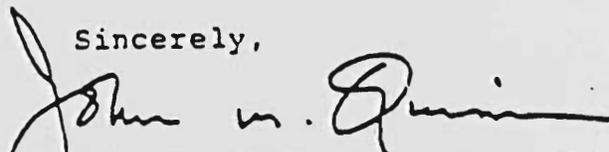
4. Upon receipt of Releases and receipt and filing of UCC Termination Statements from First American Bank, N.A., the National Bank of Washington, NS&T Bank, National Association, and the Women's National Bank, there will be no outstanding liens or security interests in the collateral assigned to Riggs pursuant to the Assignment and Grant of Security Interest and no loans outstanding to Borrower from any financial institution.

5. No litigation, proceeding and/or investigation affecting the Borrower or that may materially affect the Borrower is pending or presently threatened.

6. The Borrower maintains its records with respect to contributions and matching funds at the offices of the Committee Treasurer, Michael R. Moore, whose address is Suite 2500, 1670 Broadway, Denver, Colorado 80202 and the principal executive office of the Borrower within the meaning of Section 9-401(b) of the Uniform Commercial Code is 1735 York Street, Denver, Colorado 80206.

7. I have been informed that the Borrower will establish an account at Riggs for deposit of all federal matching funds, direct mail contributions, and other contributions to the Borrower and that Riggs will notify the Secretary of the Treasury of the Assignment and Grant of Security Interest. I express no opinion on whether the loan to be extended to the Committee constitutes a loan made in accordance with the applicable banking laws and regulations and in the ordinary course of Riggs business as required by 11 C.F.R. § 100.7(b)(11). I understand that such an opinion is being rendered to you by your counsel.

Sincerely,


John M. Quinn
General Counsel
Americans With Hart

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85040561536

OFFICER'S CERTIFICATE

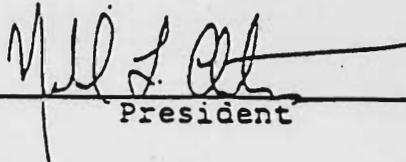
On behalf of Americans With Hart, Inc. (the "Committee"), I hereby certify that as of this date:

1. The chief executive office and the principal place of business of the Committee is 1735 York Street, Denver, Colorado 80206.

2. The books of account and other records of the Committee are located at 1735 York Street, Denver, Colorado 80206.

3. There are no liens or security interest outstanding with respect to the assets of the Committee other than those disclosed in the attached schedule hereto.

Dated this March 7, 1984.



President

85040561537

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Schedule Attached To
Officer's Certificate

Outstanding Liens and
Security Interests
March 7, 1984

First American Bank, N.A., pursuant to a Security Agreement dated
July 27, 1983.

National Bank of Washington, pursuant to a Promissory Note and
Letter Agreement dated February 9, 1984.

NS&T Bank, National Association, pursuant to a Security Agreement
dated February 29, 1984.

The Women's National Bank, pursuant to a Loan and Security
Agreement dated February 27, 1984.

85040561538

95

1st AMERICAN
FIRST AMERICAN BANK, N.A.

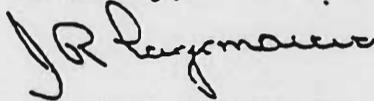
March 8, 1984

Mr. Stephen J. Hintersehr
Vice President
The Riggs National Bank
800 17th Street, N.W.
Washington, D.C. 20008

Dear Mr. Hintersehr:

This letter certifies that I, Joseph R. Lagomarcino, as an officer of First American Bank, N.A. have executed the Release Agreement and accompanying UCC Terminations relating to our bank's security agreements from Americans With Hart, Inc. Upon our receipt of a wire in the amount of \$766,947.80 satisfying loan amounts due from Americans With Hart, Inc., I hereby agree to deliver to your office the above mentioned documents within 24 hours.

Sincerely,



Joseph R. Lagomarcino
Assistant Vice President

JRL/djy

85040561539

910

David A. Splaine
Account Executive

Corporate Lending
619 Fourteenth Street, N.W.
Washington, DC 20005
202 624 3407

Corporate Lending
619 Fourteenth Street, N.W.
Washington, D.C. 20005
202-624-3407

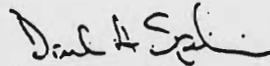
March 8, 1984

Mr. Stephen J. Hintersehr
Vice President
The Riggs National Bank
800 17th Street, N.W.
Washington, D.C. 20008

Dear Mr. Hintersehr:

This letter certifies that I, David A. Splaine, as an officer of The National Bank of Washington, have executed the Release Agreement and accompanying UCC Terminations relating to our bank's security agreements' from Americans With Hart, Inc. Upon our receipt of a wire in the amount of \$50,466.67 satisfying loan amounts due from Americans With Hart, Inc., I hereby agree to deliver to your office the above mentioned documents within 24 hours.

Sincerely,



David A. Splaine
Assistant Cashier

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(97)



1627 K Street, N.W.

Washington, D.C. 20006

(202)466-0990

March 8, 1984

Mr. Stephen J. Hintersehr
Vice President
The Riggs National Bank
800 M Street, N.W.
Washington, D.C. 20008

Dear Mr. Hintersehr:

This letter certifies that upon receipt of a wire in the amount of \$150,595.83 as of March 8, 1984, plus a per diem rate of \$54.17, we will execute release documents on behalf of The Women's National Bank, upon your request in all of our security interests relating to Americans With Hart, Inc.

Very truly yours,

Barbara N. Greenwald
Executive Vice President

85040561541

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NOTICE OF ASSIGNMENT

March 8, 1984

To: Mr. Walter L. Jordan
Assistant Comptroller for Finance
Bureau of Government Financial Operations
Department of Treasury
Room 324
Pennsylvania Avenue and Madison Place, N.W.
Washington, D.C. 20226

Re: Payments Due to Americans with Hart, Inc. a Colorado Corporation, and to Gary Hart, under the Presidential Primary Matching Payment Account Act.

PLEASE TAKE NOTICE that monies due or to become due to Americans with Hart, Inc. a Colorado Corporation, and to Gary W. Hart (collectively, the "Assignors") under the Presidential Primary Matching Payment Account Act have been assigned to the undersigned.

A true copy of the instrument of assignment is attached to the original hereof.

Payments due or to become due as aforesaid should be made to the undersigned assignee.

Please return to the undersigned one of the enclosed copies of this notice with appropriate notations showing the

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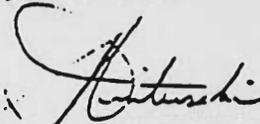
99

date and hour of receipt and duly signed by the person
acknowledging receipt on behalf of the addressee.

Very truly yours,

Riggs National Bank of
Washington, D.C.

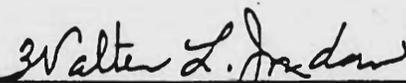
By



Stephen J. Hintersehr
Vice President

Receipt is hereby acknowledged of the above notice and
a copy of the above mentioned instrument of assignment.

These were received at ~~2:55 a.m.~~ on March 9, 1984.
p.m.



Signature

on behalf of Bureau of Government Financial Operations
Department of Treasury
United States of America

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100

ASSIGNMENT AND GRANT OF SECURITY INTEREST

As security for the payment of a loan (the "Loan") by The Riggs National Bank of Washington, D.C. ("Riggs") to Americans With Hart, Inc. (a corporation organized under the laws of the State of Colorado and a political committee) (the "Committee") and the performance by the Committee of all its obligations under a Note dated March 8, 1984, with Riggs evidencing the Loan, the undersigned and each of them (separately and collectively referred to herein as the "Undersigned") hereby assigns and grants a security interest to Riggs in (i) all Presidential primary matching funds under the Presidential Primary Matching Payment Account Act, as amended, to which the Undersigned is now entitled or shall hereafter at any time become entitled under said Act, (ii) any and all campaign contributions, pledges, accounts receivable, contract rights, notes, instruments, documents, and any items constituting general intangibles within the meaning of the Uniform Commercial Code received, or owned by the Undersigned or to which the Undersigned is or may become entitled, and (iii) any and all proceeds of any of the foregoing.

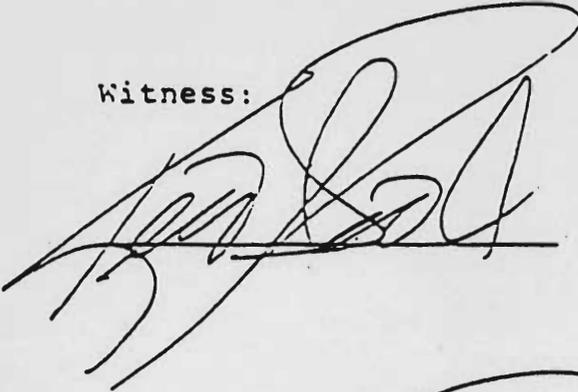
The Undersigned hereby authorizes and directs the United States Government acting through the Department of the Treasury and the Federal Election Commission or their authorized representatives to cause such funds to

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be paid directly to The Riggs National Bank of Washington,
D.C., 800 Seventeenth Street, N.W., Washington, D.C.
20006, Attention: Stephen J. Hintersehr.

Signed and delivered this 8th day of March, 1984.

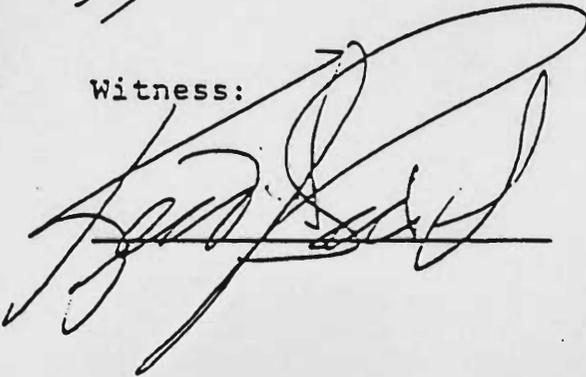
Witness:



Americans With Hart, Inc.
(A Political Committee)

By John M. Quinn
John M. Quinn
Attorney in Fact

Witness:



Gary W. Hart
Candidate

By John M. Quinn
Attorney in Fact

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RATIFICATION

I, Gary W. Hart, hereby ratify, approve, and confirm the act of my attorney-in-fact, John M. Quinn, taken on March 8, 1984, in signing my name and binding me to the terms of the Assignment and Grant of Security Interest, executed in connection with a loan in the amount of \$1,300,000 to Americans With Hart, Inc.

Gary W. Hart

Date

35040561546

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The Riggs National Bank
of Washington, D.C.
800 Seventeenth Street, N.W.
Washington, D.C. 20006

Attention: Stephen J. Hintersehr
Vice President
Commercial Banking

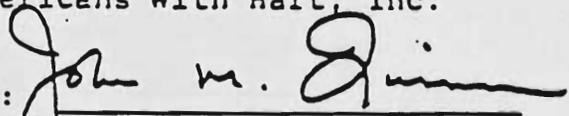
Gentlemen:

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Riggs National Bank has extended a loan in the principal amount of \$1,300,000. to Americans With Hart, Inc. In consideration of the extension of this loan, Americans With Hart, Inc. agrees to reimburse Riggs for all reasonable costs and expenses, including attorneys' fees, incurred in connection with the preparation, execution, and delivery of the documents evidencing and securing this loan, in the disbursement and collection of the funds advanced pursuant to this loan, and in the administration of the loan and related accounts. Americans With Hart, Inc. hereby authorizes Riggs to deduct such amounts from any account maintained by Americans With Hart, Inc. with Riggs.

Sincerely,

Americans With Hart, Inc.

BY:

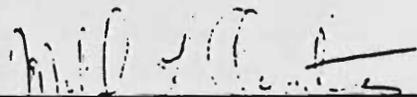

John M. Quinn
Attorney-in-Fact

LOAN RESOLUTION

The undersigned hereby certifies that he is the duly elected President of Americans With Hart, Inc., a non-profit corporation duly organized and existing under the laws of the State of Colorado; that the following is a true and correct copy of a resolution duly adopted by the Board of Directors on March 5, 1984; that such resolution has not been rescinded, modified or amended, and is now in full force and effect; and that such resolution appears in the minute book of such corporation.

RESOLVED that John M. Quinn is hereby authorized to enter into a loan on behalf of Americans With Hart, Inc., from Riggs National Bank, in the maximum principal amount of \$1,000,000, on such terms as he may determine and to execute on behalf of the corporation all instruments in connection therewith as may be required; provided, however, that the repayment of such loan shall be secured with amounts due and to become due the corporation under the provisions of the Federal Election Campaign Act and that such loan shall otherwise be in compliance with the applicable provisions of the Federal Election Campaign Act.

WITNESS my hand and the seal of the corporation this March 5, 1984.



President

(SEAL)



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Riggs Loan

Payout 1,139,254.36

1,127,689.70 principle
 4,280.05 interest
 7,289.63 held for legal fees

Quinn -
 we don't want
 to pay this

(had a couple days prime rate change)

... drew down the additional
 from this advanced slip:

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COMMERCIAL LOANS OPERATIONS CENTER - LOAN ADVANCE

CONTROL		COMMERCIAL LOAN NUMBER		COMMITTED
138	1984	0652	new 001 000001	\$ 1,300,000.00
		DUE DATE	INTEREST RATE	ADVANCED
		April 9, 1984	12.00	\$ 1,022,662.00
WE HAVE TODAY <input type="checkbox"/> ISSUED OUR CASHIER'S CHECK FOR NET AMOUNT SHOWN BELOW. <input checked="" type="checkbox"/> DEPOSITED TO THE BELOW NAMED ACCOUNT NET AMOUNT SHOWN BELOW.			DATE	
			March 8, 1984	
ACCOUNT NUMBER: 08 485 356			AMOUNT	\$ 1,022,662.00
TO:			LESS	
Americans With Hart, Inc. 507 8th Street S.E. Washington, D.C. 20003			NET AMOUNT	\$ 1,022,662.00

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From: Russell J. Bruemmer

WILMER, CUTLER & PICKERING
1600 K STREET, N. W.
WASHINGTON, D. C. 20006

March 9, 1984

Jack:

I am enclosing those documents
that I have from the Riggs loan closing.
The last time I talked with Steve we
were still awaiting receipt of the
executed releases and termination
statements.

Rus

85040561550

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D
NEW

COMMERCIAL LINE OF CREDIT

Variable Rate
Secured

Washington, D.C.

March 19, 1984

\$3,500,000

MASTER
PROMISSORY NOTE

FOR VALUE RECEIVED, Americans with Hart, Inc., hereinafter called "Maker", promises to pay to the order of THE NATIONAL BANK OF WASHINGTON, hereinafter called "Bank" the principal sum of Three Million Five Hundred Thousand, (\$3,500,000) or such lesser amount as may be outstanding hereunder from time to time, together with interest from the date hereof until paid at the rate as hereinafter provided at the office of Bank at 619 - 14th Street, N.W., Washington, D.C., or such other address as Bank may designate by written notice to Maker.

INTEREST: The aforesaid sum shall bear interest at the following rate:

At the Bank's floating prime rate plus 1/4% on the unpaid principal balance from time to time outstanding hereunder until paid.

Interest in any case is computed on the basis of the actual number of days elapsed over a year of 360 days until paid. Changes in the prime rate will be effective as of the date the prime rate changes.

REPAYMENT: The principal sum and interest shall be paid by Maker to Bank in the following manner:

One payment due on May 14, 1984, together with interest.

The Maker shall be liable for only so much of the above principal amount as shall be equal to the total of the amounts advanced to or for the Maker by the Bank from time to time less all payments made by or for the Maker and applied by the Bank to principal and for interest on each such advance as shown on Bank's books and records which shall be prima facie evidence of

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the amount owed. Each borrowing and repayment hereunder shall be in an amount not less than \$ n/a.

COLLATERAL: To secure the performance of this and all other obligations to Bank of Maker or any other parties to this Note, whether now existing or hereafter incurred, Maker grants to Bank a security interest in the collateral described below, complete with all present and future attachments, accessories and replacements of all or any parts thereof and all additions thereto or substitutions therefore, together with any and all other property of Maker, whether in the form of securities, cash or otherwise, now or hereafter in the possession of Bank, and in any insurance policies thereon, and the proceeds of all of the foregoing with authority to collect, sell, transfer and re-hypothecate:

See Security and Loan Agreement of even date herewith. See Assignment of Life Insurance Policy of even date herewith. In case the market value of the Collateral or any part thereof shall suffer any decline, Maker agrees, upon demand of the Bank, to deliver to and pledge with the Bank additional securities or collateral or to make payments sufficient to correct the decline in market value or cure any deficiency in the value as represented to the Bank.

LATE CHARGE: If any payment hereunder is not paid when due and continues unpaid for a period of ten (10) days thereafter, Maker agrees to pay to Bank or any other holder hereof, in addition to all amounts of principal and interest, a late charge of 2% per annum in excess of the interest rate described herein computed on the unpaid principal balance, or such lesser late charge as may be required by law. The date of imposition of this late charge shall relate back to the due date and the late charge shall be assessed monthly until any delinquency is cured.

DEFAULT: Upon the occurrence of any of the following events with respect to Maker each of which shall constitute a default hereunder, the entire unpaid amount of principal and interest hereunder shall, at the option of Bank or any other holder

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hereof, become immediately due and payable without notice or demand:

- a. If any payment of principal or interest, as aforesaid, is not paid when due; or
- b. If Maker or any endorser, surety or guarantor of this note defaults in the payment or performance of any obligation to Bank or any other holder hereof or fails to perform or comply with any agreement with Bank or any other holder hereof; or

J. 2/13

~~If Maker is unable to pay its debts as they mature or becomes insolvent or shall voluntarily suspend transaction of its business or operations or shall make an assignment for the benefit of creditors or file voluntary petition to reorganize or to effect a plan or other arrangement with creditors or apply for or consent to the appointment of a receiver or trustee of all or part of its property or shall file an answer admitting the jurisdiction of the court and the material allegations of an involuntary petition filed pursuant to the Bankruptcy Code, or any amendments thereto, or if Maker shall institute liquidation, dissolution, merger or consolidation proceedings; or~~

- d. If there is entered against Maker a judgment, levy, or lien of a material nature or if a writ or warrant of attachment, execution, garnishment, distraint, possession, or any similar process of a material nature shall be issued by any court against all or a part of the property of Maker; or
- e. If there is a taking of possession of a substantial part of the property of Maker at the instance of any governmental authority; or
- f. If Maker fails to pay any income, excise, or other taxes of any nature whatsoever prior to the time that they become delinquent; or
- g. If the Bank determines that it deems itself insecure or that a material adverse change in the financial condition of the Maker, or any endorser, surety or guarantor of the note has occurred since the date of this note.

REMEDIES: Upon default hereunder, Bank shall have the rights and remedies provided under all applicable law and shall be deemed to have exercised the same immediately upon the occurrence of any such event without notice or future action, irrespective of when any record of the same may thereafter be entered on Bank's books. Bank may set off against all other obligations of Maker to Bank all money owed by Maker in any capacity to Maker; and Bank shall be deemed to have exercised such right of set off and to have made a charge against any such money immediately upon the occurrence of such event even though such charge is made or entered on the books of Bank subsequent thereto.

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Bank shall not be required to resort to any particular security or persons to enforce payment and Bank shall not be subject to any marshalling requirements or equities among the person(s) designated as Maker or among any other persons who may be liable on this note or other obligations as endorsers, sureties, guarantors or otherwise.

No waiver of any default hereunder shall be construed as a waiver of any subsequent default, and Maker waives any benefit which might be accorded by the applicable Statute of Limitations as a result of any extensions granted by Bank, and the exercise of any right hereunder shall not waive the right to exercise such right thereafter. Maker agrees that, in addition to the principal sum with interest as above provided, Bank shall be entitled to recover ^{reasonable} ~~fifteen percent (15%)~~ of the ~~unpaid balance of principal and interest additionally as~~ attorney fees, and with costs of suit, should suit be instituted to collect this note, subject to applicable law.

MISCELLANEOUS: Presentment for payment or acceptance, demand and protest, and notice of dishonor of payment or acceptance, notice of protest and notice of any renewal, extension, modification or change of time, manner, place or terms of payment are hereby waived by Maker or any endorsers, sureties, and guarantors. Any notice to Maker shall be sufficiently served for all purposes if placed in the mail addressed to, or left upon the premises at the address of Maker shown on the Bank's records. Bank may surrender this note to any person paying the final installment or payment due hereunder, and may endorse or assign it to such person or his order without recourse.

This loan is being made for the purpose of acquiring or carrying on a business, professional, or commercial activity, or for the purpose of acquiring any real or personal property as an investment or for carrying on an investment activity.

[Handwritten signature]

[Handwritten signature] 132

ASSIGNMENT AGREEMENT

THIS ASSIGNMENT AGREEMENT is made and entered into as of the _____ day of March, 1984, by and between AMERICANS WITH HART, a non-profit political campaign organization under _____ and the NATIONAL BANK OF WASHINGTON ("NBW").

WITNESSETH:

WHEREAS, Americans With Hart is the sole owner and beneficiary of Insurance Policy No. _____ issued by _____ and dated _____ (the "Insurance Policy"); and

WHEREAS, Americans With Hart has entered into a Loan Agreement with NBW dated March 19, 1984 (the "Loan Agreement") under which NBW has agreed to loan Americans With Hart the sum of Three Million and Five Hundred Thousand Dollars (\$3,500,000.00); and

WHEREAS, as security for the sum to be loaned under the Loan Agreement (the "Loan") Americans With Hart now desires to assign to NBW the right to receive that portion of any proceeds payable under the Insurance Policy that is necessary to fully discharge and pay off the outstanding indebtedness under the Loan Agreement as determined at the time when such proceeds are payable.

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NOW, THEREFORE, in consideration of the mutual promises herein contained and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned parties agree to the following:

1. Americans With Hart hereby assigns to NBW its right, title, and interest in that portion of any proceeds payable under the Insurance Policy which is equivalent to the sum that is required to fully discharge and pay off the outstanding indebtedness under the Loan Agreement, as determined on the date when such proceeds are payable.

2. The balance of any proceeds payable under the Insurance Policy shall continue to be payable to Americans With Hart.

IN WITNESS WHEREOF, the undersigned parties have caused this Assignment Agreement to be signed by their duly authorized partners, officers or agents as of the day and year first above written.

AMERICANS WITH HART

By John M. Quinn (SEAL)

NATIONAL BANK OF WASHINGTON

By Paul A. Quinn (SEAL)

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DICKENSON AND ASSOCIATES

March 14, 1984

Oliver Henkel
Americans for Hart
507 8th Street, S.E.
Washington, D.C.
20003

Dear Pudge:

Pursuant to our phone conversation, this letter is to inform you that an application has been submitted to New England Mutual on the life of Gary Hart in the amount of \$10,000,000. We have received a check towards the binder of the forementioned.

Should you have any questions please don't hesitate to call.

Sincerely,


Darlene Hector
Underwriter

DH/ag

INSURANCE CONSULTANTS

506 Dodge-Thirteenth Building • 1901 East Thirteenth Street • Cleveland, Ohio 44114
Telephone 216 / 771-6506

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SECURITY and LOAN AGREEMENT

SECURITY and LOAN AGREEMENT made this 19th day of March, 1984, by and between Americans with Hart Inc. with offices at 507 - 8th St., S.E., Washington, D.C. 20003 (hereinafter called "Debtor"), and THE NATIONAL BANK OF WASHINGTON, a National banking institution with principal offices at 619 - 14th Street, N.W., Washington, D.C. 20005 (hereinafter called "Secured Party"), whereby the parties, intending to be legally bound hereby, agree as follows:

1. CREATION OF SECURITY INTEREST - Debtor hereby assigns to Secured Party, and mortgages and grants to it a security interest in, the Collateral described in paragraph 2 hereof to secure (a) payment of the outstanding indebtedness of Debtor to Secured Party in the aggregate amount of \$3,500,000, with interest thereon, evidenced and secured by a certain Promissory Note(s) of Debtor to Secured Party dated March 19, 1984, and the payment of all obligations, liabilities and indebtedness of Debtor to Secured Party howsoever created or incurred, presently existing and hereafter arising and (b) the performance and payment of all obligations, liabilities and indebtedness of Debtor to Secured Party arising hereunder.

2. COLLATERAL - The Collateral of this Security Agreement appears in Schedule "A" which is attached hereto and made part hereof (the "Collateral").

3. GENERAL OBLIGATIONS OF DEBTOR - Debtor hereby covenants, represents and warrants that:

JHP
~~(a) The Collateral will be solely used for and in connection with the operation and maintenance of Debtor's business as hereinabove described.~~

(b) The Collateral will not be misused, abused, wasted or allowed to deteriorate, but shall be kept in good condition and repair, reasonable wear and tear from its sole

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use above excepted; and all costs and expenses incurred in the repair, maintenance and preservation of such Collateral shall be paid solely by Debtor; and with respect to any lease of real property assigned as Collateral, Debtor shall perform all of its obligations under such lease and promptly notify Secured Party of any default thereunder known to Debtor.

(c) Debtor shall, at its sole cost and expense, defend its right, title and interest in and to the Collateral, and defend the Collateral against any claims of infringement and all other claims or demands of any other party and all other liabilities of any nature whatsoever.

(d) On or before Thursday of each week Debtor will provide the Secured Party with weekly totals of sums received from all fundraising or any other income generating sources. Secured Party reserves the right at any time to directly collect all proceeds received by the Secured Party from these sources, or from any other sources at any time in its sole option, should Secured Party's current levels of fundraising decline from its March 19, 1984 levels.

Debtor constitutes and irrevocably appoints Secured Party its true and lawful attorney in fact, with full power of substitution in their names or in the name of Secured Party or otherwise, to ask, require and to demand and to receive and give acquittance for or to file any claims or take any action to institute any proceedings to collect the Collateral when due to it, at the sole cost and expense of the Debtor, and to endorse its name to any check, draft or other order for the payment of money payable to the Debtor received as such payment, said power being expressly agreed by the undersigned to be coupled with an interest.

(e) The Collateral, and each part thereof, is free and clear from, and is not subject to, any assignment, security interest, mortgage, pledge, lien, levy for taxes or other assessments, interest, charge, adverse claim or other encumbrance, including any financing statement or other

document filed in any public office (hereinafter collectively called "encumbrance"); and Debtor shall keep and maintain the Collateral, and each part thereof, free and clear of any such encumbrance; except purchase money security interests in addition to inventory presently existing.

(f) The Collateral, or any part thereof, will not be sold, leased, licensed, assigned, conveyed, transferred, disposed of or become subjected to any subsequent interest of any party created or suffered, by Debtor, voluntarily or involuntarily, except in the ordinary course of Debtor's business or except as expressly authorized in writing by Secured Party.

(g) Debtor, at its sole cost and expense, shall duly execute and deliver, or cause to be duly executed and delivered, financing statements, landlord and mortgagee waivers and such instruments and documents, and do and cause to be done such acts and things, as Secured Party may at any time reasonably request, to enforce perfect and protect its security interest in the Collateral as herein provided and its rights and remedies with respect to the Collateral; Debtor concurrently with the execution hereof has delivered, or within ten (10) days from the date hereof, will deliver to Secured Party such certificates of title and hereby authorizes Secured Party to cause a statement of Secured Party's interest to be noted as a lien or encumbrance on such certificate.

(h) The obligations, liabilities, and indebtedness of Debtor to Secured Party hereunder shall not be released, discharged or impaired in any manner or to any extent if Secured Party, at any time or in any manner, renews, extends, modifies, changes or waives the time of payment and/or the manner, place or terms of payment of all or any part of the indebtedness secured hereby or any renewal thereof; or Secured Party makes any exchange, release, substitution, addition, surrender, settlement or compromise with respect to the

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Collateral, the indebtedness secured hereby, or any party liable thereon; or Secured Party subordinates such indebtedness and/or Collateral to any other indebtedness of Debtor and/or security therefor which may exist at any time hereafter.

(i) All information supplied and all statements, facts and representations made by Debtor to Secured Party in any financial, credit or accounting statement or application for credit, or otherwise, prior to or pursuant to this Security Agreement, are true and correct in every respect, and there are no facts known to the Debtor which would impair the validity or render less valuable the obligations of Debtor to Secured Party set forth in this Security Agreement.

Jm (j) Debtor's business address and principal place of business are located at Suite 2500 1670 Broadway, Denver, Colorado, 80202. ~~567 8th St., S.W., Washington, D.C. 20002.~~

(k) Debtor shall keep and maintain at all times true and complete books, records and accounts in which complete, true and correct entries shall be made of the Collateral and Debtor's transactions, in accordance with generally accepted accounting principles consistently applied; Debtor shall permit Secured Party or its representatives to visit and inspect any of the properties of Debtor, to examine its books of account and other records and files and make copies thereof, and to discuss the affairs, business, finances and accounts of the Debtor with its officers and employees, all at such reasonable times and upon reasonable notice, as often as Secured Party may request; and Debtor shall make, or permit Secured Party to make, upon request, a designation on Debtor's books of account and records of the interest granted hereunder.

(l) Debtor shall promptly furnish Secured Party with all information concerning the Collateral, the performance and payment of Debtor's obligations, liabilities and indebtedness hereunder and the business, operations and financial conditions of Debtor, as Secured Party may request.

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and shall annually furnish for the preceding or calendar period, balance sheets and statements of income and surplus account, setting forth the corresponding figures of the previous fiscal period, in comparative form, all in reasonable detail and certified (without any qualification or exception deemed material by Secured Party) by independent public accountants acceptable to Secured Party.

(m) Debtor shall immediately notify Secured Party of any act, condition or event which, with the giving of notice or lapse of time, or both, would constitute an event of default hereunder, including the existence of any litigation, arbitration or other legal proceedings involving or affecting Debtor.

(n) Debtor shall pay and reimburse Secured Party for all costs and expenses (including reasonable attorney's fees, legal expenses, and advances and expenditures for removal of any encumbrance from the Collateral, for curing, correcting or remedying any event of default hereunder, for insurance and for protection, preservation, maintenance or repair of the Collateral) incurred by Secured Party in connection with the exercise by Secured Party of any of its rights and remedies under this Security Agreement, or in enforcing, perfecting or protecting its interests under this Security Agreement.

4. EVENT OF DEFAULT - The occurrence of any of the following events shall, at the option of Secured Party without notice or demand, constitute a default on the part of Debtor hereunder ("Event of Default"):

(a) The events of default contained in the Note(s) described herein.

5. SECURED PARTY'S RIGHTS AND REMEDIES - Upon the occurrence of an Event of Default, in addition to all other rights and remedies provided hereunder, Secured Party shall have and may exercise all of the rights and remedies provided by the Uniform Commercial Code in effect in the District of

Columbia at the date of default, and any other applicable law. In conjunction with, in addition to, or in substitution therefor, Secured Party shall have and may exercise the following rights and remedies:

(a) Secured Party may enter upon Debtor's premises to take possession of, assemble and collect the Collateral or to render it unusable.

(b) Secured Party may require Debtor to assemble the Collateral and to make it available to Secured Party at any reasonable place Secured Party designates, to allow Secured Party to take possession of or dispose of such Collateral.

(c) Secured Party may, in its sole discretion, sell, assign and deliver all or any part of the Collateral at public or private sale without notice or advertisement, and bid and become a purchaser at any such sale, and if notice to the Debtor is required, written notice mailed to Debtor at its business address as hereinbefore set forth, at least five (5) days prior to the date of public sale of the Collateral or prior to the date after which private sale of the Collateral will be made, shall constitute reasonable notice; and Secured Party may apply the proceeds of any disposition of the Collateral available for satisfaction of the indebtedness secured hereby in the order, amounts, and manner which Secured Party may determine in its sole discretion.

(d) Secured Party may require Debtor not to modify any agreements giving rise to the Receivables nor to bring suit to enforce payment of any Receivable without giving Secured Party five (5) days advance written notice thereof or without first having received written consent to do so from Secured Party.

(e) Secured Party may apply the proceeds of any disposition or collection of the Collateral available for satisfaction of the indebtedness secured hereby in the order,

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amounts and manner which Secured Party may determine in its sole discretion.

6. MISCELLANEOUS -

(a) Secured Party may waive any default, or remedy and default in any reasonable manner without waiving such default remedied and without waiving any other prior or subsequent default; and Secured Party may waive or delay the exercise of any right or remedy under this Security Agreement without waiving that right or remedy or any other right or remedy hereunder.

(b) This Security Agreement shall be binding upon, and shall inure to the benefit of, the respective heirs, executors, administrators, successors and assigns of the parties hereto.

(c) The term "Debtor" as used in this Security Agreement shall include the singular and plural, and if this Security Agreement is executed by two or more parties as Debtor, it shall be the joint and several obligation of all such parties and such obligations shall not be revoked, impaired, or affected in any manner or to any extent as to any by the death, dissolution or change in the form or status of any or all such parties, or by the revocation or release of any liability hereunder by or against any or all such parties.

(d) Each of the foregoing agreements, covenants and warranties on the part of the Debtor shall be deemed and construed to be on a continuing basis and shall survive the execution and delivery of this Security Agreement.

(e) All notices, requests, demands or other communications provided for herein shall be in writing and shall be deemed to have been given when sent by registered or certified mail, return receipt requested, addressed to the parties at their addresses set forth above or to such other person or address as either party shall designate to the other from time to time, in writing forwarded in like manner.

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(f) This Security Agreement may not be amended, modified or terminated except in writing executed by all the parties hereto; and no waiver of any provision or consent hereunder shall be effective unless executed in a writing by the waiving or consenting party.

(g) The provisions of this Security Agreement shall be deemed severable, so that if any provision hereof is declared invalid under the laws of any State where it is in effect, or of the United States, all other provisions of this Security Agreement shall continue in full force and effect.

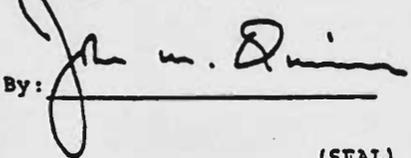
(h) This Security Agreement shall be construed in accordance with and governed by the laws of the District of Columbia and jurisdiction, at the Bank's option, shall be had by its courts.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have executed and delivered this Security Agreement the day and year first above written.

ATTEST:


(CORPORATE SEAL)

Americans with Hart, Inc.

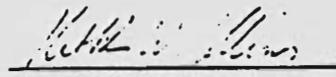
By: 

Individual Signator (SEAL)

Individual Signator (SEAL)

Individual Signator (SEAL)

ATTEST:



SEAL

THE NATIONAL BANK OF WASHINGTON

By: 

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(a) Equipment - All of Debtor's equipment including but not limited to all machinery, all laboratory, testing and evaluating machinery and equipment, and all replacement parts and attachments therefor and all installations, apparatus, appliances accessories and facilities used in connection therewith, and all other items of like type and kind, presently owned, acquired contemporaneously herewith and arising or acquired subsequent hereto.

(b) Inventory - All of Debtor's inventory, including but not limited to all products and goods held for sale or lease, as raw materials, work in process and the completely finished end products, and all other items of like type and kind, presently owned, acquired contemporaneously herewith and arising or acquired subsequent hereto, by way of replacement, renewal, return, repossession, substitution, addition or otherwise, and all additions and accessions thereto and all proceeds thereof, including returned and repossessed items, and all documents covering inventory.

(c) Receivables - All of Debtor's accounts, contract rights, chattel paper, negotiable and non-negotiable instruments and agreements, and general intangibles evidencing and/or securing any monetary obligation (hereinafter called "Receivables"), presently existing and hereafter arising, the rights and interests of the Debtor in the goods the sale or lease of which gave rise to the Receivables, including returned and repossessed items, and the proceeds thereof.

(d) General Intangibles - All of Debtor's intangibles, of whatsoever kind or nature, including but not limited to trade secrets, files, customer lists, trade names, good will, licenses, contracts, agreements, rights and leases, and all other items of

like type and kind, presently existing and hereafter arising or acquired, by way of replacement, renewal, substitution, addition or otherwise, and all additions and accessions thereto and all proceeds thereof, patents, copyrights, literary and musical works.

(e) All of Debtor's accounts, contract rights, chattel paper, negotiable and non-negotiable instruments and agreements, and general intangibles evidencing and/or securing any monetary obligation, presently existing and hereafter arising, including but not limited to all of Debtor's interest in the following:

(1) payments from the Presidential Primary Matching Payment Account; and

J.P.
D.P.
~~(2) payments from the Presidential Election Campaign Fund; and~~

(3) payments from any and all concerts or similar fund raising benefits; and

(4) payments from any and all Direct mail fundraising receipts; and

(5) any and all receivables due from press or other media transportation billings.

The security interest in the Collateral aforesaid shall in addition to securing all presently existing debts and liabilities, secure all future advances made by Secured Party to or for the account of Debtor, including advances for loans.

SCHEDULE "A"

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FINANCING STATEMENT

Check below if goods are
or are to become fixtures.

TO BE RECORDED IN
LAND RECORDS

For Filing Officer Use	
File No. _____	
Date & _____	
Hour _____	

This Financing Statement is presented to a filing officer for filing pursuant to the Uniform Commercial Code.

Maturity date (if any)

<u>Name(s) of Debtor(s) or assignor(s)</u> (Last Name First)	<u>No.</u>	<u>Street</u>	<u>City</u>	<u>State</u>
---	------------	---------------	-------------	--------------

Americans with Hart, Inc.

1670 Broadway, Denver, Colorado
~~507 8th Street, S.E., Washington, D.C. 20005~~

<u>Name of Secured Party or assignee</u>	<u>No.</u>	<u>Street</u>	<u>City</u>	<u>State</u>
THE NATIONAL BANK OF WASHINGTON	619 -	14th Street, N.W.,	Wash.,	D.C. 20005

1. This financing statement covers the following types (or items) of property: (Lists or descriptions may be on separate sheets firmly attached hereto.) (Describe)

See Schedule "A" attached hereto and made part hereof.

THE NATIONAL BANK OF WASHINGTON
619 - 14th Street, N.W.
Washington, D.C. 20005

RETURN TO:

(If affixed to realty—state value of each article)

CHECK @ THE LINES WHICH APPLY

- 2. If collateral is crops: The above described crops are growing or will be grown on: (Furnish general description of real estate and name of record owner.)
- 3. If collateral is goods which are or will become fixtures: The above described goods are fixed or will be affixed to: (If affixed to realty—state value of each article.) (Furnish general description of real estate and name of record owner.) If blocks system is maintained, state house number and street, if there be any, or block reference.
- 4. Proceeds of collateral are also covered: Products of collateral are also covered:
- 5. (This section applicable in Maryland only.) STRIKE OUT INAPPLICABLE WORDING
The underlying secured transaction(s) being publicized by this Financing Statement is not subject to the Recordation Tax imposed by Article 81, §§ 277, 278 annotated Code of Maryland, as amended. If subject, the principal amount of the debt is

Debtor(s) or assignor(s)

Americans with Hart, Inc.

John M. Quinn

SECURED PARTY

THE NATIONAL BANK OF WASHINGTON (Seal)

BY: [Signature]

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(a) Equipment - All of Debtor's equipment including but not limited to all machinery, all laboratory, testing and evaluating machinery and equipment, and all replacement parts and attachments therefor and all installations, apparatus, appliances, accessories and facilities used in connection therewith, and all other items of like type and kind, presently owned, acquired contemporaneously herewith and arising or acquired subsequent hereto.

(b) Inventory - All of Debtor's inventory, including but not limited to all products and goods held for sale or lease, as raw materials, work in process and the completely finished end products, and all other items of like type and kind, presently owned, acquired contemporaneously herewith and arising or acquired subsequent hereto, by way of replacement, renewal, return, repossession, substitution, addition or otherwise, and all additions and accessions thereto and all proceeds thereof, including returned and repossessed items, and all documents covering inventory:

(c) Receivables - All of Debtor's accounts, contract rights, chattel paper, negotiable and non-negotiable instruments and agreements, and general intangibles evidencing and/or securing any monetary obligation (hereinafter called "Receivables"), presently existing and hereafter arising, the rights and interests of the Debtor in the goods the sale or lease of which gave rise to the Receivables, including returned and reposed items, and the proceeds thereof.

(d) General Intangibles - All of Debtor's intangibles, of whatsoever kind or nature, including but not limited to trade secrets, files, customer lists, trade names, good will, licenses, contracts, agreements, rights and leases, and all other items of

like type and kind, presently existing and hereafter arising or acquired, by way of replacement, renewal, substitution, addition or otherwise, and all additions and accessions thereto and all proceeds thereof, patents, copyrights, literary and musical works.

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(1) payments from the Presidential Primary Matching Payment Account;
and

Jmd ~~(2) payments from the Presidential Election Campaign Fund; and~~

(3) payments from any and all concerts or similar fund raising benefits; and

(4) payments from any and all Direct mail fundraising receipts; and

(5) any and all receivables due from press or other media transportation billings.

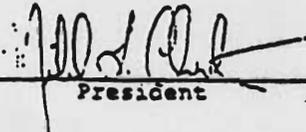
The security interest in the Collateral aforesaid shall in addition to securing all presently existing debts and liabilities, secure all future advances made by Secured Party to or for the account of Debtor, including advances for loans.

LOAN RESOLUTION

The undersigned hereby certifies that he is the duly elected President of Americans With Hart, Inc., a non-profit corporation duly organized and existing under the laws of the State of Colorado; that the following is a true and correct copy of a resolution duly adopted by the Board of Directors on March 18, 1984; that such resolution has not been rescinded, modified or amended, and is now in full force and effect; and that such resolution appears in the minute book of such corporation.

RESOLVED that John M. Quinn is hereby authorized to enter into a loan on behalf of Americans With Hart, Inc., from The National Bank of Washington, and its associates, in the maximum principal amount of \$3,500,000, on such terms as he may determine and to execute on behalf of the corporation all instruments in connection therewith as may be required; provided, however, that the proceeds of such loan shall be used to retire any prior outstanding indebtedness to Riggs National Bank and that such loan shall be in compliance with the applicable provisions of the Federal Election Campaign Act.

WITNESS my hand and the seal of the corporation this March 19, 1984.



President

147

619 14th Street, N.W.
Washington, DC 20005

Telephone
202 624 3098

Kathleen W. Collins
Senior Vice President and
General Counsel



The National Bank
of Washington

PERSONAL & CONFIDENTIAL

March 20, 1984

BY HAND

Jack Quinn, Esq.
Americans with Hart, Inc.
507 8th Street, S.E.
Washington, D.C. 20003

Dear Jack:

Enclosed please find a copy of the closing documents which were executed late yesterday afternoon. A Participation Agreement concerning the credit is in the hands of Ms. Barbara Greenwald of Women's National Bank.

Please provide a copy of the life insurance policy referenced in the Assignment Agreement upon your receipt of it so that we can proceed to record the bank's interest in it.

Very truly yours,

Kathleen W. Collins
Senior Vice President
and General Counsel

Enclosures

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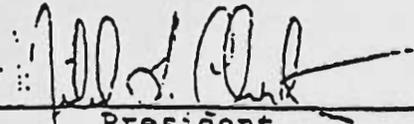
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LOAN RESOLUTION

The undersigned hereby certifies that he is the duly elected President of Americans With Hart, Inc., a non-profit corporation duly organized and existing under the laws of the State of Colorado; that the following is a true and correct copy of a resolution duly adopted by the Board of Directors on March 18, 1984; that such resolution has not been rescinded, modified or amended, and is now in full force and effect; and that such resolution appears in the minute book of such corporation.

RESOLVED that John M. Quinn is hereby authorized to enter into a loan on behalf of Americans With Hart, Inc., from The National Bank of Washington, and its associates, in the maximum principal amount of \$3,500,000, on such terms as he may determine and to execute on behalf of the corporation all instruments in connection therewith as may be required; provided, however, that the proceeds of such loan shall be used to retire any prior outstanding indebtedness to Riggs National Bank and that such loan shall be in compliance with the applicable provisions of the Federal Election Campaign Act.

WITNESS my hand and the seal of the corporation this March 19, 1984.



President

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COMMERCIAL NOTE
Single Advance

(simple interest)

FOR BANK USE ONLY	Account Number	Loan Number	Disbursement Date	Due Date	Principal Amount	Call Code	Collateral Code	Officer Number	Officer's Initials
									/

Borrower: AMERICANS WITH HART, INC.
1470 BROADWAY, SUITE 2500
DENVER, COLORADO 80202

Bank: CALIFORNIA NATIONAL BANK
401 MONTGOMERY ST.
SAN FRANCISCO, CA 94111

Upon demand, Borrower promises to pay to Bank, or order, FORTY-ONE THOUSAND NINE HUNDRED NINETY-FIVE AND NO/100* * * * * DOLLARS (\$ 41,995.00), together with interest on the unpaid principal balance outstanding from time to time at the rate set out below. Interest will accrue on the outstanding unpaid principal balance for each day that any amount is outstanding and will continue to accrue until this note is paid in full. Interest will be at the rate of:

- _____ percent per annum.
- A rate of 1.50 point(s) over the prime rate, adjusted DAILY, based upon the prime rate quoted by SECURITY PACIFIC NATIONAL BANK. That prime rate currently is 13.00 percent per annum, and the rate on this note currently is 14.50 percent per annum.

Borrower will pay interest: Monthly Quarterly At Maturity _____

If no demand is made, Borrower shall pay _____ days after the date of this note.

If no demand is made, Borrower will pay under the following schedule: ONE PRINCIPAL PAYMENT OF \$41,995.00 PLUS INTEREST DUE ON DECEMBER 14, 1984.

The interest rate shall not exceed the maximum rate permitted by applicable law. If Borrower does not pay as agreed, or if Borrower or any guarantor of this note breaches any other agreement with the Bank, Borrower will be in default. Upon default, the Bank may declare the entire unpaid principal and accrued interest immediately due, without notice, and Borrower will then pay that amount. Upon default Bank also may increase the interest rate 4.00 points, and include any unpaid interest as of the date of acceleration or maturity as part of the sum due and subject to the higher rate.

aforementioned

Any payment not paid when due shall bear interest at the rate of _____ percent per annum until paid. Borrower will pay Bank at the address named above, or such other place as Bank may designate in writing.

The Bank may pay someone else to help collect this note if Borrower does not pay. Borrower also will pay the Bank that amount. This includes the Bank's reasonable lawyers' fees whether or not there is a lawsuit, including fees on any appeal. Borrower also will pay any court costs. The Bank may delay enforcing any of its rights under this note without losing them. If there is a lawsuit, Borrower agrees venue may be in the county in which Bank is located.

Borrower waives presentment, demand for payment, protest, notice of dishonor, and notice of every other kind. The obligations of the Borrower are joint and several.

THIS NOTE IS SECURED BY A COMMERCIAL SECURITY AGREEMENT DATED JULY 2, 1984 EXECUTED BY BORROWER.

AMERICANS WITH HART, INC.

Date: July 2, 1984

By: [Signature]

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Account Number	Loan Number	Note	Due Date	Principal Amount

**COMMERCIAL
SECURITY AGREEMENT**

Borrower: AMERICANS WITH HART, INC.
1470 BROADWAY, SUITE 2500
DENVER, COLORADO 80202

Bank: CALIFORNIA NATIONAL BANK
301 MONTGOMERY ST.
SAN FRANCISCO, CA 94101

For value received, and to secure both the payment of the indebtedness and the performance of the obligations owed to Bank under this security agreement and any Related Agreements, and in accordance with the definitions and terms set forth below, Borrower grants Bank a security interest in all of the following Collateral:

- All of the Collateral described in Schedule(s)/Addenda covering _____, attached to this agreement and incorporated by reference in this agreement.
- All inventory (including Dealer Inventory)
- All Chattel Paper
- All Accounts and Contract Rights
- All Equipment
- All General Intangibles
- All Crops
- All Fixtures
- All Farm Equipment and Farm Products (including Livestock)
PURCHASE MONEY SECURITY INTEREST IN ONE BOIM VSCRX SYSTEMS WITH ALL ITS ACCESSORIES
(SEE EXHIBIT A.)

Borrower agrees to insure the collateral for at least \$ _____, on a (check which applies) Replacement value cash value.

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Definitions.

- 1.1 **Indebtedness.** "indebtedness" shall mean all amounts now or hereafter owed by Borrower to Bank, whether or not evidenced by a promissory note or notes and whether direct, indirect, or contingent.
- 1.2 **Related Documents.** The "Related Documents" shall mean (check which apply, if any)
 - promissory note dated JULY 2, 1984,
 - loan agreement dated _____,
 - hypothecation agreement dated _____,
 - guaranty dated _____,
 - collateral agreement dated _____,
 - trust deed dated _____,
 - mortgage dated _____,
 together with all other documents executed in connection with this security agreement.
- 1.3 **Collateral.** The "Collateral" shall be the collateral described above, whether now owned or hereafter acquired, whether now existing or hereafter, arising; and wherever located; and
 - (a) All accessions, parts, or additions to and all replacements of and substitution for any of the property described in the preceding subparagraph; and
 - (b) All proceeds (including insurance proceeds) from the sale or other disposition of any of the property described in the preceding subparagraphs.
 - (c) In addition to all liens upon, and rights of setoff against the moneys, securities, or other property of Borrower given to Bank by law, Bank shall have a security interest in and a right of setoff against all moneys, securities, and other property of Borrower now or hereafter in the possession of or on deposit with Bank, whether held in a general or special account or deposit, or for safekeeping or otherwise; and every such security interest and right of setoff may be exercised without demand upon or notice to Borrower. No security interest or right of setoff shall be deemed to have been waived by any act or conduct on the part of Bank, or by any neglect to exercise such right of setoff or to enforce such security interest, or by any delay in so doing; and every right of setoff and security interest shall continue in full force and effect until such right of setoff or security interest is specifically waived or released by an instrument in writing executed by Bank.

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2. Obligations of Borrower.

Borrower warrants and covenants:

2.1 Perfection of Security Interest. Borrower agrees to execute financing statements and to take whatever other action is requested by Bank to perfect and continue Bank's security interest in the Collateral. Upon request of Bank, Borrower will deliver to Bank any and all documents evidencing or constituting the Collateral, and Borrower will note Bank's interest upon any and all chattel paper. Borrower hereby appoints Bank the Borrower's attorney in fact for the purpose of executing any documents necessary to perfect to continue the security interest granted herein. Bank may at any time, and without further authorization from Borrower, file copies of this Security Agreement as a financing statement. Borrower will reimburse Bank for all expenses for perfecting or continuing this security interest.

2.2 Removal of Collateral. To the extent the Collateral consists of tangible property, Borrower warrants that the Collateral is located at 185 BERRY STREET, SAN FRANCISCO, CA. 94107

(or if not completed, at Borrower's address set forth above).

To the extent the Collateral consists of intangible property, such as accounts, the records concerning the Collateral will be kept at

(or if not completed, at Borrower's address set forth above).

Except in the ordinary course of its business within the county in which the collateral is located, Borrower shall not remove the Collateral from its location without the prior written consent of Bank, which shall not be unreasonably withheld. To the extent the Collateral constitutes vehicles, and except for sales of inventory in the ordinary course of its business, Borrower shall not take or permit any action which would require registration of the vehicles outside of the state in which the Bank is located, without the prior written consent of Bank.

2.3 Transactions Involving Collateral. Except for inventory sold or accounts collected in the ordinary course of Borrower's business, Borrower shall not sell, offer to sell, or otherwise transfer the Collateral. Borrower shall not pledge mortgage, encumber or otherwise permit the Collateral to be subject to any lien, security interest, or charge, other than the security interest provided for herein, without the prior written consent of Bank.

2.4 Title. Borrower warrants that it holds marketable title to the Collateral subject only to the lien of this Security Agreement. Borrower shall defend Bank's rights against the claims and demands of all persons.

2.5 Compliance With Laws. Borrower warrants that its use of the Collateral complies with all existing applicable laws, ordinances, and regulations of governmental authorities.

2.6 Use. Borrower shall keep the Collateral in first class condition and repair. Borrower will not commit or permit damage to or destruction of the Collateral or any part thereof.

2.7 Taxes, Assessments and Liens. Borrower will pay when due all taxes, assessments, and liens upon the Collateral, its use or operation, upon this Security Agreement, or upon any promissory notes evidencing the indebtedness. Borrower may withhold any such payment or may elect to contest any lien if Borrower is in good faith conducting appropriate proceedings to contest the obligation to pay and so long as Bank's interest in the Collateral is not jeopardized. If the Collateral is subjected to a lien which is not discharged within 15 days, Borrower shall deposit with Bank cash, a sufficient corporate surety bond or other security satisfactory to Bank in an amount adequate to provide for the discharge of the lien plus any interest, costs, attorneys' fees or other charges that could accrue as a result of foreclosure or sale. In any contest Borrower shall defend itself and Bank and shall satisfy any final adverse judgment before enforcement against the Collateral. Borrower shall name Bank as an additional obligee under any surety bond furnished in the contest proceedings.

2.8 Compliance With Governmental Requirements. Borrower shall comply promptly with all laws, ordinances and regulations of all governmental authorities applicable to the use of the Collateral. Borrower may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Bank's interest in the Collateral is not jeopardized.

2.9 Maintenance of Casualty Insurance. Borrower shall procure and maintain policies of fire insurance with standard extended coverage on basis covering the Collateral on the basis and in at least the amount described above, and with loss payable to Bank. Policies shall be written by insurance companies reasonably acceptable to Bank. Borrower shall deliver to Bank certificates of coverage from each insurer containing a stipulation that coverage will not be cancelled or diminished without a minimum of 30 days written notice to Bank.

2.10 Application of Insurance Proceeds. Borrower shall promptly notify Bank of any loss or damage to the Collateral or any portion thereof having a fair market value in excess of \$1,000. Bank may make proof of loss if Borrower fails to do so within 15 days of the casualty. All proceeds of any insurance on the Collateral shall be held by Bank as part of the Collateral. If Borrower and Bank agree to repair or replace the damaged or destroyed Collateral, Bank shall, upon satisfactory proof of restoration, pay or reimburse Borrower from the proceeds for the reasonable cost of repair or restoration. If Borrower and Bank do not agree to restore the Collateral, Bank shall retain a sufficient amount of the proceeds to pay all of the indebtedness, and shall pay the balance to Borrower. Any proceeds which have not been paid out within 180 days after their receipt and which Borrower has not used for the repair or restoration of the Collateral, shall be used to prepay the indebtedness.

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2.1.7 **Borrower's Report On Insurance.** requested by Bank within 60 days after the close of Borrower's fiscal year, Borrower shall furnish to Bank a report on each existing policy of insurance showing:

- (a) the name of the insurer;
- (b) the risks insured;
- (c) the amount of the policy;
- (d) the property insured;
- (e) the then current value on the basis of which insurance has been obtained, and the manner of determining that value; and
- (f) the expiration date of the policy. Borrower shall upon request have an independent appraiser satisfactory to Bank determine, as applicable, the cash value or replacement cost of the Collateral.

Borrower's Right to Possession.

Until default, Borrower may have possession of the tangible personal property and beneficial use of all of the Collateral and may use it in any lawful manner not inconsistent with this Security Agreement or the Related Agreements.

Expenditures by Bank.

If not discharged or paid by Borrower when due, Bank may discharge taxes, liens, security interests, or other encumbrances at any time levied or placed on the Collateral, may pay for insurance on the Collateral, and may pay for maintenance and preservation of the Collateral. All such payments shall become a part of Borrower's obligation secured hereby, payable on demand, with interest at the maximum rate permitted by law from date of expenditure until repaid. Such right shall be in addition to any other rights or remedies to which Bank may be entitled on account of default.

Events of Default.

Borrower shall be in default under this Agreement upon:

- (a) Failure to make any payment of the Indebtedness when due; or
- (b) Failure to comply within 15 days after written notice from Bank demanding compliance with any term, obligation, covenant or condition contained herein (or in any of the Related Agreements); provided, if compliance is not possible within 15 days, default shall occur upon failure within 15 days to take steps that will produce compliance as soon as is reasonably practical; or
- (c) Any warranty, representation, or statement made or furnished to Bank by or on behalf of Borrower proving to have been false in any material respect when made or furnished; or
- (d) Dissolution or termination of Borrower's existence as a going business, insolvency, appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower; or
- (e) Commencement of foreclosure, whether by judicial proceeding, self-help, repossession, or any other method, by any creditor of Borrower against any of the Collateral, but this subsection shall not apply in the event of a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the foreclosure suit, provided that Borrower provides Bank with written notice of such claim and provides adequate reserves therefor.

Rights of Bank.

6.1 **Rights Prior To Default or Thereafter.** Bank and its designated representatives or agents may at all reasonable times examine and inspect the Collateral, wherever located.

6.2 **Rights Upon Default or Thereafter.** Upon default, or if Bank reasonably deems itself insecure, Bank may exercise any one or more of the following rights and remedies in addition to any other rights or remedies that may be available at law, in equity, or otherwise.

