FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THIS IS THE BEGINNING OF MUR # 2522

DATE FILMED 6/22/90 CAMERA NO. 4

CAMERAMAN AS

9004071097

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM

12 January 1987

TO: CHARLES N. STEELE
GENERAL COUNSEL

THROUGH: JOHN C. SURINA
STAFF DIRECTOR

FROM: JOHN D. GIBSON
ASSISTANT STAFF DIRECTOR
REPORTS ANALYSIS DIVISION

SUBJECT: REFERRAL OF THE JOHN VANDENBERGE FOR CONGRESS COMMITTEE

This is a referral of the John Vandenberge for Congress Committee ("the Committee"). The Committee has accepted and refunded apparent corporate contributions from Vandenberge Enterprises Inc. In the process of refunding the apparent corporate contributions, the candidate and his wife together signed a note for a loan which appears to be an excessive contribution from the candidate's wife. According to the Reports Analysis Division Review and Referral Procedures for Authorized Committees (Standard 2), further examination by your office is required.

If you have any questions regarding this matter, please contact Robin Kelly at 376-2480.

Attachment

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REPORTS ANALYSIS REFERRAL

TO

OFFICE OF GENERAL COUNSEL

DATE: 12 January 1987

ANALYST: Robin Kelly

I. COMMITTEE: John Vandenberge for Congress Committee[1/]
(C00202291)
Stephen P. Poulos, Treasurer
10194 Baltimore National Pike, Suite 110
Ellicott City, MD 21043

II. RELEVANT STATUTE: 2 U.S.C. §§441a(f) and 441b(a)

III. BACKGROUND:

Receipt of an Apparent Excessive Contribution and Receipt of Apparent Prohibited Funds

The Vandenberge for Congress Committee ("the Committee") has received and repaid an apparent corporate contribution totalling $27,000. In addition, in the process of refunding the apparent corporate contribution, it appears that the Committee has received a $19,000 excessive contribution in the form of a loan from the candidate's wife.

The Committee's 1986 April Quarterly Report disclosed three (3) loans totalling $30,000 designated for the primary election and received between November 21, 1985 and March 31, 1986 (Attachment 2). Schedule A of the Report disclosed that the loans were made from the personal funds of the candidate (Attachment 3). The 1986 July Quarterly Report disclosed an additional loan from the candidate for $10,000 designated for the primary election and received on May 16, 1986, but the Report did not note whether or not the candidate used his personal funds (Attachment 4). A Request for Additional Information ("RFAI") was sent to the Committee on August 11, 1986 regarding the 1986 July Quarterly Report (Attachment 5). The RFAI requested the source of the loan made by the candidate. The treasurer, Stephen Poulos, responded to the request in a letter dated August 25, 1986 (Attachment 6). The response included a

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1/ The Committee's original Statement of Organization discloses the name of the Committee as John Vandenberge Victory '86. In an amendment received March 27, 1986, the name is changed to John Vandenberge for Congress Committee.

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letter written by the candidate, John Vandenberge, D.D.S., which explained the history of some financial transactions regarding the campaign (Attachment 7). In the letter, the candidate indicated that as he knew that corporate funds could not be used, he issued three (3) checks from his personal savings and checking accounts to the Committee: November 21, 1985 -- $3,000; March 26, 1986 -- $10,000; and March 31, 1986 -- $17,000. In May of 1986 he asked the campaign's attorney, Rick Neidig, to review the campaign records. After learning that the candidate had first borrowed $27,000 from his corporation, Vandenberge Enterprises Inc. and also checking with Mr. Ginsberg of the Republican National Committee, Mr. Neidig suggested to the candidate that the transaction could be "challenged." The candidate then went to a bank and borrowed $40,000 "under signature" of his wife, Linda Vandenberge, and himself as a "personal note" (Attachment 8). On May 16, 1986 the candidate reimbursed the corporation the $27,000 that had been borrowed and then lent the Committee $10,000.

On September 30, 1986 an RFAI was sent to the Committee regarding the Amended 1986 July Quarterly Report (Attachment 9). The RFAI noted the acceptance of an apparent $27,000 corporate contribution. Enclosed with the RFAI was a "Notice to All Candidates and Committees." The notice explained the different types of corporate accounts and pointed out which accounts would be prohibited for use in federal campaigns. In addition, the RFAI noted the acceptance of an apparent excessive contribution, informed the Committee that the candidate's wife was subject to the $1,000 per election limitation and asked if the loan in question was secured by property based on joint assets.

On October 15, 1986, the Reports Analysis Division analyst received a phone call from the treasurer, Mr. Stephen Poulos (Attachment 10). Mr. Poulos explained that the candidate did not intentionally violate the law and wanted it to be known that the candidate had taken immediate action to rectify the matter once the situation was made clear to him. Mr. Poulos said that he would determine the type of corporate account from which the candidate had borrowed and would respond as soon as possible.

On October 22, 1986, an amendment to the 1986 July Quarterly Report was received (Attachment 11). The amendment included a response from the treasurer, Mr. Poulos, which stated that the $27,000 borrowed from the corporate account was probably not an appropriate transaction. Mr. Poulos noted that the funds used were "repayable", i.e., they were not a payment of salary, commission or distribution of owner's equity. The amended

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Report also included a Schedule C which now showed the loans, previously reported from the candidate, from Vandenberge Enterprises Inc. and fully repaid. In addition, Schedule C disclosed the receipt of a $40,000 bank loan on May 16, 1986 designated for the primary election and guaranteed by the candidate and endorsed by the candidate's wife. It also noted that the loan was a personal, unsecured, signature loan and that the candidate's net worth exceeded the amount guaranteed.

A Second Notice was sent to the Committee on October 24, 1986, for not fully responding to the original RFAI (Attachment 12). The Second Notice noted that the 1986 Amended 12 Day Pre-Primary and 1986 October Quarterly Reports stated that the candidate's wife was an endorser of the $40,000 bank loan; that the loan was "not secured by any property;" and that the bank had "the right of setoff to Dr. and Mrs. Vandenberge's personal checking account and the checking account of their jointly owned corporation, Vandenberge Enterprises, Inc." In contrast, the Committee's 1986 Amended July Quarterly and 1986 12 Day Pre-General Reports disclosed the candidate's wife as an endorser of the loan, but stated only that the loan "is a personal unsecured signature loan." The RFAI again informed the Committee that an excessive and or prohibited contribution may have been received, should be repaid if necessary and requested that the Committee submit additional information if it was found that the loan endorsements in question were incompletely or incorrectly reported.

On November 7, 1986 Mr. Poulos phoned the analyst (Attachment 13). He said that he was waiting for the bank to supply him with information regarding the loan. He asked if he could get an extension. The analyst informed Mr. Poulos that an extension could not be granted, and advised him to send a letter to the Commission explaining the situation.

On November 10, 1986 a letter was received from Mr. Poulos regarding the November 7, 1986 phone conversation (Attachment 14). Mr. Poulos wrote that he was waiting for a response from the bank in regards to the correct terminology to be used to describe Dr. and Mrs. Vandenberge's capacity in signing the loan. The loan officer, according to Mr. Poulos, indicated that he did not consider either Dr. or Mrs. Vandenberge to be co-makers, endorsers or guarantors but rather "borrower" or "co-borrower." In addition the letter stated that the treasurer had erred when he stated that the checking account of Dr. and Mrs. Vandenberge's "jointly owned corporation" was subject to the banks "right of setoff." Mr. Poulos emphasized that "the loan in

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question was not secured by property based on joint assets nor assets of either Dr. Vandenberge or Mrs. Vandenberge, nor assets of Vandenberge Enterprises, Inc. The loan was a personal, unsecured, signature loan." Further, Mr. Poulos noted that "Dr. Vandenberge's personal, singular net worth would be more than sufficient to cover the loan."

To date, no further information has been received.

IV. OTHER PENDING MATTERS INITIATED BY RAD:

None.

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FEDERAL ELECTION COMMISSION
1985-1986
CANDIDATE INDEX OF SUPPORTING DOCUMENTS - (E)

DATE 9JAN87

CANDIDATE/COMMITTEE/DOCUMENT	OFFICE SOUGHT/	PARTY	RECEIPTS PRIMARY	RECEIPTS GENERAL	DISBURSEMENTS PRIMARY	DISBURSEMENTS GENERAL	COVERAGE DATES / TYPE OF FILER	# OF PAGES	MICROFILM LOCATION
VANDENBERGE, JOHN	HOUSE 06	REPUBLICAN PARTY			MARYLAND		1986 ELECTION	ID# H6MD06014	
1. STATEMENT OF CANDIDATE									
1986 STATEMENT OF CANDIDATE							29JAN86	1	86HSE/293/1700
2. PRINCIPAL CAMPAIGN COMMITTEE									
JOHN VANDENBERGE FOR CONGRESS							ID# C00202291 HOUSE		
1986 STATEMENT OF ORGANIZATION							10FEB86	1	86HSE/297/2369
STATEMENT OF ORGANIZATION - AMENDMENT							27MAR86	1	86HSE/299/0057
48 HOUR CONTRIBUTION NOTICE							22OCT86	1	86HSE/320/41[illegible]
APRIL QUARTERLY			40,529		14,315		21NOV85 -31MAR86	13	86HSE/300/3[illegible]
APRIL QUARTERLY	- AMENDMENT		-		-		21NOV85 -31MAR86	4	86HSE/320/5294
JULY QUARTERLY			24,708		26,105		1APR86 -30JUN86	12	86HSE/308/1140
JULY QUARTERLY	- AMENDMENT		24,708		50,814		1APR86 -30JUN86	7	86HSE/313/0022
JULY QUARTERLY	- AMENDMENT		54,708		80,814		1APR86 -30JUN86	6	86HSE/320/5284
JULY QUARTERLY	- AMENDMENT		-		-		1APR86 -30JUN86	2	86HSE/323/4000
REQUEST FOR ADDITIONAL INFORMATION							1APR86 -30JUN86	2	86FEC/426/4797
REQUEST FOR ADDITIONAL INFORMATION							1APR86 -30JUN86	8	86FEC/432/2697
REQUEST FOR ADDITIONAL INFORMATION 2ND							1APR86 -30JUN86	2	86FEC/443/0169
PRE-PRIMARY			10,811		10,431		1JUL86 -20AUG86	9	86HSE/313/0092
PRE-PRIMARY	- AMENDMENT		-		-		1JUL86 -20AUG86	8	86HSE/316/4891
PRE-PRIMARY	- AMENDMENT		10,811		10,431		1JUL86 -20AUG86	3	86HSE/320/4648
REQUEST FOR ADDITIONAL INFORMATION							1JUL86 -20AUG86	3	86FEC/432/2706
OCTOBER QUARTERLY				7,815		8,280	21AUG86 -30SEP86	11	86HSE/317/2427
PRE-GENERAL				5,207		5,149	10CT86 -15OCT86	12	86HSE/320/4542
POST-GENERAL				15,066		14,133	16OCT86 -24NOV86	14	86HSE/326/0264
TOTAL			106,048	28,088	105,560	27,562		119	TOTAL PAGES
3. AUTHORIZED COMMITTEES									
4. JOINT FUNDRAISING COMMITTEES AUTHORIZED BY THE CAMPAIGN									

All reports except the 30 Day Post-General Report have been reviewed.

Ending cash-on-hand as of November 24, 1986: $1,014
Outstanding debts owed by the committee as of November 24, 1986: $ 48,539
Outstanding debts owed to the committee as of November 24, 1986: $ 0

ATTACHMENT 1

NOTICE: THE DOCUMENTS LISTED ABOVE ARE AVAILABLE FOR PUBLIC INSPECTION AND COPYING AT THE FEC. "ANY INFORMATION COPIED FROM SUCH REPORTS OR STATEMENTS MAY NOT BE SOLD OR USED BY ANY PERSON FOR PURPOSE OF SOLICITING CONTRIBUTIONS OR FOR COMMERCIAL PURPOSES, OTHER THAN USING THE NAME AND ADDRESS OF ANY POLITICAL COMMITTEE TO SOLICIT CONTRIBUTIONS FROM SUCH COMMITTEE." 2 U.S.C. §438(a)

1986 April Quarterly Report

(Revised 3/80)

LINE NUMBER H-[illegible] 10
(Use separate schedules for each numbered line)

LOANS
(Loans Owed by the Committee)

Name of Committee (in Full)
JOHN VANDENBERGE FOR CONGRESS 117668

A. Full Name, Mailing Address and ZIP Code of Loan Source	Original Amount of Loan	Cumulative Payment To Date	Balance Outstanding at Close of This Period
JOHN VANDENBERGE 3934 ST. JOHN'S LANE ELLICOTT CITY, MD 21043 Election: ✓ Primary ☐ General ☐ Other (specify):	$3,000.00	— 0 —	$3,000.00

Terms: Date Incurred 8/21/85 Date Due 11/20/86 Interest Rate 11 %(apr) SIMPLE INTEREST ☐ Secured (NO)

List All Endorsers or Guarantors (if any) to Item A N/A

1. Full Name, Mailing Address and ZIP Code — Name of Employer — Occupation — Amount Guaranteed Outstanding $
2. Full Name, Mailing Address and ZIP Code — Name of Employer — Occupation — Amount Guaranteed Outstanding $
3. Full Name, Mailing Address and ZIP Code — Name of Employer — Occupation — Amount Guaranteed Outstanding $

B. Full Name, Mailing Address and ZIP Code of Loan Source	Original Amount of Loan	Cumulative Payment To Date	Balance Outstanding at Close of This Period
JOHN VANDENBERGE 3934 ST. JOHN'S LANE ELLICOTT CITY, MD 21043 Election: ✓ Primary ☐ General ☐ Other (specify):	$10,000.00	— 0 —	$10,000.00

Terms: Date Incurred 3/26/86 Date Due 11/30/86 Interest Rate 11 %(apr) SIMPLE INTEREST ☐ Secured (NO)

List All Endorsers or Guarantors (if any) to Item B N/A

1. Full Name, Mailing Address and ZIP Code — Name of Employer — Occupation — Amount Guaranteed Outstanding $
2. Full Name, Mailing Address and ZIP Code — Name of Employer — Occupation — Amount Guaranteed Outstanding $
3. Full Name, Mailing Address and ZIP Code — Name of Employer — Occupation — Amount Guaranteed Outstanding $

SUBTOTALS This Period This Page (optional)	$13,000.00
TOTALS This Period (last page in this line only)	

Carry outstanding balance only to LINE 3, Schedule D, for this line. If no Schedule D, carry forward to appropriate line of Summary.

H00034024704

1986 April Quarterly Report

(Use separate schedules for each numbered line)

LOANS

(Loans Owed by the Committee)

Name of Committee (in Full): JOHN VANDERWERKEN FOR CONGRESS 117668

A. Full Name, Mailing Address and ZIP Code of Loan Source	Original Amount of Loan	Cumulative Payment To Date	Balance Outstanding at Close of This Period
JOHN VANDERWERKEN 3934 ST JOHN'S LANE ELLICOTT CITY, MD 21043 Election: ☐ Primary ☐ General ☐ Other (specify):	$17,000.00	-0-	$17,000.00

Terms: Date Incurred 3/31/86 Date Due 11/30/86 Interest Rate 11 % (apr) Secured (NO)

List All Endorsers or Guarantors (if any) to Item A: N/A

1. Full Name, Mailing Address and ZIP Code	Name of Employer	Occupation	Amount Guaranteed Outstanding $
2. Full Name, Mailing Address and ZIP Code	Name of Employer	Occupation	Amount Guaranteed Outstanding $
3. Full Name, Mailing Address and ZIP Code	Name of Employer	Occupation	Amount Guaranteed Outstanding $

B. Full Name, Mailing Address and ZIP Code of Loan Source	Original Amount of Loan	Cumulative Payment To Date	Balance Outstanding at Close of This Period
Election: ☐ Primary ☐ General ☐ Other (specify):			

Terms: Date Incurred _____ Date Due _____ Interest Rate _____ % (apr) ☐ Secured

List All Endorsers or Guarantors (if any) to Item B

1. Full Name, Mailing Address and ZIP Code	Name of Employer	Occupation	Amount Guaranteed Outstanding $
2. Full Name, Mailing Address and ZIP Code	Name of Employer	Occupation	Amount Guaranteed Outstanding $
3. Full Name, Mailing Address and ZIP Code	Name of Employer	Occupation	Amount Guaranteed Outstanding $

SUBTOTALS This Period This Page (optional)	$17,000.00
TOTALS This Period (last page in this line only)	$20,000.00

Carry outstanding balance only to LINE 3, Schedule D, for this line. If no Schedule D, carry forward to appropriate line of Summary.

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ATTACHMENT 3

1986 April Quarterly Report

Page 1 of 1 for
LINE NUMBER 13a
(Use separate schedule(s) for each category of the Detailed Summary Page)

SCHEDULE A

ITEMIZED RECEIPTS
(Items of $50 or more contributed by the Candidate)

Any information copied from such Reports or Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.

Name of Committee (In Full): JOHN VANDENBERGE FOR CONGRESS 117668

Full Name, Mailing Address and ZIP Code	Name of Employer / Occupation	Date (month, day, year)	Amount of Each Receipt this Period
A. JOHN VANDENBERGE, 3934 ST. JOHN'S LANE, ELLICOTT CITY, MD 21043 — Receipt For: ✓ Primary ☐ General ☐ Other (specify):	Name of Employer: SELF-EMPLOYED; Occupation: DENTIST; Aggregate Year-to-Date—$ 3,000.00	11/21/85	$3,000.00 (PERSONAL FUNDS)
B. JOHN VANDENBERGE, 3934 ST. JOHN'S LANE, ELLICOTT CITY, MD 21043 — Receipt For: ✓ Primary ☐ General ☐ Other (specify):	Name of Employer: SELF-EMPLOYED; Occupation: DENTIST; Aggregate Year-to-Date—$ 13,000.00	3/26/86	$10,000.00 (PERSONAL FUNDS)
C. JOHN VANDENBERGE, 3934 ST. JOHN'S LANE, ELLICOTT CITY, MD 21043 — Receipt For: ✓ Primary ☐ General ☐ Other (specify):	Name of Employer: SELF-EMPLOYED; Occupation: DENTIST; Aggregate Year-to-Date—$ 30,000.00	3/31/86	$17,000.00 (PERSONAL FUNDS)
D. Full Name, Mailing Address and ZIP Code — Receipt For: ☐ Primary ☐ General ☐ Other (specify):	Name of Employer; Occupation; Aggregate Year-to-Date—$	Date (month, day, year)	Amount of Each Receipt This Period
E. Full Name, Mailing Address and ZIP Code — Receipt For: ☐ Primary ☐ General ☐ Other (specify):	Name of Employer; Occupation; Aggregate Year-to-Date—$	Date (month, day, year)	Amount of Each Receipt This Period
F. Full Name, Mailing Address and ZIP Code — Receipt For: ☐ Primary ☐ General ☐ Other (specify):	Name of Employer; Occupation; Aggregate Year-to-Date—$	Date (month, day, year)	Amount of Each Receipt This Period
G. Full Name, Mailing Address and ZIP Code — Receipt For: ☐ Primary ☐ General ☐ Other (specify):	Name of Employer; Occupation; Aggregate Year-to-Date—$	Date (month, day, year)	Amount of Each Receipt This Period
SUBTOTAL of Receipts This Page (optional)			$
TOTAL This Period (last page this line number only)			$30,000.00

R 5 7 1 3 0 0 0 3 3 2 7 6 0 0 0 4 0 7 9 7 1 7 6

ATTACHMENT 4

1986 July Quarterly Report

SCHEDULE C
(Revised 3/85)

LOANS

(Loans filed by K. Committee)

Name of Committee (in Full): JOHN JANKOWSKI for CONGRESS (117668)

A. Full Name, Mailing Address and ZIP Code of Loan Source	Original Amount of Loan	Cumulative Payments To Date	Balance Outstanding at Close of This Period
JOHN JANKOWSKI 3934 ST JOHN'S LANE ELLICOTT CITY, MD 21043 Election: ☑ Primary ☐ General ☐ Other (specify):	$17,000.00	-0-	$17,000.00

Terms: Date Incurred 3/31/86 Date Due 11/30/86 Interest Rate 11 % (or) Short Term Quarterly Secured (No)

List All Endorsers or Guarantors (if any) to Item A: N/A

1. Full Name, Mailing Address and ZIP Code	Name of Employer Occupation Amount Guaranteed Outstanding $
2. Full Name, Mailing Address and ZIP Code	Name of Employer Occupation Amount Guaranteed Outstanding $
3. Full Name, Mailing Address and ZIP Code	Name of Employer Occupation Amount Guaranteed Outstanding $

B. Full Name, Mailing Address and ZIP Code of Loan Source	Original Amount of Loan	Cumulative Payments To Date	Balance Outstanding at Close of This Period
JOHN JANKOWSKI 3934 ST JOHN'S LANE ELLICOTT CITY, MD 21043 Election: ☑ Primary ☐ General ☐ Other (specify)	$10,000.00	-0-	$10,000.00

Terms: Date Incurred 5/16/86 Date Due 11/30/86 Interest Rate 11 % (or) Short Term Quarterly Secured (No)

HK

List All Endorsers or Guarantors (if any) to Item B: N/A

1. Full Name, Mailing Address and ZIP Code	Name of Employer Occupation Amount Guaranteed Outstanding $
2. Full Name, Mailing Address and ZIP Code	Name of Employer Occupation Amount Guaranteed Outstanding $
3. Full Name, Mailing Address and ZIP Code	Name of Employer Occupation Amount Guaranteed Outstanding $

SUBTOTALS This Period This Page (optional)	$27,000.00
TOTALS This Period (last page in this line only)	$40,000.00

Carry outstanding balance only to LINE 3, Schedule D, for this line. If no Schedule D, carry forward to appropriate line of Summary.

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

RQ-2

AUG 11 1986

Stephen Poulds, Treasurer
John Vandenberge Victory '86
10194 Baltimore National Pike
Suite 110
Ellicott City, MD 21043

Identification Number: C00202291

Reference: July Quarterly Report (4/1/86-6/30/86)

Dear Mr. Poulds:

This letter is prompted by the Commission's preliminary review of the report(s) referenced above. The review raised questions concerning certain information contained in the report(s). An itemization follows:

-Line 22, Columns A and B of the Detailed Summary Page does not equal the sum of Lines 17, 18, 19(c), 20(d), and 21. Please amend your report(s) to clarify this discrepancy.

-When a committee reports receiving a loan from the candidate, it is necessary to clarify whether or not the candidate used his/her personal funds or borrowed the money from a lending institution, or any other source. If the candidate borrowed funds from a lending institution or any other source, please provide the name of the lending institution and the complete terms of the loan. <u>If the loan(s) was from personal funds, please acknowledge that fact in an amendment to this report.</u> Further, it is important to note that "personal funds" is strictly defined by Commission regulations and may be found in 11 CFR 110.10. (11 CFR 100.7(a)(1) and 104.3(d))

-Certain debt/loan repayments itemized on Schedule C and/or D are greater than disbursements itemized on Schedule B. Please explain the discrepancies in the payments made to the Robert Goodman Agency, Inc.

An amendment to your original report(s) correcting the above problem(s) should be filed with the Clerk of the House of Representatives, 1036 Longworth House Office Building, Washington, DC 20515 within fifteen (15) days of the date of

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this letter. If you need assistance, please feel free to contact me on our toll-free number, (800) 424-9530. My local number is (202) 376-2480.

Sincerely,

Robin Kelly

Robin Kelly
Reports Analyst
Reports Analysis Division

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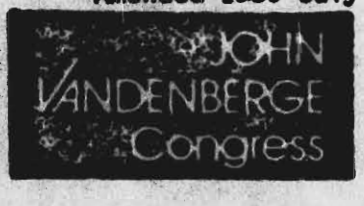
ATTACHMENT 6

Amended 1986 July Quarterly Report

AUG 25 1986



August 25, 1986

Clerk of the House of Representatives
1036 Longworth House Office Building
Washington, DC 20515

117668

Reference: FEC Ltr dtd Aug 11, 1986, ID # C00202291
Concerning July Qrtrly Rpt (See Encl 1)

Dear Sir:

The referenced letter contained three questions concerning apparent discrepancies and/or the need for additional information as a result of the FEC's review of our July Quarterly Report. Enclosures 2,3,& 4 address the three points raised by the FEC analyst, as follows:

- Encl 2 is an amended Detailed Summary Page which corrects Line 22, Columns A & B so that it equals the sum of Lines 17, 18, 19(c), 20(d) and 21.

- Encl 3 is a statement with supporting documentation from the Candidate, Dr. John Vandenberge, outlining the source of his funds that he then loaned to his campaign committee.

- Encl 4 is an amended Schedule D which corrects the data concerning the Robert Goodman Agency, Inc. When the original Schedule D was being completed I apparently copied numbers incorrectly from my notes/ list of creditors. In addition to this correction, I also added data concerning the status of reportable payables listed on the April Quarterly Report. Finally, since July's Schedule D was corrected with a new total of outstanding debts & obligations I submitted a corrected Summary Page with a new total for Line 10, Column A.

I trust that this letter and the enclosures answer the FEC's questions and that the resubmitted FEC forms correctly amend the July Quarterly Report. If there should be any further questions I can be contacted during the day at my place of employment, telephone 301/338-9098.

Sincerely,

Stephen P. Poulos, Treasurer
John Vandenberge for Congress Committee
FEC ID # 117668

COPY: State Administrative Board of Elections
P.O. Box 231
Annapolis, Md 21404-0231

10194 Baltimore National Pike, Suite 110 • P.O. Box 892 • Ellicott City, MD 21043 • (301) 461 7760

Authorized and paid for by Vandenberge for Congress Committee Stephen Poulos Treasurer

RECEIVED
FEC AUG 28 PM 3 47
OFFICE OF THE SECRETARY

3 4 0 1 3 1 3 1 0 2 2 0

ATTACHMENT 7

Amended 1986 July Quarterly Report

ENCL 3 (a)

August 22, 1986

Federal Election Commission
Washington, D.C.

and

To Whom It May Concern:

The following is a history of some financial transactions regarding my campaign for Congress, Md. 6. On 11/21/85 I loaned the campaign $3000.00 from my personal savings account (Ck. #103) for the campaign to get started. On 3/26/86 I loaned again, by personal checking account check #3842, $10,000.00 and on 3/31/86, by personal check #3845 another ~~$27,000.00.~~ $17,000.00 Knowing that no corporate funds can be used I issued all checks from my personal account. JVP 8/23/86

In early May I asked Mr. Rick Neidig, Esq. of Howard County, our campaign attorney, to review all our campaign records to make certain all matters were in order. After learning that $27,000.00 was first borrowed from my corporation (Vandenberge Enterprises, Inc.), he suggested that that transaction could be challenged. We phoned the R.N.C. attorney, Mr. Ginsberg, who agreed. I subsequently went to Mercantile Bank and Trust and borrowed $40,000, under signature of my wife and I as a personal note (copy enclosed). I reimbursed my corporation the $27,000.00 I borrowed and lent the campaign another $10,000 on the same day, 5/16/86.

I trust that this explanation will be helpful inasmuch as I want to abide by the law to the best of my knowledge. Please feel free to call on me if anyone needs further information.

John Vandenberge, D.D.S.

John Vandenberge 8/23/86

Stephen D. Pomeroy
Treasurer
8/23/86

JV:lv

10194 Baltimore National Pike, Suite 110 • P.O. Box 892 • Ellicott City, MD 21043 • (301) 461-7760

3 5 0 1 3 6 3 9 9 7 1

ATTACHMENT 8

1986 Amended July Quarterly Report

MERCANTILE-SAFE DEPOSIT & TRUST COMPANY

Loan Agreement

3 Month Index

(Variable Rate Closed End Direct Loan With Optional Security Agreement)

Truth-in-Lending

Borrower: John Vandenberge

Borrower: Linda Vandenberge

Amount Financed: The dollar amount the credit will cost me. $

FINANCE CHARGE: The dollar amount the credit will cost me. $

ANNUAL PERCENTAGE RATE: The cost of credit as a yearly rate. %

Total of Payments: The amount I will have paid after I have made all payments as scheduled. $

Payment Schedule

My payments schedule will be:

Number of Payments	Amount of Payments	When Payments Are Due

Security

☐ I am giving the Bank the right of setoff against any of my money or property to the Bank as security.

☐ I am also giving a security interest to Bank in the goods or property being purchased.

☐ I am also giving a security interest in:

Late Charges

Prepayment

☐ I pay off early, I will not have to pay a penalty.

Credit Insurance

Credit life insurance and disability insurance are not required to obtain credit, and will not be provided unless I sign and agree to pay the additional cost.

TYPE

☐ Credit Life ☐ Credit Disability ☐ Joint Credit Life

I want the insurance indicated above.

$ Credit Life Premium $ Credit Disability Premium

Initial Term of Insurance Coverage

$ Signature of Applicant for Insurance $ Applicant's Date of Birth

Late Charges

If a payment is late, I will be charged the greater of $5 or 5% of the late or delinquent payment.

Filing Fees $ Non-Filing Insurance $

Assumption

If this is a non-dealer mortgage transaction, anticipating buying my house, I/I will not be allowed to assume the remainder of the mortgage on the original terms.

Date of the Agreement: 7/1/86 Loan Amount: $40,000.00

Address: Baltimore City, MD 21233

Variable Rate

This annual percentage rate may increase during the term of this loan if the 3 month U.S. Treasury bill rate increases. The rate won't change more than once per month. An increase would result in (a) ☐ more payments; (b) ☐ higher payment amounts; (c) ☐ possibly (a) & (b). For example, if my loan rate for $10,000 is 12% for 48 months and the rate increases to 14% after one year, I would have to make, depending on the option chosen: (a) 1 additional payment of $170.00; (b) 39 payments that were $2.00 higher; or (c) 24 payments that were $2.00 higher if the payments were fixed for 24 months.

Prepayment

If I pay off early, I will not have to pay a penalty.

Credit Insurance

Credit life insurance and disability insurance are not required to obtain credit, and will not be provided unless I sign and agree to pay the additional cost.

TYPE

☐ Credit Life ☐ Credit Disability ☐ Joint Credit Life

I want the insurance indicated above.

$ Credit Life Premium $ Credit Disability Premium

Initial Term of Insurance Coverage

$ Signature of Applicant for Insurance $ Applicant's Date of Birth

Late Charges

If a payment is late, I will be charged the greater of $5 or 5% of the late or delinquent payment.

Filing Fees $ Non-Filing Insurance $

Assumption

If this is a non-dealer mortgage transaction, anticipating buying my house, I/I will not be allowed to assume the remainder of the mortgage on the original terms.

(In this loan, the words "I", "me", or "my", mean each and all of those who sign this note and loan agreement and the "Bank" means the bank named above.)

On Loan Date May 16, 19 88 I promise to pay to the order of the Bank the sum of $40,000.00 (Forty Thousand and 00/100 U.S. Dollars) with applicable interest before and after original maturity.

Calculation of the Amount Financed

Amount given to my directly	$ 40,000.00
Amount paid on my account	$
Amounts paid to others on my behalf:	
• to public officials	$
• to insurance company (Property Ins.)	$
• to insurance company (Credit Ins.)	$
• to insurance company (MI)	$
• to	$
• to	$
• to	$
Prepaid finance charge	$ ( )
Total Amount Financed	$ 40,000.00

Payment Schedule

I agree that I shall make the payments at the times and in the amounts stated in the payment schedule. All payments will be applied to the satisfaction of scheduled payments in the order in which they become due. Each payment will be applied first to interest, next to any other charges due, next to that portion of the unpaid principal balance due, and any to any remaining unpaid balance of balance. 12 Fixed principle Payments of $3333.33 plus int

Security for the Loan

I grant the Bank a security interest in the property listed above, and all property listed on the attached schedule, if any. This property, together with all additions, substitutions and proceeds, will be referred to in this agreement as "security". Collateral securing other loans with bank may also secure this loan.

Changes

☐ I am signing this agreement because my signature is requested as a condition to granting credit to a consumer borrower(s). I acknowledge that I have read and understand the NOTICE TO COSIGNER on the reverse side hereof.

Simple Interest

☐ This is a Simple Interest loan. Simple Interest will accrue from _____ to the date of repayment, whether before, on or after the due date, at the rate of 10.5% per year, and may vary from time to time during the term of this note as explained below. Interest will be calculated on the basis of a ☐ 365 ☐ 360 day year.

Variable Rate

I agree that the annual percentage rate may increase or decrease from time to time during the term of this loan. The rate on any date for any month will be at _____ the most recently published monthly average of interest rates for 3-month U.S. Treasury bills in the Secondary market rounded to the nearest one fourth of one per centum) that is published by the Federal Reserve Board of Governors. Changes in the annual percentage rate, if stated for, will take place not more than once per month on the first day of the month and shall be implemented by ☐ changing the number of payments; ☐ changing the payment amounts; ☐ fixing the payments for at least _____ months, then at the option of Bank, changing the payment amounts so as to amortize the remaining balance of the loan to its originally scheduled maturity. Any further rate changes shall be implemented by adjusting the number of payments.

Signature

By signing under your name, I promise, individually and jointly, to fulfill all the promises under this agreement including the additional terms on the reverse side. As borrower signing on line (1), I acknowledge having received a completed copy of this agreement.

Signed this _____ day of May, 19 86

Name of Borrower

(1) by _____ (Seal)

(2) _____ (Seal)

(3) John Vandenberge (Seal)

(4) Linda Vandenberge (Seal)

(5) _____ (Seal)

(6) _____ (Seal)

AUTHORIZATION: By signing below I authorize Bank to debit my checking account # _____ approximately on or after the due date for the amount of the payment(s) and any other charges from time to time under this agreement. When signed, this authorization is part of the loan agreement and remains in force until the loan is paid.

FEDERAL ELECTION [illegible]MMISSION
WASHINGTON, D.C. 20463

RQ-2

SEP 30 19[illegible]

Stephen P. Poulds, Treasurer
John Vandenberge Victory '86
10194 Baltimore National Pike
Suite 110
Ellicott City, MD 21042

Identification Number: C00202291

Reference: Amended July Quarterly Report (4/1/86-6/30/86 - dated 8/25/86)

Dear Mr. Poulds:

This letter is prompted by the Commission's preliminary review of the report(s) referenced above. The review raised questions concerning certain information contained in the report(s). An itemization follows:

-Your report notes that the candidate borrowed $27,000 from his corporation (Vandenberge Enterprises), deposited the funds into his personal account, and then loaned the $27,000 to his principal campaign committee (pertinent portions attached). Please be advised that a contribution (loan) from a corporation is prohibited by the Act, unless it is made from a separate segregated fund established by the corporation. (2 U.S.C. §441b(a))

If the loan in question was incompletely or incorrectly reported, you may wish to submit additional documentation for the public record. Enclosed for your consideration is a "Notice to All Candidates and Committees" which provides information on campaigns and corporate accounts.

Although the Commission may take further legal steps concerning the acceptance of a prohibited contribution, your repayment of this loan will be taken into consideration.

-Your report discloses a $40,000 bank loan which was signed for by the candidate and his spouse. An individual may not make contributions to a candidate for Federal office in excess of $1,000 per election. A candidate's spouse is subject to the same limitations.

86030432619173

If the contributions or loans in question were secured by property based on joint assets, please clarify your report with the following information:

- whether or not the loan was secured
- the due date or amortization schedule
- brief description of the collateral or property used as a basis for the loan
- the owners of the collateral or the property used as a basis for the loan
- the type of ownership of such property (e.g., tenants by the entireties, joint tenants, tenants in common, etc.)
- the percentage of such property owned by each owner
- value of such property
- the capacity in which each signatory signed (e.g., co-maker, endorser, guarantor)

If upon further examination, you find that you have received a contribution which exceeds the limits, the Commission recommends that you refund to the donor the amount in excess of $1,000 per election. The Commission should be notified in writing if a refund is necessary. In addition, any refund or repayment should appear on your next report on Line 19 or 20 of the Detailed Summary Page, as appropriate. (11 CFR 100.7, 100.8, 110.10)

Although the Commission may take further steps concerning the acceptance of an excessive contribution, prompt action by you to refund the excessive amount will be taken into consideration.

-When a candidate receives a loan (during his candidacy for federal office), his principal campaign committee is responsible for disclosing all information with respect to that loan. For example, the $27,000 in candidate loans disclosed on your previous reports should have disclosed Vandenberge Enterprises as the original source. This report discloses that the candidate has received a $40,000 bank loan. This bank loan should be reflected on Line 13(a) of the Detailed Summary Page, and Schedule C. The $27,000 loan repayment to Vandenberge Enterprises should be reflected on Line 19(a), and Schedule B. Please amend your report to correctly reflect the $40,000 loan and $27,000 loan repayments. Please amend any subsequent reports which may be affected by these corrections. Also, Line 10 of the Summary Page may need to be amended in order to reflect the total amount of outstanding debts and loans.

An amendment to your original report(s) correcting the above problem(s) should be filed with the Clerk of the House of Representatives, 1036 Longworth House Office Building,

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Washington, DC 20515 within fifteen (15) days of the date of this letter. If you need assistance, please feel free to contact me on our toll-free number, (800) 424-9530. My local number is (202) 376-2480.

Sincerely,

Robin Kelly

Robin Kelly
Reports Analyst
Reports Analysis Division

3 06 00 03 44 03 72 2 16 19 19 5

SCHEDULE C
(Revised 3/80)

LOANS

Page 2 of 2 for
Line Number 28
(for separate Schedules
for each numbered line)

Name of Committee (in Full)
JOHN VANDENBERGE for CONGRESS (117668)

A. Full Name, Mailing Address and ZIP Code of Loan Source	Original Amount of Loan	Cumulative Payments To Date	Balance Outstanding at Close of This Period
JOHN VANDENBERGE 3934 ST JOHNS LANE ELLICOTT CITY, MD 21043 PERSONAL CHECKING ACCT CK # 3845	$17,000.00	-0-	$17,000.00

Election: ☑ Primary ☐ General ☐ Other (specify)

Terms: Date Incurred 3/31/86 Date Due 11/30/86 Interest Rate 11 (Mo/Yr) SIMPLE INTEREST ☐ Secured (NO)

List All Endorsers or Guarantors (if any) to item A N/A

1. Full Name, Mailing Address and ZIP Code NOTE: THIS $17,000.00 LOAN & THE PRECEDING $10,000.00 LOAN FROM THE CANDIDATE'S PERSONAL CHECKING ACCOUNT	Name of Employer SEE ALL CASES, Occupation INCLUDING THE LAST LOAN Amount Guaranteed Outstanding $ SHOWN BELOW,	
2. Full Name, Mailing Address and ZIP Code WAS ORIGINALLY FUNDED BY A $27,000.00 LOAN FROM THE CANDIDATE'S BUSINESS, "VANDENBERGE ENTERPRISES, INC."	Name of Employer THE CANDIDATE ATTESTS THE Occupation FUNDS DIRECTLY Amount Guaranteed Outstanding $ CAMPAIGN	
3. Full Name, Mailing Address and ZIP Code AS THE ATTACHED LETTER INDICATES, SUBSEQUENTLY A $10,000 PERSONAL NOTE WAS SECURED FROM APPLICANTS BFT TO REINVEST THE CANDIDATE'S BUSINESS FUNDS THE CAMPAIGN.	Name of Employer ENTERING ACT. Occupation Amount Guaranteed Outstanding $	

B. Full Name, Mailing Address and ZIP Code of Loan Source	Original Amount of Loan	Cumulative Payments To Date	Balance Outstanding at Close of This Period
JOHN VANDENBERGE 3934 ST JOHNS LANE ELLICOTT CITY, MD 21043 PERSONAL CHECKING ACCT	$10,000.00	-0-	$10,000.00

Election: ☑ Primary ☐ General ☐ Other (specify)

Terms: Date Incurred 3/31/86 Date Due 11/30/86 Interest Rate 11 (Mo/Yr) SIMPLE INTEREST Secured (NO)

List All Endorsers or Guarantors (if any) to item B

1. Full Name, Mailing Address and ZIP Code	Name of Employer Occupation Amount Guaranteed Outstanding $	
2. Full Name, Mailing Address and ZIP Code	Name of Employer Occupation Amount Guaranteed Outstanding $	
3. Full Name, Mailing Address and ZIP Code	Name of Employer Occupation Amount Guaranteed Outstanding $	

SUBTOTALS This Period This Page (optional)	$27,000.00
TOTALS This Period (last page in this line only)	$40,000.00

Carry outstanding balance only to LINE 3, Schedule D, for this line. If no Schedule D, carry forward to appropriate line of Summary.

