



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THIS IS THE BEGINNING OF MUR # 3625

DATE FILMED 8-30-94 CAMERA NO. 2

CAMERAMAN JM/H

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SEP 20 10 17 AM '92

JAMES H. GILMARTIN
Candidate 25th Congressional District
20611 Soledad Canyon Road
Santa Clarita, California 91351-2491

MUR 3625

OFFICE OF GENERAL COUNSEL Telephone (805) 251-8484 Fax (805) 251-8318
FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463
ATTN: COMPLAINT DIVISION

COMPTROLLER OF THE CURRENCY
250 E. STREET S.W.
WASHINGTON, D.C. 20219
ATTN: STEPHEN STEINBRINK, ACTING COMPTROLLER

92 SEP 28 PM 4:01
FEDERAL ELECTION COMMISSION
D-FIC1

Gentlemen:

I am the **DEMOCRATIC NOMINEE** for the 25th CONGRESSIONAL DISTRICT in California. The **REPUBLICAN CANDIDATE** is **HOWARD MCKEON**, who is also **CHAIRMAN OF THE BOARD OF VALENCIA NATIONAL BANK**, and a member of **HOWARD AND PHILS**, of 47 western clothing stores. He apparently derives income from both sources.

We have just received a copy of the **OUTLOOK** produced by **VALENCIA NATIONAL BANK** and it contains an article that covers "**MCKEON PURSUES HOUSE SEAT**" and "**MC KEON FOR CONGRESS**" on the back page. According to local newspaper stories, this article has been published and sent not only to shareholders but to all account customers of **VALENCIA NATIONAL BANK** of at least 3,000 individuals.

It is our feeling that this is a **DIRECT VIOLATION** of **FEC 114.2 (d)** when the bank sent copies of the **OUTLOOK** to all the customers. We feel that this should be stopped by the candidate and the **BANK** should be estopped and fined for this violation of election laws. We see no difference whether if **BANK OF AMERICA** sent this to all of their million customers or where a local bank distributes it to all of its account customers in local Congressional district.

We are **FILING ATTACHED NOTARIZED COMPLAINT** and asking that the **FEC** open its investigation into this matter **FORTHWITH** and immediately bar the **VALENCIA NATIONAL BANK** under the **CHAIRMAN OF HOWARD MCKEON** from issuing further statements pending clearance of the **FEC**.

Very truly yours:

JAMES H. GILMARTIN

Encl: **FEC COMPLAINT, NOTARIZED PLUS THREE (3) copies**, copy of newspaper article on issuance of letter and copies of letters to editor

IBM MCKEONCO.COM

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OFFICE OF GENERAL COUNSEL
FEDERAL ELECTION COMMISSION
WASHINGTON D.C., 20463

MUR 3625

SEPTEMBER 21, 1992

RE: VIOLATION OF SECTION 114, 114.1, 114.2, 114.3

U.S. CONGRESS - 25TH CD
CALIFORNIA

IT IS REQUESTED AN IMMEDIATE AND COMPLETE INVESTIGATION BE INITIATED BY YOUR ORGANIZATION INTO VIOLATIONS OF FEDERAL ELECTION COMMISSION REGULATIONS, SECTIONS 114, 114.1, 114.2 AND 114.3 BY THE REPUBLICAN NOMINEE FOR THE 25TH CD CONGRESSIONAL RACE IN CALIFORNIA, AND TO INCLUDE IN SUCH INVESTIGATION VIOLATIONS OF LAW BY A FEDERALLY INSURED NATIONAL BANK, VALENCIA NATIONAL BANK.

REPUBLICAN NOMINEE, HOWARD "BUCK" MCKEON, IS A FOUNDER AND IS ACTIVELY SERVING AS THE CHAIRMAN OF THE BOARD OF VALENCIA NATIONAL BANK.

VALENCIAL NATIONAL BANK, BY VIRTUE OF BEING A FEDERALLY INSURED NATIONAL BANKING INSTITUTION, LOCATED AT 23920 W VALENCIAL BLVD, VALENCIA CALIFORNIA 91395, IS BOUND UNDER THE REGULATIONS OF THE COMMISSION AS TO ELECTIONEERING PROCEDURES.

ENCLOSED FIND A BANK AUTHORIZED PUBLIC PUBLICATION, ENTITLED "VALENCIA NATIONAL BANK, OUTLOOK", SECOND QUARTER 1992.

THIS PUBLICATION, DISPERSED WITH MONTH END BANK STATEMENTS TO ITS DEPOSITORS AND GIVEN TO THE PUBLIC AT LARGE, CLEARLY VIOLATES THE REGULATIONS AND SECTIONS SET FORTH IN THOSE REGULATIONS

SPECIFIC REFERENCE IS MADE TO SECTION 114.2 (a), "NATIONAL BANKS, OR CORPORATIONS ORGANIZED BY AUTHORITY OF ANY LAW OF CONGRESS, ARE PROHIBITED FROM MAKING A CONTRIBUTION OR EXPENDITURE, AS DEFINED IN SECTION 114.1 (a), IN CONNECTION WITH ELECTION TO ANY POLITICAL OFFICE, INCLUDING LOCAL, STATE AND FEDERAL OFFICES" ET"

SUBSECTION (c) STATES, "A CANDIDATE, POLITICAL COMMITTEE, OR OTHER PERSON IS PROHIBITED FROM KNOWINGLY ACCEPTING OR RECEIVING ANY CONTRIBUTION PROHIBITED BY THIS SECTION.