6.2.1 Bank may declare the entire Indebtedness including any prepayment penalty which Borrower would be required to pay, immediately due and payable.

6.2.2 Bank may require Borrower to deliver to Bank all or any portion of the Collateral and any and all certificates of title and other documents relating thereto. Bank may require Borrower to assemble the Collateral and make it available to Bank at a place to be designated by Bank which is reasonably convenient to both parties. Bank also shall have full power to enter upon the property of Borrower to take possession of and remove the Collateral.

6.2.3 Bank shall have full power to sell, lease, transfer, or otherwise deal with the Collateral or proceeds thereof in its own name or that of Borrower. Bank may sell the Collateral at public auction. Unless the Collateral threatens to decline speedily in value or is of the type customarily sold on a recognized market, Bank will give Borrower reasonable notice of the time after which any private sale or any other intended disposition thereof is to be made. The requirements of reasonable notice shall be met if such notice is mailed by registered or certified mail, postage prepaid, to the address of Borrower stated in this Agreement at least 10 days before the time of the sale or disposition. Borrower shall be liable for expenses of retaking, holding, preparing for sale, selling, or the like.

6.2.4 Bank may have a receiver appointed as a matter of right. The receiver may be an employee of Bank and may serve without bond. All fees of the receiver and his attorney shall be secured hereby.

6.2.5 Bank may revoke Borrower's right to collect the rents and revenues from the Collateral, and may, either itself or through a receiver, collect the same. To facilitate collection, Bank may notify any account debtors of Borrower to pay directly to Bank.

6.2.6 Bank may obtain a judgment for any deficiency remaining in the Indebtedness due to Bank after application of all amounts received from the exercise of the rights provided in this section. Borrower shall be liable for a deficiency even if the underlying transaction is a sale of accounts or chattel paper.

6.2.7 Bank shall have and may exercise any or all of the rights and remedies of a secured creditor under the provisions of the

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7. Waiver.

Bank shall not be deemed to have waived any rights hereunder (or under the Related Agreements) unless such waiver be in writing and signed by Bank. No delay or omission on the part of Bank in exercising any right shall operate as a waiver of such right or any other right. A waiver by any party of a breach of a provision of this Security Agreement shall not constitute a waiver of or prejudice the party's right otherwise to demand strict compliance with that provision or any other provision.

8. Remedies Cumulative.

All of the Bank's rights and remedies, whether evidenced hereby or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by Bank to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or take action to perform an obligation of Borrower under this Agreement after Borrower's failure to perform shall not affect Bank's right to declare a default and exercise its remedies under Section 6.

9. Successor Interests.

This Security Agreement shall be binding upon and inure to the benefit of the parties, their successors, and assigns, but whenever there is no outstanding indebtedness, Borrower may terminate this Agreement upon written notice to Bank.

10. Notice.

Any notice under this Agreement shall be in writing and shall be effective when actually delivered or when deposited in the mail, registered or certified, addressed to the parties at the addresses stated herein or such other addresses as either party may designate by written notice to the other.

11. Expenses, Costs, and Attorneys' Fees.

In the event Bank is required to commence any suit or action to enforce any of the terms of this Security Agreement, Bank shall be entitled to recover from Borrower reasonable attorneys' fees and legal expenses at trial and also such fees and expenses on appeal, in addition to all other sums provided by law. In the event that Bank is otherwise required to incur any expenses whatsoever to protect or enforce its rights hereunder, whether or not litigation is commenced, Bank shall be entitled to recover any and all such sums and all incidental expenses, including such reasonable attorneys' fees. All such sums shall be part of the indebtedness secured hereby.

12. Applicable Law.

This Agreement is accepted in and shall be governed by the laws of the state in which the Bank is located.

13. Multiple Parties; Corporate Authority.

If Borrower consists of more than one person or entity, all obligations of Borrower under this agreement shall be joint and several. Where any one or more of Borrowers are corporations or partnerships it is not necessary for Bank to inquire into the powers of Borrowers or the officers, directors, partners, or agents acting or purporting to act on their behalf, and any indebtedness made or created in reliance upon the professed exercise of such powers shall be guaranteed hereunder.

14. Special Provisions:

65040561576

IN WITNESS WHEREOF, the parties have executed this instrument, as of the day and year first above written.

BANK:

CALIFORNIA NATIONAL BANK
By [Signature]
PETER MOK - VICE PRESIDENT & SENIOR CREDIT OFFICER

BORROWER:

AMERICANS WITH HART, INC.
By [Signature]
MICHAEL L. CHEROUTS - PRESIDENT

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This FINANCING STATEMENT is presented for filing pursuant to the California Uniform Commercial Code.

1. DEBTOR (LAST NAME FIRST—IF AN INDIVIDUAL) AMERICANS WITH HART, INC.		1A. SOCIAL SECURITY OR FEDERAL TAX NO. 84-082491 2	
1B. MAILING ADDRESS 1670 BROADWAY, STE. 2500		1C. CITY, STATE Denver, Colorado	1D. ZIP CODE 80202
2. ADDITIONAL DEBTOR (IF ANY) (LAST NAME FIRST—IF AN INDIVIDUAL) /		2A. SOCIAL SECURITY OR FEDERAL TAX NO.	
2B. MAILING ADDRESS		2C. CITY, STATE	2D. ZIP CODE
3. DEBTOR'S TRADE NAMES OR STYLES (IF ANY)		3A. FEDERAL TAX NUMBER	
4. SECURED PARTY NAME CALIFORNIA NATIONAL BANK MAILING ADDRESS 601 MONTGOMERY STREET CITY SAN FRANCISCO STATE CA. ZIP CODE 94111		4A. SOCIAL SECURITY NO., FEDERAL TAX NO. OR BANK TRANSIT AND A.B.A. NO. 11-3826/1210	
5. ASSIGNEE OF SECURED PARTY (IF ANY) NAME MAILING ADDRESS CITY STATE ZIP CODE		5A. SOCIAL SECURITY NO., FEDERAL TAX NO. OR BANK TRANSIT AND A.B.A. NO.	

6. This FINANCING STATEMENT covers the following types or items of property (include description of real property on which located and owner of record when required by instruction 4).
PURCHASE MONEY SECURITY INTEREST IN ONE ROLM VSCBX SYSTEM WITH ALL ITS ACCESSORIES INCLUDING BUT NOT LIMITED TO 37 FLASHPHONES; 17 ROLM PHONE 240; 8RQDLM PHONE 240 WITH HEADSET; 30 SINGLE LINE STANDARD WALL MODELS; 30 AMPLIFIED HANDSETS; 2 STARDSET II; AND 30 CONFIDENCER

7
0
5
6
1
5
7

7. CHECK IF APPLICABLE <input checked="" type="checkbox"/>	7A. <input checked="" type="checkbox"/> PRODUCTS OF COLLATERAL ARE ALSO COVERED	7B. DEBTOR(S) SIGNATURE NOT REQUIRED IN ACCORDANCE WITH INSTRUCTION 5 (B) ITEM: <input type="checkbox"/> (1) <input type="checkbox"/> (2) <input type="checkbox"/> (3) <input type="checkbox"/> (4)
8. CHECK IF APPLICABLE <input checked="" type="checkbox"/>	8. DEBTOR IS A "TRANSMITTING UTILITY" IN ACCORDANCE WITH UCC § 9105 (1) (B) <input type="checkbox"/>	

9. DATE: _____ SIGNATURE(S) OF DEBTOR(S): <p style="text-align: center;">MICHAEL CHEROUTES-PRESIDENT</p> TYPE OR PRINT NAME(S) OF DEBTOR(S): <p style="text-align: center;">AMERICANS WITH HART, INC.</p> SIGNATURE(S) OF SECURED PARTY(IES): <p style="text-align: center;"><i>[Signature]</i></p> TYPE OR PRINT NAME(S) OF SECURED PARTY(IES): <p style="text-align: center;">PETER NOK-VICE PRESIDENT & SENIOR CREDIT OFFICER</p> <p style="text-align: center;">CALIFORNIA NATIONAL BANK</p>	C O D E 1 2 3 4 5 6 7 8 9 0	10. THIS SPACE FOR USE OF FILING OFFICER (DATE, TIME, FILE NUMBER AND FILING OFFICER)
--	--	---

11. Return copy to:

NAME	CALIFORNIA NATIONAL BANK
ADDRESS	601 MONTGOMERY ST.
CITY	SAN FRANCISCO, CA 94111
STATE	
ZIP CODE	

156

This FINANCING STATEMENT is presented for filing pursuant to the California Uniform Commercial Code.

1. DEBTOR (LAST NAME FIRST—IF AN INDIVIDUAL) AMERICANS WITH HART, INC.		1A. SOCIAL SECURITY OR FEDERAL TAX NO. 24-088491 2	
1B. MAILING ADDRESS 1470 BROADWAY, SUITE 2500		1C. CITY, STATE DENVER, COLORADO	1D. ZIP CODE 80202
2. ADDITIONAL DEBTOR (IF ANY) (LAST NAME FIRST—IF AN INDIVIDUAL)		2A. SOCIAL SECURITY OR FEDERAL TAX NO.	
2B. MAILING ADDRESS		2C. CITY, STATE	2D. ZIP CODE
3. DEBTOR'S TRADE NAMES OR STYLES (IF ANY)		3A. FEDERAL TAX NUMBER	
4. SECURED PARTY NAME CALIFORNIA NATIONAL BANK MAILING ADDRESS 601 MONTGOMERY STREET CITY SAN FRANCISCO STATE CALIFORNIA ZIP CODE 94111		4A. SOCIAL SECURITY NO., FEDERAL TAX NO., OR BANK TRANSIT AND A.D.A. NO. 11-3826/1210	
5. ASSIGNEE OF SECURED PARTY (IF ANY) NAME MAILING ADDRESS CITY STATE ZIP CODE		5A. SOCIAL SECURITY NO., FEDERAL TAX NO., OR BANK TRANSIT AND A.D.A. NO.	

6. This FINANCING STATEMENT covers the following types or items of property (include description of real property on which located and owner of record when required by instruction 4).
PURCHASE MONEY SECURITY INTEREST IN ONE ROLM VSCBX SYSTEM WITH ALL ITS ACCESSORIES INCLUDING BUT NOT LIMITED TO 37 FLASHPHONES: 17 ROLM PHONE 240; 8 ROLM PHONE 240 WITH HEADSET; 30 SINGLE LINE STANDARD WALL MODELS; 30 AMPLIFIED HANDSETS; 2 STARTSET II; AND 30 CONFIDENCERS.

7. CHECK IF APPLICABLE <input checked="" type="checkbox"/>	7A. <input checked="" type="checkbox"/> PRODUCTS OF COLLATERAL ARE ALSO COVERED	7B. DEBTOR(S) SIGNATURE NOT REQUIRED IN ACCORDANCE WITH INSTRUCTION 5 (2) ITEM: <input type="checkbox"/> (1) <input type="checkbox"/> (2) <input type="checkbox"/> (3) <input type="checkbox"/> (4)
--	---	--

8. CHECK IF APPLICABLE <input checked="" type="checkbox"/>	<input type="checkbox"/> DEBTOR IS A "TRANSMITTING UTILITY" IN ACCORDANCE WITH UCC § 9105 (1) (n)
--	---

9. DATE: 7-2-84		10. THIS SPACE FOR USE OF FILING OFFICER (DATE, TIME, FILE NUMBER AND FILING OFFICER)
SIGNATURE(S) OF DEBTOR(S) MICHAEL CHEROUTES-PRESIDENT		
TYPE OR PRINT NAME(S) OF DEBTOR(S) AMERICANS WITH HART, INC.		
SIGNATURE(S) OF SECURED PARTY(IES) PETER HOK-VICE PRESIDENT & SENIOR CREDIT OFFICER		
TYPE OR PRINT NAME(S) OF SECURED PARTY(IES) CALIFORNIA NATIONAL BANK		
11. Return copy to:		
NAME	CALIFORNIA NATIONAL BANK	
ADDRESS	601 MONTGOMERY ST.	
CITY	SAN FRANCISCO, CA 94111	
STATE		
ZIP CODE		

00561573

159

0 5 0 4 0 5 6 1 5 7 9
LOAN DISBURSEMENT INSTRUCTIONS



TO THE BOARD OF DIRECTORS

SAN FRANCISCO

41,995.00

N/A

AMERICANS WITH HART, INC. AND ROLM CORPORATION

15,899.00

CREDIT

No

PAY

Balance Forward

PAID BY CHECK

AMERICANS WITH HART, INC.

MICHAEL L. CHEROUTES - PRESIDENT

SC-100

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LOAN DISBURSEMENT INSTRUCTIONS



TO: CALIFORNIA NATIONAL BANK

SAN FRANCISCO

NO. 100100

7-2 1984

PLEASE DISBURSE THE PROCEEDS OF THIS LOAN AS INDICATED BELOW

\$ 41,995.00

\$ N/A

AMERICANS WITH HART, INC. AND ROLM CORPORATION

\$ 26,096.00

XXXXXXXXXXXXX CASHIER'S CHECK

114768

CREDIT

85040561530

AMERICANS WITH HART, INC.

MICHAEL L. CHEROUTES-PRESIDENT

SIGNATURE

SIGNATURE

159

acord

Certificate of Insurance

THIS CERTIFICATE DOES NOT

ALTER OR ALTER THE COVERAGE AFFORDED

BY THE POLICIES LISTED BELOW

J.H. Silversmith, Inc.
825 E Speer Blvd
Denver, CO 80218

Americans With Hart, Inc.
185 Berry St #363
San Francisco, CA 94107

COMPANIES AFFORDING COVERAGES

- A Aetna C & S
- B
- C
- D
- E

Notwithstanding any other terms, conditions, exclusions or limitations of any policy, the coverage provided hereunder shall be subject to all the terms, conditions, exclusions and limitations of the policies described herein.

Limits of Liability in Thousands (000)

A	X	19SM848746FCA	3/1/85		
	X				
	X				
	X				
	X				
	X				1,000
	X				1,000

A Personal Property 19SM848746FCA 3/1/85 \$42,000. PBX system made by Rol

Theft and Fire coverage provided

30

California National Bank
601 Montgomery Street
San Francisco, CA 94111

6/22/84

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AUTHORIZED REPRESENTATIVE
J.H. Silversmith, Inc.

LOAN RESOLUTION

The undersigned hereby certifies that he is the duly elected Secretary of Americans With Hart, Inc., a non-profit corporation duly organized and existing under the laws of the State of Colorado; that the following is a true and correct copy of a resolution duly adopted by the Board of Directors on June 11, 1984; that such resolution has not been rescinded, modified or amended, and is now in full force and effect; and that such resolution appears in the minute book of such corporation.

RESOLVED that Michael L. Cheroutes is hereby authorized to enter into a loan on behalf of Americans With Hart, Inc., from California National Bank, in the maximum principal amount of \$65,000, on such terms as he may determine and to execute on behalf of the corporation all instruments in connection therewith as may be required.

WITNESS my hand and the seal of the corporation this June 11, 1984.

Michael R. Moon
Secretary

(SEAL)

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85040561532

LOAN RESOLUTION

The undersigned hereby certifies that he is the duly elected Secretary of Americans With Hart, Inc., a non-profit corporation duly organized and existing under the laws of the State of Colorado; that the following is a true and correct copy of a resolution duly adopted by the Board of Directors on June 11, 1984; that such resolution has not been rescinded, modified or amended, and is now in full force and effect; and that such resolution appears in the minute book of such corporation.

RESOLVED that Michael L. Cheroutes is hereby authorized to enter into a loan on behalf of Americans With Hart, Inc., from California National Bank, in the maximum principal amount of \$65,000, on such terms as he may determine and to execute on behalf of the corporation all instruments in connection therewith as may be required.

WITNESS my hand and the seal of the corporation this June 11, 1984.

Michael L. Horn
Secretary

(SEAL)

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35040561585

AMERICANS WITH HART, INC.
 SCHEDULE A
 OF
 EQUIPMENT PURCHASE AGREEMENT

ITEM DESCRIPTION

1 ROLM VSCBX

A. Cabinet(s), Power Supplies, and Electronic Circuitry for:

	<u>Estimated Working At Cutover</u>	<u>Equipped For</u>	<u>Wired For</u>	
*Single Line Extensions	31	31	32	
Modem	1	1	1	
CO, FX, & WATS Lines	24	24	24	
Attendant Console(s)	1	1	1	
DTMF	4	4	4	
1.58.00 ROLMphone 240H Extensions	8	8	8	@ 568.00
ROLMphone 120 Extensions	0	7	16	@
ROLMphone 240 Extensions	17	17	17	@ 510.00

B. Software Features

- Advanced Features
- System Forwarding
- Expanded Traffic
- Direct Inward Dialing
- Callback and Standby Queuing
- Floppy Program Load
- Toll Restriction (3-digit Table-driven)
- Toll Restriction (0/1 Type)

2 STATION EQUIPMENT

Flashphone (single line phone)

Quantity

x 37

ROLMphone 240

17

ROLMphone 240 w/headset

8

headsets @ \$215.00

163

85040561584

Starset II w/Volume Control	2
Amplified Handset, Jack Modular	30 @ 84.00
External Bypass	1

3 OTHER EQUIPMENT & ACCESSORIES

	<u>Quantity</u>
Confidencers	30 @ 59.00
100 Pair Feeder Cable	1000'
Half Yellow Backboards	2
Full Mushroom Backboards	2

4 System Price \$65,239

*The prices quoted above are effective for 90 days beginning June 1, 1984.

This proposal assumes that the customer will provide necessary space, electrical circuits, and environmental requirements suitable to those specified for the ROLM CBX to accommodate installation. In addition, ROLM California will expect free and clear access to existing conduit or the placement of new conduit, if necessary, to all stations, floors, building, etc., to complete installation. If a PT&T cable buy is elected by the customer, ROLM California assumes no liabilities for the condition of or repairs necessary, if needed to the cable purchased.

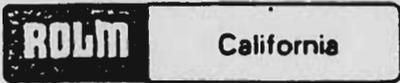
Wire from Pac Tel to trailers = \$1,216.00

Add 30 extensions = \$6,622.00
10 = 2~3K

*15~30 handsets = 15*84 \$1,260.00*
*Confidencers = 15*59 \$ 885.00*
Common Equip = \$2,500.00

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85040561585



4500 GREAT AMERICA PKWY.
SANTA CLARA, CA 95050

NEW

Agreement No. 1095174

EQUIPMENT PURCHASE AGREEMENT

This Agreement is made this 7th day of June, 19 84 between ROLM California, 4500 Great America Pkwy., Santa Clara, California 95050 ("RM"), and Americans with Hart, Inc. ("Customer").

In consideration of the mutual agreements contained herein, RM agrees to sell to Customer, and Customer agrees to purchase from RM, the telephone and other equipment set forth on Schedule A (the "Equipment"), on the following terms and conditions.

PURCHASE PRICE AND PAYMENT TERMS

The Purchase Price of the Equipment is	\$ <u>65,239</u>
plus all applicable taxes, equal to	\$ _____
for a total of	\$ <u>65,239</u>

Customer agrees to pay for the Equipment as follows:

20% of the Purchase Price upon execution of this Agreement;	\$ <u>13,047</u>
40% of the Purchase Price upon delivery of the Equipment to the Premises;	\$ <u>26,096</u>
30% of the Purchase Price on the Date of Cutover;	\$ <u>19,572</u>
10% of the Purchase Price plus all taxes within fifteen (15) days after the Date of Cutover	\$ <u>6,524</u>

The Purchase Price of the Equipment shall be subject to adjustment in the event of any mutually agreeable changes made to Schedule A, including the addition or deletion of items of Equipment and any specifications, attachments, or features.

ADDITIONAL TERMS AND CONDITIONS INCLUDED ON REVERSE SIDE ARE AN INTEGRAL PART OF THIS AGREEMENT.

CUSTOMER
Americans with Hart, Inc.

ROLM CALIFORNIA

BY _____

BY [Signature]

TITLE _____

TITLE [Signature]

DATE _____

DATE 6/12/84

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EQUIPMENT PURCHASE AGREEMENT

This Agreement is made this 7th day of June 19 84 between ROLM California, 4500 Great America Pkwy., Santa Clara, California 95050 ("RM"), and Americans with Hart, Inc. ("Customer").

In consideration of the mutual agreements contained herein, RM agrees to sell to Customer, and Customer agrees to purchase from RM, the telephone and other equipment set forth on Schedule A (the "Equipment"), on the following terms and conditions.

PURCHASE PRICE AND PAYMENT TERMS

The Purchase Price of the Equipment is	\$ <u>65,239</u>
plus all applicable taxes, equal to	\$ _____
for a total of	\$ <u>65,239</u>

Customer agrees to pay for the Equipment as follows:

- 20% of the Purchase Price upon execution of this Agreement \$ 13,047
- 40% of the Purchase Price upon delivery of the Equipment to the Premises \$ 26,096
- 30% of the Purchase Price on the Date of Cutover \$ 19,572
- 10% of the Purchase Price plus all taxes within fifteen (15) days after the Date of Cutover \$ 6,524

The Purchase Price of the Equipment shall be subject to adjustment in the event of any mutually agreeable changes made to Schedule A, including the addition or deletion of items of Equipment and any specifications, attachments, or features.

ADDITIONAL TERMS AND CONDITIONS INCLUDED ON REVERSE SIDE ARE AN INTEGRAL PART OF THIS AGREEMENT.

CUSTOMER
Americans with Hart, Inc.

ROLM CALIFORNIA

BY [Signature]

BY _____

TITLE President

TITLE _____

DATE 6/7/84

DATE _____

1660

8 5 0 4 0 5 6 1 5 9 7

ADDITIONAL TERMS AND CONDITIONS - EQUIPMENT PURCHASE AGREEMENT

1. TITLE TO EQUIPMENT

Customer shall retain title to the Equipment until payment in full of the Purchase Price, plus all applicable taxes, to RM. As long as any part of the Purchase Price due remains outstanding, title to the Equipment shall remain with RM, and RM shall retain a security interest in the Equipment until all amounts due are paid in full. Customer agrees to execute any documents which may be necessary or appropriate to perfect RM's security interest in the Equipment.

2. TITLE TO EQUIPMENT, SECURITY INTEREST, RISK OF LOSS

Customer shall retain title to the Equipment, including all accretions interest upon payment in full of the Purchase Price, plus all applicable taxes, to RM. As long as any part of the Purchase Price due remains outstanding, title to the Equipment shall remain with RM, and RM shall retain a security interest in the Equipment until all amounts due are paid in full. Customer agrees to execute any documents which may be necessary or appropriate to perfect RM's security interest in the Equipment.

RM shall bear the risk of loss of, or damage to, the Equipment: (a) while it is in transit to Customer's Premises; and (b) while at the Premises until Cutover except for loss or damage caused by Customer's negligence, or from improper storage of the Equipment, or storage in an area not suitable for such equipment. After the Cutover Date, all risk of loss of, or damage to, the Equipment shall be borne by Customer. Nothing herein shall constitute an assumption of title as provided above.

3. CONDITIONS FOR INSTALLATION: ACCESS

Customer shall make available a place in the Premises for installation of the Equipment which meets certain environmental and other specifications including, without limitation, those specifications set forth on Schedule A. Customer shall also permit or arrange for access to the Premises for RM's installation and maintenance personnel, and shall provide a suitable protected area for storage of the Equipment pending its installation. Customer shall supply all supplemental equipment required for the installation; such as, without limitation, conduits, conduits, conduits, conduits, conduits and appropriate access to same.

4. WARRANTY

RM warrants the Equipment against defective parts and workmanship for a period of one (1) year, except as noted on schedule A, after the Cutover Date. Upon notification of a defect, RM shall have the option to repair or replace the defective part of the Equipment, and such repair or replacement shall be Customer's sole and exclusive remedy. All replaced parts will become the property of RM. In addition, for a period of one (1) year after the Cutover Date, RM shall perform, free of charge, all necessary maintenance to keep the Equipment in good working condition and repair, including the furnishing of all necessary labor and materials. RM FURNISHES THIS WARRANTY IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. ANY AND ALL WARRANTIES SHALL BE VOID AS TO EQUIPMENT DAMAGED OR RENDERED UNSERVICEABLE BY NEGLIGENCE OF NON-RM PERSONNEL, MISUSE, THEFT, VANDALISM, FIRE, WATER, OR OTHER PERIL, OR MOVING, REPAIR, MODIFICATION OR ALTERATION OF THE EQUIPMENT NOT AUTHORIZED BY RM. RM SHALL NOT BE LIABLE FOR ANY DAMAGES, INCLUDING CONSEQUENTIAL DAMAGES, OR OTHERWISE, OR COMMERCIAL LOSS FROM ANY CAUSES, INCLUDING PERSONAL INJURY OR PROPERTY DAMAGE, WHICH RESULTS FROM SUCH EQUIPMENT, IN WHICH CASE RM'S LIABILITY IS LIMITED TO THE REPAIR OR REPLACEMENT OF DEFECTIVE PARTS.

Customer shall be responsible for financing the Equipment, all deposits made to RM shall be held in trust for Customer upon payment in full of the Purchase Price, and Customer's payment obligations under the Purchase Price shall then be null and void. If the Equipment is purchased by a third party, the warranty contained in Paragraph 4 shall not extend to Customer.

Customer shall be in default of this Agreement, including, without limitation, its payment obligations, if it fails to pay to RM any amount due and payable, and all unpaid amounts shall, at RM's option, become immediately due and payable. Upon Customer's default, RM shall have all the rights and remedies of a secured party under the Uniform Commercial Code, and any other applicable laws. RM shall be entitled to recover its reasonable attorney's fees and costs of collection associated with enforcing its rights hereunder.

7. UNCONTROLLABLE CIRCUMSTANCES

If the performance of any part of this contract by RM is prevented, hindered, delayed or otherwise made impractical by reason of any flood, riot, fire, strike, epidemic, war or any other cause beyond the control of RM, RM shall be excused from such performance to the extent that a permanent, required or delayed by such causes. Upon the occurrence of any such events, RM shall use its reasonable efforts to notify Customer of the nature and extent of any such disruption. It is also understood that all delivery and installation dates and the extended Cutover Date are approximate, and RM shall under no circumstances be liable for damages - special, consequential, or otherwise - resulting from delays in delivery, installation or Cutover.

8. SEVERABILITY

In the event of invalidity of any portion of this Agreement, the parties agree that such invalidity shall not affect the validity of the remaining portions of the Agreement, and RM and Customer shall endeavor to fix the invalid provision a valid provision which most closely approximates the original intent and effect of the invalid provision.

9. ENTIRE AGREEMENT

This Agreement, together with the Schedule A, and all documents and exhibits attached hereto, constitute the entire agreement between the parties. This Agreement shall be governed by the laws of the State of California.

Each party hereby certifies that they have read the above and agree to be bound by this Agreement and that this Agreement constitutes a valid and binding obligation of each party.

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RoIm Northern California
 4500 Great America Parkway
 Santa Clara, CA 95050

INVOICE NO. 46503

CUSTOMER NO.

BILL TO

Americans with Hart, Inc.
 185 Berry St., BLDG 2, Suite 363
 San Francisco, CA 94107
 (China Basin Bld G)
 ATTN Mike Cherotes

SHIP TO:

DATE		SHIP VIA		F.O.B.		TERMS	
PURCHASE ORDER NUMBER		ORDER DATE		SALES PERSON		OUR ORDER NUMBER	
QTY. REQ.	QUANTITY SHIPPED	BOYS	ITEM NUMBER	DESCRIPTION	UNIT PRICE	EXTENDED PRICE	
350405615				40% upon Delivery		\$26,096.00	
				TOTAL INVOICE		\$26,096.00	

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Roim Northern California
 4500 Great America Parkway
 Santa Clara, CA 95050

INVOICE NO. 46504

CUSTOMER NO.

BILL TO: Americans with Hart, Inc.
 185 Berry St., BLDG 2, Suite 363
 China Basin Bld G
 San Francisco, CA 94107

SHIP TO:

ATTN Mike Cherotes

DATE	SHIP VIA	F.O.B.	TERMS
6/14/84			
PURCHASE ORDER NUMBER	ORDER DATE	SALES PERSON	OUR ORDER NUMBER

QTY. REQ.	QUANTITY	ITEM NUMBER	DESCRIPTION	UNIT PRICE	EXTENDED PRICE
	SHIPPED				
			30% upon Cutover		\$19,572.00
			TOTAL INVOICE		\$19,572.00

85040361

169

Roim Northern California
 4500 Great America Parkway
 Santa Clara, Ca 95050

INVOICE NO. 46505

CUSTOMER NO.

BILL TO Americans with Hart, Inc.
 185 Berry St. Bldg 2, Suite 363
 China Basin Bld G
 San Francisco, CA 94107

SHIP TO:

ATTN Mike Cherotes

DATE		SHIP VIA		F.O.B.		TERMS	
6/14/84							
PURCHASE ORDER NUMBER			ORDER DATE		SALES PERSON		OUR ORDER NUMBER
QTY. REQ.	QUANTITY	SHIPPED	ITEM NUMBER	DESCRIPTIONS		UNIT PRICE	EXTENDED PRICE
850405615				Final EPA Billing			
				Materials			\$65,239.00
				Sub Total			\$65,239.00
				Amounts Previously Invoiced			
				Deposit ——— Paid Byck #1007			(13,047.00)
				Invoice #46503			(26,096.00)
				Invoice #46504			(19,572.00)
				TOTAL INVOICE			\$ 6,524.00

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APPLICATION FOR CREDIT



Business Loan

Amount of Credit Added For \$ 42,000 at 601 Montgomery, San Francisco, California

AN APPLICANT WHETHER MARRIED, UNMARRIED, OR SEPARATED MAY APPLY FOR A SEPARATE ACCOUNT.

FIRM NAME OR TRADE STYLE <u>American Wild Hart, Inc.</u>	<input type="checkbox"/> SOLE PROPRIETORSHIP <input type="checkbox"/> PARTNERSHIP <input checked="" type="checkbox"/> CORPORATION	DATE INCORPORATED <u>8/3/82</u> INCORPORATED <u>4/19/83</u>
BUSINESS ADDRESS AND STREET CITY, ST. COOP <u>1690 Broadway Suite 2500</u> <u>Denver, Colorado 80202</u>	BUSINESS PHONE <u>303-831-6500</u>	
KIND OF BUSINESS <u>Political Campaign</u>	FEDERAL TAX NUMBER <u>84-0884913</u>	DATE ESTABLISHED <u>8/3/83</u> INCORPORATED <u>4/19/83</u>

Purpose of Loan:

THE FUNDS APPLIED FOR WILL BE USED AS FOLLOWS: Purchase of ROLN KSCBX and related station ^{and other} equipment, as attached (See "Equipment")

Repayment Program

THE LOAN, IF GRANTED, WILL BE REPAYED IN THE FOLLOWING MANNER: Principal + interest on December 15, 1984

THE SOURCE OF REPAYMENT IS TO BE FROM Proceeds from sale of Equipment

Collateral Security and Guarantors

EQUIPMENT/PERSONAL PROPERTY DESCRIBED AS: <u>Equipment</u>	CURRENT VALUE
_____	\$ <u>55,953</u>
REAL PROPERTY DESCRIBED AS _____	\$ _____
OTHER _____	\$ _____
	NET WORTH
GUARANTORS _____	\$ _____
_____	\$ _____
_____	\$ _____

Business References

BANKS <u>Security Pacific National Bank</u>	TRADE SUPPLIERS _____
<u>S.F. Main Office</u>	_____
FINANCE COMPANIES _____	OTHER _____

85040561592

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85040561595

Business Resume *See financial statement*

NET WORTH*	PREVIOUS YEAR END	YEAR PRIOR	ANNUAL SALES	LAST FISCAL YEAR	YEAR PRIOR
\$	\$	\$	\$	\$	\$
(If Sole Proprietor; OWNER'S OUTSIDE NET WORTH	AS OF DATE:		BUSINESS INCOME**	LAST FISCAL YEAR	YEAR PRIOR
\$			\$	\$	\$

* Attach supporting financial statement on own or bank forms.
 ** Income before depreciation, after taxes, withdrawals and dividends.

LEASES ON PREMISES, EQUIPMENT, ETC (Give full details of terms, renewal options and rental payments): _____

Insurance Statement *See attached*

Indicate which of the following coverages are carried:

- FIRE INSURANCE ON:
- Residence \$ _____ ✓
 - Business Property \$ _____
 - Merchandise \$ _____
 - Machinery, Furniture, Fixtures \$ _____
 - BUSINESS INTERRUPTION \$ _____
 - EMPLOYERS LIABILITY \$ _____
 - FIDELITY \$ _____
- BURGLARY OR ROBBERY \$ _____
 - EARTHQUAKE \$ _____
 - EXPLOSION (INCLUDING BOILERS) \$ _____
 - AUTOMOBILE BODILY INJURY \$ _____
 - AUTOMOBILE PROPERTY DAMAGE \$ _____
 - AUTOMOBILE FIRE AND THEFT \$ _____
 - (Comprehensive?) _____
 - AUTOMOBILE COLLISION Kind? _____

* Check if extended coverage is included

LIFE INSURANCE Complete Below:

LIFE INSURANCE COMPANY	BENEFICIARY	FACE AMOUNT	CASH VALUE
_____	_____	\$ _____	\$ _____
_____	_____	\$ _____	\$ _____

Ownership

Owner, Officers, or Partners (If sole ownership, complete Line 1 only)

	NAME	OFFICIAL TITLE IF ANY	INTEREST IN BUSINESS	PERSONAL NET WORTH OUTSIDE OF BUSINESS
1	<i>Michael G. Chroust</i>	<i>President</i>	<i>N/A %</i>	<i>\$ N/A</i>
2	_____	_____	_____ %	\$ _____
3	_____	_____	_____ %	\$ _____
4	_____	_____	_____ %	\$ _____

THIS STATEMENT MUST BE SIGNED BY EACH PERSON NAMED IN LINES NUMBERED 1 THROUGH 4, ABOVE

Release of Credit Information

For value received and in consideration for the granting of any loan or the extension of any credit (collectively referred to herein as "Credit") by California National Bank (the "Bank"), and in the interest of insuring the continuing validity of any guaranty executed on behalf of my/our Credit, I/we hereby authorize the Bank to disclose any information regarding my/our financial condition, including, but not limited to, all financial statements and information concerning my/our creditworthiness, record, and standing, to any prospective and/or actual guarantors of my/our Credit with the Bank, credit bureaus, consumer reporting agencies, other credit reporters, and creditors, at any time prior to, during, or following the Credit. The Bank is hereby authorized to disclose my/our financial information to any or all of the aforementioned persons when it is determined necessary in the best judgement of the Bank and, in so disclosing such information, I/we release and hold Bank harmless from any liability which may result from the disclosure of such information.

To CALIFORNIA NATIONAL BANK

I/WE HEREBY CERTIFY THAT ALL OF THE INFORMATION ON THIS APPLICATION AND ANY ATTACHMENTS IS TRUE AND COMPLETE AND MADE FOR THE PURPOSE OF OBTAINING CREDIT.

Dated at *San Francisco*, California
 on *June 28*, 1984

1 *Michael G. Chroust*
 2 _____
 3 _____

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Amir... Will... H...

FOR BANK
LEAD ONLY

Account Number	Loan Number	Date Note	Due Date	Principal Amount

CORPORATE RESOLUTION TO BORROW OR GUARANTY

I, the undersigned Secretary of _____ a corporation organized and existing under and by virtue of the laws of the State of _____ and whose principal office is located at: _____ do hereby certify that the officers of the corporation are as follows:

Name	Position

I further certify that at a meeting of the Directors of said corporation, duly and regularly called and held on the _____ day of _____, 19____, at which a quorum was present and voting, the following Resolutions were unanimously adopted:

BE IT RESOLVED, that any _____ of the following named officers or employees of this corporation whose actual signatures are shown below:

Name (please type)	Position	Actual Signature

acting for and on behalf of this corporation and as its act and deed, be and they are hereby authorized and empowered:

- (a) To borrow from _____ Office, _____ and on such terms as may be agreed upon between the said officers or employees and said Bank, such sum or sums of money as in their judgment should be borrowed, not exceeding however, at any one time the aggregate amount of _____ (\$ _____).
- (b) To guarantee loan(s) to _____ from _____ Office and on such terms as may be agreed upon between the said officers or employees and said Bank, such sum or sums of money as in their judgment should be guaranteed, not exceeding however, at any one time the aggregate amount of _____ (\$ _____).
- (c) To execute and deliver to said Bank the promissory note or notes of this corporation, on forms which may be by said Bank submitted, at such rates of interest and on such terms as may be agreed upon, evidencing the sums of money so borrowed or any indebtedness of this corporation which may be to said Bank incurred; and also to execute and deliver to said Bank any renewal or renewals of said notes, or any of them, or of any part thereof.
- (d) To mortgage, pledge, hypothecate or otherwise encumber and deliver to said Bank, as security for the payment of any loans so obtained or any promissory notes so executed or any other or further indebtedness of this corporation to said Bank at any time owing, however the same may be evidenced, any property belonging to this corporation or in which this corporation may have an interest, real, personal or mixed. Such property may be encumbered, hypothecated or pledged at the time such loans are obtained or such indebtedness is incurred, or at any other time or times, and may be either in addition to or in lieu of any property theretofore mortgaged, hypothecated, encumbered or pledged.
- (e) To execute and deliver to said Bank the form of pledge agreement, security agreement and financing statement which may be by said Bank submitted and which shall evidence the terms and conditions under and pursuant to which such pledges, or any of them, are made; and also to execute and deliver to the Bank any mortgages, deeds, trust indentures or other instruments in writing, of any kind or nature, which may be necessary or proper in connection therewith or pertaining thereto.
- (f) To draw, endorse and discount with said Bank drafts, trade acceptances, promissory notes or other evidences of indebtedness payable or belonging to this corporation or in which this corporation may have an interest, and either to receive cash for the same or to cause such proceeds to be credited to the account of this corporation in said Bank, or to cause such other disposition of the proceeds derived therefrom as they may deem advisable.
- (g) To do and perform such other acts and things and to execute and deliver such other documents as may in their discretion be deemed reasonably necessary or proper in order to carry into effect any of the provisions of these Resolutions.

BE IT FURTHER RESOLVED, that these Resolutions shall remain in full force and effect until written notice of the revocation thereof shall have been delivered to and received by said Bank.

I further certify that the persons hereinabove named occupy the positions set opposite their respective names; that the foregoing Resolutions now stand of record on the books of said corporation; that they are in full force and effect and have not been modified or revoked in any manner whatsoever.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the seal of said corporation this _____ 11th day of _____ June, 19 84.

Secretary Michael R. Moran
 Director _____
 Title _____ (See footnote)

CORPORATE
SEAL

NOTE: In case the Secretary or other certifying officer is designated by the foregoing resolutions as one of the signing officers, this certificate must also be signed by a second Officer or Director of the Corporation

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2680 Bishop Drive, Suite 100
San Ramon, CA 94583
(415) 829-6655

June 13, 1984

Peter Mok
California National Bank
601 Montgomery Street
Suite 1111
San Francisco, CA 94111

Re: resale value of ROLM telephone system to be purchased
by Americans with Hart, Inc.

Dear Mr. Mok:

Carol Dickenson of Americans with Hart asked me to write to
you regarding the resale value of the telephone system which
ROLM is selling to them.

Three factors need highlighting in this case: the
recoverable portion of the equipment, the actual
depreciation of the equipment, and the market for the
equipment. The equipment price includes a significant labor
component for the installation of the CBX itself and the
telephone sets. When the CBX is removed the labor component
cannot, of course, be recovered. The equipment and
software, however, will depreciate hardly at all. The only
source of actual, physical depreciation will be through
damage or neglect. The market for this CBX, Carol tells me,
includes several business backers of Hart. These persons
will know the history of this equipment and should have a
high assurance level that the equipment is practically new.

The total pre-tax purchase price for this system is \$65,239.
Hardware, telephone sets, and software licenses comprise
\$55,993 of this total and are the resaleable portion.
Assuming proper care, and given the short use by the Hart
campaign and an available market of Hart supporters who know
the history of the equipment, then I estimate that these
potential buyers should be willing to pay approximately 90%
of the resaleable portions original sell price (i.e. 90% of
\$55,993 or \$50,394.) If Hart supporters were not available
as potential buyers, then I estimate that among the general
public (who would not be as well assured about the history
of the equipment) the equipment would command 75% of its

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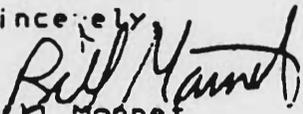
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original value (i.e. \$41,995.)

You should understand that ROLM does not make a market in used equipment, nor do we warrant that the above estimates are true. Rather, the above opinion represents my best judgment as to the likely value of the equipment after the Democratic Convention.

I hope you find this information useful.

Sincerely,


Bill Monnet
Finance Manager

cc: Carol Dickenson

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543-5000

PROMISSORY NOTE

Ma 19 84

10,000.00

Office C/B 926

For value received, the undersigned, jointly and severally, promise to pay to the order of

SUBURBAN BANK

(hereinafter "Bank") the sum of Ten Thousand and No/100 Dollars

with interest computed daily on the unpaid balance at the annual rate of 14 over Prime Rate; initial annual note rate is 13.0 % payable monthly on the 18th day of each month beginning June 1984

The payment of principal will be in addition to the payments of interest unless otherwise indicated with said principal payments being due according to the following schedule:

On the day of 19 and on the day of each succeeding until

including interest on the day of 19 and including interest on the day of each succeeding until

Table with 2 columns: Due Date (June 18, 1984) and Amount of Principal Payment (\$10,000.00)

On Demand

If the annual rate of interest as stated above refers to "prime rate", this means the annual rate of interest varies with the index called the "prime rate" which is published from time to time in the Wall Street Journal listing of "Money Rates," and shall be the higher rate if more than one is quoted.

In the event the undersigned fails to make a payment of principal and/or interest in fully collected funds within three (3) days after such payment is due, at the option of the Bank, the undersigned shall pay a late charge to the Bank. The late charge will be computed using the interest rate in effect at the time the late payment is received.

The undersigned and each endorser, guarantor, or surety of this Note hereby waives demand, presentment for payment, protest, notice of dishonor and of protest and agrees at any time and from time to time and with or without consideration, the Bank may, without notice to or further consent of any of the undersigned, any endorser, guarantor, or surety and without in any manner releasing, lessening, or affecting the obligations of any of them: (a) release, surrender, waive, add, substitute, settle, exchange, compromise, modify, extend, or grant indulgences with respect to (i) this Note (ii) all or any part of any collateral or security for this Note, and (iii) any signer; (b) complete any blank in this Note according to the terms upon which the loan evidenced hereby is made; and (c) grant any extension or other postponements of the time of payment hereof.

If there be more than one maker of this note, each of the foregoing promises and agreements shall be taken as the joint and several promises and agreements of the undersigned and shall also be binding upon each endorser or guarantor or surety.

The occurrence of any one or more of the following events shall constitute a default hereunder: (a) the failure to make any payment of principal or interest when due on this Note; (b) if any representation or warranty made herein or in any report, opinion, schedule or certificate herewith or hereafter submitted to the Bank, shall in the opinion of the Bank be false, misleading or incorrect in any material respect; (c) if the Bank determines in good faith that a material adverse change in the condition of affairs (financial or otherwise) of the undersigned or of any endorser, guarantor or surety has occurred which in the opinion of the Bank increases its risk; (d) if the undersigned or any endorser, guarantor or surety thereof shall die, become insolvent, if any insolvency proceeding is filed by or against any of them pursuant to any federal or state law, or if a receiver is appointed; or (e) upon the issuance of any attachment or garnishment against the undersigned or any endorser, guarantor or surety.

In the event of any default on this note: (1) all remaining payments shall become due and payable together with interest earned to that date, without notice, at the option of the Bank, (2) the Bank may offset any amount owed under this note against any money or credits which the undersigned may have in checking, savings or other accounts or deposits with the Bank, and (3) the undersigned, jointly and severally, hereby authorize any Clerk of any Court of Record in Maryland or elsewhere to enter judgment by confession against each of the undersigned in favor of the Holder of this note for the full amount of the indebtedness due hereunder, interest and costs, including attorney's fees of 15% expressly waiving summons and other process, and do further consent to the immediate execution of said judgment, expressly waiving benefit of all exemption laws.

Each right, power and remedy of the Bank as provided for in this Note or now or hereafter existing at law or in equity or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power or remedy, and the exercise or beginning of the exercise by the Bank of any one or more of such rights, powers or remedies shall not preclude the simultaneous or later exercise by the Bank of any or all such other rights, powers or remedies.

No failure or delay by the Bank to insist upon the strict performance of any term, condition or covenant of this Note or to exercise any right, power or remedy upon a breach thereof, shall constitute a waiver of any such term, condition, covenant or agreement or of any such breach, or preclude the Bank from exercising any such right, power or remedy at any later time or times unless in writing. If the Bank accepts any payment after its due date, this does not constitute a waiver of the Bank's right to receive timely payment of all other amounts or to declare a default for the failure to make any other payment when due.

All notices, demands, notices for modification, renewals or approvals must be in writing and shall be deemed to have been properly given when mailed by first class mail, postage prepaid to the Bank at 6610 Rockledge Drive, Bethesda, Maryland 20817, and to the undersigned, at the address as it appears on the Bank's records, or at such other place as either party may designate in writing.

The undersigned and each endorser, guarantor or surety hereby waives trial by jury in any litigation between the holder of this Note and the undersigned or any endorser, guarantor or surety.

The undersigned and each endorser, guarantor or surety warrant all of the proceeds of this loan shall be used to acquire or carry on a business or commercial investment. This Note shall be governed by and interpreted under the laws of the State of Maryland.

ADDRESS: 507 8th St. S.E. WASH. D. C. 20003 TELEPHONE: James Duinoll 675-9036

AMERICANS WITH HART, INC. John M. Quinn Jack Quinn branch comm

Authorization is hereby given to Charge Account for all payments when due.

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SUBURBAN BANK

PLEDGE AGREEMENT

WHEREAS, Americans With Hart, Inc.
(hereinafter called the "Debtor") desires to obtain loans or borrow money from Suburban Bank (hereinafter called the "Bank" or "Secured Party")
from time to time, and has so requested of the Bank;

AND WHEREAS, the Bank requires the pledge of certain collateral described below by the undersigned as a condition for making loans to the
Debtor;

THHEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt of which is hereby acknowledged, the
undersigned, jointly and severally, hereby grants to the Secured Party a security interest in the collateral described below and to any additional
property hereafter delivered to the Secured Party to secure the payment and performance of the indebtedness and obligations of the Debtor to the
Secured Party in the sum of \$ 10,000.00 as represented by a promissory note dated May 2, 1984
and any other loan or loans now in existence or hereafter made by the Secured Party to the Debtor provided the proceeds of which are used for
commercial purposes, including any extensions and renewals thereof, plus all costs, expenses, advances, and attorneys' fees which may be made or
incurred by the Secured Party in the collection of the indebtedness or the enforcement of any of the said obligations, including any action taken in
connection with the collateral pledged hereunder.

Proceeds of fund raising event to be held on June 14, 1984

To induce the Secured Party to enter into this agreement the undersigned represents, warrants and agrees as of the date of this Agreement and
continuing so long as any indebtedness or obligation exists to the Secured Party that (a) the undersigned's title to the collateral is absolute and valid
and (b) the collateral covered by this agreement is not subject to any existing or subsequent assignment, claim, lien, pledge, transfer or other
security interest of any character, or to any attachment, levy, garnishment or other judicial process or to claim for set-off, counterclaim, deduction or
discount except as disclosed to Secured Party in writing, and the undersigned shall defend the same against the lawful demands and claims of all
persons.

The occurrence of any one or more of the following events shall constitute a default hereunder: (a) the Secured Party determines that a default
has occurred under the terms of this agreement or other agreements with the Debtor to which this agreement applies; (b) if the Secured Party
determines in good faith that a material adverse change in the condition or affairs (financial or otherwise) of the Debtor or of any endorser,
guarantor or surety has occurred which in the opinion of the Secured Party increases its risk or impairs the collateral; (c) if in the opinion of the
Secured Party the collateral shall decline in value or become unsatisfactory to the Secured Party, and the Debtor shall not immediately upon
demand make payment in reduction of the indebtedness or furnish additional collateral satisfactory to the Secured Party; or (d) if the Debtor or any
endorser, guarantor or surety thereof shall die, become insolvent, if any insolvency proceeding be filed by or against any of them pursuant to any
federal or state law, or if a receiver be appointed of, or a writ or order of attachment or garnishment be issued or made against, any of the collateral,
property or income or any of them.

Upon the occurrence of any of the above events and at any time thereafter, such default not having previously been cured, the Secured Party
shall have in addition to all other rights and remedies otherwise possessed by it, the right to take possession of the collateral not already in the
Secured Party's possession and all of the rights and remedies granted to a secured party under Maryland Uniform Commercial Code. The Secured
Party shall not be liable for any loss to collateral in its possession, nor shall such loss diminish the debt due.

Any notices required under the Maryland Uniform Commercial Code shall be deemed reasonable if mailed by the Secured Party to the persons
entitled thereto at their last known addresses at least five days prior to disposition of the collateral and, in reference to a private sale, need state only
that the Secured Party intends to negotiate such a sale.

The Secured Party may at any time in its discretion transfer any securities or other property constituting collateral into its own name or that of its
nominee, and receive the income thereon and hold the same as security for or apply it to the secured indebtedness. Insofar as collateral shall
consist of contract rights, accounts receivable, insurance policies, instruments, promissory notes, chattel paper, leases and assignments of leases,
leases in action or the like, the Secured Party may demand, collect, receipt for, settle, compromise, adjust, sue for, foreclose or realize upon
collateral, as the Secured Party may determine, whether or not any indebtedness or collateral are then due and for the purposes of realizing the
Secured Party's rights therein, the Secured Party may receive, open and dispose of mail addressed to the undersigned and endorse notes, checks,
drafts, money orders, documents of title or other evidences of payment, shipment of storage or any form of collateral on behalf of and in the name of
the undersigned.

The undersigned hereby irrevocably nominates, constitutes and appoints the Secured Party, or any person designated by the Secured Party, as
true and lawful attorney of the undersigned in its name, place and stead to execute any or all of the foregoing authorities and generally to exercise
any or all of the authorities enumerated in the foregoing paragraph.

The Secured Party shall have the right to notify any party obligated on said collateral to make all payments thereunder directly to the Secured
Party, and the Secured Party may take control of all proceeds arising from said collateral, which rights the Secured Party may exercise at any time
whether or not the Debtor is then in default or was theretofore making collections thereon.

Any and all fees, costs and expenses, of whatever kind and nature, including any taxes of any kind, which the Secured Party may incur in filing
public notices, and the charges of any attorney whom the Secured Party may engage in preparing this agreement and other documents, filing any
documents, making title examinations and rendering opinion letters, accountant's fees for examining books and records, as well as expenses and
fees incurred by the Secured Party in protecting, insuring, maintaining, preserving, enforcing or foreclosing the pledge, lien and security interest
granted hereunder, whether through judicial proceedings or otherwise, or in defending or prosecuting any actions or proceedings arising out of or
related to the collateral pledged hereby shall be borne and paid for by the undersigned.

Each right, power and remedy of the Secured Party as provided for in this Agreement or now or hereafter existing at law or in equity or by statute
or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power or remedy, and the exercise or beginning of the
exercise by the Secured Party of any one or more of such rights, powers or remedies shall not preclude the simultaneous or later exercise by the
Secured Party of any or all such other rights, powers or remedies.

No failure or delay by the Secured Party to insist upon the strict performance of any term, condition or covenant, of this agreement or other
agreements with the Debtor or to exercise any right, power or remedy upon a breach thereof, shall constitute a waiver of any such term, condition,
covenant or agreement or of any such breach, or preclude the Secured Party from exercising any such right, power or remedy at any later time or
times unless in writing.

All notices, demands, requests, consents, or approvals required under this Agreement to be in writing, shall be deemed to have been properly
given when mailed by first class mail, postage prepaid to the Secured Party at 6610 Rockledge Drive, Bethesda, Maryland 20817, and to the
undersigned, at the address as it appears on the records of the Bank, or at such other place as either party may designate in writing.

This Agreement shall be governed by and interpreted under the laws of Maryland.

Address: 507 8th ST. S.E.
WASH. D.C. 20003

By Americans With Hart, Inc. (SEAL)

By Jack Quinn (SEAL)

By General Counsel (SEAL)

Date May 2, 1984

By _____ (SEAL)

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Francis G. Addison, Chief Executive
Officer
Jackson Ritchey, President
First American Bank, N.A.
740 15th Street, N.W.
Washington, D.C. 20005

RE: MUR 2062
First American Bank, N.A.

Gentlemen:

On , 1985, the Federal Election Commission determined that there is reason to believe that First American Bank, N.A., 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 such materials along with your response to the enclosed Order to Submit Written Answers and Subpoena to Produce Documents.

You may consult with an attorney and have an attorney assist you in the preparation of your responses to this Order and Subpoena. If you intend to be represented by counsel, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel and authorizing such counsel to receive any notifications or other communications from the Commission. It is required that you submit the information under oath and that you do so within 25 days of your receipt of this Order and Subpoena.

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First American Bank, N.A.

Page 2

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

If you request pre-probable cause conciliation, the Commission may decide not to propose a conciliation agreement until it has completed its review and analysis of the submitted materials. In the absence of any additional information which demonstrates that no further action should be taken against you, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation. You should be advised, however, that the Commission is not required to enter into any negotiations directed towards reaching a conciliation agreement unless and until it makes a finding of probable cause to believe. See 11 C.F.R. § 111.18(d).

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 Robert Raich, the staff member assigned to this matter, at (202) 523-4000 or (800) 424-9530.

Sincerely,

John Warren McGarry
Chairman

Enclosures

Order and Subpoena
General Counsel's Factual and Legal Analysis
Procedures
Designation of Counsel Form

Att. 180, p. 2

85040561600

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

)
)
)

MUR 2062

ORDER TO SUBMIT WRITTEN ANSWERS
AND SUBPOENA TO PRODUCE DOCUMENTS

TO: Francis G. Addison, Chief Executive
Officer
Jackson Ritchey, President
First American Bank, N.A.
740 15th Street, N.W.
Washington, D.C. 20005

Pursuant to 2 U.S.C. § 437d(a)(1) and (3), and in
furtherance of its investigation in the above-captioned matter,
the Federal Election Commission hereby orders you to submit
written answers to the questions attached to this Order and
subpoenas you to produce the requested documents.

Answers must be submitted under oath and should be made by
the individual or individuals having knowledge of the subject
matter of the questions. Documents must be compiled by the
individual or individuals having knowledge of, and where
possible, supervisory responsibility for, the required documents.
Such answers and documents must be forwarded to the Commission
within twenty-five (25) days of your receipt of this Order and
Subpoena.

WHEREFORE, the Chairman of the Federal Election Commission
hereunto sets his hand on _____, 1985.

John Warren McGarry
Chairman

ATTEST:

Marjorie W. Emmons
Secretary to the Commission

Attachment

Att. 180, p. 3

185040561601

TO: First American Bank, N.A.

Instructions

Answer each question separately.

If you claim that you are entitled to withhold any of the information or documents requested, state the grounds for withholding such information or documents, and identify such information or documents in sufficient detail to justify the claim. (See definition of "identify" with respect to documents.)

"And" as well as "or" shall be construed disjunctively or conjunctively as necessary to bring within the scope of these Questions and Request the information and documents which could otherwise be construed to be out of their scope.

Singular words shall be construed as plural and plural words shall be construed as singular as necessary to bring within the scope of these Questions and Request the information and documents which could otherwise be construed to be out of their scope.

The following Questions and Request are continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information before this matter is closed. Include in any supplements or amendments the date upon which, and the manner in which, such further or different information came to your attention.

Definitions

As used in this Order and Subpoena, the following terms are defined as follows:

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"Committee" means Americans with Hart, Inc. and any exploratory committee for the Hart campaign.

"Person" means any natural person, proprietorship, partnership, association, corporation, political committee, or any other type of organization or entity.

"Document" means any tangible thing by which human communication is transmitted or stored, including the original and all non-identical copies, including drafts, of all records of every type in your actual or constructive possession, custody, or control, or known by you to exist. The term "document" includes, without limitation: letters, contracts, notes, calendars, diaries, log sheets, records of conferences and telephone communications, transcripts, visual aids, vouchers, accounting statements, ledgers, audits, billing forms, receipts, checks, money orders, commercial paper, telegrams, telexes, messages, pamphlets, circulars, leaflets, articles, books, reports, memoranda, agendas, minutes, correspondence, surveys, tabulations, audio or visual recordings, drawings, photographs, graphs, charts, diagrams, lists, computer print-outs, discs, and all other writings or data compilations from which information can be obtained. The term "document" includes all attachments and enclosures attached to or enclosed with other documents.