8030003403732712

FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
WASHINGTON, D.C. 20463

August 28, 1978

NOTICE TO ALL CANDIDATES AND COMMITTEES

The Commission has, upon receipt of a complaint or in the ordinary course of carrying out it supervisory responsibilities, noted frequent instances of committees and candidates accepting contributions made on corporate or union accounts.

2 U.S.C. § 441b states it is unlawful for any corporation whatever or any labor organization to make a contribution or expenditure in connection with any election for Federal office or for any candidate, political committee or other person to knowingly accept or receive such a contribution.

Generally, in the past, the Commission had deemed the refunding of these contributions within reasonable time to constitute voluntary compliance on the part of the contributor and the recipient and has not levied a civil penalty. However, the Commission will, in this election year and in the future not only require that the illegal corporate or labor union contribution be refunded but will also assess a civil penalty against the contributor and the recipient in appropriate circumstances.

11 C.F.R. § 103.3(b) requires that contributions which appear to be illegal shall be, within 10 days either returned to the contributor or deposited and reported while the recipient committee's treasurer makes his or her best efforts to determine the legality of the contribution. Refunds must be made when a contribution cannot be determined to be legal within a reasonable time.

In this regard, the Commission advises all candidates and committee treasurers to instruct their staffs to immediately return all contributions which indicate on their face that they are written on corporate or labor union accounts. Candidates and committee treasurers should investigate the source of all remaining contributions not written on personal accounts or clearly identified as political action committee funds and quickly refund those contributions which are verified as illegal corporate

89 60 00 34 10 37 29 21 71 01 37

or labor union contributions. Attempts to trace the source of such contributions and the related information obtained should be carefully logged and preserved as evidence of the efforts expended in ascertaining the status of the contribution.

The Commission distinguishes among three types of corporate accounts used by employees: 1) repayable drawing accounts, 2) non-repayable drawing accounts and, 3) expense accounts. Contributions made from drawing accounts that the employee is responsible to repay will be considered corporate contributions for the outstanding period of the draw, however, contributions made from non-repayable drawing accounts established to permit personal draws against salary, profits or commissions will be considered personal contributions. Contributions written against standard expense accounts are prohibited as corporate contributions.

Because many individuals are unaware of the strict interpretation of the corporate/labor union contribution prohibition, candidates and committee treasurers should assist their supporters in complying with the law and avoiding possible penalties by requiring close scrutiny and careful investigation of all suspect contributions.

The Commission's staff will assist you in answering any questions concerning these matters.

Sincerely yours,

Joan D. Aikens

Joan D. Aikens
Chariman for the
Federal Election Commission

3 8 0 0 3 4 0 3 7 2 2 7 0 1 1 8

ATTACHMENT 10

MEMORANDUM FOR FILES: TELECON

SUBJECT: Amended 1986 July Quarterly Report

FROM: Call received from: Stephen Poulos, Treasurer

TO: Robin Kelly, RAD Analyst

NAME OF COMMITTEE: John Vandenberge for Congress

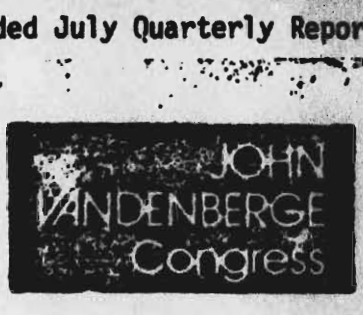
DATE: 10/15/86

Mr. Poulos called to ask some questions regarding the RFAIs mailed on September 30, 1986. He said that he didn't have any problems with the 12 Day Pre-Primary Report RFAI and would amend accordingly. Regarding the Amended July Quarterly he noted that the candidate did not intentionally violate the law, and immediately took action to rectify the matter concerning the loan from the corporation once the situation was made clear to him. Mr. Poulos said that he would check into matter and find out the type of account the money was borrowed from.

9004079119

1986 Amended July Quarterly Report

HAND DELIVERED



October 16, 1986

117668

Clerk of the House of Representatives
1036 Longworth House Office Building
Washington, D.C. 20515

Reference: FEC Ltr dtd Sep 30, 1986, ID# C00202291,
Concerning Amended July Quarterly Report
(4/1/86-6/30/86 -- dtd 8/25/86)...See Encl 1

Dear Sir:

The Commision's review of our amended July Quarterly Report noted what we already reported, i.e.: the $27000 borrowed By Dr. Vandenberge from his corporation (Vandenberge Enterprises, Inc.), subsequently deposited into his personal checking account, then loaned to his campaign committee, was probably not an appropriate transaction. The Candidate and I believed that his borrowing funds from his own corporation and then lending it to the campaign committee was, in effect, the same as a personal loan from the Candidate. However, as the Reports Analysis Division has observed, this was not the case, since the original funds were "repayable", i.e., they were not a payment of salary, commission nor distribution of owner's equity.

I must emphasize again, however, that on our own initiative and with the desire to completely abide by Federal campaign law, we sought to correct this situation. The Candidate obtained a personal, unsecured, signature loan from a bank to replace his Corporation's loan to the campaign via his personal checking account. The net effect remains an outstanding loan repayable in the amount of $40000 ($3000 + $27000 + $10000).

In light of the above and in response to the requests/guidance contained in the referenced letter, please find the following:

- Encl 2, which contains amended Schedules A & C to the April 15th Qrtly Rpt.
- Encl 3, which contains newly submitted supporting Schedules A & B, an amended Schedule C and a 2nd Amendment of the Detailed Summary Page, all to the July 15th Qrtly Rpt.
- Encl 4, which contains an amended Schedule C and a 2nd Amendment of the Detailed Summary Page, all to the 12 Day Pre-Primary Rpt.

The October 15th Quarterly Report filed yesterday by Certified Mail contains data reflecting all the above amendments to prior reports. I hope that this correspondence and the enclosed documents unravel the confusion that we may have caused. Please let me know if you require any further information or have any questions that I can answer by phone (301/338-9098).

COPY: State Administrative Board of Elections
P.O. Box 231
Annapolis, MD 21404-023

Sincerely,

Stephen P. Poulos, Treasurer

10194 Baltimore National Pike, Suite 110 • P.O. Box 892 • Ellicott City, MD 21043 • (301) 461-7760

Authorized and paid for by Vandenberge for Congress Committee, Stephen Poulos, Treasurer

FEC OCT 22 PM 12 45

Amended July Quarterly Report

2nd Amendment to July Quarterly Report (Submitted 10/12/86)

DETAILED SUMMARY PAGE of Receipts and Disbursements (Page 2, FEC FORM 3)

(Full 3 (a))

Name of Committee (in Full): Jones Vanderwagen for Congress (17968)

Report Covering the Period: From 4/1/86 to 6/30/86

	COLUMN A Total This Period	COLUMN B Calendar Year to Date	
I. RECEIPTS			
11 CONTRIBUTIONS (other than loans) FROM:			
(a) Individuals/Persons Other Than Political Committees (Memo Entry Unitemized $ 5985.00)	14,695.00	85,206.00	11 (a)
(b) Political Party Committees	-0-	1.42	11 (b)
(c) Other Political Committees	-0-	-0-	11 (c)
(d) The Candidate	-0-	-0-	11 (d)
(e) TOTAL CONTRIBUTIONS (other than loans (add 11(a), 11(b), 11(c) and 11(d))	14,695.00	85,207.42	11 (e)
12 TRANSFERS FROM OTHER AUTHORIZED COMMITTEES	-0-	-0-	12
13. LOANS			
(a) Made or Guaranteed by the Candidate	40,000.00	70,000.00	13 (a)
(b) All Other Loans	-0-	-0-	13 (b)
(c) TOTAL LOANS (add 13 (a) and 13 (b))	40,000.00	70,000.00	13 (c)
14. OFFSETS TO OPERATING EXPENDITURES (Refunds, Rebates, etc.)	23.54	30.79	14
15. OTHER RECEIPTS (Dividends, Interest, etc.)	-0-	-0-	15
16. TOTAL RECEIPTS (add 11 (e), 12, 13 (c), 14 and 15)	54,708.54	85,238.22	16
II. DISBURSEMENTS			
17. OPERATING EXPENDITURES	50,814.49	65,181.89	17
18. TRANSFERS TO OTHER AUTHORIZED COMMITTEES	-0-	-0-	18
19. LOAN REPAYMENTS:			
(a) Of Loans Made or Guaranteed by the Candidate	30,000.00	30,000.00	19 (a)
(b) Of All Other Loans	-0-	-0-	19 (b)
(c) TOTAL LOAN REPAYMENTS (add 19 (a) and 19 (b))	30,000.00	30,000.00	19 (c)
20. REFUNDS OF CONTRIBUTIONS TO:			
(a) Individuals/Persons Other Than Political Committees	-0-	-0-	20 (a)
(b) Political Party Committees	-0-	-0-	20 (b)
(c) Other Political Committees	-0-	-0-	20 (c)
(d) TOTAL CONTRIBUTION REFUNDS (add 20 (a), 20 (b), and 20 (c))	-0-	-0-	20 (d)
21. OTHER DISBURSEMENTS	-0-	-0-	21
22. TOTAL DISBURSEMENTS (add 17, 18, 19 (c), 20 (d) and 21)	80,814.49	95,181.89	22

III. CASH SUMMARY

23 CASH ON HAND AT BEGINNING OF REPORTING PERIOD (as of 4/1/86)	$	26,214.28	23
24. TOTAL RECEIPTS THIS PERIOD (From Line 16)	$	54,708.54	24
25 SUBTOTAL (Add Line 23 and Line 24)	$	80,922.82	25
26 TOTAL DISBURSEMENTS THIS PERIOD (From Line 22)	$	80,814.49	26
(Balances w/ Check book & Bank Balance 6-30-86)			
27 CASH ON HAND AT CLOSE OF THE REPORTING PERIOD (Subtract Line 26 from 25)	$	108.33	27

COUNCIL 3 (B)

SCHEDULE A **ITEMIZED RECEIPTS**

Use separate schedule(s) for each category of the Detailed Summary Page

PAGE 1 OF 1

FOR LINE NUMBER 13a

ADDITION AMENDMENT TO JULY 15 QUARTERLY RPT (Individual Contributions)

Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.

NAME OF COMMITTEE (In Full)

JOHN JAMBANOSKE for CONGRESS (11766)

Full Name, Mailing Address and ZIP Code	Name of Employer	Date (month, day, year)	Amount of Each Receipt this Period
A. MARYLAND SAVE DEPOSIT & TRUST CO. 2 HOPKINS PLAZA, P.O. BOX 1477 BALTIMORE, MD 21203			
Receipt For: ☐ Primary ☐ General ☐ Other (specify):	Occupation		
	Aggregate Year-to-Date > $		
B. JOHN JAMBANOSKE (BALTIMORE) 3934 ST JOHN'S LANE ELLICOTT CITY, MD 21043	Name of Employer: SELF	5/16/86	$40,000.00 (PERSONAL FUNDS)
Receipt For: ☑ Primary ☐ General ☐ Other (specify):	Occupation: DENTIST		
	Aggregate Year-to-Date > $ 70,000.00		
C. Full Name, Mailing Address and ZIP Code	Name of Employer	Date (month, day, year)	Amount of Each Receipt this Period
Receipt For: ☐ Primary ☐ General ☐ Other (specify):	Occupation		
	Aggregate Year-to-Date > $		
D. Full Name, Mailing Address and ZIP Code	Name of Employer	Date (month, day, year)	Amount of Each Receipt this Period
Receipt For: ☐ Primary ☐ General ☐ Other (specify):	Occupation		
	Aggregate Year-to-Date > $		
E. Full Name, Mailing Address and ZIP Code	Name of Employer	Date (month, day, year)	Amount of Each Receipt this Period
Receipt For: ☐ Primary ☐ General ☐ Other (specify):	Occupation		
	Aggregate Year-to-Date > $		
F. Full Name, Mailing Address and ZIP Code	Name of Employer	Date (month, day, year)	Amount of Each Receipt this Period
Receipt For: ☐ Primary ☐ General ☐ Other (specify):	Occupation		
	Aggregate Year-to-Date > $		
G. Full Name, Mailing Address and ZIP Code	Name of Employer	Date (month, day, year)	Amount of Each Receipt this Period
Receipt For: ☐ Primary ☐ General ☐ Other (specify):	Occupation		
	Aggregate Year-to-Date > $		

SUBTOTAL of Receipts This Page (optional) . . . . . ——

TOTAL This Period (last page this line number only) $40,000.00

1986 Amended July Quarterly Report

(Line 3(c))

SCHEDULE B **ITEMIZED DISBURSEMENTS**

Use separate schedule(s) for each category of the Detailed Summary Page

PAGE 1 OF 1

FOR LINE NUMBER 19a

ADDITION TO JULY 15 QUARTERLY RPT (Sub. 8/10/86)

Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.

NAME OF COMMITTEE (In Full)

JOHN VANDERSCHUIS for CONGRESS (117668)

Full Name, Mailing Address and ZIP Code	Purpose of Disbursement / Disbursement for	Date (month, day, year)	Amount of Each Disbursement This Period
A. VANDERSCHUIS ENTERPRISES, INC. 3934 ST JOHN'S LANE ELLICOTT CITY, MD 21043	LOAN REPAYMENT / ✓ Primary General Other (specify)	8/16/86	$27,000.00
B. M. JOHN VANDERSCHUIS 3934 ST JOHN'S LANE ELLICOTT CITY, MD 21043	LOAN REPAYMENT / ✓ Primary General Other (specify)	8/16/86	$3,000.00
C.	Disbursement for Primary General Other (specify)		
D.	Disbursement for Primary General Other (specify)		
E.	Disbursement for Primary General Other (specify)		
F.	Disbursement for Primary General Other (specify)		
G.	Disbursement for Primary General Other (specify)		
H.	Disbursement for Primary General Other (specify)		
I.	Disbursement for Primary General Other (specify)		

SUBTOTAL of Disbursements This Page (optional) .....

TOTAL This Period (last page this line number only) $30,000.00

1986 Amended July Quarterly Report

SCHEDULE C (Revised 1/85)

AMENDMENT TO THIRTEENTH LOANS
(Entry #17 (submitted 10/15/86))

Name of Committee (In Full): JOHN VANDERWERKER for CONGRESS (1986)

A. Full Name, Mailing Address and ZIP Code of Loan Source	Original Amount of Loan	Cumulative Payment To Date	Balance Outstanding at Close of This Period
JOHN VANDERWERKER (CANDIDATE'S SPOUSE) 3934 ST JOHN'S LANE ELLICOTT CITY, MD 21043 Election: ✓ Primary ☐ General ☐ Other (specify)	$2,000.00	$2,000.00 (5/16/86)	— 0 —

Terms: Date Incurred 11/20/85 Date Due 11/20/86 Interest Rate 11 (Simple) Secured ☐ No

List All Endorsers or Guarantors (if any) to Item A: N/A

1. Full Name, Mailing Address and ZIP Code	Name of Employer / Occupation / Amount Guaranteed Outstanding
2. Full Name, Mailing Address and ZIP Code	Name of Employer / Occupation / Amount Guaranteed Outstanding $
3. Full Name, Mailing Address and ZIP Code	Name of Employer / Occupation / Amount Guaranteed Outstanding $

B. Full Name, Mailing Address and ZIP Code of Loan Source	Original Amount of Loan	Cumulative Payment To Date	Balance Outstanding at Close of This Period
VANDERWERKER ENTERPRISES, INC. (FOR CANDIDATE'S BENEFIT) 3934 ST JOHN'S LANE ELLICOTT CITY, MD 21043 Election: ✓ Primary ☐ General ☐ Other (specify)	$10,000.00	$10,000.00 (5/16/86)	— 0 —

Terms: Date Incurred 2/15/86 Date Due 11/20/86 Interest Rate 11 (Simple) Secured ☐ No

List All Endorsers or Guarantors (if any) to Item B

1. Full Name, Mailing Address and ZIP Code	Name of Employer / Occupation / Amount Guaranteed Outstanding
Dr. JOHN VANDERWERKER (GUARANTOR) 3934 ST JOHN'S LANE ELLICOTT CITY, MD 21043	Self DOCTOR $ — 0 —
2. Full Name, Mailing Address and ZIP Code	Name of Employer / Occupation / Amount Guaranteed Outstanding $
THIS LOAN WAS REPLACED BY THE GUARANTEE LOAN (SEE P. 2 OF 2) BECAUSE OF THE APPARENT CONFLICT WITH FEDERAL CAMPAIGN	
3. Full Name, Mailing Address and ZIP Code	Name of Employer / Occupation / Amount Guaranteed Outstanding $
LOAN WAS & WILL GUARANTEE LOANS/CONTRACTORS, EVEN THOUGH VANDERWERKER ENTERPRISES, INC., IS CO-SIGNED BY DR. VANDERWERKER & RESULT	

SUBTOTALS This Period This Page (optional)	— 0 —
TOTALS This Period Each page in this line only	

Carry outstanding balance only to LINE 2, Schedule D, for this line. If no Schedule D, carry forward to appropriate line of Summary.

SCHEDULE C
(Revised 3/85)

(Exhibit 3(c))

Page 6 of 6 for Line Number 22
Use separate schedule for each numbered item

AMENDMENT TO JULY 1987 LOANS
ITALY PET (Effective 10/15/86)

Name of Committee (as Filed)
JOHN VANDERSCHUIT for CONGRESS (1986 GE)

A. Full Name, Mailing Address and ZIP Code of Loan Source	Original Amount of Loan	Cumulative Payment To Date	Balance Outstanding at Close of This Period
VANDERSCHUIT ENTERPRISES, INC. (Related Person) 3934 ST JOHN'S LANE ELLICOTT CITY, MD 21043	$17,000.00	$17,000.00 (5/16/86)	— 0 —

Election: (Primary) ☐ General ☐ Other (specify)

Terms: Date Incurred 2/21/86 Date Due 11/30/86 Interest Rate 11 Secured? BUSINESS ASSETS ☐ Endorsed (Yes)

List All Endorsers (Guarantors) (if any) to Item A

Full Name, Mailing Address and ZIP Code	Name of Employer / Occupation / Amount Guaranteed Outstanding
1. DR JOHN VANDERSCHUIT (GUARANTOR) 3934 ST JOHN'S LANE ELLICOTT CITY, MD 21043	Name of Employer: SELF Occupation: DENTIST Amount Guaranteed Outstanding: $ — 0 —
2. (SEE ATTACHED) THIS LOAN WAS REPLACED BY THE MERCANTILE LOAN (SEE BELOW) BECAUSE OF THE APPARENT CONFLICT WITH FEDERAL CANDIDATE LOAN USE VS CORPORATE LOANS/CONTRIBUTIONS.	Name of Employer: Occupation: Amount Guaranteed Outstanding: $
3. CONTINENTAL VANDERSCHUIT ENTERPRISES INC., IS CO-SIGNED BY DR. VANDERSCHUIT & HIS WIFE.	Name of Employer: Occupation: Amount Guaranteed Outstanding: $

B. Full Name, Mailing Address and ZIP Code of Loan Source	Original Amount of Loan	Cumulative Payment To Date	Balance Outstanding at Close of This Period
MERCANTILE SAFE DEPOSIT & TRUST CO. 2 HOPKINS PLAZA, P.O. BOX 1477 BALTIMORE, MD 21203	$40,000.00	— 0 —	$40,000.00

Election: (Primary) ☐ General ☐ Other (specify)

Terms: Date Incurred 5/16/86 Date Due 5/16/87 Interest Rate 10.5 Secured? MANUFACTURING ASSETS ☐ Endorsed

List All Endorsers (Guarantors) (if any) to Item B

Full Name, Mailing Address and ZIP Code	Name of Employer / Occupation / Amount Guaranteed Outstanding
1. DR JOHN VANDERSCHUIT (CANDIDATE) 3934 ST JOHN'S LANE ELLICOTT CITY, MD 21043	Name of Employer: SELF Occupation: DENTIST Amount Guaranteed Outstanding: $ 40,000.00
2. LINDA VANDERSCHUIT (CANDIDATE) 3934 ST JOHN'S LANE ELLICOTT CITY, MD 21043	Name of Employer: N/A Occupation: HOUSEWIFE Amount Guaranteed Outstanding: $ — 0 —
3. THIS IS A PERSONAL, UNSECURED, SIGNATURE LOAN. THE CANDIDATE'S NET WORTH EXCEEDS THE AMOUNT GUARANTEED.	Name of Employer: Occupation: Amount Guaranteed Outstanding: $

SUBTOTALS (This Period This Page (optional))	
TOTALS This Period (last page in this line only)	$40,000.00

Carry outstanding balance only to LINE 3, Schedule D, for this item. If no Schedule D, carry forward to appropriate line of Summary.

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

RQ-3

October 24, 1986

Stephen F. Poulds, Treasurer
John Vandenberge Victory '86
10194 Baltimore National Pike
Suite 110
Ellicott City, MD 21042

Identification Number: C00202291

Reference: Amended July Quarterly Report (4/1/86-6/30/86 - dated 8/25/86)

Dear Mr. Poulds:

On September 30, 1986 you were notified that a review of the above-referenced report(s) raised questions as to specific contributions and/or expenditures, and the reporting of certain information required by the Federal Election Campaign Act.

Your October 22, 1986 response is incomplete because you have not provided all the requested information. For this response to be considered adequate, the following information is still required.

-The Commission notes your October 22, 1986 Amended July Quarterly, Amended 12 Day Pre-Primary, and 12 Day Pre-General Reports. The Commission is also in receipt of your October Quarterly Report. Your 1986 Amended 12 Day Pre-Primary and 1986 October Quarterly Reports indicate that the candidate's wife is an endorser of the $40,000 bank loan. These two reports also state that the $40,000 loan "is <u>not</u> secured by any property" but that the bank "has the right of setoff to Dr. and Mrs. Vandenberge's personal checking account and the checking account of their jointly owned corporation, Vandenberge Enterprises, Inc." In contrast, your 1986 Amended July Quarterly and 1986 12 Day Pre-General Reports still indicate that the candidate's wife is an endorser of the loan, but state only that the loan "is a personal unsecured signature loan."

Please note that an individual may not make contributions to a candidate for federal office in excess of $1,000 per election (2 U.S.C. §441a(a) and (f)). For purposes of the Federal Election Campaign Act, a loan or loan endorsement from an individual is considered a contribution, and a candidate's spouse is subject to the $1,000 per election limitation.

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If the loan in question was secured by property based on joint assets, please clarify your report with the following information:

- whether or not the loan was secured
- the due date or amoritization schedule
- brief description of the collateral or property used as a basis for the loan
- the owners of the collateral or the property used as a basis for the loan
- the type of ownership of such property (e.g., tenants by the entireties, joint tenants, tenants in common, etc.)
- the percentage of such property owned by each owner
- value of such property
- the capacity in which each signatory signed (e.g., co-maker, endorser, guarantor)

In addition, please clarify whether this loan is guaranteed by the assets of Dr. and Mrs. Vandenberge's personal checking account and/or the checking account of Vandenberge Enterprises, Inc. Please be advised that a loan guaranteed by a corporation is prohibited by the Act (2 U.S.C. §441b(a)).

If your committee has received a contribution in the form of loan endorsements which exceed the limitations and/or are prohibited by the Act, the Commission recommends that you repay the amounts that violate the limitations and/or prohibitions of the Act. The Commission should be notified in writing if a repayment is necessary. In addition, any repayment should be reflected on Line 19 of the Detailed Summary Page.

If the loan endorsements in question were incompletely or incorrectly reported, you may wish to submit additional documentation for the public record. Please amend your report with the clarifying information.

Although the Commission may take further legal steps concerning the acceptance of excessive and prohibited contributions, prompt action by you to repay the excessive and prohibited amounts will be taken into consideration.

If this information is not received by the Commission within fifteen (15) days from the date of this notice, the Commission may choose to initiate audit or legal enforcement action.

If you should have any questions related to this matter, please contact Robin Kelly on our toll-free number (800) 424-9530 or our local number (202) 376-2480.

Sincerely,

John D. Gibson
Assistant Staff Director
Reports Analysis Division

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ATTACHMENT 13

MEMORANDUM FOR FILES: TELECON

SUBJECT: Extension regarding the 1986 Amended July Quarterly Report

FROM: Call received from: Stephen Poulos, Treasurer

TO: Robin Kelly, RAD Analyst

NAME OF COMMITTEE: John Vandenberge for Congress

DATE: November 7, 1986

Mr. Poulos called to explain that he was waiting for the bank to supply information regarding the loan. He asked if we could grant him an extension. I told him that we could not, but he may want to send in a letter explaining the situation.

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RECEIVED BY THE FEC

86 NOV 10 AM: 52

JOHN VANDENBERGE Congress

REGULAR MAIL

NOV 7 1986

November 3, 1986

1176668

Federal Election Commission
Reports Analysis Division
ATTN: Robin Kelly
Washington, D.C. 20463

Reference: FEC Ltr dtd Oct 24, 1986, ID#C00202291
Concerning Amended July Quarterly Report
(4/1/86-6/30/86 -- dtd 8/25/86)

Dear Miss Kelly:

As I mentioned to you on the telephone this afternoon, I am still in the process of gathering information from the bank that provided the $40,000 loan to Dr. Vandenberge. Part of the problem is a question of semantics, i.e., the loan officer involved indicated that he did not consider either Dr. Vandenberge or Mrs. Vandenberge as a "co-maker", "endorser" or "guarantor" of the loan, rather, the terminology he normally uses is "borrower" and "co-borrower", respectively. To ensure that his understanding is correct in view of the FEC's inquiry, he is requesting advice from his senior as well as the bank's legal counsel. Whatever terminology the bank comes up with I will use in future amendments to already filed reports and future reports in order to be consistent. Which brings up the next point.

In the referencedletter, it was noted that there was a "contrast" between the description of the loan detailed in my 1986 Amended 12 Day Pre-Primary & 1986 October Quarterly Reports versus my 1986 Amended July Quarterly and 1986 12 Day Pre-General Reports. There really is no contrast...the description contained in the latter two reports are merely abbreviated versions of the descriptions appearing in the former two reports. I will correct this misunderstanding by filing amendments that utilize the exact same terminology from one report to the next...once the correct terminology is provided by the bank.

I did find out, however, that I erred in stating that the checking account of Dr. & Mrs. Vandenberge's jointly owned corporation (Vandenberge Enterprises, Inc.) was subject to the bank's "right of setoff". The loan officer informed me that since this was a personal, unsecured, signature loan to Dr. & Mrs. Vandenberge, only thir personal joint checking account could be subject to setoff and only after exhausting normal bank and subsequently, legal procedures to collect on a defaulted loan. The bank does not regard their personal joint checking account as collateral for the loan and it is not listed anywhere in the loan agreement as such. Therefore, the loan is not guaranteed by the assets of Dr. & Mrs. Vandenberge's personal checking account nor the checking account of Vandenberge Enterprises, Inc.

In view of the above, and in answer to the referenced letter, the loan in question was not secured by property based on joint assets nor assets of either Dr. Vandenberge or Mrs. Vandenberge, nor assets of Vandenberge Enterprises, Inc. The loan was a personal, unsecured, signature loan. The due date, as shown in all previously filed reports, is 5/16/87. There was no

10194 Baltimore National Pike, Suite 110 • P.O. Box 882 • Ellicott City, MD 21043 • (301) 461-7760

Authorized and paid for by Vandenberge for Congress Committee Stephen Pavlos Treasurer

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property nor collateral used as a basis for the loan, and, therefore, all questions pertaining to owners of collateral or property, type of ownership of such property, percentage of such property owned by each owner and value of such property are not applicable.

Miss Kelly, the only question yet to be clarified is the capacity in which Dr. & Mrs. Vandenberge signed for the loan. Finally, I might emphasize that regardless of the capacity of each signatory, the joint net worth of Dr. & Mrs. Vandenberge exceeds more than twice the loan amount of $40,000. Therefore, in the event of loan default, Dr. Vandenberge's personal, singular net worth would be more than sufficient to cover the loan. Therefore, Mrs. Vandenberge's role as a "co-borrower" (?) -- even though possibly a technical contradiction to the letter of the law -- would seem to be a moot point in reality.

I will follow-up this letter with the last bit of information required and the appropriate report amendments as soon as the bank responds to my inquiry. Thank you for your cooperation and patience.

Sincerely,

Stephen P. Poulos
Treasurer, Vandenberge for Congress

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SENSITIVE

FEDERAL ELECTION COMMISSION
999 E. Street, N.W.
Washington, D.C. 20463

FIRST GENERAL COUNSEL'S REPORT

RAD Ref. 87L-01
Staff Member: Jonathan Levin

SOURCE OF MUR: INTERNALLY GENERATED

RESPONDENTS: John Vandenberge for Congress
Stephen P. Poulos, as treasurer

Vandenberge Enterprises, Inc.

Linda Vandenberge

RELEVANT STATUTORY AND REGULATORY SECTIONS:

2 U.S.C. § 431(8)(A)(i)
2 U.S.C. § 431(8)(A)(vii)(I)
2 U.S.C. § 432(e)(2)
2 U.S.C. § 441a(a)(1)(A)
2 U.S.C. § 441a(f)
2 U.S.C. § 441b(a)
11 C.F.R. § 100.7(a)(1)(i)(C)
11 C.F.R. § 100.7(a)(1)(i)(D)
11 C.F.R. § 101.2(a)
11 C.F.R. § 103.3(b)
11 C.F.R. § 100.7(b)(11)
11 C.F.R. § 110.10(b)(1)
UCC 3-402

INTERNAL REPORTS CHECKED: Public Records

FEDERAL AGENCIES CHECKED: None

I. GENERATION OF MATTER

This matter was referred to the Office of the General Counsel by the Reports Analysis Division (RAD) for the apparent receipt by John Vandenberge for Congress ("the Committee") of a corporate contribution from Vandenberge Enterprises, Inc. and an excessive contribution in the form of a loan endorsement from Linda Vandenberge.

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II. FACTUAL AND LEGAL ANALYSIS

A. Facts

The 1986 April Quarterly Report of the Committee disclosed the receipt of $30,000 in loans from the candidate between November 21, 1985, and March 31, 1986. These included a $3,000 loan on November 21, 1985, a $10,000 loan on March 26, 1986, and a $17,000 loan on March 31, 1986. The 1986 July Quarterly Report disclosed a $10,000 loan on May 16, 1986, from the candidate but the report did not note whether the candidate used his personal funds.

In response to a Request for Additional Information ("RFAI") dated August 11, 1986, requesting information as to the source of these loans, the candidate stated that the first $30,000 was loaned from either his personal checking or personal savings account, but that, in early May 1986, he learned from his attorney, who was conducting a general review of campaign records, that $27,000 of this amount was "first borrowed" from a corporation co-owned by his wife and him, Vandenberge Enterprises, Inc. After receiving advice from his attorney and from counsel for the National Republican Congressional Committee ("NRCC") that "the transaction could be challenged," the candidate borrowed $40,000 from the Mercantile Safe Deposit & Trust Company "under signature" of his wife and himself on a personal note. On May 16, 1986, he reimbursed the corporation for $27,000 and lent the campaign another $10,000. Attached to the candidate's letter was a copy of a combined loan agreement

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and note for $40,000 signed by the candidate and his wife, Linda Vandenberge. The loan was repayable over the course of a year at 10.5% interest. The copy of the agreement and note is not entirely legible. Although the boxes next to the provisions for a "security interest" are not marked, there appears to be a mark next to the statement, "I am giving the Bank the right of setoff against any money or property in the Bank's possession."[1/]

RAD sent an RFAI to the Committee on September 30, 1986, noting a possible corporate contribution by Vandenberge Enterprises and a possible excessive contribution by Mrs. Vandenberge. In addition, RAD enclosed a "Notice to All Candidates and Committees" explaining the types of corporate accounts prohibited for use in federal campaigns under 2 U.S.C. § 441b. This Notice, issued by the Commission under the Chairman's signature in 1978, stated that the Commission distinguishes among three types of corporate accounts used by employees: (1) repayable drawing accounts, (2) non-repayable drawing accounts, and (3) expense accounts. The Notice stated:

> Contributions made from drawing accounts that the employee is responsible to repay will be considered corporate contributions for the outstanding period of the draw, however, contributions made from non-repayable drawing accounts established to permit personal draws against salary, profits or commissions will be considered personal contributions. Contributions written against standard expense accounts are prohibited as corporate contributions.

1/ In the RAD Referral attachment, this Office has substituted a more legible copy of the loan agreement and note for the copy inserted at Attachment 8 of the referral. This more legible copy was reproduced from the Committee's file in RAD.

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In response to the RFAI, the treasurer enclosed a letter and an amended July Quarterly. The treasurer stated that the Vandenberge Enterprises funds used were repayable, i.e., they were not a payment of salary, commission or distribution of owner's equity and, therefore, were prohibited corporate funds. The amended report included a Schedule C showing $27,000 in loans, i.e., the March 1986 loans previously reported from the candidate, as being from Vandenberge Enterprises and as fully repaid and the November, 1985, loan as repaid to Dr. Vandenberge. The report also showed the receipt of the $40,000 bank loan with Mrs. Vandenberge as the endorser. The report stated that "the loan was a personal, unsecured signature loan" and that "[t]he candidate's net worth exceeds amount guaranteed."

On October 24, 1986, RAD sent another RFAI questioning the reporting of the $40,000 loan on the amended July Quarterly and amended Pre-General Reports as compared to the reporting of the same loan on the amended 12 Day Pre-Primary and October Quarterly Report. The amended July Quarterly and amended Pre-General Reports stated that the candidate's wife is an endorser of the loan and that the loan is a "personal, unsecured signature loan." The other two reports, while also showing Mrs. Vandenberge as an endorser, stated that the loan is not secured by any property but that the bank "has the right of setoff to Dr. and Mrs. Vandenberge's personal checking account and the checking account of their jointly owned corporation, Vandenberge Enterprises, Inc." The RFAI sought information as to the source of the $40,000 loan and

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clarification as to whether the loan was guaranteed by assets of Vandenberge Enterprises.

On November 10, 1986, RAD received a reply letter from the treasurer. The treasurer stated that he was waiting to hear from the bank as to Mrs. Vandenberge's status, but that a bank officer had stated that he did not consider her to be a co-maker, endorser, or guarantor, but rather a "co-borrower." The treasurer stated that he had erred in reporting that the checking account of the corporation was subject to the bank's "right of setoff." According to the treasurer, the bank officer informed him that, "since this was a personal, unsecured signature loan to Dr. & Mrs. Vandenberge, only their personal joint checking account could be subject to setoff and only after exhausting normal bank and, subsequently, legal procedures to collect on a defaulted loan." (Emphasis included.) The treasurer stated that the bank does not regard the personal checking account as collateral for the loan, that there is no listing of the account in the loan agreement, and that, therefore, the loan is not guaranteed by either the personal or corporate checking accounts.

The treasurer maintained that since "[t]here was no property nor collateral used as a basis for the loan," questions as to type and percentage of ownership are inapplicable. The treasurer stated, however, that even if Mrs. Vandenberge's signature might otherwise make her a contributor, "the joint net worth of Dr. and Mrs. Vandenberge exceeds more than twice the $40,000 loan amount," and, therefore, Mrs. Vandenberge's role as co-borrower is a "moot point."

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This Office notes that the Committee's Post-General and Year End Reports, which were filed subsequent to the treasurer's letter, list John and Linda Vandenberge as co-makers on the loan. These reports also state that "[t]he candidate's singular net worth exceeds amount guaranteed."

B. Analysis

1. Making and Acceptance of Corporate Contributions

Section 441b(a) of Title 2 prohibits the making and knowing acceptance of corporate contributions in connection with an election for federal office. The Committee itself has indicated that the origin of $27,000 in loans from the candidate to the Committee was corporate funds. The details of this origin, however, are unclear. If the funds were transferred from the corporation to the checking account prior to the time Dr. Vandenberge became a candidate and not in contemplation of the candidacy, then the funds should not be construed as corporate in origin. See 11 C.F.R. § 110.10(b)(1). However, counsel for the NRCC, in reviewing the transactions involved, indicated to the Committee that the loans "could be challenged."

If the loans were corporate in origin, the question arises as to whether the corporate funds were returned in a timely manner under 11 C.F.R. § 103.3(b). According to the candidate, the Committee learned in early May that it should return the corporate funds, and Vandenberge Enterprises was reimbursed on May 16, 1986. The regulation in effect at the time, at 11 C.F.R. § 103.3(b)(1), stated that "[c]ontributions which appear to be

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illegal shall be, within 10 days, returned to the contributor or deposited into the campaign depository and reported." According to the new regulation at 11 C.F.R. § 103.3(b)(2), if the treasurer of a political committee discovers that a contribution is illegal after its acceptance, the treasurer shall refund the contribution within thirty days of the discovery of the illegality.

Although the return of the contribution may have occurred in early May, the candidate in the present instance should have known the origin of his own funds and the illegality should have been discovered as of the date the contributions were made. (It is not material that he may not manage his own money.) According to 2 U.S.C. § 432(e)(2) and 11 C.F.R. § 101.2(a), a candidate who receives a contribution for use in connection with his or her campaign shall be considered as having received the contribution as an agent of the committee. According to 11 C.F.R. § 101.2(b), when an individual becomes a candidate, any funds received prior to becoming a candidate in connection with his or her campaign shall be deemed to have been received by the candidate as an agent of his or her committee. It appears, therefore, that Dr. Vandenberge accepted funds from Vandenberge Enterprises as an agent of the Committee. Because the candidate was an agent of the Committee and because he had constructive knowledge of the origins of these funds, the pertinent starting dates for determining the timely return of the contributions are the dates on which Dr. Vandenberge received the funds. These

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dates could be no later than March 26, 1986, the date of the $10,000 loan reported as being from John Vandenberge to the Committee and March 31, 1986, the date of the $17,000 loan reported as being from Dr. Vandenberge to the Committee. Thus, the return of the $27,000 on May 16, 1986, was not timely under 11 C.F.R. § 103.3(b) in either its past or present form.

Based on the foregoing analysis, this Office recommends that the Commission open a Matter Under Review and find reason to believe that Vandenberge Enterprises, Inc. violated 2 U.S.C. § 441b(a) for the making of corporate contributions and reason to believe that the Committee and Stephen P. Poulos, as treasurer, violated 2 U.S.C. § 441b(a) for the knowing acceptance of corporate contributions.

2. **Making and Acceptance of an Excessive Contribution**

Section 441a(a)(1)(A) of Title 2 states that no person may make a contribution to any candidate and his authorized committees with respect to any election for federal office which, in the aggregate, exceed $1,000. Section 441a(f) of Title 2 prohibits the knowing acceptance of contributions exceeding the limits of 2 U.S.C. § 441a.

The making of the $40,000 loan raises the issue of a possible contribution by Mrs. Vandenberge in excess of the limit of 2 U.S.C. § 441a(a)(1)(A). This issue has three components. They are (1) the significance of Mrs. Vandenberge's signature; (2) the basis of the loan; and (3) the amount of the contribution to be attributed to the candidate and, therefore, not to Mrs. Vandenberge.

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According to 2 U.S.C. § 431(8)(A)(i), a loan is a contribution and, according to 2 U.S.C. § 431(8)(A)(vii)(I) and 11 C.F.R. § 100.7(a)(1)(i)(C), a bank loan is a contribution by each endorser or guarantor. Each endorser or guarantor shall be deemed to have contributed that portion of the total amount for which he or she agreed to be liable and, in the absence of the stipulation of a portion, the loan shall be considered a loan by each endorser or guarantor in the same proportion to the unpaid balance that he or she bears to the total number of endorsers or guarantors. The Committee treasurer has maintained that Mrs. Vandenberge did not sign the loan note as a co-maker, endorser, or guarantor, but as a "co-borrower." However, the Post-General and Year End Reports of the Committee list Mrs. Vandenberge as a co-maker. In addition, although the signatures of John and Linda Vandenberge do not state a specific capacity next to the signatures, the language of the instrument indicates that they may have been co-makers.[2/]

2/ Even if the treasurer were to maintain further that Mrs. Vandenberge merely signed as a "co-borrower," this assertion would be contrary to the Uniform Commercial Code, which is in effect in Maryland. According to UCC § 3-402, "[u]nless the instrument clearly indicates that a signature is made in some other capacity, it is an indorsement." Code, Commerical Law, § 3-402 (Maryland citation). According to the Official Comment to the UCC,

> [parol] evidence is not admissible to show any other capacity, except for the purpose of reformation of the instrument as it may be permitted under the rules of the particular jurisdiction. The question is to be determined from the face of the instrument alone, and unless the instrument itself makes it clear that he has signed in some other

(Footnote continued)

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The treasurer has attempted to make the argument that, in making the loan to the candidate, the bank did not use any of the Vandenberges' assets as collateral or as a basis for the loan. The bank officer's statement, however, indicates that the bank had the right of setoff against the Vandenberges' joint checking account and was looking to that account as a basis for the loan even though there is no listing of the account in the loan agreement.