SUBSECTION (d) STATES, " NO OFFICER OR DIRECTOR OF ANY CORPORATION OR ANY NATIONAL BANK, AND NO OFFICER OF ANY LABOR ORGANIZATION SHALL CONSENT TO ANY CONTRIBUTION OR EXPENDITURE BY THE CORPORATION, NATIONAL BANK, OR LABOR ORGANIZATION PROHIBITED BY THIS SECTION

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RECEIVED
FEDERAL ELECTION COMMISSION

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PAGE 2, FEDERAL ELECTION COMMISSION
SEPTEMBER 21

THE ENCLOSURE IS CLEAR EVIDENCE OF VIOLATIONS OF LAW BY BOTH VALENCIA NATIONAL BANK, ITS DIRECTORS, AND ITS CHAIRMAN OF THE BOARD AND FOUNDING MEMBER OF THE BANK, HOWARD "BUCK" MCKEON, THE REPUBLICAN NOMINEE FOR U S CONGRESS, 25TH CD.

I FIND THIS BLATANT ABUSE OF POWER, PRIVELEDGE AND AUTHORITY BY A FEDERALLY INSURED BANKING INSTITUTION AND ITS CHAIRMAN OF THE BOARD, WHICH RESULTED IN CLEAR VIOLATIONS OF THE LAW, ARE A DISGRACE TO THE VOTERS OF THE 25TH CONGRESSIONAL DISTRICT.

IT SHOULD ALSO BE NOTED AND INVESTIGATED, THAT A PAST DIRECTOR AND FOUNDING MEMBER OF VALENCIA NATIONAL BANK, MR WILLIAM WALSH IV, MAY HAVE BEEN THE AUTHOR UNDER THE NAME OF "BILL WALSH", OF A LETTER TO THE ANTELOPE VALLEY PRESS ON OR ABOUT MARCH 11, 1992. THIS LETTER ATTACKED THE REPUBLICAN OPPONENT OF MR MCKEON DURING THE PRIMARY ELECTION PROCESS. THIS ACTION VIOLATES SECTION 114.2 OF THE REGULATIONS AND IS ENCLOSED AS ADDENDUM B. IT HAS BEEN STATED THAT MR WALSH IS THE ATTORNEY OF MR MCKEON AND HAS OFFICES IN LANCASTER, CALIFORNIA. (ENCOMPASSED BY THE 25TH CD)

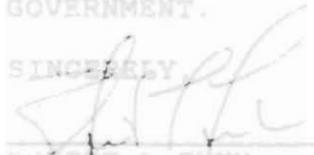
ANOTHER FOUNDER LISTED IN THE ANNUAL REPORT OF VALENCIA NATIONAL BANK REFLECTS "KESTLER AND WALSH PROPERTIES". PERHAPS COINCIDENTAL, HOWEVER, PERHAPS UNLIKELY, THAT THE TWO MR "WALSH'S" ARE LINKED TOGETHER, ALTHOUGH I HAVE NO SPECIFIC KNOWLEDGE THAT BEING THE CASE.

THIS LETTER OF COMPLAINT AND DEMAND FOR INVESTIGATION IS BEING FORWARDED IN AMPLE TIME FOR A PROPER TIME FRAME TO ALLOW FOR THE INVESTIGATION, WITH RESULTS REVEALED, PRIOR TO THE NOVEMBER 3 ELECTION.

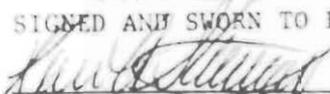
THIS IS NOT TO BE CONSIDERED A "NEGATIVE" HIT PIECE DESIGNED FOR THE BENEFIT OF THE ELECTION, BUT RATHER AS A TAXPAYER DESTINED TO PAY OFF THE BANKING INSTITUTIONS FIASCO AND THE ARROGANT ABUSE OF POWER BY OFFICERS OF THOSE BANKING INSTITUTIONS, ESPECIALLY ONE ASPIRING FEDERAL OFFICE.

VIOLATIONS OF LAW BY BOTH ELECTED OFFICIALS AND THOSE SEEKING OFFICE CANNOT BE TOLERATED ANY MORE, AND ONLY THROUGH TIMELY AND THOROUGH INVESTIGATIONS OF VIOLATOR COMPLAINTS, CAN CONFIDENCE BE RESTORED IN OUR SACRED INSTITUTIONS OF GOVERNMENT.

SINCERELY,


ROBERT L. FUNK
17246 GARZA DRIVE
SAUGUS, CA 91350



SIGNED AND SWORN TO BEFORE ME SEPTEMBER 22,
1992

Kari A. Steinwart

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CERTIFICATE OF ACKNOWLEDGEMENT

STATE OF CALIFORNIA
COUNTY OF Los Angeles } S.S.