"Identify" with respect to a document means state the nature or type of document (e.g., letter, memorandum), the date, if any, appearing therein, the date on which the document was prepared, the title of the document, the number of pages comprising the document; and identify each person who received or reviewed the

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document, and each person having custody of the document. Identification of a document includes identifying all originals or copies of that document known or believed to exist.

"Identify" with respect to a natural person means provide the full name, the last known business and residence addresses and phone numbers, and last known occupation or job title of such person, and the nature of the connection that person has to any party in this investigation. For each natural person identified who is or was a director, officer, employee, staff member, agent, or attorney for you, provide such person's job description(s) during all periods relevant to loans you made to the Committee.

"Identify" with respect to a person who is not a natural person means provide the legal and trade names, the address and phone number, and the full names of both the chief executive officer and the agent designated to receive service of process for such person.

"Loan" includes lines of credit, letters of credit, advances, and all related transactions.

"You" means First American Bank, N.A., its political committees, affiliates, subsidiaries, and parent, and all directors, officers, employees, staff members, agents, or attorneys thereof.

Questions

1. Identify all documents which evidence all loans you made to the Committee. Include, without limitation, promissory notes, security agreements, financing statements, loan proposals,

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loan agreements, audits, amortization schedules, and all information concerning the terms of those loans, collateral or security for those loans, and endorsers, guarantors, or sureties for those loans.

2. Identify all documents between you and the Committee or any person acting on its behalf, that relate, refer, or pertain to any loan or potential loan. Include, without limitation, loan applications, and letters from endorsers, guarantors, or sureties.

3. Identify any and all documents or other communications between you to the Committee.

4. Identify all other documents or other communications considered by you in determining whether to make any loan to the Committee.

5. State the due dates, interest rates, and amortization schedule for each loan to the Committee. State the date and amount of each advancement made.

6. Identify all persons involved in any way with any loans you made or considered making to the Committee.

7. For each person identified in your answer to Question 6, state:

- a. the role each such person played in all transactions involving each loan or potential loan, and
- b. for each such person who was your director, officer, employee, staff member, agent, or

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attorney, that person's position in your chain of command.

8. State when and where each discussion was held which related, referred, or pertained to any loan to the Committee. Include, without limitation, meetings held by your employees, loan committees, or directors, and meetings held with representatives of any other financial institution or the Committee.

9. For each discussion listed in your answer to Question 8, identify who was present at the discussion, who was a party to the discussion, and state what was said at each discussion.

10. For each discussion listed in your answer to Question 8, identify all documents generated for, at, or by such discussion.

11. Identify all your written loan policies in use during 1983, 1984, and 1985. Include, without limitation, your policies for determining: creditworthiness, interest rates, repayment terms, the amount of collateral, whether a loan is secured or unsecured, whether audits or reviews are required, and if so, the type of audits or reviews.

12. If any of your loan policies, or portions thereof, in use during 1983, 1984, and 1985 are not, or were not, written, describe in detail all such unwritten policies. Include, without limitation, your policies for determining: creditworthiness, interest rates, repayment terms, the amount of collateral, whether a loan is secured or unsecured, whether audits or reviews are required, and if so, the type of audits or reviews.

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Att. 180, p.8

13. If your written loan policies, or portions thereof, do not, or did not, accurately reflect your actual practices concerning the extension of credit, describe in detail how your actual methods for extending credit vary, or varied, from such written policies.

14. Describe the manner by which you assessed the creditworthiness of the Committee.

15. State whether the procedures followed in making the loans to the Committee differed in any way from your written and unwritten policies and procedures described in your answers to Questions 11, 12, and 13.

16. State whether you have ever made a loan for use in a political campaign other than the loan to the Committee. If you have done so, for each such loan, identify or describe:

- a. the type of campaign,
- b. the candidate or political committee,
- c. the date of the loan,
- d. the amount of the loan,
- e. the collateral, and
- f. the factors used when determining whether to make the loan.

17. State whether you have ever denied a loan to a political campaign. If you have done so, for each such requested loan, identify or describe:

- a. the type of campaign,
- b. the candidate or political committee,

Att. 180, p. 9

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- c. the date of the requested loan,
- d. the amount of the requested loan,
- e. the potential collateral,
- f. the factors used when determining not to make the loan.

18. State whether you have established a separate segregated fund. If you have such a fund, identify any and all persons connected with it.

Document Request

Produce each and every document identified by you in response to the Questions above.

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Att. 180, p. 10

GENERAL COUNSEL'S FACTUAL AND LEGAL ANALYSIS

MUR No. 2062

RESPONDENT: First American Bank, N.A.

SUMMARY OF ALLEGATIONS

This matter was referred to the Office of General Counsel by the Audit Division pursuant to the Commission's decision of June 25, 1985. The Commission voted to refer the matter regarding eight bank loans obtained by Americans with Hart, Inc. (the "Committee") during the course of Senator Hart's Presidential primary campaign bid in 1984.

On two separate occasions, the Committee obtained a line of credit from the First American Bank, N.A. ("First American"). On July 27, 1983, the Committee applied for and obtained a \$350,000 line of credit at an interest rate equivalent to First American's floating prime plus two percent with payment due upon demand. The second line of credit for \$750,000 was issued by First American on September 8, 1983, at the same interest rate. Although the Committee received a total of \$1,437,865 in loan proceeds against the line of credit, the Audit Division concluded that "[a]t no time did the outstanding balance ... exceed the amount specified by the letter of credit."

The promissory note, and related documents incorporated into the note, regarding the \$350,000 line of credit indicate collateral for that loan was to be matching fund payment proceeds. The letter of agreement between First American and

Att. 180, p. 11

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the Committee concerning the \$750,000 line of credit states that it was additionally secured by a life insurance policy of the same amount issued on Senator Hart with First American as beneficiary. No promissory note for the second loan is available for our review. The loans to First American were finally repaid with a \$732,658.05 payment on March 9, 1984, with proceeds from a loan from the Riggs National Bank.

FACTUAL BASIS AND LEGAL ANALYSIS

8 5 0 4 0 5 6 1 6 1 0
Title 2 of the United States Code at Section 441b(a) provides in part that "[i]t is unlawful for any national bank . . . to make a contribution or expenditure in connection with any election to any political office, or in connection with any primary election or political convention or caucus held to select candidates for any political office" The terms "contribution" and "expenditure" include, inter alia, loans, advances, deposits of money, or anything of value made to a campaign committee in connection with any election for Federal office. 2 U.S.C. § 441b(b)(2). Excluded from the definition of "contribution", however, are loans by certain banks made "in the ordinary course of business." 2 U.S.C. § 441b(b)(2).

To be considered "in the ordinary course of business," Section 431(8)(B)(vii) provides that such loan--

- (II) shall be made on a basis which assures repayment, evidenced by a written instrument, and subject to a due date or amortization schedule; and
- (III) shall bear the usual and customary interest rate of the lending institution.

The Commission's Regulations, at 11 C.F.R. § 100.7(b)(11) provide in addition that such loan must "bear the usual and customary

Att. 180, p. 12

interest rate of the lending institution for the category of the loan involved" [emphasis added] and be "made on a basis which assures repayment."

As previously mentioned, First American extended two lines of credit to the Committee totaling \$1.1 million, against which advances totaling more than 1.4 million were made.

These were the only loans the Committee received during 1983. Both loans were extended during the third quarter. During the first half of 1983, the Committee received contributions other than loans of about \$823,000. During all of 1983, the Committee received contributions other than loans of about \$1,256,000. Thus, when the loans were made, they exceeded the Committee's total cumulative contributions to that date. Both loans appear to have been payable on demand, rather than subject to a due date or amortization schedule. The Office of the General Counsel therefore believes that these loans may not have been made in the "ordinary cause of business" under 2 U.S.C. § 431(8)(B)(vii)(II), and recommends that the Commission find reason to believe that First American violated 2 U.S.C. § 441b(a).

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Att. 180, p. 13



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

C. James Nelson, President
The National Bank of Washington
619 14th Street, N.W.
Washington, D.C. 20005

RE: MUR 2062
The National Bank of Washington

Dear Mr. Nelson:

On _____, 1985, the Federal Election Commission determined that there is reason to believe that the National Bank of Washington, 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 such materials along with your response to the enclosed Order to Submit Written Answers and Subpoena to Produce Documents.

You may consult with an attorney and have an attorney assist you in the preparation of your responses to this Order and Subpoena. If you intend to be represented by counsel, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel and authorizing such counsel to receive any notifications or other communications from the Commission. It is required that you submit the information under oath and that you do so within 25 days of your receipt of this Order and Subpoena.

Att. 181, p. 1

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

If you request pre-probable cause conciliation, the Commission may decide not to propose a conciliation agreement until it has completed its review and analysis of the submitted materials. In the absence of any additional information which demonstrates that no further action should be taken against you, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation. You should be advised, however, that the Commission is not required to enter into any negotiations directed towards reaching a conciliation agreement unless and until it makes a finding of probable cause to believe. See 11 C.F.R. § 111.18(d).

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 Robert Raich, the staff member assigned to this matter, at (202) 523-4000 or (800) 424-9530.

Sincerely,

John Warren McGarry
Chairman

Enclosures
Order and Subpoena
General Counsel's Factual and Legal Analysis
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Att. 181, p. 2

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TO: The National Bank of Washington

Instructions

Answer each question separately.

If you claim that you are entitled to withhold any of the information or documents requested, state the grounds for withholding such information or documents, and identify such information or documents in sufficient detail to justify the claim. (See definition of "identify" with respect to documents.)

"And" as well as "or" shall be construed disjunctively or conjunctively as necessary to bring within the scope of these Questions and Request the information and documents which could otherwise be construed to be out of their scope.

Singular words shall be construed as plural and plural words shall be construed as singular as necessary to bring within the scope of these Questions and Request the information and documents which could otherwise be construed to be out of their scope.

The following Questions and Request are continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information before this matter is closed. Include in any supplements or amendments the date upon which, and the manner in which, such further or different information came to your attention.

Definitions

As used in this Order and Subpoena, the following terms are defined as follows:

Att. 181, p. 4

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"Committee" means Americans with Hart, Inc. and any exploratory committee for the Hart campaign.

"Person" means any natural person, proprietorship, partnership, association, corporation, political committee, or any other type of organization or entity.

"Document" means any tangible thing by which human communication is transmitted or stored, including the original and all non-identical copies, including drafts, of all records of every type in your actual or constructive possession, custody, or control, or known by you to exist. The term "document" includes, without limitation: letters, contracts, notes, calendars, diaries, log sheets, records of conferences and telephone communications, transcripts, visual aids, vouchers, accounting statements, ledgers, audits, billing forms, receipts, checks, money orders, commercial paper, telegrams, telexes, messages, pamphlets, circulars, leaflets, articles, books, reports, memoranda, agendas, minutes, correspondence, surveys, tabulations, audio or visual recordings, drawings, photographs, graphs, charts, diagrams, lists, computer print-outs, discs, and all other writings or data compilations from which information can be obtained. The term "document" includes all attachments and enclosures attached to or enclosed with other documents.

"Identify" with respect to a document means state the nature or type of document (e.g., letter, memorandum), the date, if any, appearing therein, the date on which the document was prepared, the title of the document, the number of pages comprising the document; and identify each person who received or reviewed the

Att. 181, p. 5

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loan agreements, audits, amortization schedules, and all information concerning the terms of those loans, collateral or security for those loans, and endorsers, guarantors, or sureties for those loans.

2. Identify all documents between you and the Committee or any person acting on its behalf, that relate, refer, or pertain to any loan or potential loan. Include, without limitation, loan applications, and letters from endorsers, guarantors, or sureties.

3. Identify any and all documents or other communications between you to the Committee.

4. Identify all other documents or other communications considered by you in determining whether to make any loan to the Committee.

5. State the due dates, interest rates, and amortization schedule for each loan to the Committee. State the date and amount of each advancement made.

6. Identify all persons involved in any way with any loans you made or considered making to the Committee.

7. For each person identified in your answer to Question 6, state:

- a. the role each such person played in all transactions involving each loan or potential loan, and
- b. for each such person who was your director, officer, employee, staff member, agent, or

Att. 181, p. 7

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attorney, that person's position in your chain of command.

8. State when and where each discussion was held which related, referred, or pertained to any loan to the Committee. Include, without limitation, meetings held by your employees, loan committees, or directors, and meetings held with representatives of any other financial institution or the Committee.

9. For each discussion listed in your answer to Question 8, identify who was present at the discussion, who was a party to the discussion, and state what was said at each discussion.

10. For each discussion listed in your answer to Question 8, identify all documents generated for, at, or by such discussion.

11. Identify all your written loan policies in use during 1983, 1984, and 1985. Include, without limitation, your policies for determining: creditworthiness, interest rates, repayment terms, the amount of collateral, whether a loan is secured or unsecured, whether audits or reviews are required, and if so, the type of audits or reviews.

12. If any of your loan policies, or portions thereof, in use during 1983, 1984, and 1985 are not, or were not, written, describe in detail all such unwritten policies. Include, without limitation, your policies for determining: creditworthiness, interest rates, repayment terms, the amount of collateral, whether a loan is secured or unsecured, whether audits or reviews are required, and if so, the type of audits or reviews.

Att. 181, p. 8

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13. If your written loan policies, or portions thereof, do not, or did not, accurately reflect your actual practices concerning the extension of credit, describe in detail how your actual methods for extending credit vary, or varied, from such written policies.

14. Describe the manner by which you assessed the creditworthiness of the Committee.

15. State whether the procedures followed in making the loans to the Committee differed in any way from your written and unwritten policies and procedures described in your answers to Questions 11, 12, and 13.

16. State whether you have ever made a loan for use in a political campaign other than the loan to the Committee. If you have done so, for each such loan, identify or describe:

- a. the type of campaign,
- b. the candidate or political committee,
- c. the date of the loan,
- d. the amount of the loan,
- e. the collateral, and
- f. the factors used when determining whether to make the loan.

17. State whether you have ever denied a loan to a political campaign. If you have done so, for each such requested loan, identify or describe:

- a. the type of campaign,
- b. the candidate or political committee,

Att. 181, p. 9

35040561620

- c. the date of the requested loan,
- d. the amount of the requested loan,
- e. the potential collateral,
- f. the factors used when determining not to make the loan.

18. State whether you have established a separate segregated fund. If you have such a fund, identify any and all persons connected with it.

Document Request

Produce each and every document identified by you in response to the Questions above.

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Att. (81), p.10

GENERAL COUNSEL'S FACTUAL AND LEGAL ANALYSIS

MUR No. 2062

RESPONDENT: The National Bank of Washington

SUMMARY OF ALLEGATIONS

This matter was referred to the Office of General Counsel by the Audit Division pursuant to the Commission's decision of June 25, 1985. The Commission voted to refer the matter regarding eight bank loans obtained by Americans with Hart, Inc. (the "Committee") during the course of Senator Hart's Presidential primary campaign bid in 1984.

On or about February 9, 1984, the Committee secured a loan from the National Bank of Washington ("NBW") in the amount of \$50,000. The promissory note fixed the interest rate for this loan at NBW's floating prime rate plus one percent and calls for payment upon demand. Collateral for this loan is identified in a letter from the Committee to NBW as priority over proceeds received from nine specific concerts during the period between February 17, 1984 and June 6, 1984.

The Audit Division has reported that this loan was paid in full (with interest totaling \$466.67). In a letter from NBW to the Committee dated March 8, 1984, NBW stated it was prepared to deliver the appropriate U.C.C. release agreements within 24 hours of receipt of a wire in the amount of the loan balance plus interest.

In addition, the Committee, on March 19, 1984, obtained a \$3.5 million line of credit from NBW. A copy of the "Master

Att. 181, p. 11

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Promissory Note," dated March 19, 1984, obtained by the Audit Division from the Committee reveals that the interest rate for the line of credit was to be established at 1/2 percent above NBW's floating prime rate. The note further called for the repayment in full of all amounts advanced plus interest by May 14, 1984. Collateral for the line of credit included, inter alia, all assets of the Committee together with future fundraising proceeds and Matching Fund payments. The Audit Division reports that a loan extended by the Riggs National Bank was paid in full (with interest) with part of the proceeds of this loan from NBW.

In the "Security and Loan Agreement" NBW further required that

"On or before Thursday of each week Debtor will provide the Secured Party with weekly totals of sums received from all fundraising or any other income generating sources. Secured Party reserves the right at any time to directly collect all proceeds received by the Secured Party from these sources, or from any other sources at any time in its sole option, should Secured Party's current levels of fundraising decline from its March 19, 1984 levels.*/"

The Audit Division reports that the Committee obtained a total of \$4,621,498.57 in advances from NBW against the \$3.5 million line of credit, but the outstanding indebtedness at no time exceeded the authorized line of credit. As of December 31, 1984, the Committee reported an outstanding indebtedness to NBW of \$1,193,003.13. The Committee's reports also indicate that

*/ The Office of the General Counsel notes the apparent mistake in the second and third references to "Secured Party" in the second sentence. The copy of the agreement available for our review does not contain NBW's signatures, and thus, may have been later modified.

Att. 181, p. 12

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the interest rate for each of the advances became 1 1/2 percent above the prime, as opposed to the "Master Promissory Note's" recitation of the interest rate at 1/2 percent above the prime. In addition, the Committee's reports show the due date was extended for short periods, then changed to "demand" for several months, and finally became December 31, 1985 on the April 1985 report.

FACTUAL BASIS AND LEGAL ANALYSIS

Title 2 of the United States Code at Section 441b(a) provides in part that "[i]t is unlawful for any national bank . . . to make a contribution or expenditure in connection with any election to any political office, or in connection with any primary election or political convention or caucus held to select candidates for any political office" The terms "contribution" and "expenditure" include, inter alia, loans, advances, deposits of money, or anything of value made to a campaign committee in connection with any election for Federal office. 2 U.S.C. § 441b(b)(2). Excluded from the definition of "contribution", however, are loans by certain banks made "in the ordinary course of business." 2 U.S.C. § 441b(b)(2).

To be considered "in the ordinary course of business," Section 431(8)(B)(vii) provides that such loan--

- (II) shall be made on a basis which assures repayment, evidenced by a written instrument, and subject to a due date or amortization schedule; and
- (III) shall bear the usual and customary interest rate of the lending institution.

Att. 181, p. 13

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The Commission's Regulations, at 11 C.F.R. § 100.7(b)(11) provide in addition that such loan must "bear the usual and customary interest rate of the lending institution for the category of the loan involved" [emphasis added] and be "made on a basis which assures repayment."

On February 1, 1984, the Committee's reports indicated it had a cash balance of \$2,519.91. Outstanding debts owed by the Committee totaled \$557,475. On February 9, 1984, as noted earlier, the Committee obtained a \$50,000 loan, due upon demand, from NBW. NBW's loan called for an interest rate of one percent above its prime.

Having reviewed the documents presently available (the Promissory Note, the Loan Resolution, and a letter from the Committee to NBW), it appears that no due date or amortization schedule was established by the bank and no information is available that would shed any light on the basis for NBW's decision to make the loans in light of the Committee's financial collateral for this loan (proceeds from nine concerts) had already been committed to another lender.

Because of the Committee's high debts and low cash on hand, because the collateral may have already been committed to another lender, and because there appears to have been no due date or amortization schedule, the General Counsel's Office believes this loan may not have been made in the ordinary course of business, and recommends that the Commission find reason to believe that NBW violated 2 U.S.C. § 441b(a).

Att. 181, p. 14

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In addition, NBW agreed to extend a line of credit for \$3.5 million to the Committee on March 19, 1984. According to the Audit Division, Riggs was repaid \$1.3 million (plus interest due) with the proceeds from this loan. This line of credit originally carried an interest rate of 1/2 percent above NBW's floating prime rate and was payable on May 14, 1984. The Committee offered as collateral for the loan all present and future assets including matching fund payments. Despite the Committee's low cash on hand balance at the close of several previous reporting periods, relatively high outstanding indebtedness, and past record of expending amounts nearly equal to income, NBW extended this loan at interest rates lower than any of the institutions making earlier loans.

The Office of the General Counsel has reviewed what appear to be the initial loan documents described above. The Committee's reports, however, indicate that substantial advances were made after the May 14, 1984 due date and that the later advancements carried a higher interest rate (1 1/2 percent above NBW's floating prime). On May 31, 1984, total advances received from NBW were reported to have exceeded \$4.5 million, and a \$2.4 million balance was outstanding at that time. (The Committee's May 31, 1984, cash balance was reported to have been just under \$300,000 with total debts owed by the Committee of nearly \$4.7 million.) As of December 31, 1984, the Committee reported that it had a remaining obligation to NBW of nearly \$1.2 million, due upon demand at the interest rate of prime plus 1 1/2 percent.

Att. 181, p. 15

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On March 19, 1984, Senator Hart had just won most of the "Super Tuesday" primaries and caucuses, and may have seemed to be a good credit risk. However, this line of credit was by far the largest loan in the campaign and the loan with the lowest interest rate. One-half percent above prime may be unusually low for a borrower who is already largely in debt. Although the loan originally had a definite due date, according to the Committee's reports, the due date was extended for definite periods, then to "demand", and finally to December 31, 1985.

Because of the apparent temporary lack of due dates or amortization schedules, and because the adequacy of the collateralization raises questions about whether the loan was made on a basis which assured repayment, the General Counsel's Office believes this loan may not have been made in the ordinary course of business. Accordingly, this office recommends that the Commission find reason to believe that NBW violated 2 U.S.C. § 441b(a).

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Att. 181, p. 16



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Barbara D. Blum, President
The Women's National Bank
1627 K Street, N.W.
Washington, D.C. 20006

RE: MUR 2062
The Women's National Bank

Dear Ms. Blum:

On _____, 1985, the Federal Election Commission determined that there is reason to believe that the Women's National 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 you. You may submit any factual or legal materials which you believe are relevant to the Commission's consideration of this matter. Please submit such materials along with your response to the enclosed Order to Submit Written Answers and Subpoena to Produce Documents.

You may consult with an attorney and have an attorney assist you in the preparation of your responses to this Order and Subpoena. If you intend to be represented by counsel, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel and authorizing such counsel to receive any notifications or other communications from the Commission. It is required that you submit the information under oath and that you do so within 25 days of your receipt of this Order and Subpoena.

Att. 182, p.1

85040561628

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

If you request pre-probable cause conciliation, the Commission may decide not to propose a conciliation agreement until it has completed its review and analysis of the submitted materials. In the absence of any additional information which demonstrates that no further action should be taken against you, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation. You should be advised, however, that the Commission is not required to enter into any negotiations directed towards reaching a conciliation agreement unless and until it makes a finding of probable cause to believe. See 11 C.F.R. § 111.18(d).

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 Robert Raich, the staff member assigned to this matter, at (202) 523-4000 or (800) 424-9530.

Sincerely,

John Warren McGarry
Chairman

Enclosures
Order and Subpoena
General Counsel's Factual and Legal Analysis
Procedures
Designation of Counsel Form

Att. 182, p. 2

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

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MUR 2062

ORDER TO SUBMIT WRITTEN ANSWERS
AND SUBPOENA TO PRODUCE DOCUMENTS

TO: Barbara D. Blum, President
The Women's National Bank
1627 K Street, N.W.
Washington, D.C. 20006

Pursuant to 2 U.S.C. § 437d(a)(1) and (3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby orders you to submit written answers to the questions attached to this Order and subpoenas you to produce the requested documents.

Answers must be submitted under oath and should be made by the individual or individuals having knowledge of the subject matter of the questions. Documents must be compiled by the individual or individuals having knowledge of, and where possible, supervisory responsibility for, the required documents. Such answers and documents must be forwarded to the Commission within twenty-five (25) days of your receipt of this Order and Subpoena.

WHEREFORE, the Chairman of the Federal Election Commission hereunto sets his hand on _____, 1985.

John Warren McGarry
Chairman

ATTEST:

Marjorie W. Emmons
Secretary to the Commission

Attachment

Att. 182, p. 3

195040561630

TO: The Women's National Bank

Instructions

Answer each question separately.

If you claim that you are entitled to withhold any of the information or documents requested, state the grounds for withholding such information or documents, and identify such information or documents in sufficient detail to justify the claim. (See definition of "identify" with respect to documents.)

"And" as well as "or" shall be construed disjunctively or conjunctively as necessary to bring within the scope of these Questions and Request the information and documents which could otherwise be construed to be out of their scope.

Singular words shall be construed as plural and plural words shall be construed as singular as necessary to bring within the scope of these Questions and Request the information and documents which could otherwise be construed to be out of their scope.

The following Questions and Request are continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information before this matter is closed. Include in any supplements or amendments the date upon which, and the manner in which, such further or different information came to your attention.

Definitions

As used in this Order and Subpoena, the following terms are defined as follows:

Att. 182, p. 4

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"Committee" means Americans with Hart, Inc. and any exploratory committee for the Hart campaign.

"Person" means any natural person, proprietorship, partnership, association, corporation, political committee, or any other type of organization or entity.

"Document" means any tangible thing by which human communication is transmitted or stored, including the original and all non-identical copies, including drafts, of all records of every type in your actual or constructive possession, custody, or control, or known by you to exist. The term "document" includes, without limitation: letters, contracts, notes, calendars, diaries, log sheets, records of conferences and telephone communications, transcripts, visual aids, vouchers, accounting statements, ledgers, audits, billing forms, receipts, checks, money orders, commercial paper, telegrams, telexes, messages, pamphlets, circulars, leaflets, articles, books, reports, memoranda, agendas, minutes, correspondence, surveys, tabulations, audio or visual recordings, drawings, photographs, graphs, charts, diagrams, lists, computer print-outs, discs, and all other writings or data compilations from which information can be obtained. The term "document" includes all attachments and enclosures attached to or enclosed with other documents.

"Identify" with respect to a document means state the nature or type of document (e.g., letter, memorandum), the date, if any, appearing therein, the date on which the document was prepared, the title of the document, the number of pages comprising the document; and identify each person who received or reviewed the

Att. (82), p. 5

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document, and each person having custody of the document. Identification of a document includes identifying all originals or copies of that document known or believed to exist.

"Identify" with respect to a natural person means provide the full name, the last known business and residence addresses and phone numbers, and last known occupation or job title of such person, and the nature of the connection that person has to any party in this investigation. For each natural person identified who is or was a director, officer, employee, staff member, agent, or attorney for you, provide such person's job description(s) during all periods relevant to loans you made to the Committee.

"Identify" with respect to a person who is not a natural person means provide the legal and trade names, the address and phone number, and the full names of both the chief executive officer and the agent designated to receive service of process for such person.

"Loan" includes lines of credit, letters of credit, advances, and all related transactions.

"You" means The Women's National Bank, its political committees, affiliates, subsidiaries, and parent, and all directors, officers, employees, staff members, agents, or attorneys thereof.

Questions

1. Identify all documents which evidence all loans you made to the Committee. Include, without limitation, promissory notes, security agreements, financing statements, loan proposals,

Att. 182, p. 6

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loan agreements, audits, amortization schedules, and all information concerning the terms of those loans, collateral or security for those loans, and endorsers, guarantors, or sureties for those loans.

2. Identify all documents between you and the Committee or any person acting on its behalf, that relate, refer, or pertain to any loan or potential loan. Include, without limitation, loan applications, and letters from endorsers, guarantors, or sureties.

3. Identify any and all documents or other communications between you to the Committee.

4. Identify all other documents or other communications considered by you in determining whether to make any loan to the Committee.

5. State the due dates, interest rates, and amortization schedule for each loan to the Committee. State the date and amount of each advancement made.

6. Identify all persons involved in any way with any loans you made or considered making to the Committee.

7. For each person identified in your answer to Question 6, state:

- a. the role each such person played in all transactions involving each loan or potential loan, and
- b. for each such person who was your director, officer, employee, staff member, agent, or

Att. 182, p. >

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attorney, that person's position in your chain of command.

8. State when and where each discussion was held which related, referred, or pertained to any loan to the Committee. Include, without limitation, meetings held by your employees, loan committees, or directors, and meetings held with representatives of any other financial institution or the Committee.

9. For each discussion listed in your answer to Question 8, identify who was present at the discussion, who was a party to the discussion, and state what was said at each discussion.

10. For each discussion listed in your answer to Question 8, identify all documents generated for, at, or by such discussion.

11. Identify all your written loan policies in use during 1983, 1984, and 1985. Include, without limitation, your policies for determining: creditworthiness, interest rates, repayment terms, the amount of collateral, whether a loan is secured or unsecured, whether audits or reviews are required, and if so, the type of audits or reviews.

12. If any of your loan policies, or portions thereof, in use during 1983, 1984, and 1985 are not, or were not, written, describe in detail all such unwritten policies. Include, without limitation, your policies for determining: creditworthiness, interest rates, repayment terms, the amount of collateral, whether a loan is secured or unsecured, whether audits or reviews are required, and if so, the type of audits or reviews.

ATT. 182, P. 8

85040561635

13. If your written loan policies, or portions thereof, do not, or did not, accurately reflect your actual practices concerning the extension of credit, describe in detail how your actual methods for extending credit vary, or varied, from such written policies.

14. Describe the manner by which you assessed the creditworthiness of the Committee.

15. State whether the procedures followed in making the loans to the Committee differed in any way from your written and unwritten policies and procedures described in your answers to Questions 11, 12, and 13.

16. State whether you have ever made a loan for use in a political campaign other than the loan to the Committee. If you have done so, for each such loan, identify or describe:

- a. the type of campaign,
- b. the candidate or political committee,
- c. the date of the loan,
- d. the amount of the loan,
- e. the collateral, and
- f. the factors used when determining whether to make the loan.

17. State whether you have ever denied a loan to a political campaign. If you have done so, for each such requested loan, identify or describe:

- a. the type of campaign,
- b. the candidate or political committee,

Att. 182, p. 9

85040561636

- c. the date of the requested loan,
- d. the amount of the requested loan,
- e. the potential collateral,
- f. the factors used when determining not to make the loan.

18. State whether you have established a separate segregated fund. If you have such a fund, identify any and all persons connected with it.

Document Request

Produce each and every document identified by you in response to the Questions above.

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Att. 182, p. 10

. . . to make a contribution or expenditure in connection with any election to any political office, or in connection with any primary election or political convention or caucus held to select candidates for any political office" The terms "contribution" and "expenditure" include, inter alia, loans, advances, deposits of money, or anything of value made to a campaign committee in connection with any election for Federal office. 2 U.S.C. § 441b(b)(2). Excluded from the definition of "contribution", however, are loans by certain banks made "in the ordinary course of business." 2 U.S.C. § 441b(b)(2).

To be considered "in the ordinary course of business," Section 431(8)(B)(vii) provides that such loan--

- (II) shall be made on a basis which assures repayment, evidenced by a written instrument, and subject to a due date or amortization schedule; and
- (III) shall bear the usual and customary interest rate of the lending institution.

The Commission's Regulations, at 11 C.F.R. § 100.7(b)(11) provide in addition that such loan must "bear the usual and customary interest rate of the lending institution for the category of the loan involved" [emphasis added] and be "made on a basis which assures repayment."

The Women's National Bank extended a \$150,000 loan to the Committee on February 27, 1984. The Committee at that time was approximately one million dollars in debt, had previously assigned its future proceeds from matching funds to First American, and had a negative cash on hand balance. In extending

Att. 182, p. 12

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the loan for 60 days with an interest rate of two percent above its floating prime, the Women's National Bank accepted matching fund payments as collateral even though they were subordinated to First American's priority. On February 29, 1984, the Committee had a negative cash on hand balance of \$3,700.

Because the loan may have been under-collateralized, and because of the Committee's high debts and negative cash on hand balance, the General Counsel's Office believes this loan may not have been made in the ordinary course of business, and recommends that the Commission find reason to believe that Women's National Bank violated 2 U.S.C § 441b(a).

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Att. 182, p. 13



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Michael Francis Ryan, President
NS&T Bank, N.A.
15th & New York Avenue, N.W.
Washington, D.C. 20005

RE: MUR 2062
NS&T Bank, N.A.

Dear Mr. Ryan:

On _____, 1985, the Federal Election Commission determined that there is reason to believe that NS&T Bank, N.A., 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 such materials along with your response to the enclosed Order to Submit Written Answers and Subpoena to Produce Documents.

You may consult with an attorney and have an attorney assist you in the preparation of your responses to this Order and Subpoena. If you intend to be represented by counsel, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel and authorizing such counsel to receive any notifications or other communications from the Commission. It is required that you submit the information under oath and that you do so within 25 days of your receipt of this Order and Subpoena.

AA. 183, p. 1

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

If you request pre-probable cause conciliation, the Commission may decide not to propose a conciliation agreement until it has completed its review and analysis of the submitted materials. In the absence of any additional information which demonstrates that no further action should be taken against you, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation. You should be advised, however, that the Commission is not required to enter into any negotiations directed towards reaching a conciliation agreement unless and until it makes a finding of probable cause to believe. See 11 C.F.R. § 111.18(d).

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 Robert Raich, the staff member assigned to this matter, at (202) 523-4000 or (800) 424-9530.

Sincerely,

John Warren McGarry
Chairman

Enclosures

Order and Subpoena
General Counsel's Factual and Legal Analysis
Procedures
Designation of Counsel Form

Att. 183, p. 2

35040561642

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

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MUR 2062

ORDER TO SUBMIT WRITTEN ANSWERS
AND SUBPOENA TO PRODUCE DOCUMENTS

TO: Michael Francis Ryan, President
NS&T Bank, N.A.
15th & New York Avenue, N.W.
Washington, D.C. 20005

Pursuant to 2 U.S.C. § 437d(a)(1) and (3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby orders you to submit written answers to the questions attached to this Order and subpoenas you to produce the requested documents.

Answers must be submitted under oath and should be made by the individual or individuals having knowledge of the subject matter of the questions. Documents must be compiled by the individual or individuals having knowledge of, and where possible, supervisory responsibility for, the required documents. Such answers and documents must be forwarded to the Commission within twenty-five (25) days of your receipt of this Order and Subpoena.

WHEREFORE, the Chairman of the Federal Election Commission hereunto sets his hand on _____, 1985.

John Warren McGarry
Chairman

ATTEST:

Marjorie W. Emmons
Secretary to the Commission

Attachment



Att. (83), p. 3

185040561643

TO: NS&T Bank, N.A.

Instructions

Answer each question separately.

If you claim that you are entitled to withhold any of the information or documents requested, state the grounds for withholding such information or documents, and identify such information or documents in sufficient detail to justify the claim. (See definition of "identify" with respect to documents.)

"And" as well as "or" shall be construed disjunctively or conjunctively as necessary to bring within the scope of these Questions and Request the information and documents which could otherwise be construed to be out of their scope.

Singular words shall be construed as plural and plural words shall be construed as singular as necessary to bring within the scope of these Questions and Request the information and documents which could otherwise be construed to be out of their scope.

The following Questions and Request are continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information before this matter is closed. Include in any supplements or amendments the date upon which, and the manner in which, such further or different information came to your attention.

Definitions

As used in this Order and Subpoena, the following terms are defined as follows:

Att. 183, p. 4

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"Committee" means Americans with Hart, Inc. and any exploratory committee for the Hart campaign.

"Person" means any natural person, proprietorship, partnership, association, corporation, political committee, or any other type of organization or entity.

"Document" means any tangible thing by which human communication is transmitted or stored, including the original and all non-identical copies, including drafts, of all records of every type in your actual or constructive possession, custody, or control, or known by you to exist. The term "document" includes, without limitation: letters, contracts, notes, calendars, diaries, log sheets, records of conferences and telephone communications, transcripts, visual aids, vouchers, accounting statements, ledgers, audits, billing forms, receipts, checks, money orders, commercial paper, telegrams, telexes, messages, pamphlets, circulars, leaflets, articles, books, reports, memoranda, agendas, minutes, correspondence, surveys, tabulations, audio or visual recordings, drawings, photographs, graphs, charts, diagrams, lists, computer print-outs, discs, and all other writings or data compilations from which information can be obtained. The term "document" includes all attachments and enclosures attached to or enclosed with other documents.

"Identify" with respect to a document means state the nature or type of document (e.g., letter, memorandum), the date, if any, appearing therein, the date on which the document was prepared, the title of the document, the number of pages comprising the document; and identify each person who received or reviewed the

Att. (83), p. 5

185040561645

document, and each person having custody of the document. Identification of a document includes identifying all originals or copies of that document known or believed to exist.

"Identify" with respect to a natural person means provide the full name, the last known business and residence addresses and phone numbers, and last known occupation or job title of such person, and the nature of the connection that person has to any party in this investigation. For each natural person identified who is or was a director, officer, employee, staff member, agent, or attorney for you, provide such person's job description(s) during all periods relevant to loans you made to the Committee.

"Identify" with respect to a person who is not a natural person means provide the legal and trade names, the address and phone number, and the full names of both the chief executive officer and the agent designated to receive service of process for such person.

"Loan" includes lines of credit, letters of credit, advances, and all related transactions.

"You" means NS&T Bank, N.A., its political committees, affiliates, subsidiaries, and parent, and all directors, officers, employees, staff members, agents, or attorneys thereof.

Questions

1. Identify all documents which evidence all loans you made to the Committee. Include, without limitation, promissory notes, security agreements, financing statements, loan proposals,

Att. 183, p. 5

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loan agreements, audits, amortization schedules, and all information concerning the terms of those loans, collateral or security for those loans, and endorsers, guarantors, or sureties for those loans.

2. Identify all documents between you and the Committee or any person acting on its behalf, that relate, refer, or pertain to any loan or potential loan. Include, without limitation, loan applications, and letters from endorsers, guarantors, or sureties.

3. Identify any and all documents or other communications between you to the Committee.

4. Identify all other documents or other communications considered by you in determining whether to make any loan to the Committee.

5. State the due dates, interest rates, and amortization schedule for each loan to the Committee. State the date and amount of each advancement made.

6. Identify all persons involved in any way with any loans you made or considered making to the Committee.

7. For each person identified in your answer to Question 6, state:

- a. the role each such person played in all transactions involving each loan or potential loan, and
- b. for each such person who was your director, officer, employee, staff member, agent, or

Att. 183, p. 7

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attorney, that person's position in your chain of command.

8. State when and where each discussion was held which related, referred, or pertained to any loan to the Committee. Include, without limitation, meetings held by your employees, loan committees, or directors, and meetings held with representatives of any other financial institution or the Committee.

9. For each discussion listed in your answer to Question 8, identify who was present at the discussion, who was a party to the discussion, and state what was said at each discussion.

10. For each discussion listed in your answer to Question 8, identify all documents generated for, at, or by such discussion.

11. Identify all your written loan policies in use during 1983, 1984, and 1985. Include, without limitation, your policies for determining: creditworthiness, interest rates, repayment terms, the amount of collateral, whether a loan is secured or unsecured, whether audits or reviews are required, and if so, the type of audits or reviews.

12. If any of your loan policies, or portions thereof, in use during 1983, 1984, and 1985 are not, or were not, written, describe in detail all such unwritten policies. Include, without limitation, your policies for determining: creditworthiness, interest rates, repayment terms, the amount of collateral, whether a loan is secured or unsecured, whether audits or reviews are required, and if so, the type of audits or reviews.

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Att. 183, p. 8

13. If your written loan policies, or portions thereof, do not, or did not, accurately reflect your actual practices concerning the extension of credit, describe in detail how your actual methods for extending credit vary, or varied, from such written policies.

14. Describe the manner by which you assessed the creditworthiness of the Committee.

15. State whether the procedures followed in making the loans to the Committee differed in any way from your written and unwritten policies and procedures described in your answers to Questions 11, 12, and 13.

16. State whether you have ever made a loan for use in a political campaign other than the loan to the Committee. If you have done so, for each such loan, identify or describe:

- a. the type of campaign,
- b. the candidate or political committee,
- c. the date of the loan,
- d. the amount of the loan,
- e. the collateral, and
- f. the factors used when determining whether to make the loan.

17. State whether you have ever denied a loan to a political campaign. If you have done so, for each such requested loan, identify or describe:

- a. the type of campaign,
- b. the candidate or political committee,

Att. 183, p. 9

185040561649

- c. the date of the requested loan,
- d. the amount of the requested loan,
- e. the potential collateral,
- f. the factors used when determining not to make the loan.

18. State whether you have established a separate segregated fund. If you have such a fund, identify any and all persons connected with it.

Document Request

Produce each and every document identified by you in response to the Questions above.

185040561650

Att. 183, p. 10

GENERAL COUNSEL'S FACTUAL AND LEGAL ANALYSIS

MUR No. 2062

RESPONDENT: NS&T Bank, N.A.

SUMMARY OF ALLEGATIONS

This matter was referred to the Office of General Counsel by the Audit Division pursuant to the Commission's decision of June 25, 1985. The Commission voted to refer the matter regarding eight bank loans obtained by Americans with Hart, Inc. (the "Committee") during the course of Senator Hart's Presidential primary campaign bid in 1984.

On or about February 29, 1984, the Committee obtained an \$80,000 loan from the NS&T Bank, N.A. ("NS&T") for 30 days. The interest rate on the loan was set at two percent above NS&T's floating prime rate. Collateral for the loan included, inter alia, all of the Committee's present and future accounts including all cash and non-cash proceeds. No mention was made in this agreement acknowledging subordination to the security agreements already in existence with other lenders.

The Audit Division has reported that the Committee only obtained advances totaling \$54,520 from NS&T and repaid the full amount (plus \$131.31 in interest) on March 9, 1984, with proceeds from a loan from the Riggs National Bank.

After Senator Hart won the New Hampshire Primary on February 28, 1985, he received substantial media attention and required an airplane for members of the press traveling with him. According

Att. (8), p. 11

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to the Audit Division, the proceeds from this NS&T can were used for the payment of charter air service.

FACTUAL BASIS AND LEGAL ANALYSIS

Title 2 of the United States Code at Section 441b(a) provides in part that "[i]t is unlawful for any national bank . . . to make a contribution or expenditure in connection with any election to any political office, or in connection with any primary election or political convention or caucus held to select candidates for any political office" The terms "contribution" and "expenditure" include, inter alia, loans, advances, deposits of money, or anything of value made to a campaign committee in connection with any election for Federal office. 2 U.S.C. § 441b(b)(2). Excluded from the definition of "contribution", however, are loans by certain banks made "in the ordinary course of business." 2 U.S.C. § 441b(b)(2).

To be considered "in the ordinary course of business," Section 431(8)(B)(vii) provides that such loan--

- (II) shall be made on a basis which assures repayment, evidenced by a written instrument, and subject to a due date or amortization schedule; and
- (III) shall bear the usual and customary interest rate of the lending institution.

The Commission's Regulations, at 11 C.F.R. § 100.7(b)(11) provide in addition that such loan must "bear the usual and customary interest rate of the lending institution for the category of the loan involved" [emphasis added] and be "made on a basis which assures repayment."

Att. 183, p. 12

35040561652

On February 29, 1984, NS&T extended an \$80,000 loan for 30 days to the Committee with an interest rate at two percent above its floating prime. According to the Committee's reports, it had a negative cash on hand balance of \$3,726.29 and outstanding indebtedness owed by it of \$1.2 million. During the month of February, the Committee's expenditures exceeded its receipts. NS&T extended the loan with the Committee's "present and future accounts, including all cash and non-cash proceeds" as collateral. This was a short-term loan with a definite due date. On February 28, Senator Hart had won the New Hampshire primary, and thus may have seemed to be a good credit risk. However, this loan may have been under-collateralized, in view of previous obligations to other banks by the Committee.

Because of the apparent under-collaterization, and because of the Committee's high debts and negative cash on hand balance, the General Counsel's Office believes this loan may not have been made in the ordinary course of business, and recommends that the Commission find reason to believe that NS&T violated 2 U.S.C. § 441b(a).

Att. 183, p. 13

85040561655



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Timothy Coughlin, President
The Riggs National Bank of Washington, D.C.
800 17th Street, N.W.
Washington, D.C. 20006

RE: MUR 2062
The Riggs National Bank of
Washington, D.C.

Dear Mr. Coughlin:

On _____, 1985, the Federal Election Commission determined that there is reason to believe that The Riggs National Bank of Washington, D.C., 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 such materials along with your response to the enclosed Order to Submit Written Answers and Subpoena to Produce Documents.

You may consult with an attorney and have an attorney assist you in the preparation of your responses to this Order and Subpoena. If you intend to be represented by counsel, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel and authorizing such counsel to receive any notifications or other communications from the Commission. It is required that you submit the information under oath and that you do so within 25 days of your receipt of this Order and Subpoena.

Att. 184, p. 1

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

If you request pre-probable cause conciliation, the Commission may decide not to propose a conciliation agreement until it has completed its review and analysis of the submitted materials. In the absence of any additional information which demonstrates that no further action should be taken against you, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation. You should be advised, however, that the Commission is not required to enter into any negotiations directed towards reaching a conciliation agreement unless and until it makes a finding of probable cause to believe. See 11 C.F.R. § 111.18(d).

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 Robert Raich, the staff member assigned to this matter, at (202) 523-4000 or (800) 424-9530.

Sincerely,

John Warren McGarry
Chairman

Enclosures
Order and Subpoena
General Counsel's Factual and Legal Analysis
Procedures
Designation of Counsel Form

Att. 184, p. 2

85040561655

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

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MUR 2062

ORDER TO SUBMIT WRITTEN ANSWERS
AND SUBPOENA TO PRODUCE DOCUMENTS

TO: Timothy Coughlin, President
The Riggs National Bank of Washington, D.C.
800 17th Street, N.W.
Washington, D.C. 20006

Pursuant to 2 U.S.C. § 437d(a)(1) and (3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby orders you to submit written answers to the questions attached to this Order and subpoenas you to produce the requested documents.

Answers must be submitted under oath and should be made by the individual or individuals having knowledge of the subject matter of the questions. Documents must be compiled by the individual or individuals having knowledge of, and where possible, supervisory responsibility for, the required documents. Such answers and documents must be forwarded to the Commission within twenty-five (25) days of your receipt of this Order and Subpoena.

WHEREFORE, the Chairman of the Federal Election Commission hereunto sets his hand on _____, 1985.

John Warren McGarry
Chairman

ATTEST:

Marjorie W. Emmons
Secretary to the Commission

Attachment

Att. 184, p. 3

85040561656

TO: The Riggs National Bank of Washington, D.C.

Instructions

Answer each question separately.

If you claim that you are entitled to withhold any of the information or documents requested, state the grounds for withholding such information or documents, and identify such information or documents in sufficient detail to justify the claim. (See definition of "identify" with respect to documents.)

"And" as well as "or" shall be construed disjunctively or conjunctively as necessary to bring within the scope of these Questions and Request the information and documents which could otherwise be construed to be out of their scope.

Singular words shall be construed as plural and plural words shall be construed as singular as necessary to bring within the scope of these Questions and Request the information and documents which could otherwise be construed to be out of their scope.

The following Questions and Request are continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information before this matter is closed. Include in any supplements or amendments the date upon which, and the manner in which, such further or different information came to your attention.

Definitions

As used in this Order and Subpoena, the following terms are defined as follows:

Att. 184, p. 4

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"Committee" means Americans with Hart, Inc. and any exploratory committee for the Hart campaign.

"Person" means any natural person, proprietorship, partnership, association, corporation, political committee, or any other type of organization or entity.

"Document" means any tangible thing by which human communication is transmitted or stored, including the original and all non-identical copies, including drafts, of all records of every type in your actual or constructive possession, custody, or control, or known by you to exist. The term "document" includes, without limitation: letters, contracts, notes, calendars, diaries, log sheets, records of conferences and telephone communications, transcripts, visual aids, vouchers, accounting statements, ledgers, audits, billing forms, receipts, checks, money orders, commercial paper, telegrams, telexes, messages, pamphlets, circulars, leaflets, articles, books, reports, memoranda, agendas, minutes, correspondence, surveys, tabulations, audio or visual recordings, drawings, photographs, graphs, charts, diagrams, lists, computer print-outs, discs, and all other writings or data compilations from which information can be obtained. The term "document" includes all attachments and enclosures attached to or enclosed with other documents.

"Identify" with respect to a document means state the nature or type of document (e.g., letter, memorandum), the date, if any, appearing therein, the date on which the document was prepared, the title of the document, the number of pages comprising the document; and identify each person who received or reviewed the

Att. 184, p. 5

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document, and each person having custody of the document. Identification of a document includes identifying all originals or copies of that document known or believed to exist.

"Identify" with respect to a natural person means provide the full name, the last known business and residence addresses and phone numbers, and last known occupation or job title of such person, and the nature of the connection that person has to any party in this investigation. For each natural person identified who is or was a director, officer, employee, staff member, agent, or attorney for you, provide such person's job description(s) during all periods relevant to loans you made to the Committee.

"Identify" with respect to a person who is not a natural person means provide the legal and trade names, the address and phone number, and the full names of both the chief executive officer and the agent designated to receive service of process for such person.

"Loan" includes lines of credit, letters of credit, advances, and all related transactions.

"You" means The Riggs National Bank of Washington, D.C., its political committees, affiliates, subsidiaries, and parent, and all directors, officers, employees, staff members, agents, or attorneys thereof.

Questions

1. Identify all documents which evidence all loans you made to the Committee. Include, without limitation, promissory notes, security agreements, financing statements, loan proposals,

Att. 184, p. 5

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loan agreements, audits, amortization schedules, and all information concerning the terms of those loans, collateral or security for those loans, and endorsers, guarantors, or sureties for those loans.

2. Identify all documents between you and the Committee or any person acting on its behalf, that relate, refer, or pertain to any loan or potential loan. Include, without limitation, loan applications, and letters from endorsers, guarantors, or sureties.

3. Identify any and all documents or other communications between you to the Committee.

4. Identify all other documents or other communications considered by you in determining whether to make any loan to the Committee.

5. State the due dates, interest rates, and amortization schedule for each loan to the Committee. State the date and amount of each advancement made.

6. Identify all persons involved in any way with any loans you made or considered making to the Committee.

7. For each person identified in your answer to Question 6, state:

- a. the role each such person played in all transactions involving each loan or potential loan, and
- b. for each such person who was your director, officer, employee, staff member, agent, or

Att. 184, p. 7

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attorney, that person's position in your chain of command.

8. State when and where each discussion was held which related, referred, or pertained to any loan to the Committee. Include, without limitation, meetings held by your employees, loan committees, or directors, and meetings held with representatives of any other financial institution or the Committee.

9. For each discussion listed in your answer to Question 8, identify who was present at the discussion, who was a party to the discussion, and state what was said at each discussion.

10. For each discussion listed in your answer to Question 8, identify all documents generated for, at, or by such discussion.

11. Identify all your written loan policies in use during 1983, 1984, and 1985. Include, without limitation, your policies for determining: creditworthiness, interest rates, repayment terms, the amount of collateral, whether a loan is secured or unsecured, whether audits or reviews are required, and if so, the type of audits or reviews.

12. If any of your loan policies, or portions thereof, in use during 1983, 1984, and 1985 are not, or were not, written, describe in detail all such unwritten policies. Include, without limitation, your policies for determining: creditworthiness, interest rates, repayment terms, the amount of collateral, whether a loan is secured or unsecured, whether audits or reviews are required, and if so, the type of audits or reviews.

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Att. 184, p. 8

13. If your written loan policies, or portions thereof, do not, or did not, accurately reflect your actual practices concerning the extension of credit, describe in detail how your actual methods for extending credit vary, or varied, from such written policies.

14. Describe the manner by which you assessed the creditworthiness of the Committee.

15. State whether the procedures followed in making the loans to the Committee differed in any way from your written and unwritten policies and procedures described in your answers to Questions 11, 12, and 13.

16. State whether you have ever made a loan for use in a political campaign other than the loan to the Committee. If you have done so, for each such loan, identify or describe:

- a. the type of campaign,
- b. the candidate or political committee,
- c. the date of the loan,
- d. the amount of the loan,
- e. the collateral, and
- f. the factors used when determining whether to make the loan.

17. State whether you have ever denied a loan to a political campaign. If you have done so, for each such requested loan, identify or describe:

- a. the type of campaign,
- b. the candidate or political committee,

Att. 184, p. 9

85040561662

- c. the date of the requested loan,
- d. the amount of the requested loan,
- e. the potential collateral,
- f. the factors used when determining not to make the loan.

18. State whether you have established a separate segregated fund. If you have such a fund, identify any and all persons connected with it.

Document Request

Produce each and every document identified by you in response to the Questions above.

185040561663

Att. 184, p. 10

GENERAL COUNSEL'S FACTUAL AND LEGAL ANALYSIS

MUR No. 2062

RESPONDENT: The Riggs National Bank of Washington, D.C.

SUMMARY OF ALLEGATIONS

This matter was referred to the Office of General Counsel by the Audit Division pursuant to the Commission's decision of June 25, 1985. The Commission voted to refer the matter regarding eight bank loans obtained by Americans with Hart, Inc. (the "Committee") during the course of Senator Hart's Presidential primary campaign bid in 1984.

On or about March 8, 1984, the Committee obtained a loan from The Riggs National Bank of Washington, D.C. ("Riggs") for \$1.3 million. The interest rate on that loan was established at Riggs' floating prime rate plus one percent. The note further provided that full payment (principal plus interest) would be made by April 9, 1984. Collateral for the loan was all presidential primary matching fund payments, campaign contributions, and other tangibles and intangibles. Riggs received a security interest in matching fund payments and notified the Department of the Treasury to make all matching funds payments directly to Riggs.

The Committee's counsel, by letter to Riggs dated March 8, 1984, advised Riggs, inter alia, that there would be no outstanding liens or security interests in the collateral assigned to Riggs once the proper releases and termination statements from the First American Bank, N.A., the National Bank

Att. 184, p. 11

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of Washington, NS&T Bank, N.A., and the Women's National Bank were filed. Counsel further advised Riggs that his letter expressed "no opinion on whether the loan to be extended to the Committee constitutes a loan made in accordance with the applicable banking laws and regulations and in the ordinary course of Riggs business as required by 11 CFR §100.7(b)(11)."

The Audit Division reports that the proceeds of this loan were used to repay four existing loans (totaling \$1,022,661.61), plus a payment of \$277,338 to the Committee's media consultant. On March 20, 1984, the Committee repaid Riggs in full, including an interest payment of \$4,280.05, with a portion of the proceeds from a line of credit issued by the National Bank of Washington.

FACTUAL BASIS AND LEGAL ANALYSIS

Title 2 of the United States Code at Section 441b(a) provides in part that "[i]t is unlawful for any national bank . . . to make a contribution or expenditure in connection with any election to any political office, or in connection with any primary election or political convention or caucus held to select candidates for any political office" The terms "contribution" and "expenditure" include, inter alia, loans, advances, deposits of money, or anything of value made to a campaign committee in connection with any election for Federal office. 2 U.S.C. § 441b(b)(2). Excluded from the definition of "contribution", however, are loans by certain banks made "in the ordinary course of business." 2 U.S.C. § 441b(b)(2).

Att. 184, p. 12

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To be considered "in the ordinary course of business,"
Section 431(8)(B)(vii) provides that such loan--

- (II) shall be made on a basis which assures repayment, evidenced by a written instrument, and subject to a due date or amortization schedule; and
- (III) shall bear the usual and customary interest rate of the lending institution.

The Commission's Regulations, at 11 C.F.R. § 100.7(b)(11) provide in addition that such loan must "bear the usual and customary interest rate of the lending institution for the category of the loan involved" [emphasis added] and be "made on a basis which assures repayment."

As previously noted, Riggs, on March 8, 1984, extended a \$1.3 million loan to the Committee, due on April 9, 1984, at an interest rate of one percent over its floating prime rate. While the collateral for the loan included collateral previously obligated by the Committee, Riggs appears to have extended the loan on the condition that other security interests be released in accordance with the UCC. Thus, all but \$277,338 of the loan was used to repay other loans already in existence carrying higher interest rates.

This was a short-term loan with a definite due date. Riggs obtained a security interest with priority over all the collateral. Senator Hart had just won the New Hampshire primary and Maine caucuses, and thus may have seemed to be a good credit risk. However, on February 29, 1984, the Committee had a negative cash on hand balance, consequently the General Counsel's

Att. 184, p. 13

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Office believes this loan may not have been made in the ordinary course of business, and recommends that the Commission find reason to believe that Riggs violated 2 U.S.C. § 441b(a).

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Att. 184, p.14



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Robert B. Leek, President
California National Bank
601 Montgomery Street
San Francisco, California 94111

RE: MUR 2062
California National Bank

Dear Mr. Leek:

On , 1985, the Federal Election Commission determined that there is reason to believe that California National 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 you. You may submit any factual or legal materials which you believe are relevant to the Commission's consideration of this matter. Please submit such materials along with your response to the enclosed Order to Submit Written Answers and Subpoena to Produce Documents.