The treasurer has stated that, since the "joint net worth" of the Vandenberges exceeds twice the $40,000 amount of the loan, Mrs. Vandenberge could co-sign without becoming a contributor. This, however, is a misinterpretation of 11 C.F.R. § 100.7(a)(1)(i)(D) and 11 C.F.R. § 110.10(b). Section 100.7(a)(1)(i)(D) states:

> (D) A candidate may obtain a loan on which his or her spouse's signature is required when jointly owned assets are used as collateral or security for the loan. The spouse shall not be considered a contributor to the candidate's campaign if the value of the candidate's share of the property used as collateral equals or exceeds the amount of the loan which is used for the candidate's campaign.3/

(Footnote 2 continued)

> capacity the signer must be treated as an indorser.

Therefore, at the very least, Mrs. Vandenberge is an endorser.

3/ The Explanation and Justification of this regulation includes within the meaning of the regulation the concept of a candidate's property as a basis for the loan, as well as the strict concept of collateral. Explanation and Justification of Regulations Concerning a Candidate's Use of Property in Which

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A definition of the candidate's share of the property is found at 11 C.F.R. § 110.10(b) which defines personal funds of the candidate, in part, as:

> (1) [a]ny assets which, under applicable state law, at the time he or she became a candidate, the candidate had legal right of access to or control over, and with respect to which the candidate had either:
> (i) Legal and rightful title, or
> (ii) An equitable interest

Section 110.10(b) states further, at subsection (3), that

> (3) [a] candidate may use a portion of assets jointly owned with his or her spouse as personal funds. The portion of the jointly owned assets that shall be considered as personal funds of the candidate shall be that portion which is the candidate's share under the instrument(s) of conveyance or ownership. If no specific share is indicated by an instrument of conveyance or ownership, the value of one-half of the property used shall be considered as personal funds of the candidate.

Therefore, the treasurer would be correct only if Dr. Vandenberge's share of the net worth alone equaled $40,000[4/] and the bank made the loan on the basis of the Vandenberges' net worth. It appears thus far, however, that the bank was looking to the joint personal checking account, not to the Vandenberges' total net worth. Without further information as to the size of the account

(Footnote continued)

Spouse has an Interest, [48 FR 19020, April 27, 1983]. It should also be noted that this is a permissive regulation; without this regulation, the signatory spouse would be a contributor to the extent provided for in 11 C.F.R. § 100.7(a)(1)(i)(C).

4/ The use of the phrase "singular net worth" on the Post-General and Year End Reports indicates that the Committee may have become aware of this issue.

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and the share of the candidate in that account, it appears that the candidate's share of this asset might have been less than $40,000 and, thus, a contribution from Linda Vandenberge may have resulted according to 11 C.F.R. § 100.7(a)(1)(i)(D). If the candidate's share was less than $39,000, Mrs. Vandenberge's contribution would have exceeded $1,000.

Based on the foregoing analysis, this Office recommends that the Commission find reason to believe that Linda Vandenberge violated 2 U.S.C. § 441a(a)(1)(A) and that the Committee and Mr. Poulos, as treasurer, violated 2 U.S.C. § 441a(f).

C. Investigation

In order to ascertain the nature of the contribution that apparently originated with Vandenberge Enterprises and in order to ascertain further details of the $40,000 bank loan, this Office also recommends the approval of questions and requests for documents to be sent to the respondents.

III. RECOMMENDATIONS

1. Open a Matter Under Review.

2. Find reason to believe that Vandenberge Enterprise, Inc. violated 2 U.S.C. § 441b(a).

3. Find reason to believe that John Vandenberge for Congress and Stephen P. Poulos, as treasurer, violated 2 U.S.C. § 441b(a).

4. Find reason to believe that Linda Vandenberge violated 2 U.S.C. § 441a(a)(1)(A).

5. Find reason to believe that John Vandenberge for Congress and Stephen P. Poulos, as treasurer, violated 2 U.S.C. § 441a(f).

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6. Approve the attached letters with questions.

Date 7/15/87

Lawrence M. Noble
Acting General Counsel

Attachments
1. Referral from RAD
2. Proposed letter, analysis, and questions to the Committee
3. Proposed letter and analysis to Vandenberge Enterprises, Inc.
4. Proposed letter and analysis to Linda Vandenberge.

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BEFORE THE FEDERAL ELECTION COMMISSION

(MUR 2522)

In the Matter of	)	
	)	
John Vandenberge for Congress Stephen P. Poulos, as treasurer	)	RAD Ref. 87L-01
	)	
Vandenberge Enterprises, Inc.	)	
	)	
Linda Vandenberge	)	

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on July 21 1987, the Commission decided by a vote of 5-0 to take the following actions in RAD Ref. 87L-01:

1. Open a Matter Under Review.
2. Find reason to believe that Vandenberge Enterprise, Inc. violated 2 U.S.C. § 441b(a).
3. Find reason to believe that John Vandenberge for Congress and Stephen P. Poulos, as treasurer, violated 2 U.S.C. § 441b(a).
4. Find reason to believe that Linda Vandenberge violated 2 U.S.C. § 441a(a)(1)(A).
5. Find reason to believe that John Vandenberge for Congress and Stephen P. Poulos, as treasurer, violated 2 U.S.C. § 441a(f).
6. Approve the letters with questions, as recommended in the First General Counsel's Report signed July 15, 1987.

(continued)

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Commissioners Aikens, Elliott, Josefiak, McGarry, and Thomas voted affirmatively for the decision; Commissioner McDonald did not cast a vote.

Attest:

7-21-87
Date

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

Received in the Office of Commission Secretary:	Wed.,	7-15-87,	3:31
Circulated on 48 hour tally basis:	Thurs.,	7-16-87,	11:00
Deadline for vote:	Mon.,	7-20-87,	4:00

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

July 28, 1987

Linda Vandenberge
3934 St. John's Lane
Ellicott City, MD 21043

Re: MUR 2522
Linda Vandenberge

Dear Mrs. Vandenberge:

On July 21, 1987, the Federal Election Commission found that there is reason to believe you violated 2 U.S.C. § 441a(a)(1)(A), a provision of the Federal Election Campaign Act of 1971, as amended ("the Act"). The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

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 that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office, within 15 days of your receipt of this letter. Where appropriate, statements should be submitted under oath.

In the absence of any additional information demonstrating 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.

If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. See 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, the Commission will not entertain requests for pre-probable cause conciliation after briefs on probable cause have been mailed to the respondent.

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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 ordinarily will not give extensions beyond 20 days.

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

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 Jonathan Levin, the attorney assigned to this matter, at (202) 376-5690.

Sincerely,

Scott E. Thomas
Chairman

Enclosures
Factual and Legal Analysis
Procedures
Designation of Counsel Form

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FEDERAL ELECTION COMMISSION

FACTUAL AND LEGAL ANALYSIS

RESPONDENT: Linda Vandenberge

A. Facts

The 1986 April Quarterly Report of John Vandenberge for Congress ("the Committee") disclosed the receipt of $30,000 in loans from the candidate between November 21, 1985, and March 31, 1986. These included a $3,000 loan on November 21, 1985, a $10,000 loan on March 26, 1986, and a $17,000 loan on March 31, 1986. The 1986 July Quarterly Report disclosed a $10,000 loan on May 16, 1986, from the candidate but the report did not note whether the candidate used his personal funds.

In response to a Request for Additional Information ("RFAI") dated August 11, 1986, requesting information as to the source of these loans, the candidate stated that the first $30,000 was loaned from either his personal checking or personal savings account, but that, in early May 1986, he learned from his attorney, who was conducting a general review of campaign records, that $27,000 of this amount was "first borrowed" from a corporation co-owned by his wife and him, Vandenberge Enterprises, Inc. After receiving advice from his attorney and from counsel for the National Republican Congressional Committee ("NRCC") that "the transaction could be challenged," the candidate borrowed $40,000 from the Mercantile Safe Deposit & Trust Company "under signature" of his wife and himself on a personal note. On May 16, 1986, he reimbursed the corporation

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for $27,000 and lent the campaign another $10,000. Attached to the candidate's letter was a copy of a combined loan agreement and note for $40,000 signed by the candidate and his wife, Linda Vandenberge. The loan was repayable over the course of the year at 10.5% interest. The copy of the agreement and note is not entirely legible. Although the boxes next to the provisions for a "security interest" are not marked, there appears to be a mark next to the statement, "I am giving the Bank the right of setoff against any money or property in the Bank's possession."

The Reports Analysis Division ("RAD") sent an RFAI to the Committee on September 30, 1986, noting a possible excessive contribution by Mrs. Vandenberge. In response to the RFAI, the treasurer enclosed a letter and an amended July Quarterly. The amended report included a Schedule C showing $27,000 in loans, i.e., the March, 1986 loans previously reported from the candidate, as being from Vandenberge Enterprises and as fully repaid and the November, 1985, loan as repaid to Dr. Vandenberge. The report also showed the receipt of the $40,000 bank loan with Mrs. Vandenberge as the endorser. The report stated that "the loan was a personal, unsecured signature loan" and that "[t]he candidate's net worth exceeds amount guaranteed."

On October 24, 1986, RAD sent another RFAI questioning the reporting of the $40,000 loan on the amended July Quarterly and amended Pre-General Reports as compared to the reporting of the same loan on the amended 12 Day Pre-Primary and October Quarterly

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Report. The amended July Quarterly and amended Pre-General Reports stated that the candidate's wife is an endorser of the loan and that the loan is a "personal, unsecured signature loan." The other two reports, while also showing Mrs. Vandenberge as an endorser, stated that the loan is not secured by any property but that the bank "has the right of setoff to Dr. and Mrs. Vandenberge's personal checking account and the checking account of their jointly owned corporation, Vandenberge Enterprises, Inc." The RFAI sought information as to the source of the $40,000 loan and clarification as to whether the loan was guaranted by assets of Vandenberge Enterprises.

On November 10, 1986, RAD received a reply letter from the treasurer. The treasurer stated that he was waiting to hear from the bank as to Mrs. Vandenberge's status, but that a bank officer had stated that he did not consider her to be a co-maker, endorser, or guarantor, but rather a "co-borrower." The treasurer stated that he had erred in reporting that the checking account of the corporation was subject to the bank's "right of setoff." According to the treasurer, the bank officer informed him that, "since this was a personal, unsecured signature loan to Dr. & Mrs. Vandenberge, <u>only</u> their personal joint checking account could be subject to setoff and only after exhausting normal bank and, subsequently, legal procedures to collect on a defaulted loan." (Emphasis included.) The treasurer stated that the bank does not regard the personal checking account as collateral for the loan, that there is no listing of the account

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in the loan agreement, and that, therefore, the loan is not guaranteed by either the personal or corporate checking accounts.

The treasurer maintained that since "[t]here was no property nor collateral used as a basis for the loan," questions as to type and percentage of ownership are inapplicable. The treasurer stated, however, that even if Mrs. Vandenberge's signature might otherwise make her a contributor, "the joint net worth of Dr. and Mrs. Vandenberge exceeds more than twice the $40,000 loan amount," and, therefore, Mrs. Vandenberge's role as co-borrower is a "moot point."

This Office notes that the Committee's Post-General and Year End Reports, which were filed subsequent to the treasurer's letter, list John and Linda Vandenberge as co-makers on the loan. These reports also state that "[t]he candidate's singular net worth exceeds amount guaranteed."

B. Analysis

Section 441a(a)(1)(A) of Title 2 states that no person may make a contribution to any candidate and his authorized committees with respect to any election for federal office which, in the aggregate, exceed $1,000. The making of the $40,000 loan raises the issue of a possible contribution by Mrs. Vandenberge in excess of the limit of 2 U.S.C. § 441a(a)(1)(A). This issue has three components. They are (1) the significance of Mrs. Vandenberge's signature; (2) the basis of the loan; and (3) the amount of the contribution to be attributed to the candidate and, therefore, not to Mrs. Vandenberge.

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According to 2 U.S.C. § 431(8)(A)(i), a loan is a contribution and, according to 2 U.S.C. § 431(8)(A)(vii)(I) and 11 C.F.R. § 100.7(a)(1)(i)(C), a bank loan is a contribution by each endorser or guarantor. Each endorser or guarantor shall be deemed to have contributed that portion of the total amount for which he or she agreed to be liable and, in the absence of the stipulation of a portion, the loan shall be considered a loan by each endorser or guarantor in the same proportion to the unpaid balance that he or she bears to the total number of endorsers or guarantors. The Committee treasurer has maintained that Mrs. Vandenberge did not sign the loan note as a co-maker, endorser, or guarantor, but as a "co-borrower." However, the Post-General and Year End Reports of the Committee list Mrs. Vandenberge as a co-maker. In addition, although the signatures of John and Linda Vandenberge do not state a specific capacity next to the signatures, the language of the instrument indicates that they may have been co-makers.[1/]

1/ Even if the treasurer were to maintain further that Mrs. Vandenberge merely signed as a "co-borrower," this assertion would be contrary to the Uniform Commercial Code, which is in effect in Maryland. According to UCC § 3-402, "[u]nless the instrument clearly indicates that a signature is made in some other capacity, it is an indorsement." Code, Commerical Law, § 3-402 (Maryland citation). According to the Official Comment to the UCC,

> [parol] evidence is not admissible to show any other capacity, except for the purpose of
> (Footnote continued)

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The treasurer has attempted to make the argument that, in making the loan to the candidate, the bank did not use any of the Vandenberges' assets as collateral or as a basis for the loan. The bank officer's statement, however, indicates that the bank had the right of setoff against the Vandenberges' joint checking account and was looking to that account as a basis for the loan even though there is no listing of the account in the loan agreement.

The treasurer has stated that, since the "joint net worth" of the Vandenberges exceeds twice the $40,000 amount of the loan, Mrs. Vandenberge could co-sign without becoming a contributor. This, however, is a misinterpretation of 11 C.F.R. § 100.7(a)(1)(i)(D) and 11 C.F.R. § 110.10(b)(1). Section 100.7(a)(1)(i)(D) states:

> (D) A candidate may obtain a loan on which his or her spouse's signature is required when jointly owned assets are used as collateral or security for the loan. The spouse shall not be considered a contributor to the candidate's campaign if the value of the candidate's share of the property used as collateral equals or exceeds the amount of

(Footnote 1 continued)

> reformation of the instrument as it may be permitted under the rules of the particular jurisdiction. The question is to be determined from the face of the instrument alone, and unless the instrument itself makes it clear that he has signed in some other capacity the signer must be treated as an indorser.

Therefore, at the very least, Mrs. Vandenberge is an endorser.

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the loan which is used for the candidate's campaign.[2/]

A definition of the candidate's share of the property is found at 11 C.F.R. § 110.10(b) which defines personal funds of the candidate, in part, as:

> (1) [a]ny assets which, under applicable state law, at the time he or she became a candidate, the candidate had legal right of access to or control over, and with respect to which the candidate had either:
> (i) Legal and rightful title, or
> (ii) An equitable interest

Section 110.10(b) states further, at subsection (3), that

> (3) [a] candidate may use a portion of assets jointly owned with his or her spouse as personal funds. The portion of the jointly owned assets that shall be considered as personal funds of the candidate shall be that portion which is the candidate's share under the instrument(s) of conveyance or ownership. If no specific share is indicated by an instrument of conveyance or ownership, the value of one-half of the property used shall be considered as personal funds of the candidate.

Therefore, the treasurer would be correct only if Dr. Vandenberge's share of the net worth alone equaled $40,000[3/] and the bank made the

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2/ The Explanation and Justification of this regulation includes within the meaning of the regulation the concept of a candidate's property as a basis for the loan, as well as the strict concept of collateral. Explanation and Justification of Regulations Concerning a Candidate's Use of Property in Which Spouse has an Interest, [48 FR 19020, April 27, 1983]. It should also be noted that this is a permissive regulation; without this regulation, the signatory spouse would be a contributor to the extent provided for in 11 C.F.R. § 100.7(a)(1)(i)(C).

3/ The use of the phrase "singular net worth" on the Post-General and Year End Reports indicates that the Committee may have become aware of this issue.

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loan on the basis of the Vandenberges' net worth. It appears thus far, however, that the bank was looking to the joint personal checking account, not to the Vandenberges' total net worth. Without further information as to the size of the account and the share of the candidate in that account, it appears that the candidate's share of this asset might have been less than $40,000 and, thus, a contribution from Linda Vandenberge may have resulted according to 11 C.F.R. § 100.7(a)(1)(i)(D). If the candidate's share was less than $39,000, Mrs. Vandenberge's contribution would have exceeded $1,000.

Based on the foregoing analysis, this Office recommends that the Commission find reason to believe that Linda Vandenberge violated 2 U.S.C. § 441a(a)(1)(A).

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

July 28, 1987

John Vandenberge, D.D.S.
Linda Vandenberge
Vandenberge Enterprises, Inc.
3934 St. John's Lane
Ellicott City, MD 21043

Re: MUR 2522

Dear Dr. and Mrs. Vandenberge:

On July 21, 1987, the Federal Election Commission found that there is reason to believe Vandenberge Enterprises, Inc. violated 2 U.S.C. § 441b(a), a provision of the Federal Election Campaign Act of 1971, as amended ("the Act"). The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

Under the Act, you have an opportunity to demonstrate that no action should be taken against Vandenberge Enterprises. You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. In addition, list the officers and owners of Vandenberge Enterprises, Inc. and the percentage of each owner's share in the corporation. Please submit such materials to the General Counsel's Office within 15 days of your receipt of this letter. Statements should be submitted under oath.

In the absence of any additional information demonstrating that no further action should be taken against Vandenberge Enterprises, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. See 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, the Commission will not entertain requests for pre-probable cause conciliation after briefs on probable cause have been mailed to the respondent.

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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 ordinarily will not give extensions beyond 20 days.

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

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 Jonathan Levin, the attorney assigned to this matter, at (202) 376-5690.

Sincerely,

Scott E. Thomas
Chairman

Enclosures
Factual and Legal Analysis
Procedures
Designation of Counsel Form

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FEDERAL ELECTION COMMISSION

FACTUAL AND LEGAL ANALYSIS

RESPONDENT: Vandenberge Enterprises, Inc.

A. Facts

The 1986 April Quarterly Report of John Vandenberge for Congress ("the Committee") disclosed the receipt of $30,000 in loans from the candidate between November 21, 1985, and March 31, 1986. These included a $3,000 loan on November 21, 1985, a $10,000 loan on March 26, 1986, and a $17,000 loan on March 31, 1986. The 1986 July Quarterly Report disclosed a $10,000 loan on May 16, 1986, from the candidate but the report did not note whether the candidate used his personal funds.

In response to a Request for Additional Information ("RFAI") dated August 11, 1986, requesting information as to the source of these loans, the candidate stated that the first $30,000 was loaned from either his personal checking or personal savings account, but that, in early May 1986, he learned from his attorney, who was conducting a general review of campaign records, that $27,000 of this amount was "first borrowed" from a corporation co-owned by his wife and him, Vandenberge Enterprises, Inc. After receiving advice from his attorney and from counsel for the National Republican Congressional Committee ("NRCC") that "the transaction could be challenged," the candidate borrowed $40,000 from the Mercantile Safe Deposit & Trust Company "under signature" of his wife and himself on a personal note. On May 16, 1986, he reimbursed the corporation

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for $27,000 and lent the campaign another $10,000.

The Reports Analysis Division ("RAD") sent an RFAI to the Committee on September 30, 1986, noting a possible corporate contribution by Vandenberge Enterprises. In addition, RAD enclosed a "Notice to All Candidates and Committees" explaining the types of corporate accounts prohibited for use in federal campaigns under 2 U.S.C. § 441b. This Notice, issued by the Commission under the Chairman's signature in 1978, stated that the Commission distinguishes among three types of corporate accounts used by employees: (1) repayable drawing accounts, (2) non-repayable drawing accounts, and (3) expense accounts. The Notice stated:

> Contributions made from drawing accounts that the employee is responsible to repay will be considered corporate contributions for the outstanding period of the draw, however, contributions made from non-repayable drawing accounts established to permit personal draws against salary, profits or commissions will be considered personal contributions. Contributions written against standard expense accounts are prohibited as corporate contributions.

In response to the RFAI, the treasurer enclosed a letter and an amended July Quarterly. The treasurer stated that the Vandenberge Enterprises funds used were repayable, i.e., they were not a payment of salary, commission or distribution of owner's equity and, therefore, were prohibited corporate funds. The amended report included a Schedule C showing $27,000 in loans, i.e., the March 1986 loans previously reported from the candidate, as being from Vandenberge Enterprises and as fully

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repaid and the November, 1985, loan as repaid to Dr. Vandenberge.

B. Analysis

Section 441b(a) of Title 2 prohibits the making of corporate contributions in connection with an election for federal office. The Committee itself has indicated that the origin of $27,000 in loans from the candidate to the Committee was corporate funds. The details of this origin, however, are unclear. If the funds were transferred from the corporation to the checking account prior to the time Dr. Vandenberge became a candidate and not in contemplation of the candidacy, then the funds should not be construed as corporate in origin. See 11 C.F.R. § 110.10(b)(1). However, counsel for the NRCC, in reviewing the transactions involved, indicated to the Committee that the loans "could be challenged."

If the loans were corporate in origin, the question arises as to whether the corporate funds were returned in a timely manner under 11 C.F.R. § 103.3(b). According to the candidate, the Committee learned in early May that it should return the corporate funds, and Vandenberge Enterprises was reimbursed on May 16, 1986. The regulation in effect at the time, at 11 C.F.R. § 103.3(b)(1), stated that "[c]ontributions which appear to be illegal shall be, within 10 days, returned to the contributor or deposited into the campaign depository and reported." According to the new regulation at 11 C.F.R. § 103.3(b)(2), if the treasurer of a political committee discovers that a contribution

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is illegal after its acceptance, the treasurer shall refund the contribution within thirty days of the discovery of the illegality.

Although the return of the contribution may have occurred in early May, the candidate in the present instance should have known the origin of his own funds and the illegality should have been discovered as of the date the contributions were made. (It is not material that he may not manage his own money.) According to 2 U.S.C. § 432(e)(2) and 11 C.F.R. § 101.2(a), a candidate who receives a contribution for use in connection with his or her campaign shall be considered as having received the contribution as an agent of the committee. According to 11 C.F.R. § 101.2(b), when an individual becomes a candidate, any funds received prior to becoming a candidate in connection with his or her campaign shall be deemed to have been received by the candidate as an agent of his or her committee. It appears, therefore, that Dr. Vandenberge accepted funds from Vandenberge Enterprises as an agent of the Committee. Because the candidate was an agent of the Committee and because he had constructive knowledge of the origins of these funds, the pertinent starting dates for determining the timely return of the contributions are the dates on which Dr. Vandenberge received the funds. These dates could be no later than March 26, 1986, the date of the $10,000 loan reported as being from John Vandenberge to the Committee and March 31, 1986, the date of the $17,000 loan reported as being from Dr. Vandenberge to the Committee. Thus, the return of the

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$27,000 on May 16, 1986, was not timely under 11 C.F.R. § 103.3(b) in either its past or present form.

Based on the foregoing analysis, this Office recommends that the Commission find reason to believe that Vandenberge Enterprises, Inc. violated 2 U.S.C. § 441b(a) for the making of corporate contributions.

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C 20463

July 28, 1987

Stephen P. Poulos, Treasurer
John Vandenberge for Congress
3934 St. Johns Lane
Ellicott City, MD 21043

Re: MUR 2522
John Vandenberge for Congress
Stephen P. Poulos, as
treasurer

Dear Mr. Poulos:

On July 21, 1987, the Federal Election Commission found that there is reason to believe that John Vandenberge for Congress ("the Committee") and you, as treasurer, violated 2 U.S.C. §§ 441b(a) and 441a(f), provisions of the Federal Election Campaign Act of 1971, as amended ("the Act"). The Factual and Legal Analysis, which formed a basis for the Commission's findings, is attached for your information.

Under the Act, you have an opportunity to demonstrate that no action should be taken against the Committee and you, as treasurer. You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office, along with answers to the enclosed questions, within 15 days of your receipt of this letter. Statements should be submitted under oath.

In the absence of any additional information demonstrating that no further action should be taken against the Committee and you, as treasurer, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

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

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pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, the Commission will not entertain requests for pre-probable cause conciliation after briefs on probable cause have been mailed to the respondent.

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

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

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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 Jonathan Levin, the attorney assigned to this matter, at (202) 376-5690.

Sincerely,

Scott E. Thomas
Chairman

Enclosures
Factual and Legal Analysis
Procedures
Designation of Counsel Form
Interrogatories and Request for Production of Document

cc: Dr. John Vandenberge (w/o Enclosures)

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FEDERAL ELECTION COMMISSION

FACTUAL AND LEGAL ANALYSIS

RESPONDENT: John Vandenberge for Congress
Stephen P. Poulos, as treasurer

A. Facts

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for $27,000 and lent the campaign another $10,000. Attached to the candidate's letter was a copy of a combined loan agreement and note for $40,000 signed by the candidate and his wife, Linda Vandenberge. The loan was repayable over the course of a year at 10.5% interest. The copy of the agreement and note is not entirely legible. Although the boxes next to the provisions for a "security interest" are not marked, there appears to be a mark next to the statement, "I am giving the Bank the right of setoff against any money or property in the Bank's possession."

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In response to the RFAI, the treasurer enclosed a letter and an amended July Quarterly. The treasurer stated that the Vandenberge Enterprises funds used were repayable, i.e., they were not a payment of salary, commission or distribution of owner's equity and, therefore, were prohibited corporate funds. The amended report included a Schedule C showing $27,000 in loans, i.e., the March, 1986 loans previously reported from the candidate, as being from Vandenberge Enterprises and as fully repaid and the November, 1985, loan as repaid to Dr. Vandenberge. The report also showed the receipt of the $40,000 bank loan with Mrs. Vandenberge as the endorser. The report stated that "the loan was a personal, unsecured signature loan" and that "[t]he candidate's net worth exceeds amount guaranteed."

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clarification as to whether the loan was guaranteed by assets of Vandenberge Enterprises.

On November 10, 1986, RAD received a reply letter from the treasurer. The treasurer stated that he was waiting to hear from the bank as to Mrs. Vandenberge's status, but that a bank officer had stated that he did not consider her to be a co-maker, endorser, or guarantor, but rather a "co-borrower." The treasurer stated that he had erred in reporting that the checking account of the corporation was subject to the bank's "right of setoff." According to the treasurer, the bank officer informed him that, "since this was a personal, unsecured signature loan to Dr. & Mrs. Vandenberge, only their personal joint checking account could be subject to setoff and only after exhausting normal bank and, subsequently, legal procedures to collect on a defaulted loan." (Emphasis included.) The treasurer stated that the bank does not regard the personal checking account as collateral for the loan, that there is no listing of the account in the loan agreement, and that, therefore, the loan is not guaranteed by either the personal or corporate checking accounts.

The treasurer maintained that since "[t]here was no property nor collateral used as a basis for the loan," questions as to type and percentage of ownership are inapplicable. The treasurer stated, however, that even if Mrs. Vandenberge's signature might otherwise make her a contributor, "the joint net worth of Dr. and Mrs. Vandenberge exceeds more than twice the $40,000 loan amount," and, therefore, Mrs. Vandenberge's role as co-borrower is a "moot point."

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This Office notes that the Committee's Post-General and Year End Reports, which were filed subsequent to the treasurer's letter, list John and Linda Vandenberge as co-makers on the loan. These reports also state that "[t]he candidate's singular net worth exeeds amount guaranteed."

B. Analysis

1. Acceptance of Corporate Contributions

Section 441b(a) of Title 2 prohibits the making and knowing acceptance of corporate contributions in connection with an election for federal office. The Committee itself has indicated that the origin of $27,000 in loans from the candidate to the Committee was corporate funds. The details of this origin, however, are unclear. If the funds were transferred from the corporation to the checking account prior to the time Dr. Vandenberge became a candidate and not in contemplation of the candidacy, then the funds should not be construed as corporate in origin. See 11 C.F.R. § 110.10(b)(1). However, counsel for the NRCC, in reviewing the transactions involved, indicated to the Committee that the loans "could be challenged."

If the loans were corporate in origin, the question arises as to whether the corporate funds were returned in a timely manner under 11 C.F.R. § 103.3(b). According to the candidate, the Committee learned in early May that it should return the corporate funds, and Vandenberge Enterprises was reimbursed on May 16, 1986. The regulation in effect at the time, at 11 C.F.R. § 103.3(b)(1), stated that "[c]ontributions which appear to be

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illegal shall be, within 10 days, returned to the contributor or deposited into the campaign depository and reported." According to the new regulation at 11 C.F.R. § 103.3(b)(2), if the treasurer of a political committee discovers that a contribution is illegal after its acceptance, the treasurer shall refund the contribution within thirty days of the discovery of the illegality.

Although the return of the contribution may have occurred in early May, the candidate in the present instance should have known the origin of his own funds and the illegality should have been discovered as of the date the contributions were made. (It is not material that he may not manage his own money.) According to 2 U.S.C. § 432(e)(2) and 11 C.F.R. § 101.2(a), a candidate who receives a contribution for use in connection with his or her campaign shall be considered as having received the contribution as an agent of the committee. According to 11 C.F.R. § 101.2(b), when an individual becomes a candidate, any funds received prior to becoming a candidate in connection with his or her campaign shall be deemed to have been received by the candidate as an agent of his or her committee. It appears, therefore, that Dr. Vandenberge accepted funds from Vandenberge Enterprises as an agent of the Committee. Because the candidate was an agent of the Committee and because he had constructive knowledge of the origins of these funds, the pertinent starting dates for determining the timely return of the contributions are the dates on which Dr. Vandenberge received the funds. These dates could

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be no later than March 26, 1986, the date of the $10,000 loan reported as being from John Vandenberge to the Committee and March 31, 1986, the date of the $17,000 loan reported as being from Dr. Vandenberge to the Committee. Thus, the return of the $27,000 on May 16, 1986, was not timely under 11 C.F.R. § 103.3(b) in either its past or present form.

Based on the foregoing analysis, this Office recommends that the Commission find reason to believe that the Committee and Stephen P. Poulos, as treasurer, violated 2 U.S.C. § 441b(a) for the knowing acceptance of corporate contributions.

2. **Acceptance of an Excessive Contribution**

Section 441a(a)(1)(A) of Title 2 states that no person may make a contribution to any candidate and his authorized committees with respect to any election for federal office which, in the aggregate, exceed $1,000. Section 441a(f) of Title 2 prohibits the knowing acceptance of contributions exceeding the limits of 2 U.S.C. § 441a.

The making of the $40,000 loan raises the issue of a possible contribution by Mrs. Vandenberge in excess of the limit of 2 U.S.C. § 441a(a)(1)(A). This issue has three components. They are (1) the significance of Mrs. Vandenberge's signature; (2) the basis of the loan; and (3) the amount of the contribution to be attributed to the candidate and, therefore, not to Mrs. Vandenberge.

According to 2 U.S.C. § 431(8)(A)(i), a loan is a contribution and, according to 2 U.S.C. § 431(8)(A)(vii)(I) and

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11 C.F.R. § 100.7(a)(1)(i)(C), a bank loan is a contribution by each endorser or guarantor. Each endorser or guarantor shall be deemed to have contributed that portion of the total amount for which he or she agreed to be liable and, in the absence of the stipulation of a portion, the loan shall be considered a loan by each endorser or guarantor in the same proportion to the unpaid balance that he or she bears to the total number of endorsers or guarantors. The Committee treasurer has maintained that Mrs. Vandenberge did not sign the loan note as a co-maker, endorser, or guarantor, but as a "co-borrower." However, the Post-General and Year End Reports of the Committee list Mrs. Vandenberge as a co-maker. In addition, although the signature of John and Linda Vandenberge do not state a specific capacity next to the signatures, the language of the instrument indicates that they may have been co-makers.[1/]

1/ Even if the treasurer were to maintain futher that Mrs. Vandenberge merely signed as a "co-borrower," this assertion would be contrary to the Uniform Commercial Code, which is in effect in Maryland. According to UCC § 3-402, "[u]nless the instrument clearly indicates that a signature is made in some other capacity, it is an indorsement." Code, Commerical Law, § 3-402 (Maryland citation). According to the Official Comment to the UCC,

> [parol] evidence is not admissible to show any other capacity, except for the purpose of reformation of the instrument as it may be permitted under the rules of the particular jurisdiction. The question is to be determined from the face of the instrument alone, and unless the instrument itself makes it clear that he has signed in some other capacity the signer must be treated as an indorser.

Therefore, at the very least, Mrs. Vandenberge is an endorser.

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The treasurer has attempted to make the argument that, in making the loan to the candidate, the bank did not use any of the Vandenberges' assets as collateral or as a basis for the loan. The bank officer's statement, however, indicates that the bank had the right of setoff against the Vandenberges' joint checking account and was looking to that account as a basis for the loan even though there is no listing of the account in the loan agreement.

The treasurer has stated that, since the "joint net worth" of the Vandenberges exceeds twice the $40,000 amount of the loan, Mrs. Vandenberge could co-sign without becoming a contributor. This, however, is a misinterpretation of 11 C.F.R. § 100.7(a)(1)(i)(D) and 11 C.F.R. § 110.10(b). Section 100.7(a)(1)(i)(D) states:

> (D) A candidate may obtain a loan on which his or her spouse's signature is required when jointly owned assets are used as collateral or security for the loan. The spouse shall not be considered a contributor to the candidate's campaign if the value of the candidate's share of the property used as collateral equals or exceeds the amount of the loan which is used for the candidate's campaign.[2/]

2/ The Explanation and Justification of this regulation includes within the meaning of the regulation the concept of a candidate's property as a basis for the loan, as well as the strict concept of collateral. Explanation and Justification of Regulations Concerning a Candidate's Use of Property in Which Spouse has an Interest, [48 FR 19020, April 27, 1983]. It should also be noted that this regulation is a permissive regulation; without this regulation, the signatory spouse would be a contributor to the extent provided for in 11 C.F.R. § 100.7(a)(1)(i)(C).

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A definition of the candidate's share of the property is found at 11 C.F.R. § 110.10(b) which defines personal funds of the candidate, in part, as:

> (1) [a]ny assets which, under applicable state law, at the time he or she became a candidate, the candidate had legal right of access to or control over, and with respect to which the candidate had either:
> (i) Legal and rightful title, or
> (ii) An equitable interest

Section 110.10(b) states further, at subsection (3), that

> [a] candidate may use a portion of assets jointly owned with his or her spouse as personal funds. The portion of the jointly owned assets that shall be considered as personal funds of the candidate shall be that portion which is the candidate's share under the instrument(s) of conveyance or ownership. If no specific share is indicated by an instrument of conveyance or ownership, the value of one-half of the property used shall be considered as personal funds of the candidate.

Therefore, the treasurer would be correct only if Dr. Vandenberge's share of the net worth alone equaled $40,000[3/] and the bank made the loan on the basis of the Vandenberge's net worth. It appears thus far, however, that the bank was looking to the joint personal checking account, not to the Vandenberges' total net worth. Without further information as to the size of the account and the share of the candidate in that account, it appears that the candidate's share of this asset might have been less than $40,000 and, thus, a contribution from Linda Vandenberge may have resulted according to

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3/ The use of the phrase, "singular net worth," on the Post-General and Year End reports indicates that the Committee may have become aware of this issue.

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11 C.F.R. § 100.7(a)(1)(i)(D). If the candidate's share was less than $39,000, Mrs. Vandenberge's contribution would have exceeded $1,000.

Based on the foregoing analysis, this Office recommends that the Commission find reason to believe that the Committee and Mr. Poulos, as treasurer, violated 2 U.S.C. § 441a(f).

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 2522
)

INTERROGATORIES AND REQUEST
FOR PRODUCTION OF DOCUMENTS

TO: Stephen P. Poulos, Treasurer
John Vandenberge for Congress
3934 St. John's Lane
Ellicott City, MD 21043

In furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby requests that you submit answers in writing and under oath to the questions set forth below within 15 days of your receipt of this request. In addition, the Commission hereby requests that you produce the documents specified below, in their entirety, for inspection and copying at the Office of the General Counsel, Federal Election Commission, Room 659, 999 E Street, N.W., Washington, DC 20463, on or before the same deadline, and continue to produce those documents each day thereafter as may be necessary for counsel for the Commission to complete their examination and reproduction of those documents. Clear and legible copies or duplicates of the documents which, where applicable, show both sides of the documents may be submitted in lieu of the production of the originals.

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INSTRUCTIONS

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

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

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

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

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

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

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DEFINITIONS

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

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

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

"Document" shall mean any writing of any kind.

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

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The first four questions pertain to the $27,000 in loans reported by John Vandenberge for Congress ("the Committee") as being made on March 26, 1986, and March 31, 1986. These questions pertain to the alleged transfer of funds from Vandenberge Enterprises, Inc. to the personal checking account of John and Linda Vandenberge.

1. State the dates on which funds were transferred from Vandenberge Enterprises, Inc. to the personal checking account of John and Linda Vandenberge which were used to make the $27,000 in loans to the Committee.

2. State how these transfers were made, e.g., through a draft on a bank account of the corporation.

3. State the nature of the Vandenberge Enterprises funds transferred to the account of Dr. and Mrs. Vandenberge. In answering this question, state:

   (a) the accounts from which the funds came, e.g., a bank account, a line of credit;

   (b) the purpose of these funds prior to the transfers, i.e., the manner in which they were used;

   (c) John Vandenberge's rights with respect to the funds prior to the transfers; and

   (d) Linda Vandenberge's rights with respect to the funds prior to the transfers.

4. State the reasons for the transfers from Vandenberge Enterprises, Inc. to John Vandenberge for Congress.

The next three questions pertain to the $40,000 loan from the Mercantile Safe Deposit & Trust Company ("the Bank") in May, 1986, to John and Linda Vandenberge, the proceeds of which were given to the Committee.

5. State the value of the joint personal checking account of John and Linda Vandenberge at the time of the making of the bank loan to the Vandenberges.

6.a. State how the joint personal checking account of John and Linda Vandenberge was held at the time of the making of the bank loan to the Vandenberges, i.e., as tenants by the entirety, joint tenants, or tenants in common. If the Vandenbergers were tenants in common, state the share of each spouse in the account.

b. State the rights and obligations held by each spouse with respect to tne joint personal checking account. Your response should include, but not be limited to, drawing rights of each spouse on the account with just that spouse's signature and the obligation of each spouse to reimburse the other spouse.

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Request for Documents

1. Provide copies of all documents related to the transfer of funds from Vandenberge Enterprises to the personal checking account of John and Linda Vandenberge which were used to make the $27,000 in loans to the Committee. These documents should include, but not be limited to, bank documents evidencing the transfers, checks, and correspondence and memoranda pertaining to the transfers or making reference to the transfers.

2. Provide copies of all documents related to the $40,000 loan from the bank to Dr. and Mrs. Vandenberge. These documents should include, but not be limited to, a legible copy of the loan agreement and loan note, security agreements as to assets used as collateral, a listing of any assets used as a basis for the loan, checks issued as part of this transaction, and any correspondence or memoranda pertaining to or making reference to the loan.

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GSC#465

John Vandenberge for Congress Committee
c/o Stephen P. Poulos, Treasurer
5827 Humblebee Road
Columbia, Md. 21045
August 14, 1987

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RECEIVED
GENERAL COUNSEL

Federal Election Commission
Office of the General Counsel (Room 659)
999 E. Street, N.W.
Washington, D.C. 20463

Re: FEC Letter dated July 28, 1987 concerning MUR 2522
John Vandenberge for Congress, Stephen P. Poulos as Treasurer

Dear Sir:

In the matter of MUR 2522, specifically, your interrogatories and request for production of documents, at Enclosure (2) you will find the requested answers and documents which have been provided by Dr. & Mrs. John Vandenberge. I would like to point out at this time that I have never been knowledgeable of nor privy to the personal financial status and activities of the Vandenberges nor of their corporation, Vandenberge Enterprises, Inc. My sole function has been as Treasurer of the John Vandenberge for Congress Committee and I believe this to be a critical factor when considering this case and my comments that follow.