On September 22, 1992 before me,

Kari A. Steinwart

a Notary Public in and for said County and State, personally appeared
Robert L. Funk

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal

Signature



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Make Phil Wyman

get a real job

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Phil Wyman is a disappointment. I have been one of his supporters in the past (attended his barbeques, fund raisers, etc.). I will not support him again. The Antelope Valley Press in its issue of Thursday, February 27 reported that Assemblyman Wyman was one of 12 legislators who made a needless "junket" to Washington, D.C., to attend a U.S. Supreme Court hearing on Proposition 13. The arrogance of the man - that Phil Wyman of Tehachapi could influence the justices of the Supreme Court by his mere presence is political ego of the worst kind. The fact that he would attempt to interfere with the U.S. Constitution's mandated "checks and balances" process is even more disturbing.

The Valley Press reported that the Assemblyman used a combination of political campaign and taxpayer's funds to pay for the trip. In a subsequent edition Phil denied the use of taxpayer's funds, but did not deny his use of campaign funds. My fellow Republicans did not contribute to Phil's Assembly campaigns so that he could visit Washington.

I am told that Phil has now moved his legal residence from

Tehachapi to Lancaster. He can no longer seek election to the Assembly because of State mandated "term limits." Unfortunately, Phil now wants to represent our interests in Washington. He requests our funds and votes so that he can represent the newly created congressional district. He does not have my support. I have had it with career politicians.

Buck McKeon, a successful businessman from Santa Clarita, has also entered the congressional race. I will support Buck. Buck is not a career politician. He already has a job. He serves as the Chairman of the Board of Valencia National Bank, a bank he helped create, and is one of the co-owners of the Howard and Phil's Western Wear chain. Buck has lived in the 25th Congressional District most of his adult life. He did not move here to seek election.

I can support a man who has been successful in business, who is not a career politician, and who has a strong record of community service. I feel more comfortable voting for a man who has a job than a man (like Assemblyman Wyman) who has lost his political job. State law has ended Wyman's political career at the state level. Let's give Phil a change to go back to work in the private sector. It might help his growth to have a real job.

Bill Walsh
Lancaster

3-11-92
AUP

McKeon critics cry foul over newsletter

By DOUGLAS ALGER
Signal staff writer

SANTA CLARITA — Critics of Congressional candidate Howard "Buck" McKeon say a recent Valencia National Bank newsletter supporting him is in possible violation of federal election codes.

McKeon, Republican candidate for the new 25th Congressional District and chairman of the Valencia National Bank, was featured in the institution's quarterly "Outlook" publication distributed throughout August.

An 11-paragraph article, with a photograph of bank President Robert Manly congratulating McKeon for his success in the primary and wishing him success in the Nov. 3 election.

"With McKeon in Congress, the Santa Clarita Valley will be able to rest assured that its future is in the hands of someone dedicated to the economic success of businesses in

the community, and the protection and improvement of the quality of life for all residents," the article concluded.

Critics say the item is illegal because federal law restricts national banks from making a contribution or expenditure regarding a federal election.

"That's a clear violation of the Federal Election Code," said James Gilmartin, Democratic candidate for the 25th Congressional District and a lawyer.

"I have two problems with the mailer," said Rick Pamplin, Independent candidate in the political race. "Number one, I think it violates the Federal Elections Code on campaign contributions. Number two, I think it shows the roots of Buck McKeon as a banker."

Pamplin had previously called for McKeon to step down from his post as chairman of the bank board, saying it is a conflict of interest.

See FEC, page A3

FEC

Continued from page A1

Gail Prisker, editor of the Outlook publication, said the 1992 second quarter issue was distributed to approximately 400 shareholders, 3,000 account-holders and was available at the bank.

Not everyone objects to the article. Some say the newsletter carries no advertising and is no different than if a newspaper carries an article about an individual.

"We here at the bank support Buck," said Prisker. "It helps our image in the community that our chairman of the board is running for political office."

"I can tell you it was not done by us, or by our prerogative," said Armando Azaragoza, McKeon's campaign manager who was interviewed for the newsletter story. "I don't know what their editorial rationale for doing it was."

"That might be true, except McKeon is the chairman of the board," said Gilmartin. "He's bending every rule there is, and that bothers me."

Fred Eiland, spokesman for the Federal Elections Commission, said the commission would not comment on a situation unless a complaint was filed.

He did, however, offer a definition of what the code means when it refers to a contribution for a campaign.

"A contribution is anything of value," Eiland said.

Both Gilmartin and Pamplin said they plan to file a complaint about the item with the Federal Election Commission.

"I thought it was extremely partisan," said Gilmartin. "I just think he's exceeding the limits, and the bank's exceeding the limits."

"I think it leaves a bad taste in everyone's mouth," Pamplin said.