You may consult with an attorney and have an attorney assist you in the preparation of your responses to this Order and Subpoena. If you intend to be represented by counsel, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel and authorizing such counsel to receive any notifications or other communications from the Commission. It is required that you submit the information under oath and that you do so within 25 days of your receipt of this Order and Subpoena.

Att. 185, p.1

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

If you request pre-probable cause conciliation, the Commission may decide not to propose a conciliation agreement until it has completed its review and analysis of the submitted materials. In the absence of any additional information which demonstrates that no further action should be taken against you, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation. You should be advised, however, that the Commission is not required to enter into any negotiations directed towards reaching a conciliation agreement unless and until it makes a finding of probable cause to believe. See 11 C.F.R. § 111.18(d).

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 Robert Raich, the staff member assigned to this matter, at (202) 523-4000 or (800) 424-9530.

Sincerely,

John Warren McGarry
Chairman

Enclosures

Order and Subpoena
General Counsel's Factual and Legal Analysis
Procedures
Designation of Counsel Form

Att. 185, p. 2

185040561669

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

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MUR 2062

ORDER TO SUBMIT WRITTEN ANSWERS
AND SUBPOENA TO PRODUCE DOCUMENTS

TO: Robert B. Leek, President
California National Bank
601 Montgomery Street
San Francisco, California 94111

Pursuant to 2 U.S.C. § 437d(a)(1) and (3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby orders you to submit written answers to the questions attached to this Order and subpoenas you to produce the requested documents.

Answers must be submitted under oath and should be made by the individual or individuals having knowledge of the subject matter of the questions. Documents must be compiled by the individual or individuals having knowledge of, and where possible, supervisory responsibility for, the required documents. Such answers and documents must be forwarded to the Commission within twenty-five (25) days of your receipt of this Order and Subpoena.

WHEREFORE, the Chairman of the Federal Election Commission hereunto sets his hand on _____, 1985.

John Warren McGarry
Chairman

ATTEST:

Marjorie W. Emmons
Secretary to the Commission

Attachment

Att. 185, p. 3

85040561670

TO: California National Bank

Instructions

Answer each question separately.

If you claim that you are entitled to withhold any of the information or documents requested, state the grounds for withholding such information or documents, and identify such information or documents in sufficient detail to justify the claim. (See definition of "identify" with respect to documents.)

"And" as well as "or" shall be construed disjunctively or conjunctively as necessary to bring within the scope of these Questions and Request the information and documents which could otherwise be construed to be out of their scope.

Singular words shall be construed as plural and plural words shall be construed as singular as necessary to bring within the scope of these Questions and Request the information and documents which could otherwise be construed to be out of their scope.

The following Questions and Request are continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information before this matter is closed. Include in any supplements or amendments the date upon which, and the manner in which, such further or different information came to your attention.

Definitions

As used in this Order and Subpoena, the following terms are defined as follows:

Att. 185, p. 4

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"Committee" means Americans with Hart, Inc. and any exploratory committee for the Hart campaign.

"Person" means any natural person, proprietorship, partnership, association, corporation, political committee, or any other type of organization or entity.

"Document" means any tangible thing by which human communication is transmitted or stored, including the original and all non-identical copies, including drafts, of all records of every type in your actual or constructive possession, custody, or control, or known by you to exist. The term "document" includes, without limitation: letters, contracts, notes, calendars, diaries, log sheets, records of conferences and telephone communications, transcripts, visual aids, vouchers, accounting statements, ledgers, audits, billing forms, receipts, checks, money orders, commercial paper, telegrams, telexes, messages, pamphlets, circulars, leaflets, articles, books, reports, memoranda, agendas, minutes, correspondence, surveys, tabulations, audio or visual recordings, drawings, photographs, graphs, charts, diagrams, lists, computer print-outs, discs, and all other writings or data compilations from which information can be obtained. The term "document" includes all attachments and enclosures attached to or enclosed with other documents.

"Identify" with respect to a document means state the nature or type of document (e.g., letter, memorandum), the date, if any, appearing therein, the date on which the document was prepared, the title of the document, the number of pages comprising the document; and identify each person who received or reviewed the

Att. 185, p. 5

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document, and each person having custody of the document. Identification of a document includes identifying all originals or copies of that document known or believed to exist.

"Identify" with respect to a natural person means provide the full name, the last known business and residence addresses and phone numbers, and last known occupation or job title of such person, and the nature of the connection that person has to any party in this investigation. For each natural person identified who is or was a director, officer, employee, staff member, agent, or attorney for you, provide such person's job description(s) during all periods relevant to loans you made to the Committee.

"Identify" with respect to a person who is not a natural person means provide the legal and trade names, the address and phone number, and the full names of both the chief executive officer and the agent designated to receive service of process for such person.

"Loan" includes lines of credit, letters of credit, advances, and all related transactions.

"You" means California National Bank, its political committees, affiliates, subsidiaries, and parent, and all directors, officers, employees, staff members, agents, or attorneys thereof.

Questions

1. Identify all documents which evidence all loans you made to the Committee. Include, without limitation, promissory notes, security agreements, financing statements, loan proposals,

Att. 185, p. 6

185040561673

loan agreements, audits, amortization schedules, and all information concerning the terms of those loans, collateral or security for those loans, and endorsers, guarantors, or sureties for those loans.

2. Identify all documents between you and the Committee or any person acting on its behalf, that relate, refer, or pertain to any loan or potential loan. Include, without limitation, loan applications, and letters from endorsers, guarantors, or sureties.

3. Identify any and all documents or other communications between you to the Committee.

4. Identify all other documents or other communications considered by you in determining whether to make any loan to the Committee.

5. State the due dates, interest rates, and amortization schedule for each loan to the Committee. State the date and amount of each advancement made.

6. Identify all persons involved in any way with any loans you made or considered making to the Committee.

7. For each person identified in your answer to Question 6, state:

- a. the role each such person played in all transactions involving each loan or potential loan, and
- b. for each such person who was your director, officer, employee, staff member, agent, or

Att. 185, p. 7

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attorney, that person's position in your chain of command.

8. State when and where each discussion was held which related, referred, or pertained to any loan to the Committee. Include, without limitation, meetings held by your employees, loan committees, or directors, and meetings held with representatives of any other financial institution or the Committee.

9. For each discussion listed in your answer to Question 8, identify who was present at the discussion, who was a party to the discussion, and state what was said at each discussion.

10. For each discussion listed in your answer to Question 8, identify all documents generated for, at, or by such discussion.

11. Identify all your written loan policies in use during 1983, 1984, and 1985. Include, without limitation, your policies for determining: creditworthiness, interest rates, repayment terms, the amount of collateral, whether a loan is secured or unsecured, whether audits or reviews are required, and if so, the type of audits or reviews.

12. If any of your loan policies, or portions thereof, in use during 1983, 1984, and 1985 are not, or were not, written, describe in detail all such unwritten policies. Include, without limitation, your policies for determining: creditworthiness, interest rates, repayment terms, the amount of collateral, whether a loan is secured or unsecured, whether audits or reviews are required, and if so, the type of audits or reviews.

ATT. 185, p. 8

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13. If your written loan policies, or portions thereof, do not, or did not, accurately reflect your actual practices concerning the extension of credit, describe in detail how your actual methods for extending credit vary, or varied, from such written policies.

14. Describe the manner by which you assessed the creditworthiness of the Committee.

15. State whether the procedures followed in making the loans to the Committee differed in any way from your written and unwritten policies and procedures described in your answers to Questions 11, 12, and 13.

16. State whether you have ever made a loan for use in a political campaign other than the loan to the Committee. If you have done so, for each such loan, identify or describe:

- a. the type of campaign,
- b. the candidate or political committee,
- c. the date of the loan,
- d. the amount of the loan,
- e. the collateral, and
- f. the factors used when determining whether to make the loan.

17. State whether you have ever denied a loan to a political campaign. If you have done so, for each such requested loan, identify or describe:

- a. the type of campaign,
- b. the candidate or political committee,

Att. 185, p. 9

85040561676

- c. the date of the requested loan,
- d. the amount of the requested loan,
- e. the potential collateral,
- f. the factors used when determining not to make the loan.

18. State whether you have established a separate segregated fund. If you have such a fund, identify any and all persons connected with it.

19. State what efforts have you made to collect the balance due on your loan to the Committee. Identify any and all documents which relate, refer, or pertain to collection of the balance due on the loan.

Document Request

Produce each and every document identified by you in response to the Questions above.

Att. 185, p. 10

185040561677

GENERAL COUNSEL'S FACTUAL AND LEGAL ANALYSIS

MUR No. 2062

RESPONDENT: California National Bank

SUMMARY OF ALLEGATIONS

This matter was referred to the Office of General Counsel by the Audit Division pursuant to the Commission's decision of June 25, 1985. The Commission voted to refer the matter regarding eight bank loans obtained by Americans with Hart, Inc. (the "Committee") during the course of Senator Hart's Presidential primary campaign bid in 1984.

On July 2, 1984, the Committee obtained a loan for \$41,995 from the California National Bank ("CNB"). The interest rate on this loan was established at 1 1/2 percent above CNB's floating prime as quoted by the Security Pacific National Bank. The due date for payment in full was December 14, 1984. Collateral for the loan was a purchase money security interest in a communications system to be used at the convention. The price of the system was \$65,239. The vendor of the communications equipment stated his opinion in a letter to CNB that the equipment's resale value would most likely be an amount greater than or equal to the loan value. The full amount of the loan balance remained outstanding as of December 31, 1984.

On January 31, 1985, the Committee reported making a \$28,000 loan repayment to CNB. On that same day the Committee reported a receipt for \$30,000 from Modern Systems Technology Corp. for the purchase of telephone equipment. Later reports during 1985 show that the loan balance due date was extended to June 10, 1985 and

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Att. 185, p. 11

when it had not been paid in full by then, the due date's terms changed to "demand." As of June 30, 1985, the balance on the loan was \$10,130 due on "demand."

FACTUAL BASIS AND LEGAL ANALYSIS

Title 2 of the United States Code at Section 441b(a) provides in part that "[i]t is unlawful for any national bank . . . to make a contribution or expenditure in connection with any election to any political office, or in connection with any primary election or political convention or caucus held to select candidates for any political office" The terms "contribution" and "expenditure" include, inter alia, loans, advances, deposits of money, or anything of value made to a campaign committee in connection with any election for Federal office. 2 U.S.C. § 441b(b)(2). Excluded from the definition of "contribution", however, are loans by certain banks made "in the ordinary course of business." 2 U.S.C. § 441b(b)(2).

To be considered "in the ordinary course of business," Section 431(8)(B)(vii) provides that such loan--

- (II) shall be made on a basis which assures repayment, evidenced by a written instrument, and subject to a due date or amortization schedule; and
- (III) shall bear the usual and customary interest rate of the lending institution.

The Commission's Regulations, at 11 C.F.R. § 100.7(b)(11) provide in addition that such loan must "bear the usual and customary interest rate of the lending institution for the category of the loan involved" [emphasis added] and be "made on a basis which assures repayment."

Att. 185, p. 12

05040561679

As previously discussed, the Committee obtained a loan from CNB to be applied towards the purchase of a communications system. No payment was made against the \$41,995 loan until January 31, 1985 despite the original due date on the loan of December 14, 1984.

The Committee's reports during 1985 indicate that the due date was changed to June 10, 1985, then to "demand", and that \$10,130 remained outstanding as of June 30, 1985. Despite the fact that the original collateral (the purchase money security interest in the equipment) appeared to be sufficient, the General Counsel's Office believes the apparent failure by CNB to collect payment raises questions regarding the outstanding balance on the loan. While it is possible that the terms might have been renegotiated and additional collateral offered, no such documentation was obtained by the Audit Division from the Committee during the course of the fieldwork. (That the terms may have been renegotiated is evidenced by the fact that the Committee's reports since February of 1985 show the interest rate on the loan as prime plus two percent, rather than the original rate of prime plus 1 1/2 percent).

If indeed the loan was renegotiated, there is a question regarding the adequacy of collateralization. A loan due on "demand" may not be subject to a due date, which is required by the Act. For the foregoing reasons, the General Counsel's Office believes this loan may not have been made in the ordinary course of business, and recommends that the Commission find reason to believe that CNB violated 2 U.S.C. § 441b(a).

Att. 185, p. 13

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Robert F. Tardio, Chairman of the Board
Suburban Bank
6610 Rockledge Drive
Bethesda, Maryland 20817

RE: MUR 2062
Suburban Bank

Dear Mr. Tardio:

On _____, 1985, the Federal Election Commission determined that there is reason to believe that Suburban 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 you. You may submit any factual or legal materials which you believe are relevant to the Commission's consideration of this matter. Please submit such materials along with your response to the enclosed Order to Submit Written Answers and Subpoena to Produce Documents.

You may consult with an attorney and have an attorney assist you in the preparation of your responses to this Order and Subpoena. If you intend to be represented by counsel, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel and authorizing such counsel to receive any notifications or other communications from the Commission. It is required that you submit the information under oath and that you do so within 25 days of your receipt of this Order and Subpoena.

Att. 188, p.1

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

If you request pre-probable cause conciliation, the Commission may decide not to propose a conciliation agreement until it has completed its review and analysis of the submitted materials. In the absence of any additional information which demonstrates that no further action should be taken against you, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation. You should be advised, however, that the Commission is not required to enter into any negotiations directed towards reaching a conciliation agreement unless and until it makes a finding of probable cause to believe. See 11 C.F.R. § 111.18(d).

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 Robert Raich, the staff member assigned to this matter, at (202) 523-4000 or (800) 424-9530.

Sincerely,

John Warren McGarry
Chairman

Enclosures
Order and Subpoena
General Counsel's Factual and Legal Analysis
Procedures
Designation of Counsel Form

Att. 186, p. 2

85040561682

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

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MUR 2062

ORDER TO SUBMIT WRITTEN ANSWERS
AND SUBPOENA TO PRODUCE DOCUMENTS

TO: Robert F. Tardio, Chairman of the Board
Suburban Bank
6610 Rockledge Drive
Bethesda, Maryland 20817

Pursuant to 2 U.S.C. § 437d(a)(1) and (3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby orders you to submit written answers to the questions attached to this Order and subpoenas you to produce the requested documents.

Answers must be submitted under oath and should be made by the individual or individuals having knowledge of the subject matter of the questions. Documents must be compiled by the individual or individuals having knowledge of, and where possible, supervisory responsibility for, the required documents. Such answers and documents must be forwarded to the Commission within twenty-five (25) days of your receipt of this Order and Subpoena.

WHEREFORE, the Chairman of the Federal Election Commission hereunto sets his hand on _____, 1985.

John Warren McGarry
Chairman

ATTEST:

Marjorie W. Emmons
Secretary to the Commission

Attachment

Att. 188, p. 3

25040561683

TO: Suburban Bank

Instructions

Answer each question separately.

If you claim that you are entitled to withhold any of the information or documents requested, state the grounds for withholding such information or documents, and identify such information or documents in sufficient detail to justify the claim. (See definition of "identify" with respect to documents.)

"And" as well as "or" shall be construed disjunctively or conjunctively as necessary to bring within the scope of these Questions and Request the information and documents which could otherwise be construed to be out of their scope.

Singular words shall be construed as plural and plural words shall be construed as singular as necessary to bring within the scope of these Questions and Request the information and documents which could otherwise be construed to be out of their scope.

The following Questions and Request are continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information before this matter is closed. Include in any supplements or amendments the date upon which, and the manner in which, such further or different information came to your attention.

Definitions

As used in this Order and Subpoena, the following terms are defined as follows:

Att. 185, p. 4

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"Committee" means Americans with Hart, Inc. and any exploratory committee for the Hart campaign.

"Person" means any natural person, proprietorship, partnership, association, corporation, political committee, or any other type of organization or entity.

"Document" means any tangible thing by which human communication is transmitted or stored, including the original and all non-identical copies, including drafts, of all records of every type in your actual or constructive possession, custody, or control, or known by you to exist. The term "document" includes, without limitation: letters, contracts, notes, calendars, diaries, log sheets, records of conferences and telephone communications, transcripts, visual aids, vouchers, accounting statements, ledgers, audits, billing forms, receipts, checks, money orders, commercial paper, telegrams, telexes, messages, pamphlets, circulars, leaflets, articles, books, reports, memoranda, agendas, minutes, correspondence, surveys, tabulations, audio or visual recordings, drawings, photographs, graphs, charts, diagrams, lists, computer print-outs, discs, and all other writings or data compilations from which information can be obtained. The term "document" includes all attachments and enclosures attached to or enclosed with other documents.

"Identify" with respect to a document means state the nature or type of document (e.g., letter, memorandum), the date, if any, appearing therein, the date on which the document was prepared, the title of the document, the number of pages comprising the document; and identify each person who received or reviewed the

Att. 186, p. 5

185040561635

document, and each person having custody of the document. Identification of a document includes identifying all originals or copies of that document known or believed to exist.

"Identify" with respect to a natural person means provide the full name, the last known business and residence addresses and phone numbers, and last known occupation or job title of such person, and the nature of the connection that person has to any party in this investigation. For each natural person identified who is or was a director, officer, employee, staff member, agent, or attorney for you, provide such person's job description(s) during all periods relevant to loans you made to the Committee.

"Identify" with respect to a person who is not a natural person means provide the legal and trade names, the address and phone number, and the full names of both the chief executive officer and the agent designated to receive service of process for such person.

"Loan" includes lines of credit, letters of credit, advances, and all related transactions.

"You" means Suburban Bank, its political committees, affiliates, subsidiaries, and parent, and all directors, officers, employees, staff members, agents, or attorneys thereof.

Questions

1. Identify all documents which evidence all loans you made to the Committee. Include, without limitation, promissory notes, security agreements, financing statements, loan proposals,

Att. 185, p. 5

195040561686

loan agreements, audits, amortization schedules, and all information concerning the terms of those loans, collateral or security for those loans, and endorsers, guarantors, or sureties for those loans.

2. Identify all documents between you and the Committee or any person acting on its behalf, that relate, refer, or pertain to any loan or potential loan. Include, without limitation, loan applications, and letters from endorsers, guarantors, or sureties.

3. Identify any and all documents or other communications between you to the Committee.

4. Identify all other documents or other communications considered by you in determining whether to make any loan to the Committee.

5. State the due dates, interest rates, and amortization schedule for each loan to the Committee. State the date and amount of each advancement made.

6. Identify all persons involved in any way with any loans you made or considered making to the Committee.

7. For each person identified in your answer to Question 6, state:

- a. the role each such person played in all transactions involving each loan or potential loan, and
- b. for each such person who was your director, officer, employee, staff member, agent, or

Att. 186, p. 7

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attorney, that person's position in your chain of command.

8. State when and where each discussion was held which related, referred, or pertained to any loan to the Committee. Include, without limitation, meetings held by your employees, loan committees, or directors, and meetings held with representatives of any other financial institution or the Committee.

9. For each discussion listed in your answer to Question 8, identify who was present at the discussion, who was a party to the discussion, and state what was said at each discussion.

10. For each discussion listed in your answer to Question 8, identify all documents generated for, at, or by such discussion.

11. Identify all your written loan policies in use during 1983, 1984, and 1985. Include, without limitation, your policies for determining: creditworthiness, interest rates, repayment terms, the amount of collateral, whether a loan is secured or unsecured, whether audits or reviews are required, and if so, the type of audits or reviews.

12. If any of your loan policies, or portions thereof, in use during 1983, 1984, and 1985 are not, or were not, written, describe in detail all such unwritten policies. Include, without limitation, your policies for determining: creditworthiness, interest rates, repayment terms, the amount of collateral, whether a loan is secured or unsecured, whether audits or reviews are required, and if so, the type of audits or reviews.

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13. If your written loan policies, or portions thereof, do not, or did not, accurately reflect your actual practices concerning the extension of credit, describe in detail how your actual methods for extending credit vary, or varied, from such written policies.

14. Describe the manner by which you assessed the creditworthiness of the Committee.

15. State whether the procedures followed in making the loans to the Committee differed in any way from your written and unwritten policies and procedures described in your answers to Questions 11, 12, and 13.

16. State whether you have ever made a loan for use in a political campaign other than the loan to the Committee. If you have done so, for each such loan, identify or describe:

- a. the type of campaign,
- b. the candidate or political committee,
- c. the date of the loan,
- d. the amount of the loan,
- e. the collateral, and
- f. the factors used when determining whether to make the loan.

17. State whether you have ever denied a loan to a political campaign. If you have done so, for each such requested loan, identify or describe:

- a. the type of campaign,
- b. the candidate or political committee,

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- c. the date of the requested loan,
- d. the amount of the requested loan,
- e. the potential collateral,
- f. the factors used when determining not to make the loan.

18. State whether you have established a separate segregated fund. If you have such a fund, identify any and all persons connected with it.

Document Request

Produce each and every document identified by you in response to the Questions above.

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GENERAL COUNSEL'S FACTUAL AND LEGAL ANALYSIS

MUR No. 2062

RESPONDENT: Suburban Bank

SUMMARY OF ALLEGATIONS

This matter was referred to the Office of General Counsel by the Audit Division pursuant to the Commission's decision of June 25, 1985. The Commission voted to refer the matter regarding eight bank loans obtained by Americans with Hart, Inc. (the "Committee") during the course of Senator Hart's Presidential primary campaign bid in 1984.

On May 2, 1984, the Committee obtained a loan from the Suburban Bank for \$10,000. Interest was to be one percent over the prime rate, and the "initial annual note rate is 13%." Collateral for the loan was stated as "Proceeds of fund raising event to be held on June 14, 1984." No reference was made to pre-existing assignments. The due date was established as June 18, 1984.

As of December 31, 1984, the Committee reported having made payments totaling \$6,727.22, leaving an outstanding balance of \$3,272.78. No further payments were made against the balance until April 19, 1985 when it was paid in full.

FACTUAL BASIS AND LEGAL ANALYSIS

Title 2 of the United States Code at Section 441b(a) provides in part that "[i]t is unlawful for any national bank . . . to make a contribution or expenditure in connection with any election to any political office, or in connection with any primary election or political convention or caucus held to select

Att. 186, p. 11

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candidates for any political office" The terms "contribution" and "expenditure" include, inter alia, loans, advances, deposits of money, or anything of value made to a campaign committee in connection with any election for Federal office. 2 U.S.C. § 441b(b)(2). Excluded from the definition of "contribution", however, are loans by certain banks made "in the ordinary course of business." 2 U.S.C. § 441b(b)(2).

To be considered "in the ordinary course of business," Section 431(8)(B)(vii) provides that such loan--

(II) shall be made on a basis which assures repayment, evidenced by a written instrument, and subject to a due date or amortization schedule; and

(III) shall bear the usual and customary interest rate of the lending institution.

The Commission's Regulations, at 11 C.F.R. § 100.7(b)(11) provide in addition that such loan must "bear the usual and customary interest rate of the lending institution for the category of the loan involved" [emphasis added] and be "made on a basis which assures repayment."

As noted earlier, Suburban Bank loaned the Committee \$10,000 on May 2, 1984. Collateral offered for the loan was to be proceeds from a concert on June 14, 1984. The due date was June 18, 1984, but the loan was not paid in full until April 19, 1985.

The only documentation currently available is the Promissory Note and the Pledge Agreement. The collateral had already been pledged to another lender, though Suburban Bank might have been able to utilize methods of obtaining priority for its security

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interest. On April 30, 1984, the Committee had \$580,000 of cash on hand, but was more than \$4.5 million in debt.

The Committee's poor financial posture on May 2, 1984 indicates that the loan may not have been made on a basis which assured repayment. Accepting as collateral proceeds already pledged to another lender indicates that the loan may have been under-collateralized. Repayment of the loan long after June 18, 1984 indicates that it may not have been subject to a bona fide due date or amortization schedule. Therefore, the Office of the General Counsel believes this loan may not have been made in the ordinary course of business, and recommends that the Commission find reason to believe that Suburban Bank violated 2 U.S.C. § 441b(a).

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Americans with Hart, Inc.
Michael R. Moore, Treasurer
707 17th Street, Suite 3800
Denver, Colorado 80202

RE: MUR 2062
Americans with Hart, Inc. and
Michael R. Moore, as treasurer

Dear Mr. Moore:

On _____, 1985, the Federal Election Commission determined that there is reason to believe that Americans with Hart, Inc., 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 and Americans with Hart, Inc. You may submit any factual or legal materials which you believe are relevant to the Commission's consideration of this matter. Please submit such materials along with your response to the enclosed Order to Submit Written Answers and Subpoena to Produce Documents.

You may consult with an attorney and have an attorney assist you in the preparation of your responses to this Order and Subpoena. If you intend to be represented by counsel, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel and authorizing such counsel to receive any notifications or other communications from the Commission. It is required that you submit the information under oath and that you do so within 25 days of your receipt of this Order and Subpoena.

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

If you request pre-probable cause conciliation, the Commission may decide not to propose a conciliation agreement until it has completed its review and analysis of the submitted materials. In the absence of any additional information which demonstrates that no further action should be taken against Americans with Hart, Inc. and you, as treasurer, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation. You should be advised, however, that the Commission is not required to enter into any negotiations directed towards reaching a conciliation agreement unless and until it makes a finding of probable cause to believe. See 11 C.F.R. § 111.18(d).

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 Robert Raich, the staff member assigned to this matter, at (202) 523-4000 or (800) 424-9530.

Sincerely,

John Warren McGarry
Chairman

Enclosures
Order and Subpoena
General Counsel's Factual and Legal Analysis
Procedures
Designation of Counsel Form

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

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MUR 2062

ORDER TO SUBMIT WRITTEN ANSWERS
AND SUBPOENA TO PRODUCE DOCUMENTS

TO: Americans with Hart, Inc.
Michael R. Moore, Treasurer
707 17th Street, Suite 3800
Denver, Colorado 80202

Pursuant to 2 U.S.C. § -437d(a)(1) and (3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby orders you to submit written answers to the questions attached to this Order and subpoenas you to produce the requested documents.

Answers must be submitted under oath and should be made by the individual or individuals having knowledge of the subject matter of the questions. Documents must be compiled by the individual or individuals having knowledge of, and where possible, supervisory responsibility for, the required documents. Such answers and documents must be forwarded to the Commission within twenty-five (25) days of your receipt of this Order and Subpoena.

WHEREFORE, the Chairman of the Federal Election Commission hereunto sets his hand on _____, 1985.

John Warren McGarry
Chairman

ATTEST:

Marjorie W. Emmons
Secretary to the Commission

Attachment

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Definitions

As used in this Order and Subpoena, the following terms are defined as follows:

"Committee" means Americans with Hart, Inc. and any exploratory committee for the Hart campaign.

"Person" means any natural person, proprietorship, partnership, association, corporation, political committee, or any other type of organization or entity.

"Document" means any tangible thing by which human communication is transmitted or stored, including the original and all non-identical copies, including drafts, of all records of every type in your actual or constructive possession, custody, or control, or known by you to exist. The term "document" includes, without limitation: letters, contracts, notes, calendars, diaries, log sheets, records of conferences and telephone communications, transcripts, visual aids, vouchers, accounting statements, ledgers, audits, billing forms, receipts, checks, money orders, commercial paper, telegrams, telexes, messages, pamphlets, circulars, leaflets, articles, books, reports, memoranda, agendas, minutes, correspondence, surveys, tabulations, audio or visual recordings, drawings, photographs, graphs, charts, diagrams, lists, computer print-outs, discs, and all other writings or data compilations from which information can be obtained. The term "document" includes all attachments and enclosures attached to or enclosed with other documents.

"Identify" with respect to a document means state the nature or type of document (e.g., letter, memorandum), the date, if any,

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appearing therein, the date on which the document was prepared, the title of the document, the number of pages comprising the document; and identify each person who received or reviewed the document, and each person having custody of the document. Identification of a document includes identifying all originals or copies of that document known or believed to exist.

"Identify" with respect to a natural person means provide the full name, the last known business and residence addresses and phone numbers, and last known occupation or job title of such person, and the nature of the connection that person has to any party in this investigation. For each natural person identified who is or was a director, officer, employee, staff member, agent, or attorney for you, provide such person's current job description and such person's job description(s) during all periods relevant to the loans made to you.

"Identify" with respect to a person who is not a natural person means provide the legal and trade names, the address and phone number, and the full names of both the chief executive officer and the agent designated to receive service of process for such person.

"Loan" includes lines of credit, letters of credit, advances, and all related transactions.

"You" means Senator Gary W. Hart, Americans with Hart, Inc., any other political committee authorized by Senator Gary W. Hart for his presidential campaign, and all directors, officers, employees, staff members, volunteers, agents, or attorneys thereof.

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Questions

1. Identify any and all documents that relate, refer, or pertain to the application for or obtaining of loans for your use. Include, without limitation, loan proposals, loan applications, letters from endorsers, guarantors, or sureties, promissory notes, security agreements, financing statements, amortization schedules, loan agreements, audits, and information concerning the terms, collateral, or security for all loans and potential loans.

2. Identify all persons who contacted any financial institutions on your behalf with respect to obtaining or attempting to obtain any loans for you.

3. Identify the persons at financial institutions who were contacted by the persons identified in your answer to Question 2.

4. Identify any and all documents that were discussed at, or that relate, refer, or pertain to, all meetings which in whole or part concerned loans to you. Identify each person present at each such meeting, and state when and where each such meeting was held.

5. State what has happened to the communications system that was collateral for a loan obtained from the California National Bank. If you have disposed of the communications system, state the date of sale, purchaser, price, method of payment, your prior efforts to sell the system, and your prior contacts with the purchaser or its agents.

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Document Request

Produce each and every document identified by you in response to the Questions above.

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GENERAL COUNSEL'S FACTUAL AND LEGAL ANALYSIS

MUR No. 2062

RESPONDENTS: Americans with Hart, Inc. and
Michael R. Moore, as treasurer

SUMMARY OF ALLEGATIONS

This matter was referred to the Office of General Counsel by the Audit Division pursuant to the Commission's decision of June 25, 1985. The Commission voted to refer the matter regarding eight bank loans obtained by Americans with Hart, Inc. (the "Committee") during the course of Senator Hart's Presidential primary campaign bid in 1984.

During the course of the Committee's existence, it obtained eight loans from various banks totaling more than six million dollars. The Office of the General Counsel has reviewed records obtained from the Committee by the Audit Division during the course of the audit regarding these loans and believes, for the reasons stated below, that the Commission should find reason to believe the extension of credit by these institutions violated 2 U.S.C. § 441b(a) and that the Committee and its treasurer and the candidate violated 2 U.S.C. § 441b(a) by knowingly accepting the proceeds.

The following is a brief factual analysis of each loan transaction involved in this matter:

1. First American Bank, N.A.

On two separate occasions, the Committee obtained a line of credit from the First American Bank, N.A. ("First American"). On July 27, 1983, the Committee applied for and obtained a \$350,000

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line of credit at an interest rate equivalent to First American's floating prime plus two percent with payment due upon demand. The second line of credit was issued by First American on September 8, 1983, at the same interest rate. Although the Committee received a total of \$1,437,865 in loan proceeds against the line of credit, the Audit Division concluded in its referral that "[a]t no time did the outstanding balance ... exceed the amount specified by the letter of credit."

The promissory note, and related documents incorporated into the note, regarding the \$350,000 line of credit indicate collateral for that loan was to be Matching Fund payment proceeds. The letter of agreement between First American and the Committee concerning the \$750,000 line of credit states that it was additionally secured by a life insurance policy of the same amount issued on Senator Hart with First American as beneficiary. No promissory note for the second loan is available for our review. The loans to First American were finally repaid with a \$732,658.05 payment on March 9, 1984, with proceeds from a loan from the Riggs National Bank, discussed in greater detail below.

2. National Bank of Washington

On or about February 9, 1984, the Committee secured a loan from the National Bank of Washington ("NBW") in the amount of \$50,000. The promissory note fixed the interest rate for this loan at NBW's floating prime rate plus one percent and calls for payment upon demand. Collateral for this loan is identified in a letter from the Committee to NBW as priority over proceeds

received from nine specific concerts during the period between February 17, 1984 and June 6, 1984.

The Audit Division has reported that this loan was paid in full (with interest totaling \$466.67). In a letter from NBW to the Committee dated March 8, 1984, NBW stated it was prepared to deliver the appropriate U.C.C. release agreements within 24 hours of receipt of a wire in the amount of the loan balance plus interest.

3. Women's National Bank

On or about February 27, 1984 the Committee obtained a sixty-day loan from the Women's National Bank in the amount of \$150,000 at an interest rate of two percent "above the rate from time to time established by the Lender as its prime rate of interest for its large commercial customers." Collateral for this loan included proceeds from Matching Fund payments, subject to the agreement with First American, together with a \$170,000 life insurance policy issued on Senator Hart naming the Women's National Bank as beneficiary, as well as "any and all contributions now or hereafter received by [the Committee] . . . in response to direct-mail solicitations"

The Audit Division has reported that this loan was paid in full together with \$593.83 in interest with the loan proceeds obtained from the Riggs National Bank, discussed in greater detail below.

4. NS&T Bank, N.A.

On or about February 29, 1984, the Committee obtained an \$80,000 loan from the NS&T Bank, N.A. ("NS&T") for 30 days. The interest rate on the loan was set at two percent above NS&T's

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floating prime rate. Collateral for the loan included, inter alia, all of the Committee's present and future accounts including all cash and non-cash proceeds. No mention was made in this agreement acknowledging subordination to the security agreements already in existence with other lenders.

The Audit Division has reported that the Committee only obtained advances totaling \$54,520 from NS&T and repaid the full amount (plus \$131.31 in interest) on March 9, 1984, with proceeds from a loan from the Riggs National Bank, details of which are more fully discussed below.

After Senator Hart won the New Hampshire Primary on February 28, 1985, he received substantial media attention and required an airplane for members of the press traveling with him. According to the Audit Division, the proceeds from this NS&T loan were used for the payment of charter air service.

5. Riggs National Bank of Washington, D.C.

On or about March 8, 1984, the Committee obtained a loan from The Riggs National Bank of Washington, D.C. ("Riggs") for \$1.3 million. The interest rate on that loan was established at Riggs' floating prime rate plus one percent. The note further provided that full payment (principal plus interest) would be made by April 9, 1984. Collateral for the loan was all presidential primary matching fund payments, campaign contributions, and other tangibles and intangibles. Riggs received a security interest in matching fund payments and notified the Department of the Treasury to make all matching funds payments directly to Riggs.

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The Committee's counsel, by letter to Riggs dated March 8, 1984, advised Riggs, inter alia, that there would be no outstanding liens or security interests in the collateral assigned to Riggs once the proper releases and termination statements from the First American Bank, N.A., the National Bank of Washington, NS&T Bank, N.A., and the Women's National Bank were filed. Counsel further advised Riggs that his letter expressed "no opinion on whether the loan to be extended to the Committee constitutes a loan made in accordance with the applicable banking laws and regulations and in the ordinary course of Riggs business as required by 11 CFR §100.7(b)(11)."

The Audit Division reports that the proceeds of this loan were used to repay the four existing loans mentioned above (totaling \$1,022,661.61), plus a payment of \$277,338 to the Committee's media consultant. On March 20, 1984, the Committee repaid Riggs in full, including an interest payment of \$4,280.05, with a portion of the proceeds from a line of credit issued by the National Bank of Washington.

6. National Bank of Washington

In addition to the \$50,000 loan obtained from NBW on February 9, 1984, the Committee, on March 19, 1984, obtained a \$3.5 million line of credit from NBW. A copy of the "Master Promissory Note," dated March 19, 1984, obtained by the Audit Division from the Committee reveals that the interest rate for the line of credit was to be established at 1/2 percent above

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NBW's floating prime rate. The note further called for the repayment in full of all amounts advanced plus interest by May 14, 1984. Collateral for the line of credit included, inter alia, all assets of the Committee together with future fundraising proceeds and Matching Fund payments. The Audit Division reports that the \$1.3 million loan extended by the Riggs National Bank was paid in full (with interest) with part of the proceeds of this loan from NBW.

In the "Security and Loan Agreement" NBW further required that

"On or before Thursday of each week Debtor will provide the Secured Party with weekly totals of sums received from all fundraising or any other income generating sources. Secured Party reserves the right at any time to directly collect all proceeds received by the Secured Party from these sources, or from any other sources at any time in its sole option, should Secured Party's current levels of fundraising decline from its March 19, 1984 levels.*/"

The Audit Division reports that the Committee obtained a total of \$4,621,498.57 in advances from NBW against the \$3.5 million line of credit, but the outstanding indebtedness at no time exceeded the authorized line of credit. As of December 31, 1984, the Committee reported an outstanding indebtedness to NBW of \$1,193,003.13. The Committee's reports also indicate that the interest rate for each of the advances became 1 1/2 percent above

*/ The Office of the General Counsel notes the apparent mistake in the second and third references to "Secured Party" in the second sentence. The copy of the agreement available for our review does not contain NBW's signatures, and thus, may have been later modified.

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the prime, as opposed to the "Master Promissory Note's" recitation of the interest rate at 1/2 percent above the prime. In addition, the Committee's reports show the due date was extended for short periods, then changed to "demand" for several months, and finally became December 31, 1985 on the April 1985 report.

7. California National Bank

On July 2, 1984, the Committee obtained a loan for \$41,995 from the California National Bank ("CNB"). The interest rate on this loan was established at 1 1/2 percent above CNB's floating prime as quoted by the Security Pacific National Bank. The due date for payment in full was December 14, 1984. Collateral for the loan was a purchase money security interest in a communications system to be used at the convention. The price of the system was \$65,239. The vendor of the communications equipment, in his letter to CNB, stated his opinion that the equipment's resale value would most likely be an amount greater than or equal to the loan value. The full amount of the loan balance remained outstanding as of December 31, 1984.

On January 31, 1985, the Committee reported making a \$28,000 loan repayment to CNB. On that same day the Committee reported a receipt for \$30,000 from Modern Systems Technology Corp. for the purchase of telephone equipment. Later reports during 1985 show that the loan balance due date was extended to June 10, 1985 and when it had not been paid in full by then, the due date's terms changed to "demand." As of June 30, 1985, the balance on the loan was \$10,130 due on "demand."

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8. Suburban Bank

On May 2, 1984, the Committee obtained a loan from the Suburban Bank for \$10,000. Interest was to be one percent over the prime rate, and the "initial annual note rate is 13%." Collateral for the loan was stated as "Proceeds of fund raising event to be held on June 14, 1984." No reference was made to pre-existing assignments. The due date was established as June 18, 1984.

As of December 31, 1984, the Committee reported having made payments totaling \$6,727.22, leaving an outstanding balance of \$3,272.78. No further payments were made against the balance until April 19, 1985 when it was paid in full.

FACTUAL BASIS AND LEGAL ANALYSIS

Title 2 of the United States Code at Section 441b(a) provides in part that "[i]t is unlawful for any national bank . . . to make a contribution or expenditure in connection with any election to any political office, or in connection with any primary election or political convention or caucus held to select candidates for any political office" The terms "contribution" and "expenditure" include, inter alia, loans, advances, deposits of money, or anything of value made to a campaign committee in connection with any election for Federal office. 2 U.S.C. § 441b(b)(2). Excluded from the definition of "contribution", however, are loans by certain banks made "in the ordinary course of business." 2 U.S.C. § 441b(b)(2).

To be considered "in the ordinary course of business," Section 431(8)(B)(vii) provides that such loan--

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- (II) shall be made on a basis which assures repayment, evidenced by a written instrument, and subject to a due date or amortization schedule; and
- (III) shall bear the usual and customary interest rate of the lending institution.

The Commission's Regulations, at 11 C.F.R. § 100.7(b)(11) provide in addition that such loan must "bear the usual and customary interest rate of the lending institution for the category of the loan involved" [emphasis added] and be "made on a basis which assures repayment."

Knowingly accepting funds that fail to meet requirements may also constitute a violation of the Act. Therefore, the Office of the General Counsel recommends that the Commission find reason to believe that the Committee and Senator Hart violated 2 U.S.C. § 441b(a).

With the foregoing in mind, the General Counsel's Office offers the following analysis and recommendation regarding each of the above loans.

1. First American Bank, N.A.

As previously mentioned, First American extended two lines of credit to the Committee totaling \$1.1 million, against which advances totaling more than 1.4 million were made.

These were the only loans the Committee received during 1983. Both loans were extended during the third quarter. During the first half of 1983, the Committee received contributions other than loans of about \$823,000. During all of 1983, the Committee received contributions other than loans of about

Att. 187, p. 17

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\$1,256,000. Thus, when the loans were made, they exceeded the Committee's total cumulative contributions to that date. Both loans appear to have been payable on demand, rather than subject to a due date or amortization schedule. The Office of the General Counsel therefore believes that these loans may not have been made in the "ordinary cause of business" under 2 U.S.C. § 431(8)(B)(vii)(II), and recommends that the Commission find reason to believe that First American violated 2 U.S.C. § 441b(a).

2. National Bank of Washington

On February 1, 1984, the Committee's reports indicated it had a cash balance of \$2,519.91. Outstanding debts owed by the Committee totaled \$557,475. On February 9, 1984, as noted earlier, the Committee obtained a \$50,000 loan, due upon demand, from NBW. NBW's loan called for an interest rate of one percent above its prime.

Having reviewed the documents presently available (the Promissory Note, the Loan Resolution, and a letter from the Committee to NBW), it appears that no due date or amortization schedule was established by the bank and no information is available that would shed any light on the basis for NBW's decision to make the loans in light of the Committee's financial status. These documents also raise the question of whether the collateral for this loan (proceeds from nine concerts) had already been committed to another lender.

Att. 187, p. 18

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Because of the Committee's high debts and low cash on hand, because the collateral may have already been committed to another lender, and because there appears to have been no due date or amortization schedule, the General Counsel's Office believes this loan may not have been made in the ordinary course of business, and recommends that the Commission find reason to believe that NBW violated 2 U.S.C. § 441b(a).

3. Women's National Bank

As discussed earlier, the Women's National Bank extended a \$150,000 loan to the Committee on February 27, 1984. The Committee at that time was approximately one million dollars in debt, had previously assigned its future proceeds from matching funds to First American, and had a negative cash on hand balance. In extending the loan for 60 days with an interest rate of two percent above its floating prime, the Women's National Bank accepted matching fund payments as collateral even though they were subordinated to First American's priority. On February 29, 1984, the Committee had a negative cash on hand balance of \$3,700.

Because the loan may have been under-collateralized, and because of the Committee's high debts and negative cash on hand balance, the General Counsel's Office believes this loan may not have been made in the ordinary course of business, and recommends that the Commission find reason to believe that Women's National Bank violated 2 U.S.C. § 441b(a).

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4. NS&T Bank, N.A.

On February 29, 1984, NS&T extended an \$80,000 loan for 30 days to the Committee with an interest rate of two percent above its floating prime. According to the Committee's reports, on that date it had a negative cash on hand balance of \$3,726.29 and outstanding indebtedness of \$1.2 million. During the month of February, the Committee's expenditures exceeded its receipts. NS&T extended the loan with the Committee's "present and future accounts, including all cash and non-cash proceeds" as collateral. This was a short-term loan with a definite due date. On February 28, Senator Hart had won the New Hampshire primary, and thus may have seemed to be a good credit risk. However, this loan may have been under-collateralized, in view of previous obligations to other banks by the Committee.

Because of the apparent under-collaterization, and because of the Committee's high debts and negative cash on hand balance, the General Counsel's Office believes this loan may not have been made in the ordinary course of business, and recommends that the Commission find reason to believe that NS&T violated 2 U.S.C. § 441b(a).

5. Riggs National Bank of Washington, D.C.

As previously noted, Riggs, on March 8, 1984, extended a \$1.3 million loan to the Committee, due on April 9, 1984 at an interest rate of one percent over its floating prime rate. While the collateral for the loan included collateral previously obligated by the Committee, Riggs appears to have extended the

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loan on the condition that other security interests be released in accordance with the UCC. Thus, all but \$277,338 of the loan was used to repay other loans already in existence carrying higher interest rates.

This was a short-term loan with a definite due date. Riggs obtained a security interest with priority over all the collateral. Senator Hart had just won the New Hampshire primary and Maine caucuses, and thus may have seemed to be a good credit risk. However, on February 29, 1984, the Committee had a negative cash on hand balance, consequently the General Counsel's Office believes this loan may not have been made in the ordinary course of business, and recommends that the Commission find reason to believe that Riggs violated 2 U.S.C. § 441b(a).

6. National Bank of Washington

In addition to a previous loan made by NBW, it agreed to extend a line of credit for \$3.5 million to the Committee on March 19, 1984. According to the Audit Division, Riggs was repaid \$1.3 million (plus interest due) with the proceeds from this loan. This line of credit originally carried an interest rate of 1/2 percent above NBW's floating prime rate and was payable on May 14, 1984. The Committee offered as collateral for the loan all present and future assets including matching fund payments. Despite the Committee's low cash on hand balance at the close of several previous reporting periods, relatively high outstanding indebtedness, and past record of expending amounts nearly equal to income, NBW extended this loan at interest rates lower than any of the institutions making earlier loans.

Att. 187, p. 21

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The Office of the General Counsel has reviewed what appear to be the initial loan documents, described above. The Committee's reports, however, indicate that substantial advances were made after the May 14, 1984, due date and that the later advancements carried a higher interest rate (1 1/2 percent above NBW's floating prime). On May 31, 1984, total advances received from NBW were reported to have exceeded \$4.5 million, and a \$2.4 million balance was outstanding at that time. (The Committee's May 31, 1984, cash balance was reported to have been just under \$300,000 with total debts owed by the Committee of nearly \$4.7 million.) As of December 31, 1984, the Committee reported that it had a remaining obligation to NBW of nearly \$1.2 million, due upon demand at the interest rate of prime plus 1 1/2 percent.

On March 19, 1984, Senator Hart had just won most of the "Super Tuesday" primaries and caucuses, and may have seemed to be a good credit risk. However, this line of credit was by far the largest loan in the campaign and the loan with the lowest interest rate. One-half percent above prime may be unusually low for a borrower who is already largely in debt. Although the loan originally had a definite due date, according to the Committee's reports, the due date was extended for definite periods, then to "demand", and finally to December 31, 1985.

Because of the apparent temporary lack of due dates or amortization schedules, and because the adequacy of collateralization raises questions about whether the loan was made and the due date extended on a basis which assured repayment, the General Counsel's Office believes this loan may

Att. 187, p. 22

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not have been made in the ordinary course of business. Accordingly, this Office recommends that the Commission find reason to believe that NBW violated 2 U.S.C. § 441b(a).

7. California National Bank

As previously discussed, the Committee obtained a loan from CNB to be applied towards the purchase of a communications system for use at the convention. No payment was made against the \$41,995 loan until January 31, 1985 despite the original due date on the loan of December 14, 1984.

The Committee's reports during 1985 indicate that the due date was changed to June 10, 1985, then to "demand", and that \$10,130 remained outstanding as of June 30, 1985. Despite the fact that the original collateral appeared to be sufficient (the purchase money security interest in the equipment), the General Counsel's Office believes the apparent failure by CNB to collect payment raises questions regarding the outstanding balance on the loan. While it is possible that the terms might have been renegotiated and additional collateral offered, no such documentation was obtained by the Audit Division from the Committee during the course of the fieldwork. (That the terms may have been renegotiated is evidenced by the fact that the Committee's reports since February of 1985 show the interest rate on the loan as prime plus two percent, rather than the original rate of prime plus 1 1/2 percent).

If indeed the loan was renegotiated, there is a question regarding the adequacy of collateralization. A loan due on

Att. 187, p. 23

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"demand" may not be subject to a due date, which is required by the Act. For the foregoing reasons, the General Counsel's Office believes this loan may not have been made in the ordinary course of business, and recommends that the Commission find reason to believe that CNB violated 2 U.S.C. § 441b(a).

8. Suburban Bank

We earlier noted that Suburban loaned the Committee \$10,000 on May 2, 1984. Collateral offered for the loan was to be proceeds from a concert on June 14, 1984. The due date was June 18, 1984, but the loan was not paid in full until April 19, 1985.

The only documentation currently available is the Promissory Note and the Pledge Agreement. The collateral had already been pledged to another lender, though Suburban Bank might have been able to utilize methods of obtaining priority for its security interest. On April 30, 1984, the Committee had \$580,000 of cash on hand, but was more than \$4.5 million in debt.

The Committee's poor financial posture on May 2, 1984 indicates that the loan may not have been made on a basis which assured repayment. Accepting as collateral proceeds already pledged to another lender indicates that the loan may have been under-collateralized. Repayment of the loan long after June 18, 1984 indicates that it may not have been subject to a bona fide due date or amortization schedule. Therefore, the Office of the General Counsel believes this loan may not have been made in the ordinary course of business, and recommends that the Commission

Att. 187, p. 24

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find reason to believe that Suburban Bank violated 2 U.S.C. §
441b(a).

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

The Honorable Gary W. Hart
United States Senate
Washington, D.C. 20510

RE: MUR 2062
Senator Gary W. Hart

Dear Senator Hart:

On _____, 1985, the Federal Election Commission determined that there is reason to believe that you 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 such materials along with your response to the enclosed Order to Submit Written Answers and Subpoena to Produce Documents.

You may consult with an attorney and have an attorney assist you in the preparation of your responses to this Order and Subpoena. If you intend to be represented by counsel, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel and authorizing such counsel to receive any notifications or other communications from the Commission. It is required that you submit the information under oath and that you do so within 25 days of your receipt of this Order and Subpoena.

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The Honorable Gary W. Hart
Page 2

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

If you request pre-probable cause conciliation, the Commission may decide not to propose a conciliation agreement until it has completed its review and analysis of the submitted materials. In the absence of any additional information which demonstrates that no further action should be taken against you the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation. You should be advised, however, that the Commission is not required to enter into any negotiations directed towards reaching a conciliation agreement unless and until it makes a finding of probable cause to believe. See 11 C.F.R. § 111.18(d).

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 Robert Raich, the staff member assigned to this matter, at (202) 523-4000 or (800) 424-9530.

Sincerely,

John Warren McGarry
Chairman

Enclosures

Order and Subpoena
General Counsel's Factual and Legal Analysis
Procedures
Designation of Counsel Form

Att. 188, p. 2

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

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MUR 2062

ORDER TO SUBMIT WRITTEN ANSWERS
AND SUBPOENA TO PRODUCE DOCUMENTS

TO: The Honorable Gary W. Hart
United States Senate
Washington, D.C. 20510

Pursuant to 2 U.S.C. § 437d(a)(1) and (3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby orders you to submit written answers to the questions attached to this Order and subpoenas you to produce the requested documents.

Answers must be submitted under oath and should be made by the individual or individuals having knowledge of the subject matter of the questions. Documents must be compiled by the individual or individuals having knowledge of, and where possible, supervisory responsibility for, the required documents. Such answers and documents must be forwarded to the Commission within twenty-five (25) days of your receipt of this Order and Subpoena.

WHEREFORE, the Chairman of the Federal Election Commission hereunto sets his hand on _____, 1985.

John Warren McGarry
Chairman

ATTEST:

Marjorie W. Emmons
Secretary to the Commission

Attachment



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TO: Senator Gary W. Hart

Instructions

Answer each question separately.

If you claim that you are entitled to withhold any of the information or documents requested, state the grounds for withholding such information or documents, and identify such information or documents in sufficient detail to justify the claim. (See definition of "identify" with respect to documents.)

"And" as well as "or" shall be construed disjunctively or conjunctively as necessary to bring within the scope of these Questions and Request the information and documents which could otherwise be construed to be out of their scope.

Singular words shall be construed as plural and plural words shall be construed as singular as necessary to bring within the scope of these Questions and Request the information and documents which could otherwise be construed to be out of their scope.

The following Questions and Request are continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information before this matter is closed. Include in any supplements or amendments the date upon which, and the manner in which, such further or different information came to your attention.

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appearing therein, the date on which the document was prepared, the title of the document, the number of pages comprising the document; and identify each person who received or reviewed the document, and each person having custody of the document. Identification of a document includes identifying all originals or copies of that document known or believed to exist.

"Identify" with respect to a natural person means provide the full name, the last known business and residence addresses and phone numbers, and last known occupation or job title of such person, and the nature of the connection that person has to any party in this investigation. For each natural person identified who is or was a director, officer, employee, staff member, agent, or attorney for you, provide such person's current job description and such person's job description(s) during all periods relevant to the loans made to you.

"Identify" with respect to a person who is not a natural person means provide the legal and trade names, the address and phone number, and the full names of both the chief executive officer and the agent designated to receive service of process for such person.

"Loan" includes lines of credit, letters of credit, advances, and all related transactions.

"You" means Senator Gary W. Hart, Americans with Hart, Inc., any other political committee authorized by Senator Gary W. Hart for his presidential campaign, and all directors, officers, employees, staff members, volunteers, agents, or attorneys thereof.

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Questions

1. Identify any and all documents that relate, refer, or pertain to the application for or obtaining of loans for your use. Include, without limitation, loan proposals, loan applications, letters from endorsers, guarantors, or sureties, promissory notes, security agreements, financing statements, amortization schedules, loan agreements, audits, and information concerning the terms, collateral, or security for all loans and potential loans.

2. Identify all persons who contacted any financial institutions on your behalf with respect to obtaining or attempting to obtain any loans for you.

3. Identify the persons at financial institutions who were contacted by the persons identified in your answer to Question 2.

4. Identify any and all documents that were discussed at, or that relate, refer, or pertain to, all meetings which in whole or part concerned loans to you. Identify each person present at each such meeting, and state when and where each such meeting was held.

5. State what has happened to the communications system that was collateral for a loan obtained from the California National Bank. If you have disposed of the communications system, state the date of sale, purchaser, price, method of payment, your prior efforts to sell the system, and your prior contacts with the purchaser or its agents.

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Document Request

Produce each and every document identified by you in response to the Questions above.

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GENERAL COUNSEL'S FACTUAL AND LEGAL ANALYSIS

MUR No. 2062

RESPONDENTS: Senator Gary W. Hart

SUMMARY OF ALLEGATIONS

This matter was referred to the Office of General Counsel by the Audit Division pursuant to the Commission's decision of June 25, 1985. The Commission voted to refer the matter regarding eight bank loans obtained by Americans with Hart, Inc. (the "Committee") during the course of Senator Hart's Presidential primary campaign bid in 1984.

During the course of the Committee's existence, it obtained eight loans from various banks totaling more than six million dollars. The Office of the General Counsel has reviewed records obtained from the Committee by the Audit Division during the course of the audit regarding these loans and believes, for the reasons stated below, that the Commission should find reason to believe the extension of credit by these institutions violated 2 U.S.C. § 441b(a) and that the Committee and its treasurer and the candidate violated 2 U.S.C. § 441b(a) by knowingly accepting the proceeds.

The following is a brief factual analysis of each loan transaction involved in this matter:

1. First American Bank, N.A.

On two separate occasions, the Committee obtained a line of credit from the First American Bank, N.A. ("First American"). On July 27, 1983, the Committee applied for and obtained a \$350,000

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line of credit at an interest rate equivalent to First American's floating prime plus two percent with payment due upon demand. The second line of credit was issued by First American on September 8, 1983, at the same interest rate. Although the Committee received a total of \$1,437,865 in loan proceeds against the line of credit, the Audit Division concluded in its referral that "[a]t no time did the outstanding balance ... exceed the amount specified by the letter of credit."

The promissory note, and related documents incorporated into the note, regarding the \$350,000 line of credit indicate collateral for that loan was to be Matching Fund payment proceeds. The letter of agreement between First American and the Committee concerning the \$750,000 line of credit states that it was additionally secured by a life insurance policy of the same amount issued on Senator Hart with First American as beneficiary. No promissory note for the second loan is available for our review. The loans to First American were finally repaid with a \$732,658.05 payment on March 9, 1984, with proceeds from a loan from the Riggs National Bank, discussed in greater detail below.

2. National Bank of Washington

On or about February 9, 1984, the Committee secured a loan from the National Bank of Washington ("NBW") in the amount of \$50,000. The promissory note fixed the interest rate for this loan at NBW's floating prime rate plus one percent and calls for payment upon demand. Collateral for this loan is identified in a letter from the Committee to NBW as priority over proceeds

Att. 188, p. 10

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received from nine specific concerts during the period between February 17, 1984 and June 6, 1984.

The Audit Division has reported that this loan was paid in full (with interest totaling \$466.67). In a letter from NBW to the Committee dated March 8, 1984, NBW stated it was prepared to deliver the appropriate U.C.C. release agreements within 24 hours of receipt of a wire in the amount of the loan balance plus interest.