One of the first statements I would like to make is that I understand and welcome the FEC's investigation into this matter. I welcome the investigation because I can state unequivocally that in the matter of MUR 2522 if any campaign law violations were committed they were done so unknowingly and certainly unintentionally. Also, I believe a review of my past correspondence reveals a desire to cooperate with the FEC as evidenced by the filing of corrected reports and additional documentation requested by the Reports Analysis Division.

The second introductory statement I would like to make is that this was the first political campaign of any kind that I served as Treasurer. Furthermore, it was in the capacity of an unpaid volunteer and carried out while working full-time and pursuing a graduate degree. I attempted to discharge all my duties as best I could under those circumstances. I certainly believe it was a worthwhile experience--including this investigation--which, hopefully, will enable me to serve in this capacity again, albeit as a much more knowledgeable Treasurer.

I would now like to address the FEC Factual & Legal Analysis that was enclosed in the referenced letter. Section A, Facts, to the best of my knowledge and understanding, correctly sets out the chain of events pertinent to this investigation. However, Section B, Analysis, does not reflect actuality in all instances.

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First, the analysis noted that the 1986 April Quarterly Report and the 1986 July Quarterly Report did not note whether the Candidate used his personal funds for his original loans to the Committee. At that time, I understood the source of the loans to be his personal funds and that the reports I filed conveyed that understanding by default since I made no other notations. For each loan the Candidate told me that he wrote and deposited a personal check to the Committee. On the basis of the Candidate's statements to me my assumptions concerning the loan transactions up to early May, 1986, were that the loans were personal loans using personal funds with no other source of funds involved. It wasn't until early May, 1986, that the Candidate informed me that he had asked an attorney to conduct a general review of the conduct of the campaign and that $27,000 of the $30,000 loaned up to that point in time were first borrowed by the Candidate from Vandenberge Enterprises, Inc. Based upon the attorney's recommendation a loan was taken out by the Candidate with Mercantile Bank & Trust in order to correct the original loan situation which was now (i.e., in early May) understood to be a potential problem vis à vis campaign law. It should be stressed that once there was an inkling that campaign law may have been violated, the Candidate and the Committee took action as quickly as possible to correct the situation. More importantly, prior to the attorney's review, the Candidate did not even realize that his loan transactions were possibly in violation of campaign law. On this last point, the FEC's analysis appears to be applying circular reasoning based upon a fallacious assumption to nail down a date for the possible violation of campaign law insofar as the Candidate's loans are concerned. The portion of the analysis I am referring to is where the statement is made that since the Candidate knew the origin of his own funds that the [alleged] illegality should have been discovered as of the date the contributions were made. This assumes, quite incorrectly, that the Candidate knew at the time he made the loans that the manner in which they were made was illegal. This is categorically untrue. Furthermore, as Treasurer, prior to the attorney's review, I did not know nor did I have any reason to believe that the Candidate's loans originated from any source other than his personal funds. Once I did know the origin of the funds I reported it to the FEC on subsequent campaign committee reports as well as on corrected schedules to previously filed reports.

The second item in the Analysis section I wish to comment upon concerns the Mercantile loan and Mrs. Vandenberge's status vis à vis that loan. At first, I maintained that Mrs. Vandenberge was a "co-borrower." This was the term supplied to me in a telephone conversation with the Mercantile bank officer involved with the loan. Several months later, however, in a letter to me the same bank officer characterized Mrs. Vandenberge as a "co-maker" of the loan...the term I began using on the Post-General and Year-End reports. The bank officer's letter (See Enclosure (1)) also clearly indicated that the bank was not looking to the Vandenberge's joint checking account as the basis for the loan.

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Since the loan had no collateral pledged and no security interest was taken in any property, the bank's only recourse in the event of default would be to take legal action to go after the Vandenberge's unencumbered assets, i.e., their net worth. This includes the Vandenberge's joint checking account, i.e., the bank could not seize the funds in the account without initiating legal action first. By the time this was accomplished the account could easily be drawn down to a zero balance. For these reasons, it seemed more than appropriate to report that Mrs. Vandenberge's signature on the loan document was moot since the Candidate's singular net worth exceeded the loan amount. The concept of singular net worth, by the way, was gleaned from telephone conversations with Miss Robin Kelly of the FEC Reports Analysis Division. I understood (at that time) that applying this concept would remove any problems with the loan insofar as Mrs. Vandenberge being considered an excess contributor. If there was a misinterpretation of the concept I certainly didn't come up with it all by myself. Nevertheless, even with Miss Kelly trying to help the Committee in its endeavors to correct the loan situation it appears that one possible violation of campaign law may have been substituted by another.

The final comment I would like to make is that both the Candidate and I are more than willing to take whatever steps are necessary to correct Committee & FEC records, to replace loaned funds, etc., in order to comply with both the spirit and letter of Federal campaign law. We have already attempted to accomplish this, however, in trying to correct one possible violation of campaign law (concerning the original loans) another violation may have been unwillingly committed. Therefore, we would appreciate a step-by-step outline of what actions need to be taken to set the official campaign records straight. In addition, I would ask that the Office of General Counsel's recommendation to the Chairman of the FEC take into account the mitigating circumstances outlined in this letter and the fact that neither the Candidate nor I knowingly nor intentionally committed any violations of campaign law.

By my signature, I hereby swear that the foregoing written testimony concerning the matter of MUR 2522, is true to the best of my knowledge and recollection.

Sincerely,

Stephen P. Poulos

Stephen P. Poulos, Treasurer
John Vandenberge for Congress Committee

Sworn to before me this 13th day of August, 1987.

Louise M. Pilert

Louise M. Pilert, Notary Public

My Commission Expires: 7/1/90

LOUISE M. PILERT NOTARY PUBLIC Baltimore Co., Md.

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ENCLOSURE I
(Ref: MUR 2522)

MERCANTILE-SAFE DEPOSIT & TRUST COMPANY

Ernest L. Burden
Assistant Vice President
(301) 788-2200

November 19, 1986

Stephen P.Poulos Treasurer
John Vandenberge/Congress
10194 Baltimore National Pike
Ellicott City, Marylnad 21043

Dear Mr. Poulos,

I have reviewed the personal loan to John and Linda Vandenberge, dated May 16, 1986, in the amount of $40,000.00. In particular I have reviewed the note to determine and describe Mrs. Linda Vandenberge's status regarding the loan, what, if any, security was given for the loan, and whether the loan is guaranteed in any way by either the assets of Dr. and Mrs. Vandenberge's personal checking account or the checking account of the Vandenberge Interprises, Inc. The following information is provided:

1. This is a personal loan to John and Linda Vandenberge. The loan is signed jointly by John and Linda Vabdenberge as co-makers of the loan. Each of the Vandenberge's is individually and jointly liable on the note.

2. The loan is an unsecured personal loan. No collateral has been pledged and no security interest has been taken in any property. The right of the Bank to off set any property in its possession or money from the borrower's savings or checking account against any delinquent debt owed the Bank is a right which arises solely by operation of law and is therefore excluded from the general definition of security. The right of off set is placed under the caption "Security Interest" as a convenient way of insuring that the borrowers have notice of the existence of the right in a form and in a location where they will understand it. The fact that the right to off set is listed under the caption "Security Interest" does not change the nature of the right or make the right a security interest.

3. The loan is not guaranteed by the assets of any checking or savings account and the file in no way indicates that Vandenberge Interprises, Inc., is involved with this loan. The Bank has no right to off set any property in its possession or money from a checking or savings account in the name of Vandenberge Interprises, Inc., against debts owed the Bank if this loan was in default.

Sincerely,

Ernest L Burden

cc John Vandenberge

Ernest L. Burden
Asst. Vice President

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ENCLOSURE 2
(Ref: MUR 2522)

Dr. and Mrs. John Vandenberge
3934 St. John's Lane
Ellicott City, Md. 21043

August 11, 1987

Mr. Scott E. Thomas, Chairman
Federal Election Commission
Washington, D.C. 20463

Attn.: Jonathan Levin, Esq.

Re: MUR 2522

Dear Mr. Thomas:

In response to your letters to us on July 28, 1987, the following are answers to your questions:

1. On 3/26/86 $10,000 was transferred from Vandenberge Enterprises, Inc. to the personal checking account of John and Linda Vandenberge.

On 3/31/86, $17,000 was transferred as well to the same account.

2. Those transfers were made by way of a draft per check from the corporation checking account.

3. a. Source: Vandenberge Enterprises, Inc. bank checking account.

b. The corporate funds were normally used for the day to day operation of Vandenberge Enterprises, Inc., a small business corporation.

c. I, John Vandenberge, had and have 100% right and access to corporate funds of Vandenberge Enterprises, Inc. I am President and Treasurer of the corporation.

d. Linda Vandenberge, my wife, had and has 100% right and access to corporate funds as Vice President and Secretary to the corporation. The checking account is a joint account.

4. The reason for the transfer of $27,000 from Vandenberge Enterprises, Inc. to our personal checking account (not to Vandenberge for Congress) was to comply by the Federal Election laws as understood by me at that time. I knew that corporate campaign contributions are not allowed so I transferred $17,000 to our personal account to facilitate seed money for my campaign from it. I had been advised by political "experts" in Washington that most candidates for Congress put up front money up to $50,000 to get a campaign headquarters going, etc. It wasn't until I voluntarily invited a local Howard County attorney to look over the campaign books to make certain everything was O.K., that no election laws were being violated and that we didn't overlook something we should be doing, that this attorney asked where the $27,000 donation came from and, subsequently, thought this transaction might be challengeable. I immediately investigaged this matter and took corrective action by taking

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out a personal loan from Mercantile Deposit & Trust Bank, understanding that this action would remove any possible taint of election law violation. I never knowingly violated any Federal Election Law nor ever intended to. I am an immigrant from Holland, was freed by the Americans in Rotterdam and will never forget it. I love America very much and am an upstanding law-abiding citizen with a clear record, both as an American citizen as well as a well-respected member of the dental profession. I have been married to Linda for 27 years and live with her and our four sons in Ellicott City.

I regret that a law may have been violated and want to cooperate in every way possible to set things right. I also appreciate the F.E.C.'s efforts to discover violations and to get them corrected.

5. The value of the joint personal checking account of John and Linda Vandenberge at the time of the making of the bank loan was $4075.67.

6. a. We have a totten trust (joint account - titled as per enclosed copy of bank statement).

b. Our rights and obligations towards each other financially are that we each have 100% access to all of our funds and properties and that we understand all obligations towards each other. We put all our belongings together, financial and all else, when we got married, and have never found the need to deviate from that procedure. That's why we automatically signed the $40,000 personal loan to attempt to rectify any possible violation of law. No one informed us of the need for me only to sign the loan document. Here again we did not knowingly intend to violate any law. Also, my wife has no separate financial assets of her own nor is she due any inheritance or anything like that, as far as we know. Therefore, her signature carries no potential or actual financial benefits which might have helped to pay the bills.

Finally, please note that, while in one of our reports it was mentioned that I sought advice from an attorney at the N.R.C.C., in no wise should it be interpreted that I paid for, or received official or written legal advice or opinion from the N.R.C.C. There were merely a couple of phone conversations to try to ascertain that I was doing the right thing. In hindsight, it would have been better to obtain such advice officially and in depth and some possible problems would probably have been prevented. I do not wish to imply any negative reflection on the fine legal staff at the N.R.C.C. My inexperience in legal election laws bears more responsibility than anything or anyone else.

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I hope this letter will be helpful to you. Please feel free to call on me for more information. Mr. Stephen Poulos, the campaign treasurer, and my wife and I would be glad to personally visit the F.E.C. for personal elaborations or to answer any questions.

Very truly yours,

John Vandenberge

JV:lv
Encls.
P.S. - When I signed the $40,000 bank loan, I did so only because I believed my signature was needed. I did not sign it with any intention of giving anything to my husband's campaign. In fact, to me, this was just a loan he was getting and the thought of my giving to his campaign never crossed my mind.

Linda D. Vandenberge

Linda D. Vandenberge

Subscribed and sworn to before me this 13th day of August, 1987.

Notary Public

John Vandenberge

(SEAL)

90040791187

Loan Agreement
6 Month Index
(Variable Rate Closed End Short Loan)
With Optional Security Agreement

BROS. & TRUST COMPANY

Account Number
Name
Name
Name

Date of the loan 5/16/86 19__
Address 5958 St. John Lane
Ellicott City, MD 21043

Amount Financed — The amount of credit provided to me or on my behalf $

FINANCE CHARGE — The dollar amount the credit will cost me. $

ANNUAL PERCENTAGE RATE — The cost of credit as a yearly rate. %

Total of Payments — The amount I will have paid after I have made all payments as scheduled. $

Payment Schedule
My payments will be

Number of payments	Amount of payment	When payments are due

and/or

a balloon payment of $ due on

Security
If I am giving the Bank a security interest in only money or property in the Bank's possession, I do so by

☐ I am also giving and granting the Bank a security interest in the goods or property being purchased.

I am also giving a security interest in:

Note: I understand that additional lending agreements with Bank may also secure this note.

Property Insurance
If obtained through Bank I will pay $

Variable Rate
The annual percentage rate may increase during the term of this loan if the 6 month U.S. Treasury bill rate increases. The rate won't change more than once per month. An increase would result in: (a) ☐ more payments; (b) ☐ higher payment amounts; (c) ☐ possibly (a) & (b). For example, if my loan was for $10,000 at 13½% for 48 months and the rate increased to 14½% after one year, I would have to make, depending on the option chosen: (a) 1 additional payment of $175.58; (b) 38 payments that were $8.66 higher; or (c) 24 payments that were $8.66 higher, if the payments date fixed for 24 months.

Prepayment
If I pay off early, I will not have to pay a penalty.

Credit Insurance
Credit life insurance and disability insurance are not required to obtain credit, and will not be provided unless I sign and agree to pay the additional cost.

TYPE
☐ Credit Life ☐ Credit Disability ☐ Joint Credit Life
I want the insurance indicated above.

$ Credit Life Premium $ Credit Disability Premium

Initial Term of Insurance Coverage

Signature of Applicant for Insurance Applicant's Signature (for Joint Life coverage only)

Late Charges
If a payment is late I will be charged the greater of $2 or 5% of the late or delinquent payment.

Filing Fees: $ Non-Filing Insurance: $

Assumption
If this is a residential mortgage transaction, someone buying my house will not be allowed to assume the remainder of the mortgage on the original terms.

I understand that other provisions of the agreement contain additional information about nonpayment, required repayment in the full before the maturity date and default charges.

(In this Note, the words "I", "me", or "my", mean each and all of those who sign the note and promissory agreement and the "Bank" means the bank named above.)

My Loan
On or before May 16, 19 88 I promise to pay to the order of the Bank named above $ 40,000.00
(Forty thousand and no/100 U.S. Dollars) with interest as stated below on the unpaid balance.

Itemization of the Amount Financed

Amount given to me directly	$ 40,000.00
Amount paid on my account	$
Amounts paid to others on my behalf	
• to public officials	$
• to insurance company (Property Ins.)	$
• to insurance company (Credit Ins.)	$
• to insurance company (VSI)	$
• to	$
• to	$
• to	$
Prepaid finance charge	$ ( )
Total Amount Financed	$ 40,000.00

Payment Schedule
I agree that I shall make the payments at the times and in the amounts stated in the payment schedule. All payments will be applied to the satisfaction of scheduled payments in the order in which they become due. Each payment will be applied first to any other charges due, next to that portion of the balance then due, and last to any remaining unpaid principal balance.

Fixed principle $333.33 plus int

Security for the Loan
I grant the Bank a security interest in the property listed above, and all property listed on the attached schedule, if any. This property, together with all additions, substitutions and proceeds, shall be referred to in this agreement as "security". Collateral securing other loans with bank may also secure this loan.

Cosigner
If I am signing this agreement because my signature is requested as a condition to granting credit to a consumer borrower(s), I acknowledge that I have read and understand the NOTICE TO COSIGNER on the reverse side hereof.

Simple Interest
This is a simple interest loan. Simple interest will accrue from 5/16/86 at the rate stated above, whether before, on or after

loan each day. If I pay ahead of schedule, my interest may be less than the Bank estimated in the *Loan Disclosure Statement*. It will be more, however, if I pay after a payment is due. The bank will make any necessary adjustment when I pay off my loan. Interest at the beginning of the loan will be at the rate of 10.5 % per year, and may vary from time to time during the term of the loan as explained below. Interest will be calculated on the basis of a ☐ 360, ☐ 365 day year.

Variable Rate
I agree that the annual percentage rate may increase or decrease from time to time during the term of the loan. The rate on my loan for any month will float at 1.5% above the most recently published month's average of interest rates for 3-month U.S. Treasury bills in the Secondary market (rounded to the nearest one fourth of one per centum) that is published by the Federal Reserve Board of Governors. Changes in the annual percentage rate, if called for, will take place not more than once per month on the first day of the month and shall be implemented by, ☐ changing the number of payments, ☐ changing the payment amounts; ☐ fixing the payments for at least ____ months, then at the option of Bank, changing the payment amounts so as to amortize the remaining balance of the loan to its originally scheduled maturity. Any further rate changes shall be implemented by adjusting the number of payments.

Signatures
By signing under seal below, I promise, individually and jointly, to fulfill all the promises under this agreement including the additional terms on the reverse side. As borrower signing on line (1), I acknowledge having received a completed copy of this agreement.

Signed this 16th day of May 19 86

Name of Partnership

(1) By (Seal)
(2) By (Seal)

Individuals
(1) (Seal)
(2) (Seal)
(3) (Seal)
(4) (Seal)

AUTHORIZATION: By signing below I authorize Bank to debit my checking account # ____ each month, on or after the due date for the amount of the payment(s) and any other charges then due under this agreement. When signed, this authorization is part of the loan agreement and remains in force until the loan is paid.

0 0 0 4 0 7 9 1 1 8 8

MERCANTILE-SAFE DEPOSIT & TRUST COMPANY

3 Month Index
(Variable Rate Closed End Direct Loan/ With Optional Security Agreement)

Account Number
Name John Vandenhazen
Name Linda Vandenhazen
Name

Date of the Agreement 2-20-87 19 87
Address 3934 St. John's Lane
Ellicott City, Md. 21043

Amount Financed — The amount of credit provided to me or on my behalf. $ 16,815.07

FINANCE CHARGE. The dollar amount the credit will cost me. $ 2,547.19

ANNUAL PERCENTAGE RATE. The cost of credit as a yearly rate. 9.80 %

Total of Payments. The amount I will have paid after I have made all payments as scheduled. $ 19,362.26

Payment Schedule.
My payment schedule will be:

Number of payments	Amount of payments	When payments are due
36	$537.88	15th of each month, beginning 3/15/87

and/or ____ payments varying from ____ to ____ beginning ____ 19__
with a balloon payment of $ ____ due on ____

Security
☒ I am giving the Bank the right of setoff against any of my money or property in the Bank's possession.
☐ I am also giving and granting Bank a security interest in the goods or property being purchased: ____
☐ I am also giving a security interest in: ____

Note: I understand that collateral securing other loans with Bank may also secure this loan.

Property Insurance
If obtained through Bank I will pay $ ____

Variable Rate
The annual percentage rate may increase during the term of this loan if the 3 Month U.S. Treasury bill rate increases. The rate can't change more than once per month. An increase would result in: (a) ☒ more payments; (b) ☐ higher payment amounts; (c) ☐ possibly (a) & (b). For example, if my loan was for $10,000 at 12% for 48 months and the rate increased to 14% after one year, I would have to make, depending on the option chosen: (a) 1 additional payment of $178.88; (b) 36 payments that were $3.88 higher; or (c) 24 payments that were $5.88 higher, if the payments were fixed for 36 months.
☐ If I pay off early, I will not have to pay a penalty.

Credit Insurance
Credit life insurance and disability insurance are not required to obtain credit, and will not be provided unless I sign and agree to pay the additional cost.

TYPE
☐ Credit Life ☐ Credit Disability ☐ Joint Credit Life
I want the insurance indicated above.

$ ____ Credit Life Premium
$ ____ Credit Disability Premium
Initial Term of Insurance Coverage
$ ____ Signature of Applicant for Insurance
$ ____ Applicant's Spouse (for Joint Life coverage only)

Late Charges
If a payment is late, I will be charged the greater of $2 or 5% of the late or delinquent payment.
Filing Fees $ ____ Non-filing Insurance $ ____

Assumption
If this is a residential mortgage transaction, someone buying my house will not be allowed to assume the remainder of the mortgage on the original terms.

I understand that other provisions of this agreement contain additional information about nonpayment, default, and requirement to pay the full balance the maturity date and prepayment refunds.

(In this Note the words "I", "me" or "my" mean each and all of those who sign the note and security agreement and the "Bank" means the bank named above.)

My Loan
On or before 2-20-92 19 20, I promise to pay to the order of the Bank named above $ 16,815.07 Sixteen thousand eight hundred fifteen 07/100 U.S. Dollars) with interest as stated below on the unpaid balance.

Itemization of the Amount Financed
Amount given to me directly $ ____
Amount paid on my account $ 16,815.07
Amounts paid to others on my behalf:
- to public officials $ ____
- to insurance company (Property Ins) $ ____
- to insurance company (Credit Ins) $ ____
- to insurance company (VSI) $ ____
- to ____ $ ____
- to ____ $ ____
- to ____ $ ____

Prepaid finance charge $ ____
Total Amount Financed $ 16,8[illegible]

Payment Schedule
I agree that I shall make the payments at the times and in the amounts stated in the payment schedule. All payments will be applied to the satisfaction of scheduled payments in the order in which they become due. Each payment will be applied first to interest, next to other charges due, next to that portion of the unpaid principal balance that is due, and last to any remaining unpaid principal balance.

Security for the Loan
I grant the Bank a security interest in the property listed above, and all property listed in the attached schedule, if any. This property, together with all additions, substitutions, and proceeds will be referred to in this agreement as "security". Collateral securing other loans with Bank may also secure this loan.

Cosigner
If I am signing this agreement because my signature is requested as a condition to granting credit to a consumer borrower(s), I acknowledge that I have read and understand the **NOTICE TO COSIGNER** on the reverse side hereof.

Simple Interest
This is a simple interest loan. Simple interest will accrue from ____ to the date of repayment, whether before, on or after the full payment is due. The actual interest I pay depends on the balance of my loan each day. If I pay ahead of schedule, my interest may be less than the Bank estimated in the *Loan Disclosure Statement*. It will be more, however, if I pay after a payment is due. The bank will make any necessary adjustment when I pay off my loan. Interest at the beginning of the loan will be at the rate of 9.50% per year, and may vary from time to time during the term of the loan as explained below. Interest will be calculated on the basis of a ☐ 360; ☒ 365 day year.

Variable Rate
I agree that the annual percentage rate may increase or decrease from time to time during the term of this loan. The rate on my loan for any month will float at 4.50% above the average and most recently published month's average of interest rates for 3-month U.S. Treasury bills in the Secondary Market (rounded to the nearest one fourth of one per centum) that is published by the Federal Reserve Board of Governors. Changes in the annual percentage rate, if called for, will take place not more than once per month on the first day of the month and shall be implemented by: ☐ changing the number of payments; ☐ changing the payment amounts; ☐ fixing the payments for at least ____ months, then at the option of Bank, changing the payment amounts so as to amortize the remaining balance of the loan to its originally scheduled maturity. Any further rate changes shall be implemented by adjusting the number of payments.

Signature
By signing below, I promise, individually and jointly, to fulfill all the promises under this agreement including the additional terms on the reverse side. As borrower signing on line (1), I acknowledge having received a completed copy of this agreement.

Signed this 20th day of February 19 87

Name of Partnership
(1) by ____ (Seal)
(2) by ____ (Seal)
Individually
(1) [signature] (Seal)
(2) [signature] (Seal)
(3) ____ (Seal)
(4) ____ (Seal)

AUTHORIZATION: By signing below I authorize Bank to debit my checking account # 07156 each month, on or after the due date for the amount of the payment(s) and any other charges then due under this agreement. When signed, this authorization is part of the loan agreement and remains in force until the loan is paid.

[signature] (Signature) [signature] (Signature)

426329-001 (REV 1/86) *See the reverse side for additional term of this agreement.*

0 0 0 4 0 7 9 1 1 8 9

Additional Terms

Use of the Security

I p[illegible] to keep the security in good condition free of taxes and liens. If the Bank pays taxes for me, or discharges a lien, I promise to reimburse the Bank on demand. The amount the Bank pays will be secured by this agreement, and will bear interest at the rate set forth in this agreement.

I promise not to use the security illegally or improperly. Without the consent, I also promise not to:

- take the security to another [illegible] or permanently change the place where the Bank it will be kept.
- transfer or lose possession of the security, or any interest in it.

Loss of, or damage to the security won't release me from my obligations. [illegible]

Security in the Bank's Possession

The Bank, in its discretion, may take any action it considers desirable regarding the security, but is under no obligation to do so. The Bank may deposit the security in any manner and on any terms. The bank may act without notice and without liability except to account for property it actually receives.

The security includes all cash, stock, dividends and rights incident to or granted in connection with the security. The bank may exchange any part of the security for other property in connection with a reorganization or recapitalization. The Bank may transfer the security into its name or the name of its nominee. It may vote the security or exercise any power (or cause its nominee to do the same) as if it were the actual owner. But, the Bank may not vote, dispose of, or direct the vote or disposition of, any securities (within the meaning of the federal securities laws) until it has the right to require immediate payment of my loan.

Security Must be Insured

I promise to keep the security [illegible] insured against loss and damage to pay the debt. I may obtain property insurance coverage from any person of my choice, so long as the insurer is reasonably acceptable to Bank. The insurance must be payable to the bank to the extent of the bank's interest in the security. I must deliver proof of insurance to the Bank.

If I don't get insurance, the bank can insure my and its interests, or its interest only. The Bank is not required to obtain insurance. Repayment of the premium will be secured by this agreement and I promise to repay the Bank upon de[illegible] the amount advanced (with finance charges at the annual percent[illegible]te allow[illegible] this agreement).

The B[illegible]an use [illegible]urance proceeds to replace the security or r[illegible] the loan [illegible] choos[illegible] [illegible]ntitle to assign to the bank any insurance m[illegible] receive[illegible]ding [illegible] of premiums, to the extent of [illegible]nk's inte[illegible] author[illegible] insur[illegible]mpany to pa[illegible] [illegible]nk directly [illegible] author[illegible] Bank [illegible]ree an[illegible] [illegible] in my name.

Additional Security

With[illegible] day after the Bank's demand [illegible]ise to provide add[illegible] security [illegible]tisfactory to the Bank. The Bank [illegible]ke this demand orally [illegible] writing [illegible] addre[illegible] shown on its records.

Right of Offset

If I am in default, I authorize Bank to apply any of my money, credits, deposits or other property that is in its possession to offset and repay all or part of my loa[illegible]

Financing Statements

The Ba[illegible]k, at its option, may sign and file any financing statement or similar document on my behalf. I promise to pay all filing costs, including but not limited to recording taxes and filing fees. On request, I promise to sign any papers the Bank ma[illegible]ire to perfect its security interest.

Loan Service Charges and Expenses

I agree to pay attorney's fees for preparation, closing or disbursement of the loan, taxes or charges paid to government agencies, title examination fees, appraisal fees, title insurance premiums or other costs and expenses necessary or appropriate to the security or the loan.

Loan Fees

If I use my residential real property as security for this loan, I agree to pay loan fees, points, finder fees or other such charges, as disclosed on [illegible] side hereof, not to exceed 2% of the original amount of the loan.

Prepayment

In the event I prepay this loan in full before full payment is due, if a [illegible] was m[illegible] for insu[illegible] premiums, the Bank shall ref[illegible] or credit [illegible] earne[illegible]ums [illegible]me, provided that no refund or credit less t[illegible] dollar [illegible] will not have to pay a prepayment penalty or [illegible]

Late Charges

If a payment is late, I will be charged the greater of $5 or 5% of the late or [illegible] payment.

[illegible] the Bank Can Require Immediate Payment

[illegible] breaches by of the following promises will constitute default under this Agreement and is expressly made grounds for repossession and/or foreclosure and allows the Bank to require immediate payment of what I owe on this or any other loan with Bank.

I promise that I, or any endorser or guarantor, will:

- make all payments under this or any other agreement with bank when due;
- not break any promise under this or any other agreement with Bank, nor give Bank any false information;
- not impair the value, nor transfer all or substantially all, of my property or assets;
- not become the subject of a valid claim or levy on my property;
- not become the subject of any insolvency or bankruptcy proceeding (unless the petition is dismissed within 10 days after filed);
- not suspend or cease my ordinary business;
- not undergo any adverse financial change; and
- provide for payment in full within 24 hours if I die.

Amounts unpaid after the Bank requires immediate payment will continue to be due with interest at the stated agreement rate.

Co[illegible] Collection

If the Bank uses an attorney who isn't its salaried employee to collect what I owe, I promise to pay attorney's fees of 20% of what I owe plus court costs and other collection costs.

The Bank's Right to Repossess The Security

If the Bank may require immediate payment in full, it may take immediate possession of the security without notice. The Bank may peacefully enter where the security is kept, and remove it (including anything in or on it). The security will be held at my risk and I will have to pay any storage charges. If the bank requests, I will assemble the goods and make them available to Bank at a p[illegible] reasonably convenient to both parties.

[illegible] Bank may sell, lease or otherwise [illegible] of the security. No more than [illegible] notice will be required before [illegible] private sale. The Bank may be a buyer at the sale. Proceeds of any su[illegible] will be applied:

- first, to the costs of the sale;
- next to the costs of retaking and storage, plus the costs of collection and attorney's fees (as described above); and
- finally, to all other amounts I owe the Bank.

The Bank will refund to me any surplus after making payments required or allowed by law. I promise to pay any deficiency.

[illegible] possession and sale won't affect the Bank's right to any payments I've already made or its rights as a secured party.

Waiver of Trial by Jury

I waive my right to trial [illegible]ury and agree that the courts of the State of [illegible] and will [illegible] perso[illegible]jurisdiction over me in any legal proceedings [illegible]ling amounts I owe to the Bank.

The Bank Won't Waive Rights

The Bank's rights are cumulative. The Bank can delay enforcing any of its rights under this agreement without losing them or any other rights. The Bank can release any borrower without notice to [illegible] without releasing any other borrower.

Extending or Renewing This Agreement

I won't be released from my obligations if this agreement is extended or renewed, and will continue to be bound by the terms of this agreement as renewed or extended.

Law That Applies

This agreement is governed by Subtitle 10 of Title 12 of the Commercial Law Article of the Annotated Code of Maryland and applicable federal laws and regulations.

NOTICE TO [illegible]SIGNER

You are being asked to guarantee this [illegible]nk carefully before you do. If the borrower doesn't pay the debt, you [illegible] to. Be sure you can afford to pay if you have to, and that you want to accept this responsibility.

[illegible] may have to pay up to the full amount of the debt if the borrower does [illegible]. You may also have to pay late fees or collection costs, which increase [illegible]mount.

[illegible] Bank can collect this debt from you without first trying to collect from [illegible]rrower. The Bank can use the same collection methods against you that [illegible]e used against the borrower, such as suing you, garnishing your wages, etc. If this debt is ever in default, that fact may become a part of your credit record.

FO[illegible]9

0 0 0 4 0 7 9 1 1 9 0

BALANCE BROUGHT FORWARD		3343 23
1103 5/13 1986 TO Comptroller of the Treasury FOR W/H 506 Mil tax payroll 4/86 2nd qtr.	DEPOSITS 5/13	120 -
	TOTAL	3463 23
	AMOUNT THIS CHECK	230 87
	BALANCE	3232 38
1104 5/13 1986 TO Mass Rbit Trust Co FOR 941 Taxes, April	DEPOSITS 5/16	2000 -
	TOTAL	5232 38
	AMOUNT THIS CHECK	1069 88
	BALANCE	4162 50
1105 5/19 1986 TO Mrs. Andrea Foss FOR Collection A/R of dental practice 30 of 739.32	DEPOSITS 5/19	739 32
	TOTAL	4928 14
	AMOUNT THIS CHECK	221 80
	BALANCE	4706 34

0004071191

0 0 0 4 0 7 9 1 1 9 2

1986 Personal Account Transaction Record

Mercantile Bank - Baltimore Acc't # 67156

3888	3/31	10 Deposit	236	57					1950	09
3889	3/31	10 Howard Co. Treasurer	11	95					1942	04
3890	3/31	10 Balto. Gas & Elec. Co.	200	84					1942	08
3891	3/31	10 Rinaman Family Foundation	14	97					2157	05
3840	3/17	10 Vanderbilt Enterprises (Powell	52	98					2210	03
3841	3/23	10 Priority Ass'n of Jordy	50	—					2260	03
D	3/23	10 D.V. Enterp. - loan					10,000	—	7759	97

U.S. D.N.H. 10041-2550

0 0 0 4 0 7 9 1 1 9 3

'86

PLEASE BE SURE TO DEDUCT CHARGES THAT AFFECT YOUR ACCOUNT

CHECK NO. OR TRANSACTION CODE	DATE	DESCRIPTION OF TRANSACTION	SUBTRACTIONS AMOUNT OF PAYMENT OR WITHDRAWAL (-)		✓	TAX FOR OTHER	ADDITIONS AMOUNT OF DEPOSIT OR INTEREST (+)		BALANCE FORWARD	
									7739	97
3842	3/26	TO Victory '86	10,500	—					2260	03
3843	3/30	TO Trinity Assy of God	50	—					2310	03
3844	3/29	TO Victory '86 (Refund tuition rental)	23	54					2333	57
D	3/31	TO D.V.					17000	—	14666	43
3845	3/31	TO Victory '86 Carry loan	17000	—					2333	57
D	3/31	TO D.V.					2457	04	123	47

March '86

[redacted] COMBINATION CASH DISBURSEMENTS AND PA[redacted]

PAID TO	DATE	CHECK NO		AMOUNT OF CHECK	✓	PAYROLL GROSS AMOUNT	PAYROLL DEDUCTIONS FICA	FED	MD			NET	LINE NO.	RECORD OF DEPOSITS AMOUNT	DATE	BANK BALANCE	
TOTALS BROUGHT FORWARD	1986														March	[illegible]	
Comptroller of Treas.	10	1074		749.08	✓								1 ✓	70 —	9	2022.16	
Comptroller of Treas.	10	1075		269. —	✓								2 ✓	adj 675.85	10	2430.01	adjust. (ins. subtracted in Feb
[illegible]	[illegible]	1076		[illegible]		[illegible]	[illegible]	[illegible]	[illegible]			[illegible]	3 ✓	1120.10	10	2309.22	ins. for Feb.
[illegible] Vandenberg	[illegible]/86	1077		276.13	✓	352 —	21.77	5.1 —	12.20			276.13	4 ✓	1169 —	10	1244.19	NASE ins. Mar.
[illegible] Vandenberg	[illegible]/86	1078		2123.37	✓	3000 —	214.50	44.4 —	128.13			2123.37	5 ✓	1281.09	11	951.91	WFDC
Columbia Gas [illegible] Exchange	3/3/86	1079		35 —	✓								6 ✓	283.92	12	1204.83	[illegible] ISB [illegible] FDC - [illegible]
Elliotte C. D. Dyer, Esq.	3/5/86	1080		35 —	✓								7 ✓	[illegible]	17	1218.81	[illegible]
[illegible]		81		22.13		352 —	21.77	5.1 —	12.20			226.13	8 ✓	[illegible]	2	2223.77	[illegible]
[illegible] Vandenberg	3/6/86	1083		2457.04	✓	3500 —	243.50	58.8 —	41.46			2457.04	9 ✓	[illegible]	[illegible]	-353.96	
John Vandenberg	3/24/86	1082	(loan)	10,000 —	✓								10 ✓	15 —	14	-10,338.96	[illegible]
Dr. Wm. Patterson	3/26/86	1083		74.50	✓								11 ✓	10,000 —	26	-413.46	
John Vandenberg	3/31/86	1084		17,000 —	✓								12 ✓	70.21	26	-17348.25	[illegible]
													13 ✓	100 —	31	-17248.25	[illegible]
													14 ✓	1281.11	31	-15966.14	[illegible]
													15 ✓	17,[illegible] —	31	1037.86	
													16				
													17				
													18				
													19				
													20				
													21				
													22				
													23				
													24				
													25				
TOTALS FORWARD				33365.25		7204 —	508.34	106.2 —	430.99			5207.67		31700.87		1037.86	

✓ ✓

DR. JOHN VANDENBERGE
MRS. LINDA D. VANDENBERGE
3934 ST. JOHNS LANE
ELLICOTT CITY, MD 21043

3/26 1986 3842

PAY TO THE ORDER OF Victory 86 $ 10,000.00

Ten thousand and no/100 DOLLARS

MERCANTILE-SAFE DEPOSIT & TRUST COMPANY
5910 BALTIMORE NATIONAL PIKE
BALTIMORE, MARYLAND 21228

MEMO loan to campaign

⑆052000618⑆ 3842000006715⑈ ⑈0001000000⑈

DR. JOHN VANDENBERGE
MRS. LINDA D. VANDENBERGE
3934 ST. JOHNS LANE
ELLICOTT CITY, MD 21043

3/31 1986 3845

PAY TO THE ORDER OF Victory 86 $ 17000.00

Seventeen thousand and no/100 DOLLARS

MERCANTILE-SAFE DEPOSIT & TRUST COMPANY
5910 BALTIMORE NATIONAL PIKE
BALTIMORE, MARYLAND 21228

MEMO campaign loan

⑆052000618⑆ 3845000006715⑈ ⑈0001700000⑈

OVER →

00040791195

Victory 86
Pat Oneill
For President only

F.R.B. BALTIMORE MD 052000278
04-01-86 004 02 0500 [illegible]

AP 86 014
P.E.A. PRO (800) 347-6106
MERCANTILE - SAFE DEP
& TRUST - BALTO., MD.

Victory 86
Pat Oneill
For President only

F.R.B. BALTIMORE MD [illegible]
04-01-86 004 02 0500 [illegible]

AP 86 01
P.E.A. PRO (800) 347-6106
MERCANTILE - SAFE DEP
& TRUST - BALTO., MD.

0004079 1196

BALANCE BROUGHT FORWARD	2118	08

1082

3/26 1986

TO John Vandenberge

FOR Loan Pymt. 3/26 — DEPOSITS 10,000 | —

TOTAL 12118 | 08

AMOUNT THIS CHECK 10,000 | —

BALANCE 2118 | 08

1083

3/28 1986

TO Dirk Pattison

FOR 3/31 — DEPOSITS 1281 | 11

3/31 17000 | —

25- I LP (Clapp) + UTC Southwest Dividend 70 | 21

TOTAL [illegible]

AMOUNT THIS CHECK 74 | 50

BALANCE [illegible]

1084

3/31 1986

TO J.V.

FOR campaign loan — DEPOSITS

TOTAL

AMOUNT THIS CHECK 17000 | 00

BALANCE [illegible]

9004071197

DR. JOHN VANDENBERGE
MRS. LINDA D. VANDENBERGE
3934 ST. JOHNS LANE
ELLICOTT CITY, MD 21043

3/31/1986 3845

PAY TO THE ORDER OF Victory 86 $ 17000.00

Seventeen thousand and no/100 DOLLARS

MERCANTILE-SAFE DEPOSIT & TRUST COMPANY
3910 BALTIMORE NATIONAL PIKE
BALTIMORE, MARYLAND 21228 12

MEMO Campaign loan

⑆052000618⑆ 3845000006 7156⑈ ⑈00017000000⑈

DR. JOHN VANDENBERGE
MRS. LINDA D. VANDENBERGE
3934 ST JOHNS LANE
ELLICOTT CITY, MD 21043

3/26 1986 3842

PAY TO THE ORDER OF Victory 86 $ 10,000.00

Ten thousand and no/100 DOLLARS

MERCANTILE-SAFE DEPOSIT & TRUST COMPANY
3910 BALTIMORE NATIONAL PIKE
BALTIMORE, MARYLAND 21228 12

MEMO loan to campaign

⑆052000618⑆ 3842000006 7156⑈ ⑈00010000000⑈

0004071198

Victory Inc
Pay to the order of
For deposit only

2-27 PAY ANY BANK
F.R.B. BALTIMORE MD 052000278
04-01-86 004 02 0500 [redacted]0E47

AP 86 01
P.E.S. PHO (800) 347-5184
MERCANTILE - SAFE DEP.
& TRUST - BALTO., MD.