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VALENCIA NATIONAL BANK

Outlook

SECOND QUARTER, 1992

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Bank President Robert Manley (left) congratulates Bank Chairman Buck McKeon on his success in the Congressional primary. Photo by Gary Choppe'

McKeon Pursues House Seat

Congratulations to Valencia National Bank Chairman, Howard P. "Buck" McKeon, on his successful bid in the primary, toward the goal of securing a Congressional seat.

McKeon successfully competed against five other Republicans in the June primary for the Republican spot on the ballot this fall. The 25th congressional district, which includes the Santa Clarita Valley, is a new district, born out of new district lines drawn this year, therefore, there was no incumbent candidate.

McKeon, who has chaired our board since the bank organized more than five years ago, will compete against local democratic candidate James Gilmartin this November, for the Congressional position.

If elected, McKeon is committed to traveling to the district each month to gather information on the needs and concerns of the community to take back to Congress, as well as bringing information from the Capitol to the community, on bills and measures that affect us here.

His plans include holding regular forums in the area, and arranging for interviews with government officials via radio and cable television, according to his campaign manager, Armando

continued on back

Increase in earnings posted for second quarter

Valencia National Bank continues to build on a strong foundation, with continued profitability and plans for expansion.

Second quarter net earnings increased 9% to \$137,815, (27 cents per share), compared to \$126,530, (25 cents per share), for the same period in 1991. The bank's strong showing for the second quarter, was due to an increase in transaction accounts and the stabilization of interest rates, according to Robert Manley, president and chief executive officer.

Valencia National's loans (net of reserves) increased 4% over the second quarter of last year, to \$37.8 million. Total assets and total deposits remained relatively unchanged from the same period last year, registering in at \$60.8

million and \$53.9 million, respectively.

Profits for the Santa Clarita Valley based bank rose to \$226,125 (44 cents per share) for the year to date, a 5% decrease from the \$238,837 posted last year.

Valencia National Bank is looking forward to the grand opening of its second branch, planned for early fall in the Newhall area. The branch, located at the corner of Lyons Avenue and Peachland Avenue, is currently undergoing extensive remodeling.

Like our Valencia Branch, the Newhall Branch will be a full-service office offering everything from loan and merchant services to a drive-up window and Automated Teller Machine. Businesses and consumers will enjoy the

continued on back

SECOND QUARTER 1992 RESULTS

Assets	\$60,845,984
Deposits	\$53,852,510
Loans	\$37,849,699
Net Income (for quarter)	\$137,815
Net Income (year-to-date)	\$226,125
Earnings per share (year-to-date)	\$.44
Stock price	\$10.00
Book value	\$12.28

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Mortgage Loans Now Available

Valencia National Bank is pleased to announce the addition of another loan product to our growing list of banking services!

Mortgage loans are now available, offering competitive rates, terms, and fees, and the same personalized service that has become our trademark in the community.

"Our customers can rest assured that they are getting all the necessary information up front with no hidden costs or surprises," according to Elizabeth Hopp, Vice President and coordinator of the Bank's mortgage loan program. "Brokers and finance companies are notorious for bait and switch techniques, at the disadvantage of the client."

Valencia National Bank, through a correspondent bank relationship, offers excellent rates and a variety of mortgage programs. At the end of July, rates for a 30 year fixed first trust deed were under 8% for a conventional loan (less than \$202,300), and under 8½% for a jumbo loan (up to \$1 million). The bank requires that the residence be owner-occupied.

Rates are at their lowest in nearly 20 years, making this a perfect time for refinancing as well.

Valencia National Bank continues to provide customers with products and services designed with convenience in mind. Now, with our mortgage loan programs, customers can do all of their business and personal banking under one roof.

Contact Elizabeth Hopp at 259-9900, for more information regarding our mortgage programs.

Bank Parking Update

Valencia National Bank customers and employees can look forward to easier, safer access into the Bank parking lot, with the installation of a traffic signal at the corner of Valencia Boulevard and Town Center Drive.

In conjunction with the opening of the Valencia Town Center mall, scheduled for September, this signal and all other area traffic improvements will be completed by early August, according to Marlee Lauffer from Newhall Land.

In addition to this welcome improvement, bank management has been working closely with City officials in an effort to ease parking congestion experienced by some of our customers in the building parking lot.

Recently, the City repaved and restriped the parking lot, adding a handicapped space near our main entrance. The bank is the only company in the building to have spaces reserved solely for the use of its clients, with seven spaces currently reserved.

Bank management monitors these spaces throughout the day and authorizes parking tickets to non-customers who violate the posted restrictions.

As another courtesy to bank customers, building employees, including bank employees, have been advised to park away from the west side of the building as an accommodation to bank customers.

We appreciate your continued patience, as bank management continues to address this problem.

Second Quarter Earnings Up

continued from front

same friendly, professional, and personalized service that has become our trademark in the financial services industry. Our convenient deposit pick-up service will also be available for Newhall Branch customers.

Throughout the last year the Bank's stock has remained around the \$10.00 per share mark, despite the favorable performance of the Bank and the increased book value per share. This phenomenon is not unique to Valencia National. Most other independent bank

stocks also have been trading at or near book value over the last couple of years. Although the price of the Bank's stock has remained fairly constant over the year, there has generally been a ready market available through Sutro & Co., Inc. Ownership of the Bank remains widespread amongst approximately 400 shareholders, most of whom are customers of the Bank.