3. Women's National Bank

On or about February 27, 1984 the Committee obtained a sixty-day loan from the Women's National Bank in the amount of \$150,000 at an interest rate of two percent "above the rate from time to time established by the Lender as its prime rate of interest for its large commercial customers." Collateral for this loan included proceeds from Matching Fund payments, subject to the agreement with First American, together with a \$170,000 life insurance policy issued on Senator Hart naming the Women's National Bank as beneficiary, as well as "any and all contributions now or hereafter received by [the Committee] . . . in response to direct-mail solicitations"

The Audit Division has reported that this loan was paid in full together with \$593.83 in interest with the loan proceeds obtained from the Riggs National Bank, discussed in greater detail below.

4. NS&T Bank, N.A.

On or about February 29, 1984, the Committee obtained an \$80,000 loan from the NS&T Bank, N.A. ("NS&T") for 30 days. The interest rate on the loan was set at two percent above NS&T's

Att. 188, p. 11

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floating prime rate. Collateral for the loan included, inter alia, all of the Committee's present and future accounts including all cash and non-cash proceeds. No mention was made in this agreement acknowledging subordination to the security agreements already in existence with other lenders.

The Audit Division has reported that the Committee only obtained advances totaling \$54,520 from NS&T and repaid the full amount (plus \$131.31 in interest) on March 9, 1984, with proceeds from a loan from the Riggs National Bank, details of which are more fully discussed below.

After Senator Hart won the New Hampshire Primary on February 28, 1985, he received substantial media attention and required an airplane for members of the press traveling with him. According to the Audit Division, the proceeds from this NS&T loan were used for the payment of charter air service.

5. Riggs National Bank of Washington, D.C.

On or about March 8, 1984, the Committee obtained a loan from The Riggs National Bank of Washington, D.C. ("Riggs") for \$1.3 million. The interest rate on that loan was established at Riggs' floating prime rate plus one percent. The note further provided that full payment (principal plus interest) would be made by April 9, 1984. Collateral for the loan was all presidential primary matching fund payments, campaign contributions, and other tangibles and intangibles. Riggs received a security interest in matching fund payments and notified the Department of the Treasury to make all matching funds payments directly to Riggs.

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The Committee's counsel, by letter to Riggs dated March 8, 1984, advised Riggs, inter alia, that there would be no outstanding liens or security interests in the collateral assigned to Riggs once the proper releases and termination statements from the First American Bank, N.A., the National Bank of Washington, NS&T Bank, N.A., and the Women's National Bank were filed. Counsel further advised Riggs that his letter expressed "no opinion on whether the loan to be extended to the Committee constitutes a loan made in accordance with the applicable banking laws and regulations and in the ordinary course of Riggs business as required by 11 CFR §100.7(b)(11)."

The Audit Division reports that the proceeds of this loan were used to repay the four existing loans mentioned above (totaling \$1,022,661.61), plus a payment of \$277,338 to the Committee's media consultant. On March 20, 1984, the Committee repaid Riggs in full, including an interest payment of \$4,280.05, with a portion of the proceeds from a line of credit issued by the National Bank of Washington.

6. National Bank of Washington

In addition to the \$50,000 loan obtained from NBW on February 9, 1984, the Committee, on March 19, 1984, obtained a \$3.5 million line of credit from NBW. A copy of the "Master Promissory Note," dated March 19, 1984, obtained by the Audit Division from the Committee reveals that the interest rate for the line of credit was to be established at 1/2 percent above

Att. 188, p. 13

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NBW's floating prime rate. The note further called for the repayment in full of all amounts advanced plus interest by May 14, 1984. Collateral for the line of credit included, inter alia, all assets of the Committee together with future fundraising proceeds and Matching Fund payments. The Audit Division reports that the \$1.3 million loan extended by the Riggs National Bank was paid in full (with interest) with part of the proceeds of this loan from NBW.

In the "Security and Loan Agreement" NBW further required that

"On or before Thursday of each week Debtor will provide the Secured Party with weekly totals of sums received from all fundraising or any other income generating sources. Secured Party reserves the right at any time to directly collect all proceeds received by the Secured Party from these sources, or from any other sources at any time in its sole option, should Secured Party's current levels of fundraising decline from its March 19, 1984 levels.*"

The Audit Division reports that the Committee obtained a total of \$4,621,498.57 in advances from NBW against the \$3.5 million line of credit, but the outstanding indebtedness at no time exceeded the authorized line of credit. As of December 31, 1984, the Committee reported an outstanding indebtedness to NBW of \$1,193,003.13. The Committee's reports also indicate that the interest rate for each of the advances became 1 1/2 percent above

*/ The Office of the General Counsel notes the apparent mistake in the second and third references to "Secured Party" in the second sentence. The copy of the agreement available for our review does not contain NBW's signatures, and thus, may have been later modified.

Att. 188, p. 14

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the prime, as opposed to the "Master Promissory Note's" recitation of the interest rate at 1/2 percent above the prime. In addition, the Committee's reports show the due date was extended for short periods, then changed to "demand" for several months, and finally became December 31, 1985 on the April 1985 report.

7. California National Bank

On July 2, 1984, the Committee obtained a loan for \$41,995 from the California National Bank ("CNB"). The interest rate on this loan was established at 1 1/2 percent above CNB's floating prime as quoted by the Security Pacific National Bank. The due date for payment in full was December 14, 1984. Collateral for the loan was a purchase money security interest in a communications system to be used at the convention. The price of the system was \$65,239. The vendor of the communications equipment, in his letter to CNB, stated his opinion that the equipment's resale value would most likely be an amount greater than or equal to the loan value. The full amount of the loan balance remained outstanding as of December 31, 1984.

On January 31, 1985, the Committee reported making a \$28,000 loan repayment to CNB. On that same day the Committee reported a receipt for \$30,000 from Modern Systems Technology Corp. for the purchase of telephone equipment. Later reports during 1985 show that the loan balance due date was extended to June 10, 1985 and when it had not been paid in full by then, the due date's terms changed to "demand." As of June 30, 1985, the balance on the loan was \$10,130 due on "demand."

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Att. 188, p. 15

8. Suburban Bank

On May 2, 1984, the Committee obtained a loan from the Suburban Bank for \$10,000. Interest was to be one percent over the prime rate, and the "initial annual note rate is 13%." Collateral for the loan was stated as "Proceeds of fund raising event to be held on June 14, 1984." No reference was made to pre-existing assignments. The due date was established as June 18, 1984.

As of December 31, 1984, the Committee reported having made payments totaling \$6,727.22, leaving an outstanding balance of \$3,272.78. No further payments were made against the balance until April 19, 1985 when it was paid in full.

FACTUAL BASIS AND LEGAL ANALYSIS

Title 2 of the United States Code at Section 441b(a) provides in part that "[i]t is unlawful for any national bank . . . to make a contribution or expenditure in connection with any election to any political office, or in connection with any primary election or political convention or caucus held to select candidates for any political office" The terms "contribution" and "expenditure" include, inter alia, loans, advances, deposits of money, or anything of value made to a campaign committee in connection with any election for Federal office. 2 U.S.C. § 441b(b)(2). Excluded from the definition of "contribution", however, are loans by certain banks made "in the ordinary course of business." 2 U.S.C. § 441b(b)(2).

To be considered "in the ordinary course of business," Section 431(8)(B)(vii) provides that such loan--

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- (II) shall be made on a basis which assures repayment, evidenced by a written instrument, and subject to a due date or amortization schedule; and
- (III) shall bear the usual and customary interest rate of the lending institution.

The Commission's Regulations, at 11 C.F.R. § 100.7(b)(11) provide in addition that such loan must "bear the usual and customary interest rate of the lending institution for the category of the loan involved" [emphasis added] and be "made on a basis which assures repayment."

Knowingly accepting funds that fail to meet requirements may also constitute a violation of the Act. Therefore, the Office of the General Counsel recommends that the Commission find reason to believe that the Committee and Senator Hart violated 2 U.S.C. § 441b(a).

With the foregoing in mind, the General Counsel's Office offers the following analysis and recommendation regarding each of the above loans.

1. First American Bank, N.A.

As previously mentioned, First American extended two lines of credit to the Committee totaling \$1.1 million, against which advances totaling more than 1.4 million were made.

These were the only loans the Committee received during 1983. Both loans were extended during the third quarter. During the first half of 1983, the Committee received contributions other than loans of about \$823,000. During all of 1983, the Committee received contributions other than loans of about

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\$1,256,000. Thus, when the loans were made, they exceeded the Committee's total cumulative contributions to that date. Both loans appear to have been payable on demand, rather than subject to a due date or amortization schedule. The Office of the General Counsel therefore believes that these loans may not have been made in the "ordinary cause of business" under 2 U.S.C. § 431(8)(B)(vii)(II), and recommends that the Commission find reason to believe that First American violated 2 U.S.C. § 441b(a).

2. National Bank of Washington

On February 1, 1984, the Committee's reports indicated it had a cash balance of \$2,519.91. Outstanding debts owed by the Committee totaled \$557,475. On February 9, 1984, as noted earlier, the Committee obtained a \$50,000 loan, due upon demand, from NBW. NBW's loan called for an interest rate of one percent above its prime.

Having reviewed the documents presently available (the Promissory Note, the Loan Resolution, and a letter from the Committee to NBW), it appears that no due date or amortization schedule was established by the bank and no information is available that would shed any light on the basis for NBW's decision to make the loans in light of the Committee's financial status. These documents also raise the question of whether the collateral for this loan (proceeds from nine concerts) had already been committed to another lender.

Att. 188, p. 18

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Because of the Committee's high debts and low cash on hand, because the collateral may have already been committed to another lender, and because there appears to have been no due date or amortization schedule, the General Counsel's Office believes this loan may not have been made in the ordinary course of business, and recommends that the Commission find reason to believe that NBW violated 2 U.S.C. § 441b(a).

3. Women's National Bank

As discussed earlier, the Women's National Bank extended a \$150,000 loan to the Committee on February 27, 1984. The Committee at that time was approximately one million dollars in debt, had previously assigned its future proceeds from matching funds to First American, and had a negative cash on hand balance. In extending the loan for 60 days with an interest rate of two percent above its floating prime, the Women's National Bank accepted matching fund payments as collateral even though they were subordinated to First American's priority. On February 29, 1984, the Committee had a negative cash on hand balance of \$3,700.

Because the loan may have been under-collateralized, and because of the Committee's high debts and negative cash on hand balance, the General Counsel's Office believes this loan may not have been made in the ordinary course of business, and recommends that the Commission find reason to believe that Women's National Bank violated 2 U.S.C. § 441b(a).

4. NS&T Bank, N.A.

On February 29, 1984, NS&T extended an \$80,000 loan for 30 days to the Committee with an interest rate of two percent above its floating prime. According to the Committee's reports, on that date it had a negative cash on hand balance of \$3,726.29 and outstanding indebtedness of \$1.2 million. During the month of February, the Committee's expenditures exceeded its receipts. NS&T extended the loan with the Committee's "present and future accounts, including all cash and non-cash proceeds" as collateral. This was a short-term loan with a definite due date. On February 28, Senator Hart had won the New Hampshire primary, and thus may have seemed to be a good credit risk. However, this loan may have been under-collateralized, in view of previous obligations to other banks by the Committee.

Because of the apparent under-collaterization, and because of the Committee's high debts and negative cash on hand balance, the General Counsel's Office believes this loan may not have been made in the ordinary course of business, and recommends that the Commission find reason to believe that NS&T violated 2 U.S.C. § 441b(a).

5. Riggs National Bank of Washington, D.C.

As previously noted, Riggs, on March 8, 1984, extended a \$1.3 million loan to the Committee, due on April 9, 1984 at an interest rate of one percent over its floating prime rate. While the collateral for the loan included collateral previously obligated by the Committee, Riggs appears to have extended the

Att. 188, p. 20

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loan on the condition that other security interests be released in accordance with the UCC. Thus, all but \$277,338 of the loan was used to repay other loans already in existence carrying higher interest rates.

This was a short-term loan with a definite due date. Riggs obtained a security interest with priority over all the collateral. Senator Hart had just won the New Hampshire primary and Maine caucuses, and thus may have seemed to be a good credit risk. However, on February 29, 1984, the Committee had a negative cash on hand balance, consequently the General Counsel's Office believes this loan may not have been made in the ordinary course of business, and recommends that the Commission find reason to believe that Riggs violated 2 U.S.C. § 441b(a).

6. National Bank of Washington

In addition to a previous loan made by NBW, it agreed to extend a line of credit for \$3.5 million to the Committee on March 19, 1984. According to the Audit Division, Riggs was repaid \$1.3 million (plus interest due) with the proceeds from this loan. This line of credit originally carried an interest rate of 1/2 percent above NBW's floating prime rate and was payable on May 14, 1984. The Committee offered as collateral for the loan all present and future assets including matching fund payments. Despite the Committee's low cash on hand balance at the close of several previous reporting periods, relatively high outstanding indebtedness, and past record of expending amounts nearly equal to income, NBW extended this loan at interest rates lower than any of the institutions making earlier loans.

Att. 188, p. 21

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The Office of the General Counsel has reviewed what appear to be the initial loan documents, described above. The Committee's reports, however, indicate that substantial advances were made after the May 14, 1984, due date and that the later advancements carried a higher interest rate (1 1/2 percent above NBW's floating prime). On May 31, 1984, total advances received from NBW were reported to have exceeded \$4.5 million, and a \$2.4 million balance was outstanding at that time. (The Committee's May 31, 1984, cash balance was reported to have been just under \$300,000 with total debts owed by the Committee of nearly \$4.7 million.) As of December 31, 1984, the Committee reported that it had a remaining obligation to NBW of nearly \$1.2 million, due upon demand at the interest rate of prime plus 1 1/2 percent.

On March 19, 1984, Senator Hart had just won most of the "Super Tuesday" primaries and caucuses, and may have seemed to be a good credit risk. However, this line of credit was by far the largest loan in the campaign and the loan with the lowest interest rate. One-half percent above prime may be unusually low for a borrower who is already largely in debt. Although the loan originally had a definite due date, according to the Committee's reports, the due date was extended for definite periods, then to "demand", and finally to December 31, 1985.

Because of the apparent temporary lack of due dates or amortization schedules, and because the adequacy of collateralization raises questions about whether the loan was made and the due date extended on a basis which assured repayment, the General Counsel's Office believes this loan may

Att. 188, p. 22

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not have been made in the ordinary course of business. Accordingly, this Office recommends that the Commission find reason to believe that NBW violated 2 U.S.C. § 441b(a).

7. California National Bank

As previously discussed, the Committee obtained a loan from CNB to be applied towards the purchase of a communications system for use at the convention. No payment was made against the \$41,995 loan until January 31, 1985 despite the original due date on the loan of December 14, 1984.

The Committee's reports during 1985 indicate that the due date was changed to June 10, 1985, then to "demand", and that \$10,130 remained outstanding as of June 30, 1985. Despite the fact that the original collateral appeared to be sufficient (the purchase money security interest in the equipment), the General Counsel's Office believes the apparent failure by CNB to collect payment raises questions regarding the outstanding balance on the loan. While it is possible that the terms might have been renegotiated and additional collateral offered, no such documentation was obtained by the Audit Division from the Committee during the course of the fieldwork. (That the terms may have been renegotiated is evidenced by the fact that the Committee's reports since February of 1985 show the interest rate on the loan as prime plus two percent, rather than the original rate of prime plus 1 1/2 percent).

If indeed the loan was renegotiated, there is a question regarding the adequacy of collateralization. A loan due on

Att. 188, p. 23

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"demand" may not be subject to a due date, which is required by the Act. For the foregoing reasons, the General Counsel's Office believes this loan may not have been made in the ordinary course of business, and recommends that the Commission find reason to believe that CNB violated 2 U.S.C. § 441b(a).

8. Suburban Bank

We earlier noted that Suburban loaned the Committee \$10,000 on May 2, 1984. Collateral offered for the loan was to be proceeds from a concert on June 14, 1984. The due date was June 18, 1984, but the loan was not paid in full until April 19, 1985.

The only documentation currently available is the Promissory Note and the Pledge Agreement. The collateral had already been pledged to another lender, though Suburban Bank might have been able to utilize methods of obtaining priority for its security interest. On April 30, 1984, the Committee had \$580,000 of cash on hand, but was more than \$4.5 million in debt.

The Committee's poor financial posture on May 2, 1984 indicates that the loan may not have been made on a basis which assured repayment. Accepting as collateral proceeds already pledged to another lender indicates that the loan may have been under-collateralized. Repayment of the loan long after June 18, 1984 indicates that it may not have been subject to a bona fide due date or amortization schedule. Therefore, the Office of the General Counsel believes this loan may not have been made in the ordinary course of business, and recommends that the Commission

Att. 188, p. 24

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find reason to believe that Suburban Bank violated 2 U.S.C. §
441b(a).

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Att. 188, p. 25



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

March 4, 1985

MEMORANDUM

TO: CHARLES N. STEELE
GENERAL COUNSEL

THROUGH: JOHN C. SURINA
STAFF DIRECTOR

FROM: ROBERT J. COSTA *RJC*
ASSISTANT STAFF DIRECTOR
AUDIT DIVISION

SUBJECT: REQUEST FOR INFORMATION ON LOANS AND OVERDRAFT
CHARGES - AMERICANS WITH HART, INC. (AR85-3).

In response to your memorandum of February 5, 1985, information requested concerning bank loans and bank charges for returned committee checks is detailed below.

1. Bank Loans

Summarized below, are the details concerning various bank loans/lines of credit obtained by Americans with Hart, Inc. Photocopies of the loan documents are available for review in the Audit Division. In addition, photocopies of relevant audit workpapers are offered at Exhibit A which depict the history of said loans from inception through 12/31/84.^{1/}

(a) First American Bank, N.A.

7/27/83 \$350,000 Line of Credit Bank's prime plus 2%

9/8/83 \$750,000 Line of Credit Bank's prime plus 2%

Collateral: Matching funds to be received commencing in January, 1984, and life insurance policy on Senator Gary Hart in the amount of \$750,000.

^{1/} Entries for the period 8/1/84 through 12/31/84 were obtained from Committee disclosure reports on file at the Commission. Information prior to 8/1/84 was verified during the course of audit fieldwork.

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Proceeds: The Committee received a total of \$1,437,865 in loan proceeds against the established line of credit from 7/27/83 to 3/7/84. At no time did the outstanding balance, that is, total proceeds received less loan repayments, exceed the amount specified by the letter of credit.

Repayment: The Committee fully repaid the principal amount of \$1,437,865 with interest of \$28,170.76 upon receipt of matching funds during the months of January, February, and March 1984. The final payment of \$732,658.05 on 3/9/84 was made with a portion of the \$1.3 million loan from Riggs National Bank obtained in March 1984.

(b) National Bank of Washington

2/9/84	\$ 50,000	loan	Bank's prime plus 1%
3/19/84	\$3,500,000	Line of Credit	Bank's prime plus 1/2%

Collateral:

- (1) \$50,000 Loan Proceeds from a series of eight (8) concerts performed by Carole King and one (1) concert by Dan Fogelberg as specified in letter from Campaign Manager to bank.
- (2) \$3,500,000 Line of Credit Matching fund payments, concert and other fundraising proceeds, direct mail receipts, any and all receivables due from press and other media transportation billings.

Proceeds: The Committee received a total of \$4,621,948.57 in loan proceeds from both the \$50,000 loan on 2/9/84 and the \$3,500,000 line of credit on various dates from 3/19/84 to 12/19/84. At no time did the outstanding balance, that is, total proceeds received less loan repayments, exceed the amount specified in the line of credit agreement.

Repayment: The Committee has repaid in full the \$50,000 with \$466.67 interest in accordance with the loan agreement. With respect to the \$3,500,000 line of credit, the Committee has repaid \$3,428,945.44 of the \$4,621,498.57 in loan proceeds leaving an outstanding balance of \$1,193,003.13 at 12/31/84.

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The interest payments on the line of credit total \$219,917.30 at 12/31/84.

(c) Riggs National Bank

3/8/84 \$1,300,000 Loan Bank's prime plus 1%

Collateral: All presidential matching funds, campaign contributions and similar items.

Proceeds: The Committee received a total of \$1,300,000 of loan proceeds on 3/9 and 3/13/84, which was used to pay off 4 other bank loans and for a disbursement of \$277,338 to the Committee's media consultant.

Repayment: The Committee repaid the loan in full in one payment on 3/20/84 with an interest payment of \$4,280.05 with a portion of the proceeds of the NBW line of credit.

(d) Women's National Bank

2/24/84 \$150,000 Loan Bank's prime rate plus 2%

Collateral: Any and all contributions in response to direct mail solicitations, and any and all Presidential matching funds.

Proceeds: The Committee received \$150,000 of loan proceeds on 2/24/84.

Repayment: The Committee repaid the loan in full on 3/9/84 with interest of \$595.83 with a portion of the proceeds of the Riggs loan.

(e) National Savings and Trust Company

2/29/84 \$80,000 Loan Bank's prime plus 2%

Collateral: Standard contract language attaching all of the debtor's present and future accounts, etc.

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Proceeds: The Committee received loan proceeds of \$18,000 on 3/2/84 and \$36,520 on 2/29/84 for payment of charter air service. No other proceeds were received from this note.

Repayment: The Committee fully repaid the amount of the loan proceeds received (\$54,520) with interest of \$131.31 on 3/9/84 with a portion of the proceeds of the Riggs loan.

(f) California National Bank

7/2/84 \$41,995 Loan Bank's prime rate plus 1 1/2%

Collateral: Purchase money security interest in Rolm VSCBX (telephone) system and all accessories. Committee purchased system for use at Democratic Convention.

Proceeds: The Committee received proceeds of \$41,995 on 7/2/84.

Repayment: The Committee has made no repayment on this loan through 12/31/84. The due date according to the loan agreement is 12/14/84.

(g) Suburban Trust Company

5/2/84 \$10,000 Loan Bank's prime rate plus 1%

Collateral: Proceeds of fundraising event to be held on June 14, 1984.

Proceeds: The Committee received proceeds of \$10,000 on 7/2/84.

Repayment: The Committee has made repayments totalling \$7,180 which includes interest of \$452.78, leaving an outstanding balance on the principal of \$3,272.78 at 12/31/84.

2. Bank Charges for Committee Overdraft

A review of the Committee's disbursement activity revealed that the Committee was charged \$4,862.00 in service charges for checks drawn on accounts with insufficient funds. Most of the charges (\$3,727) were in the Committee's State accounts. It should be noted that service charges greater than \$1,000.00 were found in the Cranston for President Committee audit and that matter was referred to your office.

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MEMORANDUM TO CHARLES N. STEELE

Page 5

If you should find that these service charges are non-qualified campaign expenses, the amount of the repayment, based on the ratio, would be \$1,747.88.

Finally, please be advised that the cover letter to be sent to the Committee is attached.

Should you have any questions involving any matter in this memo, please contact Ray Lisi, Audit Manager or Dan Boyle, Lead Auditor at 523-4155.

Attachments as stated

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NAME OF BANK	DATE OF LOAN	AMT OF LOAN	DESCRIPTION	INTEREST	CURRENCY	PROCEEDS RECEIVED	REPAYMENT ALSO PAID	12/31/14
FIRST AMERICAN BANK	7/27/13	30000 ⁰⁰	LINE OF CREDIT	Prime + 2%	matching funds		repaid in full	
	1/5/13	75000 ⁰⁰	LINE OF CREDIT	Prime + 2%	insurance policy on 1st floor	115125 ⁰⁰	repaid in full	
NATIONAL BANK OF WASHINGTON	2/1/14	50000 ⁰⁰	LOAN	Prime + 1%	proceed from insurance		repaid in full	
	4/1/14	35000 ⁰⁰	LINE OF CREDIT	Prime + 1/2%	matching funds, cont. to the fund raising, and the other benefit is received from the proceeds of the sale of the building	162175 ⁰⁰	repaid in full	
NATIONAL SAVINGS & TRUST COMPANY	2/1/14	15000 ⁰⁰	LOAN	Prime + 1/2%	all debits in general accounts, etc.	15000 ⁰⁰ 3000 ⁰⁰	repaid in full	
WOMEN'S NATIONAL BANK	2/1/14	15000 ⁰⁰	LOAN	Prime + 1/2%	all direct mail contribution and matching funds	15000 ⁰⁰	repaid in full	
RIGGS NATIONAL BANK	3/1/14	100000 ⁰⁰	LOAN	Prime + 1%	all matching funds - savings	100000 ⁰⁰	repaid in full	
	3/1/14	27000 ⁰⁰	LOAN					
SUBURBAN TRUST CO.	1/1/14	10000 ⁰⁰	LOAN	Prime + 1/2%	proceed from fund raising	10000 ⁰⁰	repaid in full	
CALIFORNIA NATIONAL BANK	1/1/14	11955 ⁰⁰	LOAN	Prime + 1/2%	telephone equipment	11955 ⁰⁰	repaid in full	

CALIFORNIA



FEDERAL ELECTION COMMISSION

1325 K STREET NW
WASHINGTON, D.C. 20463

THIS IS THE BEGINNING OF MUR # 2062

Date Filmed 11/18/85 Camera No. ---4

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THE FOLLOWING MATERIAL IS BEING ADDED TO THE
PUBLIC FILE OF CLOSED MUR 2062 .

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

May 2, 1986

MEMORANDUM

TO: KENT COOPER
ASSISTANT STAFF DIRECTOR,
PUBLIC DISCLOSURE

FROM: MARJORIE W. EMMONS *MWE*

SUBJECT: SUNSHINE ACT REQUEST FOR TRANSCRIPT

Pursuant to a Sunshine Act request for transcripts of executive sessions at which MUR 2062 was discussed, we are transmitting herewith a certified copy of the transcript for October 8, 1985. We have previously forwarded the other transcript pertinent to this matter.

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PARTIAL TRANSCRIPT OF AN EXECUTIVE SESSION
OF THE
FEDERAL ELECTION COMMISSION
TUESDAY, OCTOBER 8, 1985

Present: John Warren McGarry, Chairman Presiding
Joan D. Aikens, Vice Chairman
Lee Ann Elliott, Commissioner
Thomas J. Josefiak, Commissioner
Danny L. McDonald, Commissioner
Special Deputy Scott E. Morgan,
representing the Secretary of
the Senate, Jo-Anne L. Coe,
Commissioner Ex Officio
Special Deputy Douglas Patton,
representing the Clerk of the House,
Benjamin J. Guthrie, Commissioner
Ex Officio
John C. Surina, Staff Director
Charles N. Steele, General Counsel
Marjorie W. Emmons, Secretary of
the Commission

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2 Partial Transcript of an Executive Session
3 of October 8, 1985
4 MUR 2062
5 Page 1

6 CHAIRMAN JOHN WARREN MCGARRY: And we go now to Item E, MUR 2062.
7 And we're going to have Robert Raich join Lois Lerner at the
8 table. And we're going to hear from Commissioners Elliott and
9 Josefiak, in that order. And Commissioner Aikens as well. Good
10 morning, Robert.

11 ROBERT RAICH, OFFICE OF GENERAL COUNSEL: Good morning.

12 CHAIRMAN MCGARRY: So, Robert, we'll hear from the objectors in
13 this matter, if that's agreeable to you. And we'll begin with
14 Commissioner Elliott.

15 COMMISSIONER LEE ANN ELLIOTT: Mr. Chairman, we have had
16 discussions concerning the obligations of banks and what is in
17 their ordinary course of business; and the fact that they are
18 regulated by banking laws that in effect regulate their ordinary
19 course of business. Now, it seems to me that if there is all the
20 things that the regulations require; the instrument, the repay-
21 ment period date and all those things are on it; and it meets
22 with the regular banking procedures that to... for us to, at a
23 later time, go behind and try and put ourselves in the place of a
24 loan officer, particularly when we know that these are things
25 that are not usually decided by one person. They go to commit-
26 tees and boards of directors and things like that; that we cannot
27 put ourselves in the place of a loan officer and make these inde-
28 pendent decisions. That there has to be some evidence that the
29 course... the regular course of business was not there. That
30

6 perhaps there is something that's brought forward that someone
7 was given special approval because they were related or some-
8 thing. That if we proceed to do this, then in all cases of bank
9 loans we have to go against every bank loan and investigate it.
10 I do not see any reason to believe that these banks did anything
11 incorrectly; and cannot support the recommendations in that case.

12 CHAIRMAN MCGARRY: Thank you, Commissioner. We'll go to the next
13 objector, Commissioner Josefiak.

14 COMMISSIONER THOMAS J. JOSEFIAK: Thank you, Mr. Chairman. I
15 have a number of objections, but first I'll try to take care of
16 the surface ones and then get into the substance. The first one
17 is my obvious objection and that is with interrogatories versus
18 the subpoena. In this case I see, it was the first go around.
19 There's no evidence that these banks will not cooperate. If we
20 were to go this way and find the reason to believe against these
21 banks, I think it should be done on a less formal basis through
22 the interrogatory method rather than the formal basis. So,
23 that's my first objection. My second objection is that why we
24 are finding a 44lb(a) violation against Senator Hart; I know that
25 if you look at Section 44lb(a) it talks in terms of making the
26 contribution and receipt [

27]]. And I was just wondering why we were
28 personally citing Senator Hart in this case? My third objection
29
30

6 starts to get into some of the substance. And I know our
7 regulations say that loans in the normal course of business
8 include having a due date. A number of these loans had a demand,
9 pay on demand. And it appeared to me that, perhaps, number one,
10 that could be a due date under our reg, a broad definition of
11 that. But even if it weren't, it seems to me that it would be
12 very difficult to get a loan on demand these days, which would
13 indicate to me a vested interest by the bank in trying to collect
14 on monies when it appeared perhaps that a particular campaign
15 might not be around very long, and go in at any time prior to a
16 due date and collect that money. Another problem that seems to
17 have surfaced in my mind, at least, is that there is a discussion
18 of a life insurance policy taken out by the Senator in relation-
19 ship to collateral for one of these loans as second collateral
20 other than the matching funds. And I believe the Commission has
21 held the view that, for example, just going out and getting this
22 kind of collateral would be insufficient on its face. But my
23 question doesn't get into the transaction itself; my question is:
24 since the life insurance policy which served as his collateral
25 was more than the \$50,000 limit a candidate can put into his or
26 her own campaign as a presidentially publicly financed candidate;
27 whether the Senator in fact would have violated that provision
28 going over the limitation. Getting down to the individual cases
29 themselves, I have a real problem in looking at the... the
30

6 factual and legal analysis and coming to a conclusion that these
7 banks have violated the law. And let me give you just one
8 example of that. In the Riggs case we go through the analysis
9 and we basically come to the conclusion that Riggs did something
10 wrong because they loaned money to a committee that had a debt
11 and didn't bring that as a consideration. Now, if that's going
12 to be an indicia of the Commission's position as what is in the
13 normal and usual course of business, I think we've got to be
14 clear about that. I think we've got to lay out why the Commis-
15 sion thinks that in each one of these cases it feels that it was
16 not in normal course of business, even to go to the RTB stage.
17 Just by saying that indicates a subjective decision. It doesn't
18 indicate that this is the Commission's policy. It doesn't say...
19 the same with the demand situation. I think that there needs to
20 be a much more extensive discussion of what... why we feel that
21 payment on demand does not meet that definition of due date. We
22 could just say it doesn't because it doesn't give a date. But I
23 think you've also got to take into consideration some of these
24 other elements. In my mind, I find it very difficult to go after
25 these banks because I'm just not satisfied by the legal analysis
26 that there's a violation. I don't think we lay it out and I
27 don't think we give them enough information to respond. That's
28 my objection to this point; I'll have some more discussion later
29 on.
30

6 CHAIRMAN MCGARRY: Now, Commissioner Aikens also objected, but
7 I'll leave it up to you, Commissioner, of whether or not you want
8 to stop at this point and allow Mr. Raich and the Office of
9 General Counsel to respond to some of these specific points that
10 have been...

11 COMMISSIONER JOAN D. AIKENS: I have... thank you, Mr. Chairman.
12 I have the same problems that Commissioners Elliott and Josefiak
13 have expressed. And I don't like saying what is the ordinary
14 course of business for a bank, particularly when... for each bank
15 there is a different discrepancy and a different ordinary course.
16 Some it's that there was no due date; some it's the percentage,
17 the interest rate may have been just a half point above prime.
18 And I just... I have a lot of problem with that. So, I would
19 like to hear the General Counsel's response.

20 CHAIRMAN MCGARRY: Thank you, Commissioner. Robert Raich.

21 MR. RAICH: Thank you, Mr. Chairman. I'd like to address each of
22 your concerns in order, if I might. You're right; we have in
23 this case nine different loans from eight different banks; and
24 they all represent different potential problems with the Act. We
25 have here a number of situations, and it gives us a good opportu-
26 nity to look at what potential violations of the Act might be in
27 various situations. Now, Commissioner Elliott, you were first
28 concerned about the regulations, whether they were met in this
29 case. Of course, the regulations in the Act require that normal
30

6 banking procedures and regulations be complied with in terms of
7 banking law. They also require that loans to political commit-
8 tees comply with election law. In that respect we have four
9 indicia which are provided indicies, where are provided --provided
10 in the Act, in the regs. And I think that in this case one or
11 another bank has violated each of those four; specifically I
12 think we're familiar with those four, but those are... the loan
13 must be made on a basis which assures repayment. It must be sub-
14 ject to a due date or amortization schedule. Must have the
15 customary interest rate. And must be evidenced by a written
16 instrument. All these things add up to meaning the ordinary
17 course of business. And like it or not, it's that which this
18 Commission has to deal with here; what does that ordinary course
19 of business mean. Now, each of those four items I mentioned was
20 violated, I think, at least once by one or another of the
21 banks... in the loans involved in this matter here before us. As
22 for Commissioner Josefiak's concerns; first of all, he mentioned
23 the question of why we're sending out subpoenas and orders now
24 instead of mere interrogatories. The answer is because we're
25 asking very specific and very detailed information. We feel that
26 it would be a more expeditious way to obtain that information by
27 going with the subpoena route here. In addition, the financial
28 right to Privacy Act would seem to require that in order to
29 obtain financial records from a bank about a bank customer, any
30

6 government agency must submit an administrative subpoena if it
7 has authority to do so. The financial right to Privacy Act seems
8 to say that an agency can obtain the information by a formal
9 written request, only if it does not have that subpoena authority
10 available to it. Of course, this agency does have subpoena
11 authority. You wondered why we were going... recommending
12 finding RTB against Senator Hart personally [

13] The reasons we are
14 recommending finding it against Senator Hart personally in this
15 case are three: First, under the regs of Section 9033.1 a
16 presidential candidate accepting matching funds is certified that
17 he will comply with the Act. And that, of course, would include
18 not accepting excessive contributions. That gives us a reason to
19 go against him there. Secondly, the Act states that in certain
20 circumstances a candidate can be considered the agent of his
21 committee. Though, I understand there is some uncertainty as to
22 whether a candidate in that situation would be an agent in
23 situations other than the Section 432(e) context. I believe
24 that's an open question. [

25] We should probably do the same
26 against Senator Hart; although, there may be differences.

27 COMMISSIONER JOSEFIAK: Mr. Chairman, could I just get some
28 answers to...

29 CHAIRMAN MCGARRY: Yes. By all means.
30

5 COMMISSIONER JOSEFIAK: []

6 MR. RAICH: []

7 COMMISSIONER JOSEFIAK: 441b?

8 MR. RAICH: I can't tell you I'm absolutely right on that. I
9 think that's what it was. Yes, we did find RTB (INAUDIBLE).

10 COMMISSIONER JOSEFIAK: [] The
11 other thing, the reason we're doing this... I mean, I think every
12 presidential cand... publicly financed candidate agrees to abide
13 by these agreements, and I don't think as a general rule we would
14 go after the candidate when there is a violation of the contribu-
15 tions limit, et cetera, et cetera, or expenditures limits, et
16 cetera. They always... that's part of that agreement as well.
17 And I think that if we're going to do that, we better be
18 consistent across the board.

19 CHAIRMAN MCGARRY: Commissioner McDonald?

20 COMMISSIONER DANNY L. McDONALD: No, go ahead, I'm sorry, Tom.

21 COMMISSIONER JOSEFIAK: No, I just wanted to stop Mr. Raich at
22 that point to get some answers to those questions. []

23]
24 CHAIRMAN MCGARRY: Did you want to come in at this point?

25 COMMISSIONER AIKENS: Are you going to proceed further?

26 MR. RAICH: Yes, I wanted to continue proceeding in the matters
27 which Commissioner Josefiak had raised unless you want to
28 (INAUDIBLE).
29
30

6 CHAIRMAN MCGARRY: Mr. Raich.

7 MR. RAICH: Commissioner Josefiak was also concerned about the
8 due dates, and whether a loan due on demand has a due date which
9 is required by the Act and the regulations. The position of this
10 office is that the Act says it must be... a loan must be subject
11 to a due date; and we mean due date rather than some indefinite
12 period which is not really even a date at all. Specifically, in
13 this case, however, not only are we presented with situations
14 where some loans are merely due on demand, without being subject
15 to any kind of date; we have situations where some loans have a
16 due date, but it might be a due date in name only. In other
17 words, we have say a case where there's a due date of
18 December 14th, 1984 in only one of the loans; there are several
19 like this. In the Committee's December 31st, 1984 report it
20 still listed that loan as due on the 14th of December. So, we
21 have a half month that's gone by here and the bank still hasn't
22 attempted to collect anything in a due date. It may just be a
23 due date which is there only illusory in fashion.

24 COMMISSIONER JOSEFIAK: But that doesn't make the loan being made
25 in a normal course of business. The due date was put in there to
26 evidence that it was; whether someone pays or whether someone
27 collects doesn't mean the loan when it was made was not in the
28 normal course of business. That's evidence of perhaps another
29 problem. Maybe an in-kind contribution or a contribution because
30

6 they didn't collect it or they didn't... or show evidence of
7 collecting it like any other creditor. But just because they
8 didn't pay it, doesn't mean the loan when it was made, was not
9 made in the normal course of business. I mean, I think the due
10 date was put in there as an indicia of what would be considered a
11 normal course of business. One of the things the Commission
12 didn't discuss at that time; what about a demand payment. And I
13 think when you look at the evidence you've got to look at to
14 whose advantage was it to have this kind of payment on demand.
15 Was it to the candidates or was it to the banks? And that's what
16 I don't know. I'm not a banking expert. But it seems to me that
17 if I were a bank, I would want to go in there and get my money if
18 I could, if the candidate that I was loaning the money to was
19 going down the tubes; that was not going to go any further than
20 March, but I didn't want to wait until April to get payment, I
21 want to go in as soon as I knew that there was some money
22 available and I could demand payment. But I'm not saying that's
23 what the situation is. What I'm saying is, I don't think the
24 Commission has given much thought to that. And in order to go in
25 and find reason to believe and say that payment on demand is
26 insufficient; I think we better have a little discussion about
27 that. That's my point on that issue.
28
29
30

6 CHAIRMAN MCGARRY: I'll break in before I recognize Lois, who...

7 [

8] Lois Lerner.

9
10 ASSISTANT GENERAL COUNSEL LOIS LERNER: I think the point that
11 you make is a good one in terms of, possibly this is to the
12 banks' advantage to have an indefinite due date. However, as Bob
13 has pointed out, the banks not only have to comply with banking
14 laws but if they are going to make loans to political candidates,
15 they also have to comply with the Federal Election laws, and if
16 they're going to do that, then they do have to set a date whether
17 that be to their advantage or not. Under the regulation it says,
18 a specific due date. And that's why we're making the recommenda-
19 tion in that respect that we are.

20 CHAIRMAN MCGARRY: So is that clear, then, Lois, that a demand
21 note does not satisfy the requirement of law?

22 ASSISTANT GENERAL COUNSEL LERNER: Well, that would be our
23 position because the law indicates that you have to have a
24 specific due date.

25 CHAIRMAN MCGARRY: I'm not quarreling with it; I just want to...
26 it's an interesting area. Even though its a valid instrument of
27 the bank, it would be in the normal course... the ordinary course
28 of business with customers. But I see what you're saying, we go
29 beyond that because... and that's the troubling aspect of this
30

6 whole area of the law and the regs. And, Robert, we have had
7 some very lengthy discussions here on other cases involving this
8 whole area that we're talking about right now, and it's a source
9 of great trouble to the Commission. How far do we go? We've had
10 cases, I think, it comes down to, how far can banks go in getting
11 involved in federal elections. I believe that Congress saw a
12 real threat that banks could be stepping over the line. Now, I
13 think we're going to reach a point where we say, it's open
14 sesame; we're going to... I'm not arguing for the recommendation
15 or against it. I've been troubled from... by this entire area
16 from the beginning. I don't know where I'm coming out totally,
17 to be honest with you. But up until now I can understand totally
18 and completely your rationale and I realize that whether or not I
19 would vote to support you, I can't quarrel with your... in my own
20 personal opinion. You're not... I'm going to recognize, I stimu-
21 lated a lot of interest... Commissioner McDonald.

22 COMMISSIONER McDONALD: Thank you, Mr. Chairman. Just a few
23 overall points that kind of reflect what the Chairman has just
24 said. I agree in part with virtually everyone who has addressed
25 the problem in front of us. I do not... I think this is going to
26 be an ongoing difference around the table, because having asked
27 repeatedly in a different MUR of my colleagues if they knew of
28 any circumstance where banks had some grounds other than just
29 saying that it was their ordinary course of business has troubled
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6 me. I think if there was... was a ground and we had some points
7 of reference to work from I would not be so troubled. But I
8 don't think that the Commission can get itself in a posture of
9 stating, because banks have different standards for ordinary
10 course of business, I think Counsel's office is right when they
11 pointed out, it's not just... and I think that's something that's
12 been glossed over here repeatedly, it's not just what the bank
13 wants to do. Now, they are obligated under the FECA. And I...
14 it's hard for me to understand why there is problem around the
15 table with that. I realize and totally concur that banks have
16 different standards for ordinary course of business. But we do
17 not have different standards under our Act of what we expect,
18 regardless of what the banks do. I am troubled that when we con-
19 sistently say, well, gosh, we can't get into that because I don't
20 know what the bank's practice is. I think what that really means
21 is, it is saying in essence that we're simply not going to deal
22 with matters that involve where banks are dealing with these can-
23 didates. And I simply do not understand how we can get to that
24 posture. I do think that there are a number of these, and the
25 only reason I think I would vote for them at this stage is
26 because of the low threshold, because I do not agree and I
27 thought Commissioner Josefiak was correct, I don't think that a
28 committee having a debt precludes the committee from going to the
29 bank. I don't have the kind of problem that the Counsel's office
30

6 does in a number of these matters. I have a very serious
7 problem. I have a very serious problem on the due date, and
8 there's no due date. I think to announce that that's in the
9 ordinary course of business of whether it is or whether it is
10 not, is still a problem under the FECA. The fact is, we've had
11 this discussion before. Some of my colleagues have gone so far
12 as to say that there didn't even have to be a written instrument.
13 That really is going quite a ways. And it is not that far in
14 this case, there's a written instrument in most cases; the fact
15 that there's not a due date is, you know, fairly central to a
16 loan, I would think. But I'm troubled by some of the rationale
17 for some of the matters that the Counsel has. I don't have a
18 problem using the interrogatories. I don't think they're as
19 strong and as successful, as Commissioner Josefiak thinks, but I
20 don't have any problem trying them as long as we're not
21 criticized later for dragging these matters out when they come
22 back and announce they're not going to comply. But I'd want that
23 on the record as well. We frequently get criticized one way or
24 the other; and if it is more acceptable to go the interrogatory
25 route, I don't have a problem with that as long as we understand
26 the chances of dragging the matter out are fairly substantial.
27 But I am very troubled as the Chairman has indicated that he's
28 wrestled with these matters. I have yet to understand what
29 matters it is that we think that we can get into in relationship
30

6 to these banks. And I am convinced beyond the shadow of a doubt
7 that Congress did not think that banks could do anything that
8 they wanted to do in relationship to making agreements and
9 furnishing large sums of money to candidates. That simply does
10 not make any sense. And I don't think we're going to reach an
11 accord on these matters, and I wish we could. I'll certainly be
12 for asking the questions in whatever manner we decide to ask
13 them, particularly in relationship to the low threshold. I do
14 not think in a number of these matters I'd be willing to go
15 forward with some of the banks. I clearly have a very
16 substantial problem with things like due date. I think that when
17 you have a loan and there is no due date, I would say in essence
18 you don't... the piece of paper is meaningless. But I have no
19 idea what it means. These... we know that they're not going to
20 ask on demand unless they think that there is money available.
21 And that's the kind of arrangement I think we would all like to
22 be involved in.

23 CHAIRMAN McGARRY: Commissioner Elliott?

24 COMMISSIONER ELLIOTT: The demand situation, at least for the
25 National Bank of Washington, is discussed on page seven of the
26 report. Could you tell me what the footnote says? I only have
27 half a footnote.

28 MR. RAICH: What the footnote says there...

29 CHAIRMAN McGARRY: Robert Raich.
30

6 MR. RAICH: ...you're absolutely correct. It's... there is about
7 another two lines that remain in that footnote stating that
8 apparently the document which we had available to us was not
9 signed by the bank. And we believed that they might have noticed
10 the problem that they were using the term, secured party, when
11 they clearly meant debtor from the context. And we suspect that
12 when they actually signed the document that they had corrected
13 that.

14 COMMISSIONER McDONALD: Would you read it...

15 COMMISSIONER ELLIOTT: Yes, would...

16 COMMISSIONER McDONALD: ...can you just read us the note?

17 MR. RAICH: I don't have the draft with me. I'd be happy to
18 provide you with a copy of an earlier version, if you would like.

19 COMMISSIONER McDONALD: Yes, I think we would need that, don't
20 you?

21 COMMISSIONER ELLIOTT: I'd like to have it, to know what it says.

22 CHAIRMAN McGARRY: Lois Lerner.

23 ASSISTANT GENERAL COUNSEL LERNER: I'd like to point something
24 out that Bob mentioned earlier, and I think is very important in
25 light of what Commissioner McDonald said in terms of thinking
26 about dragging this investigation out, should the Commission
27 decide to go forward with it. Under the Bank Privacy Act, if we
28 don't subpoena the banks, the banks have a defense to giving us
29
30

6 anything; and they could in fact go into court and drag this
7 matter out by a court action because we have not complied. And
8 that was an additional reason why we felt in this case, it really
9 was necessary.

10 CHAIRMAN MCGARRY: There is an area in banking procedure where
11 banks... or in most cases, where they welcome (INAUDIBLE) I think
12 Robert pointed it out. I know in my practice they were very
13 reluctant, and more so in recent years to be giving out any infor-
14 mation without being compelled that they're ordered or
15 subpoenaed. And so it does create a problem in that sense. I
16 can see why we're going with the subpoena. Some... there's some
17 law in some states on it, but in any event it is a problem. I
18 know the subpoena, if we did go that route, is somewhat repugnant
19 to some people. But I think in the interest of time and knowing
20 the banking practices and policies which, I don't like to do it,
21 to be honest with you, it is rare that I do, but in this particu-
22 lar case I think we'd lose an awful lot of time if we went the
23 interrogatory route.

24 COMMISSIONER JOSEFIK: I appreciate that point because...

25 CHAIRMAN MCGARRY: Mr. Josefiak.

26 COMMISSIONER JOSEFIK: ...if you're not familiar with the
27 banking practices, I mean, that's why I raised the question.
28 That makes a lot of sense to me. If there is something that
29
30

6 would require that, certainly, then we'd... that's an obvious
7 reason to do it.

8 GENERAL COUNSEL CHARLES N. STEELE: In effect the law has really
9 picked up on that practice and is really trying to defend the
10 bank's clients. In other words, if the bank won't go forward and
11 if it doesn't demand of us to subpoena, it then has a greater
12 chance of liability for them giving up the records and states and
13 so forth and so on and so on. You know, understanding your
14 generalized principal, I think that that really in this case is
15 something that is overridden by the Bank Privacy Act.

16 CHAIRMAN MCGARRY: Scott Morgan?

17 SPECIAL DEPUTY SCOTT E. MORGAN: Thank you, Mr. Chairman.
18 [

19
20
21] But nonetheless I am...

22 GENERAL COUNSEL STEELE: Commissioner Harris isn't here.

23 SPECIAL DEPUTY MORGAN: That was noted before I said that.

24 (LAUGHTER)

25 SPECIAL DEPUTY MORGAN: I don't know how we expect the banks out
26 there to read the Act and even read the regulations and say that
27 they're not in compliance with the Act when we have a great
28 disagreement, obviously, around the table as to what the Act
29 means. We... Congress certainly intended for those banks to be
30

6 able to make loans. That is one thing that is clear. Now, given
7 that, it must be that Congress also intended that we gave them
8 workable rules to deal with, so that they can sit there and with
9 a minimum of effort figure out what is required of them. Now,
10 all that the Act requires is that they comply with banking laws
11 and that it's in the ordinary course of business. So far as the
12 FE... obviously, what you said, Lois, is correct; they have to
13 not only comply with banking laws, but the FECA. But the FECA
14 cert... the only thing it states beyond banking laws is the
15 ordinary course of business which is at best ambiguous. Now, in
16 regulations we try flesh that out somewhat. But... and as far as
17 I can tell these banks all complied with that. I disagree very
18 much with what you're stating that... that each of these banks on
19 one or the other occasion violated one or the other four
20 standards that we have set up to try to indicate to them what it
21 means. I think, the only one that is in question for most of
22 these banks is a due date. Now, it is... I disagree and I think
23 it's a very important difference; it does not state specific due
24 dates. Specific is not in there. It states due date. To me,
25 and I disagree with Commissioner McDonald on this thing, I would
26 much rather have a bank loan that had... I had some protection
27 built in for the specific due date. But nonetheless, to me it
28 would be a very definite due date if that bank at it's whim or
29 whatever wanted to call in that loan as due. That to me is a due
30

6 date and one that will always be over my head. And if I were
7 budgeting, I would have to put that in there and account for that
8 as that loan being due at any certain time. I think the bank is
9 protecting itself by setting itself up a due date as any date it
10 chooses to name at a later date. Now... and I agree with
11 Commissioner Josefiak, if later on you find out that they didn't
12 set a due date, that five years down that road they just intended
13 it as a contribution; then that is a contribution. But at the
14 time they made that, there was a due date in there, and it does
15 not state that it has to be a specific due date. So, as far as a
16 loan officer sitting there or even a vice president or whatever
17 reading this or the counsel for that bank, they think they've met
18 the four specifics that are required of it. Now, to ask much
19 more of that when we don't understand what it means, I think is
20 bordering on the absurd. And I particularly am disturbed by it
21 because I think what has passed for legal analysis in this, would
22 not give a bank much of an idea of what it has done other than
23 loan money to folks who were in a negative cash situation. I
24 think the legal analysis is insufficient, obviously, because I
25 didn't agree with it. I don't... I haven't been convinced that
26 that isn't, you know, that it is... the Commission should take
27 the action recommended by that, that analysis. So, I really am
28 at a loss for what we are asking those banks to do; and that's my
29 problem.
30

6 CHAIRMAN MCGARRY: Thank you very much, Scott. Mr. McDonald?

7 COMMISSIONER McDONALD: Thank you, Mr. Chairman. Well, I'm very
8 interested in Scott's analysis, as you can imagine, and he
9 represents the United States Senate. And which under his logic,
10 of course, I guess the Senate would never go forward and enact
11 any of these laws, because, of course, there's constant disagree-
12 ments over major piece of legislation, not to mention the FECA
13 itself. And under the logic that he sets forth, he does say that
14 there is a disagreement; and accordingly, since there's a
15 disagreement and we don't understand, regardless of what our
16 position is, whether it's his position or mine or Commissioner
17 Elliott's, Aikens or whoever; we shouldn't go forth because
18 there's a lot of confusion about this matter. I'm not very
19 confused about it from my own perspective, and I assume that the
20 Senate doesn't have these problems and the House doesn't either,
21 and proceeds where they can. In relationship to the due date,
22 and how terrible it is, you can see how terrible the due date has
23 been for these committees. I would think that if the bank's
24 ordinary course of business is not to cite a due date, we ought
25 to know that. If that is true that the bank's ordinary course of
26 business is to make loans and not cite a due date, I'm sure the
27 bank won't have any trouble in telling us this. And my
28 colleagues are forgetting that we might want to try to clear up
29 some of these questions, if it's as Scott says it is. And it's
30

6 been held over these committees' heads, and it turns out that in
7 each case the committee did all right in these matters of due
8 dates. I don't differ with him that the bank could call it in.
9 But the banks didn't do that. But I suppose that they could. I
10 was more interested in what the banks had done in this particular
11 set of circumstances. And if there's great confusion, I think he
12 makes the best argument for me I've heard in some time. If we
13 don't know, and if the bank doesn't know in the ordinary course
14 of business, this practice where they don't set out dates and
15 that is how they normally function, they just decide to call
16 these loans in. That's a fairly serious probably banking problem
17 that they may have. I don't really know, not being an expert in
18 banking matters. But one of the ways that banks can alleviate
19 these kinds of problems in relationship to loans to candidates is
20 set a date. I mean, that's the real issue. Does the candidate
21 have an open ended account? We all know what the issue is here.
22 This business about running around and announcing ordinary course
23 of business; I certainly don't claim to know the ordinary course
24 of business of each and every bank and nor do my colleagues. And
25 we've all kind of agreed on that point, I think. What we're
26 concerned about is whether there is some sort of advantage
27 supplied to a candidate with vast sums of money; and is there
28 advantage of not having a date when you have to pay the money
29 back? There is not, if the bank calls it in immediately, as the
30

6 scenario that Scott sets out for us. That would not be
7 advantageous. That didn't happen, which you didn't go on to
8 mention. It did not happen in these cases. Maybe it will
9 sometime. My guess is, it probably won't; particularly unless
10 the bank thinks it can get its money back. But I think the
11 terrible disadvantage as to not having a due date, at least in
12 relationship to the cases in front of us simply aren't
13 applicable. And I think it goes further... I would like to know
14 from the bank is that, the ordinary course of business, do they
15 put out substantial loans? And on those substantial loans, do
16 they not have a due date? And do they particularly do that for
17 candidates in relationship... I mean, are these candidates in
18 these kinds of cases... in this case Senator Hart... is it a
19 normal practice for the bank to do... I don't know, does Senator
20 Hart do business with this bank? Has he done business with these
21 nine different banks before? And in relationship to the banks
22 where there was no due date, I assume, does that mean he is in a
23 much better posture because he has or hasn't done business with
24 them? I think those are the kind of questions we want to ask. I
25 don't think we know the answer to them, but I think that's what
26 the Counsel's office is trying to seek, is some clarification of
27 the... and I... for the life of me, I can't understand why my
28 colleagues would be concerned about trying to get a clarification
29
30

6 on some of these matters; and whether or not this is how the bank
7 operates. To me, I don't understand what the problem is.

8 CHAIRMAN MCGARRY: Commissioner Josefiak?

9 COMMISSIONER JOSEFIAK: Thank you, Mr. Chairman. I have a couple
10 problems. First, is that... number one, treating all committees
11 the same vis-a-vis loans of this nature. That when you have a
12 secured loan, as we do in this situation, that we as a Commission
13 during the audit process don't even question that situation.
14 That's number one. But getting back to the due date; I am
15 willing to state that I believe our regulation contemplates a
16 date certain. I believe that's... there might even be some
17 legislative history somewhere that uses the due date as an
18 indicia of when something is made in the normal course of
19 business; although, I can't find it.

20 COMMISSIONER McDONALD: Would you have trouble asking the bank if
21 that's their policy, not to have due dates for large sums of
22 money?

23 COMMISSIONER JOSEFIAK: I'm saying, I don't think you need to go
24 that far because certainly the whole point in establishing
25 something of normal course of business was to make sure that you
26 weren't getting into the situations that you described; that you
27 would have a friendly bank or a friendly candidate that would be
28 doing it and giving an open ended deal. But I think when you...
29 I don't think this Commission, and I could be wrong and someone
30

6 could correct me again at the table today, I don't think the
7 Commission, when it discussed that regulation, discussed this
8 demand business and what it would mean, and if we allowed demands
9 how we would treat them differently than due dates, if we had to
10 set up some criteria. I just don't think that was discussed or
11 contemplated. But it seems to me that when we sit here and
12 decide whether to open up a MUR against someone, that it is
13 within the discretion of the Commission to decide based on the
14 facts presented at the table, whether there is sufficient
15 evidence to proceed. My position is, there isn't. My position
16 is that, the legal analysis in front of me has not convinced me
17 to proceed in this matter. And I'm not saying it's... our regula-
18 tion doesn't say you have to have a due date, because it does;
19 and I'm willing to admit that. What I'm saying is, I'm not going
20 to... I don't see the evidence to find based on the whole case
21 before me, that there's sufficient evidence based on the legal
22 analysis to proceed.