Victory Inc
Pay to the order of
For deposit only

2-27 PAY ANY BANK
F.R.B. BALTIMORE MD
04-01-86 004 02 0500

AP 86 01
P.E.S. PHO (800) 347-5184
MERCANTILE - SAFE DEP.
& TRUST - BALTO., MD.

00040791199

DIRECT INQUIRIES TO -
MERCANTILE SAFE DEPOSIT & TRUST CO.
P. O. BOX 1592
BALTIMORE, MARYLAND 21201
301-321-1700

DR JOHN VANDENBERGE
MRS LINDA D VANDENBERGE
3934 ST JOHNS LANE
ELLICOTT CITY MD 21043

NOTIFY US OF ANY CHANGE OF ADDRESS

ACCOUNT NUMBER	CYCLE	STATEMENT PERIOD	PAGE
03 67156	X0400	030486 - 040486	1

705 42
RATE 5.25%

ACCOUNT SUMMARY

NEW BALANCE		PREVIOUS BALANCE		DEPOSITS & CREDITS		FINANCE CHARGES
17.88	=	0.00	+	33,237.36	+	0.00
CHECKS & DEDUCTIONS		**AUTHORIZED PAYMENTS**		**AUTOMATIC TRANSFERS**		**SERVICE CHARGES**
- 33,219.48	-	0.00	+	0.00	-	0.00

TRANSACTIONS

DESCRIPTION	DATE	AMOUNT
DEPOSITS AND CREDITS		
AA	0307	20000
AA	0310	20000
	0311	219337
	0313	7500
AA	0320	30000
AA	0324	40000
AA	0326	10000
MD	0327	1000000
IN	0331	1195
	0331	1700000
	0401	245704
AA	0403	30000
CHECKS AND DEDUCTIONS		
EP	0319	148267
EP	0402	80404
TC	0404	15
AP	0404	2485
3700	0319	2000
*3809	0312	1050
*3831	0307	7500
3832	0310	16775
3833	0311	3000
3834	0311	700
*3836	0320	30000
3837	0312	10000
3838	0319	10000
*3840	0319	5298

DATE	TRANSACTION	BALANCE

READY CHECK SUMMARY

PREVIOUS BALANCE	+ ADVANCES	- PAYMENTS	- CREDITS	+ TOTAL CHARGES	= NEW BALANCE	CREDIT LINE AUTHORIZED	CREDIT LINE AVAILABLE
1,07371	1,50000	231171	000	1315	27515	2,00000	1,72485

DAILY	ANNUAL	NO. DAYS	FINANCE CHARGE	+ CREDIT LIFE INSURANCE	= TOTAL CHARGES	AVERAGE DAILY BALANCE	PAYMENT DUE DATE
.0004932	18.0 %	27	13 15	0 00	1315	98734	000

FINANCE CHARGE AT ONCE IF NO WRONGING ACCOUNT ERROR IS REPORTED OR PAYMENT RECEIVED.
DAYS THE ACCOUNT WILL BE CONSIDERED CORRECT. ALL ITEMS SUBJECT TO FINAL PAYMENT.
SEE REVERSE SIDE FOR IMPORTANT INFORMATION

0 0 0 4 0 7 9 1 2 0 0

DIRECT INQUIRIES TO -
MERCANTILE SAFE DEPOSIT & TRUST CO.
P. O. BOX 1592
BALTIMORE, MARYLAND 21201
301-321-1700

DR JOHN VANDENBERGE
MRS LINDA D VANDENBERGE
3934 ST JOHNS LANE
ELLICOTT CITY MD 21043

NOTIFY US OF ANY CHANGE OF ADDRESS

ACCOUNT NUMBER	CYCLE	STATEMENT PERIOD	PAGE
03 67156	X0400	030486 - 040486	2

ACCOUNT SUMMARY

RATE 5.25%

NEW BALANCE		PREVIOUS BALANCE		CREDITS & PAYMENTS		FINANCE CHARGE
17.88	-	0.00	+	33,237.36	+	0.00

CHECKS & DEDUCTIONS		AUTHORIZED PAYMENTS		AUTOMATIC TRANSFERS		SERVICE CHARGES
- 33,219.48	-	0.00	+	0.00	-	0.00

TRANSACTIONS

DESCRIPTION	DATE	AMOUNT
3841	0325	5000
3842	0401	1000000
3843	0401	5000
*3845	0401	1700000
*3848	0404	3532
*3855	0314	3600
*3860	0319	1000
3861	0307	1700
*3863	0311	2465
*3865	0307	8597
*3867	0318	1445
3868	0312	1609
3869	0318	2000
3870	0317	2800
3871	0324	37950
3872	0313	13884
3873	0312	10000
3874	0318	650
3875	0331	2500
3876	0320	6496
3877	0326	1500
3878	0402	500
*3880	0331	14578
3881	0331	5418
3882	0403	2804
3883	0401	5676
3884	0402	126900
*3888	0403	13651
3889	0404	1195
3890	0403	20004

PREVIOUS BALANCE	+ ADVANCES	- PAYMENTS	- CREDITS	+ TOTAL CHARGES	= NEW BALANCE	CREDIT LINE AUTHORIZED	CREDIT LINE AVAILABLE

DAILY	PERIODICAL	NO. DAYS	FINANCE CHARGE	+ CREDIT LIFE INSURANCE	= TOTAL CHARGES	AVERAGE DAILY BALANCE	PAYMENT DUE DATE
	%						

DAYS THE ACCOUNT WILL BE CONSIDERED CORRECT. ALL ITEMS SUBJECT TO FINAL PAYMENT. SEE REVERSE SIDE FOR IMPORTANT INFORMATION

0 0 0 4 0 7 4 1 2 0 1

MERCANTILE-SAFE DEPOSIT & TRUST COMPANY
Two Hopkins Plaza / Baltimore, Maryland 21201
Customer Service Center 321-1700

NOTIFY US OF ANY CHANGE OF ADDRESS

M

JOHN W VANDENBERGE DDS PA
3934 ST. JOHNS LN.
ELLICOTT CITY MD 21043

MARCH '86

(Send chs. & st. to New St.)
Rec'd chs. 4/8/86

Dr Dale 1073 239.50
Yoop. Jr. 4 749.08
" " 5 269.-
Y.Y. 7 276.13
Y.Y. 8 2193.37
Y.Y. 81 276.13
Y.Y. 82 10,000.-
Y.Y. 84 17,000.-
PASE 169-
Ck # 7157 Catherine Deschamps (4/3/85)

ACCOUNT NUMBER	CYCLE	STATEMENT PERIOD	PAGE		
12 602049-0	03100	022886 - 033186	1	10	643

MESSAGE

PREVIOUS BALANCE	+	DEPOSITS AND CREDITS	-	CHECKS AND DEBITS
3,402.14		31,443.40		31,331.40

-	SERVICE CHARGES	=	NEW BALANCE	NO. DEPOSITS	NO. CHECKS
	6.30		3,507.84	11	11

CHECKS AND DEBITS	CHECKS AND DEBITS	DEPOSITS AND CREDITS	DATE	ACCOUNT BALANCE
		10800	0303	351014
23950			0304	327064
16900			0310	310164
219337		7000	0311	97827
		28392		
		128109MD	0312	254328
27613	74908		0313	151807
26900			0317	124907
		1500		
		5298		
		128109	0319	259814
3850			0320	255964
12069ET			0324	243895
27613	1000000	7021MD		
		1000000MD	0327	223303
630SC	1700000	128111		
		1700000	0331	350784

00040791

PLEASE BE SURE TO DEDUCT CHARGES THAT AFFECT YOUR ACCOUNT			SUBTRACTIONS		ADDITIONS	BALANCE FORWARD	
NUMBER OF TRANSACTION (CHECK)	DATE	DESCRIPTION OF TRANSACTION	AMOUNT OF PAYMENT OR WITHDRAWAL (-)	TAX OR OTHER	AMOUNT OF DEPOSIT OR INTEREST (+)	7043	80
3965	5/13	TO Hecht's (Lunch)	23	49		73 / 4954	49 / 31
[illegible]	[illegible]	TO [illegible]	[illegible]	[illegible]		[illegible] / 4941	[illegible] / 55
[illegible]	[illegible]	TO [illegible]	[illegible]	[illegible]		[illegible] / 45[illegible]	[illegible] / [illegible]
[illegible]	[illegible]	TO [illegible]	[illegible]	14		[illegible] / 4541	[illegible] / 29
3969	5/13	TO Mound Radio Television #[illegible]	11	[illegible]		11 / 4529	[illegible] / 34
3970	5/14	TO Prudential Securities Inc. [illegible]	68	—		4461	34
3971	5/14	TO Lakeside Lodge [illegible]	[illegible]	—		4439	34
3972	5/14	TO [illegible]	[illegible]	[illegible]		4336	45
3973	5/15	TO Guggenheimer Carly. Inc	260	78		4075	67
D	5/16	TO PERSONAL LOAN Allen.			40,000.-	44075	67
3974	5/16	TO VOID	—	—			—
3975	5/16	TO Vandenberg Enterprises	27000	—		17075	67
3976	5/16	TO D. BURTON pol. CONTR.	40	—		17035	67

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January 15, 1988

GCC# 5290

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FEDERAL ELECTION COMMISSION
MAIL ROOM

88 JAN 25 AM 9

Summation of Vandenberge case (MUR2522), mitigating circumstances and request "not to proceed".

To: Jonathan Levin, Esq.
F.E.C.
999 E Street, N.W.
Washington, D.C. 20463

So as not to repeat all previously submitted materials, I wish to state a short summary of events as I see them.

I, John Vandenberge, previously ran for House of Delegates in 1982 without any legal problems. I am happy to say that my wife and I have never had any legal problem, have never sued or been sued. Realizing that a Federal Election Campaign falls under additional laws I tried to get the best advice possible, both in Maryland and Washington, D.C. Having learned, in campaign schools and elsewhere, that corporate contributions are prohibited, I was careful to obey the law, as my wife and I always try to do. Therefore, I transferred $27,000.00 from my corporation to my personal account, so as to abide by the law. I had no inkling that anything was wrong but, as I had not obtained the advice of a lawyer for our campaign as yet, I invited on my own initiative without prompting from anyone a Howard County lawyer to come in and inspect our operation generally to be sure we would not be violating any laws. It was he who suggested that indirect corporate funds might be frowned upon by the F.E.C. and my response was: "Let's straighten that out immediately." After several phone calls for "expert" advice, I borrowed an unsecured amount of money from Mercantile Bank and Trust in Baltimore, with whom I had done business regularly since 1967. The expert advisors in Howard County nor the bank made any mention of method of signature, especially as far as my wife is concerned. Ever since we got married, we've never had separate finances. It was always "our money" or "our account" or "our house or car" instead of "my money" or "my account", etc. We always sign for everything together. So signing for this loan together was automatic without any further thought or different motive. Mercantile asked for both signatures anyway since Maryland is a community property state and banks customarily ask for two signatures, husband's and wife's.

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FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL

88 JAN 25 PM 3:04

Of course, hindsight indicates that I should have transferred funds prior to the campaign or checked with the F.E.C. personally. Anyway, this method of borrowing from the bank at 10½% has already been very expensive. In renegotiating the loan to reduce the monthly payment from some $3300.00 per month to $537.00 per month, my wife had to sign that contract as well because both signatures were on the first one and the bank, again, would not have it any other way. Please note that neither action (corporate money transfer and my wife's signature) were intentional to try and circumvent any law but were done in innocence and while believing all laws were abided by.

I ask the Commission not to proceed with this case concerning the committee and the treasurer because of mitigating

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circumstances listed below as well as previous correspondence.

1. I never sought public office for financial gain. My gross income for 1986 was $127,000 as a dentist in private practice. I ran for public office because I wanted to do something in return for all the things America had given me. I love America and am concerned about a number of issues. American soldiers had fought and died to give me freedom in Rotterdam, Holland, where I had lived all during World War II. I'll never forget what America did for my family, my native country and myself.

2. I voluntarily, on my own initiative, invited a local attorney to audit our books. Upon discovery of a possible conflict, I immediately, on my own initiative, sought for a way to correct the possible wrong. A second possible wrong was created in the process of honestly trying to correct the first one. If I, or our treasurer, had been aware of a better way, we would have done that.

3. The bank testified that we have a "totten trust" account, meaning that I'm the only income producer. My wife has no career or profession of her own that might have secured a second income. She helped in the dental office occasionally with bookkeeping but the bulk of her time in our marriage has been devoted to raising our four boys. She has no financial means of her own. I pay all debts and always have.

4. The above items are not the only ones resulting from, let's say, inadequate or poor advice. Other advice led us to be virtually ruined financially. A few weeks ago we came, literally, within a few hours from our house being foreclosed on. Our house is up for sale to try to get us out of debt and to pay all campaign bills still outstanding.

5. I had sold my dental practice two years ago because I realized that campaigning well is a full time job. The dental office I sold my practice to employed me part time after the election, but they let me go in August 1987. Since that time I've started in real estate as a Realtor.

6. The way money was transferred did not measurably affect the outcome of the election nor was it intended to. I lost with 28% of the vote.

7. The unsecured personal loan from the bank was approved by Mr. Ernest Burden and Mr. Tom Twist of Mercantile Bank & Trust Co. solely on the basis of my record as a bank customer for over 20 years and on my reputation. I convinced the bank that I needed a personal loan so as not to violate any F.E.C. laws. It was certainly not approved based on my wife's assets, account, record or reputation, even though that is superb.

8. These possible F.E.C. laws' violations were not brought to light by the F.E.C., any of its employees, by any investigative reporters or competing political candidates or

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parties. It was discovered on my own initiative, reported on my own initiative by our treasurer to the F.E.C. and full disclosure and cooperation has occurred.

9. This whole process, even though I fully approve of the F.E.C.'s role, has discouraged me from running again and I probably will not unless the Commission finds the mitigating circumstances justifiable not to proceed. I can visualize how a future opponent could use the "public record" part of these communications and twist and manipulate it through a campaign and the media to his or her advantage, unless I misunderstand the process.

10. The Campaign Treasurer is a superb family man, patriotic, dedicated and with a clean record. He has volunteered many hours, sacrificed and donated financially. We, in America, need many more like him.

Mr. Jonathan Levin, with whom we met, has been very courteous and helpful. Should the Commission deem it inappropriate to discontinue this proceeding, our distant second choice is to ask for pre-probable cause conciliation. I ask that the Commission take these mitigating and personal financial circumstances into consideration most seriously. Even if our house is sold, most of the proceeds would go towards paying off campaign debts.

Your cooperation and consideration are most appreciated.

Very truly yours,

John Vandenberge

John Vandenberge

P.S. Mr. Stephen P. Poulos, the Treasurer, has already submitted sworn statements and has indicated he has no additional comments to make at this time. -- My wife does wish to make a statement and it is attached.

Encl.: (1) Listing of our residence for sale.
(2) Loan payment notice and balance.
($26,921.48 already paid plus interest.)

DR. & MRS. JOHN VANDENBERGE
3934 ST. JOHN'S LANE
ELLICOTT CITY, MD. 21043
(301) 465-5811

9004079120 6

January 15, 1988

MIR 2522 (Vandenberge)

I, Linda Vandenberge, wish to express my views concerning the above case, which views may be considered as "mitigating circumstances". When my husband and I were married in 1959, according to Biblical Law, we became one. Thus it has always been. At that time I was working as a secretary in the Legal Dept. of the Western Maryland Railway Company. I continued to work, turning the income over to my husband when paid. What I had saved up to that point was spent by us on our furnishings. He also worked, but part time as a cashier clerk for awhile, and then as a Wear-Ever salesman while attending school. It was our goal for him to become a dentist. Our first of four sons was born in 1964, while John was still in dental school. (We had some tough times but have always believed that I should stay at home and care for the family.) It was then that I stopped working altogether to become a homemaker and take care of this precious life God had blessed us with.* Since that time I have not worked except with my husband at times in the dental office part time. (I might add that even then for years my services were volunteered until finally it was decided that it would be good that I be paid some for my secretarial services.) That money too, of course, was "ours". I have a wonderful, generous husband who would, no doubt, give me his last dollar if I would ask for it. The law I hear about from the F.E.C. apparently doesn't take into account our belief system or the way we have believed and operated for our entire marriage. There is no way I could give my husband any money. He is the head of the household, responsible for all debts, and the sole provider for the family. We have chosen this way of life which is according to Biblical standards. We like it this way and don't intend to change our lifestyle. If I should, by circumstances, be forced into getting a job again, I would turn the money over to my husband because I believe this is the right thing for me to do. Right now I'm still being a wife and mother, volunteering my time for whatever comes along, whether it's doing the wash or secretarial work for my husband and family. I suppose, if one wants to get technical about this whole thing, the bottom line is that I have nothing except what my trustworthy husband provides for me. When I need anything, I get it from him because he is the head of the household. My husband pays all the debts and always has. I have access to our joint account (personal) with my husband's permission according to the law we operate under: I use the checking account to buy groceries, pay repairmen (washer, oven, etc.) and for family necessities or gifts - with my husband's knowledge and approval. I also have access to my husband's corporate account only with his approval and in the "secretarial" sense as any secretary could, paying bills with his approval. My husband pays all the debts and always has.

These are mitigating circumstances to my way of thinking and if we violated any law inadvertently, of course we're very sorry and, believe me, we'll always to the best of our ability uphold the law. Please note that the letter of the law kills but the spirit of the law expresses forgiveness. Therefore, I ask that this case not proceed further due to the mitigating circumstances.

*See attached.

Linda Vandenberge

0004079120 7

P.S. - We now have four sons - ages 23 (in law school), 21 (in college), 15 and 12. The oldest son has borrowed much to pay for law school. He is very industrious, having started a cleaning business which he is now only able to be involved with during summer vacation and winter break. Our second son runs the small cleaning business and presently works at UPS evenings to help pay for his college education. Also an industrious young man, this week he began a job sanding and refinishing floors for my niece and her husband. The 15-year-old attends high school, would like to attend the Naval Academy, works part time at an Italian restaurant, and the 12-year-old is a hard worker as well, helping at home, helping his grandparents with yard work, and helping his brother(s) with the cleaning business.

My husband has been the hard working, industrious loving father and role model they have looked to. To me, for their sake, this a very important factor in this case.

0004071208

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```
MLS#    (HO)156234-3  ** A C T I V E **                          -1- RESIDENTIAL
3934    ST.JOHNS LANE     ZIP: 21043    MAP: HO12B10      L I S T :   $189,900
DUNLOGGIN
- - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - -
DESCRIPTION: SPLIT LEVEL  DETACHED      4 BEDROOMS   2/1 BATHS      14 YRS OLD
             BRICK VENEER ASPH SH ROOF
LOT SIZE   : .98 ACRES    ELECT.AIR.FLTR,UTIL.RM,PATIO
R O O M S  : LR : 32X21   DR : 16X12    KIT: 18X16   FA : 00X00/0
             MB : 16X12/2 BR2: 12X10/2 BR3: 10X09/2 BR4: 10X09/2
FLOOR PLAN : SUNKEN LR    ENTRY/CLOSET FORMAL DR    EAT IN KITCH BREAKFAST RM
APPLIANCES : ELEC RANGE   SELF-CL OVEN MICROWAVE    REFRIGERATOR DISHWASHER
AMENITIES  : WOOD FLOORS  EX WW CARPET EX CURTN ROD SOME DRAPES  EX LGT FXTRS
             TV ANTENNA   WALK-IN CLST MASTER BATH
LOWER LEVEL: F/PART IMPRV
H E A T > >: FUEL-ELEC    FUEL-GAS     HEAT-FHA     CENTRAL A/C  ATTIC FANS
             1 FIREPLACE  EX STORM WNW
S I T E > >: PORCH        GARAGE 2+ATT DRIVEWAY     OFF-ST PARK  AUTO OPENER
             INSIDE LOT   TREE STUDDED POND
U T I L > >: PUBLIC WATER PUBLIC SEWER PUBLIC GAS   CABLE TV     220V SERVICE
D E E D > >: LIBER: 0787  FOLIO: 0078
ANNUAL FEES: TAXES$1,883  G&E :$2,460
FINANCE > >: LOAN=CONV
- - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - -
DIRECTIONS : RT. 70 SOUTH ON 29 RIGHT ON ST. JOHNS LANE " L " SHAPE LR
REMARKS > >: FOYER 12X8,PARLOR 12X10, OUTSTANDING FR W. RAISED HEARTH
           : GREAT FOR ENTERTAINING, ****UNIQUE DESIGN****
           : BEAUTIFUL PARK LIKE VIEW . PRIVACY. GREAT FOR CHILDREN.
EXCLUDED   >:
S H O W > >: CALL OFFICE  POSS: 30-60  POSS: NEGOT
N O T E > >: LA PRINCIPAL
LA: JOHN VANDENBERGE                  PH: 465-5811       SR:  3.5       TL: ER
LB: 6349   LONG & FOSTER REAL ESTATE PH: 461-1456     MLS#:  HO 156234-03
* ALL DIMENSIONS ARE APPROXIMATE. ANY AMENITIES, EQUIPMENT, AND/OR          *
* IMPROVEMENTS LISTED MAY NOT EXIST IN ALL ROOMS OR IN ALL PORTIONS OF THE  *
* PROPERTY DESCRIBED ABOVE. ANY OTHER INFORMATION LISTED ABOVE IS NOT       *
* GUARANTEED BY THE BROKER OR CMMLS.                                        *
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MERCANTILE-SAFE DEPOSIT & TRUST CO.
COMMERCIAL LOAN DEPARTMENT
P.O. BOX 1972/CLA
BALTIMORE, MARYLAND 21203

PAYMENT DUE NOTICE

DIV	CUSTOMER	LOAN	TR	MATURITY	PAYMT DUE	
001	8068645	9001	30	02-15-90	12-15-87	26

A/C	EFF DATE	A.P.R.	LOAN BALANCE	OFFICER	BANK
		10.25000	13,078.52	ELE	01

INTEREST DUE
113.03
PRINCIPAL DUE
424.81
TOTAL DUE
$537.84

JOHN VANDENBERGE
LINDA VANDENBERGE
3934 ST JOHNS LANE
ELLICOTT CITY MARYLAND 21043
21043

PAST DUE NOTICE

FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL
88 FEB 24 PM 12:40

CCC# 6564

John Vandenberge for Congress Committee
c/o Stephen P. Poulos, Treasurer
5827 Humblebee Road
Columbia, Maryland 21045
February 24, 1988

Federal Election Commission
Office of the General Counsel
ATTN: Mr. Jonathan Levin
999 E. Street, N.W.
Washington, D.C. 20463

Re: (1) FEC letter dtd July 28, 1987 concerning MUR 2522,
John Vandenberge for Congress, Stephen P. Poulos as Treasurer
(2) My response to the above dtd 8/14/87.

Dear Mr. Levin:

In two recent telephone conversations (and at our December meeting in Washington) you encouraged me to elaborate further upon my written response to the July 28th FEC letter (Ref.1). The only new revelation I can provide isthat my recent review of Dr. Vandenberge's corporate income tax return (Vandenberge Enterprises, Inc.) for 1986 revealed an enclosed CPA-prepared Balance Sheet showing approximately $27000 as an asset---presumably as a loan receivable. I must emphasize that there were no footnotes or other documents available identifying this asset as the $27000 loaned from Vandenberge Enterprises, Inc., to Dr. Vandenberge. I can only assume this to be the case and Dr. Vandenberge could not think of any other explanation. The $27000 apparently was made available by the liquidation of financial instruments held as Owner's Equity until that point in time. Unfortunately, it appears that the liquidation was not a drawdown of Owner's Equity, i.e., a non-repayable account. Rather, the securities were transformed into a liquid form, cash, drawn down from O.E. and then returned to the corporation as an asset. The cash was loaned to Dr. Vandenberge who deposited it into his personal checking account; therefore, the cash asset became a loan receivable asset. As I stated in my 8/14/87 letter, if Dr. Vandenberge had any inkling that his subsequent loan to the Committee may have been, in effect, a corporate contribution, he would not have done so. Had I known that the loan transactions followed this chain of events, I would have been in a position to prevent the ensuing problems. As I have also stated before, the Committee has received, returned & reported to the FEC at least one other corporate contribution during the conduct of the campaign. There would have been no reason to accept a corporate contribution from Vandenberge Enterprises, Inc.,--again, as far as I knew then---it was a personal loan from Dr. Vandenberge.

On page 2 of the Factual & Legal Analysis enclosed in the 7/28/87 FEC letter (Ref.1) it was noted that: "In addition [to the Reports Analysis Division's (RAD) RFAI to the Committee on 9/30/86], RAD enclosed a 'Notice to All Candidates & Committees' explaining the types of corporate accounts prohibited from use in federal campaigns under 2 U.S.C. para.441b." This statement is made as if the Committee received this notice, yet still knowingly violated campaign law. The fact of the matter is, that the

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notice wasn't even sent to the Committee until 6 months after the allegedcampaign law violations occured. It would,of course, had been much more useful had the notice been available to the Committee when it formed, for example, as part of the Campaign Guide for Congressional Candidates & Committees.

Another point I made in my 8/14/87 letter which I wish to re-emphasize relates to page 9 of the Factual & Legal Analysis, which stated: "The treasurer has stated that, since the 'joint net worth' of the Vandenberges exceeds twice the $40000 amount of the loan, Mrs. Vandenberge could co-sign without becoming a contributor. This, however, is a misinterpretation of 11 C.F.R. para. 100.7(a)(1)(i)(D) and 11 C.F.R. para. 110.10(b)." It may have been a misinterpretation, but, it wasn't my misinterpretation. As I stated in my 8/14/87 letter, I learned of this concept through conversations with Miss Robin Kelly of the RAD. Miss Kelly was trying to assist me with the filing of amended Committee reports---this only served to muddy the waters. Once again, considering how many candidates are married and how many have jointly owned assets that they would want to tap for their campaigns, it would have been very appropriate for clear information to be published in an easy to understand publication such as the one already mentioned.

On page 5 of the Factual & Legal Analysis it states that: "Section 441b(a) of Title 2 prohibits the making & knowing [my emphasis] acceptance of corporate contributions in connection with an election for federal office." The key word I would like to focus on is "knowing". I did not know at the time of the loan transactions that the original source of the funds was Vandenberge Enterprises, Inc. My understanding, expressed to me by Dr. Vandenberge and evidenced by one of 3 personal checks that I deposited (the other two were deposited by either Dr. or Mrs. Vandenberge) was that the source of the loans were Dr. Vandenberge's personal funds. On the same page and on page 6, the question of timely return of the funds was raised. In my 8/14 response and again, here, I question the circular reasoning applied to reach the contention that the pertinent starting dates for determining the timely return of the contributions are the dates on which Dr. Vandenberge received the funds into his personal checking account. There is no dispute that Dr. Vandenberge knew the origin of those funds, rather, it is disputed that Dr. Vandenberge had "constructive knowledge" as to the origin of the funds in terms of them being a corporate contribution. Dr. Vandenberge sincerely believed that the transactions between Vandenberge Enterprises, himself, and the Committee were accomplished in a manner to ensure compliance with federal campaign law. It wasn't until early May, 1986, that "constructive knowledge" had any meaning, i.e., it was then that Dr. Vandenberge was advised by his attorney-friend that the transactions may be challenged as a corporate contribution. My contention is that the timely return of the funds was indeed accomplished. On this basis there should be no grounds for recommending that the Commission find reason to believe that the Committee and I, as Treasurer, violated 2 U.S.C. para.441b(a) for the knowing acceptance of corporate contributions. The same rationale should be applied ---in relation to the issue of a possible contribution by Mrs. Vandenberge in excess of legal limits vis à vis the $40000 loan--- against the assertion that the Committee and I, as Treasurer, violated Section 441a(f) of Title 2 which prohibits the knowing acceptance of

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contributions exceeding the limits of 2 U.S.C. para.441a. I did not know that the loans in question represented even the possibility of such an excess contribution until the RAD requested additional information vis à vis Mrs. Vandenberge. On this basis, there should be no grounds for recommending that the Commission find reason to believe that the Committee and I, as Treasurer, knowingly violated 2 U.S.C. para.441a(f).

On page 10 of the Factual & Legal Analysis enclosed in Ref. 1, it stated that: "Therefore, the treasurer would be correct only if Dr. Vandenberge's share of the net worth alone equaled $40000 and the bank made the loan on the basis of the Vandenberge's net worth. It appears thus far, however, that the bank was looking to the joint personal checking account, not to the Vandenberges' total net worth." In my 8/14/87 response, I enclosed a letter from a Mercantile Safe Deposit & Trust Co. officer which clearly states that the $40000 loan to the Vandenberges was a personal loan. It further stated that: "The right of the Bank to off set any property in its possession or money from the borrower's savings or checking account against any delinquent debt owed the Bank is a right which arises solely by operation of law and is therefore excluded from the general definition of security." The Bank was not looking to the joint personal checking account! The officer further stated that: The Bank has no right to off set any property in its possession or money from a checking or savings account in the name of Vandenberge Enterprises, Inc., against debts owed the Bank if this loan was in default." This would leave the Bank with no recourse but to take legal action to secure the Vandenberge's assets, i.e., their net worth. Again, since the Vandenberge's have dealt with Mercantile for over 20 years---for both personal & business purposes---the bank and its loan officers/committee knew they were "good for the loan". Finally, as Dr. Vandenberge has stated, he insisted Mercantile grant this loan as a personal, unsecured loan because he believed that only in this manner would he be in compliance with federal campaign law! Obviously, neither Dr. Vandenberge nor I knew that an exception had been incorporated into campaign law allowing for the use of joint assets, e.g., a house, as security for a campaign loan. Had this exception been known, that would have been the route taken!

Mr. Levin, the irony of the apparent violations is that they were conducted with the full intent to comply with both the spirit and the letter of Federal Campaign law! Obviously, there were misunderstandings, misinterpretations, "bad advice from the experts" as Dr. Vandenberge has stated, even slightly off the mark quidance from the FEC's Reports Analysis Division! I mentioned in the beginning of my 8/14/87 letter that this was the first political campaign of any kind in which I served as Treasurer. I served as an unpaid volunteer, devoting at least 15-25 hours per week to set up & maintain the Committee's financial records, conduct routine banking transactions & recordkeeping, engage in written correspondence relative to improper campaign contributions, pay all campaign bills and, of course, file all FEC reports, amendments & answers to inquiries. My reward has been my service to Dr. Vandenberge as a Congressional candidate and to my country as an active participant in its political process, not to mention the education I've received on Federal campaign law! You are already aware of Dr. Vandenberge's sale of his house to retire his remaining campaign debt---and to survive financially until he is able to re-establish himself as a businessman in his community. I trust that you

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will weigh heavily the facts and mitigating circumstances surrounding this MUR and I ask that you recommend to the Commission that no furher action be taken against the Committe nor me. Whatever steps are necessary to correct any problems still in existence, to include the filing of amended campaign records, is understood and anticipated. Please let me know if I can be of any further assistance to you. Until March 4th, I can be reached during working hours at 703/325-8488 (my place of duty as a Reservist... please ask for Major Poulos).

By my signature, I hereby swear that the foregoing written testimony concerning the matter of MUR 2522 is true to the best of my knowledge and recollection.

Sincerely,

Stephen P. Poulos Feb 24, 1988

Stephen P. Poulos, Treasurer
John Vandenberge for Congress Committee

I certify that Stephen P. Poulos appearedbefore me this date and affixed his signature above.

Donald R. Robinson

DONALD R. ROBINSON
Captain(P),US Regular Army
US Total Army Personnel Agency(Prov)
ATTN: DAPC-EPD-O
2461 Eisenhower Avenue
Alexandria, VA 22331
Tel: (703) 325-8488

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MAIL ROOM

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GCC#6764
MUR 2522

John Vandenberge, D.D.S.
3934 St. John's Ln
Ellicott City, Md. 21043

March 9, 1988

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OFFICE OF GENERAL COUNSEL
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Jonathan Levin, Esq.
F.E.C.
999 E Street, N.W.
Washington, D.C. 20463

Dear Mr. Levin:

This is in response to your latest request concerning the circumstances of Mercantile Bank lending me $40,000.00. As previously stated, my personal assets exceeded the loan amount and the bank officer had told me that the bank lent me the $40,000.00 based on my 20-year record with the bank as a customer with several accounts, my favorable credit history and my reputation in the community.

I trust this answer will suffice - it's the truth to the best of our knowledge. It is our hope that this case can now be resolved.

Yours truly,

John Vandenberge

John Vandenberge, D.D.S.

JV:lv

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM TO: LAWRENCE M. NOBLE
GENERAL COUNSEL

FROM: MARJORIE W. EMMONS/JOSHUA MCFADDEN

DATE: APRIL 19, 1988

SUBJECT: OBJECTION TO MUR 2522 - General Counsel's Report Signed April 13, 1988

The above-captioned document was circulated to the Commission on Thursday, April 14, 1988 at 4:00 P.M.

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

Commissioner Aikens	
Commissioner Elliott	
Commissioner Josefiak	
Commissioner McDonald	
Commissioner McGarry	
Commissioner Thomas	X

This matter will be placed on the Executive Session agenda for April 28, 1988.

Please notify us who will represent your Division before the Commission on this matter.

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
John Vandenberge for Congress	)	
Stephen P. Poulos, as treasurer	)	
	)	MUR 2522
Vandenberge Enterprises, Inc.	)	
(AKA John Vandenberge, D.D.S., P.A.)	)	
	)	
Linda Vandenberge	)	

SENSITIVE
EXECUTIVE SESSION
APR 28 1988

GENERAL COUNSEL'S REPORT

I. BACKGROUND

A. The Reason to Believe Findings

This matter involves allegations as to the receipt by John Vandenberge for Congress ("the Committee") of corporate funds from Vandenberge Enterprises, Inc. (AKA John Vandenberge, D.D.S., P.A.)[1/] in violation of 2 U.S.C. § 441b(a) and the receipt by the Committee of an excessive contribution in the form of a loan endorsement by Linda Vandenberge, the candidate's wife, in violation of 2 U.S.C. § 441a.

The Committee's 1986 April Quarterly Report disclosed a $3,000 loan from the candidate on November 21, 1985, a $10,000 loan from the candidate on March 26, 1986, and a $17,000 loan from the candidate on March 31, 1986. The 1986 July Quarterly Report disclosed a $10,000 loan from the candidate on May 16, 1986.

1/ According to the Charter Division of the Maryland Department of Assessments and Taxation, which provides information as to Maryland corporations, the corporation is listed as John Vandenberge, D.D.S., P.A. John Vandenberge stated that he had the name changed through his attorney to Vandenberge Enterprises, Inc. and that, apparently, the state of Maryland has not updated its records.

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In response to an RFAI dated August 11, 1986, requesting information as to the source of these loans, the candidate stated that, in early May, 1986, he learned that $27,000 of the first $30,000 was first borrowed from a corporation co-owned by the candidate and his wife, Vandenberge Enterprises, Inc. Subsequently, on May 16, 1986, the candidate borrowed $40,000 from the Mercantile Safe Deposit & Trust Company under signature of his wife and himself on a note. On that date, the candidate reimbursed the corporation for $27,000 and lent the campaign another $10,000. The candidate enclosed a combined loan agreement and note. Although the boxes next to the provisions for a "security interest" on this document were not marked, there appears to be a mark next to the statement, "I am giving the Bank the right of setoff against any money or property in the Bank's possession."

On September 30, 1986, RAD sent an RFAI to the Committee noting a possible corporate contribution by Vandenberge Enterprises and a possible excessive contribution by Mrs. Vandenberge. In addition, RAD enclosed a "Notice to All Candidates and Committees" explaining the types of corporate accounts prohibited for use in federal campaigns under 2 U.S.C. § 441b and distinguishing non-repayable drawing accounts against salary, profits, or commissions as personal contributions. In response, the Committee treasurer stated that the Vandenberge Enterprises funds were not from a non-repayable drawing account and, therefore, were corporate contributions. The treasurer also

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enclosed an amended July Quarterly Report. On this report, the treasurer showed the receipt of the $40,000 bank loan with Mrs. Vandenberge as the endorser and stated that "the loan was a personal, unsecured signature loan" and the "[t]he candidate's net worth exceeds amount guaranteed."

On October 24, 1986, RAD sent another RFAI questioning the reporting of the $40,000 loan on the amended July Quarterly and amended Pre-General Reports as compared to the reporting of the same loan on the amended 12 Day Pre-Primary and October Quarterly Report. The amended July Quarterly and amended Pre-General Reports stated that the candidate's wife is an endorser of the loan and that the loan is a "personal, unsecured signature loan." The other two reports, while also showing Mrs. Vandenberge as an endorser, stated that the loan is not secured by any property but that the bank "has the right of setoff to Dr. and Mrs. Vandenberge's personal checking account and the checking account of their jointly owned corporation, Vandenberge Enterprises, Inc."

On November 10, 1986, RAD received a reply letter from the treasurer. The treasurer stated that he had erred in reporting that the corporate account was subject to the bank's right of setoff and that, according to the bank officer, only the Vandenberge's joint personal checking account was so subject. According to the treasurer, the bank officer stated that the personal account was subject to setoff "only after exhausting normal bank, and, subsequently, legal procedures to collect on a

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defaulted loan." The treasurer stated that the bank does not regard the personal checking account as collateral for the loan, that there is no listing of the account in the loan agreement, and that, therefore, the loan is not guaranteed by either the personal or corporate checking accounts. The treasurer further stated that, even if Mrs. Vandenberge's signature might otherwise make her a contributor, "the joint net worth of Dr. and Mrs. Vandenberge exceeds more than twice the $40,000 loan amount" and, therefore, Mrs. Vandenberge would not be a contributor.

On July 21, 1987, the Commission found reason to believe that Vandenberge Enterprises, Inc. violated 2 U.S.C. § 441b(a), that Linda Vandenberge violated 2 U.S.C. § 441a(a)(1)(A), and that the Committee and Mr. Poulos, as treasurer, violated 2 U.S.C. §§ 441b(a) and 441a(f). In addition, the Commission approved Factual and Legal Analyses to be sent to the respondents.

In analyzing the issue of the receipt of a corporate contribution, the analyses sent to Vandenberge Enterprises and the Committee stated that, although the $27,000 may have been returned to the corporation shortly after the discovery of the corporate source of such funds, the candidate was an agent of the Committee and had constructive knowledge of the origins of the funds, and that the pertinent starting dates for determining the timely return of the contributions under 11 C.F.R. § 103.3(b)(1), in effect at the time, or under the new regulation at 11 C.F.R. § 103.3(b)(2) were the dates on which

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Dr. Vandenberge received the funds, i.e., at the latest, late March, 1986.

In analyzing the spousal contribution issue, the analysis sent to Mrs. Vandenberge and the Committee stated that the treasurer would be correct in his analysis only if Dr. Vandenberge's share alone of the net worth equaled $40,000 and the bank made the loan on the basis of the Vandenberge's net worth. This Office stated that it appeared thus far, however, that the bank was looking to the joint personal checking account, not to the Vandenberge's total net worth, and that information was needed as to the size of the candidate's share of that asset. Finally, the Commission also approved interrogatories and a request for documents to be sent to the Committee.

B. Responses to the Reason to Believe Notifications

On August 14, 1987, this Office received a letter from the Committee treasurer enclosing documents and a response by Dr. Vandenberge to the interrogatories. (See Attachment 1.)

The treasurer's cover letter emphasized the lack of intent as to the alleged violations. The treasurer also referred to the analysis of this Office as it pertained to 11 C.F.R. § 103.3(b). He questioned this Office's statement that the candidate should have known the origin of his own funds and the illegality should have been discovered as of the date the contributions were made. He stated that the candidate thought that, by transferring funds to his personal account before contributing to the Committee, he was complying with the corporate contribution prohibition. He

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stated that this Office's statement that the candidate should have discovered the illegality at the time of the transfer thus wrongly assumes that the candidate knew, at that point, that the contributions were unlawful. The treasurer further asserted that he (the treasurer) did not know of the corporate origins of the contributions at the time they were made.