Valencia National Bank stock is publicly traded through brokerage firms, including Sutro & Co., Inc., 800-288-2811, and the Valencia Office of Dean Witter Reynolds, Inc., 259-2455.

McKeon for Congress

continued from front

Azarloza. Additionally, an "800" number will be established to answer questions on a continuous basis.

McKeon is anxious to serve on several committees that will best serve his constituency, including: The Small Business Committee, Armed Services Committee, (which involves the aerospace industry), and The Energy and Commerce Committee, (which involves environmental concerns).

If elected, McKeon will be one of

some 125 new Congressmen and women elected to office this year. This large turnover will better facilitate new ideas and initiatives, based on what the population needs and desires.

Prior to redistricting, the Santa Clarita Valley had been divided by several district lines, which created a weak representation at the national level. The election of McKeon to Congress, with his strong ties to, and knowledge of, our community, combined with recent redistricting in the area will benefit the Valley tremendously.

With McKeon in Congress, the Santa Clarita Valley will be able to rest assured

that its future is in the hands of someone dedicated to the economic success of businesses in the community, and the protection and improvement of the quality of life for all local residents.

Good luck Buck!

The Valencia National Bank Outlook is published quarterly for our Shareholders, Customers and Friends.

Editor: Gail Pinskyer

Valencia National Bank

23920 W. Valencia Blvd.

Valencia, CA 91355

805.259.9900

Member FDIC Equal Housing Lender

BOARD OF DIRECTORS



23920 West Valencia Boulevard / Valencia, California 91355
(805) 259-9900 / Fax (805) 259-4133

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Charles B. Albrecq
Land Developer



Eugene P. Burke
President
Burke's Vending and Catering



Kent L. Fortin
Chief Financial Officer
The Applied Companies



Louis A. Garasi
Vice Chairman of the Board
President
Gruber Systems



Richard B. Keysor
Chairman of the Board
The Duplication Group



Robert N. Manley
President
and Chief Executive Officer



Anthony C. Matthes
President
SVI Properties



Howard P. (Buck) McKeon
Chairman of the Board
Vice President
Howard & Phil's Western Wear



Richard A. Patterson
Secretary of the Board
Attorney
Patterson, Norcitt and Berr



Glen H. Rollins
Broker/Owner
R.R. Cable, Inc.



William Walsh IV
Attorney
Kestler and Walsh



Kathy Wiener
President
Country Oaks Escrow

Not Shown, Orville E. Weaver, M.D., Physician

42 5-20-92
**Wyman critic didn't
tell the whole yarn**

Bill Walsh's recent letter to the Forum really should have been a paid political advertisement. I understand Mr. Walsh is Buck McKeon's attorney. Didn't he set up a free luncheon several weeks ago to introduce him to the business community of Antelope Valley?

Walsh's statement that Wyman tried to influence the Justices of the Supreme Court by his mere presence is completely untrue. Our Assemblyman, Phil Wyman filed two friend of the court briefs supporting Proposition 13 at the request of Richard Gann, the son of the late Paul Gann, co-author of Proposition 13. Mr. Walsh should know that this makes Phil a party in the case defending the voters (our decision to enact property tax relief by approving Proposition 13). I certainly hope Assemblyman Wyman's effort will be successful, not just for me, but for all property taxpayers in California.

Since when does Bill Walsh speak for "my fellow Republicans." I was glad to see Phil represent us before the Supreme Court, as well as the American Legal Foundation and everyone else. When the Supreme Court is considering overturning a California law, I'm relieved to have such a capable representative as Assemblyman Phil Wyman.

Bill knows Phil lived in Lancaster, and that Lancaster is a City in the Antelope Valley. Also, the Board of Trade has recognized Tehachapi as part of Antelope Valley.

I would like to know where Bill Walsh and his client stand on Proposition 13.

Buck McKeon was elected to the William S. Hart High School District Board in March 1978 and Phil Wyman was not elected to the Assembly until November

of that year. Who has been a politician the longer?

Bill Walsh knows that the new term limitation does not and would not apply to Assemblyman Wyman's limit on his election to the Assembly until 1996. Bill indicates that is the reason Wyman is running for Congress. Bill calls Phil a career politician. If this were true, why would Phil Wyman be sponsoring legislation to place term limits on California members to Congress.

Phil Wyman was active in Antelope Valley before he became our Assemblyman. When I was president of the Antelope Valley Board of Trade, Phil served as manager. His interest has always been Antelope Valley. Where has Bill Walsh's client's interest been?

We're finally getting a Congressional District for the Antelope Valley and Bill Walsh wants to turn it over to a guy who lives in the Santa Clarita Valley.

By the way, how many loan has Valencia National Bank made up here?