23 CHAIRMAN MCGARRY: I will allow the General Counsel's office, if
24 they feel they want to respond to any point or all of them or
25 we'll just move along if you want to hold...

26 MR. RAICH: There are a few things I would like to address right
27 now.

28 CHAIRMAN MCGARRY: I think it probably would be appropriate,
29 Robert.
30

6 MR. RAICH: All right. Thank you, Mr. Chairman. With regard to
7 Commissioner Elliott's concern about the missing footnote. The
8 whole text of the footnote is contained in the legal and factual
9 analysis which was sent or which is proposed to be sent to the
10 National Bank of Washington. You can find that at the bottom of
11 attachment 181, page 12. The entire footnote is there.

12 COMMISSIONER ELLIOTT: Is there a consecutive page numbering on
13 the... tell me again what it was?

14 MR. RAICH: It's attachment 181.

15 COMMISSIONER ELLIOTT: Okay, 181, page?

16 MR. RAICH: Page 12. At the bottom of that page.

17 CHAIRMAN MCGARRY: We're going off the record for one moment to
18 change the tape.

19 CHAIRMAN MCGARRY: We're back on the record. Robert, did you
20 have anything further you...

21 MR. RAICH: Yes. There was a factual issue which I just wanted
22 to raise before the Commission. We've been discussing the due
23 date versus the demand loans. And I just want to let you know,
24 these loans were not the same nature with regard to the due date
25 all the way through the loans. At least some of the loans
26 started out having a due date and then changed to demand or then
27 went back to a specific due date. It's just there are, I think,
28 three issues... three time frames in which the Commission needs
29 to look at bank loans. One, of course, when the loan is made.
30

6 The other is during the course of the loan. And the third, is
7 naturally at the repayment time. And with regard, anyway, to the
8 due date we find this issue coming up in each three of the time
9 frames.

10 CHAIRMAN MCGARRY: Commissioner Elliott?

11 COMMISSIONER ELLIOTT: Well, I think that what we have, all of us
12 have come to the conclusion of is that the normal and ordinary
13 course of business has nothing to do with conformity or
14 consistency. And there has to be some reason for us to have an
15 evidence that this was not done in the ordinary and normal... and
16 I don't see that here. I don't see anything for us to question
17 this as against any other loan around. We should be looking into
18 every loan on this basis if that's the case because there isn't
19 anything that comes to the fore.

20 CHAIRMAN MCGARRY: Commissioner Aikens?

21 COMMISSIONER AIKENS: Thank you, Mr. Chairman, I have a couple of
22 questions. []. Here
23 we are relying strictly on due dates and interest rates.
24

25 ASSOCIATE GENERAL COUNSEL KENNETH A. GROSS: []
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27
28
29
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6] . We talked here about the due date versus
7 demand note. And some of these other documentation problems that
8 are missing. But we are also questioning collateral in this case
9 as well. [

10] . We have... (SIMULTANEOUS
11 CONVERSATION)

12 CHAIRMAN McGARRY: Lois Lerner.

13 ASSISTANT GENERAL COUNSEL LERNER: We have information about the
14 comparison if you'd like that.

15 CHAIRMAN McGARRY: Ken Gross. Lois Lerner.

16 ASSOCIATE GENERAL COUNSEL GROSS: I am sure that if Bob can give
17 even more detail than that, he'd be glad to do it.

18 MR. RAICH: Sure. There are...

19 CHAIRMAN McGARRY: Robert Raich.

20 MR. RAICH: ... [

21
22
23] . And here in the Hart loans that's
24 only one issue. We also have the issue of apparent lack of
25 written instruments, particularly in the roll overs. We have the
26 issue of the interest rates. We have the issue of the due dates
27 as well as that collateralization or basis which assures repay-
28 ment. There are a number of other specific issues factually,
29
30

6 which can distinguish or make the two situations the same. And
7 if you wish I'd be happy to go into them in detail.

8 COMMISSIONER AIKENS: Well, I don't want to... unless...

9 CHAIRMAN MCGARRY: Commissioner McDonald has a point at this
10 stage, if you would yield for a moment.

11 COMMISSIONER McDONALD: Let me just ask in looking at the statute
12 and not at the regs, how would you have an amortization schedule
13 if you did not have a date certain; what would you do there?

14 CHAIRMAN MCGARRY: Robert Raich.

15 MR. RAICH: As I understand an amortization schedule, you're
16 looking more at a long term kind of loan which has specific
17 installments which need to be paid back at certain times. A due
18 date... a loan might mean the whole loan plus interest must be
19 paid back at a specific date. That is how I understand the
20 difference between the two terms.

21 CHAIRMAN MCGARRY: Yes, Commissioner Aikens, thank you for
22 yielding.

23 COMMISSIONER AIKENS: I don't... I would like to see that
24 analysis of comparison, but I don't want to inject it on
25 everybody else. But let me ask this; was there any interest paid
26 on any of these loans?

27 MR. RAICH: Yes.

28 COMMISSIONER AIKENS: Was it all paid when they were paid off or
29 is interest being paid on the one that is not... all of them have
30

6 been paid off, except for the National Bank of Washington, their
7 line of credit. Now, are they paying interest on that loan?

8 MR. RAICH: The National Bank of Washington loan and the
9 California National Bank loan, which are both outstanding now
10 have interest that are (INAUDIBLE); and the committee is paying
11 interest on those two outstanding loans.

12 COMMISSIONER AIKENS: They're current with their interest?

13 MR. RAICH: Well...

14 COMMISSIONER AIKENS: Can the auditors tell us? Or almost
15 current?

16 MR. RAICH: I think the nature of these loans isn't the type of
17 loan where you can just the... where you don't really have an
18 amortization schedule and can say a certain percentage of each
19 payment is going towards interest and a certain percentage is
20 going towards principal.

21 COMMISSIONER AIKENS: Most demand notes require interest
22 payments.

23 MR. RAICH: Yes.

24 COMMISSIONER AIKENS: Is that correct? Yes. They do... most
25 demand notes would require interest to be paid. That's part of
26 the ordinary course, to my...

27 SPECIAL DEPUTY DOUGLAS PATTON: Well, they do it quarterly and
28 they do it monthly, but it's usually monthly.

29 COMMISSIONER AIKENS: Yes.
30

6 CHAIRMAN McGARRY: Right. Commissioner McDonald?

7 COMMISSIONER McDONALD: Commissioner Aikens makes a good point
8 and Commissioner Elliott and I were looking at section 2, due
9 date or amortization schedule. So, I would assume you would have
10 to get, which is where Commissioner Aikens is getting; if you had
11 one or if you had the other, you would have to have a date
12 certain to get to the equivalent of an amortization schedule. It
13 says, or; it doesn't say, and, it says or. So, to get to the
14 same point, it looks like you have to have a date; and it goes
15 back to Commissioner Aikens' point about the interest. Did they
16 pay interest as they went along; monthly, quarterly, is it set
17 out that they would pay interest? Is that in the normal course
18 of business, the bank's normal course of business?

19 MR. RAICH: Of course, part of the problem we're facing here is
20 that...

21 CHAIRMAN McGARRY: Robert Raich.

22 MR. RAICH: ...all of these loans have exceeded what was
23 originally the due date of the loans. And we now...

24 COMMISSIONER AIKENS: Is that...

25 COMMISSIONER McDONALD: Some of them didn't even have a due date.

26 MR. RAICH: ...(INAUDIBLE) instruments explaining how they're
27 paying it now as they're going along.

28 GENERAL COUNSEL STEELE: So you get after the fact reporting.

29 CHAIRMAN McGARRY: Commissioner Aikens?
30

6 COMMISSIONER AIKENS: The loans... first of all, the loans of
7 First American which was a line of credit in 1983; and they
8 clearly collected enough contributions to repay the loan, the
9 \$350,000.00 one which was made on July 27th. It was an interest
10 rate that was prime plus two. So, we're not questioning that.
11 It was a demand note; they apparently paid the interest on it.
12 And they repaid it from another loan, but they repaid it in full.
13 They had enough money to assure repayment at the time. They then
14 took another loan or another line of credit...

15 CHAIRMAN MCGARRY: The Office of General Counsel is indicating
16 negative to that point, Commissioner. I don't mean to... but I'm
17 following you very carefully and... Lois Lerner.

18 ASSISTANT GENERAL COUNSEL LERNER: I just want to make sure I
19 understand what you're saying; are you saying because they took
20 out another loan and repaid it that that shows that they did in
21 fact have...

22 COMMISSIONER AIKENS: No. Your report says they had enough
23 contributions other than loans during 1983 to repay the loans to
24 the First American Bank.

25 ASSISTANT GENERAL COUNSEL LERNER: But they didn't repay it with
26 that money. I just... (SIMULTANEOUS CONVERSATION)

27 COMMISSIONER AIKENS: It doesn't matter... it doesn't matter how
28 they repay it.
29
30

6 ASSISTANT GENERAL COUNSEL LERNER: I just did not understand what
7 you were saying.

8 COMMISSIONER AIKENS: They had the money. And the only problem...
9 the only reason we're saying that the First American Bank
10 violated 441b was because it was a demand note.

11 GENERAL COUNSEL STEELE: It does matter...

12 CHAIRMAN MCGARRY: Mr. Steele.

13 GENERAL COUNSEL STEELE: ...if they're pledging the same
14 collateral twice.

15 COMMISSIONER AIKENS: Well, that's not the case here.

16 GENERAL COUNSEL STEELE: Well... then... but I mean, you can't
17 look at them in totally separate, because if what they're doing
18 is getting money from another bank to pay one bank for the same
19 collateral, there is a cross over there.

20 COMMISSIONER AIKENS: But if they're paying off one loan... the
21 collateral...

22 GENERAL COUNSEL STEELE: They're getting a loan before they pay
23 it off. They have to get the second loan before they can pay the
24 first one off.

25 COMMISSIONER AIKENS: Well, I...

26 GENERAL COUNSEL STEELE: So that what supports the second loan
27 then becomes of some significance.

6 CHAIRMAN MCGARRY: And the conclusion would be, that the second
7 loan would not be obtaining that before you pay the first loan,
8 would not be assured of repayment. Is that the point, Charlie?

9 GENERAL COUNSEL STEELE: Well, you could have a variety of
10 different situations, it seems to me. Yes, that would be
11 certainly one of my concerns, particularly if you had the same...
12 pledged the same kind of collateral, the matching payments and
13 you say, well, there were enough matching payments to cover the
14 one loan. Well, if you have a bunch of loans out there that are
15 under that same collateral, when they're out there
16 simultaneously, you have a very... the loan are integrated in
17 that sense. And we've run into that in several of the loan
18 cases, the fact that repayment with another loan made on the same
19 collateral (INAUDIBLE) the (INAUDIBLE).

20 CHAIRMAN MCGARRY: Commissioner Aikens, thank you.

21 COMMISSIONER AIKENS: Well, I understand what Charlie is saying.
22 But if the... if one bank assumes a loan from another bank; then,
23 they... the first bank will release the collateral. And I don't
24 think that creates a problem. However, after the First American
25 loan, which was in 1983, the activity in all these loans was
26 between February 9th and March 8th or thereabouts, which was the
27 time when Senator Hart was winning the primaries and was
28 collecting contributions... the auditors told me \$4 million in
29 that time frame, in those less than two months. Any bank is
30

6 going to be delighted to get that money deposited in their bank
7 and loan him money on the presumption of matching funds. They
8 probably were vying for his bank business. I would not be
9 surprised if some of them didn't seek him out.

10 GENERAL COUNSEL STEELE: What a mistake.

11 COMMISSIONER AIKENS: Well, (INAUDIBLE). But I just... I just
12 don't find anything. The only loan that has not been paid back
13 is that National Bank of Washington, and if they are paying
14 interest, monthly or quarterly or whatever the document calls for
15 and do not pay it back until December 31st, 1985, I don't think
16 there is any problem at all with any of these loans.

17 CHAIRMAN MCGARRY: That was a demand loan on that bank?

18 COMMISSIONER AIKENS: That's a demand, and then they put a date
19 on it.

20 CHAIRMAN MCGARRY: How do you feel about the due date
21 (INAUDIBLE).

22 COMMISSIONER AIKENS: I don't...

23 CHAIRMAN MCGARRY: (INAUDIBLE) satisfies our (INAUDIBLE).

24 COMMISSIONER AIKENS: Yes, I think it does, Mr. Chairman, I do.
25 I think it's... banks are very... particularly where there is the
26 potential for instant money; I think banks are very apt to give
27 demands notes. And as long as the interest is paid, I don't
28 think... I think that's fine. I think that's within the ordinary
29 course.
30

6 CHAIRMAN MCGARRY: Scott, I'm going to interrupt just for a
7 second to... because right on that very point, we are always
8 fortunate to have a world expert in some particular area. Un-
9 fortunately, our Internal Revenue Service expert has retired.

10 (LAUGHTER)

11 CHAIRMAN MCGARRY: In any event, we have a world banking expert.

12 (SIMULTANEOUS CONVERSATION)

13 SPECIAL DEPUTY PATTON: The problem is, that's the last type of
14 loan... as a customer I want to negotiate is a demand note,
15 because the problem is on that in many agreements if you miss...
16 if you're late on payment or you're late on interest they can
17 call the note on you, on a demand note. And basically, a demand
18 note for any kind of reason they can call you. Whereas, you go
19 with a due date, basically if you satisfy and keep up on the pay-
20 ments you have less problems and more legal right (INAUDIBLE). I
21 don't want a demand note.

22 CHAIRMAN MCGARRY: I'm delighted to hear about it because I can
23 see the wisdom of a demand... aside from our regs and everything,
24 particularly in a political campaign, the volatility of pri-
25 maries, of presidential campaign; I can see a bank would want a
26 demand note because they'd say: "My god, did you read the paper
27 this morning? This jerk is going down the drain. Call that
28 loan."
29
30

6 SPECIAL DEPUTY PATTON: And they call the loan and take his
7 house.

8 COMMISSIONER AIKENS: Yes, take what they can get.

9 CHAIRMAN MCGARRY: However, whether or not, you know, it satis-
10 fies... one quick question, Doug, how do you feel about the
11 demand loan in our regs?

12 SPECIAL DEPUTY PATTON: Well, I think it's... may not be in
13 there, you know, technically; it may be an oversight. But I
14 think demand satisfies the same kind of (INAUDIBLE).

15 CHAIRMAN MCGARRY: You think it would be in the... would demand
16 satisfy our regs...

17 SPECIAL DEPUTY PATTON: I think demands...

18 CHAIRMAN MCGARRY: ...and be in the ordinary course of business,
19 which has been expressed at the table.

20 SPECIAL DEPUTY PATTON: I, you know, just from a general
21 (INAUDIBLE) I could spend more time looking at it. But I saw no
22 problems with any of these loans. And as I mentioned before, a
23 tougher judge of these is going to be the bank examiners. I can
24 tell you this, if you have ever sat through a bank examine, I
25 mean, they... you know, they'll look and say, where is that piece
26 of paper? You didn't have it on that particular date when you
27 renegotiated from one and a half to two percent over prime. So,
28 they're going to be tough (INAUDIBLE).

29 CHAIRMAN MCGARRY: Yes.
30

6 SPECIAL DEPUTY PATTON: (INAUDIBLE) there is truly problems
7 (INAUDIBLE).

8 CHAIRMAN MCGARRY: Thank you very much, Doug. Yes, Scott?

9 SPECIAL DEPUTY MORGAN: Thanks, Mr. Chairman. Just thanks
10 (INAUDIBLE). (LAUGHTER)

11 SPECIAL DEPUTY MORGAN: There are two things I wanted to... two
12 areas I wanted to briefly go through. One, and I don't want to
13 go around and around with Commissioner McDonald, but I think you
14 are portraying my viewpoint a little unfairly here.

15 COMMISSIONER McDONALD: Oh, I did it accurately, you mean?
16 (LAUGHTER)

17 COMMISSIONER McDONALD: My apologies, Mr. Chairman. And Scott as
18 well, as you can imagine.

19 SPECIAL DEPUTY MORGAN: But I didn't, at any point, imply that
20 simply because the Commission is not in unanimous agreement on
21 any particular issue, it cannot go forward; that's absurd,
22 obviously, any governing body, any regulatory body is going to
23 have disagreements and the majority is going to determine which
24 way it goes and it will then therefore move.

25 COMMISSIONER McDONALD: I agree, it is absurd.

26 SPECIAL DEPUTY MORGAN: But (INAUDIBLE) my opinion. (LAUGHTER)

27 COMMISSIONER McDONALD: Well they weren't mutually exclusive.

28 SPECIAL DEPUTY MORGAN: My point though, I was using it to show
29 that in asking a bank sitting out there to comply with the
30

6 regulations that it is open to different interpretations and that
7 that may not be dispositive, but that certainly it should be
8 taken into consideration by the Commission when it is apparent
9 that these banks made a good faith effort to comply. Now, you
10 can say, well, how do we know until we ask these questions. And,
11 what's the trouble of asking the banks these questions? Well, I
12 find a lot of trouble of asking these kind of... to subpoena
13 banks and ask them to go through these questions. That is a sig-
14 nificant undertaking we are requesting them to take and not one
15 to be taken lightly. And, you know, if you want to do it, that's
16 fine. But I think there is trouble; and we shouldn't just pass
17 it off as something that, you know, will take a few moments to
18 do. And I'm sure you're not saying that, I'm just trying to
19 point out that there are... I'm trying to read your questions as
20 you are writing. (LAUGHTER)

21 COMMISSIONER McDONALD: I'm willing to show it to you and give
22 you five minutes and you still won't (INAUDIBLE).

23 SPECIAL DEPUTY MORGAN: That was an excellent point. But that
24 was just on the general basis. I still go by the viewpoint that
25 we have not given the banks... these banks have complied with
26 that we have written into the regulations. Maybe it's not the
27 way we had intended it to be, but I still think that they have
28 made an effort to comply with those, and that they have complied
29 with those particulars that we have set out. Commissioner
30

7 McDonald has pointed out to me, and I appreciate it; I had
8 probably misled some folks by just reading from one part of the
9 statute. I didn't realize that the... I realize now that the
10 specific requirements to be in compliance with a bank in a normal
11 course of business is in the statute as well. It is, and I
12 didn't mean to mislead anyone with that. But on the... back to
13 the particulars, if folks don't buy my point of view that these
14 banks have complied short of a more definite statement of opinion
15 by the Commission, I still think the legal analysis is wholly
16 insufficient. You've come forth already and answered the ques-
17 tions hear saying, and well, I know there is more analysis I can
18 give you. That should to me... that's not what you said?

19 ASSISTANT GENERAL COUNSEL LERNER: I think what he was saying...

20 CHAIRMAN MCGARRY: Lois Lerner.

21 ASSISTANT GENERAL COUNSEL LERNER: ... [

22].

23 SPECIAL DEPUTY MORGAN: [

24] my argument,
25 You're not supporting / are you. But I
26 still think that the analysis is insufficient. I have trouble
27 that in the First American Bank there's no mention of the
28 personal guarantee made by Senator Hart. That may have no value.
29 That may have some value. But it's not... as far as I can tell
30 in the legal analysis I didn't find it mentioned. I don't have

6 it mentioned in the National Bank of Washington, what value if
7 any the concerts had. That they had already set forth in those
8 part of the agreements. And there are a few other areas where
9 there's no analysis of the significance of the collateral already
10 assigned in NS&T. I don't think there's any analysis in the
11 direct mailing that the Women's National Bank had. These are
12 significant areas within the security agreements that, I... maybe
13 I'm wrong, but I couldn't find it in going through. If you... if
14 the Commission is going to proceed against these banks and sub-
15 poena them; I think the analysis should flesh out those areas and
16 deal with them in more than two paragraphs of double spaced
17 analysis.

18 CHAIRMAN McGARRY: Doug Patton, and then I'll get to you, Mr.
19 McDonald.

20 COMMISSIONER McDONALD: Certainly. No, go right ahead. I'll
21 want to differ with you anyhow.

22 SPECIAL DEPUTY PATTON: If you want to be on the same train of
23 thought, why don't you go ahead and answer Scott. I have
24 something...

25 CHAIRMAN McGARRY: Mr. McDonald?

26 COMMISSIONER McDONALD: The business about... and Scott's right,
27 I don't take subpoenaing banks subpoena lightly. I would say
28 this, if it's in the ordinary course of business, I wouldn't
29 think banks would have an overly difficult time of coming to
30

6 grips with these kinds of questions being asked. I wouldn't
7 remind my colleagues that... that the presidential race for
8 President of the United States and how their monies are obtained
9 and how they're not; and I don't think any of us minimizes the
10 importance of the matter. And it seems like to me that if the
11 banks have to take some time to do that, I'm not sure that that's
12 asking too much. We've discussed around this table, I have said
13 for a long time that frankly I don't even oppose block grants to
14 candidates. As far as I could be concerned, they could have \$40
15 million or \$60 million or whatever it will turn out to be the
16 next time as a block grant. With the law as it stands in rela-
17 tionship to one of the processes before we even get to a process,
18 we're talking about loans and primaries; we do thoroughly check
19 out a number of things. And I guess the thing that really
20 flagged this issue for me was my colleagues, when they explained
21 to me that there were banks that didn't even have written
22 instruments as agreements, and they didn't have a problem with
23 it. I don't think some months ago I would have thought the
24 demand issue was that big of an issue. I've listened to my
25 banking colleague and friend, Doug Patton, and I agree that as
26 was pointed out earlier by Scott, that it could be more diffi-
27 cult. I guess my problem was and is that it does not appear to
28 have turned out that way, but if that's the normal course of
29 business for this bank, then, I'm sure they'll have no problem
30

6 with it. I am puzzled by the logic that at some points it's more
7 difficult, and that the candidates wouldn't want to enter into it
8 because it's more disadvantageous for them. But later on when
9 they go over to other banks, they do exactly the opposite. I
10 mean, I don't know which is more advantageous and which one is
11 not. My real suspicion in life, and if anybody doubts this as a
12 practice I'll be very surprised, my real suspicion in life is
13 they agreed to whatever they needed to agree to... to get the
14 money; whether it was a date certain or not to a date certain.
15 Now, the question before the Commission goes back to and why my
16 colleagues don't want to ask if this is in the normal course of
17 business; I don't really know. And I'm sure the banks could
18 supply that to us. And maybe these banks... some of these banks,
19 First American Bank, for example, maybe all their notes are on
20 demand. Maybe that is the normal course of business for the
21 First American Bank. And maybe they called in some of these
22 loans early. We've heard this parade of horrors about how
23 they're going to and how difficult it is. They didn't, but we've
24 heard about it in other circumstances. If they've done it, I'm
25 sure they have that information. I would be surprised in 1985
26 that banks couldn't have... if we can come to grips downstairs on
27 the computer of what we have, I'm sure banks can, too. It
28 wouldn't be very hard to figure out, the date a loan was due and
29 whether it was paid or not or if there was a date certain on the
30

6 number of loans. I mean, how difficult is that for a banking
7 institution to do? And to take the posture that in a
8 Presidential race that we will not seek that information; I don't
9 know if my colleagues don't believe what they say about the
10 banks. If they believe it, they'll have no trouble looking at
11 this issue. I think Scott Morgan is right; it is not an easy
12 issue for the banks. I don't know that we're mandated to make it
13 easy for the banks. Our question only is, whether or not we have
14 sufficient information. And I submit to you, we don't have suf-
15 ficient information to make those kinds of judgments.

16 CHAIRMAN MCGARRY: Commissioner Aikens has something right on
17 this point.

18 COMMISSIONER AIKENS: I just want to ask a question on this
19 point, Commissioner McDonald, and I think probably it best be
20 directed to the Audit Division, because I think probably they're
21 the ones who would see. Have we seen these same kind of loans in
22 other campaigns? I mean, this is a very distinct kind of loan,
23 when it's based on matching funds.

24 CHAIRMAN MCGARRY: Bob Costa?

25 COMMISSIONER AIKENS: There are not many banks, maybe some in
26 this area have had other demand notes or notes without due dates.
27 But to ask the bank to give... the banks to give this information
28 to us; maybe we already have it. If we have seen this same kind
29 of loan in other campaigns; I think we have the answer. Bob?

30

7
8 ROBERT COSTA, AUDIT DIVISION: I'd have to say, yes...

9
10 CHAIRMAN McGARRY: Mr. Costa.

11
12 MR. COSTA: ...we have these very same kinds of loans in other
13 campaigns. Very similar kinds of interest rate, two percent
14 above prime, half percent above prime; depending upon the
15 situation and time involved, candidate, et cetera. Yes, we have.
16 There are others.

17
18 COMMISSIONER AIKENS: How about the demand... how about the
19 demand note?

20
21 MR. COSTA: I'm not sure about demand.

22
23 COMMISSIONER McDONALD: And if you have, which ones are they?
24 I'd like to know about the demand and where those take place. I
25 don't have any trouble...

26
27 MR. COSTA: I can't answer (INAUDIBLE).

28
29 COMMISSIONER McDONALD: ...Commissioner Aikens is asking a very
30 good question. She and I do not differ about the two percent
above prime. I don't have any trouble with that. I don't have
any trouble with the date certain. My problems go back to this
other business. And if you have situations like that, I really
would like to know them and if they were by these banks.
Obviously, the banks have different practices; we've all kind of
agreed to that. I'm... I don't have a problem with that. If
these banks, if that's their ordinary course of business; I'd
kind of like to know it.

6 MR. COSTA: I can't respond to that specifically. I can tell you
7 that several of the campaigns did receive loans that did pledge
8 matching funds as collateral for those loans. They also pledged
9 direct mail receipts and similar kinds of things. I can't answer
10 the one specific question about due date versus demand; I don't
11 know at this point. We might be able to find out if we
12 researched that question, looking back through what we have
13 picked up during the course of the audit. But as far as
14 similarities, I would have to say, yes, there are others that did
15 receive these kinds of loans, at these regs pledging the very
16 same kinds of things as collateral for banking.

17 COMMISSIONER McDONALD: Is...

18 CHAIRMAN McGARRY: Mr. McDonald.

19 COMMISSIONER McDONALD: ...I think the record will reflect some
20 hour ago I made the very comment, maybe an hour and a half ago
21 that there were a number of these that I thought were very close
22 questions and I did not have much difficulty with. In fact, Com-
23 missioner Josefiak talked about security in relationship to some
24 of the matters, and security is a question. But I thought that
25 there was much more grounds there where it was stated. I have
26 trouble when the matching funds are pledged and there are
27 instances in here, if I'm not mistaken. They're pledged
28 simultaneously. I did start getting nervous when that comes to
29 pass, and I'd like to know, you know, about that. But I do not
30

6 have trouble with a number of things the banks did here. I have
7 a real serious problem when there is not a... when there is not a
8 date certain; and actually it is the biggest problem that I have.

9 CHAIRMAN MCGARRY: Yes, Doug Patton?

10 SPECIAL DEPUTY PATTON: Just a quick question. (INAUDIBLE) was
11 there a question asked what their outstanding daily balance was,
12 the Hart Committee, in these loans?

13 MR. RAICH: We don't have any information of their outstanding
14 daily balance. The Committee was submitting monthly reports and
15 what we know is what their cash on hand was and what their obli-
16 gations... or all the information contained in the reports at the
17 end of each calendar month.

18 SPECIAL DEPUTY PATTON: But I was trying to (INAUDIBLE) to show
19 the cash on hand in each of these respective banks that they did
20 have deposits here, deposit accounts?

21 MR. RAICH: That would be a...

22 CHAIRMAN MCGARRY: Robert Raich.

23 MR. RAICH: ...an interesting piece of information to have. And
24 the only way we could really get that would be with documents
25 from the banks, which are not presently available to us.

26 CHAIRMAN MCGARRY: Yes, Commissioner Aikens?

27 COMMISSIONER AIKENS: Can you tell us... can the Audit Division
28 tell us what their campaign depository was here in town... which
29 bank was their campaign depository?
30

6 MR. COSTA: First American.

7 COMMISSIONER AIKENS: First American. Through the whole
8 campaign?

9 RAYMOND LISI, AUDIT DIVISION: It was First American Bank. Yes,
10 it was during the whole campaign.

11 CHAIRMAN MCGARRY: Ray Lisi. Doug Patton?

12 SPECIAL DEPUTY PATTON: To follow-up Commissioner Aikens. They
13 have obviously a lock box arrangement with First American
14 (INAUDIBLE).

15 CHAIRMAN MCGARRY: For the record a lock box is what, Doug?

16 SPECIAL DEPUTY PATTON: Well, that's kind of collateral, but
17 (INAUDIBLE) because you have... you rake off your payment before
18 they get any of the rest of the gross. Where you have
19 (INAUDIBLE), you know, if a dollar comes in, you get that dollar
20 figure (INAUDIBLE) off your interest (INAUDIBLE) before the
21 recipient.

22 CHAIRMAN MCGARRY: You're referring to that as a what, a lock...

23 SPECIAL DEPUTY PATTON: Lock box arrangement. Primarily, where
24 people are sending in contributions (INAUDIBLE).

25 CHAIRMAN MCGARRY: Sure.

26 SPECIAL DEPUTY PATTON: ...(INAUDIBLE). It comes right to the
27 bank and the bank does the bookkeeping on it and takes off their
28 interest payments, takes their loan payments and then gives the
29 rest to (INAUDIBLE).
30

5
6 CHAIRMAN MCGARRY: Commissioner Elliott on that point?

7 COMMISSIONER ELLIOTT: And they have a responsibility for a
8 record keeping situation as to what comes in, who it comes in,
9 all the... it's not... it's a service of the bank. And is
10 almost, you know, puts them almost in the agency relationship
11 with the campaign.

12 SPECIAL DEPUTY PATTON: First American does a lot of this lock
13 box (INAUDIBLE)...

14 COMMISSIONER ELLIOTT: Yes.

15 SPECIAL DEPUTY PATTON: ...for a lot of different political and
16 non-political, and who don't (INAUDIBLE).

17 COMMISSIONER AIKENS: If I'm not mistaken...

18 CHAIRMAN MCGARRY: Sure.

19 COMMISSIONER AIKENS: ...that's in their agreement. That that
20 will be the campaign dispository; they will deposit the matching
21 funds there and I think that's all in their agreement. So I...
22 sorry, Scott.

23 SPECIAL DEPUTY MORGAN: No, that's fine.

24 COMMISSIONER ELLIOTT: I just want to... excuse me.

25 CHAIRMAN MCGARRY: Yes, Commissioner Elliott.

26 COMMISSIONER ELLIOTT: I just wanted to add that in there
27 because...

28 CHAIRMAN MCGARRY: Certainly.
29
30

7 COMMISSIONER ELLIOTT: ...they go to a lot of trouble and keep a
8 lot of records that are necessary for any campaign or business
9 using that service.

10 CHAIRMAN MCGARRY: Scott Morgan?

11 SPECIAL DEPUTY MORGAN: Thank you, Mr. Chairman. I just... along
12 these lines, I was wondering what the Office of General Counsel
13 thought about... I mean, we're fortunate to have... have Doug
14 here in so many ways, also for his background in banking. But it
15 seems to me a strange way to run a situation... well, an opera-
16 tion where we're fortunate not by chance to have someone with
17 significant banking background, and this is again, because I'm
18 new and I'm trying to figure out what your operation is. When...
19 in an area like this where it requires some background in... or
20 seemingly should, some background in banking laws and regula-
21 tions, where the statute even says it must be in compliance with
22 banking laws and regulations in addition to whatever we would
23 require of them, is it appropriate at any time to have someone
24 either from within the government or within the Office of General
25 Counsel that is a banking... has knowledge of banking other than
26 just personal experience or happenstance?

27 ASSISTANT GENERAL COUNSEL LERNER: I think...

28 GENERAL COUNSEL STEELE: I was just going to respond with the
29 historical...

30 CHAIRMAN MCGARRY: Mr. Steele.

6 GENERAL COUNSEL STEELE: ...we went through with the Comptroller
7 of the Currency with regard to some of our more known bank cases
8 early on, that the Comptroller offices pretty generally took the
9 position of this orally, I would say, rather than in any written,
10 but I think if it ever followed up on it, that they would respond
11 similarly in written, that it would not undertake to analyze for
12 us whether a particular loan was in the ordinary course of
13 business, et cetera, et cetera. That their examiners go out to
14 examine the bank's course of conduct. And that they therefore
15 don't give opinions on particular loans. Undoubtedly, in doing
16 that, as Doug has alluded to, the bank examiners tend to question
17 particular items of documentation with regard to particular loans
18 and get down to great specificity. But that the Comptroller's
19 position was that they were not in business to rule upon the
20 specificity of particular loans. The second factor, of course,
21 is that, you know, I mean, we have gone through these loan cases,
22 you know, several times now; and the question that I think that
23 the Commission is here wrestling with, which again, I understand
24 wrestling with it, though I concur with... obviously, with
25 Commissioner McDonald's answer is, the question is whether there
26 is something in addition to that. The question is... the focus
27 really is on the FECA. Now, if you say that FECA has nothing,
28 that all it has to do is that the bank gave it and it was in
29 accordance; that would be really one posture. The question is
30

5
6 whether given the long history of these provisions, given the
7 fact that when the Justice Department prosecuted a bank for
8 making a \$10,000 loan, Congress then amended the statute to say,
9 well, we don't mean that every loan will be a violation of the
10 contribution limits, but that... those that are shown to be
11 within the ordinary course of business can be seen as not being a
12 contribution. Given all of that history of the provisions in
13 question; the question is, what kind of requirements did Congress
14 put upon it. And as we have said in this case, as we have said
15 in all these other cases, it seems... my opinion certainly is,
16 and has been since we first got into these cases, that it re-
17 quires positive showing from the banks that it was made with all
18 of these characteristics in hand that the statute has set forth.
19 That, of course, is a later amendment to make that more specific.
20 And I perhaps might agree with you that once again Congress has
21 been vague in general in its delegation to a point that perhaps
22 one ought to be suspect of, but nonetheless, I think it's hard to
23 specify it in greater detail. But that it seems to me that the
24 statute makes it clear that you've got to have it to take it out
25 of the meaning of the term contribution includes loan, is a
26 showing that the bank made it in the ordinary course of business.
27 I don't think it's done by merely reciting the four items. But
28 that is what is in dispute here. And that sense I don't think...
29 to go back to specifics; I don't think that we have thought that
30

6 there should be a banking expert on this because the question of
7 whether it complies with the applicable banking laws and regula-
8 tions is not the difficult... is not the more difficult of the
9 questions it presents here.

10 SPECIAL DEPUTY MORGAN: Okay. I have two questions on that. One
11 in...

12 CHAIRMAN MCGARRY: Scott Morgan.

13 SPECIAL DEPUTY MORGAN: ...specific response... thank you, Mr.
14 Chairman. In response to my question, and I can readily see why
15 they don't want to make the ruling, Office of the Comptroller, or
16 anything official on that. But... and perhaps in disagreement
17 with you... and perhaps some of the Commissioners have questions
18 regarding banking practice that would be helpful to have someone
19 here with some banking background to answer questions. Now,
20 fortunately, we have folks that seemingly can do that. But is
21 that ever done where you can bring in someone not to officially
22 rule, but just to provide... who's a recognized expert in an area
23 to come in and respond to particular questions that some Commis-
24 sioners may have?

25 GENERAL COUNSEL STEELE: The Commission has never, that I know of
26 in its...

27 CHAIRMAN MCGARRY: Mr. Steele.

28 GENERAL COUNSEL STEELE: ...enforcement process asked for an
29 outside ruling on whether some other agency would, you know, and
30

6 you have, of course, the, you know, the variety of problems that
7 arise; the confidentiality problem and a variety of other things.
8 I think all of those can be gotten around. But to my knowledge
9 the Commission has never in the bank loan cases, we have had lots
10 of informal contacts with the Comptroller, particularly since in
11 regard to the Lance Case, and the Brothers, the Tennessee
12 Brothers, in those two instances; that there were ongoing inves-
13 tigations by the Comptroller. We have... also have the agreement
14 with the Comptroller's office that when they come across informa-
15 tion in the course of their investigations they refer it over to
16 us, so we have a, you know, we have an open line with... which
17 has indeed resulted in a large, not a large number, but of the
18 bank cases we've had, a substantial number of them, albeit rela-
19 tively small ones, have come to us from referrals from the
20 Comptroller.

21 SPECIAL DEPUTY MORGAN: Okay. So, it's not within the practice
22 and that's what... but then the second point you brought up sort
23 of... in addition to what I've asked on it, about how the...
24 you... is your interpretation that banks are required to have a
25 positive showing that they're in compliance with this statute, so
26 that then, thereby, their loan can be taken out of the definition
27 of contribution?

28 GENERAL COUNSEL STEELE: I think that that is my read of the
29 historical way that occurred. In other words, what you had was a
30

6 prohibition against... against... against loans. You have a
7 prosecution by the Justice Department 15 years ago. You have an
8 immediate reaction by Congress amending the statute to say, well,
9 yes, loans are contributions except for they're made in the
10 ordinary course of business.

11 SPECIAL DEPUTY MORGAN: When you require positive... when you say
12 you require a positive showing, though, are you saying that...
13 and I... each bank that makes a loan to a political committee has
14 to make some sort of positive showing or is it only when we go
15 back and for some reason it comes to our attention that they're
16 required to make a positive showing?

17 GENERAL COUNSEL STEELE: They have... I... I'm saying that in my
18 view that's what the statute says. The statute says, it has to
19 be in accordance with applicable...

20 SPECIAL DEPUTY MORGAN: Each bank has to make a positive showing?

21 GENERAL COUNSEL STEELE: If the bank reads the statute, which is
22 it presumed to do.

23 SPECIAL DEPUTY MORGAN: Right.

24 GENERAL COUNSEL STEELE: It reads it and it says, it has to show
25 us within the applicable banking laws.

26 SPECIAL DEPUTY MORGAN: And how does it make that positive
27 showing short of signing some sort of affidavit at the time it
28 makes the loan and (INAUDIBLE).

6 GENERAL COUNSEL STEELE: I say, positive showing and... I mean,
7 what it has to make is a determination that's in the ordinary
8 course of its business. That it's not doing it for...

9 SPECIAL DEPUTY MORGAN: And then, if it comes before the
10 Commission, the Commission will then re... review that determina-
11 tion made by the bank to see if, if it indeed it was a
12 (INAUDIBLE).

13 GENERAL COUNSEL STEELE: Well, I mean, the Commission... the
14 initial step is that the Commission makes a reason to believe
15 determination that it was not, of the fact that it has nothing...
16 in effect that's you got it to... again, it kind of goes bank to
17 the reason why you wind up with subpoenas in situations like this
18 because the bank is fairly reluctant for very good legal reasons
19 to disclose any of that information without a subpoena. And in
20 effect the other side to the transaction in this case, the Hart
21 Committee, won't have that backup until... they may have sub-
22 mitted some of it, and frequently what we find in cases we've
23 discussed recently is that there was no backup material. But
24 until you get the...until you get to the bank, you can't know
25 what their... what they used in just making the decision. What
26 the pieces of paper in front of them were.

27 CHAIRMAN MCGARRY: Commissioner McDonald, have you got a
28 question?
29
30

7 COMMISSIONER McDONALD: Thank you, Mr. Chairman. I think aside
8 from the due date which we've discussed long enough; there have
9 been some other points that have been raised, particularly on the
10 security matter and so on and so forth by Commissioner Josefiak
11 and others, which I do think is a closed question. I assume that
12 we'll get down to a point of having to vote these on an
13 individual basis to get at some of our problems. I would move,
14 unless there is strong objection, I would like to have additional
15 time to look at some of the other aspects of the bank loans. I
16 know where I stand clearly on the due date business. I think I
17 would concur with Commissioner Josefiak in at least some of the
18 security questions. I wish I had brought a chart so I could
19 better figure out where I stood. I have a chart for all this
20 stuff. I would move, Mr. Chairman, that... and would request of
21 my colleagues that the matter be held over for one week; and I'd
22 like some additional time, particularly in relationship to the
23 security matters.

24 CHAIRMAN McGARRY: Commissioner McDonald moves that this matter
25 be held over one week, a week from today, Madam Secretary. No,
26 I'm glad you're indicating, Madam Secretary, it's a week from
27 tomorrow (INAUDIBLE).

28 SECRETARY MARJORIE EMMONS: No, it is this coming Thursday.

29 CHAIRMAN McGARRY: A week from Thursday. Oh, goodness, we went
30 through this (INAUDIBLE) how I could forget that. Because we're

7 going to have the 110 hearings. So, it will be held over until
8 Thursday, the 17th. So, it will be held over for our next Execu-
9 tive Session, which is going to take place on Thursday, October
10 17th on account of next Monday being a holiday, and we would nor-
11 mally meet on Wednesday; however, we're having the 110 hearings,
12 public hearings on that date. So, we're having our next Execu-
13 tive Session after today on Thursday the 17th. Did you have a
14 point...

15 UNIDENTIFIED VOICE: I think Charlie is going to make it.

16 CHAIRMAN MCGARRY: Mr. Steele?

17 GENERAL COUNSEL STEELE: I wanted the Commission to know that
18 Robert (INAUDIBLE) going to this, already had pre-approved leave
19 for that period of time. And the difficulty in that is, obvious-
20 ly, there's a tremendous amount of factual information here and
21 so forth. So, he will not be available to make that... that dis-
22 cussion of the facts may be more difficult on Thursday due to
23 that.

24 CHAIRMAN MCGARRY: We're going off the record very briefly, just
25 to change the tape.

26 CHAIRMAN MCGARRY: Well, let me throw in the... another matter
27 which is part and parcel to what we're talking about. There is
28 nothing wrong with... I believe the prospects for a meeting for a
29 week from Thursday, are very slim. It's really contingent, there
30 is no business for a week from Thursday. What I'm saying...

6 STAFF DIRECTOR JOHN C. SURINA: We're going to have to open in
7 the morning followed by closed in the afternoon.

8 CHAIRMAN McGARRY: I realize that.

9 STAFF DIRECTOR SURINA: There may not be...

10 CHAIRMAN McGARRY: There may not be sufficient... we have nothing
11 on the agenda. The only reason we would if (INAUDIBLE) were not
12 able to... and the slippage in the carrying over of matters that
13 are up this Thursday. What I'm saying, it's not out of order to
14 meet on Tuesday for our Executive Session. There is a real
15 possibility we may not be meeting in our open Session a week from
16 Thursday. And that's my point. If we met on Tuesday, that would
17 clean up the week. (INAUDIBLE).

18 MR. RAICH: Tuesday, also.

19 CHAIRMAN McGARRY: Oh, Tuesday, also. (SIMULTANEOUS CONVERSATION)

20 GENERAL COUNSEL STEELE: (INAUDIBLE)

21 CHAIRMAN McGARRY: Oh, I didn't realize that, I thought you were
22 indicating (INAUDIBLE).

23 GENERAL COUNSEL STEELE: Make it the subsequent Tuesday.

24 CHAIRMAN McGARRY: Oh, it's the subsequent Tuesday.

25 (Simultaneous conversation)

26 CHAIRMAN McGARRY: Yes, Mr. McDonald?

27 COMMISSIONER McDONALD: I think if it's... if it's... you're not
28 going to be here this next week; is that the bottom line?

29 MR. RAICH: Yes.
30

6 COMMISSIONER McDONALD: So, the real issue is whether we'd get to
7 it a week from this Thursday or three business days after that.
8 Is that not right?

9 GENERAL COUNSEL STEELE: That is correct.

10 COMMISSIONER McDONALD: Well, I can survive another three days
11 after that. It doesn't make any difference. I would appreciate
12 the additional time to look at some of this. I'm not enthusias-
13 tic about doing it that next Thursday because my colleagues might
14 take it (INAUDIBLE). I'll be happy to (INAUDIBLE).

15 CHAIRMAN McGARRY: So, your motion would be to put it over two
16 weeks from today?

17 COMMISSIONER McDONALD: Yes.

18 CHAIRMAN McGARRY: Now, isn't it nice to feel you're so important
19 and so wanted that... and I think that's great. In any event,
20 that's the motion. Commissioner Aikens?

21 COMMISSIONER AIKENS: Well, I will support Commissioner
22 McDonald's motion, not because I want to put this over for two
23 weeks, because if you had called on me first, I would have made a
24 motion to do it. But in deference to Commissioner McDonald, I
25 will...

26 CHAIRMAN McGARRY: He still would have come in with his request.
27 Probably all the (INAUDIBLE).

28 COMMISSIONER McDONALD: (INAUDIBLE)
29
30

7 CHAIRMAN MCGARRY: And more urgently, then. In any event, that
8 date incidently two weeks from today is October 22nd. And so
9 that's the motion. And if there's no... Doug Patton?

10 SPECIAL DEPUTY PATTON: Go ahead with the motion.

11 CHAIRMAN MCGARRY: Okay. If there's no further discussion, the
12 vote will occur on that motion. All in favor say Aye. (Ayes
13 heard.) All opposed? It appears to the Chair, the vote is 5 to
14 nothing; Commissioner Harris absent. And Mr. Harris will be back
15 to start fresh...

16 UNIDENTIFIED VOICE: Mercy, mercy. (SIMULTANEOUS CONVERSATION)

17 SPECIAL DEPUTY PATTON: Mr. Chairman, just a substitutive parting
18 shot as they say, I see in the material that the General
19 Counsel's office made the observation that (INAUDIBLE) Senator
20 Hart and his committee was in a debt position; therefore, making
21 loans to people in debt position may not be in ordinary course of
22 business. I can assure you that banks made loans to people who
23 were in a debt situation over a work-out kind of basis. I think
24 you ought to take into consideration he is a sitting Senator; and
25 that's the facts of life. If he wasn't a sitting Senator, maybe
26 they would have looked at it more closely and (INAUDIBLE). I
27 think just because you're in a debt position doesn't mean you are
28 a bad credit risk.

29 CHAIRMAN MCGARRY: Well, I appreciate those observations. But I
30 appreciated your earlier comments, too. Mr. McDonald?

6 COMMISSIONER McDONALD: For the record, just so my colleagues
7 will know and in particular Doug Patton and Scott Morgan; my
8 first question will be in the meeting two weeks from today. I
9 want Scott to outline for us in some detail, the fortunate
10 aspects of having Doug Patton (INAUDIBLE). (LAUGHTER)
11 (INAUDIBLE) patterns and I'm taking careful notes. This being my
12 first question, I think it's only fair that I let everyone know
13 in advance.

14 CHAIRMAN McGARRY: Commissioner Aikens?

15 COMMISSIONER AIKENS: Well, I just was going to raise the same
16 point Doug raised. I mean, if the Committee weren't in a debt
17 position, they wouldn't have needed the loans. The other point
18 is the one Bob raised about the interest rates, that there are
19 other campaign loans made this... in this campaign where the
20 interest rate was one-half above prime, and as large as this
21 loan, is my understanding. So, I don't find that justification
22 for saying that it's not in the ordinary course of business. And
23 I think, unfortunately, we get into this can of worms because we
24 long ago passed the Kennedy loan matter and it was probably the
25 worse thing we ever did. There was no collateral; no
26 amortization schedule; no due date; nothing. And we said, well,

6 the banks can do that in ordinary course of business. And I
7 voted for that one.

8
9 END OF DISCUSSION

10 I, Marjorie W. Emmons, Secretary of the Federal Election
11 Commission, do hereby certify that pursuant to the Government
12 in the Sunshine Act, 5 U.S.C. § 552b, the foregoing sixty-three
13 page transcript of the Federal Election Commission with respect
14 to Matter Under Review 2062, which occurred in Executive Session
15 on October 8, 1985, discloses the identity of each speaker and
is adequate to record fully the relevant portion of the
Commission's proceedings. All of the deleted material indicated
by brackets refers to ongoing enforcement matters and is exempt
pursuant to 5 U.S.C. § 552b(c) (3).

16 Attest:

17
18 5/2/86
19 Date

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



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

April 16, 1986

MEMORANDUM

TO: KENT COOPER
ASSISTANT STAFF DIRECTOR,
PUBLIC DISCLOSURE

FROM: MARJORIE W. EMMONS/MARY W. DOVE *MWD*
OFFICE OF COMMISSION SECRETARY

SUBJECT: SUNSHINE ACT REQUEST FOR TRANSCRIPTS

Pursuant to a Sunshine Act request for transcripts of Executive Sessions at which MUR 2062 was discussed, transmitted herewith is a certified copy of an 89-page transcript of the discussion of the Federal Election Commission with respect to MUR 2062 which occurred in Executive Session on October 22, 1985.

The transcript for October 8, 1985, on the above subject will be sent in the near future.

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PARTIAL TRANSCRIPT OF AN EXECUTIVE SESSION
OF THE
FEDERAL ELECTION COMMISSION
TUESDAY, OCTOBER 22, 1985

Present:

John Warren McGarry, Chairman, Presiding

Joan D. Aikens, Vice Chairman

Lee Ann Elliott, Commissioner

Thomas E. Harris, Commissioner

Thomas J. Josefiak, Commissioner

Danny L. McDonald, Commissioner

Special Deputy Scott E. Morgan,
representing the Secretary of the
Senate, Jo-Anne L. Coe, Commissioner
Ex Officio

Special Deputy Douglas Patton,
representing the Clerk of the House,
Benjamin J. Guthrie, Commissioner
Ex Officio

John C. Surina, Staff Director

Charles N. Steele, General Counsel

Marjorie W. Emmons, Secretary of
the Commission

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6 CHAIRMAN JOHN WARREN MCGARRY: We go to Item D, MUR 2062; and Bob
7 Raich will be in on that, who has just stepped off a plane from a
8 couple weeks in some exotic resort. At least that's what he told
9 us a couple of weeks ago. And here he is. I just had you
10 stepping off a plane a few moments ago from some exotic resort.
11 You look nice and healthy.

12 ROBERT RAICH, OFFICE OF GENERAL COUNSEL: Well, thank you I feel
13 good.

14 CHAIRMAN MCGARRY: And refreshed, and you'll need it because
15 everybody is waiting...

16 UNIDENTIFIED VOICE: For sure.

17 CHAIRMAN MCGARRY: Lois, good morning.

18 ASSISTANT GENERAL COUNSEL LOIS LERNER: How are you?

19 CHAIRMAN MCGARRY: So, here we are, Mr. Raich, back to MUR 2062.
20 And this was carried over, of course, from our meeting of October
21 8th. And perhaps you could bring us up to date, if you feel
22 there's any preliminary statement you want to make (INAUDIBLE).

23 MR. RAICH: Well, let's see, as I recall the Commission was just
24 about to vote approval of all the recommendations of the General
25 Counsel when we broke up. (LAUGHTER).

26 CHAIRMAN MCGARRY: That's a nice way to open. What a shock
27 you're in for. But you can't beat the spirit. My memory is
28 being refreshed, we did not have a full complement of
29 Commissioners on that day. And... but we did have quite a bit of
30

6 discussion; and it was all quite meritorious. And... in any
7 event, I think we will just...

8 COMMISSIONER DANNY L. McDONALD: Now, Charlie, we're starting to
9 worry about your recollection..

10 CHAIRMAN MCGARRY: Commissioner Josefiak?

11 COMMISSIONER THOMAS J. JOSEFIAK: Mr. Chairman, may I make a
12 suggestion, that we look at the recommendations and take each
13 bank individually, and if there's any discussion to be had on
14 each bank, then we would have it at that time before any motion
15 was made and then go right to any motion that might be made with
16 regard to any recommendation. Of course, after the first... the
17 thing we would consider is the First American Bank and...

18 CHAIRMAN MCGARRY: And what you're looking at, Commissioner, now
19 is the General Counsel's recommendations beginning on page 17 of
20 the report.

21 COMMISSIONER JOSEFIAK: That's right.

22 CHAIRMAN MCGARRY: And take the banks as they come up on the
23 recommendation.

24 COMMISSIONER JOSEFIAK: On the recommendations. And if there's
25 discussion on each one of those banks...

26 CHAIRMAN MCGARRY: And...

27 COMMISSIONER JOSEFIAK: ...deal with each one separately so that
28 (INAUDIBLE).
29
30

6 CHAIRMAN MCGARRY: ...your suggestion would be to have the General
7 Counsel's office outline the case against each bank and the
8 reason for recommending reason to believe; and then we'll have
9 the discussion.

10 COMMISSIONER JOSEFIAK: Right.

11 CHAIRMAN MCGARRY: If that's... if there is no objection to that
12 procedure, it certainly sounds like a good one to the Chair.
13 There appears to be no objection. And, Bob Raich.

14 MR. RAICH: Thank you, Mr. Chairman. The First American Bank
15 made two loans, totalling about \$1.1 million. These loans were
16 made in the third quarter of 1983. Now, during 1983 the Commit-
17 tee had assets, had gotten contributions approximately equal to
18 the amount of the loans, the two loans combined. In other words,
19 First American Bank was giving the committee, was loaning to the
20 committee about as much money as it had gotten up to that date.
21 In addition, the committee as of the 30th of September, 19...
22 30th of June, 1983, had only cash on hand of a little more than
23 \$7,000; and obligations of over \$200,000. Here it's getting a
24 \$1.1 million loan in addition to that. As we found on many of
25 the loans, this was subject to no due date, but was a demand
26 note. While we're on the subject of due dates, I know that much
27 of our discussion two weeks ago concerned whether a demand note
28 satisfied the requirement of a due date in the Act. So I did a
29 little research on the legislative history concerning due dates;
30

6 and I found that the 1971 Act, Senator Cannon stated on the
7 Senate floor... and I'll just quote if I might; "A bank loan made
8 in accordance with banking laws and regulations is one with ade-
9 quate collateral, and a note promising payment on a day certain
10 and with interest." Again, it seems that at least to Senator
11 Cannon he thought that due date meant day certain, which would
12 apparently not mean demand.

13 CHAIRMAN MCGARRY: I'm going to... the Chair is going to
14 recognize, and I think we should feel free to step in and
15 question anywhere along the line. I'll recognize Commissioner
16 Josefiak.

17 COMMISSIONER JOSEFIAK: I don't think you have to go back that
18 far; I think you can go as early... as close as 1979 amendments
19 to see that there was some discussion in the legislative history
20 included in the House report, talking about due dates as the
21 guideline for loan or payments. And we talked about this last
22 week. But I'm... I have to look at the entire picture of the
23 transaction, and I... and to me the payment on demand, from all
24 my research since the last meeting, is a much stricter standard.
25 And even in a typical due date agreement, there is common boiler-
26 plate language which allows a bank to go in at any time and
27 collect, if they think that someone is going down the tubes. If
28 they... it's just their belief that there's a problem and they
29 can go in and collect. So, I understand what you're saying with
30

6 regard to the legislative history, but that doesn't really
7 convince me. What it convinces me of is that we need to rewrite
8 our regulations; that's what it convinces me of... expanding on
9 that a little further.

10 CHAIRMAN MCGARRY: Yes. Scott Morgan?

11 SPECIAL DEPUTY SCOTT E. MORGAN: He just said what I wanted to
12 say.

13 CHAIRMAN MCGARRY: Thank you. Mr. Harris?

14 COMMISSIONER THOMAS E. HARRIS: Well, the statute itself says,
15 due date, though leaving aside the question of what that means.
16 But it's just not in the regulations, it's in the statute. The
17 due date or amortization schedule. Here they're just repeating
18 that language really.

19 CHAIRMAN MCGARRY: Scott Morgan?

20 SPECIAL DEPUTY MORGAN: Thank you, Mr. Chairman. I had a
21 question; on this language of due date was actually added in '79;
22 it wasn't put in... in '71, right?

23 MR. RAICH: That's correct.

24 SPECIAL DEPUTY MORGAN: They realized that it wasn't definite
25 enough despite Senator Cannon's thoughts on the issue. And so
26 this was actually added in '79. And the '79 legislative history,
27 such that it ever mentions the loan issue is what Commissioner
28 Josefiah just read from. And I agree with him what he said on
29 the due dates, and I won't go into that again. I thought it was
30

5 interesting to note that in the one section in the report they
6 talk about the standards that they were putting in to make it a
7 little more...to provide some guidelines, what they called guide-
8 lines. They did not mention the assurance of repayment guide-
9 lines. It just laid out the three, even though there was put
10 into the statute, what they thought of note was the... the issue
11 concerning due date in writing. The interest rate, of course,
12 has to be reported. The... and I'll just mention it this time,
13 and I... I agree that we should go through it bank by bank, but I
14 think as a general issue; again, I don't think we have set up a
15 standard close enough or definite enough for banks to know what
16 they're doing. I've said that last time, I won't go through it
17 again. But also, I think that the line that we apparently go
18 after most of these banks on, that, is under what is... assures
19 repayment, in a matter that assures repayment, is at best vague.
20 And I don't see how you can... there's nothing that... no loan
21 is given with 100 percent assurance repayment. It's not a loan
22 if you do that. So you can't take it on its literal meaning that
23 it ensures or assures. And given that it is that vague, and we
24 have never outlined what we mean by it; I don't see how we can go
25 after it. I just thought this was an appropriate time to briefly
26 reiterate what I said last time, and I'll let him continue.