The treasurer also attempted to clarify representations as to the $40,000 loan. He enclosed a letter from the Assistant Vice President of the lending bank to emphasize that the bank was not looking toward the joint personal checking account as the basis for the loan. According to the bank's letter, the loan was unsecured with no collateral pledged or security interest taken in any property. The letter stated that "[t]he right of the Bank to set off any property in its possession or money from the borrower's savings or checking account against any delinquent debt owed by the Bank is a right which arises solely by operation of law and is therefore excluded from the general definition of security." According to the letter, the right of setoff was placed under the "Security Interest" caption as a matter of convenience. The letter concluded by stating that this loan does not involve the assets of Vandenberge Enterprises in any way.

The treasurer also explained the relevance of his statement that Dr. Vandenberge's net worth alone exceeded the amount of the loan. He stated that, since there was no collateral pledged for the loan, the bank's only recourse in the event of default was "to go after the Vandenberge's unencumbered assets, i.e., their

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net worth." (This is somewhat at variance with the bank's letter which refers only to proceeding against the assets within its posession or the accounts of the candidate.) The treasurer further stated that he "gleaned" the concept of net worth from his conversations with RAD.

The treasurer also clarified Mrs. Vandenberge's signatory status, stating that she was a co-maker. (This is consistent with the Committee's 1986 Post-General and Year End reports.)

The response of Dr. Vandenberge explained the origins of the corporate contribution by stating that on March 26, 1986, he transferred $10,000 from the Vandenberge Enterprises checking account to his joint personal account and that on March 31, 1986, he transferred $17,000 from the corporate account to his joint personal account. The funds were contributed to the Committee on those dates. He stated that he made these transfers to avoid making a corporate contribution and was subsequently advised by an attorney reviewing his records that this activity was not lawful. He states that the $40,000 loan was an attempt at corrective action so that he could return the corporate funds.

He also stated that the value of his joint personal checking account at the time of the $40,000 bank loan was $4,075.67. The account was held in the form of a Totten trust with each spouse having total access to the account. He stated that he and his wife held all of their property together and thus "signing for this loan together was automatic;" he also stated that the bank asked for both signatures. Mrs. Vandenberge added a statement

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asserting that she signed for the loan "only because I believed my signature was needed" and that she had no intention of being a contributor.

On December 10, 1987, an attorney from this Office met with the candidate, the Committee treasurer, and Mrs. Vandenberge in order to discuss the response further, review the documents, and discuss the possibility of pre-probable cause conciliation. As a result of this meeting, it was determined that more details were needed as to the transactions underlying the corporate contribution. The treasurer had raised the argument that, if the corporate funds were out of owner's equity, then the funds were received from a non-repayable account, and, therefore, were at least analogous to the non-repayable drawing accounts referred to in the above-mentioned "Notice to All Candidates and Committees." It appeared also that further details were needed as to the bank loan. It was decided that supplementary responses would be submitted in a month.

On January 25, 1988, this Office received a response from Dr. Vandenberge with an attached statement from Mrs. Vandenberge. (See Attachment 2.) Most of the response was either a reiteration of the previous response or a statement of mitigating circumstances. Substantively, with respect to the bank loan, Dr. Vandenberge stated that the loan was approved "solely on the basis of [his] record as a bank customer for over 20 years and on [his] reputation." He stated that he "convinced the bank that [he] needed a personal loan so as not to violate any F.E.C. laws"

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and that the loan was not approved based on his wife's assets. Dr. Vandenberge concluded his response by stating that, if the Commission should decide to proceed, "our distant second choice is to ask for pre-probable cause conciliation." It appears that Dr. Vandenberge was speaking on behalf of all of the parties in this matter.

In order to complete the record as to whether certain assets were used as a basis for the $40,000 bank loan, this Office spoke by phone with Dr. Vandenberge. He stated that the bank did not obtain a financial statement from him at the time of the loan and the bank had not obtained such a statement since its last loan to Dr. Vandenberge which was made at least several years ago. He stated that his only assets with the bank were his joint personal bank account and the account of Vandenberge Enterprises, and that his home mortgage was with another bank.

This Office did not receive a supplemental response from the treasurer until February 24, 1988. (See Attachment 3.) Although he had stated in phone conversations that he was reconsidering his theory as to whether the funds from Vandenberge Enterprises should be treated as non-corporate, this Office stated that a written explanation would be helpful. In his reply, the treasurer stated that he had reviewed the corporate tax return of Vandenberge Enterprises and that this return showed the $27,000 "as an asset - presumably as a loan receivable." (Emphasis included.) According to the treasurer,

> [t]he $27000 [sic] apparently was made available by the liquidation of financial instruments held as Owner's Equity

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> until that point in time. Unfortunately, it appears that the liquidation was not a drawdown of Owner's Equity, i.e., a non-repayable account. Rather, the securities were transformed into a liquid form, cash, drawn down from O.E. and then returned to the corporation as an asset. The cash was loaned to Dr. Vandenberge who deposited it into his personal checking account; therefore, the cash asset became a loan receivable asset.

Therefore, it appears that, the corporation itself did not treat the $27,000 as being from a non-repayable drawing account.

The treasurer also addressed again this Office's analysis of the application of 11 C.F.R. § 103.3(b) to the Committee's return of the corporate contributions, but applied his argument more directly to the concept of knowing acceptance. In addition to stating his personal lack of knowledge as to the origin of the contributions, he stated that because of Dr. Vandenberge's lack of knowledge until early May, 1986, that the contributions would be considered as corporate, the return was timely. The treasurer stated that because of his own lack of knowledge as to the source of the funds and because the return was timely, the Committee and he, as treasurer, did not knowingly accept corporate contributions.

With respect to the acceptance of an excessive contribution, the treasurer reiterated his response of August 14, 1987. He repeated Dr. Vandenberge's argument that the bank had dealt with the Vandenberges for many years and knew they were "good for the loan" and that the candidate had mistakenly believed that only by taking a "personal, unsecured loan" could he remain in compliance

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with the Act. The treasurer also asserted that, because he did not know that the $40,000 loan involved a violation until RAD notified him of the possibility, the Committee and he, as treasurer, did not knowingly violate 2 U.S.C. § 441a(f).

The treasurer concluded with a plea to consider mitigating circumstances such as the lack of intent, misinterpretations by the campaign, and certain present financial circumstances of the candidate.2/

A review of the reports of the Committee, the treasurer's correspondence with RAD, and documents submitted with Dr. Vandenberge's August and January responses indicate that the candidate had repaid $25,310.68 as of February 20, 1987, and, at that point, renegotiated the loan with $16,815.07 remaining to be paid. The renegotiated loan is payable monthly until February 15, 1990, at 9.50% interest, variable at 4% above the monthly average for 3-month U.S. Treasury Bills. As of the end of 1987, $13,078.52 remained to be paid on the loan. The renegotiated loan agreement and note were also signed by Mrs. Vandenberge. In his January response, Dr. Vandenberge stated that, according to the bank, his wife had to sign document for the loan renegotiation because she had signed for the original loan.

2/ In a letter received on March 14, the candidate essentially repeated prior statements as to the bank loan. (See Attachment 4.) He said:

> As previously stated, my personal assets exceeded the loan amount and the bank officer had told me that the bank lent me the $40,000.00 based on my 20-year record with the bank as a customer with several accounts, my favorable credit history and my reputation in the community.

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II. LEGAL ANALYSIS

Section 441b(a) of Title 2 prohibits the making and knowing acceptance of corporate contributions in connection with an election for federal office. It appears from the treasurer's explanation that the funds from Vandenberge Enterprises were not considered to be funds from a non-repayable drawing account and were, therefore, corporate funds.

The treasurer has argued, however, that this Office should not consider late March, 1986, as the pertinent starting point for determining the timely return of the corporate contributions and that the relevant starting point is early May, 1986, when the problem was discovered. He stated that he did not know the origin of the funds until that point and that, although the candidate did know of the corporate origin, the candidate did not know that the contributions, as made, were unlawful. The treasurer, therefore, concluded that the Committee and he, as treasurer, should not be deemed as having knowingly accepted corporate contributions.

The regulation in effect at the time at 11 C.F.R. § 103.3(b)(1) and the amended regulation at 11 C.F.R. § 103.3(b)(2) are vehicles to permit a committee, which might otherwise be in violation for accepting an unlawful contribution, to remedy the situation through a timely return of the funds after discovering that funds prevously received were from an unlawful source. Although the treasurer himself did not know the origin of the funds at the time of their receipt, the candidate,

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an agent of the Committee under 2 U.S.C. § 432(e)(2) and 11 C.F.R. § 101.2(a),[3/] knew that he had transferred the funds from his corporate account to his personal account and had contributed them to the Committee. The funds were accepted by the Committee on the dates that these transactions occurred, i.e., on March 26, 1986, when $10,000 went from the corporate account to the personal account and to the Committee, and on March 31, 1986, when $17,000 went from the corporate account to the personal account and to the Committee. The candidate and, hence, the Committee knew of the corporate origins of the funds on those dates but a return was not made until May 16, 1986. Thus, the provisions of 11 C.F.R. § 103.3(b) cannot be applied to protect the Committee from treatment as an acceptor of the contributions.

It appears that the treasurer has misconstrued the concept of knowing acceptance. Unlike the concept of a "knowing and willful" violation, knowing acceptance does not require knowledge that the action involved is a violation of the Act. It requires only that the recipient know the facts that rendered the conduct unlawful, i.e., that it received the contributions at issue and their source and (in the case of excessive contributions) amount. See Federal Election Commission v. California Medical Association, 502 F. Supp. 196, 203-204 (N.D. Col. 1980); Federal Election Commission v. John A. Dramesi for Congress Committee,

3/ According to 2 U.S.C. § 432(e)(2) and 11 C.F.R. § 101.2(a), a candidate who receives a contribution for use in connection with his or her campaign shall be considered as having received the contribution as an agent of the Committee.

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640 F. Supp. 985 (D.N.J. 1986). In this matter, Dr. Vandenberge knew that the contributions had been received and knew the source of the funds.

Section 441a(a)(1)(A) of Title 2 states that no person may make a contribution to any candidate and his authorized committees with respect to any election for federal office which, in the aggregate, exceed $1,000. Section 441a(f) of Title 2 prohibits the knowing acceptance of contributions exceeding the limits of 2 U.S.C. § 441a. According to 2 U.S.C. § 431(8)(B)(vii)(I) and 11 C.F.R. § 100.7(a)(1)(i)(C), a bank loan is a contribution by each endorser or guarantor. Each endorser or guarantor shall be deemed to have contributed that portion of the total amount for which he or she agreed to be liable and, in the absence of the stipulation of a portion, the loan shall be considered a loan by each endorser or guarantor in the same proportion to the unpaid balance that he or she bears to the total number of endorsers or guarantors. The Commission Regulations provide an exception for certain loans obtained by a candidate and his spouse for a campaign. In the event that a candidate obtains a loan on which his or her spouse's signature is required, the spouse shall not be considered a contributor to the campaign if the value of the candidate's share of the property used as security or as a basis for the loan equals or exceeds the amount of the loan which is used for the campaign. See 11 C.F.R. § 100.7(a)(1)(i)(D). Section 110.10(b)(3) amplifies this point by stating that a "candidate may use a

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portion of assets jointly owned with his or her spouse as personal funds [and, therefore, not subject to contribution limits]," and "the portion of the jointly owned assets that shall be considered as personal funds of the candidate shall be that portion which is the candidate's share under the instruments of conveyance or ownership." Thus, the issues are whether any assets of the Vandenberges were secured by the bank or served as a basis for the loan and whether Dr. Vandenberge's share of assets which secured the loan or upon which the loan was based equaled or exceeded $39,000. If no assets were used as security or as a basis for the loan, then the respondents cannot avail themselves of the exception set out in 11 C.F.R. §§ 100.7(a)(1)(i)(D) and 110.10(b) and Mrs. Vandenberge, as a co-maker with Dr. Vandenberge is considered to have made a $20,000 contribution.

The loan was not secured by any assets. It appeared, however, at the time of the reason to believe finding that the bank may have looked to the joint personal banking account of the Vandenberges as a basis for the loan. The response of Dr. Vandenberge disclosed that, at the time of the bank loan, the account contained $4,075.67. If the bank was looking to this asset, the account did not contain sufficient funds to exempt Mrs. Vandenberge from being considered an excessive contributor.

In their responses, Dr. Vandenberge and the treasurer minimized the role of the joint personal account as the basis for the loan. It appears from the responses presented that the bank

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granted the loan on the basis of Dr. Vandenberge's reputation and past conduct as a customer rather than on the basis of any assets that might be proceeded against in the event of a default. Therefore, it appears that Mrs. Vandenberge and the Committee cannot avail themselves of the regulatory exception.

Based on the information obtained during the investigation of this matter, this Office has drafted conciliation agreements for each of the respondents. This Office recommends that the Commission approve the agreements and enter into conciliation negotiations with the respondents.

III. DISCUSSION OF CONCILIATION AGREEMENTS AND CIVIL PENALTIES

The attached agreements each contain an admission of a violation and provide for the payment of a civil penalty.

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IV. RECOMMENDATIONS

1. Enter into pre-probable cause conciliation with Vandenberge Enterprises, Inc. (AKA John Vandenberge, D.D.S., P.A.).

2. Enter into pre-probable cause conciliation with Linda Vandenberge.

3. Enter into pre-probable cause conciliation with John Vandenberge for Congress and Stephen P. Poulos, as treasurer.

4. Approve the attached conciliation agreements.

5. Approve the attached letters.

Lawrence M. Noble
General Counsel

Date 4/13/86 BY: Lois G. Lerner
Associate General Counsel

Attachments
1. Response from the treasurer and Dr. and Mrs. Vandenberge, received on August 14, 1987
2. Response from Dr. and Mrs. Vandenberge, received on January 25, 1988
3. Response from the treasurer received on February 24, 1988
4. Response from Dr. Vandenberge, received on March 14, 1988
5. Letter and proposed conciliation agreement to the Committee
6. Letter and proposed conciliation agreement to Vandenberge Enterprises
7. Letter and proposed conciliation agreement to Linda Vandenberge

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

May 3, 1988

Linda Vandenberge
3934 St. John's Lane
Ellicott City, MD 21043

RE: MUR 2522
Linda Vandenberge

Dear Mrs. Vandenberge:

On July 21, 1987, the Federal Election Commission found reason to believe that you violated 2 U.S.C. § 441a(a)(1)(A). At your request, on April 28, 1988, the Commission determined to enter into negotiations directed towards reaching a conciliation agreement in settlement of this matter prior to a finding of probable cause to believe.

Enclosed is a conciliation agreement that the Commission has approved in settlement of this matter. If you agree with the provisions of the enclosed agreement, please sign and return it, along with the civil penalty, to the Commission. In light of the fact that conciliation negotiations prior to a finding of probable cause to believe are limited to a maximum of 30 days, you should respond to this notification as soon as possible.

If you have any questions or suggestions for changes in the agreement, or if you wish to arrange a meeting in connection with a mutually satisfactory conciliation agreement, please contact Jonathan Levin, the attorney assigned to this matter, at (202) 376-8200.

Sincerely,

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Associate General Counsel

Enclosure
Conciliation Agreement

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

May 3, 1988

John Vandenberge, D.D.S.
Linda Vandenberge
Vandenberge Enterprises, Inc.
3934 St. John's Lane
Ellicott City, MD 21043

RE: MUR 2522
Vandenberge Enterprises, Inc.
(AKA John Vandenberge, D.D.S., P.A.)

Dear Dr. and Mrs. Vandenberge:

On July 21, 1987, the Federal Election Commission found reason to believe that Vandenberge Enterprises, Inc. violated 2 U.S.C. § 441b(a). At your request, on April 28, 1988, the Commission determined to enter into negotiations directed towards reaching a conciliation agreement in settlement of this matter prior to a finding of probable cause to believe.

Enclosed is a conciliation agreement that the Commission has approved in settlement of this matter. If you agree with the provisions of the enclosed agreement, please sign and return it, along with the civil penalty, to the Commission. In light of the fact that conciliation negotiations prior to a finding of probable cause to believe are limited to a maximum of 30 days, you should respond to this notification as soon as possible.

If you have any questions or suggestions for changes in the agreement, or if you wish to arrange a meeting in connection with a mutually satisfactory conciliation agreement, please contact Jonathan Levin, the attorney assigned to this matter, at (202) 376-8200.

Sincerely,

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Associate General Counsel

Enclosure
Conciliation Agreement

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

May 3, 1988

Stephen P. Poulos, Treasurer
John Vandenberge for Congress
5827 Humblebee Road
Columbia, MD 21045

RE: MUR 2522
John Vandenberge for Congress
Stephen P. Poulos, as
treasurer

Dear Mr. Poulos:

On July 21, 1987, the Federal Election Commission found reason to believe that John Vandenberge for Congress and you, as treasurer, violated 2 U.S.C. §§ 441b(a) and 441a(f). At your request, on April 28, 1988, the Commission determined to enter into negotiations directed towards reaching a conciliation agreement in settlement of this matter prior to a finding of probable cause to believe.

Enclosed is a conciliation agreement that the Commission has approved in settlement of this matter. If you agree with the provisions of the enclosed agreement, please sign and return it, along with the civil penalty, to the Commission. In light of the fact that conciliation negotiations prior to a finding of probable cause to believe are limited to a maximum of 30 days, you should respond to this notification as soon as possible.

If you have any questions or suggestions for changes in the agreement, or if you wish to arrange a meeting in connection with a mutually satisfactory conciliation agreement, please contact Jonathan Levin, the attorney assigned to this matter, at (202) 376-8200.

Sincerely,

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Associate General Counsel

Enclosure
Conciliation Agreement

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	**SENSITIVE**
	)	
John Vandenberge for Congress Stephen P. Poulos, as treasurer	)	
	)	MUR 2522
Vandenberge Enterprises, Inc. (AKA John Vandenberge, D.D.S., P.A.)	)	
	)	
Linda Vandenberge	)	

GENERAL COUNSEL'S REPORT

Based on the assessment of the information presently available, the Office of the General Counsel is prepared to close the investigation in this matter as to John Vandenberge for Congress and Stephen P. Poulos, as treasurer, Vandenberge Enterprises (AKA John Vandenberge, D.D.S., P.A.), and Linda Vandenberge.

Date 9/1/89

Lawrence M. Noble
General Counsel

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

SENSITIVE

September 12, 1989

MEMORANDUM

TO: The Commission

FROM: Lawrence M. Noble
General Counsel

SUBJECT: MUR 2522

Attached for the Commission's review are briefs stating the position of the General Counsel on the legal and factual issues of the above-captioned matter. Copies of these briefs and letters notifying the respondents of the General Counsel's intent to recommend to the Commission findings of probable cause to believe were mailed on Sept. 12, 1989. Following receipt of the respondents' replies to these notices, this Office will make a further report to the Commission.

Attachments
1. Briefs (3)
2. Letters to respondents (3)

Staff Assigned: Jonathan Levin

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

September 12, 1989

Stephen P. Poulos, Treasurer
John Vandenberge for Congress
5837 Humblebee Road
Columbia, MD 21045

RE: MUR 2522
John Vandenberge for Congress
Stephen P. Poulos, as treasurer

Dear Mr. Poulos:

Based on information ascertained in the normal course of carrying out its supervisory responsibilities, the Federal Election Commission, on July 21, 1987, found reason to believe that John Vandenberge for Congress ("the Committee") and you, as treasurer, violated 2 U.S.C. §§ 441b(a) and 441a(f), and instituted an investigation in this matter.

After considering all the evidence available to the Commission, the Office of the General Counsel is prepared to recommend that the Commission find probable cause to believe that violations have occurred.

The Commission may or may not approve the General Counsel's recommendations. Submitted for your review is a brief stating the position of the General Counsel on the legal and factual issues of the case. Within 15 days of your receipt of this notice, you may file with the Secretary of the Commission a brief (ten copies if possible) stating your position on the issues and replying to the brief of the General Counsel. (Three copies of such brief should also be forwarded to the Office of the General Counsel, if possible.) The General Counsel's brief and any brief which you may submit will be considered by the Commission before proceeding to a vote of whether there is probable cause to believe a violation has occurred.

If you are unable to file a responsive brief within 15 days, you may submit a written request for an extension of time. All requests for extensions of time must be submitted in writing five days prior to the due date, and good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

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A finding of probable cause to believe requires that the Office of the General Counsel attempt for a period of not less than 30, but not more than 90, days to settle this matter through a conciliation agreement.

A copy of this letter and the enclosed brief is also being sent to the candidate, Dr. John Vandenberge. Should you have any questions, please contact Jonathan Levin, the attorney assigned to this matter, at (202) 376-5690.

Sincerely,

Lawrence M. Noble
General Counsel

Enclosure
Brief

cc: Dr. John Vandenberge

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
John Vandenberge for Congress	)	MUR 2522
Stephen P. Poulos, as treasurer	)	

GENERAL COUNSEL'S BRIEF

I. STATEMENT OF THE CASE

A. Reason to Believe Findings

This matter was generated by a referral from the Reports Analysis Division with respect to the apparent receipt by John Vandenberge for Congress ("the Committee") of corporate funds from Vandenberge Enterprises, Inc. (AKA John Vandenberge, D.D.S., P.A.) in violation of 2 U.S.C. § 441b(a) and the apparent receipt by the Committee of an excessive contribution in the form of a loan endorsement by Linda Vandenberge, the candidate's wife, in violation of 2 U.S.C. § 441a(f).

The Committee's 1986 April Quarterly Report disclosed a $3,000 loan from the candidate on November 21, 1985, a $10,000 loan from the candidate on March 26, 1986, and a $17,000 loan from the candidate on March 31, 1986. The 1986 July Quarterly Report disclosed a $10,000 loan from the candidate on May 16, 1986.

According to information gathered by the Reports Analysis Division ("RAD"), $27,000 of the $30,000 was first borrowed from a corporation co-owned by the candidate and his wife, Vandenberge

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Enterprises, Inc.[1] After being informed by his attorney and counsel for the National Republican Congressional Committee that the "transaction could be challenged," the candidate, on May 16, 1986, borrowed $40,000 from the Mercantile Safe Deposit & Trust Company under signature of his wife and himself as co-makers on a note. On that date, he reimbursed himself for $3,000, reimbursed the corporation for $27,000, and lent the campaign another $10,000.

In response to a Request for Additonal Information ("RFAI"), the candidate submitted a copy of the combined loan agreement and note. On that document, under the heading of "Security," the boxes next to the provisions for a "security interest" were not marked, although there was a mark in the box next to the statement, "I am giving the Bank the right of setoff against any of my money or property in the Bank's possession." In addition, some of the reports of the Committee reflected the same possible conflict. Two reports stated that the loan is a "personal, unsecured signature loan" while two other reports stated that the loan is not secured by any property but that the bank "has the right of setoff to Dr. and Mrs. Vandenberge's personal checking account and the checking account of their jointly owned corporation, Vandenberge Enterprises, Inc." In response, the

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1. According to the Charter Division of the Maryland Department of Assessments and Taxation, which provides information as to Maryland corporations, the corporation is listed as John Vandenberge, D.D.S., P.A. John Vandenberge claimed that he had the name changed through his attorney to Vandenberge Enterprises, Inc. and that, apparently, the state of Maryland has not updated its records.

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treasurer stated that he had erred in reporting that the corporate account was subject to the bank's right of setoff and that, according to the loan officer, only the Vandenberge's joint personal checking account was so subject. According to the treasurer, the loan officer stated that the personal account was subject to setoff "only after exhausting normal bank and, subsequently, legal procedures to collect on a defaulted loan." The treasurer stated that the bank does not regard the personal checking account as collateral for the loan, that "the account is not listed anywhere in the loan agreement as such," and that, therefore, the loan is not guaranteed by either the personal or corporate checking accounts. The treasurer further stated that, even if Mrs. Vandenberge's signature might otherwise make her a contributor, "the joint net worth of Dr. and Mrs. Vandenberge exceeds more than twice the $40,000 loan amount" and, therefore, Mrs. Vandenberge would not be a contributor.

On July 21, 1987, the Commission found reason to believe that the Committee and Stephen P. Poulos, as treasurer, violated 2 U.S.C. § 441b(a) and 441a(f). The Commission also approved a factual and legal analysis to be sent to the respondents.

B. Responses

The arguments presented by this Office and the responses addressed a number of areas relevant to the resolution of this matter, i.e., the origins of the transactions involved, the corporate nature of the original contributions, the knowing acceptance and untimely return of the corporate contributions, and the basis of the $40,000 loan to the Vandenberges.

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As to the origins of the transactions, Dr. Vandenberge stated that, on March 26, 1986, and March 31, 1986, he transferred $10,000 and $17,000 respectively from the Vandenberge Enterprises checking account to his joint personal account. The funds were then contributed to the Committee on those dates. He stated that he made these transfers to avoid making a corporate contribution and was subsequently advised by an attorney reviewing his records that this activity was not lawful. He stated that the $40,000 loan was an attempt at corrective action so that he could return the corporate funds

The possibility was raised that the $27,000 from Vandenberge Enterprises should not be considered to be corporate in origin. In discussions with this Office, the treasurer raised the argument that, if the corporate funds were out of owner's equity, then the funds were received from a non-repayable account and, therefore, were analogous to non-repayable drawing accounts.[2] Although he stated in subsequent phone conversations that he was reconsidering this theory, he submitted a supplemental reply addressing this issue at the request of this Office. In his reply, the treasurer stated that he had reviewed the corporate income tax return of the company for 1986 and that there was a CPA-prepared balance sheet enclosed with the return showing

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2. Prior to the matter's referral to this Office, RAD sent the Committee an RFAI with a 1978 Commission "Notice to All Candidates and Committees" explaining that contributions from non-repayable drawing accounts of a corporation are personal contributions and therefore not prohibited. In reply, the treasurer stated that the funds from Vandenberge Enterprises were "'repayable', i.e., they were not a payment of salary, commission nor distribution of owner's equity."

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"approximately $27000 as an asset---presumably as a loan receivable." (Emphasis included.) He stated that "there were no footnotes or other documents available identifying this asset as the $27000 loaned from Vandenberge Enterprises, Inc." but that he "can only assume this to be the case" and the candidate could not think of another explanation. (Emphasis included.) According to the treasurer,

> [t]he $27000 apparently was made available by the liquidation of financial instruments held as Owner's Equity until that point in time. Unfortunately, it appears that the liquidation was not a drawdown of Owner's Equity, i.e., a non-repayable account. Rather, the securities were transformed into a liquid form, cash, drawn down from O.E. and then returned to the corporation as an asset. The cash was loaned to Dr. Vandenberge who deposited it into his personal checking account; therefore, the cash asset became a loan receivable asset.

Even if the figure described on the balance sheet was not the same as the $27,000 in loans at issue,[3] the pre-referral correspondence and reports of the Committee refer to the funds as loans to Dr. Vandenberge, records of the Vandenberge's personal checking account submitted to us disclose the $10,000 payment on March 26 as a "loan" to "John Vandenberge," and Dr. Vandenberge, in conversations with this Office, has characterized the initial payments as loans to him.

At the time of the reason to believe findings, this Office assumed that the Committee and candidate were contending that the

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3. If the loan funds were returned to the corporation in May, 1986, as stated on the Committee reports in checking account records submitted by Dr. Vandenberge, it is puzzling that the figure on the balance sheet would reflect a loan receivable.

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candidate may not have known the origin of his own funds at the time of the contributions. This Office argued that, even if this were so, the candidate should be deemed to have constructive knowledge of the corporate origin at the time of the contributions and, because, he was an agent of the Committee, the pertinent starting dates for determining a timely return under 11 C.F.R. § 103.3(b)(1), in effect at the time, or under the present regulation at 11 C.F.R. § 103.3(b)(2) were the dates on which Dr. Vandenberge received the funds, i.e., at the latest, March 26 and March 31, 1986.

In reply, the Committee treasurer stated that the candidate thought that, by transferring funds to his personal account before contributing to the Committee, he was complying with the corporate contribution prohibition. He stated that this Office's statement that the candidate should have discovered the illegality at the time of the transfer thus wrongly assumes that the candidate knew, at that point, that the "means in which [the contributions] were made was unlawful." He maintained that, because of Dr. Vandenberge's lack of knowledge until early May, 1986, that the contributions would be considered as corporate, the subsequent action shortly thereafter was timely.[4] In addition, the treasurer

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4. Although the funds were returned to Vandenberge Enterprises shortly after Dr. Vandenberge learned that the contributions could be considered as corporate, it appears that Dr. Vandenberge may have drawn from Vandenberge Enterprises over and above his normal salary draw to repay the $40,000 bank loan. In recent conversations with this Office, Dr. Vandenberge stated that, to assist in the repayment of the loan, his company liquidated securities that it held and such funds were put into his personal account from which he made repayments to the bank.

stated that, because of his own lack of knowledge that the contributions originated with Vandenberge Enterprises, Inc., the Committee and he, as treasurer, did not knowingly accept corporate contributions.

With respect to the basis of the $40,000 loan, the treasurer enclosed a letter from the Assistant Vice President of the lending bank (written to him during the time of the RAD inquiry) to emphasize that the bank was not looking toward the joint personal checking account as the basis for the loan. According to the bank's letter, the loan was unsecured with no collateral pledged or security interest taken in any property. The letter stated that "[t]he right of the Bank to set off any property in its possession or money from the borrower's savings or checking account against any delinquent debt owed by the Bank is a right which arises solely by operation of law and is therefore excluded from the general definition of security." According to the letter, the right of setoff is placed under the caption for security "as a convenient way of insuring that the borrowers have notice of the existence of the right in a form and in a location where they will understand it." The letter concluded by stating that the bank had no right of setoff to any property or accounts in the name of Vandenberge Enterprises in the event of default.

The treasurer also explained the relevance of his statement that Dr. Vandenberge's net worth alone exceeded the amount of the loan. He stated that, since there was no collateral pledged for the loan, the bank's only recourse in event of default was "to go after the Vandenberge's unencumbered assets, i.e., their net

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worth." (This is somewhat at variance with the bank's letter which refers only to proceeding against the assets within its possession or the accounts of the candidate.) The treasurer further stated that he "gleaned" the concept of net worth from his conversations with RAD.

Dr. Vandenberge stated that the value of his joint personal checking account at the time of the $40,000 bank loan was $4,075.67. The account was held in the form of a Totten trust with each spouse having total access to the account. He stated that he and his wife held all of their property together and thus "signing for this loan together was automatic"; he also stated that the bank asked for both signatures. Mrs. Vandenberge added a statement asserting that she signed for the loan "only because I believed my signature was needed" and that she had no intention of being a contributor.

Subsequently, Dr. Vandenberge stated that the loan was approved "solely on the basis of [his] record as a bank customer for over 20 years and on his reputation." He stated that he "convinced the bank that [he] needed a personal loan so as not to violate any F.E.C. laws" and that the loan approval was not based on his wife's assets. He stated by phone that the bank did not obtain a financial statement from him at the time of the loan and that the bank had not obtained such a statement since its last loan to Dr. Vandenberge which was made several years ago. He also stated by phone that his only assets with the bank were his joint personal checking account and the account of Vandenberge Enterprises, and that his home mortgage was with another bank.

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With respect to the knowing acceptance of an excessive contribution, the treasurer asserted that, because he did not know that the bank loan could have involved a violation until RAD notified him of the possibility, the Committee and he, as treasurer, did not knowingly violate 2 U.S.C. § 441a(f).

II. LEGAL ANALYSIS

1. Acceptance of Corporate Contributions

Section 441b(a) of Title 2 prohibits the making and knowing acceptance of corporate contributions in connection with an election for federal office. Section 431(8)(A)(i) of Title 2 states that the term "contribution" includes a loan.

The argument was raised that the funds involved might be considered as non-corporate. According to the documents submitted to this Office in response to the reason to believe findings, statements to this Office, the Committee's statements on its reports, and correspondence by the treasurer and the candidate with RAD, the $27,000 in funds transferred from the corporation to the candidate's personal account and then to the Committee were loans from the corporation. As such, they were repayable. In addition, the $27,000 do not appear to be from a fund specifically set up as a non-repayable drawing account for the use of employees See, e.g., 11 C.F.R. 102.6(c)(3) and Advisory Opinion 1982-11. It appears, therefore, that there was a contribution of corporate funds.

The treasurer has argued, however, that this Office should not consider late March, 1986, as the pertinent starting point for determining the timely return of the corporate contributions and

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that the relevant starting point is early May, 1986, when the problem was discovered. He stated that he did not know the origin of the funds until that point and that, although the candidate did know of the corporate origin, the candidate did not know that the contributions, as made, were unlawful. The treasurer, therefore, concluded that the Committee and he, as treasurer, should not be deemed as having knowingly accepted corporate contributions.

The regulation in effect at the time of the contributions, 11 C.F.R. § 103.3(b)(1), and the amended regulation at 11 C.F.R. § 103.3(b)(2) are vehicles to permit a committee, which might otherwise be in violation for accepting an excessive contribution, to remedy the situation through a timely return of the funds. At the time of the violation, section 103.3(b)(1) stated that "[c]ontributions which appear to be illegal shall be, within 10 days, returned to the contributor or deposited into the campaign depository and reported." According to the present regulation at 11 C.F.R. § 103.3(b)(2), if the treasurer of a political committee discovers that a contribution is illegal after its acceptance, the treasurer shall refund the contribution within thirty days of the discovery of the illegality.

Although the treasurer himself did not know the origin of the funds at the time of their receipt, the candidate knew that he had transferred the funds from his corporate account to his personal account and had loaned them to the Committee. According to 2 U.S.C. § 432(e)(2) and 11 C.F.R. § 101.2(a), a candidate who receives a contribution or any loan for use in connection with his or her campaign shall be considered as having received the

contribution as an agent of the committee. The funds were accepted by the Committee on the dates that the transactions occurred, i.e., on March 26, 1986, when $10,000 went from the corporate account to the personal account to the Committee, and on March 31, 1986, when $17,000 went from the corporate account to the personal account and to the Committee. The Committee, with the candidate as its agent, knew of the corporate origins of the funds on those dates but a return was not made until May 16, 1986. Thus, the provisions of 11 C.F.R. § 103.3(b) cannot be applied to protect the Committee from treatment as an acceptor of the contributions.

It appears that the treasurer has misconstrued the concept of knowing acceptance. Unlike the concept of a "knowing and willful" violation, knowing acceptance does not require knowledge that the action involved is a violation of the Act. It requires only that the recipient know the facts that rendered the conduct unlawful, i.e., that it received the contributions at issue and their source and (in the case of excessive contributions) amount. See Federal Election Commission v. California Medical Association, 502 F. Supp. 196, 203-204 (N.D. Col. 1980); Federal Election Commission v. John A. Dramesi for Congress Committee, 640 F. Supp. 985, 987 (D.N.J. 1986). In addition, the legislative history of the Act indicates that the "knowing" standard does not require a specific wrongful intent. See H.R. Rep. No. 94-917, 94th Cong. 2d Sess. 3-4 (1976); 122 Cong. Rec. H3778 (daily ed. May 3, 1976)(remarks of Congressman Hays). In this matter, Dr. Vandenberge, the candidate, knew that the contributions had been received and knew the source of the funds.

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Based on the foregoing analysis, this Office recommends that the Commission find probable cause to believe that the Committee and Mr. Poulos, as treasurer, violated 2 U.S.C. § 441b(a) in in connection with the knowing acceptance of $27,000 in corporate contributions.

2. Acceptance of an Excessive Contribution

Section 441a(a)(1)(A) of Title 2 states that no person may make a contribution to any candidate and his authorized committees with respect to any election for federal office which, in the aggregate, exceed $1,000. Section 441a(f) of Title 2 prohibits the knowing acceptance of contributions exceeding the limits of 2 U.S.C. § 441a.

According to 2 U.S.C. § 431(8)(A)(vii)(I) and 11 C.F.R. § 100.7(a)(1)(i)(C), a bank loan is a contribution by each endorser or guarantor. Each endorser or guarantor shall be deemed to have contributed that portion of the total amount for which he or she agreed to be liable and, in the absence of the stipulation of a portion, the loan shall be considered a loan by each endorser or guarantor in the same proportion to the unpaid balance that he or she bears to the total number of endorsers or guarantors. The Commission Regulations provide an exception for certain loans obtained by a candidate and his spouse for a campaign. Section 100.7(a)(1)(i)(D) states:

> (D) A candidate may obtain a loan on which his or her spouse's signature is required when jointly owned assets are used as collateral or security for the loan. The spouse shall not be considered a contributor to the candidate's campaign if the value of the candidate's share of the property used as collateral equals or

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exceeds the amount of the loan which is used for the candidate's campaign.[5]

Section 110.10(b)(3) of the Commission Regulations amplifies this point by stating that a "candidate may use a portion of assets jointly owned with his or her spouse as personal funds [and, therefore, not subject to contribution limits],"[6] and "the portion of the jointly owned assets that shall be considered as personal funds of the candidate shall be that portion which is the candidate's share under the instruments of conveyance or ownership." Thus, the relevant questions are whether any assets of the Vandenberges were secured by the bank or served as a basis for the loan and whether Dr. Vandenberge's share of assets which secured the loan or upon which the loan was based equaled or exceeded $39,000. If no assets were used as security or as a basis for the loan, then the Committee cannot avail itself of the exception set out in 11 C.F.R. § 100.7(a)(1)(i)(D) and 110.10(b) and Mrs. Vandenberge, as a co-maker with Dr. Vandenberge, is considered to have made a

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5. The Explanation and Justification of this regulation includes within the meaning of the regulation the concept of a candidate's property as a basis for the loan, as well as the strict concept of collateral. Explanation and Justification of Regulations Concerning a Candidate's Use of Property in Which Spouse has an Interest, [48 FR 19020, April 27, 1983].

6. Personal funds of the candidate are defined, in part, at 11 C.F.R. § 110.10(b)(1) as:

> (1) [a]ny assets which, under applicable state law, at the time he or she became a candidate, the candidate had legal right of access to or control over, and with respect to which the candidate had either:
> (i) Legal and rightful title, or
> (ii) An equitable interest.

$20,000 contribution.

The loan was not secured by any assets. At the time of the reason to believe finding, there was a question as to whether the bank may have looked to the joint personal banking account of the Vandenberges as a basis for the loan. The response of Dr. Vandenberge disclosed that, at the time of the bank loan, the account contained $4,075.67. If the bank was looking to this asset, the account did not contain sufficient funds to exempt Mrs. Vandenberge from being considered an excessive contributor.

In their responses, Dr. Vandenberge and the treasurer minimized the role of the joint personal account as the basis for the loan. The responses presented indicate that the bank granted the loan on the basis of Dr. Vandenberge's reputation and the past conduct as a customer rather than on the basis of any assets that might be proceeded against in the event of a default. Therefore, it appears that the Committee cannot avail itself of the regulatory exception.

The Committee, through Dr. Vandenberge, knew the circumstances of the loan transaction and Mrs. Vandenberge's signature. This Office recommends, therefore, that the Commission find probable cause to believe that the Committee and Mr. Poulos, as treasurer, violated 2 U.S.C. § 441a(f) in connection with the knowing acceptance of an excessive contribution in the form of Mrs. Vandenberge's signature.

III. RECOMMENDATIONS

1. Find probable cause to believe that John Vandenberge for Congress and Stephen P. Poulos, as treasurer, violated 2 U.S.C. § 441b(a).

2. Find probable cause to believe that John Vandenberge for Congress and Stephen P. Poulos, as treasurer, violated 2 U.S.C. § 441a(f).

9/6/89
Date

Lawrence M. Noble
General Counsel

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RECEIVED
FEDERAL ELECTION COMMISSION
SECRETARIAT

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

September 12, 1989

John Vandenberge, D.D.S.
Linda Vandenberge
Vandenberge Enterprises, Inc.
3446 Arcadia Drive
Ellicott City, MD 21043

RE: MUR 2522
Vandenberge Enterprises, Inc.
(AKA John Vandenberge,
D.D.S., P.A.)

Dear Dr. and Mrs. Vandenberge:

Based on information ascertained in the normal course of carrying out its supervisory responsibilities, the Federal Election Commission, on July 21, 1987, found reason to believe that Vandenberge Enterprises, Inc. (AKA John Vandenberge, D.D.S., P.A.) violated 2 U.S.C. § 441b(a), and instituted an investigation in this matter.

After considering all the evidence available to the Commission, the Office of the General Counsel is prepared to recommend that the Commission find probable cause to believe that a violation has occurred.