Art Wallace
Palmdal

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(d) May be used for any other lawful purpose, except that, with respect to any individual who is not a Senator or Representative in, or Delegate or Resident Commissioner to, the Congress on the date of the enactment of the Federal Election Campaign Act Amendments of 1979 (January 8, 1980), no such amounts may be converted by any person to any personal use, other than to defray any ordinary and necessary expenses incurred in connection with his or her duties as a holder of Federal office, or to repay to a candidate any loan the proceeds of which were used in connection with his or her campaign.

§ 113.3 Deposits of funds donated to a Federal or State officeholder (2 U.S.C. 432(h)).

All funds donated to a federal officeholder, or State officeholder who is a candidate for federal office, shall be deposited into one of the following accounts:

(a) An account of the officeholder's principal campaign committee or other authorized committee pursuant to 11 CFR part 103.

(b) An account to which only funds donated to an individual to support his or her activities as a holder of federal office are deposited (including an office account).

§ 113.4 Contribution and expenditure limitations (2 U.S.C. 441a).

(a) Any contributions to, or expenditures from an office account which are made for the purpose of influencing a federal election shall be subject to 2 U.S.C. 441a and 11 CFR part 110 of these regulations.

(b) If any treasury funds of a corporation or labor organization are donated to an office account, no funds from that office account may be transferred to a political committee account or otherwise used in connection with a federal election.

PART 114—CORPORATE AND LABOR ORGANIZATION ACTIVITY

- Sec.
- 114.1 Definitions.
- 114.2 Prohibitions on contributions and expenditures.
- 114.3 Disbursements for communications in connection with a Federal election to restricted class.
- 114.4 Expenditures for communications in connection with a Federal election to the restricted class and the general public.
- 114.5 Separate segregated funds.
- 114.6 Twice yearly solicitations.
- 114.7 Membership organizations, cooperatives, or corporations without capital stock.
- 114.8 Trade associations.
- 114.9 Use of corporate or labor organization facilities and means of transportation.
- 114.10 [Reserved]
- 114.11 Employee participation plans.
- 114.12 Miscellaneous provisions.

AUTHORITY: 2 U.S.C. 4310(b), 4310(b), 432, 437(a)(8), 438(a)(8), and 441c.

SOURCE: 41 FR 35955, Aug. 25, 1976, unless otherwise noted.

§ 114.1 Definitions.

(a) For purposes of part 114 and section 12(h) of the Public Utility Holding Company Act (15 U.S.C. 79(h))—

(1) The term *contribution or expenditure* shall include any direct or indirect payment, distribution, loan, advance, deposit, or gift of money, or any services, or anything of value (except a loan of money by a State bank, a federally chartered depository institution (including a national bank) or a depository institution whose deposits and accounts are insured by the Federal Deposit Insurance Corporation, the National Savings and Loan Insurance Corporation, or the National Credit Union Administration, if such loan is made in accordance with 11 CFR 100.7(b)(11)) to any candidate, political party or committee, organization, or any other person in connection with any election to any of the offices referred to in § 114.2(a) or (b) as applicable.

(2) The term *contribution and expenditures* shall not include—

(i) Communications by a corporation to its stockholders and executive or

administrative personnel and their families or by a labor organization to its members and executive or administrative personnel, and their families on any subject.

(ii) Nonpartisan registration and get-out-the-vote campaigns by a corporation aimed at its stockholders and executive or administrative personnel and their families or by a labor organization aimed at its members and executive or administrative personnel, and their families.

(iii) The establishment, administration, and solicitation of contribution to a separate segregated fund to be utilized for political purposes by a corporation, labor organization, membership organization, cooperative, or corporation without capital stock.

(iv) An honorarium, including actual travel and subsistence, as defined in § 110.12.

(v) The sale of any food or beverage by a corporate vendor for use in a candidate's campaign or for use by a political committee of a political party at charge less than the normal of comparable commercial rate, if the charge is at least equal to the costs of such food or beverage to the vendor, to the extent that the aggregate value of such discount by the vendor on behalf of a single candidate does not exceed \$1,000 with respect to any single election, and on behalf of all political committees of each political party does not exceed \$2,000 in a calendar year.

(vi) The payment for legal or accounting services rendered to or on behalf of any political committee of political party other than services attributable to activities which directly further the election of a designate candidate or candidates for Federal office if the corporation or labor organization paying for the services is the regular employer of the individual rendering the services. This exclusion shall not be applicable if additional employees are hired for the purpose of rendering services or if additional employees are hired in order to make regular employees available.

(vii) The payment for legal or accounting services rendered to or on behalf of an authorized committee of a candidate or any other political committee solely for the purpose of ensur-

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administrative personnel and their families or by a labor organization to its members and executive or administrative personnel and their families, on any subject.

(ii) Nonpartisan registration and get-out-the-vote campaigns by a corporation aimed at its stockholders and executive or administrative personnel and their families or by a labor organization aimed at its members and executive or administrative personnel, and their families.

(iii) The establishment, administration, and solicitation of contributions to a separate segregated fund to be utilized for political purposes by a corporation, labor organization, membership organization, cooperative, or corporation without capital stock.

(iv) An honorarium, including actual travel and subsistence, as defined in § 110.12.