27
28 CHAIRMAN MCGARRY: We did spend quite a bit of time on the demand
29 note type instrument; and I have given it a lot of thought since
30

6 that discussion. With all due respect to what is in both the law
7 and the regulations; the demand note type of instrument in loans
8 is a standard, traditional, well-established form of lending.
9 The interesting aspect of it is that, it protects the lender more
10 than the borrower because the lender... the bank in this case,
11 finds that things aren't going well, has the option to call it up
12 immediately. In some major banks it constitutes about... almost
13 a third of their loan portfolio. It's unfortunate, that in the
14 legislative history that there wasn't specific reference to this
15 type of loan instrument. I find it very difficult to say that
16 this is a demand type loan instrument or do not conform to our
17 ordinary course of business, after reflecting on it to a great
18 extent. And I, you know, would be interested to hear the further
19 discussion on it; and the only reason I am bringing it up now we
20 did dwell on it quite a bit. And did you have a point,
21 Commissioner Aikens?

22 COMMISSIONER JOAN D. AIKENS: Well, I just wanted to ask Doug,
23 our banking expert; aren't most demand notes for a period of
24 time, like a 30-day demand, a 60-day demand; and then extend it?

25 SPECIAL DEPUTY PATTON: Not necessarily.

26 COMMISSIONER AIKENS: Not necessarily.

27 SPECIAL DEPUTY PATTON: No. And the thing is that...

28 CHAIRMAN MCGARRY: Doug Patton.
29
30

6 SPECIAL DEPUTY PATTON: ...I checked this morning with... to be
7 very careful about it... with a former banker, actually who did
8 one of the first loans on matching funds. I think Mr. Terry
9 Sanford in '76 who was with NBW; I remember he at that time he
10 consulted with me about the loan provisions. And I asked him
11 kind of on a separate issue of how he would view a term loan as
12 opposed to a demand loan; what would be a stricter test. And he
13 said, well, frankly, the demand note always is, because you can
14 call it at any time. And that's his perspective.

15 CHAIRMAN MCGARRY: I suppose...

16 SPECIAL DEPUTY PATTON: I also have a loan...

17 CHAIRMAN MCGARRY: ...the due date is anytime they want it.

18 SPECIAL DEPUTY PATTON: Most people don't understand loans. I
19 mean, they're more thankful to get the money from the bank and
20 never look at the fine print. And I've got here a term loan, one
21 of mine, I may add, which is for a fixed period of some time.
22 It's a 120-day loan. But, under default... I'll read you the
23 language; "Any of the following shall constitute an event of
24 default:" and then it goes to C.: "The rights of bank hereunder
25 are any... are in any way prejudiced or rendered insecure, and
26 bank believes it's a prospect of payment or performance of any of
27 these obligations hereunder is thereby impaired."

28 COMMISSIONER McDONALD: I don't think you should have signed
29 that. (LAUGHTER).
30

6 COMMISSIONER McDONALD: And, I do want to address that point.

7 CHAIRMAN MCGARRY: Yes, most assuredly, Commissioner McDonald.

8 COMMISSIONER McDONALD: We all know, however, that in Doug
9 Patton's situation that he has such financial resources that he
10 can always prove that he doesn't need the money. And that's
11 surely why he's got it.

12 CHAIRMAN MCGARRY: Yes, Mr. Steele?

13 GENERAL COUNSEL CHARLES N. STEELE: From my perspective, I agree.
14 I think the, you know, the demand note has no due date. To me,
15 however, that represents the problem in the sense that what that
16 allows the bank to do is to let that go on with no due date. And
17 the specificity in this situation of the use of due date suggests
18 to me that Congress was concerned about the fact that you could
19 have a banking situation where it was loaning the money on
20 demand, and would not make the demand... would not make a demand,
21 and would not make a demand. So, consequently, albeit, in some
22 sense it is a... it's a more threatening situation, as Commis-
23 sioner Josefiak says, and as I think the language that Doug is
24 talking about on the standard term loans, the bank reserves the
25 right to intervene, if it believes, and then you get into a lot
26 of disputes in court about whether that belief is founded on a
27 real basis because the bank calls it, you don't come up with it,
28 there's a lot of dispute about it. But that it is not a clean
29 cut situation in that sense that a demand... that a non-demand
30

7 note can't be demanded earlier; the bank can take that position.
8 But that if you are saying that you have the situation where the
9 bank can continue to extend the credit for as long as it wants
10 to, you have a situation where it seems to me that the purposes
11 of the Act we're looking towards, a due date, a very specified
12 contract to put it affirmatively into a situation where it could
13 not be manipulated for political purposes. So that, as we have
14 said, over and over again, and as I think the Commission has
15 looked at it, it seems to us that the... it is not only the
16 banking laws that are at issue here, it is the Federal Election
17 Campaign Act that's at issue; and that that Act has put further
18 restrictions, than merely the fact that the bank was willing to
19 loan money.

20 CHAIRMAN MCGARRY: Mr. Josefiak?

21 COMMISSIONER JOSEFIAK: Thank you, Mr. Chairman. I think you
22 have to look at that section in perspective. What Congress was
23 doing in '79 was expanding the institutions which could loan
24 money to federal candidates for office. And in doing so it was
25 concerned that the loan be made in the ordinary course of
26 business. I don't think Congress was intending to rewrite
27 banking laws as to what ordinary course of business was, but to
28 put some sort of a guideline in there as to what it would
29 consider. And I think Commissioner Harris is right, the
30 Commissioner... the Commission is in a dilemma if it looks at the

6 due date language in the statute as being due dates specified
7 October 2nd, 1985. But I think what the Commission could do is
8 expand the definition or have a definition of due date that would
9 include things like, payment on demand with other kinds of quali-
10 fications. But I don't think Congress intended to... to be that
11 specific. And maybe they didn't understand all of these ramifi-
12 cations. I think it was trying to set some sort of a guideline.
13 And the way the Commission could deal with that is defining what
14 the Commission means by due date. But when I look at the picture
15 here, I don't see a loan being made outside the normal course of
16 the First American Bank's business. And to move it along, I
17 would move, Mr. Chairman, that we take no action against the
18 First American Bank, N.A. in violating 2 U.S.C. 441b(a).

19 CHAIRMAN MCGARRY: Commissioner Josefiak moves that we find...
20 take no action against the First American Bank, N.A. for
21 violating 2 U.S.C. Section 441b(a). Commissioner McDonald?

22 COMMISSIONER McDONALD: Thank you, Mr. Chairman. I'm going to
23 vote for the motion. We had a long discussion several weeks
24 back, and I was the one who had asked for additional time to look
25 at it. I'm going to vote for the motion because I don't think it
26 is clear enough, and I've thought long and hard about this
27 because it's a tough issue for me personally. It's not clear
28 enough to me that there is enough direction for these campaigns
29 in a relationship to this kind of activity. I don't know what
30

6 can be done. I think Commissioner Josefiak is right; we need to
7 have more specificity to the next round, so the candidates will
8 be able to realize the direction the Commission wants to go. But
9 I have been back and forth on the issue, and have discussed it at
10 this table at great length. I miss the opportunity to discuss it
11 at very length again with Scott Morgan and Tom Josefiak, but Tom
12 is obviously getting a cold or has one and he's probably not up
13 to it. And I have concluded that I agree with them on the
14 point... on the demand note at this point.

15 CHAIRMAN MCGARRY: Thank you, Commissioner. Mr. Patton?

16 SPECIAL DEPUTY PATTON: Just in response to Charlie a little bit.

17 Sometimes the problem is, you know too much... I mean, you know
18 too much about a subject or about people or personalities, but
19 it's the way of a background. But the community here in D.C.
20 proper is a very conservative... conservative... conservative
21 banking establishment. And I think Charlie may be right on some
22 of the things, there may be other banks around the country who
23 may not be quite as conservative as this community is. But,
24 knowing that and knowing what these banks... I know a little more
25 about them than I probably want to know is that there are cer-
26 tainly banking practices. They aren't going to go out on any
27 kind of limb at all. So, they're going to be pretty much
28 collateralized and obviously sitting here in D.C. they're
29 under... it's very much closer to the bank examiner who walk down
30

7 the street to do the examinations all the time. They have got to
8 tow the line. I would say that I think it might be wise, as
9 Commissioner McDonald and Commissioner Josefiak... is to, you
10 know, clarify the issue, regulation-wise for 1988, so if there is
11 that question. Frankly, most of us have been around enough to
12 criticism... my fellow colleagues and past colleagues on the
13 Hill, but a lot of them at the time probably did not understand
14 the difference or even talk about the difference between a demand
15 and a term type of note. And inconsistent it is possible it
16 might arise as it has here.

17 CHAIRMAN MCGARRY: Thank you, Doug.

18 SPECIAL DEPUTY PATTON: I think Charlie maybe has a good point.
19 Legally, based upon, like most congressional history, legislative
20 history is a little vague.

21 CHAIRMAN MCGARRY: Commissioner Harris?

22 COMMISSIONER HARRIS: Well, demand notes are very common; surely
23 we must have had other cases where they were payable on demand,
24 where there was a bank loan to a candidate payable on demand.
25 Have we ever taken the position that the lack of a due date means
26 automatically that there's a violation?

27 CHAIRMAN MCGARRY: Mr. Steele?

28 GENERAL COUNSEL STEELE: I don't remember the question coming up
29 specifically; I'd have to go back and look at it. Perhaps, Bob
30 knows of previous cases. I don't think that we had it posed in

5 those terms. We did, of course, in at least two cases that we
6 worked on early. Both had the existence of what we have come to
7 refer to as, roll-over loans, where the bank makes the loan and
8 then pays it off with a loan from another bank with overlapping
9 and so forth and so on. But I don't remember there as... and I'm
10 speaking there about the Sasser and the Lance cases, I don't
11 remember any instance where we specifically focused on the fact
12 that it was a demand note. Have you found any, Bob?

13
14 MR. RAICH: In the research that I've done, I have not found the
15 issue of a demand note versus due date note coming up as an
16 issue...

17 CHAIRMAN MCGARRY: Mr. Raich.

18 MR. RAICH: ...in any of the past MURs. There is one thing I'd
19 like to let the Commission know before it votes about the First
20 American loans specifically. I did a little more, looking into
21 some of the employees of the various banks seeing if they made
22 any contributions to the Hart campaign. And four employees who
23 listed First American Bank as their employer made substantial
24 contributions to the Hart campaign. Of course, one of the things
25 we would do if reason to believe were found, would be to launch
26 an investigation. And one important thing to find out, that
27 raises red flags in my mind is, who are these four employees?
28 Are they the people who approved the loans? Are they the chair-
29 man of the Board or are they... you know, who are they? I just
30

6 don't really know, and that's one thing that might be worthy of
7 looking into. There are, in addition, some documents that the
8 audit people did not find, and which the Committee may not have.
9 And these should exist. It would help if we could find out from
10 the banks or from the committee where these documents are and
11 what relevance they might have, if any. Specifically, there is
12 no promissory note in the documents we already have for the
13 second loan, the \$750,000 loan. In addition, there's no documen-
14 tation whatsoever for the insurance policies which helped
15 collateralize both loans.

16 CHAIRMAN MCGARRY: Thank you, Mr. Raich. Commissioner Harris?

17 COMMISSIONER HARRIS: I've got a good many questions about it.
18 When you say, substantial, what do you mean? You can't give them
19 more than \$1,000.

20 MR. RAICH: Three of them were for \$250; and one was for \$170.

21 COMMISSIONER HARRIS: Your idea of substantial is not the same as
22 mine. (LAUGHTER).

23 COMMISSIONER McDONALD: He is right on our side of the aisle, if
24 you think about it. It is a point to be taken there.

25 COMMISSIONER HARRIS: During '83 the committee got contributions
26 of about a million and a hundred fifty thousand. That would not
27 all have been matchable; I think usually about... what, two-
28 thirds is usually matchable? Is that your...
29
30

6 ROBERT COSTA, AUDIT DIVISION: It depends on the kind of
7 campaign. It could be 46 and you split...

8 COMMISSIONER HARRIS: They couldn't get this money until the...

9 CHAIRMAN MCGARRY: Bob Costa.

10 COMMISSIONER HARRIS: ...the 1st of January. At that point,
11 though, the First American Bank apparently would have been
12 entitled to be reimbursed out of these matching funds. And there
13 would have been almost enough to reimburse it. Did they do
14 anything about getting reimbursed?

15 MR. RAICH: Yes. Yes, they did. They received the matching
16 funds.

17 COMMISSIONER HARRIS: When?

18 MR. RAICH: I believe...

19 CHAIRMAN MCGARRY: Mr. Raich.

20 MR. RAICH: ... I believe they received them soon after January
21 15th, the date which the Hart Committee was eligible to receive
22 the funds.

23 COMMISSIONER HARRIS: Well, now who was... when were they paid
24 off?

25 MR. RAICH: Well, first...

26 COMMISSIONER HARRIS: See, that isn't what you say here. What
27 you say on page three is that they were repaid on March 9, with
28 proceeds from a loan from Riggs. You don't say that they were
29 paid out of matching funds.
30

6 MR. RAICH: The matching funds did not entirely repay the two
7 loans. They did help to collateralize the loan, and the
8 committee did receive some of the money for the matching funds.
9 However,...

10 COMMISSIONER HARRIS: How much?

11 MR. RAICH: I don't have that money... offhand exactly how much
12 of the matching funds.

13 CHAIRMAN MCGARRY: Yes, Ray Lisi will be of some help here, from
14 the Audit Division. Madam Secretary, Ray Lisi.

15 RAYMOND LISI, AUDIT DIVISION: Ok. On the First American Bank
16 loan, between January and February of 1984 there was \$705,000 in
17 matching fund payments, at least that amount anyway that went to
18 repay those loans.

19 COMMISSIONER HARRIS: How much?

20 MR. LISI: \$705,000.

21 COMMISSIONER McDONALD: When was this, Ray, I'm sorry?

22 CHAIRMAN MCGARRY: Mr. McDonald.

23 MR. LISI: That was in January and February of 1984.

24 COMMISSIONER HARRIS: And that was about... what about half of
25 what they were... was outstanding?

26 MR. LISI: There was \$1.4 million draw on that (INAUDIBLE). So,
27 it was during that period of time. So, it was about (INAUDIBLE).

28 COMMISSIONER HARRIS: Well... see, I think we ought to have a
29 discussion from OGC as to whether this looks like a reasonable
30

5 loan or not. And if... if this bank had the first lien on
6 matching funds, it looks to me like that it was a pretty safe
7 loan. But you say what happened was, they were paid about half
8 out of matching funds, and eventually half out of a roll-over
9 loan from Riggs. Is that what happened?

10 CHAIRMAN MCGARRY: We're going to have to break at this point to
11 change the tape. We're off the record.

12 (OFF THE RECORD).

13 CHAIRMAN MCGARRY: We are now back on the record. Mr. Harris?

14 COMMISSIONER HARRIS: You say that the documents relating to the
15 350,000 loan line of credit indicate collateral for that loan
16 which must be matching payment proceeds. Well, that loan would
17 have certainly been absolutely secure. Now, the second line of
18 credit, 750,000, I don't know. You say they did get a consid-
19 erable part of that. It seems to me that as long as they were
20 secured by the matching payments, that they were... that it was a
21 pretty safe loan. (INAUDIBLE)... you say the promissory note for
22 the second is not available.

23 MR. RAICH: That is correct.

24 COMMISSIONER HARRIS: I take it that you simply sent a copy of
25 the complaint to them and they submitted to you what they saw fit
26 to submit?

27 MR. RAICH: What we have is everything that was sent down to the
28 Commission with the General Counsel's report. These were the
29

6 documents which the Audit Division obtained during the audit of
7 the Hart Committee.

8 COMMISSIONER HARRIS: Well, did you get anything from the bank?

9 MR. RAICH: No. We have not looked for... to the bank for any of
10 the documents. We would, if the Commission found reason to
11 believe, attempt to receive these documents from the banks them-
12 selves.

13 GENERAL COUNSEL STEELE: It's an internal audit...

14 ASSISTANT GENERAL COUNSEL LERNER: It's an audit generated
15 matter.

16 CHAIRMAN MCGARRY: Mr. Steele. Mr. McDonald?

17 COMMISSIONER McDONALD: Well, let me ask Doug since he's been
18 commenting on these; and I think he's... what about that, Doug?
19 Would the bank not have the promissory note for the second loan?
20 I mean, I've never seen that happen personally, but... and do you
21 know of a case where a bank... or could I ask the auditors, do
22 banks normally... apparently the second loan is certainly
23 distinct from the first.

24 CHAIRMAN MCGARRY: Scott Morgan has a point. Do you want to come
25 in on this right now?

26 COMMISSIONER McDONALD: But let me see what Doug has to say about
27 that. For the record I'm not sure I understand what his response
28 is.

29

30

6 SPECIAL DEPUTY PATTON: Well, unless it was a... usually even if
7 the loan is...

8 CHAIRMAN MCGARRY: Doug Patton.

9 SPECIAL DEPUTY PATTON: ...renewed, you still have to sign a new
10 note. If it's a separate amount certain, and even if it's... if
11 you've got... you borrow \$50,000 you come in and you want to
12 increase that to 75,000 even though it's on the same collateral,
13 with the same obligation, usually you have to sign a new
14 promissory note at that time. I can't quite understand
15 (INAUDIBLE).

16 COMMISSIONER McDONALD: And I gather here this is a separate and
17 distinct loan. Is that not correct?

18 MR. RAICH: The second one?

19 CHAIRMAN MCGARRY: Mr. Raich.

20 MR. RAICH: Yes...

21 GENERAL COUNSEL STEELE: Again, we have not gone...

22 CHAIRMAN MCGARRY: Mr. Steele.

23 GENERAL COUNSEL STEELE: ...to the banks. We don't have the
24 promissory note available for review. And that does not... your
25 question to Mr. Patton suggested that that meant that there
26 wasn't a promissory note. What the auditors found, as I under-
27 stand it and as set forth in the report, is that there was no
28 promissory note available for review. It may well be that the
29 bank has it. This is, again, not a situation where the banks
30

6 have been called upon to respond because it came up through the
7 audit track where the audit is of the candidate and the candi-
8 date's committee.

9 COMMISSIONER McDONALD: Let me pursue that...

10 (SIMULTANEOUS CONVERSATION).

11 CHAIRMAN McGARRY: Mr. Morgan.

12 GENERAL COUNSEL STEELE: ... where there has been a complaint
13 noted (INAUDIBLE).

14 CHAIRMAN McGARRY: Will the gentleman yield to Mr. Morgan?

15 COMMISSIONER McDONALD: Certainly.

16 SPECIAL DEPUTY MORGAN: I just... you know, it might be of
17 interest, on page 35 and 36 of the attachment, there's not a
18 promissory note, but there's a loan agreement signed for the
19 750,000 line of credit of both the Americans with Hart and First
20 American Bank that sets out in some detail, not quite as much
21 detail as a promissory note in terms of boilerplate language,
22 but it is... gone through and initialed in various parts and
23 changes was clearly agreed upon. It does set out the specifics
24 of that... of that loan.

25 GENERAL COUNSEL STEELE: What's the letter of agreement.

26 SPECIAL DEPUTY MORGAN: This is the letter of agreement dated
27 September 8th, '83. Granted that's not a promissory note, but it
28 does answer some questions.
29
30

6 COMMISSIONER McDONALD: And out of that letter brings up a good
7 point.

8 CHAIRMAN McGARRY: Mr. McDonald.

9 COMMISSIONER McDONALD: The letter where they agreed to the
10 insurance policy; what is the situation on the insurance policy?

11 MR. RAICH: What is the situation on the insurance policy?

12 COMMISSIONER McDONALD: Did you say there was one or there wasn't
13 one or you just didn't... you were not able to find one?

14 MR. RAICH: For both loans the committee promised to obtain an
15 insurance policy on the life of Senator Hart. There is no docu-
16 mentation that I have seen anywhere...

17 CHAIRMAN McGARRY: Mr. Raich.

18 MR. RAICH: ...indicating that the committee actually obtained
19 that insurance policy to help collateralize both loans.

20 COMMISSIONER McDONALD: But again, going back to Charlie's
21 earlier point... and Charlie is certainly right, the manner in
22 which the question was asked, I didn't mean to convey it that
23 way, but I think that is the way it came out that I was trying to
24 find out what record we had. Would the auditors... would you
25 have normally seen a promissory note, if there had been one in
26 all the documents you looked at, Ray?

27 MR. LISI: Well, normally we would have asked for whatever loan
28 documents they had available for our review. At this point,
29
30

6 apparently they did not have a promissory note or copy of that
7 note.

8 COMMISSIONER McDONALD: So, you're convinced you did ask for one?

9 MR. LISI: Oh, yes. We definitely would ask for one in the field
10 work, yes.

11 CHAIRMAN McGARRY: But with all of that, notwithstanding if I
12 may, wouldn't... Commissioner McDonald, I realize you have the
13 floor, would the gentleman yield?

14 COMMISSIONER McDONALD: Certainly.

15 CHAIRMAN McGARRY: It's still reasonable to believe the bank is
16 going to have... that Charlie's point, that we can't say at this
17 point that they don't have it or it was never drawn up; we don't
18 know. But then it's reasonable to assume that the bank will have
19 a copy of it.

20 COMMISSIONER McDONALD: Well, let me pursue that a minute. Is
21 it... you asked... you asked the bank for it and they didn't
22 produce it?

23 MR. LISI: No.

24 COMMISSIONER McDONALD: Did you ask the bank for it?

25 (SIMULTANEOUS CONVERSATION).

26 MR. LISI: No...

27 COMMISSIONER McDONALD: Ok. Now, let's go back to the insurance
28 policy.

29 CHAIRMAN McGARRY: Mr. McDonald?
30

6 COMMISSIONER McDONALD: Is the same applicable of the insurance
7 policies?

8 MR. LISI: That I can't answer that question, I'm not sure
9 whether...

10 CHAIRMAN McGARRY: Ray Lisi.

11 MR. LISI: ... an actual insurance policy was obtained. We don't
12 have a copy of one here. But I don't recall at this point
13 whether we did see the insurance policy when we were out there.

14 CHAIRMAN McGARRY: Yes. Anything further, Mr. McDonald, at the
15 moment?

16 COMMISSIONER McDONALD: Nothing, thank you, Mr. Chairman.

17 CHAIRMAN McGARRY: Yes, Commissioner Elliott?

18 COMMISSIONER LEE ANN ELLIOTT: Oh, no, I don't want to say
19 anything.

20 CHAIRMAN McGARRY: Mr. Harris? (LAUGHTER).

21 COMMISSIONER HARRIS: We do have the security agreement, of
22 course, which seems to me rather more important than the... just
23 bare text of the note. Looking at the General Counsel's report
24 on page 10, you say, when... "Thus when the loans were made they
25 exceeded the committee's total contributions to that date."
26 That's true, but it doesn't seem to be conclusive that it was the
27 same loan. And you say: "Both loans appear to have been payable
28 on demand rather than subject to a due date or amortization
29 schedule. The Office of General Counsel, therefore, believes
30

6 that these loans may not have been made in the ordinary course of
7 business." That seems to me a non sequitur. It doesn't really
8 seem to me that what is set out here provides adequate basis for
9 finding reason to believe, even though I realize that the
10 threshold standard is low. But is that all there is as a basis
11 for thinking that they were not operating in the ordinary course
12 of business or may not have been?

13 GENERAL COUNSEL STEELE: Well, again... I mean...

14 CHAIRMAN McGARRY: Mr. Steele.

15 GENERAL COUNSEL STEELE: ...without... I mean, we're handicapped
16 badly in a situation where we only looked at... you know, the
17 audit that you all did only looks at one side of the transaction.
18 So we have no knowledge of what... what the... you know, what
19 the banks had or what the banks would have to say about it. What
20 it seems to me that we have here is loans that... and as the
21 auditor reviewed them, come up with extended lines of credit
22 beyond anything that seems, on the face of it, able to pay it
23 off. So that where you have a situation where they're not on
24 demand, but can be continued for as long as the parties want to.
25 And a statute that seems to me, anyway, I understand the
26 Commissioners seem to disagree, speaking of a due date or an
27 amortization schedule, I don't think that the decision to... at
28 least look for the documentation in that situation violates the
29 reason to believe standard in that sense. I think it... the
30

6 reason I picked up on what Commissioner McDonald was earlier
7 saying was that, I think it important here to realize that... and
8 again, if you're not going to look at these kind of things, it
9 would seem to me that you're essentially saying that you're going
10 to do a full audit of the committee and not look at loans in the
11 sense, because you can't get at the nature of the agreement very
12 well from the kinds of materials that the auditors pick up.
13 Again, most of this seems to be done on an oral basis. I'm not
14 sure how much of this was asked for in writing. But basically,
15 you have the kind of thing that Ray is talking about, a request
16 for all documents that relate to these loans; and production of
17 what, you know, as to... I think the Commissioner's questions
18 suggest, in some cases you would expect more documentation, and
19 it is not there. But you can't be certain it's not there because
20 you don't know what the nature of the response, by who is
21 responding in the committee is. So, it's really kind of hard
22 when you don't have what you would expect to be the basic docu-
23 ments, if you were reviewing a long transaction to make a full
24 judgment on it. It does seem to me, given the size, the lateness
25 of the payment in relation to the matching payments that didn't
26 come out of the matching payments. They received more matching
27 payments; so clearly the bank wasn't saying: "Give it to us as
28 soon as you get it," but was continuing them along... but a
29 continuing line of credit (INAUDIBLE). And no... and no set
30

6 schedule for this that you have, you know, again, I understand
7 what Doug is saying about the conservative bankers. But it seems
8 to me that Congress was not willing to rely solely on the
9 conservative nature of the bank loans, but wanted, you know, a
10 look at them in that context. It's very hard to look at them
11 (INAUDIBLE).

12 SPECIAL DEPUTY PATTON: Especially when they find out they were
13 given to Democrats. (INAUDIBLE) just pointed out.

14 CHAIRMAN MCGARRY: Mr. Patton.

15 SPECIAL DEPUTY PATTON: Charlie, you seem to have... on the
16 security agreement... I guess I'm looking at... it would be page
17 seven...

18 GENERAL COUNSEL STEELE: Of the attachment?

19 SPECIAL DEPUTY PATTON: Yes. That's dated July 27th. We're
20 missing pages.

21 COMMISSIONER HARRIS: That's just the one on the first loan.

22 SPECIAL DEPUTY PATTON: Well, then, there's another one, I think,
23 Commissioner Harris, on page 28. That's why I'm trying to get
24 my... actually it would be on page 30.

25 COMMISSIONER McDONALD: On page 30, Doug?

26 SPECIAL DEPUTY PATTON: I'm sorry, maybe that's just two copies
27 of it.

28 COMMISSIONER McDONALD: That's the same one.

29 GENERAL COUNSEL STEELE: It's the same one.
30

6 MR. RAICH: Yes, those are two copies of the same thing.

7 SPECIAL DEPUTY PATTON: But it says... that security agreement;
8 then they have... we're both (INAUDIBLE) up to the amount of
9 outstanding indebtedness incurred under any promissory notes so
10 what I'm getting to there probably is a promissory note the bank
11 would have to have executed.

12 GENERAL COUNSEL STEELE: I would, you know, without, you know, we
13 found some...

14 CHAIRMAN MCGARRY: Mr. Steele.

15 GENERAL COUNSEL STEELE: ...other investigations that there
16 weren't promissory notes in earlier cases. I must admit that I
17 kind of agree with the Chairman, that I would be surprised
18 that... that if there wasn't in this situation, I would be
19 somewhat surprised if they weren't. And, yet, then, again, you
20 know, if... if there's a promissory note one would sort of expect
21 the committee to have it. And the difficulty that I have is
22 that, you know, you can't really say that the committee refused
23 to produce it, because in the course of the audit they ask for
24 all documents; and I don't know quite where that would lead us.
25 But it does seem... I mean, it triggers my thoughts that you
26 ought to at least look for the promissory note in a situation
27 like that. But I don't think you're in a situation where you can
28 say that it's either been refused to be produced or the bank
29 didn't have one.
30

6 CHAIRMAN MCGARRY: Commissioner Aikens?

7 COMMISSIONER AIKENS: Thank you, Mr. Chairman. Charlie, I think
8 what we do in this instance makes no difference to the audit in
9 the future. I think I understood you to say, if we don't ever
10 move against the banks that the auditors wouldn't have the right
11 to look; and I think they do have the right to look, I think
12 that's part of the audit and will always be whether we follow up
13 on it or not. If I heard you correctly I...

14 GENERAL COUNSEL STEELE: Well, I didn't... no, I apologize. What
15 I was saying was that I think that if you get this kind of... if
16 the auditors get this kind of... if... and I don't think you're
17 bound by this anyway, you could take this same set of facts and
18 look at it another time. I didn't say that they wouldn't be able
19 to get that. And, indeed, if they asked for that, and were
20 refused, and then we could... you could probably subpoena it, if
21 that's what you wanted to do, et cetera, et cetera. What I'm
22 saying is that, you know, given this kind of a situation where
23 the auditors feel that they have asked for all the documents that
24 support these loans... loans of substantial size which, you know,
25 seem to have been... to have been beyond the, you know, the
26 assets available and a whole bunch of flags that don't prove
27 anything, but seem to come to a reason to believe. If that, you
28 know, and then not having, you know, asking and there don't seem
29 to be any promissory notes, if that is all... if the auditors are
30

6 going to get this kind of support with regard to a question, it
7 seems to me that you're going to have to face the question the
8 next time around; well, then, there are no promissory notes and
9 so forth. That you're going to look at it from the point of
10 view, I should think, of the auditors having large loans in rela-
11 tionship to the amounts of the debt and not getting sufficient
12 documentation for them to look at, you're going to have a
13 problem.

14 COMMISSIONER AIKENS: Well, I'm not sure the auditors...

15 GENERAL COUNSEL STEELE: But you can certainly demand...

16 COMMISSIONER AIKENS: ... feel that they got enough documentation.
17 I don't want to put the audit on the spot. But I'm not convinced
18 that they are not sure that they got...

19 GENERAL COUNSEL STEELE: Fine.

20 COMMISSIONER AIKENS: I didn't want to belabor the point, but I
21 just wanted to...

22 GENERAL COUNSEL STEELE: If the promissory note is not important
23 to the Commission; that's fine. But in looking at it, I would
24 think the promissory notes would be important, and I would expect
25 them to be there.

26 CHAIRMAN MCGARRY: Scott Morgan.

27 COMMISSIONER AIKENS: I think... may I ask...

28 CHAIRMAN MCGARRY: Yes, if you...
29
30

6 COMMISSIONER AIKENS: I just wanted to make that point, but I
7 wanted to raise another point. And that is the fact that these
8 loans were all repaid finally or all but the one... and I think
9 that's the only one I would question. But Congress is con-
10 sidering legislation on bank loans to candidates. And we were
11 requested to research and see if any bank loans had... if we knew
12 of any that had been forgiven. And we asked in all the divi-
13 sions; and there is nowhere, anywhere of a bank loan being
14 forgiven. They just carry them as debts until they're paid off.

15 GENERAL COUNSEL STEELE: When was this, I don't remember the
16 request?

17 COMMISSIONER ELLIOTT: I don't remember that either.

18 COMMISSIONER AIKENS: We were asked personally to request... to
19 research it just to see if there were any bank loans that had
20 ever been forgiven. It was not in connection with this at all,
21 it was totally outside any action by the Commission. It was
22 just... legislation that is being considered.

23 CHAIRMAN MCGARRY: Did you say the Commission was asked?

24 COMMISSIONER AIKENS: No, no, no. No, no.

25 CHAIRMAN MCGARRY: Oh.

26 COMMISSIONER AIKENS: I was just asked personally to check the
27 records and see if there were any bank loans (INAUDIBLE).

28 CHAIRMAN MCGARRY: I see.

29 GENERAL COUNSEL STEELE: I'm not sure...
30

6 COMMISSIONER AIKENS: And I don't know...

7 GENERAL COUNSEL STEELE: ...quite frankly that there's adequate
8 records on that because certainly something like the Lance case
9 which we dropped... at the time we dropped it five years after
10 the transactions, those were still...

11 CHAIRMAN McGARRY: Mr. Steele.

12 GENERAL COUNSEL STEELE: ...outstanding loans. Now, whether they
13 have been formally forgiven or whether they just sit there un-
14 paid, I don't know.

15 COMMISSIONER AIKENS: Well, that...

16 GENERAL COUNSEL STEELE: The same thing in a couple of our other
17 loan cases. So, I don't think that you would be able to get...

18 COMMISSIONER AIKENS: But there's nothing on the record now that
19 shows the bank loans being forgiven; they just carry this debt...
20 (SIMULTANEOUS CONVERSATION).

21 COMMISSIONER McDONALD: In other words if you don't have to pay
22 them, they are forgiven, whether they're on the record or not as
23 a matter of convenience. I mean, if you don't make me pay a
24 loan, I think it has been forgiven, whether it's on the... I
25 don't know of any cases. I mean, it's just an interesting point,
26 I don't know. But I assume if Lance didn't pay in five years, or
27 ten or whatever, I'm sure he won't pay. Those loans are forgiven
28 in essence.

29 CHAIRMAN McGARRY: Yes, Doug Patton?
30

6 SPECIAL DEPUTY PATTON: It's just in my practice, you don't...
7 you don't... I'm not... I think there's even sometime the
8 examiners, they'll look at that, and say, you've got to write
9 that off and take it out of your loan reserve, at that particular
10 time. So, you don't have it hanging around that long a time.

11 COMMISSIONER McDONALD: So what happens? I mean, in essence is
12 that a contribution from the bank?

13 SPECIAL DEPUTY PATTON: You're asking me?

14 COMMISSIONER McDONALD: Yes. I mean, seriously, is that... is
15 that... if it's written off, and it's paid by the bank and the
16 bank forgives the loan to the candidate?

17 SPECIAL DEPUTY PATTON: That's in the ordinary... ordinary course
18 of business. I mean, you have to look at other people sitting in
19 those similar type of shoes, what they've done with other
20 borrowers as to amounts and collateralization.

21 COMMISSIONER McDONALD: So the answer is, yes?

22 SPECIAL DEPUTY PATTON: Yes.

23 COMMISSIONER JOSEFIK: Back to normal and usual again.

24 CHAIRMAN McGARRY: Commissioner Elliott?

25 COMMISSIONER ELLIOTT: Well, if that did occurred, and any
26 candidate was showing a bank loan, and they got notification from
27 the bank; then, it would seem to me that they would have to show
28 that in their next report as them no longer having that as a debt
29 obligation. So that we will have that, as a matter of our
30

6 record, and would be aware of it. Not only aware of it, but it
7 might even trigger a question as to how it have occurred, unless
8 the information was forthcoming that they had received a notifi-
9 cation that this was forgiven. Now, we have all kinds of those
10 things called debt settlements around here where corporations and
11 others have finally written it off. In fact, in the second
12 billing, Xerox writes off any bills because it costs more to
13 collect it then it does to continue having it on the books. And
14 I (INAUDIBLE).

15 CHAIRMAN MCGARRY: But I can't recall in any debt...

16 COMMISSIONER ELLIOTT: I can't recall.

17 CHAIRMAN MCGARRY: ...settlement we ever saw a forgiveness of a
18 bank loan to a candidate.

19 COMMISSIONER ELLIOTT: Well, it hasn't happened while I've been
20 here, that I know of.

21 CHAIRMAN MCGARRY: No, I don't think it has happened.

22 Commissioner Josefiak?

23 COMMISSIONER JOSEFIAK: Thank you, Mr. Chairman. Two things:
24 first, I wanted to follow up on Commissioner Aikens' point
25 because I think the documentation that we have before us would
26 have been sufficient for the auditors; and it would not have been
27 a referral. Am I correct on that? And so, if we're going to
28 deal with this issue, not only do we have to deal with it in the
29 regulation area, if we can deal with it; but also, in how we're
30

6 going to approach if from the auditor's standpoint when they're
7 reviewing these kinds of documents. And secondly, I think I have
8 a motion pending, and I don't want to cut off debate. And
9 Commissioner Harris isn't here, but we have a few other banks to
10 go through.

11 CHAIRMAN MCGARRY: And we have only Scott Morgan remaining.

12 SPECIAL DEPUTY MORGAN: No... If you guys are going to vote,
13 that's fine. (LAUGHTER).

14 CHAIRMAN MCGARRY: So we'll call up the question, and if we need
15 his vote we'll certainly get him back. I'm sure he'll be here in
16 a second. But do you want to see how it goes, Commissioner?

17 COMMISSIONER McDONALD: Can I ask a question and this is to the
18 banker again?

19 CHAIRMAN MCGARRY: Yes.

20 COMMISSIONER McDONALD: Doug, on the...

21 CHAIRMAN MCGARRY: Mr. McDonald.

22 COMMISSIONER McDONALD: ...reference that Scott made on page 35,
23 I'm not sure exactly what this is on the \$750,000. It's not a
24 promissory note, it's a letter. Do you think that substitutes
25 for a promissory note?

26 CHAIRMAN MCGARRY: Would the gentleman yield to Commissioner
27 Elliott?

28 COMMISSIONER McDONALD: Well, I'd like to hear what... give me a
29 second.

30 (SIMULTANEOUS CONVERSATION).

6 COMMISSIONER ELLIOTT: Well, I just want to say that the document
7 itself requires a promissory note in the fourth line. The loan
8 shall be evidenced by a promissory note. So obviously, this
9 document calls for a promissory note.

10 COMMISSIONER McDONALD: Well, I understand that. We've just been
11 over that countless times. The fact that it calls for it, and
12 whether they have one or not is a different matter. I'm asking,
13 based on the information that we are voting on, whether it's not
14 a promissory note; whether or not this would constitute a
15 promissory note. I would gather it would not because, as
16 Commissioner Elliott has just pointed out, in about the fourth
17 line it talks about the promissory note, and I don't want anyone
18 to be confused, at least of all myself, about what we are voting
19 on. I'm not sure... I'm just curious as to what the document
20 that Scott Morgan referred to constitutes in banking terms.

21 COMMISSIONER HARRIS: Well, there's going to (INAUDIBLE).

22 COMMISSIONER McDONALD: We're not voting on... we're not voting
23 on... We don't have a promissory note before us.

24 SPECIAL DEPUTY PATTON: I don't think this is a substitute. This
25 is, as I look at it, he has to make sure and take out the
26 \$750,000 life insurance as an agreement to that as a condition.
27 It's sort of a condition agreement. I don't think it's a substi-
28 tution for the promissory note.

4 CHAIRMAN MCGARRY: Thank you, Commissioner. Any further
5 discussion? We have the motion pending by Commissioner Josefiak
6 to take no further action on recommendation number one. Mr.
7 Harris?

8 COMMISSIONER HARRIS: Well these people were first in line, it
9 seems to me, and I don't really see a basis for finding reason to
10 believe unless you assume that the failure to have a due date
11 violated as such. Apart from the fact that it was a demand note,
12 I don't really see a basis for going ahead here.

13 CHAIRMAN MCGARRY: So, if there's no further discussion, the vote
14 will occur on that motion. All in favor say Aye. (Ayes heard.)
15 All opposed? It appears to the Chair, the motion carries by a
16 vote to 6 to nothing. It's uncanny, Marg, everytime you and I
17 agree on a couple of minutes, I string you out for about 35
18 minutes. We will break for five minutes.

19 (RECESS)

20 CHAIRMAN MCGARRY: Madam Secretary, we'll resume our morning
21 Executive Session after a five minute recess. And we have just
22 disposed of recommendation number one. And now pursuant to the
23 procedure that we agreed to adopt, Mr. Raich, we'll now have you
24 state for us what the facts and circumstances were underlying
25 recommendation number two.

26 MR. RAICH: Thank you, Mr. Chairman. The National Bank of
27 Washington made two loans to the Hart Committee. The first one
28

5 was a loan for \$50,000. The second one was a line of credit for
6 three and a half million dollars. The second of the two I just
7 mentioned is more problematical, but I'll take them in order any-
8 way. With regard to the first loan for \$50,000, it was secured
9 by proceeds from nine concerts that were scheduled to be held
10 between February and June 1984. I don't know what happened at
11 those concerts, if they made money, even if they were ever held.
12 However, this loan was paid off with the Riggs loan in March of
13 1984. The problems with the first loan are... that it was a
14 demand loan, that may or may not be a problem anymore. Their...
15 the interest rate on this loan was only one percent above prime.
16 At the time the loan was made, this is early February 1984, there
17 had not been any caucuses or primaries at that date; yet, Hart
18 was getting a loan at this one percent above prime. This may be
19 a little bit low for someone who at that point who had not yet
20 proven himself as a vote getter or a money getter. As of the end
21 of January 1984, nine days before the loan was made, Hart had
22 cash on hand, only about \$2,500, and obligations of more than
23 half a million dollars. That's the circumstances surrounding the
24 first loan.

25 CHAIRMAN MCGARRY: Thank you, Mr. Raich. Scott Morgan?

26 SPECIAL DEPUTY MORGAN: Thank you, Mr. Chairman. I have a couple
27 of questions about the analysis, but one I didn't have until you
28 were speaking was, you... I didn't realize you had stressed that

6 the... the low interest rate in your mind... I'm not sure what
7 you're basing that on, though. You say it's one percent over
8 prime and state... stress that it was only one percent over
9 prime. What do we have that indicates that that is high, or low
10 or indifferent? I mean, that's... it seems to be of somewhat
11 within one percent or so of the other interest rates offered by
12 the banks to this same committee. I don't understand what your
13 concern is.

14 MR. RAICH: My understanding is that...

15 CHAIRMAN MCGARRY: Mr. Raich.

16 MR. RAICH: ...on loans of this sort one percent in either
17 direction is a significant amount; one percent above prime.

18 SPECIAL DEPUTY MORGAN: What's the basis...

19 MR. RAICH: One percent above prime.

20 SPECIAL DEPUTY MORGAN: What's the basis of your understanding
21 of... I mean, I realize one percent is significant when you're
22 talking about anything, it's money. But what is this
23 understanding that you have?

24 MR. RAICH: It's more the timing of the loan than anything else.
25 For example, the next two loans that the Committee got were re-
26 ceived in late February. Both of those loans were for two per-
27 cent above prime; yet, they were received after. One of them was
28 received after the New Hampshire primary. Both (INAUDIBLE)...

29 SPECIAL DEPUTY MORGAN: So...
30

6 MR. RAICH: ...caucuses.

7 SPECIAL DEPUTY MORGAN: I... to me it's... one percent is
8 significant, but I'm not sure that one percent is significant
9 enough to have us look behind what the bank, you know, to
10 question the bank's judgment in offering that loan. I... again,
11 I don't know that... what your understanding is that... your
12 background in banking, but to come out and stress that this one
13 percent difference from bank loans that were made a few weeks
14 later is significant; it's significant in that it's less money or
15 that it's more money, but I don't know that it's significant
16 enough for us to question the bank's judgment. But that's just
17 my opinion on it. And granted, obviously, you disagree with
18 that. The other questions I did have on your analysis; one, you
19 state in your analysis on page 11 in the second paragraph there:
20 "It appears that no due date or amort..." Well, I can't say that
21 word, so I won't "Schedule is established by the bank." On page
22 40 of your attachment that promissory note states: "That interest
23 shall be due on a monthly basis. The first payment is due on
24 March 1st, '84." Now, that may or may not have been followed,
25 but isn't that some sort of a schedule?

26 MR. RAICH: For interest, not for the...

27 SPECIAL DEPUTY MORGAN: Is that not an amortization schedule?

28 MR. RAICH: It might be an amortization schedule for interest
29 only at this one percent above prime. But the principal of the
30

6 loan itself is certainly the, the... by far of the majority of
7 the money involved here. And that was not due until the bank
8 demanded it.

9 SPECIAL DEPUTY MORGAN: Ok. Thank you. The other question I
10 had, I guess, and this may be getting ahead of the game, but
11 on... you state in there that: "No information is available that
12 would shed any light on the basis for NBW's decision to make the
13 loan in light of the Committee's financial status." I don't...
14 the committee's financial status is unclear to me. I mean, are
15 you talking... they obviously didn't have much cash on hand and
16 they were going for a loan in the first place. When you use a
17 term like that, it seems you need to define it in your analysis
18 or... I mean, do you define the earning power of Senator Hart's
19 Committee at that time? Do you get in... I mean, certainly that
20 centers or that has something to do with a committee's financial
21 status. His earning power was on the way up at this particular
22 time. Don't you think you should analyze that or is that just
23 not a factor?

24 MR. RAICH: What I was looking at was, Hart's position in the
25 polls at that time. I mean, again, there hadn't been any
26 particular primaries of caucuses; then he was just a dark house
27 candidate. And, of course, we can see the two later banks,
28 again, required higher interest rates than National Bank of
29 Washington did early in February.

30

5 SPECIAL DEPUTY MORGAN: Charlie, do you have something to add?

6 GENERAL COUNSEL STEELE: Yes.

7 CHAIRMAN McGARRY: Mr. Steele.

8 GENERAL COUNSEL STEELE: What I would have to add to that is
9 that, I think that it clear that in the earlier cases, in earlier
10 election cycles, that the Commission came to the conclusion that
11 it would permit the expectation of matching funds to be a basis
12 for a loan. That what we have here is, again, nothing that
13 indicates to us that you would have that basis at this juncture
14 in time. Now, it may well be there. But at that juncture, the
15 essential... essential support for the loan becomes: "Oh, well,
16 even though we've got \$2,500 on hand and a half million in debt,
17 we think we're going to be politically successful enough so that
18 we can show the bank that this would be a sensible loan." The
19 missing link there is what they or the bank would say, that led
20 to the basis that you did have a basis in expectation for receipt
21 of funds. You have raised something about a... I guess it wasn't
22 commercial, but the financial success of the committee. That,
23 yes, the Commission has taken that into consideration. But that
24 it seems to me again, you don't isolate any single factor but
25 that in my judgment, which I gather virtually everyone here
26 disagrees with, an institution with \$2,500 cash on hand, \$500,000
27 at debt, one percent above prime, and nothing that shows what the
28 basis was for figuring that they could get that half million in;
29
30

6 is sufficient to get to a reason to believe level to find out
7 what it was that they were basing that loan on.

8 CHAIRMAN MCGARRY: Mr. Morgan?

9 SPECIAL DEPUTY MORGAN: Charlie, I appreciate that, but it's not
10 as... for one I think that, that is the reasoning of your office,
11 that ought to be in here. I don't find that it is in this
12 analysis. And, in addition, it's not just the financial status
13 of the committee. I mean, they also established that or put a
14 lien on these nine concerts, and there's no analysis of what the
15 significance of these nine concerts. Maybe there is none, but it
16 seems like that ought to be considered by... in the analysis
17 we're sending them, that is collateral.

18 GENERAL COUNSEL STEELE: Let me respond to the first point.

19 CHAIRMAN MCGARRY: Mr. Steele.

20 GENERAL COUNSEL STEELE: I understand that in the particular bank
21 discussion it may not be there, but... and I'd have to ask Lois
22 to find the spot in her report. But I think throughout that we
23 are approaching this with the understanding that the Commission
24 has always thought and has said previously, that the expectation
25 of matching funds is one way that a committee can demonstrate
26 that there was a basis for the loan. So, I think that
27 understanding pervades the report and is really set forth not
28 with regard to the specific ones. That what you're talking about
29 is the question of, what support is there for the loan. And that
30

6 that's a demonstrable factor that the Commission... for instance,
7 if you go back to the Reagan and/or Kennedy cases that we looked
8 there at... at documents in which they discussed their expected
9 rate of return in contributions and matching fund projections, et
10 cetera, et cetera; none of which we have present here.

11 SPECIAL DEPUTY MORGAN: Lois, it's in there someplace?

12 ASSISTANT GENERAL COUNSEL LERNER: I believe that we did not
13 state it...

14 CHAIRMAN McGARRY: Lois Lerner.

15 ASSISTANT GENERAL COUNSEL LERNER: ...quite as articulately as
16 Charlie did. We laid out the facts and didn't necessarily
17 summarize. We... I guess at the time when we read it, it
18 appeared to us that we had laid out all the facts. But I think
19 if you look under... what page is this? Number two, National
20 Bank of Washington, they talk about the debt status of the
21 committee at that time, and the interest rate, and sort of
22 summarize by saying, because of the committee's high debts and
23 low cash on hand and the collateral may have been committed to
24 another lender, which we don't know.

25 SPECIAL DEPUTY MORGAN: Well, Charlie, I thought, said that
26 somewhere in the report you had stated about, where it was the
27 Commission's long policy or somewhat of a long policy that
28 matching funds were a legitimate source of collateral. And then
29
30

6 my question was; should that be analyzed for this particular
7 bank? And I didn't see where the matching fund... is that...

8 GENERAL COUNSEL STEELE: There's no way to analyze it.

9 ASSISTANT GENERAL COUNSEL LERNER: I don't think that was in
10 there.

11 GENERAL COUNSEL STEELE: We don't have it.

12 CHAIRMAN MCGARRY: Mr. Steele.

13 GENERAL COUNSEL STEELE: What I'm saying is that in previous
14 cases that the Commission looked at, it had that kind of
15 documentation.

16 SPECIAL DEPUTY MORGAN: You...

17 GENERAL COUNSEL STEELE: It looked for that kind of
18 documentation. We don't have that here, certainly. The question
19 is, whether you look for it.

20 SPECIAL DEPUTY MORGAN: I'm sorry, what kind of documentation do
21 you... are you missing?

22 GENERAL COUNSEL STEELE: I'd have to go back and look at the
23 Kennedy and Reagan cases about the kinds of things that I
24 mentioned. Statements about the availability and the expected
25 availability of contributions that would be matchable.
26 Projections from their people of what their fund-raising success
27 had been, and what their plans were for it, that were shown to
28 the banks. And those were considered by the Commission in
29
30

6 deciding that the expectation of matching funds was an adequate
7 basis for the guarantee of loans.

8 SPECIAL DEPUTY MORGAN: Ok. I... I'm clearly just missing the
9 point. So I'll...

10 GENERAL COUNSEL STEELE: None of that is available here. But I
11 think you're saying to me is that, you don't... you don't have
12 that, you shouldn't question.

13 SPECIAL DEPUTY MORGAN: No, what I'm saying is...

14 GENERAL COUNSEL STEELE: What I'm saying is...

15 SPECIAL DEPUTY MORGAN: ...that if the bank... if you're sending
16 this report to the bank saying, we're looking into what you're
17 doing; that is an issue that their collateral, they said is going
18 to be matching funds plus the nine concerts, which I want to get
19 to, too, but with the matching funds, it seems you didn't analyze
20 whether there was any, whether there wasn't any, whether... you
21 said that you didn't have the documentation. You didn't... you
22 just are saying that you had high debts and low cash, and the
23 collateral may have already been committed to another lender.
24 That is what you're telling them, is the reason for your
25 questioning that loan.

26 GENERAL COUNSEL STEELE: I think that's right.

27 SPECIAL DEPUTY MORGAN: You don't think they need anymore...

28 GENERAL COUNSEL STEELE: I certainly think that the defense for
29 them would be to say...
30

6 my question was; should that be analyzed for this particular
7 bank? And I didn't see where the matching fund... is that...

8 GENERAL COUNSEL STEELE: There's no way to analyze it.

9 ASSISTANT GENERAL COUNSEL LERNER: I don't think that was in
10 there.

11 GENERAL COUNSEL STEELE: We don't have it.

12 CHAIRMAN MCGARRY: Mr. Steele.

13 GENERAL COUNSEL STEELE: What I'm saying is that in previous
14 cases that the Commission looked at, it had that kind of
15 documentation.

16 SPECIAL DEPUTY MORGAN: You...

17 GENERAL COUNSEL STEELE: It looked for that kind of
18 documentation. We don't have that here, certainly. The question
19 is, whether you look for it.

20 SPECIAL DEPUTY MORGAN: I'm sorry, what kind of documentation do
21 you... are you missing?

22 GENERAL COUNSEL STEELE: I'd have to go back and look at the
23 Kennedy and Reagan cases about the kinds of things that I
24 mentioned. Statements about the availability and the expected
25 availability of contributions that would be matchable.
26 Projections from their people of what their fund-raising success
27 had been, and what their plans were for it, that were shown to
28 the banks. And those were considered by the Commission in
29
30

6 CHAIRMAN MCGARRY: Mr. Steele.

7 GENERAL COUNSEL STEELE: ...we also had in our files a document
8 submitted to us by the Hart Committee by their fund-raising
9 people who said that this is their projected, this is why they
10 think they're going to be able to turn over the money because
11 they had this much seed money, et cetera, et cetera. That that
12 would be a support for the loan that they could come forward
13 with.

14 SPECIAL DEPUTY MORGAN: But you're not stating that the
15 collateral is insufficient, thereby giving them... saying, come
16 forth with showing that it wasn't.

17 GENERAL COUNSEL STEELE: No, I'm saying...

18 SPECIAL DEPUTY MORGAN: You're saying that the collateral is
19 already committed to another lender.

20 GENERAL COUNSEL STEELE: We are pointing to several factors that
21 we have, it seemed to us to raise questions about the loan, and
22 the committing of the collateral to another... the collateral
23 that we know of as committed to another lender, seems to me to
24 be, yes, that's true. We don't have a full picture of what this
25 loan was based on, certainly.

26 SPECIAL DEPUTY MORGAN: Ok. I disagree with that being
27 sufficient to give them notice of what you're thinking. Maybe
28 they would have just come back with it anyway. But on the nine
29 concerts, why is that not analyzed more than just saying it was
30

6 already committed, and who was it committed to. I guess I have a
7 misconception of what the RTB... that's right, Ken, I have a mis-
8 conception.

9 ASSOCIATE GENERAL COUNSEL KENNETH A. GROSS: Well, I think that
10 the preliminary analysis...

11 CHAIRMAN MCGARRY: Ken Gross.

12 ASSOCIATE GENERAL COUNSEL GROSS: ...is that so much of the infor-
13 mation we have is not at the probable cause stage. And I'm sort
14 of getting that sense that there... that you're seeking almost
15 the type of detail that might go in a probable cause report...

16 SPECIAL DEPUTY MORGAN: All I'm seeking is, you got... the infor-
17 mation that was here I read; and these questions arise out of the
18 information you have.

19 ASSOCIATE GENERAL COUNSEL GROSS: Right.

20 SPECIAL DEPUTY MORGAN: It seems that they should be reviewed
21 more closely. You have nine specific concerns... Lois, that...

22 ASSISTANT GENERAL COUNSEL LERNER: I guess... I don't know,
23 maybe...

24 CHAIRMAN MCGARRY: Lois Lerner.

25 ASSISTANT GENERAL COUNSEL LERNER: ...I'm missing the point, too,
26 but that's what we're saying is, we think it all needs to be
27 reviewed a little bit more closely. But based on what we have,
28 this is all we can say. There are a lot of open questions.
29 There are a lot of documents that we don't have that we'd like to
30

6 see. After looking at all of those, we may very well come back
7 and say, there's no problem. But we can't say that now, that's
8 all.

9 SPECIAL DEPUTY MORGAN: Ok. Well, I understand from your
10 position you can't say that. But understand from my position,
11 which albeit maybe terribly ignorant and naive at this point; my
12 questions are arising out of the documentation that is available
13 to you. That is what has been provided through the audit reports
14 or process I gather; right.

15 ASSISTANT GENERAL COUNSEL LERNER: Correct.

16 SPECIAL DEPUTY MORGAN: They have... they mention as colateral
17 matching funds; I don't believe that that issue is adequately
18 analyzed in terms of why you're saying that you have questions.
19 If you have questions, tell them why you have questions. I don't
20 think the nine concerts, which they have listed as specific; they
21 had artists for, they had dates for. That isn't analyzed; it's
22 just saying that it wasn't... that it was committed. I gather
23 that is the collateral that was committed or was it the matching
24 funds that was committed to someone else?

25 MR. RAICH: It was the concerts. Proceeds from the concerts.

26 CHAIRMAN MCGARRY: Mr. Raich.

27 SPECIAL DEPUTY MORGAN: But that's not mentioned that it was.
28 I'm just saying, if you have these questions, ask the question,
29 don't... you have a two line statement, because of the
30

5 committee's high debts and low cash on hand, because the
6 collateral may already have been committed to another lender and
7 there's no due date; OGC believes this loan may not have been
8 made in the ordinary course of business. I obviously am
9 infringing on the Commission's past practice. But I just don't
10 think an analysis is sufficient to provide them with notice of
11 what you're complaining with... or what your questioning. But I
12 won't belabor the point anymore than I already have, because I've
13 kicked it.