The Commission may or may not approve the General Counsel's recommendation. Submitted for your review is a brief stating the position of the General Counsel on the legal and factual issues of the case. Within 15 days of your receipt of this notice, you may file with the Secretary of the Commission a brief (ten copies if possible) stating your position on the issues and replying to the brief of the General Counsel. (Three copies of such brief should also be forwarded to the Office of the General Counsel, if possible.) The General Counsel's brief and any brief which you may submit will be considered by the Commission before proceeding to a vote of whether there is probable cause to believe a violation has occurred.

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If you are unable to file a responsive brief within 15 days, you may submit a written request for an extension of time. All requests for extensions of time must be submitted in writing five days prior to the due date, and good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

A finding of probable cause to believe requires that the Office of the General Counsel attempt for a period of not less than 30, but not more than 90, days to settle this matter through a conciliation agreement.

Should you have any questions, please contact Jonathan Levin, the attorney assigned to this matter, at (202) 376-5690.

Lawrence M. Noble
General Counsel

Enclosure
Brief

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	MUR 2522
Vandenberge Enterprises, Inc.	)	
(AKA John Vandenberge, D.D.S., P.A.)	)	

GENERAL COUNSEL'S BRIEF

I. STATEMENT OF THE CASE

A. Reason to Believe Finding

This matter was generated by a referral from the Reports Analysis Division with respect to an apparent corporate contribution by Vandenberge Enterprises, Inc. (AKA John Vandenberge, D.D.S., P.A.) to John Vandenberge for Congress ("the Committee") in violation of 2 U.S.C. § 441b(a).

The Committee's 1986 April Quarterly Report disclosed a $3,000 loan from the candidate on November 21, 1985, a $10,000 loan from the candidate on March 26, 1986, and a $17,000 loan from the candidate on March 31, 1986. The 1986 July Quarterly Report disclosed a $10,000 loan from the candidate on May 16, 1986.

According to information gathered by the Reports Analysis Division, $27,000 of the $30,000 was first borrowed from a corporation co-owned by the candidate and his wife, Vandenberge Enterprises, Inc.[1] After being informed by his attorney and

---

1. According to the Charter Division of the Maryland Department of Assessments and Taxation, which provides information as to Maryland corporations, the corporation is listed as John Vandenberge, D.D.S., P.A. John Vandenberge claimed that he had the name changed through his attorney to Vandenberge Enterprises, Inc. and that, apparently, the state of Maryland has not updated its records.

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counsel for the National Republican Congressional Committee that the "transaction could be challenged," the candidate, on May 16, 1986, borrowed $40,000 from the Mercantile Safe Deposit & Trust Company under signature of his wife and himself as co-makers on a note. On that date, he reimbursed himself for $3,000, reimbursed the corporation for $27,000, and lent the campaign another $10,000.

The Reports Analysis Division sent the Committee a Request for Additional Information enclosing a 1978 Commission document entitled "Notice to All Candidates and Committees," explaining the types of corporate accounts used by employees that are prohibited for use in federal campaigns under 2 U.S.C. § 441b and distinguishing contributions from "non-repayable drawing accounts established to permit personal draws against salary profits or commissions" as personal contributions. In response, the treasurer stated that the funds from Vandenberge Enterprises were "'repayable', i.e., they were not a payment of salary, commission nor distribution of owner's equity."

On July 21, 1987, the Commission found reason to believe that Vandenberge Enterprises, Inc. violated 2 U.S.C. § 441b(a) and approved a factual and legal analysis to be sent to the respondent.

B. Responses

The arguments presented by this Office and the responses addressed the origins of the transactions involved and the corporate nature of the original contributions. As to the origins of the transactions, Dr. Vandenberge stated that, on

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March 26, 1986, and March 31, 1986, he transferred $10,000 and $17,000 respectively from the Vandenberge Enterprises checking account to his joint personal account. The funds were then contributed to the Committee on those dates. He stated that he made these transfers to avoid making a corporate contribution and was subsequently advised by an attorney reviewing his records that this activity was not lawful. He stated that the $40,000 loan was an attempt at corrective action so that he could return the corporate funds.

The possibility was raised that the $27,000 from Vandenberge Enterprises should not be considered to be corporate in origin. In discussions with this Office, the treasurer raised the argument that, if the corporate funds were out of owner's equity, then the funds were received from a non-repayable account and, therefore, were analogous to the non-repayable drawing accounts referred to in the Commission's Notice. Although he stated in subsequent phone conversations that he was reconsidering this theory, he submitted a supplemental reply addressing this issue at the request of this Office. In his reply, the treasurer stated that he had reviewed the corporate income tax return of the company for 1986 and that there was a CPA-prepared balance sheet enclosed with the return showing "approximately $27000 as an asset---presumably as a loan receivable." (Emphasis included.) He stated that "there were no footnotes or other documents available identifying this asset as the $27000 loaned from Vandenberge Enterprises, Inc." but that he "can only assume this to be the case" and the candidate could not think of another

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explanation. (Emphasis included.) According to the treasurer,

> [t]he $27000 apparently was made available by the liquidation of financial instruments held as Owner's Equity until that point in time. Unfortunately, it appears that the liquidation was not a drawdown of Owner's Equity, i.e., a non-repayable account. Rather, the securities were transformed into a liquid form, cash, drawn down from O.E. and then returned to the corporation as an asset. The cash was loaned to Dr. Vandenberge who deposited it into his personal checking account; therefore, the cash asset became a loan receivable asset.

Even if the figure described on the balance sheet was not the same as the $27,000 in loans at issue,[2] the pre-referral correspondence and reports of the Committee refer to the funds as loans to Dr. Vandenberge, records of the Vandenberge's personal checking account submitted to us disclose the $10,000 payment on March 26 as a "loan" to "John Vandenberge," and Dr. Vandenberge, in conversations with this Office, has characterized the initial payments as loans to him.

II. LEGAL ANALYSIS

Section 441b(a) of Title 2 prohibits a corporation from making contributions in connection with an election for federal office. Section 431(8)(A)(i) of Title 2 states that the term "contribution" includes a loan.

The argument was raised that the funds involved might be considered as non-corporate, consistent with the above-mentioned "Notice to All Candidates and Committees." According to the

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2. If the loan funds were returned to the corporation in May, 1986, as stated on the Committee reports in checking account records submitted by Dr. Vandenberge, it is puzzling that the figure on the balance sheet would reflect a loan receivable.

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documents submitted to this Office in response to the reason to believe findings, statements to this Office, the Committee's statements on its reports, and correspondence by the treasurer and the candidate with RAD, the $27,000 in funds transferred from the corporation to the candidate's personal account and then to the Committee were loans from the corporation. As such, they were repayable. In addition, the $27,000 do not appear to be from a fund specifically set up as a non-repayable drawing account for the use of employees as addressed in the Notice. See, e.g., 11 C.F.R. § 102.6(c)(3) and Advisory Opinion 1982-11. Based on the foregoing analysis, this Office recommends that the Commission find probable cause to believe that Vandenberge Enterprises, Inc. (AKA John Vandenberge, D.D.S., P.A.) violated 2 U.S.C. § 441b(a).

III. RECOMMENDATION

1. Find probable cause to believe that Vandenberge Enterprises, Inc. (AKA John Vandenberge, D.D.S., P.A.) violated 2 U.S.C. § 441b(a).

9/11/89
Date

Lawrence M. Noble
General Counsel

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RECEIVED
FEDERAL ELECTION COMMISSION
SECRETARIAT

89 SEP 12 AM 10: 17

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

September 12, 1989

Linda Vandenberge
3446 Arcadia Drive
Ellicott City, MD 21043

RE: MUR 2522
Linda Vandenberge

Dear Mrs. Vandenberge:

Based on information ascertained in the normal course of carrying out its supervisory responsibilities, the Federal Election Commission, on July 21, 1987, found reason to believe that you violated 2 U.S.C. § 441a(a)(1)(A), and instituted an investigation in this matter.

After considering all the evidence available to the Commission, the Office of the General Counsel is prepared to recommend that the Commission find probable cause to believe that a violation has occurred.

The Commission may or may not approve the General Counsel's recommendation. Submitted for your review is a brief stating the position of the General Counsel on the legal and factual issues of the case. Within 15 days of your receipt of this notice, you may file with the Secretary of the Commission a brief (ten copies if possible) stating your position on the issues and replying to the brief of the General Counsel. (Three copies of such brief should also be forwarded to the Office of the General Counsel, if possible.) The General Counsel's brief and any brief which you may submit will be considered by the Commission before proceeding to a vote of whether there is probable cause to believe a violation has occurred.

If you are unable to file a responsive brief within 15 days, you may submit a written request for an extension of time. All requests for extensions of time must be submitted in writing five days prior to the due date, and good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

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A finding of probable cause to believe requires that the Office of the General Counsel attempt for a period of not less than 30, but not more than 90, days to settle this matter through a conciliation agreement.

Should you have any questions, please contact Jonathan Levin, the attorney assigned to this matter, at (202) 376-5690.

Sincerely,

Lawrence M. Noble
General Counsel

Enclosure
Brief

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	MUR 2522
Linda Vandenberge	)	

GENERAL COUNSEL'S BRIEF

I. STATEMENT OF THE CASE

A. Reason to Believe Finding

This matter was generated by a referral fron the Reports Analysis Division with respect to an apparently excessive contribution to John Vandenberge for Congress ("the Committee") in the form of a loan endorsement by Linda Vandenberge, the candidate's wife, in violation of 2 U.S.C. § 441a(a)(1)(A).

The Committee's 1986 April Quarterly Report disclosed a $3,000 loan from the candidate on November 21, 1985, a $10,000 loan from the candidate on March 26, 1986, and a $17,000 loan from the candidate on March 31, 1986. The 1986 July Quarterly Report disclosed a $10,000 loan from the candidate on May 16, 1986.

According to information gathered by the Reports Analysis Division ("RAD"), $27,000 of the $30,000 was first borrowed from a corporation co-owned by the candidate and his wife, Vandenberge Enterprises, Inc.[1] After being informed by his attorney and counsel for the National Republican Congressional Committee that

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1. According to the Charter Division of the Maryland Department of Assessments and Taxation, which provides information as to Maryland corporations, the corporation is listed as John Vandenberge, D.D.S., P.A. John Vandenberge claimed that he had the name changed through his attorney to Vandenberge Enterprises, Inc. and that, apparently, the state of Maryland has not updated its records.

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the "transaction could be challenged," the candidate, on May 16, 1986, borrowed $40,000 from the Mercantile Safe Deposit & Trust Company under signature of his wife and himself as co-makers on a note. On that date, he reimbursed himself for $3,000, reimbursed the corporation for $27,000, and lent the campaign another $10,000.

In response to a Request for Additonal Information, the candidate submitted a copy of the combined loan agreement and note. On that document, under the heading of "Security," the boxes next to the provisions for a "security interest" were not marked, although there was a mark in the box next to the statement, "I am giving the Bank the right of setoff against any of my money or property in the Bank's possession." In addition, some of the reports of the Committee reflected the same possible conflict. Two reports stated that the loan is a "personal, unsecured signature loan" while two other reports stated that the loan is not secured by any property but that the bank "has the right of setoff to Dr. and Mrs. Vandenberge's personal checking account and the checking account of their jointly owned corporation, Vandenberge Enterprises, Inc." In response, the treasurer stated that he had erred in reporting that the corporate account was subject to the bank's right of setoff and that, according to the loan officer, only the Vandenberge's joint personal checking account was so subject. According to the treasurer, the loan officer stated that the personal account was subject to setoff "only after exhausting normal bank and, subsequently, legal procedures to collect on a defaulted loan."

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The treasurer stated that the bank does not regard the personal checking account as collateral for the loan, that "the account is not listed anywhere in the loan agreement as such," and that, therefore, the loan is not guaranteed by either the personal or corporate checking accounts. The treasurer further stated that, even if Mrs. Vandenberge's signature might otherwise make her a contributor, "the joint net worth of Dr. and Mrs. Vandenberge exceeds more than twice the $40,000 loan amount" and, therefore, Mrs. Vandenberge would not be a contributor.

On July 21, 1987, the Commission found reason to believe that Linda Vandenberge violated 2 U.S.C. § 441a(a)(1)(A) and approved a factual and legal analysis to be sent to the respondent.

B. Responses

The arguments presented by this Office and the responses addressed the origins of the transactions involved and the basis of the $40,000 loan to the Vandenberges. As to the origins of the transactions, Dr. Vandenberge stated that, on March 26, 1986, and March 31, 1986, he transferred $10,000 and $17,000 respectively from the Vandenberge Enterprises checking account to his joint personal account. The funds were then contributed to the Committee on those dates. He stated that he made these transfers to avoid making a corporate contribution and was subsequently advised by an attorney reviewing his records that this activity was not lawful. He stated that the $40,000 loan was an attempt at corrective action so that he could return the corporate funds.

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With respect to the basis of the $40,000 loan, the treasurer enclosed a letter from the Assistant Vice President of the lending bank (written to him during the time of the RAD inquiry) to emphasize that the bank was not looking toward the joint personal checking account as the basis for the loan. According to the bank's letter, the loan was unsecured with no collateral pledged or security interest taken in any property. The letter stated that "[t]he right of the Bank to set off any property in its possession or money from the borrower's savings or checking account against any delinquent debt owed by the Bank is a right which arises solely by operation of law and is therefore excluded from the general definition of security." According to the letter, the right of setoff is placed under the caption for security "as a convenient way of insuring that the borrowers have notice of the existence of the right in a form and in a location where they will understand it." The letter concluded by stating that the bank had no right of setoff to any property or accounts in the name of Vandenberge Enterprises in the event of default.

The treasurer also explained the relevance of his statement that Dr. Vandenberge's net worth alone exceeded the amount of the loan. He stated that, since there was no collateral pledged for the loan, the bank's only recourse in event of default was "to go after the Vandenberge's unencumbered assets, i.e., their net worth." (This is somewhat at variance with the bank's letter which refers only to proceeding against the assets within its possession or the accounts of the candidate.) The treasurer further stated that he "gleaned" the concept of net worth from

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his conversations with RAD.

Dr. Vandenberge stated that the value of his joint personal checking account at the time of the $40,000 bank loan was $4,075.67. The account was held in the form of a Totten trust with each spouse having total access to the account. He stated that he and his wife held all of their property together and thus "signing for this loan together was automatic"; he also stated that the bank asked for both signatures. Mrs. Vandenberge added a statement asserting that she signed for the loan "only because I believed my signature was needed" and that she had no intention of being a contributor.

Subsequently, Dr. Vandenberge stated that the loan was approved "solely on the basis of [his] record as a bank customer for over 20 years and on his reputation." He stated that he "convinced the bank that [he] needed a personal loan so as not to violate any F.E.C. laws" and that the loan approval was not based on his wife's assets. He stated by phone that the bank did not obtain a financial statement from him at the time of the loan and that the bank had not obtained such a statement since its last loan to Dr. Vandenberge which was made several years ago. He also stated by phone that his only assets with the bank were his joint personal checking account and the account of Vandenberge Enterprises, and that his home mortgage was with another bank.

II. LEGAL ANALYSIS

Section 441a(a)(1)(A) of Title 2 states that no person may make a contribution to any candidate and his authorized committees with respect to any election for federal office which,

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in the aggregate, exceed $1,000. According to 2 U.S.C. § 431(8)(A)(i), a loan is a contribution and, according to 2 U.S.C. § 431(8)(A)(vii)(I) and 11 C.F.R. § 100.7(a)(1)(i)(C), a bank loan is a contribution by each endorser or guarantor. Each endorser or guarantor shall be deemed to have contributed that portion of the total amount for which he or she agreed to be liable and, in the absence of the stipulation of a portion, the loan shall be considered a loan by each endorser or guarantor in the same proportion to the unpaid balance that he or she bears to the total number of endorsers or guarantors. The Commission Regulations provide an exception for certain loans obtained by a candidate and his spouse for a campaign. Section 100.7(a)(1)(i)(D) states:

> (D) A candidate may obtain a loan on which his or her spouse's signature is required when jointly owned assets are used as collateral or security for the loan. The spouse shall not be considered a contributor to the candidate's campaign if the value of the candidate's share of the property used as collateral equals or exceeds the amount of the loan which is used for the candidate's campaign.[2]

Section 110.10(b)(3) of the Commission Regulations amplifies this point by stating that a "candidate may use a portion of assets jointly owned with his or her spouse as personal funds [and, therefore, not subject to contribution

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2. The Explanation and Justification of this regulation includes within the meaning of the regulation the concept of a candidate's property as a basis for the loan, as well as the strict concept of collateral. Explanation and Justification of Regulations Concerning a Candidate's Use of Property in Which Spouse has an Interest, [48 FR 19020, April 27, 1983].

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limits],"[3] and "the portion of the jointly owned assets that shall be considered as personal funds of the candidate shall be that portion which is the candidate's share under the instruments of conveyance or ownership." Thus, the relevant questions are whether any assets of the Vandenberges were secured by the bank or served as a basis for the loan and whether Dr. Vandenberge's share of assets which secured the loan or upon which the loan was based equaled or exceeded $39,000. If no assets were used as security or as a basis for the loan, then Mrs. Vandenberge cannot avail herself of the exception set out in 11 C.F.R. § 100.7(a)(1)(i)(D) and 110.10(b) and, as a co-maker with Dr. Vandenberge, she is considered to have made a $20,000 contribution.

The loan was not secured by any assets. At the time of the reason to believe finding, there was a question as to whether the bank may have looked to the joint personal banking account of the Vandenberges as a basis for the loan. The response of Dr. Vandenberge disclosed that, at the time of the bank loan, the account contained $4,075.67. If the bank was looking to this asset, the account did not contain sufficient funds to exempt Mrs. Vandenberge from being considered an excessive contributor.

---

3. Personal funds of the candidate are defined, in part, at 11 C.F.R. § 110.10(b)(1) as:

> (1) [a]ny assets which, under applicable state law, at the time he or she became a candidate, the candidate had legal right of access to or control over, and with respect to which the candidate had either:
> (i) Legal and rightful title, or
> (ii) An equitable interest.

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In their responses, Dr. Vandenberge and the treasurer minimized the role of the joint personal account as the basis for the loan. The responses presented indicate that the bank granted the loan on the basis of Dr. Vandenberge's reputation and the past conduct as a customer rather than on the basis of any assets that might be proceeded against in the event of a default. Therefore, it appears that Mrs. Vandenberge cannot avail herself of the regulatory exception. Based on the foregoing analysis, this Office recommends that the Commission find probable cause to believe that Linda Vandenberge violated 2 U.S.C. § 441a(a)(1)(A).

III. RECOMMENDATION

1. Find probable cause to believe that Linda Vandenberge violated 2 U.S.C. § 441a(a)(1)(A).

9/11/95
Date

Lawrence M. Noble
General Counsel

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RECEIVED
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SECRETARIAT

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

September 12, 1989

John Vandenberge, D.D.S.
3446 Arcadia Drive
Ellicott City, MD 21043

RE: MUR 2522

Dear Dr. Vandenberge:

Enclosed please find a copy of the General Counsel's Brief and letter sent to Stephen P. Poulos, as treasurer of John Vandenberge for Congress. If you have any questions, please contact Jonathan Levin, the attorney assigned to this matter, at 202-376-5690.

Sincerely,

Lawrence M. Noble
General Counsel

Enclosure
Copy of letter
Copy of brief

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RECEIVED
FEDERAL ELECTION COMMISSION
MAIL ROOM

John Vandenberge, D.D.S.
3446 Arcadia Drive
Ellicott City, Md. 21043

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September 26, 1989

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RECEIVED
FEDERAL ELECTION COMMISSION
GENERAL COUNSEL

Lawrence M. Noble, Esq.
General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Dear Mr. Noble:

In response to your correspondence to us regarding MUR 2522, we, as follow, are asking for an extension of time to file our responsive brief:

John Vandenberge, D.D.S.
Linda Vandenberge
Stephen P. Poulos, Treasurer.

We have requested a copy of the Statutes of the F.E.C. as well as the committee regulations and as of today we have not received them.

Thank you for your consideration.

Yours truly,

John Vandenberge, D.D.S.

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FEDERAL ELECTION COMMISSION
WASHINGTON, D C 20463

October 3, 1989

Stephen P. Poulos, Treasurer
John Vandenberge for Congress
5837 Humblebee Road
Columbia, MD 21045

RE: MUR 2522
John Vandenberge for
Congress and Stephen P.
Poulos, as treasurer

Dear Mr. Poulos:

This is in response to a letter dated September 26, 1989, which we received on September 28, 1989, requesting an extension of time to respond to the General Counsel's Brief. After considering the circumstances presented in the letter, I have granted the requested extension. Accordingly, your response is due by the close of business on October 20, 1989.

If you have any questions, please contact Sandra H. Robinson, the attorney assigned to this matter, at (202) 376-8200.

Sincerely,

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Associate General Counsel

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 3, 1989

Linda Vandenberge
3446 Arcadia Drive
Ellicott City, MD 21043

RE: MUR 2522
Linda Vandenberge

Dear Mrs. Vandenberge:

This is in response to a letter dated September 26, 1989, which we received on September 28, 1989, requesting an extension of time to respond to the General Counsel's Brief. After considering the circumstances presented in the letter, I have granted the requested extension. Accordingly, your response is due by the close of business on October 20, 1989.

If you have any questions, please contact Sandra H. Robinson, the attorney assigned to this matter, at (202) 376-8200.

Sincerely,

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Associate General Counsel

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

ctober 3, 1989

John Vandenberge, D.D.S.
Linda Vandenberge
Vandenberge Enterprises, Inc.
3446 Arcadia Drive
Ellicott City, MD 21043

RE: MUR 2522
Vandenberge Enterprises, Inc. (AKA John Vandenberge, D.D.S., P.A.)

Dear Dr. and Mrs. Vandenberge:

This is in response to your letter dated September 26, 1989, which we received on September 28, 1989, requesting an extension of time to respond to the General Counsel's Brief. After considering the circumstances presented in the letter, I have granted the requested extension. Accordingly, your response is due by the close of business on October 20, 1989.

If you have any questions, please contact Sandra H. Robinson, the attorney assigned to this matter, at (202) 376-8200.

Sincerely,

Lawrence M. Noble
General Counsel

Lois G. Lerner

BY: Lois G. Lerner
Associate General Counsel

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October 19, 1989

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OFFICE OF GENERAL COUNSEL

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Lawrence M. Noble, Esq.
General Counsel
FEDERAL ELECTION COMMISSION
Washington, D.C.

Re: MUR 2522

Dear Mr. Noble:

In response to your letter of September 12, 1989, enclosed is Brief concerning Mr. Stephen P. Poulos. Treasurer, Mrs. Linda Vandenberge, my wife, and me, John Vandenberge for Congress.

I ask that you consider our overall circumstances as well as legal arguments stated in the brief enclosed, and I trust that you'll find enough reasons not to find probable cause.

Respectfully,

John Vandenberge

John Vandenberge, D.D.S.

JV:lv
Encls.

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
John Vandenberge for Congress	)	MUR 2522
Stephen P. Poulos. as Treasurer	)	
Mrs. Linda Vandenberge	)	
John Vandenberge, Candidate	)	

BRIEF

I. STATEMENT OF THE CASE

In regard to this matter we (Mr. Stephen P. Poulos. Treasurer, Mrs. Linda Vandenberge, mv wife, and I) never knowingly and/or willingly violated any F.E.C. law or regulation. During the course of my campaign for U. S. Congress, I invited, as a matter of routine and prudence, without even being knowledgeable or suspicious that anything was wrong, a local attorney to my campaign headquarters, even in the presence of a number of staff and volunteers. No one has suggested I engage an attorney, no one had urged me to do so, but I, voluntarily, opened our books to this attorney, just to make sure everything was O.K. It was during that visit that the attorney picked up on the matter of money from my personal corporation having been transferred to my personal account for use for the campaign. When he mentioned that that action could be questioned, I immediately took action to correct the situation. I learned that the only way to correct this is to take out an unsecured personal loan from a local bank. I did so immediately. The bank asked for both signatures--mv wife's and mine--as a matter of routine, custom in

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Maryland, again, not knowing that anything could be questionable by using this method. We fully disclosed the reason for borrowing an unsecured loan to the bank officer, who also did not raise any point of concern.

All of the above scenario was subsequently, voluntarily, fully disclosed to the F.E.C. in our reports by our treasurer. Our voluntary disclosure of any possible unknown and unwilling violation was apparently refused by someone from the F.E.C.'s Reports Analysis Division which decided, based on our voluntary reports to start an investigation.

Please note also my letter to you of January 15, 1988, copy enclosed, which lists some ten items which may be called mitigating factors or clarifying circumstantial and historical notes. A copy of my wife's letter of the same date is also enclosed.

II. LEGAL ANALYSIS

1. Possibility of contributions being considered as corporate contributions.

Title 2 of the United States Code, Section 441 b(a) prevents the <u>knowing</u> acceptance of corporate contributions in relation to federal office elections.

The Commission raises the argument that the Committee could have knowingly accepted corporate funds into the campaign, and that the corrective action taken by the

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Vandenberge for Congress Committee immediately upon learning of any possible discrepancies, and the Committee's voluntary notification of the Commission of corrective action taken to ensure full cooperation of the law, somehow came too late and that therefore the Committee should be penalized.

John Vandenberge formed a corporation solely to assist in his management of his dental practice, with the minimum number of people involved by law associated with the corporation. He often transferred money from the corporate to his personal account in complete compliance with the law. During the campaign, the candidate took out from his corporate account on March 26 $10,000 of money that he had earned and put it into his personal account. He did the same on March 31 with $17,000. This money, totalling $27,000 he put into the Committee.

In May 1986 the candidate and treasurer of the Committee, learned that the transfer of his (the candidate's) personal income in this way could be considered as a corporate contribution. Immediately, the candidate took corrective action and returned the money on May 16, 1986.

11 C.F.R. Sec. 103.3(b)(2) allow the treasurer to return a contribution within 30 days of receipt of it if the contribution"did not appear to be made by a corporation," but later discovers by new evidence that it was made by a corporation (11 C.F.R. Sec. 103.3(b)(2)).

Contributions that present a genuine question as to whether they were made by a corporation can be

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returned within 10 days to the contributor, according to 11 C.F.R. Sec. 103.3(b)(1).

It is clear that the treasurer, upon discovering in May that the contribution could have been considered to have been made by a corporation, returned the contribution within the 30 day period.

It is also clear that the candidate, upon discovering through his own voluntary inquiries that there was the potential of a problem as to whether this contribution could be considered to be indirectly from a corporation, took immediate action to return the contribution well within the 10 day and 30 day period.

11 CFR Sec. 103.3(b)(1) and (2) thus do apply directly to correct this situation because of the immediate action by the Committee to return the funds.

The Commission argues that knowledge of the alleged wrong does not mean wilfull misconduct or even knowledge that there is something wrong, but merely knowledge of the fact of the underlying contribution.

The treasurer did not know of the underlying circumstance that the contribution from the candidate's personal account had previously been in his corporation account until being told by the candidate in May, when the problem was summarily corrected, within the 30 day realization period.

The candidate, it is argued, knowingly accepted a corporate contribution when he gave from his personal account

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to the Committee, because he knew that the funds had previously been in his corporation account. Knowledge of this circumstance alone is enough, it is argued, to satisfy the threshold standard of knowing acceptance of a corporate contribution, and that although the situation was corrected approximately one and one-half months later when the candidate actually first knew of a potential problem and immediately corrected it by returning the funds, this action by the Committee does not come fast enough, falls approximately one-half month short of the statute period to remedy, and the Committee should yet be penalized.

The Commission cites Federal Election Commission v. Dramesi for Congress, (640 F. Supp. 985 (D.N.J. 1986). However, Dramesi is distinguishable from the present case. In Dramesi, the respondent Committee received a $5,000 contribution to its Congressional campaign from a state Republican Committee without knowledge that the Committee was not recognized by the F.E.C. as a multicandidate political committee that is approved to give in excess of $1,000. (Dramesi, 640 F. Supp. at 986). In Dramesi, the Committee accepted the funds without questioning the source at all, and without ever returning the contribution to remedy the situation. Even though the defendants in Dramesi claimed that they could not have known that receiving these funds was illegal, the "Index of Multicandidate Political Committees" was easily and readily accessible to the Committee. Dramesi, 640 F. Supp. at 987.

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Knowledge was imputed in the Dramesi case where the Committee could have easily obtained the information but did not, and did not repay the $5,000 contribution.

In this case, the candidate at first felt he was complying with the law by putting his money from his personal bank account into the campaign. Wanting to comply fully with the law, he sought a review of campaign records. When notified of a potential problem in the area of the funds in question, the candidate again sought to comply completely with the law and immediately returned the contribution (approximately one and one-half months after the contribution was first given) and notified the F.E.C. (the Commission) of his actions to remedy the conflict to ensure that the campaign was run in total compliance with the election laws.

Here, the candidate questioned and reviewed the campaign contribution to ensure lawful compliance and upon finding a potential problem, corrected it and returned the contribution. In Dramesi, the candidate did not either question the contribution initially or remedy the problem and return the contribution.

Accordingly, the Campaign Committee urges that 11 CFR Sec. 103.3(a) and (b) applies and that there is thus no probable cause to find that the Committee, including the candidate or the treasurer, is in any violation of accepting a possible corporate contribution under 2 U.S.C. 441 b(a).

2. Acceptance of possible excessive contribution.

Under 11 CFR 110.10 (b)(3), a candidate can use assets jointly owned with the spouse as his funds.

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John Vandenberge took out a personal loan of $40.000 and contributed it toward the campaign.

The petitioners would argue that because the bank required both signatures of husband and wife for the loan. that the wife was a co-maker and separate contributor to the campaign. Nevertheless, under Sec. 110.10 (b)(1), the candidate did have "legal right to access or control over the legal title...or the equitable interest in the loan."

John Vandenberge had virtually the only income of the two from his business while the wife was a housewife raising the family in the home and, while she helped at the office occasionally she was not employed outside the home.

This was a personal loan, and after exhausting normal banking procedures, the bank could legally pursue other avenues against John Vandenberge and his business and assets, to collect on a defaulted loan.(R.3)

The loan was approved on the husband's reputation as a businessman and not at all on the wife's ability to pay. The wife also did not have anv separate bank accounts or any type of separate money funds.

These are all factors that need to be considered in determining if the wife was capable of making a separate contribution. Under 11 CFR Sec. 110.10 (b)(1), she was not so capable since the husband had legal and equitable interest over this loan and the assets.

Had Mrs. Vandenberge had separate accounts or a separate income to offset the loan, a different answer could

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possibly be had. However, this is not the case here.

Alternatively, even if the loan is argued to be under 11 CFR 100.7 (a)(1)(i)(D), and thus have to be secured by assets where the candidate's share of the property used as collateral at least equals the loan amount, then the wife still cannot be deemed a contributor because the candidate's assets at the time of the loan exceeded the amount of the loan.

Had the bank gone through normal banking procedures to collect on the defaulted loan, they would eventually try to secure it with the assets of John Vandenberge, which exceeded twice the amount of the loan at the time.

Respondents therefore respectfully urge that they did not knowingly accept an excessive contribution on the part of Mrs. Vandenberge, and that therefore there be found no probable cause and no violation of 2 U.S.C. Sec. 441 a(f).

Four Recommendations:

1. Find no probable cause to believe that John Vandenberge for Congress nor Stephen P. Poulos as treasurer did violate in anv way 2 U.S.C. Sec. 441 b(a).

2. Find no probable cause to believe that John Vandenberge for Congress and Stephen P. Poulos as treasurer did violate in any way 2 U.S.C. Sec. 441 a(f).

3. To find no probable cause to believe that Linda Vandenberge violated in any way 2 U.S.C. Sec. 441 a (a)(1)(A).

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4. To find no probable cause to believe that Vandenberge Enterprises, Inc. in any way violated 2 U.S.C. Sec. 441 b(a).

October 19, 1989
Date

John Vandenberge

Linda Vandenberge

Stephen P. Powlas (J.V.)

9004079128

January 15, 1988

Summation of Vandenberge case (MUR2522), mitigating circumstances and request "not to proceed".

To: Jonathan Levin, Esq.
F.E.C.
999 E Street, N.W.
Washington, D.C. 20463

So as not to repeat all previously submitted materials, I wish to state a short summary of events as I see them.

I, John Vandenberge, previously ran for House of Delegates in 1982 without any legal problems. I am happy to say that my wife and I have never had any legal problem, have never sued or been sued. Realizing that a Federal Election Campaign falls under additional laws I tried to get the best advice possible, both in Maryland and Washington, D.C. Having learned, in campaign schools and elsewhere, that corporate contributions are prohibited, I was careful to obey the law, as my wife and I always try to do. Therefore, I transferred $27,000.00 from my corporation to my personal account, so as to abide by the law. I had no inkling that anything was wrong but, as I had not obtained the advice of a lawyer for our campaign as yet, I invited on my own initiative without prompting from anyone a Howard County lawyer to come in and inspect our operation generally to be sure we would not be violating any laws. It was he who suggested that indirect corporate funds might be frowned upon by the F.E.C. and my response was: "Let's straighten that out immediately." After several phone calls for "expert" advice, I borrowed an unsecured amount of money from Mercantile Bank and Trust in Baltimore, with whom I had done business regularly since 1967. The ~~expert~~ advisors in Howard County nor the bank made any mention of method of signature, especially as far as my wife is concerned. Ever since we got married, we've never had separate finances. It was always "our money" or "our account" or "our house or car" instead of "my money" or "my account", etc. We always sign for everything together. So signing for this loan together was automatic without any further thought or different motive. Mercantile asked for both signatures anyway since Maryland is a community property state and banks customarily ask for two signatures, husband's and wife's.

Of course, hindsight indicates that I should have transferred funds prior to the campaign or checked with the F.E.C. personally. Anyway, this method of borrowing from the bank at 10½% has already been very expensive. In renegotiating the loan to reduce the monthly payment from some $3300.00 per month to $537.00 per month, my wife had to sign that contract as well because both signatures were on the first one and the bank, again, would not have it any other way. Please note that neither action (corporate money transfer and my wife's signature) were intentional to try and circumvent any law but were done in innocence and while believing all laws were abided by.

I ask the Commission not to proceed with this case concerning the committee and the treasurer because of mitigating

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circumstances listed below as well as previous correspondence.

1. I never sought public office for financial gain. My gross income for 1986 was $127,000 as a dentist in private practice. I ran for public office because I wanted to do something in return for all the things America had given me. I love America and am concerned about a number of issues. American soldiers had fought and died to give me freedom in Rotterdam, Holland, where I had lived all during World War II. I'll never forget what America did for my family, my native country and myself.

2. I voluntarily, on my own initiative, invited a local attorney to audit our books. Upon discovery of a possible conflict, I immediately, on my own initiative, sought for a way to correct the possible wrong. A second possible wrong was created in the process of honestly trying to correct the first one. If I, or our treasurer, had been aware of a better way, we would have done that.

3. The bank testified that we have a "totten trust" account, meaning that I'm the only income producer. My wife has no career or profession of her own that might have secured a second income. She helped in the dental office occasionally with bookkeeping but the bulk of her time in our marriage has been devoted to raising our four boys. She has no financial means of her own. I pay all debts and always have.

4. The above items are not the only ones resulting from, let's say, inadequate or poor advice. Other advice led us to be virtually ruined financially. A few weeks ago we came, literally, within a few hours from our house being foreclosed on. Our house is up for sale to try to get us out of debt and to pay all campaign bills still outstanding.

5. I had sold my dental practice two years ago because I realized that campaigning well is a full time job. The dental office I sold my practice to employed me part time after the election, but they let me go in August 1987. Since that time I've started in real estate as a Realtor.

6. The way money was transferred did not measurably affect the outcome of the election nor was it intended to. I lost with 28% of the vote.

7. The unsecured personal loan from the bank was approved by Mr. Ernest Burden and Mr. Tom Twist of Mercantile Bank & Trust Co. solely on the basis of my record as a bank customer for over 20 years and on my reputation. I convinced the bank that I needed a personal loan so as not to violate any F.E.C. laws. It was certainly not approved based on my wife's assets, account, record or reputation, even though that is superb.

8. These possible F.E.C. laws' violations were not brought to light by the F.E.C., any of its employees, by any investigative reporters or competing political candidates or

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parties. It was discovered on my own initiative, reported on my own initiative by our treasurer to the F.E.C. and full disclosure and cooperation has occurred.

9. This whole process, even though I fully approve of the F.E.C.'s role, has discouraged me from running again and I probably will not unless the Commission finds the mitigating circumstances justifiable not to proceed. I can visualize how a future opponent could use the "public record" part of these communications and twist and manipulate it through a campaign and the media to his or her advantage, unless I misunderstand the process.

10. The Campaign Treasurer is a superb family man, patriotic, dedicated and with a clean record. He has volunteered many hours, sacrificed and donated financially. We, in America, need many more like him.

Mr. Jonathan Levin, with whom we met, has been very courteous and helpful. Should the Commission deem it inappropriate to discontinue this proceeding, our distant second choice is to ask for pre-probable cause conciliation. I ask that the Commission take these mitigating and personal financial circumstances into consideration most seriously. Even if our house is sold, most of the proceeds would go towards paying off campaign debts.

Your cooperation and consideration are most appreciated.

Very truly yours,

John Vandenberge

John Vandenberge

P.S. Mr. Stephen P. Poulos, the Treasurer, has already submitted sworn statements and has indicated he has no additional comments to make at this time. -- My wife does wish to make a statement and it is attached.

Encl.: (1) Listing of our residence for sale.
(2) Loan payment notice and balance.
($26,921.48 already paid plus interest.)

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January 13, 1988

MIR 2522 (Vandenberge)

I, Linda Vandenberge, wish to express my views concerning the above case, which views may be considered as "mitigating circumstances". When my husband and I were married in 1959, according to Biblical Law, we became one. Thus it has always been. At that time I was working as a secretary in the Legal Dept. of the Western Maryland Railway Company. I continued to work, turning the income over to my husband when paid. What I had saved up to that point was spent by us on our furnishings. He also worked, but part time as a cashier clerk for awhile, and then as a Wear-Ever salesman while attending school. It was our goal for him to become a dentist. Our first of four sons was born in 1964, while John was still in dental school. (We had some tough times but have always believed that I should stay at home and care for the family.) It was then that I stopped working altogether to become a homemaker and take care of this precious life God had blessed us with.* Since that time I have not worked except with my husband at times in the dental office part time. (I might add that even then for years my services were volunteered until finally it was decided that it would be good that I be paid some for my secretarial services.) That money too, of course, was "ours". I have a wonderful, generous husband who would, no doubt, give me his last dollar if I would ask for it. The law I hear about from the F.E.C. apparently doesn't take into account our belief system or the way we have believed and operated for our entire marriage. There is no way I could give my husband any money. He is the head of the household, responsible for all debts, and the sole provider for the family. We have chosen this way of life which is according to Biblical standards. We like it this way and don't intend to change our lifestyle. If I should, by circumstances, be forced into getting a job again, I would turn the money over to my husband because I believe this is the right thing for me to do. Right now I'm still being a wife and mother, volunteering my time for whatever comes along, whether it's doing the wash or secretarial work for my husband and family. I suppose, if one wants to get technical about this whole thing, the bottom line is that I have nothing except what my trustworthy husband provides for me. When I need anything, I get it from him because he is the head of the household. My husband pays all the debts and always has. I have access to our joint account (personal) with my husband's permission according to the law we operate under: I use the checking account to buy groceries, pay repairmen (washer, oven, etc.) and for family necessities or gifts - with my husband's knowledge and approval. I also have access to my husband's corporate account only with his approval and in the "secretarial" sense as any secretary could, paying bills with his approval. My husband pays all the debts and always has.

These are mitigating circumstances to my way of thinking and if we violated any law inadvertently, of course we're very sorry and, believe me, we'll always to the best of our ability uphold the law. Please note that the letter of the law kills but the spirit of the law expresses forgiveness. Therefore, I ask that this case not proceed further due to the mitigating circumstances.

*See attached.

Linda Vandenberge

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P.S. - We now have four sons - ages 23 (in law school), 21 (in college), 15 and 12. The oldest son has borrowed much to pay for law school. He is very industrious, having started a cleaning business which he is now only able to be involved with during summer vacation and winter break. Our second son runs the small cleaning business and presently works at UPS evenings to help pay for his college education. Also an industrious young man, this week he began a job sanding and refinishing floors for my niece and her husband. The 15-year-old attends high school, would like to attend the Naval Academy, works part time at an Italian restaurant, and the 12-year-old is a hard worker as well, helping at home, helping his grandparents with yard work, and helping his brother(s) with the cleaning business.