(v) The sale of any food or beverage by a corporate vendor for use in a candidate's campaign or for use by a political committee of a political party at a charge less than the normal of comparable commercial rate, if the charge is at least equal to the costs of such food or beverage to the vendor, to the extent that the aggregate value of such discount by the vendor on behalf of a single candidate does not exceed \$1,000 with respect to any single election, and on behalf of all political committees of each political party does not exceed \$2,000 in a calendar year.

(vi) The payment for legal or accounting services rendered to or on behalf of any political committee of a political party other than services attributable to activities which directly further the election of a designated candidate or candidates for Federal office if the corporation or labor organization paying for the services is the regular employer of the individual rendering the services. This exclusion shall not be applicable if additional employees are hired for the purpose of rendering services or if additional employees are hired in order to make regular employees available.

(vii) The payment for legal or accounting services rendered to or on behalf of an authorized committee of a candidate or any other political committee solely for the purpose of ensur-

ing compliance with this Act or chapter 95 or 96 of the Internal Revenue Code of 1954 if the corporation or labor organization paying for the services is the regular employer of the individual rendering the services, but amounts paid or incurred for these services shall be reported in accordance with part 104. This exclusion shall not be applicable if additional employees are hired for the purpose of rendering services or if additional employees are hired in order to make regular employees available.

(viii) Activity permitted under 11 CFR 9008.7 with respect to a presidential nominating convention.

(ix) A gift, subscription, loan, advance, or deposit of money or anything of value to a national committee of a political party or a State committee of a political party which is specifically designated for the purpose of defraying any cost incurred with respect to the construction or purchase of any office facility which is not acquired for the purpose of influencing the election of any candidate in any particular election for Federal office, except that any gift, subscription, loan, advance, or deposit of money or anything of value, and any such cost, shall be reported in accordance with 11 CFR 104.3(g) or

(x) Any activity which is specifically permitted by part 114.

(b) *Establishment, administration, and solicitation costs* means the cost of office space, phones, salaries, utilities, supplies, legal and accounting fees, fund-raising and other expenses incurred in setting up and running a separate segregated fund established by a corporation, labor organization, membership organization, cooperative, or corporation without capital stock.

(c) *Executive or administrative personnel* means individuals employed by a corporation or labor organization who are paid on a salary rather than hourly basis and who have policymaking, managerial, professional, or supervisory responsibilities.

(1) This definition includes—

(i) The individuals who run the corporation's business such as officers, other executives, and plant, division, and section managers, and

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(j) Individuals following the recognized professions, such as lawyers and engineers.

(2) This definition does not include—

(i) Professionals who are represented by a labor organization;

(ii) Salaried foremen and other salaried lower level supervisors having direct supervision over hourly employees;

(iii) Former or retired personnel who are not stockholders; or

(iv) Individuals who may be paid by the corporation or labor organization, such as consultants, but who are not employees within the meaning of 26 CFR 31.3401(c)-1, of the corporation or labor organization for the purpose of income withholding tax on employee wages under Internal Revenue Code of 1954, section 3402.

(3) Individuals on commission may be considered executive or administrative personnel if they have policymaking, managerial, professional, or supervisory responsibility and if the individuals are employees within the meaning of 26 CFR 31.3401(c)-1 of the corporation for the purpose of income withholding tax on employee wages under the Internal Revenue Code of 1954, section 3402.

(4) The Fair Labor Standards Act, 29 U.S.C. 201, et seq. and the regulations issued pursuant to that Act, 29 CFR 541, may serve as a guideline in determining whether individuals have policymaking, managerial, professional, or supervisory responsibilities.

(d) *Labor organization* means any organization of any kind, or any agency or employee representative committee or plan, in which employees participate and which exists for the purpose, in whole or in part, of dealing with employers concerning grievances, labor disputes, wages, rates of pay, hours of employment, or conditions of work.

(e) *Members* means all persons who are currently satisfying the requirements for membership in a membership organization, trade association, cooperative, or corporation without capital stock and in the case of a labor organization, persons who are currently satisfying the requirements for membership in a local, national, or international labor organization. Mem-

bers of a local union are considered to be members of any national or international union of which the local union is a part and of any federation with which the local, national, or international union is affiliated. A person is not considered a member under this definition if the only requirement for membership is a contribution to a separate segregated fund.

(f) *Method of facilitating the making of contributions* means the manner in which the contributions are received or collected such as, but not limited to, payroll deduction or checkoff systems, other periodic payment plans, or return envelopes enclosed in a solicitation request.

(g) *Method of soliciting voluntary contributions* means the manner in which the solicitation is undertaken, including, but not limited to, mailings, oral requests for contributions, and hand distribution of pamphlets.

(h) *Stockholder* means a person who has a vested beneficial interest in stock, has the power to direct how that stock shall be voted, if it is voting stock, and has the right to receive dividends.

(i) *Voluntary contributions* are contributions which have been obtained by the separate segregated fund of a corporation or labor organization in a manner which is in compliance with § 114.5(a) and which is in accordance with other provisions of the Act.

(2 U.S.C. 4318(b)(3); 432(c)(3); 438(a)(8), 441b; 2 U.S.C. 441b, 437d(a)(8).