14
15 CHAIRMAN MCGARRY: Thank you, Mr. Morgan, you certainly will be
16 welcome to return for further questioning. It's been a long day
on this. Mr. Harris?

17
18 COMMISSIONER HARRIS: I don't see that the matching funds were
19 committed at all in any way to the payment of this loan to the
20 National Bank. At that time the commitment to the First American
21 Bank was still outstanding. The promissory note, which inci-
22 dentally is undated, the only thing under it on collateral, apart
23 from the general boilerplate, is a reference to the letter which
24 set forth about the concerts that the... where... said that
25 the... they said that the First National Bank would have recieved
26 first priority of the funds generated by these concerts for the
27 purposes of loan repayment. It seems to me, at least question-
28 able, whether they were really serious about that. The loan
29 actually was repaid much earlier than that. I mean, long before
30

6 these concerts were held, except, maybe, one of them, and it was
7 repaid out of a loan from Riggs, which was rolled-over. I do
8 think there's a sufficient basis for finding reason to believe.
9 But I don't think we ought to consider that at this point. I
10 think we ought to consider the other National Bank loan, since
11 they were not separate recommendations to the finding. I think
12 we would have to consider the other loan, too, in voting on the
13 recommendation to find reason to believe.

14 CHAIRMAN MCGARRY: Mr. Morgan?

15 SPECIAL DEPUTY MORGAN: With all respect, I would urge the
16 Commission to consider them separately. They seem to be two
17 separate agreements with...

18 ASSISTANT GENERAL COUNSEL LERNER: I'm sorry.

19 SPECIAL DEPUTY MORGAN: Lois, I'm not hitting it up too well with
20 you today.

21 ASSISTANT GENERAL COUNSEL LERNER: The recommendation, however,
22 just goes to the National Bank of Washington. The Commission
23 could indicate that...

24 CHAIRMAN MCGARRY: Lois Lerner.

25 ASSISTANT GENERAL COUNSEL LERNER: ...they didn't feel that they
26 wanted to go into one of the loans, and they did feel they wanted
27 to go into the other. But it's not as to the loans, it's as to
28 the bank.

6 SPECIAL DEPUTY MORGAN: I realize that the recommendation is as
7 to the bank. What I'm saying is urging the Commission to
8 consider it as to the bank and the loan separately. That would
9 be... that's just my urging. I have other ones, too,
10 (INAUDIBLE).

11 COMMISSIONER McDONALD: Today?

12 CHAIRMAN MCGARRY: Yes, Commissioner Aikens?

13 COMMISSIONER AIKENS: Well, it seems to me that the fact that
14 this loan did have some guarantee, and that it was repaid in less
15 than a month, no matter what the interest rate. That as far as
16 the bank is concerned that there is no violation. I would move
17 we take no... no action against the National Bank of Washington
18 on this \$50,000 loan.

19 CHAIRMAN MCGARRY: Commissioner Aikens moves that we take no
20 action against the National Bank of Washington on the \$50,000
21 loan. And we are talking now about recommendation number two,
22 and the recommendation by the General Counsel, of course, found
23 on page 17 of the General Counsel's report to find reason to
24 believe the National Bank of Washington violated 2 U.S.C.
25 441b(a). Mr. Harris?

26 COMMISSIONER HARRIS: I think it is improper to make a decision
27 on one piece of the transaction without considering the further
28 course of dealing between the National Bank and the Committee and
29 the further loans. And there's only one recommendation from the
30

6 General Counsel covering the full package, and that's the way
7 their, the General Counsel's factual and legal analysis is drawn.

8 CHAIRMAN MCGARRY: Mr. Morgan?

9 SPECIAL DEPUTY MORGAN: What was the date of the... the second
10 loan was made on March 19th?

11 MR. RAICH: That's right. Yes.

12 SPECIAL DEPUTY MORGAN: All right. The first one on February
13 9th.

14 MR. RAICH: That's correct.

15 SPECIAL DEPUTY MORGAN: It seems to me that the... while it may
16 be true that when you're considering the second loan, that you
17 should consider the first one and what was surrounding it. When
18 the first one was made, the second one wasn't in existence, and
19 to use what happened a month and a half later; it seems that they
20 are two separate agreements. The amounts are significantly
21 different. The status of the candidate is significantly
22 different. It seems more appropriate to deal with one loan...
23 to deal with the loan separately.

24 CHAIRMAN MCGARRY: Lois, we'll go off the record to change the
25 tape.

26 (OFF THE RECORD.)

27 ASSISTANT GENERAL COUNSEL LERNER: I just wanted to point out
28 that, the way the recommendations are written, you could
29 accomplish your purpose by voting on a recommendation. Then when
30

6 it comes to the time to approve the legal/factual analysis, the
7 Commission could, if it wished, determine to have it revised in
8 accordance with whatever decision it makes, because you have to
9 approve the analysis and it would be the appropriate analysis
10 under whatever decision you make.

11 COMMISSIONER AIKENS: Mr. Chairman?

12 CHAIRMAN MCGARRY: Yes, Commissioner Aikens?

13 COMMISSIONER AIKENS: I made the motion that way because in the
14 General Counsel's report, which is what we are considering, the
15 two loans are under two entirely different sections. This loan
16 is under Section II, and the other loan is under Section VI. And
17 I thought we were going through these one at a time as to loans
18 as to banks. I... my motion stands. If it's disapproved, it's
19 just disapproved.

20 CHAIRMAN MCGARRY: Yes. If there's no further discussion, the
21 vote will occur on that motion. All in favor say Aye. (Ayes
22 heard.) All opposed? (Nos heard.) It appears to the Chair the
23 motion carries by a vote of 5 to 1, with Commissioner Harris
24 voting against. Commissioner Elliott?

25 COMMISSIONER ELLIOTT: Mr. Chairman, I move that we do not find
26 reason to believe that the Women's National Bank violated 2
27 U.S.C. 441b(a), and take no further action.

28 CHAIRMAN MCGARRY: Commissioner Josefiak, do you have a point?
29
30

6 COMMISSIONER JOSEFIAK: I was just going to ask a question of
7 Commissioner Elliott. In the other cases we did not find no RTB,
8 we just moved to take no action.

9 COMMISSIONER ELLIOTT: Ok. All right. I will amend my motion to
10 be a consis... in absolutely consistent with the others.

11 CHAIRMAN MCGARRY: Thank you both. Commissioner Elliott moves
12 that we take no further action. Take no action. Mr. Harris, do
13 you...

14 COMMISSIONER HARRIS: I'd like the General Counsel to summarize
15 the... what he considers to be the evidence in support of his
16 recommendation to find reason to believe.

17 CHAIRMAN MCGARRY: I'll just finish that off because of the
18 motion by Commissioner Elliott was to... that we take... with
19 reference to recommendation number three on page 18, take no
20 action with reference to Women's National Bank for the violation
21 related to 2 U.S.C. 441b(a). Does the General Counsel want to
22 respond to Mr. Harris? Robert Raich?

23 MR. RAICH: Yes. The Women's National Bank, there was a loan
24 received on the 27th of February 1984, the day before the New
25 Hampshire primary. At the time, rather on the 29th of February,
26 two days later, the committee had obligations of about \$1.2
27 million and cash on hand of negative \$3700. Yet, the Women's
28 National Bank extended a loan for \$150,000. The question we have
29 with regard to Women's National Bank, is this apparent under
30

6 collateralization? It was matching fund contributions, were the
7 collateral. Those, of course, were already subordinated to the
8 security interest which the First American Bank had in the
9 matching funds. There was an additional...

10 COMMISSIONER McDONALD: Did the bank realize that?

11 CHAIRMAN McGARRY: Mr. McDonald.

12 MR. RAICH: We really don't know right now, if the bank realized
13 it or not.

14 CHAIRMAN McGARRY: Ray Lisi?

15 MR. LISI: I believe in one of the bank documents it does... it
16 does say that any and all presidential primary matching funds to
17 which the net or the debtor may now be... or may hereafter become
18 entitled under the Act, but subject to a July 27th, 1983 security
19 agreement between the debtor and First American Bank. So, it was
20 written into the loan agreement. They were aware that the
21 matching funds were being held as collateral on a previous loan.

22 CHAIRMAN McGARRY: Thank you very much.

23 COMMISSIONER McDONALD: The Women's National Bank was aware of
24 that?

25 MR. LISI: That's correct.

26 MR. RAICH: In addition, the collateral...

27 CHAIRMAN McGARRY: Mr. Raich?

28 MR. RAICH: ...included a life insurance policy on Senator Hart.
29 There is no documentation concerning the life insurance policy.

6 In addition, we don't have any document indicating there was ever
7 a loan application for this loan. That's something, of course,
8 not necessary to make a loan a legal loan. But it might be a
9 bank's normal course of business to require loan applications
10 from prospective borrowers. These are the reasons we questioned,
11 again, the high obligations the committee has, low cash on hand,
12 the subordination of the collateral, and the fact that there are
13 some documents we appear to be missing.

14 CHAIRMAN MCGARRY: Mr. Harris?

15 COMMISSIONER HARRIS: What's the collateral in the loan and
16 security agreement? Didn't they... wasn't there something about,
17 they would get money that came in in response to direct mail
18 solicitations?

19 MR. RAICH: Yes, that's right, contributions were also source of
20 collateral (INAUDIBLE).

21 COMMISSIONER HARRIS: In the... the First American, I believe,
22 that bank had first right to matching funds. But that wouldn't
23 cover these contributions, would it?

24 MR. RAICH: That's correct. Women's National Bank had the...
25 the first priority on contributions. I thank you for pointing
26 that out.

27 COMMISSIONER HARRIS: Yes. Is that what...

28 MR. RAICH: That's correct.
29
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6 CHAIRMAN MCGARRY: If there's no discussion, the vote will occur
7 on the Elliott motion. All in favor say Aye. (Ayes heard.) All
8 opposed? It appears to the Chair, the motion is carried by a
9 vote of 3 to 1. I'm sorry. (LAUGHTER) Carried by a vote of 6
10 to nothing. And I'll wait three seconds like Chief Justice
11 Burger 'til the clock gets right to the exact time and declare a
12 recess until 2:00 o'clock.

13 (OFF THE RECORD.) (RECESS)

14 CHAIRMAN MCGARRY: The afternoon portion of the...

15 COMMISSIONER ELLIOTT: Mr. Chairman, we don't have a quorum. Oh,
16 excuse me, I didn't see... I thought you left the room. Excuse
17 me.

18 CHAIRMAN MCGARRY: It happens to me all the time. Of the Federal
19 Election Commission, the afternoon session of the Executive
20 Session for the Federal Election Commission for Tuesday, October
21 22nd, 1985, will resume, Madam Secretary. And Robert Raich, you
22 can tell us where we left off.

23 MR. RAICH: Well, we were about to discuss the NS&T bank loan.

24 CHAIRMAN MCGARRY: Which is recommendation number four.

25 MR. RAICH: Yes, that's correct.

26 CHAIRMAN MCGARRY: And under the procedure that was agreed upon
27 this morning, you will begin by outlining OGC's position that
28 underlies that recommendation.

29 MR. RAICH: Thank you, Mr. Chairman.
30

6 CHAIRMAN MCGARRY: Robert Redford. Robert Raich. (LAUGHTER)

7 COMMISSIONER HARRIS: What a mistake.

8 MR. RAICH: Well, I actually prefer to be the former, if I might,
9 if you have jurisdiction over that area, I'll be happy to. On
10 the 29th of February, 1984, NS&T Bank extended a loan for \$80,000
11 to the committee, actually only a little more than \$54,000 was
12 used by the committee during that time. On that same date,
13 November 29th, 1984, the committee had a negative cash-on-hand
14 balance of nearly \$4,000. And had obligations of about \$1.2
15 million. In addition, there is some documents, not presently
16 available for our review, and the absence of them might indicate
17 a loan not made in the normal course of business. Those two
18 documents are the financial... financing statement and the loan
19 application.

20 CHAIRMAN MCGARRY: Thank you, Robert. Commissioner Aikens?

21 COMMISSIONER AIKENS: Ray Lisi, how much money was coming in for
22 matching during this period to the Hart Campaign? What kind of
23 contributions were they receiving? Obviously, it went up after
24 the 28th, but...

25 MR. LISI: Yeah, during February and March, I believe... I'm not
26 sure I have an exact figure on how much came in. But it was
27 approximately \$8 million.

28 COMMISSIONER AIKENS: How much?
29
30

6 MR. LISI: Within a two month period. About \$8 million
7 (INAUDIBLE).

8 COMMISSIONER AIKENS: And that was after the 28th, it started
9 coming in like that?

10 MR. LISI: It would have been... those were in the reports, I
11 believe they were in the March and April reports.

12 COMMISSIONER AIKENS: March and April reports.

13 MR. LISI: Showed that amount coming in.

14 COMMISSIONER AIKENS: So that, any bank that loaned Senator Hart
15 money on the 29th was... could be fairly well assured of
16 repayment within reasonable time, I would think.

17 CHAIRMAN MCGARRY: Yes, Mr. Morgan?

18 SPECIAL DEPUTY MORGAN: Thank you, Mr. Chairman. What
19 significance, if any, and if it's in the analysis I'm sorry I
20 mention it, but... you give to the affidavit by Laura Hirschfeld
21 on page 80 that... where number five says: "Invoices or direct
22 payment for these accounts," referring to the press travel, I
23 believe anyway. From the various news organizations to the Hart
24 ... in care of NS&T so it would actually be in their accounts.
25 And I added up the numbers on page 81, and that's over \$117,000.
26 Is that... do you give any significance to that as collateral?

27 MR. RAICH: The accounts were collateral for the loan. The fact
28 that the committee directed these people to make their payments
29 directly to the bank indicates that the bank was that much more
30

6 assured of repayment. The fact these add up to a little bit more
7 than the loan could well be because the committee had to pay
8 previous air carriers, and not just this charter air service as
9 of this date.

10 SPECIAL DEPUTY MORGAN: But these were, nonetheless, going to
11 be... these bills... this \$117,000 of receivables... not the
12 receivables were going to be asked, the people that owed those
13 receivables were going to be asked to direct the payment into
14 NS&T; right?

15 MR. RAICH: According to the affidavit, yes.

16 SPECIAL DEPUTY MORGAN: Well, I mean, you have no reason to doubt
17 the validity or veracity of that affidavit? Thank you.

18 CHAIRMAN MCGARRY: Commissioner Elliott?

19 COMMISSIONER ELLIOTT: Mr. Chairman, I move that we take no
20 further action... we take no action concerning NS&T Bank, N.A.

21 CHAIRMAN MCGARRY: Commissioner Elliott moves, and Commissioner
22 Elliott is still moving...

23 COMMISSIONER ELLIOTT: (INAUDIBLE).

24 CHAIRMAN MCGARRY: ...that we take no action with reference to
25 NS&T Bank, N.A. for violating 2 U.S.C. 441b(a); and this is
26 recommendation number four of the General Counsel's report as
27 found on page 18. Mr. Harris?

28 COMMISSIONER HARRIS: I'd like the General Counsel's evaluation
29 of these... of this security listed on schedule A, as to whether
30

7 other creditors had a priority position with respect to any of
8 these matters.

9 MR. RAICH: No.

10 GENERAL COUNSEL STEELE: I'm sorry.

11 MR. RAICH: It appears twice on...

12 CHAIRMAN MCGARRY: Mr. Raich.

13 MR. RAICH: ...attachment 72 and 75. To the extent that schedule
14 A includes drafts, any checks that had been paid to the committee
15 by anyone else could have been included. But this bank had
16 priority with respect to accounts.

17 COMMISSIONER HARRIS: What would that embody?

18 MR. RAICH: The main thing it embodied was the money due to the
19 committee for air fare from the various people who were listed in
20 the affidavit on attachment 79 through 81.

21 COMMISSIONER HARRIS: And how much money was that?

22 MR. RAICH: There's a...

23 GENERAL COUNSEL STEELE: Those accounts...

24 MR. RAICH: Well, the accounts listed on attachment 81 were over
25 \$100,000.

26 COMMISSIONER ELLIOTT: That was twice the amount used. \$54,000
27 is what they used; so that was twice the amount used.

28 MR. RAICH: That's right, \$54,000. That's right.

29 CHAIRMAN MCGARRY: Anything further, Mr. Harris?

30 COMMISSIONER HARRIS: No, thank you.

6 CHAIRMAN MCGARRY: If no further discussion, the vote will occur
7 on that motion. All in favor say Aye. (Ayes heard.) All
8 opposed? It appears to the Chair, the motion carries by a vote
9 of 6 to nothing. Mr. Raich.

10 MR. RAICH: Thank you, Mr. Chairman. The next loan was from
11 Riggs National Bank. It was a loan made on the 3rd or rather the
12 8th of March, 1984, for prime plus one percent. The amount of
13 the loan was for \$1.3 million. Eight days before that loan was
14 made, again the 29th of February, the committee had negative cash
15 on hand balance, and obligations of \$1.2 million. In other
16 words, it had obligations of nearly the entire size of the Riggs
17 loan. In addition, we have no loan application for the Riggs
18 Bank.

19 CHAIRMAN MCGARRY: Commissioner Elliott?

20 COMMISSIONER ELLIOTT: Well, we've just heard the auditors say
21 that during the period following the national primary, they were
22 bringing in money in terms of \$8 million at a crack which would
23 have paid for all previous loans, and this one twice over. And
24 it just doesn't... seems to me that, that seeing those daily
25 receipts and all, would make anybody think that they might be
26 good for this amount since it was one-eighth of the amount that
27 was coming in at that time. Just in that short period of time.
28 So, I will move, Mr. Chairman, that we take no action concerning
29 Riggs National Bank.
30

6 CHAIRMAN MCGARRY: Commissioner Elliott moves we take no action
7 with reference to Riggs National Bank for violating 2 U.S.C.
8 441b(a); and this is in reference to recommendation number five
9 of the General Counsel, on page 18 of the report. Commissioner
10 Aikens?

11 COMMISSIONER AIKENS: Well, I just thought it should be noted
12 also that under this loan the matching funds were going directly
13 to the treasury, not passing down.

14 MR. RAICH: That's correct. The treasury made the matching funds
15 directly to the bank.

16 CHAIRMAN MCGARRY: Mr. Harris?

17 COMMISSIONER HARRIS: What is the factual support of the General
18 Counsel's recommendation to find reason to believe?

19 MR. RAICH: As I've mentioned, the committee at the time of the
20 loan had outstanding obligations for nearly the entire size of
21 the loan.

22 COMMISSIONER HARRIS: Nothing else?

23 MR. RAICH: No. Oh, yes. There's also a lack of documentation
24 or we don't have a loan application.

25 CHAIRMAN MCGARRY: Anything further, Mr. Harris?

26 COMMISSIONER HARRIS: No.

27 CHAIRMAN MCGARRY: If there's no further discussion, the vote
28 will occur on that motion. All in favor say Aye. (Ayes heard.)
29
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6 All opposed? It appears to the Chair, the vote is 6 to nothing.
7 Mr. Raich?

8 MR. RAICH: Thank you, Mr. Chairman. The next loan which was
9 discussed in the General Counsel's report concern the National
10 Bank of Washington again. This is the other half of
11 recommendation number two. We took care of the first half of
12 that earlier this morning. The second loan which National Bank
13 of Washington made to the Hart Campaign was a three and a half
14 million line of credit. The interest of prime plus one-half
15 percent. This was made on the 19th of March, 1984. On that
16 three and a half million dollars over four and a half million was
17 actually loaned because it was a line of credit. However,
18 according to the auditors, at no time... no, one time did the
19 committee ever exceed that three and a half million dollars line
20 of credit. That loan is far larger than any other loan made to a
21 committee during the campaign. It also has the lowest interest
22 rate of any loan made to a committee during the campaign. With
23 this loan we get into loans which the committee has never repaid.
24 And in fact, to this day about \$730,000 of that loan is still
25 outstanding. The way it worked is somewhat of a tangled web.
26 Originally the loan was going to be due on the 14th of May, 1984.
27 Well, the date came and went. Apparently, there was a
28 renegotiation of the loan. We don't have any documents
29 reflecting that renegotiation. But during the rest of the course
30

6 of the loan and up through the present, it became listed on the
7 committee's reports, as these were either three or four loans,
8 depending on the month of the committee's report. These loans at
9 first carried due dates in the future; and for a period of about
10 four months were demand notes. Then, starting in March of this
11 year, April of this year, excuse me, they had a due date of
12 December 31st, 1985. That's the current status with it. Now,
13 some of these were demand notes. I think we know our position on
14 that now. There was a period when the loan even had a specific
15 due date; yet, that due date was in the past according to the
16 time the committee reported it. Specifically, during both July
17 and August of 1984, the loans were listed as having a due date of
18 August 27th, 1984. Yet, on the August 31st, 1984 report, they
19 still listed that note... that loan as being due on the 27th of
20 August, 1984. Here we have even a real due date which may be
21 illusory at best. There are also... some other documents, which
22 we don't have, which could shine some light on this loan, and
23 some other information which is not presently available to us.
24 Now, we don't know from the documents whether the National Bank
25 of Washington got matching fund payments directly from the
26 Treasury. The Audit Division has told be that they did get that
27 money directly from the Treasury, but we don't have any documents
28 indicating that. The main thing which sticks out in my mind is
29 these roll-overs or renegotiations of the loan that took place.
30

6 The loan went from being... loan at one-half percent above prime
7 to being one and a half percent above prime, according to the
8 committee's report. Yet, we don't have any documents reflecting
9 this renegotiation or these roll-overs. To that extent, we may
10 not consider them to be subject to written instruments which, of
11 course, is required by the Act and the regulations. In the...
12 in the original note the bank had an opportunity of assessing a
13 late charge of two percent, if the loan were not paid off by the
14 due date. Yet, of course, the bank didn't assess this late
15 charge of two percent. You might wonder why the bank chose not
16 to do that. Is that a normal bank practice for it not to assess
17 late charges which are in its contracts? There is an assignment
18 of the insurance policy or apparently one insurance policy;
19 though some of the previous loans were collateralized by three
20 insurance policies. Yet, that is not a completed assignment of
21 the insurance policy. If this is going to be a bona fide piece
22 of collateral, one would think the assignment would need to be
23 complete; yet, the document we have doesn't complete it. Again,
24 as in all the loans, there is no loan application available for
25 our review.

26 CHAIRMAN MCGARRY: Commissioner Elliott?

27 COMMISSIONER ELLIOTT: Do you think that we should be approaching
28 this from the line of credit? In other words, when they go in to
29 get the 3.5 million, shall we not look at that and wait until
30

6 they use it at the time that they get the loans? Now,
7 ordinarily, if you go in for a line of credit, you have the line
8 of credit, you do not use it right away. You do not have a loan
9 and it's not until you ask for the money that you execute a loan
10 agreement. And, of course, the line of credit called for a
11 floating prime rate. So, we know that the interest is not going
12 to be the same because it's floating. So, do you think we should
13 just look at the line of credit as the extension or shall we just
14 ignore that and go to the loans as they occurred?

15 GENERAL COUNSEL STEELE: The answer is that, you should look at
16 both in my mind.

17 CHAIRMAN MCGARRY: Mr. Steele.

18 GENERAL COUNSEL STEELE: Once you've obtained the line of credit,
19 you've obtained something of value certainly. It is something
20 that you can use, you know, with people that you're purchasing
21 things from and say: "We've got this line of credit, and so
22 therefore you don't have to worry about it." And it is part of
23 the entire transaction. On the other hand, I think you also have
24 to look at the actual loans made under it, the timing of the
25 loans. So, I think you have to look at both.

26 COMMISSIONER ELLIOTT: Well, here we are again where they have
27 been paying off certain banks. They, I believe, used some of
28 these funds to pay off other obligations, and I'm sure the bank
29 knew about that. Then, they get the line of credit, and they did
30

6 that in March, again when the receipts are \$8 million on... in a
7 two month period. And they're going to get a direct deposit of
8 the matching funds, which are big, lots of millions of dollars.
9 It doesn't look too strange to me. The only problem I have with
10 it is the fact that as in all loans with banks, they have to be
11 very careful. And, of course, they have to be even more careful
12 with political loans to the banking industry, because they don't
13 write this off as a bad debt; this comes directly out of profit.
14 Because a bad debt for political purposes is not an expense. So,
15 they... they hedge even closer, otherwise stockholders would be
16 down on them quite fast.

17 CHAIRMAN MCGARRY: Mr. Josefiak?

18 COMMISSIONER JOSEFIAK: Thank you, Mr. Chairman. I'd like to
19 follow-up with the auditors; is there any evidence at all about
20 whether there were direct payments from the treasury to the bank?

21 MR. LISI: We noted...

22 CHAIRMAN MCGARRY: Ray Lisi.

23 MR. LISI: ...approximately \$1.4 million that went directly to the
24 bank, as opposed to passing through the committee's depository is
25 when the... at the time that the matching fund payments were
26 made, National Bank of Washington was the depository for matching
27 funds. And when the checks came in, there was one entire payment
28 that went directly on the loan; and then, there was a portion of
29
30

6 it on a payment. But I believe the total was about \$1.4 million
7 that went directly on the account to pay off the loans.

8 COMMISSIONER JOSEFIAK: Thank you.

9 CHAIRMAN MCGARRY: Commissioner Aikens?

10 COMMISSIONER AIKENS: Well, along that same line, Ray, that...
11 the first line of credit agreement or master promissory note as
12 they call it, it says that repayment is due... one payment due on
13 May 14th, 1984 together with interest. Was there any amount paid
14 on that date, are we aware? Do we know if anything was paid on
15 that date?

16 MR. LISI: I have a schedule here of payments, let me just check
17 and see if... there was a million dollar payment.

18 COMMISSIONER AIKENS: On that date?

19 MR. LISI: That was on April 6th.

20 COMMISSIONER AIKENS: On April 6th.

21 MR. LISI: Right. And then,...

22 COMMISSIONER AIKENS: All right.

23 MR. LISI: ...on May 11th, there was another \$630,000 payment.

24 COMMISSIONER AIKENS: So by the time the this first payment was
25 due or the payment was due, they had made two payments?

26 MR. LISI: That's correct.

27 COMMISSIONER AIKENS: For a million six?

28 MR. LISI: That's correct.
29
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6 COMMISSIONER AIKENS: And how much had they used up to that
7 point? They used a million three to repay Riggs.

8 MR. LISI: I'm not sure what the outstanding balance was at that
9 time, when those payments were made. I just have the payment
10 dates here and the... the advances on it.

11 COMMISSIONER AIKENS: And have they continued even when the loan
12 has been restructured, were there continual payments of at least
13 interest? Obviously, they've paid on some of the principal, too.

14 MR. LISI: Yes.

15 COMMISSIONER AIKENS: There's only 730 outstanding.

16 MR. LISI: We... our field work only went through July 31st. But
17 we do have periodic payments just about every month; in some
18 cases two or three a month. Which most of them appear to be from
19 matching fund payments, that went to pay off the balance of the
20 loan. And in some cases there was interest and in some cases
21 not, depending on when the payment was made. After that date,
22 apparently there were payments because we showed a balance of
23 over a million dollars; and I believe it's down now to
24 approximately \$700,000.

25 COMMISSIONER AIKENS: Did you ask for any other documents from
26 the committee for this loan...

27 MR. LISI: Not on this...

28 COMMISSIONER AIKENS: ...this line of credit?

29 MR. LISI: Not on this loan, no.
30

6 COMMISSIONER AIKENS: Did you feel this was complete?

7 MR. LISI: At the time we did, yes.

8 COMMISSIONER AIKENS: For your purposes?

9 MR. LISI: Yes.

10 COMMISSIONER AIKENS: Thank you. Thank you, Mr. Chairman.

11 CHAIRMAN MCGARRY: Commissioner Aikens?

12 COMMISSIONER AIKENS: I will move we take no action against the
13 National Bank of Washington for the \$3.5 million line of credit.

14 CHAIRMAN MCGARRY: And this is with reference to recommendation
15 number...

16 COMMISSIONER AIKENS: Well, it's the other half of recommendation
17 two.

18 CHAIRMAN MCGARRY: Exactly. And would you restate the motion,
19 please. Commissioner Aikens?

20 COMMISSIONER AIKENS: I move that we take no action against the
21 National Bank of Washington in its extension of a line of credit
22 of \$3.5 million.

23 CHAIRMAN MCGARRY: You've heard the motion. If no discussion,
24 the vote will occur on that motion. All in favor say Aye. (Ayes
25 heard.) All opposed? (Nos heard.) It appears to the Chair, the
26 motion carries by a vote of 5 to 1, Commissioner Harris voting
27 against. Robert Raich?

28 MR. RAICH: The next bank on the list is the California National
29 Bank, that's recommendation number six on page 18 of the General
30

6 Counsel's report. This was a loan made on July 2nd, 1984. It
7 carried an interest rate of one and a half percent above prime.
8 They originally had a due date of December 14th, 1984. That due
9 date continued past the end of December 1984, past the end of
10 January 1985; still with this due date of mid-December 1984.
11 Again, if there was a due date, it may have been in name only.
12 Of course, at the time of this loan the committee was in very bad
13 shape financially, having obligations of... oh, about four and a
14 half million dollars. The loan itself was for nearly \$42,000;
15 collateralized by a communication system for use at the
16 Democratic National Convention. The vendor of this communication
17 system estimated that its resale value would be \$41,995, the
18 exact amount of the loan. For some reason, not apparent, the
19 committee was unable to realize anywhere near that amount on the
20 resale of the equipment, if it ever did resale the equipment, we
21 just don't know. One thing we would like to know is, what
22 efforts were made by the bank to collect on the collateral? How
23 could the vendor have been so wrong on his estimate of the resale
24 value of the collateral? Apparently, no new collateral was
25 offered for this loan after January of 1985; that is, after the
26 due date had passed. It... although, the committee continued to
27 list this loan as being secured on its reports. Again, this is a
28 loan that had several renegotiations or roll-overs. We don't
29 have any written instruments to reflect those. And in the loan
30

6 documents the bank has an opportunity to increase the loan rate
7 four percent on default. The committee defaulted on this loan;
8 yet, the bank did not use this remedy. Something which banks
9 might normally do in the normal course of business on defaults of
10 loans. For those reasons the Office of the General Counsel
11 recommended finding reason to believe against the California
12 National Bank.

13 CHAIRMAN MCGARRY: Thank you, Mr. Raich. Commissioner Elliott?

14 COMMISSIONER ELLIOTT: I have just one question. When was that
15 loan obtained? I don't see that here on this page.

16 MR. RAICH: It's July 2nd, 1984.

17 COMMISSIONER ELLIOTT: July 2nd, 1984.

18 MR. RAICH: That's right.

19 COMMISSIONER ELLIOTT: Ok. When was the convention? What was
20 the date in July? So, it was about 20-days before the
21 convention, for something to be used at the convention.

22 CHAIRMAN MCGARRY: Mr. Harris?

23 COMMISSIONER HARRIS: Nothing, actually.

24 CHAIRMAN MCGARRY: Mr. Raich?

25 MR. RAICH: The chairman... the convention was held on July 16th
26 through the 19th, 1984.

27 COMMISSIONER ELLIOTT: Ok. Were there any payments made against
28 this loan?

29 MR. RAICH: Yes, there have been payments made against that.
30

6 COMMISSIONER ELLIOTT: And what is the outstanding balance?

7 MR. RAICH: As of the 30th of June 1985 the outstanding balance
8 was \$10,130. It was carrying an interest rate of prime plus two
9 percent rather than the original prime plus one and a half per-
10 cent. At least as the committee's reports stated that.

11 CHAIRMAN MCGARRY: A perfect interlude for my violin. I'm going
12 to bring that in... (LAUGHTER)

13 CHAIRMAN MCGARRY: Commissioner Josefiak?

14 COMMISSIONER JOSEFIK: Thank you, Mr. Chairman. Mr. Chairman, I
15 move that we take no action against the California National Bank.
16 And the reason I come to that conclusion is because as far as the
17 loan agreement itself, it appears to be on the face of it meeting
18 all fours of what we've been talking about all the time. And
19 whether or not there's a problem after the fact about, you know,
20 collection, et cetera, et cetera, that's a different problem.
21 But that's not the issue before the Commission right now. It's
22 the loan agreement itself. And I see nothing on the face of the
23 agreement which would violate the Act.

24 CHAIRMAN MCGARRY: With reference to page 18 of the report, and
25 specifically with reference to recommendation number six,
26 proposed by the General Counsel; Commissioner Josefiak has moved
27 that we take no action with reference to California National Bank
28 for violating 2 U.S.C. Section 441b(a). If there's no discus-
29 sion, the vote will occur on that motion. All in favor say Aye.
30

6 (Ayes heard.) All opposed? It appears to the Chair, the vote is
7 6 to nothing. Mr. Raich.

8 MR. RAICH: The last bank was the Suburban Bank. Now this is
9 recommendation number seven on page 18 of the report. On May
10 2nd, 1984 the Suburban Bank gave the committee a \$10,000 loan,
11 bearing the interest rate of prime plus one percent. At that
12 time, the committee had outstanding obligations of \$4.58 million.
13 The collateral of this loan was supposed to be proceeds of an
14 event to be held on June 14th, 1984. However, for some reason,
15 not apparent from the documents, the bank didn't get paid on the
16 due date which was scheduled to be June 18th, 1984. In fact,
17 they did not get paid until April of this year, 1985. Starting
18 with the July reports from the committee, they listed this loan
19 as being unsecured, and it continued to be listed as unsecured
20 through the duration of the loan. This is one of those loans
21 which...which chronically had due dates which were listed at
22 times previous to the times that the committee had completed its
23 report. In...the bank made no attempt to foreclose them on the
24 loan when it didn't get paid according to the loan agreement. In
25 fact, it didn't do this a total of six times during the course of
26 the loan when it was due, according to the committee's reports.
27 Because of this, of course, raises the specter of under-
28 collateralization and whether the loan was made on a basis which
29 assures repayment, which is required by the Act. There is some
30

6 information which is unavailable to the Commission right now.
7 Again, the roll-overs or renegotiations, if they generated any
8 documents, those documents are not available to the Commission at
9 this time; and, of course, to be in the ordinary course of
10 business as that term is used in the Act, loans must be evidenced
11 by a written instrument. The committee apparently did not offer
12 them. The bank apparently did not ask for additional collateral
13 after the passage of the original due date. For one reason this
14 loan wasn't reported twice on the committee's monthly reports;
15 specifically, that's the May and June 1984 reports. There was no
16 reference made in the loan documents of any preexisting
17 assignments of collateral. Some of the earlier loans existing
18 had very broad definitions of collateral which would include
19 proceeds of an event, such as the one that collateralized this
20 loan. Again, the bank could have charged a late charge and used
21 other default remedies. The bank did not choose to do so for
22 some reason, apparent from the documents. We don't have any loan
23 application. We don't have a financing statement. In fact, all
24 we do have is a promissory note and a pledge agreement; two
25 pieces of paper.

26 CHAIRMAN MCGARRY: Thank you, Mr. Raich. Mr. Morgan?

27 SPECIAL DEPUTY MORGAN: Thank you, Mr. Chairman. I have a couple
28 of questions. Who was the competitor for this fund-raising
29 event? You said the collateral may have been...
30

6 MR. RAICH: I have no idea what that fund-raising event was
7 supposed to be or if it was ever held.

8 SPECIAL DEPUTY MORGAN: Well, my question though is, what... who
9 was the competitor for... you say, that the collateral may have
10 already been assigned to someone else?

11 MR. RAICH: Oh, okay. Yes. That would have been the National
12 Bank of Washington.

13 SPECIAL DEPUTY MORGAN: Under just the general agreement of all
14 proceeds?

15 MR. RAICH: Well, yes, it... the National Bank of Washington had
16 a pretty complete definition of collateral in its loan documents,
17 yes.

18 SPECIAL DEPUTY MORGAN: But you do say... what's your basis for
19 saying that they... Suburban may have been able to exercise
20 priority?

21 MR. RAICH: Oh. I'm not sure about the details of this, but I
22 remember from law school that a bank, or for that matter any
23 secured party, can obtain priority over prior creditors, even in
24 future advances such as what we would have right here or... by
25 doing certain things such as; notifying the previous creditor...

26 SPECIAL DEPUTY MORGAN: But you don't have anything outside; it's
27 just normal UCC or...

28 MR. RAICH: No, nothing outside of normal UCC. That's what I
29 meant when I stated that in the report.
30

6 SPECIAL DEPUTY MORGAN: Ok. When the bank... when the loan was
7 made on... what May 2nd, '84? Is that right?

8 MR. RAICH: That's right.

9 SPECIAL DEPUTY MORGAN: Using the guidelines that were put into
10 the statute of '79, there was an interest rate?

11 MR. RAICH: Yes.

12 SPECIAL DEPUTY MORGAN: Customary fairly...

13 MR. RAICH: One percent above prime.

14 SPECIAL DEPUTY MORGAN: Prime. I've got a fan or the tape is
15 going out.

16 CHAIRMAN MCGARRY: Yes, Andy. We're off the record.

17 (OFF THE RECORD.)

18 CHAIRMAN MCGARRY: We are back on the record.

19 SPECIAL DEPUTY MORGAN: Thank you. So it did have the interest
20 rate, it was in writing, we had the promissory note; correct?

21 MR. RAICH: Yes.

22 SPECIAL DEPUTY MORGAN: And it was subject to a due date at the
23 time, in the promissory note?

24 MR. RAICH: That's right.

25 SPECIAL DEPUTY MORGAN: Now, the other guideline, of course,
26 being made on the basis which assures repayment, which I still
27 don't... haven't figured out exactly what that means, but of the
28 three somewhat concrete guidelines, they were all met at the time
29 the money was loaned; right?
30

6 MR. RAICH: The documents would indicate that. Yes.

7 SPECIAL DEPUTY MORGAN: You have no reason to believe that they
8 weren't there, when you have the copy of the promissory note. I
9 realize there are many things you don't have, but with what you
10 do have, you have every reason to believe that that is the case?

11 MR. RAICH: Yes, with the exception, perhaps, of subsequent
12 events which...

13 SPECIAL DEPUTY MORGAN: Subsequent events that don't... this is
14 somewhat of what I think Mr. Josefiak was touching on that; the
15 statute speaks to, when the loan is made that it's made in the
16 ordinary course of events... or ordinary course of business.
17 Now, I'm unclear, and maybe you can enlighten me on this, if the
18 subsequent events prove that it was a sham, that there are other
19 statutes that have been violated and not necessarily the bank...
20 the loan statute. I mean, if at the time it was made it was a
21 legitimate loan, which we don't have any reason to doubt; now
22 it's later changed to not be a legitimate loan then there are
23 problems. But, I don't see how you can say this was outside the
24 ordinary course of business when it was made... when it met the
25 guidelines that are in the Act.

26 CHAIRMAN MCGARRY: Mr. Steele.

27 GENERAL COUNSEL STEELE: The question would be to look at it. I
28 mean, if you've got somebody pledging collateral that they're
29 already pledged to somebody else at a point when they're greatly
30

6 in debt, it seems to me you have some reasonable thought... I
7 mean, as to whether or not you've got an adequate basis for
8 repayment. I mean, I understand that you don't, and we did...

9 SPECIAL DEPUTY MORGAN: I understand that you do. I mean that's
10 fine.

11 GENERAL COUNSEL STEELE: ... (INAUDIBLE).

12 SPECIAL DEPUTY MORGAN: I just was making my point again. It
13 seems that this one is again another situation where the bank was
14 pretty well covered having read the Act. I disagree with you and
15 you disagree with me.

16 GENERAL COUNSEL STEELE: Yes, there... comes, then you read the
17 Act. I would think that if you had somebody, you know, you can
18 make the examples get more and more extreme, but if you have
19 somebody who was \$50 million in debt and pledged all the assets
20 that they pledged to seven other banks, you'd be... you do have a
21 point at which that, I would think, would raise questions.

22 SPECIAL DEPUTY MORGAN: But this bank...

23 GENERAL COUNSEL STEELE: It doesn't to you, and that's, you know,
24 that's where we differ. But I don't think that you can put it on
25 the basis that because, you know, that you're... because the, you
26 know, the loan agreement...

27 SPECIAL DEPUTY MORGAN: I just think...

28 GENERAL COUNSEL STEELE: ...look at those things there, if that's
29 all you're going to look at.
30

6 SPECIAL DEPUTY MORGAN: No, I think what we fundamentally
7 disagree on is that, I think... I realize the threshold for
8 reason to believe is low; I just don't think it's as low as you
9 think it is.

10 CHAIRMAN MCGARRY: Commissioner Aikens?

11 COMMISSIONER AIKENS: Well, I think you also have to look at, not
12 just what had gone out but what was coming in. On May 2nd, they
13 had just finished their big fund raising and reported March and
14 April receipts of \$8 million. If they took those reports to the
15 bank and said, this is what we're bringing in, no matter what's
16 happened after that and it's not coming in quite that fast now,
17 but it's still coming in; I think and (INAUDIBLE) for more than
18 \$10,000.

19 CHAIRMAN MCGARRY: Commissioner Elliott?

20 COMMISSIONER ELLIOTT: Well, perhaps, Ray knows. Did they hold
21 more than one concert during... it seemed to me that I remember
22 that they raised money by concerts.

23 MR. LISI: There were a number of different concerts and fund
24 raisers that were held, but I...

25 COMMISSIONER ELLIOTT: Ok.

26 MR. LISI: ...or when they were held, I don't know.

27 COMMISSIONER ELLIOTT: Were they held before June 14th, 1984,
28 though? This is it... in other words, is this the first one?

6 MR. LISI: I really don't know. I couldn't place a date on the
7 first one.

8 COMMISSIONER ELLIOTT: Well, see that's only less than a month.
9 I mean, it's just about a month before the convention.

10 MR. LISI: But it's...

11 COMMISSIONER ELLIOTT: So, would... did they hold... would you
12 think that they held them before just from memory looking at the
13 books?

14 MR. LISI: It seems to me there was a discussion of one of the
15 other loans, and I'm not sure what the date of that was or even
16 which loan it was now, that there were other concerts that
17 were...

18 GENERAL COUNSEL STEELE: There were the nine specific listed ones
19 that...

20 MR. LISI: Right.

21 COMMISSIONER ELLIOTT: And how much did they bring in about?

22 MR. LISI: I really don't know. I don't have the figure on that.

23 COMMISSIONER ELLIOTT: Does anybody know about how much a concert
24 would bring in?

25 MR. RAICH: They are not required to report that...

26 COMMISSIONER ELLIOTT: Well, they don't hold them if it isn't
27 more than 10,000; therefore, (INAUDIBLE). My thought is that
28 this is... that this loan was collateralized from the proceeds of
29 a concert to be held on a date specific rather than the other
30

6 loan that says: "And all other fund-raising events that had,"
7 and this one hadn't even been planned at the time. It would seem
8 to me that these people, perhaps, thought or it would be
9 reasonable for them to think that they had the first claim on
10 those proceeds; and it was only for \$10,000. I'm fairly sure
11 they expected the event to raise at least 50,000, maybe 100,000.
12 This would just be a small part of it. And, also, as you say,
13 that they may have had first right to this money because of the
14 way the others were written in, and other factors that you
15 mentioned. So, for this reason, Mr. Chairman, I would move that
16 we take no action concerning Suburban Bank.

17 CHAIRMAN MCGARRY: With reference to the General Counsel's
18 recommendation number seven, Commissioner Elliott moves we take
19 no action with reference to the Suburban Bank for violating 2
20 U.S.C. 441b(a). If no discussion, the vote will occur on that
21 motion. All in favor say Aye. (Ayes heard.) All opposed? (Nos
22 heard.) It appears to the Chair, the vote is 5 to 1, Commissioner
23 Harris voting against. Robert Raich?

24 MR. RAICH: The next two recommendations regarding reason to
25 believe concerns the Committee and Senator Hart. However, Mr.
26 Chairman, since the Commission has found or has taken no action
27 with regard to each of the banks, I believe you might want to
28 discuss what you're going to do with respect to recommendations
29 eight and nine.
30

6 CHAIRMAN MCGARRY: I think that's a commendable suggestion.
7 Commissioner Elliott?

8 COMMISSIONER ELLIOTT: Mr. Chairman, I move that we take no
9 action concerning the Americans With Hart, Inc. or Senator Gary
10 Hart concerning these transactions as violations of 441b(a).

11 CHAIRMAN MCGARRY: Commissioner Elliott moves with reference to
12 recommendations... the General Counsel's recommendations eight
13 and nine, that the Commission take no action with reference to
14 Americans With Hart, Inc. and Michael R. Moore as Treasurer for
15 violating 2 U.S.C. 441b(a). And to also take no action with
16 reference to Senator Gary W. Hart for violating 2 U.S.C. 441b(a),
17 with reference to all of the matters and alleged violations that
18 have been recited throughout the General Counsel's
19 recommendations beginning on page 17 and carrying over to 18 of
20 the report. If there's no discussion, the vote will occur on
21 that motion. All in favor say Aye. (Ayes heard.) All opposed?
22 (Nos heard) It appears to the Chair, the motion fails to
23 carry... carries by a vote of 5 to 1, Commissioner Harris voting
24 against. Commissioner Elliott.

25 COMMISSIONER ELLIOTT: Mr. Chairman, I move that we do not send
26 any of the attached letters and orders and subpoenas or the
27 factual and legal analysis. And that the appropriate letters be
28 prepared and sent to the banks, the Senator and the Committee.
29
30

6 CHAIRMAN MCGARRY: Commissioner Elliott moves that... I'm sorry.
7 Commissioner Aikens, go right ahead.

8 COMMISSIONER AIKENS: Don't you want to repeat the motion first?

9 CHAIRMAN MCGARRY: Sure. Commissioner Elliott moves that we do
10 not send the attached letters and the legal and factual analysis
11 to any of the banks and the recommendations beginning on page 17
12 and carrying over to 18 of the General Counsel's report, nor to
13 American With Hart, Inc. and Michael R. Moore as Treasurer. And
14 with reference also to Senator Gary W. Hart for various
15 violations of the Federal Election Campaign Act of 1971 as
16 amended.

17 COMMISSIONER ELLIOTT: And that the appropriate letters...

18 CHAIRMAN MCGARRY: And that the appropriate letters with
19 reference to all of these matters be sent to the appropriate
20 parties. Commissioner Aikens?

21 COMMISSIONER AIKENS: Well, I was going to ask about that last
22 part of Commissioner Elliott's motion. Have they been notified
23 of anything? Have any of them been notified of anything?

24 ASSISTANT GENERAL COUNSEL LERNER: Other than through the audit.

25 COMMISSIONER AIKENS: This is an audit referral; right?

26 ASSISTANT GENERAL COUNSEL LERNER: Correct.

27 GENERAL COUNSEL STEELE: They've been notified that... on matters
28 in the audit report...

29 CHAIRMAN MCGARRY: Mr. Steele.
30

6 COMMISSIONER AIKENS: Yes.

7 COMMISSIONER AIKENS: But they have not been notified of this
8 action. So, what letter goes to them?

9 CHAIRMAN MCGARRY: Well, Mr. Josefiak, do you have anything?

10 COMMISSIONER JOSEFIAK: Yes. I don't think anything goes to
11 them. This is not...

12 COMMISSIONER AIKENS: That's right.

13 COMMISSIONER JOSEFIAK: ...referred as part of the audit process.
14 They have not been notified that this has been referred, to my
15 knowledge. That this was internally generated. It was not an
16 audit referral in the normal sense where they would have been
17 notified in the audit that these were sent up to the Office of
18 General Counsel. I don't think any letter goes to the Hart
19 Committee in this instance.

20 CHAIRMAN MCGARRY: Yes, Commissioner Elliott?

21 COMMISSIONER ELLIOTT: Well, I will amend my motion if that is
22 appropriate, but let me ask this question. Did not they get the
23 audit report that said that the matter... these matters were
24 being referred to the General Counsel?

25 MR. LISI: The audit request...

26 CHAIRMAN MCGARRY: Ray Lisi.

27 MR. LISI: ...recommendation or a statement in it that matters
28 were referred to the Office of General Counsel. And the
29 committee is aware that the matters were loans.
30

6 COMMISSIONER AIKENS: But these were...

7 COMMISSIONER JOSEFIAK: Were the loans.

8 COMMISSIONER AIKENS: Oh, all right, I'm sorry.

9 COMMISSIONER JOSEFIAK: Ok, I'm sorry. I was under the
10 impression they were not in the report.

11 COMMISSIONER AIKENS: Then I...

12 COMMISSIONER ELLIOTT: See, so you would never know that we had
13 discussed it or they would think it was still pending, if we
14 don't tell them differently.

15 CHAIRMAN MCGARRY: So, it would appear to the Chair that the
16 motion in its present form is appropriate.

17 COMMISSIONER ELLIOTT: And I would like to amend it to close the
18 file.

19 CHAIRMAN MCGARRY: And Commissioner Elliott amends... moves
20 further to amend the motion to add the language, to close the
21 file.

22 COMMISSIONER HARRIS: Can somebody tell me what the full motion
23 is?

24 CHAIRMAN MCGARRY: Yes. We're really... sending all the
25 appropriate letters, and we're not sending the attached letters,
26 the legal and factual analysis with reference to all of the banks
27 recited in all of the recommendations. And neither are we
28 sending attached letters to... or the legal and factual analysis
29 to Americans With Hart, Inc. or Senator Gary Hart; and in lieu
30

6 thereof we... Commissioner Elliott has moved that appropriate
7 letters be sent to appropriate parties on the basis of what the
8 Commission has done here this afternoon. And to close the file.
9 If there is no further discussion, and there appears to be none,
10 the vote will occur on that motion. All in favor say Aye. (Ayes
11 heard.) All opposed? (Nos heard.) It appears to the Chair...

12 COMMISSIONER HARRIS: That doesn't mean that I won't send any
13 appropriate letters.

14 CHAIRMAN MCGARRY: Thank you for that clarification,
15 Commissioner. And the motion does carry by a vote of 5 to 1,
16 Commissioner Harris voting against. Thank you all, and thank
17 you, Robert. You really needed a rest for that one.

18 MR. RAICH: Can I have another vacation.

19 CHAIRMAN MCGARRY: Yes.

20
21

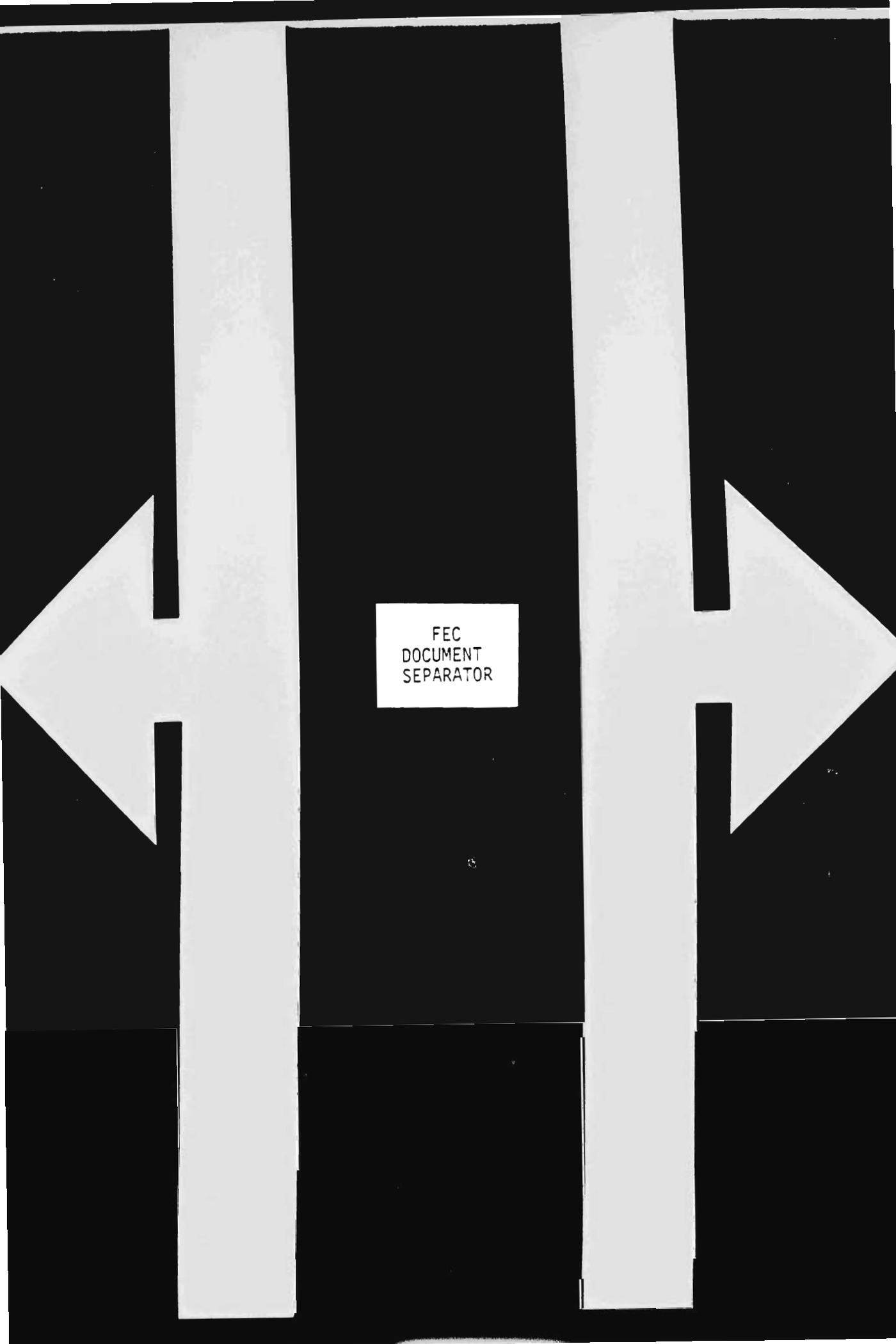
END OF DISCUSSION

22 I, Mary W. Dove, Administrative Assistant of the Federal Election Com-
23 mission do hereby certify that pursuant to the Government in the Sunshine
24 Act, 5 U.S.C. § 552b, the foregoing 89-page transcript of the discussion of
25 the Federal Election Commission with respect to Matters Under Review 2062,
26 which occurred in Executive Session on October 22, 1985, discloses the
27 identity of each speaker and is adequate to record fully the relevant portion
28 of the Commission's proceedings.

29 Attest:

30 4-14-86
Date


Mary W. Dove
Administrative Assistant

The image shows a document separator with a central white rectangular label. The label contains the text "FEC DOCUMENT SEPARATOR" in a bold, sans-serif font. The background is black, and there are two large, white, stylized arrow-like shapes pointing outwards from the center, one on the left and one on the right. These shapes are composed of a vertical bar and a triangular arrowhead. The overall design is symmetrical and high-contrast.

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Internal Documents, Duplicate Documents

Documents Concerning Conciliation Other Than Signed

Conciliation Agreement

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- (1) Classified Information
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- (3) Exempted by other statute
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- (5) Internal Documents
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- (7) Investigatory files
- (8) Banking information
- (9) Well Information (geographic or geophysical)

Signed John K. Ding
date _____

FEC 5-21-77

John K. Ding
4/24/86



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

12 3.5.87

THE FOLLOWING MATERIAL IS BEING ADDED TO THE
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Telex 440003

31 Columbus
52 East Gay Street
Post Office Box 1008
Columbus, Ohio 43210-1008
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Telecopier (614) 464-6150
Rapifax (614) 464-6453
Telex 241348
Cable: VORSEAT

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200 One Cleveland Center
1375 East South Street
Cleveland, Ohio 44114-1724
Telephone (216) 621-7000
Telecopier (216) 621-6100

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Suite 2100
222 East
Cleveland, Ohio 44114-1724
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Telecopier (216) 421-2100

February 18, 1987

Federal Election Commission
999 E Street NW
Washington, D.C. 20463
ATTN: Public Records

re: MUR 2062
Americans with Hart, Inc, et. al.

Dear Sirs:

This letter serves as a written request under the Sunshine Act.

We request the opportunity to review all transcripts and/or tapes of meetings at which MUR 2062 was discussed. Our request includes, but is not limited to, executive sessions at which MUR 2062 was discussed. We have reviewed the transcripts of the Executive Sessions held on October 8, 1985 and October 22, 1985.

We further request expeditious handling of this matters. Please notify the undersigned, at 822-8200 as soon as the transcripts and/or tapes are available for review.

We appreciate your prompt attention to our request.

Yours sincerely,

Lynne J. Haslbeck
Lynne J. Haslbeck
Legal Assistant

LJH/

87 FEB 19 AID: 36

GENERAL

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