My husband has been the hard working, industrious loving father and role model they have looked to. To me, for their sake, this a very important factor in this case.

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SENSITIVE

EXECUTIVE SESSION

DEC 19 1989

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
John Vandenberge for Congress and Stephen P. Poulos, as treasurer	)	
	)	MUR 2522
Vandenberge Enterprises, Inc. (AKA John Vandenberge, D.D.S., P.A.	)	
	)	
Linda Vandenberge	)	

GENERAL COUNSEL'S REPORT

I. BACKGROUND

This matter was generated by a referral from the Reports Analysis Division ("RAD"). On July 21, 1987, the Commission found reason to believe John Vandenberge for Congress and Stephen P. Poulos, as treasurer ("the Committee")[1] violated 2 U.S.C. §§ 441b(a) and 441a(f); Vandenberge Enterprises, Inc. ("the Corporation") violated 2 U.S.C. § 441b(a); and Linda Vandenberge violated 2 U.S.C. § 441a(a)(1)(A). These findings were made in connection with the following loans made to the Committee. On March 26 and 31, 1986, Mr. Vandenberge transferred $10,000 and $27,000, respectively from the Corporation's checking account to his personal checking account. On those same dates, Mr. Vandenberge deposited like amounts into the Committee's checking account from his personal account. On May 16, 1986, in an attempt to remedy these apparent corporate contributions to his campaign, Mr. Vandenberge borrowed $40,000 from the Mercantile Safe Deposit & Trust Company, a bank located in

1. The Committee is the principal campaign committee for John Vandenberge, a candidate for the U.S. House of Representatives from Maryland's 6th Congressional District in the 1986 election cycle.

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Baltimore, Maryland. The loan agreement was signed by Mr. Vandenberge and his wife, Linda Vandenberge. The bank loan constituted an unsecured signature loan. Mr. Vandenberge used the proceeds from the bank loan to reimburse the Corporation $27,000, and he loaned the Committee an additional $10,000.

All of the respondents requested pre-probable cause conciliation. On April 28, 1988, the Commission determined to enter into pre-probable cause conciliation with the respondents and approved conciliation agreements that included admissions of the respective violation and civil penalty payments.

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The General Counsel's Brief was mailed to the respondents on September 12, 1989. The respondents submitted a joint reply

brief on October 23, 1989.

II. ANALYSIS

This Office relies on its legal analysis as set forth in the General Counsel's Brief of September 12, 1989. The Federal Election Campaign Act of 1971, as amended ("the Act") prohibits a corporation from making contributions in connection with an election for federal office, and political committees are prohibited from accepting such contributions. 2 U.S.C. § 441b(a). The term "contribution" includes a loan. 2 U.S.C. § 431(8)(A). Information and documents gathered during the investigation of this matter demonstrated that the funds totaling $27,000 transferred from the Corporation to the candidate's personal account and then to the Committee were actually loans from the Corporation and, thus, constituted corporate contributions. Therefore, this Office recommends that the Commission find probable cause to believe the Committee violated 2 U.S.C. § 441b(a). This Office also recommends that the Commission find probable cause to believe the Corporation violated 2 U.S.C. § 441b(a).

The Act prohibits any person from making a contribution to any candidate and his authorized committees with respect to any election for federal office which, in the aggregate, exceed $1,000. 2 U.S.C. § 441a(a)(1)(A). Political committees are prohibited from accepting any contributions which, in the aggregate, exceed the statutory limitations. 2 U.S.C. § 441a(f). A loan is a contribution, and a bank loan is a contribution by each endorser or guarantor of such loan in proportion to the

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amount guaranteed or endorsed. 2 U.S.C. § 431(8)(A) and 11 C.F.R. § 100.7(a)(1)(i)(C). Commission regulations provide for an exception to the definition of contribution in certain circumstances. Specifically, when a candidate obtains a loan for which the spouse's signature is required when jointly owned assets are used as collateral or security, the spouse will not be considered to have made a contribution to the candidate's campaign, if the value of the candidate's share of the assets used as collateral or security equals or exceeds the amount of the loan used by the candidate's campaign. See 11 C.F.R. § 100.7(a)(1)(i)(D). The spousal exemption is effective only in circumstances where jointly owned collateral or security is used for a loan. In circumstances where a loan is not collateralized or secured, but both the candidate and the spouse are signatories for the loan, the spousal exemption is not available. The $40,000 bank loan was not secured with any assets. The loan agreement was signed by Mr. and Mrs. Vandenberge, and both are individually and jointly liable for repayment. Thus, at least one-half the amount of the loan is a contribution from Mrs. Vandenberge, resulting in her making an excessive contribution which was accepted by the Committee. Therefore, this Office recommends that the Commission find probable cause to believe the Committee violated 2 U.S.C. § 441a(f). This Office also recommends that the Commission find probable cause to believe Linda Vandenberge violated 2 U.S.C. § 441a(a)(1)(A).

The respondents continue to disagree with this Office's interpretation of the word "knowing" as it is used in the

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relevant sections of the Act. The respondents contend that a "knowing" violation should not be found because they were not aware that their respective actions, which resulted in the violations at issue, were prohibited by the Act; the treasurer did not know that the funds deposited into the Committee's account by the candidate were first transferred from the Corporation's account; and finally, they made an effort to remedy the violations before being notified by the Commission. These factors may be considered as mitigating circumstances, however, they do not nullify the violations at issue here.

III. DISCUSSION OF CONCILIATION AND CIVIL PENALTY

As noted above, the Commission has attempted pre-probable cause conciliation with the respondents.

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IV. RECOMMENDATIONS

1. Find probable cause to believe John Vandenberge for Congress and Stephen P. Poulos, as treasurer, violated 2 U.S.C. § 441b(a).

2. Find probable cause to believe John Vandenberge for Congress and Stephen P. Poulos, as treasurer, violated 2 U.S.C. § 441a(f).

3. Find probable cause to believe Vandenberge Enterprises, Inc. (AKA John Vandenberge, D.D.S., P.A.) violated 2 U.S.C. § 441b(a).

4. Find probable cause to believe Linda Vandenberge violated 2 U.S.C. § 441a(a)(1)(A).

5. Approve the attached conciliation agreements and letters.

12/12/89
Date

Lawrence M. Noble
General Counsel

Attachments:
1. Conciliation Agreements (3)
2. Letters (3)

Staff assigned: Sandra H. Robinson

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

SENSITIVE

EXECUTIVE SESSION

DEC 19 1989

December 13, 1989

MEMORANDUM

TO: The Commission

FROM: Lawrence M. Noble
General Counsel

SUBJECT: MUR 2522 - General Counsel's Report signed December 12, 1989

The above referenced General Counsel's Report recommends probable cause to believe findings with respect to the respondents. It is on the Executive Session agenda for the Commission meeting on December 19, 1989.

On page 1 of the General Counsel's Report, paragraph 1, line 10, the indicated amount of the transfer ($27,000) from the Corporation, made on March 31, 1986, is incorrect. The amount of the transfer on that date should read "$17,000."

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
John Vandenberge for Congress and	)	
Stephen P. Poulos, as treasurer	)	
	)	MUR 2522
Vandenberge Enterprises, Inc.	)	
(AKA John Vandenberge, D.D.S., P.A.)		
	)	
Linda Vandenberge	)	

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session on December 19, 1989, do hereby certify that the Commission decided by a vote of 6-0 to take the following actions in MUR 2522:

1. Find probable cause to believe John Vandenberge for Congress and Stephen P. Poulos, as treasurer, violated 2 U.S.C. § 441b(a).

2. Find probable cause to believe John Vandenberge for Congress and Stephen P. Poulos, as treasurer, violated 2 U.S.C. § 441a(f).

(continued)

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3. Find probable cause to believe Vandenberge Enterprises, Inc. (AKA John Vandenberge, D.D.S., P.A.) violated 2 U.S.C. § 441b(a).

4. Find probable cause to believe Linda Vandenberge violated 2 U.S.C. § 441a(a)(1)(A).

5. Approve the conciliation agreements and letters attached to the General Counsel's report dated December 12, 1989.

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

Attest:

12-20-89
Date

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

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

December 27, 1989

John Vandenberge, D.D.S.
Linda Vandenberge
Vandenberge Enterprises, Inc.
3446 Arcadia Drive
Ellicott City, Maryland 21043

RE: MUR 2522
Vandenberge Enterprises, Inc. (AKA John Vandenberge, D.D.S., P.A.)

Dear Dr. and Mrs. Vandenberge:

On December 19, 1989, the Federal Election Commission found that there is probable cause to believe Vandenberge Enterprises, Inc. violated 2 U.S.C. § 441b(a), a provision of the Federal Election Campaign Act of 1971, as amended, in connection with contributions made by Vandenberge Enterprises, Inc. in the form of loans to John Vandenberge for Congress during the 1986 election cycle.

The Commission has a duty to attempt to correct such violations for a period of 30 to 90 days by informal methods of conference, conciliation, and persuasion, and by entering into a conciliation agreement with a respondent. If we are unable to reach an agreement during that period, the Commission may institute a civil suit in United States District Court and seek payment of a civil penalty.

Enclosed is a conciliation agreement that the Commission has approved in settlement of this matter. If you agree with the provisions of the enclosed agreement, please sign and return it, along with the civil penalty, to the Commission within ten days. I will then recommend that the Commission accept the agreement. Please make your check for the civil penalty payable to the Federal Election Commission.

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If you have any questions or suggestions for changes in the enclosed conciliation agreement, or if you wish to arrange a meeting in connection with a mutually satisfactory conciliation agreement, please contact Sandra H. Robinson, the attorney assigned to this matter, at (202) 376-8200.

Sincerely,

Lawrence M. Noble
Lawrence M. Noble
General Counsel

Enclosure
Conciliation Agreement

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

December 27, 1989

Linda Vandenberge
3446 Arcadia Drive
Ellicott City, Maryland 21043

RE: MUR 2522
Linda Vandenberge

Dear Mrs. Vandenberge:

On December 19, 1989, the Federal Election Commission found that there is probable cause to believe you violated 2 U.S.C. § 441a(a)(1)(A), a provision of the Federal Election Campaign Act of 1971, as amended, in connection with an excessive contribution you made to John Vandenberge for Congress during the 1986 election cycle.

The Commission has a duty to attempt to correct such violations for a period of 30 to 90 days by informal methods of conference, conciliation, and persuasion, and by entering into a conciliation agreement with a respondent. If we are unable to reach an agreement during that period, the Commission may institute a civil suit in United States District Court and seek payment of a civil penalty.

Enclosed is a conciliation agreement that the Commission has approved in settlement of this matter. If you agree with the provisions of the enclosed agreement, please sign and return it, along with the civil penalty, to the Commission within ten days. I will then recommend that the Commission accept the agreement. Please make your check for the civil penalty payable to the Federal Election Commission.

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If you have any questions or suggestions for changes in the enclosed conciliation agreement, or if you wish to arrange a meeting in connection with a mutually satisfactory conciliation agreement, please contact Sandra H. Robinson, the attorney assigned to this matter, at (202) 376-8200.

Sincerely,

Lawrence M. Noble
by SHR

Lawrence M. Noble
General Counsel

Enclosure
Conciliation Agreement

90040791306

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

December 27, 1989

Stephen P. Poulos, Treasurer
John Vandenberge for Congress
5837 Humblebee Road
Columbia, Maryland 21045

RE: MUR 2522
John Vandenberge for Congress and Stephen P. Poulos, as treasurer

Dear Mr. Poulos:

On December 19, 1989, the Federal Election Commission found that there is probable cause to believe John Vandenberge for Congress ("the Committee") and you, as treasurer, violated 2 U.S.C. §§ 441b(a) and 441a(f), provisions of the Federal Election Campaign Act of 1971, as amended, in connection with prohibited contributions received from Vandenberge Enterprises, Inc. (AKA John Vandenberge, D.D.S., P.A.) and an excessive contribution received from Linda Vandenberge, in the form of loans to the Committee.

The Commission has a duty to attempt to correct such violations for a period of 30 to 90 days by informal methods of conference, conciliation, and persuasion, and by entering into a conciliation agreement with a respondent. If we are unable to reach an agreement during that period, the Commission may institute a civil suit in United States District Court and seek payment of a civil penalty.

Enclosed is a conciliation agreement that the Commission has approved in settlement of this matter. If you agree with the provisions of the enclosed agreement, please sign and return it, along with the civil penalty, to the Commission within ten days. I will then recommend that the Commission accept the agreement. Please make your check for the civil penalty payable to the Federal Election Commission.

90040791307

If you have any questions or suggestions for changes in the enclosed conciliation agreement, or if you wish to arrange a meeting in connection with a mutually satisfactory conciliation agreement, please contact Sandra H. Robinson, the attorney assigned to this matter, at (202) 376-8200.

Sincerely,

Lawrence M. Noble
General Counsel

Enclosure
Conciliation Agreement

9004079130 8

RECEIVED
FEDERAL ELECTION COMMISSION
SECRETARIAT
90 MAY 17 PM 4:33

SENSITIVE

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
John Vandenberge for Congress and Stephen P. Poulos, as treasurer	)	MUR 2522
Vandenberge Enterprises, Inc. (AKA John Vandenberge, D.D.S., P.A.)	)	
Linda Vandenberge	)	

GENERAL COUNSEL'S REPORT

I. BACKGROUND

Attached are three conciliation agreements which have been signed by John Vandenberge.

II. RECOMMENDATIONS

1. Accept the attached conciliation agreements with John Vandenberge for Congress and Stephen P. Poulos, as treasurer, Vandenberge Enterprises, Inc. (AKA John Vandenberge, D.D.S., P.A.), and Linda Vandenberge.

90040791309

2. Close the file.

3. Approve the attached letters.

Lawrence M. Noble
General Counsel

May 17, 1990
Date

BY: Lois G. Lerner by LGR
Lois G. Lerner
Associate General Counsel

Attachments
1. Conciliation Agreements
2. Letters to Respondents

Staff Assigned: Jeffrey Long

90040791310

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
John Vandenberge for Congress and	)	MUR 2522
Stephen P. Poulos, as treasurer	)	
Vandenberge Enterprises, Inc.	)	
(AKA John Vandenberge, D.D.S., P.A.)	)	
Linda Vandenberge	)	

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on May 22, 1990, the Commission decided by a vote of 6-0 to take the following action in MUR 2522:

1. Accept the conciliation agreements with John Vandenberge for Congress and Stephen P. Poulos, as treasurer, Vandenberge Enterprises, Inc. (AKA John Vandenberge, D.D.S., P.A.), and Linda Vandenberge, as recommended in General Counsel's Report dated May 17, 1990.

2. Close the File.

3. Approve the letter, as recommended in the General Counsel's Report dated May 17, 1990.

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

Attest:

5-22-90
Date

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

Received in the Secretariat:	Thurs.,	May 17, 1990	4:33 p.m.
Circulated to the Commission:	Fri.,	May 18, 1990	12:00 p.m.
Deadline of vote:	Tues.,	May 22, 1990	4:00 p.m.

dr

9004079131

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

May 24, 1990

CLOSED

John Vandenberge, D.D.S.
3446 Arcadia Drive
Ellicott City, Maryland 21043

RE: MUR 2522
Vandenberge Enterprises, Inc. (AKA John Vandenberge, D.D.S., P.A.)

Dear Mr. Vandenberge:

On May 22, 1990, the Federal Election Commission accepted the signed conciliation agreement submitted by you on behalf of Vandenberge Enterprises, Inc. (AKA John Vandenberge, D.D.S., P.A.), in settlement of a violation of 2 U.S.C. § 441b(a), a provision of the Federal Election Campaign Act of 1971, as amended. Accordingly, the file has been closed in this matter.

This matter will become a part of the public record within 30 days. If you wish to submit any factual or legal materials to appear on the public record, please do so within ten days. Such materials should be sent to the Office of the General Counsel. Please be advised that information derived in connection with any conciliation attempt will not become public without the written consent of the respondent and the Commission. See 2 U.S.C. § 437g(a)(4)(B). The enclosed conciliation agreement, however, will become a part of the public record.

Enclosed you will find a copy of the fully executed conciliation agreement for your files. If you have any questions, please contact Jeffrey Long, the staff member assigned to this matter, at (202) 376-5690.

Sincerely,

Lawrence M. Noble
General Counsel

Lois G. Lerner JB

BY: Lois G. Lerner
Associate General Counsel

Enclosure
Conciliation Agreement

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OGC6231

RECEIVED
FEDERAL ELECTION COMMISSION
MAIL ROOM

90 MAY 14 AM 9:55

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
Vandenberge Enterprises, Inc.	)	MUR 2522
(AKA John Vandenberge, D.D.S.,	)	
P.A.)	)	

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL
90 MAY 14 PM 2 18

CONCILIATION AGREEMENT

This matter was initiated by the Federal Election Commission ("Commission"), pursuant to information ascertained in the normal course of carrying out its supervisory responsibilities. The Commission found probable cause to believe that Vandenberge Enterprises, Inc. (AKA John Vandenberge, D.D.S., P.A.) ("Respondent") violated 2 U.S.C. § 441b(a).

NOW, THEREFORE, the Commission and the Respondent, having duly entered into conciliation pursuant to 2 U.S.C. § 437g(a)(4)(A)(i), do hereby agree as follows:

I. The Commission has jurisdiction over the Respondent and the subject matter of this proceeding.

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

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

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

1. Respondent Vandenberge Enterprises, Inc. (AKA John Vandenberge, D.D.S., P.A.) is a corporation owned by John and Linda Vandenberge.

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2. John Vandenberge for Congress ("the Committee") was the principal campaign committee for John Vandenberge, a candidate for the U.S. House of Representatives from the Sixth Congressional District of Maryland in the 1986 election cycle.

3. The Federal Election Act of 1971, as amended ("the Act") prohibits a contribution by a corporation in connection with an election for federal office. 2 U.S.C. § 441b(a). The Act further states that the term "contribution" includes a loan. 2 U.S.C. § 431(8)(A)(i).

4. On March 26, 1986, John Vandenberge transferred $10,000 from Respondent's bank account to the personal checking account of John and Linda Vandenberge. On that date, these funds were loaned to the Committee.

5. On March 31, 1986, John Vandenberge transferred $17,000 from Respondent's bank account to the personal checking account of John and Linda Vandenberge. On that date, these funds were loaned to the Committee.

V. 1. Respondent made $27,000 in corporate contributions to John Vandenberge for Congress in violation of 2 U.S.C. § 441b(a).

2. Respondent contends that the above violation was not knowing and willful.

VI. Respondent will pay a civil penalty to the Federal Election Commission in the amount of Five Hundred Dollars ($500.00), pursuant to 2 U.S.C. § 437g(a)(5)(A), such penalty to be paid as follows:

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1. One initial payment of $200.00 due on the first day of the second month after the respondents receive a copy of the ratified agreement.

2. Thereafter, three consecutive monthly installment payments of $100 each;

3. Each installment shall be paid on the first day of the month in which it becomes due;

4. In the event that any installment payment is not received by the Commission by the fifth day of the month in which it becomes due, the Commission may, at its discretion, accelerate the remaining payments and cause the entire amount to become due upon ten days written notice to the respondent. Failure by the Commission to accelerate the payments with regard to any overdue installment shall not be construed as a waiver of its right to do so with regard to future overdue installments.

VI. Respondent will pay a civil penalty to the Federal Election Commission in the amount of Five Hundred Dollars ($500), pursuant to 2 U.S.C. § 437g(a)(5)(A).

VII. The Commission, on request of anyone filing a complaint under 2 U.S.C. § 437g(a)(1) concerning the matters at issue herein or on its own motion, may review compliance with this agreement. If the Commission believes that this agreement or any requirement thereof has been violated, it may institute a civil action for relief in the United States District Court for the District of Columbia.

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

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

FOR THE COMMISSION:

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Lois G. Lerner
Associate General Counsel

May 24, 1990
Date

FOR THE RESPONDENT:

John Vandenberg, Pres.
(Name)
(Position)

May 7, 1990
Date

Vandenberg Enterprises, Inc.
(AKA John Vandenberg, P.A.)

90040791316

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

May 24, 1990

John Vandenberge, D.D.S.
3446 Arcadia Drive
Ellicott City, Maryland 21043

RE: MUR 2522
John Vandenberge for
Congress and Stephen J.
Poulos, as treasurer

Dear Mr. Vandenberge:

On May 22, 1990, the Federal Election Commission accepted the signed conciliation agreement submitted by you on behalf of John Vandenberge for Congress and Stephen J. Poulos, as treasurer, in settlement of a violation of 2 U.S.C. §§ 441b(a) and 441a(f), provisions of the Federal Election Campaign Act of 1971, as amended. Accordingly, the file has been closed in this matter.

This matter will become a part of the public record within 30 days. If you wish to submit any factual or legal materials to appear on the public record, please do so within ten days. Such materials should be sent to the Office of the General Counsel. Please be advised that information derived in connection with any conciliation attempt will not become public without the written consent of the respondent and the Commission. See 2 U.S.C. § 437g(a)(4)(B). The enclosed conciliation agreement, however, will become a part of the public record.

Enclosed you will find a copy of the fully executed conciliation agreement for your files. If you have any questions, please contact Jeffrey Long, the staff member assigned to this matter, at (202) 376-5690.

Sincerely,

Lawrence M. Noble
General Counsel

Lois G. Lerner GB

BY: Lois G. Lerner
Associate General Counsel

Enclosure
Conciliation Agreement

00040791317

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL
90 MAY 14 PM 4:10

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
John Vandenberge for Congress	)	MUR 2522
Stephen P. Poulos, as treasurer	)	

CONCILIATION AGREEMENT

This matter was initiated by the Federal Election Commission ("Commission"), pursuant to information ascertained in the normal course of carrying out its supervisory responsibilities. The Commission found probable cause to believe that John Vandenberge for Congress and Stephen P. Poulos ("Respondents") violated 2 U.S.C. §§ 441b(a) and 441a(f).

NOW, THEREFORE, the Commission and the Respondents, having duly entered into conciliation pursuant to 2 U.S.C. § 437g(a)(4)(A)(i), do hereby agree as follows:

I. The Commission has jurisdiction over the Respondents and the subject matter of this proceeding.

II. Respondents have had a reasonable opportunity to demonstrate that no action should be taken in his matter.

III. Respondents enter voluntarily into this agreement with the Commission.

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

1. John Vandenberge for Congress was the principal campaign committee of John Vandenberge, a candidate for the U.S. House of Representatives from the Sixth Congressional District of Maryland in the 1986 election cycle.

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2. Stephen P. Poulos is the treasurer of John Vandenberge for Congress.

3. Vandenberge Enterprises, Inc. (AKA John Vandenberge, D.D.S., P.A.) is a corporation owned by John and Linda Vandenberge.

4. Linda Vandenberge is a person under 2 U.S.C. § 431(11).

5. The Federal Election Campaign Act of 1971, as amended ("the Act"), prohibits a political committee from knowingly accepting a contribution from a corporation. 2 U.S.C. § 441b(a). The Act states that the term "contribution" includes a loan. 2 U.S.C. § 431(8)(A)(i).

6. The Act states that no person shall make contributions to any candidate and his or her authorized political committees with respect to any election for federal office which, in the aggregate, exceed $1,000. 2 U.S.C. § Section 441a(a)(1)(A). The Act prohibits a political committee from knowingly accepting a contribution made in violation of section 441a. 2 U.S.C. § 441a(f).

7. Commission regulations state that the term "loan" includes a guarantee, endorsement, and any other form of security. 11 C.F.R. § 100.7(a)(1)(i). Commission regulations further provide that each endorser or guarantor shall be deemed to have contributed that portion of the total amount of the loan for which he or she agreed to be liable in the written

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agreement, or, in the absence of such written stipulation, the loan shall be considered a loan by each endorser or guarantor in the proportion to the unpaid balance that each bears to the total number of endorsers or guarantors. 11 C.F.R. § 100.7(a)(1)(i)(C).

8. On March 26, 1986, John Vandenberge transferred $10,000 from the bank account of Vandenberge Enterprises, Inc. to the personal joint checking account of John and Linda Vandenberge. On that same date, Respondents accepted a loan of these funds.

9. On March 31, 1986, John Vandenberge transferred $17,000 from the bank account of Vandenberge Enterprises, Inc. to the personal joint checking account of John and Linda Vandenberge. On that same date, Respondents accepted a loan of these funds.

10. On May 16, 1986, John and Linda Vandenberge received a $40,000 loan from the Mercantile Safe Deposit & Trust Company. John and Linda Vandenberge were co-makers on the loan agreement and there were no other signatories. On that same date, Respondents accepted the loan proceeds in connection with the primary election. Respondents have contended throughout these proceedings that the loan was obtained and the proceeds contributed to the committee, in part, in order to repay the loans from Vandenberge Enterprises, Inc., that the bank required Linda Vandenberge's signature on

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the loan, and that Linda Vandenberge was not aware that becoming co-maker on the loan would result in her making a contribution to the committee.

V. 1. Respondents accepted $27,000 in corporate contributions from Vandenberge Enterprises, Inc. (AKA John Vandenberge, D.D.S., P.A.) in violation of 2 U.S.C. § 441b(a).

2. Respondents contend that the violations were not knowing and willful.

VI. Respondents accepted a $20,000 contribution from Linda Vandenberge in violation of 2 U.S.C. § 441a(f).

VII. Respondent will pay a civil penalty to the Federal Election Commission in the amount of One Thousand Dollars ($1,000.00), pursuant to 2 U.S.C. § 437g(a)(5)(A), such penalty to be paid as follows:

1. One initial payment of $400.00 due on the first day of the second month after the respondents receive a copy of the ratified agreement.

2. Thereafter, three consecutive monthly installment payments of $200.00 each;

3. Each installment shall be paid on the first day of the month in which it becomes due;

4. In the event that any installment payment is not received by the Commission by the fifth day of the month in which it becomes due, the Commission may, at its discretion, accelerate the remaining payments and cause the entire amount to become due upon ten days written notice to the respondent.

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Failure by the Commission to accelerate the payments with regard to any overdue installment shall not be construed as a waiver of its right to do so with regard to future overdue installments.

VIII. The Commission, on request of anyone filing a complaint under 2 U.S.C. § 437g(a)(1) concerning the matters at issue herein or on its own motion, may review compliance with this agreement. If the Commission believes that this agreement or any requirement thereof has been violated, it may institute a civil action for relief in the United States District Court for the District of Columbia.

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

X. This Conciliation Agreement constitutes the entire agreement between the parties on the matters raised herein, and no other statement, promise, or agreement, either written or

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oral, made by either party or by agents of either party, that is not contained in this written agreement, shall be valid.

FOR THE COMMISSION:

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner JB
Lois G. Lerner
Associate General Counsel

May 24, 1990
Date

FOR THE RESPONDENTS:

John Vandenberg, Pres.
(Name)
(Position)

May 7, 1990
Date

(Vandenberg Enterprises, Inc)
(AKA John Vandenberg M.D.S., P.A.)

00040791323

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

May 24, 1990

John Vandenberge, D.D.S.
3446 Arcadia Drive
Ellicott City, Maryland 21043

RE: MUR 2522
Linda Vandenberge

Dear Mr. Vandenberge:

On May 22, 1990, the Federal Election Commission accepted the signed conciliation agreement submitted by you on behalf of Linda Vandenberge in settlement of a violation of 2 U.S.C. § 441a(a)(1)(A), a provision of the Federal Election Campaign Act of 1971, as amended. Accordingly, the file has been closed in this matter.

This matter will become a part of the public record within 30 days. If you wish to submit any factual or legal materials to appear on the public record, please do so within ten days. Such materials should be sent to the Office of the General Counsel. Please be advised that information derived in connection with any conciliation attempt will not become public without the written consent of the respondent and the Commission. See 2 U.S.C. § 437g(a)(4)(B). The enclosed conciliation agreement, however, will become a part of the public record.

Enclosed you will find a copy of the fully executed conciliation agreement for your files. If you have any questions, please contact Jeffrey Long, the staff member assigned to this matter, at (202) 376-5690.

Sincerely,

Lawrence M. Noble
General Counsel

Lois G. Lerner

BY: Lois G. Lerner
Associate General Counsel

Enclosure
Conciliation Agreement

90040791324

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 2522
Linda Vandenberge)

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL
90 MAY 16 PM 4: 10

CONCILIATION AGREEMENT

This matter was initiated by the Federal Election Commission ("Commission"), pursuant to information ascertained in the normal course of carrying out its supervisory responsibilities. The Commission found probable cause to believe that Linda Vandenberge ("Respondent") violated 2 U.S.C. § 441a(a)(1)(A).

NOW, THEREFORE, the Commission and the Respondent, having duly entered into conciliation pursuant to 2 U.S.C. § 437g(a)(4)(A)(i), do hereby agree as follows:

I. The Commission has jurisdiction over the Respondent and the subject matter of this proceeding.

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

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

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

1. Linda Vandenberge is a person under 2 U.S.C. § 431(11).

2. John Vandenberge for Congress ("the Committee") was the principal campaign committee for John Vandenberge, a candidate for the U.S. House of Representatives from the Sixth Congressional District of Maryland in the 1986 election cycle. John Vandenberge is Respondent's husband.

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3. The Federal Election Campaign Act of 1971, as amended ("the Act"), states that no person shall make contributions to any candidate and his or her authorized political committees with respect to any election for federal office which, in the aggregate, exceed $1,000. 2 U.S.C. § 441a(a)(1)(A).

4. The Act states that the term "contribution" includes a loan. 2 U.S.C. § 431(8)(A)(i). Commission regulations state that the term "loan" includes a guarantee, endorsement, and any other form of security. 11 C.F.R. § 100.7(a)(1)(i). Commission regulations further provide that each endorser or guarantor shall be deemed to have contributed that portion of the total amount of the loan for which he or she agreed to be liable in the written agreement, or, in the absence of such written stipulation, the loan shall be considered a loan by each endorser or guarantor in the proportion to the unpaid balance that each bears to the total number of endorsers or guarantors. 11 C.F.R. § 100.7(a)(1)(i)(C).

5. On May 16, 1986, John and Linda Vandenberge received a $40,000 personal, unsecured loan from the Mercantile Safe Deposit & Trust Company. John and Linda Vandenberge were co-makers on the loan agreement and there were no other signatories. On that same date, the loan proceeds were contributed to the Committee in connection with the primary election.

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6. Respondent contends that the bank loan was obtained in accordance with the bank's policy, which required her signature on the loan agreement. Respondent also contends that since her husband was the income producer and she a housewife, the loan transaction that resulted in this matter was inadvertent, as it was never her intention to contribute $20,000 to the campaign as a result of her signing the loan agreement. Respondent further contends that the bank loan was obtained and the proceeds provided to the campaign in order for the campaign to repay loans made to it from the corporate funds of Vandenberge Enterprises, Inc.

V. 1. Respondent contributed $20,000 to the Committee in connection with the primary election in violation of 2 U.S.C. § 441a(a)(1)(A).

2. Respondent contends that the violation was not knowing and willful.

VI. Respondent will pay a civil penalty to the Federal Election Commission in the amount of Five Hundred Dollars ($500.00), pursuant to 2 U.S.C. § 437g(a)(5)(A), such penalty to be paid as follows:

1. One initial payment of $200.00 due on the first day of the second month after the respondents receive a copy of the ratified agreement.

2. Thereafter, three consecutive monthly installment payments of $100 each;

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3. Each installment shall be paid on the first day of the month in which it becomes due;

4. In the event that any installment payment is not received by the Commission by the fifth day of the month in which it becomes due, the Commission may, at its discretion, accelerate the remaining payments and cause the entire amount to become due upon ten days written notice to the respondent. Failure by the Commission to accelerate the payments with regard to any overdue installment shall not be construed as a waiver of its right to do so with regard to future overdue installments.

VII. The Commission, on request of anyone filing a complaint under 2 U.S.C. § 437g(a)(1) concerning the matters at issue herein or on its own motion, may review compliance with this agreement. If the Commission believes that this agreement or any requirement thereof has been violated, it may institute a civil action for relief in the United States District Court for the District of Columbia.

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

IX. This Conciliation Agreement constitutes the entire agreement between the parties on the matters raised herein, and no other statement, promise, or agreement, either written or

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oral, made by either party or by agents of either party, that is not contained in this written agreement, shall be valid.

FOR THE COMMISSION:

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Lois G. Lerner
Associate General Counsel

May 24, 1990
Date

FOR THE RESPONDENT:

John Vandenberg, Pres.
(Name)
(Position)

May 7, 1990.
Date

(Vandenberg Enterprises, Inc
AKA John Vandenberg D.D.S., P.A.)

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RECEIVED
FEDERAL ELECTION COMMISSION
MAIL ROOM

90 JUN -5 PM 12:02

Lmz

John Vandenberge, D.D.S.
3446 Arcadia Dr.
Ellicott City, Md. 21043

May 28, 1990

Mr. Lawrence M. Noble
General Counsel
Federal Election Commission
Washington, D.C. 20463

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL

90 JUN -5 PM 3:43

Re: MUR 2522

Dear Mr. Noble:

Please add the following paragraph to the public record part on our case:

> "Respondents submit that the violation was a legal technicality, of which we were not aware; it was unintentional and had no effect on the outcome of the campaign. It was also reported early by the Treasurer of the Committee, voluntarily and in full, including the correction of the violation."

Thank you.

Yours truly,

John Vandenberge, D.D.S.

JV:lv

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THIS IS THE END OF MUR # 2522

DATE FILMED 6/22/90 CAMERA NO. 4

CAMERAMAN AS

9004079133 1

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THE FOLLOWING DOCUMENTATION IS ADDED TO

THE PUBLIC RECORD IN CLOSED MUR 2522.

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RECEIVED
FEDERAL ELECTION COMMISSION
MAIL ROOM

90 JUN -5 PM 02

John Vandenberge, D.D.S.
3446 Arcadia Dr.
Ellicott City, Md. 21043

May 28, 1990

CLOSED

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL

90 JUN -5 PM 3:43

Mr. Lawrence M. Noble
General Counsel
Federal Election Commission
Washington, D.C. 20463

Re: MUR 2522

Dear Mr. Noble:

Please add the following paragraph to the public record part on our case:

> "Respondents submit that the violation was a legal technicality, of which we were not aware; it was unintentional and had no effect on the outcome of the campaign. It was also reported early by the Treasurer of the Committee, voluntarily and in full, including the correction of the violation."

Thank you.

Yours truly,

John Vandenberge, D.D.S.

JV:lv

9004030039

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THE FOLLOWING DOCUMENTATION IS ADDED TO

THE PUBLIC RECORD IN CLOSED MUR 2502.

9004081209 5

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 6, 1990

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

John Vandenberge, D.D.S.
3446 Arcadia Drive
Ellicott City, Maryland 21043

CLOSED

RE: MUR 2522
John Vandenberge for
Congress and Stephen J.
Poulos, as treasurer

Dear Mr. Vandenberge:

On May 22, 1990, the Federal Election Commission and John Vandenberge for Congress and Stephen J. Poulos, as treasurer, entered into a conciliation agreement in settlement of violations of 2 U.S.C §§ 441b(a) and 441a(f). According to the agreement, you were required to pay a civil penalty of $1,000. The conciliation agreement provided for installment payments, with your first payment due on July 1, 1990, and additional payments due on the first day of each successive month, until October 1, 1990.

According to Commission records, none of your payments have been received. Please be advised that, pursuant to 2 U.S.C. § 437g(a)(5)(D), violation of any provision of the conciliation agreement may result in the institution of a civil suit for relief in the United States District Court. Unless we receive the payments from you in five days, this Office will recommend that the Commission file suit to remedy this violation.

If you believe the Commission's records are in error, or if you have any questions, please contact Jeffrey Long, the staff member assigned to this matter, at (202) 376-5690.

Sincerely,

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Associate General Counsel

9 0 4 0 3 1 2 0 9 6

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 6, 1990

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

John Vandenberge, D.D.S.
3446 Arcadia Drive
Ellicott City, Maryland 21043

RE: MUR 2522
Linda Vandenberge

Dear Mr. Vandenberge:

On May 22, 1990, the Federal Election Commission and Linda Vandenberge entered into a conciliation agreement in settlement of violation of 2 U.S.C. § 441a(a)(1)(A). According to the agreement, you were required to pay a civil penalty of $500. The conciliation agreement provided for installment payments, with your first payment due on July 1, 1990, and additional payments due on the first day of each successive month, until October 1, 1990.

According to Commission records, none of your payments have been received. Please be advised that, pursuant to 2 U.S.C. § 437g(a)(5)(D), violation of any provision of the conciliation agreement may result in the institution of a civil suit for relief in the United States District Court. Unless we receive the payments from you in five days, this Office will recommend that the Commission file suit to remedy this violation.

If you believe the Commission's records are in error, or if you have any questions, please contact Jeffrey Long, the staff member assigned to this matter, at (202) 376-5690.

Sincerely,

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Associate General Counsel

9004081297

OGC 8742

Realty Dimensions, Inc.

803 LIGHT STREET
BALTIMORE, MD 21230
(301) 730-0412 • (301) 332-0485

President: Jerry M. Noel, CPM

MUR
3532

CLOSED

Nov.19, 1990.

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL
90 NOV 26 PM 4:01

F.E.C.
Mr. Jeffrey Long
Washington, D.C. 20463

Dear Sir:

Pursuant to our phone conversation of a few days ago, I am enclosing herewith a check for $500.00 as part of the amount I owe. As discussed, I expect to be able to send $500.00 each month hereafter untill the whole bill is paid. We have still experienced some cashflow problems, but things are looking up and I fully expect to be able to meet my obligation to you.

Thank you for your patience and understanding.

Yours truly,

John Vandenberge, D.D.S.

Encl. $500.00. check.

90 NOV 23 AM 9:42

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

Nov. 26, 1990

TWO WAY MEMORANDUM

TO: Fabrae Brunson
OGC, Docket

FROM: Philomena Brooks PB
Accounting Technician

SUBJECt: Account Determination for Funds Received

We recently received a check from Dr. John Vandenberge, check number 6064, dated Nov. 18, 1990, and in the amount of $ 500.00. Attached is a copy of the check and any correspondence that was forwarded. Please indicate below the account into which it should be deposited, and the MUR number and name.

==========

TO: Philomena Brooks
Accounting Technician

FROM: Fabrae Brunson FB
OGC, Docket

In reference to the above check in the amount of $ 500, the MUR number is 2532 and in the name of John Vandenberge. The account into which it should be deposited is indicated below:

✓ Budget Clearing Account (OGC), 95F3875.16

__ Civil Penalties Account, 95-1099.160

__ Other: _____

Fabrae Brunson
Signature

11/26/90
Date

DR. JOHN VANDENBERGE
MRS. LINDA D. VANDENBERGE
3446 ARCADIA DR.
ELLICOTT CITY, MD 21043

6064

11/18 1990

65-105
550

Pay to the order of F.E.C. $ 500.00

Five hundred and no/100 Dollars

COMMERCIAL & FARMERS BANK
ELLICOTT CITY, MARYLAND 21043

Memo MUR2522

⑆055001054⑆6064 ⑈0374758⑈06

DELUXE WALLET

0 0 4 0 1 1 0 0

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THE FOLLOWING DOCUMENTATION IS ADDED TO

THE PUBLIC RECORD IN CLOSED MUR 2522

9104084376 6

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

May 14, 1991

CLOSED

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

John Vandenberge, D.D.S.
3446 Arcadia Drive
Ellicott City, Maryland 21043

RE: MUR 2522

Dear Mr. Vandenberge:

On May 22, 1990, the Federal Election Commission and you entered into a conciliation agreement in settlement of violation of 2 U.S.C. § 441a(a)(1)(A). According to the agreement, you were required to pay a civil penalty of $2,000.00. The conciliation agreement provided for installment payments, with your first payment due on July 1, 1990, and additional payments due on the first day of each successive month, until October 1, 1990.

According to Commission records, only $1,500.00 of your payments have been received. Please be advised that, pursuant to 2 U.S.C. § 437g(a)(5)(D), violation of any provision of the conciliation agreement may result in the institution of a civil suit for relief in the United States District Court. Unless we receive the payments from you in five days, this Office will recommend that the Commission file suit to remedy this violation.

If you believe the Commission's records are in error, or if you have any questions, please contact Jeffrey Long, the staff member assigned to this matter, at (202) 376-5690.

Sincerely,

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Associate General Counsel

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