[41 FR 35955, Aug. 25, 1976, as amended at 44 FR 63045, Nov. 1, 1979; 45 FR 15125, Mar. 7, 1980; 45 FR 21216, Apr. 1, 1980; 46 FR 50508, Nov. 2, 1983.]

§ 114.2 Prohibitions on contributions and expenditures.

(a) National banks, or corporations organized by authority of any law of Congress, are prohibited from making a contribution or expenditure, as defined in § 114.1(a), in connection with election to any political office, including local, State and Federal offices, or in connection with any primary election or political convention or caucus held to select candidates for any political office, including any local, State or Federal office.

Federal Election Commission

(1) Such national banks and corporations may engage in the activities permitted by this part, except to the extent that such activity is foreclosed by provisions of law other than the Act.

(2) The provisions of this part apply to the activities of a national bank or corporation organized by any law of Congress in connection with both State and Federal elections.

(b) Any corporation whatever or any labor organization is prohibited from making a contribution or expenditure, as defined in § 114.1(a), in connection with any Federal election.

(c) A candidate, political committee, or other person is prohibited from knowingly accepting or receiving any contribution prohibited by this section.

(d) No officer or director of any corporation or any national bank, and no officer of any labor organization shall consent to any contribution or expenditure by the corporation, national bank, or labor organization prohibited by this section.

§ 114.3 Disbursements for communications in connection with a Federal election to restricted class.

(a) *General.* (1) A corporation may make communications including partisan communications to its stockholders and executive or administrative personnel and their families on any subject. A labor organization may make communications including partisan communications to its members and executive or administrative personnel and their families on any subject. Corporations and labor organizations may also make the nonpartisan communications permitted under 11 CFR 114.4 to their restricted class or any part of that class. No corporation or labor organization may make contributions or expenditures for partisan communications to the general public in connection with a federal election, and no national bank or corporation organized by authority of any law of Congress may make contributions or expenditures for partisan communications to the general public in connection with any election to any political office including any State or local office.

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(1) Such national banks and corporations may engage in the activities permitted by this part, except to the extent that such activity is foreclosed by provisions of law other than the Act.

(2) The provisions of this part apply to the activities of a national bank or corporation organized by any law of Congress in connection with both State and Federal elections.

(b) Any corporation whatever or any labor organization is prohibited from making a contribution or expenditure, as defined in § 114.1(a) in connection with any Federal election.

(c) A candidate, political committee, or other person is prohibited from knowingly accepting or receiving any contribution prohibited by this section.

(d) No officer or director of any corporation or any national bank, and no officer of any labor organization shall consent to any contribution or expenditure by the corporation, national bank, or labor organization prohibited by this section.

(2) An incorporated membership organization, incorporated trade association, incorporated cooperative or corporation without capital stock may communicate with its members and executive or administrative personnel, and their families, as permitted in 11 CFR 114.3 (a)(1) and (c), and shall report disbursements for partisan communications to the extent required by 11 CFR 100.8(b)(4) and 104.6.

(b) Reporting partisan communications. Disbursements for partisan communications made by a corporation to its stockholders and executive or administrative personnel and their families or by a labor organization to its members and executive or administrative personnel and their families shall be reported to the extent required by 11 CFR 100.8(b)(4) and 104.6.

(c) Means of making partisan communications. The means of making partisan communications for which disbursements must be reported under 11 CFR 114.3(b) include, but are not limited to, the examples set forth in 11 CFR 114.3(c) (1) through (4).

(1) Partisan publications. Printed material of a partisan nature may be distributed by a corporation to its stockholders and executive or administrative personnel and their families or by a labor organization to its members and executive or administrative personnel and their families, provided that:

(i) The material is produced at the expense of the corporation or labor organization; and

(ii) The material constitutes a communication of the views of the corporation or the labor organization, and is not the republication or reproduction in whole or in part, of any broadcast, transcript or tape or any written, graphic, or other form of campaign materials prepared by the candidate, his or her campaign committees, or their authorized agents. A corporation or labor organization may, under this section, use brief quotations from speeches or other materials of a candidate that demonstrate the candidate's position as part of the corporation's or labor organization's expression of its own views.

§ 114.3 Disbursements for communications in connection with a Federal election to restricted class.

(a) General. (1) A corporation may make communications including partisan communications to its stockholders and executive or administrative personnel and their families on any subject. A labor organization may make communications including partisan communications to its members and executive or administrative personnel and their families on any subject. Corporations and labor organizations may also make the nonpartisan communications permitted under 11 CFR 114.4 to their restricted class or any part of that class. No corporation or labor organization may make contributions or expenditures for partisan communications to the general public in connection with a federal election, and no national bank or corporation organized by authority of any law of Congress may make contributions or expenditures for partisan communications to the general public in connection with any election to any political office including any State or local office.

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(2) *Partisan candidate and party appearances.* A corporation may allow a candidate or party representative to address its stockholders and executive or administrative personnel, and their families, at a meeting, convention or other function of the corporation. A labor organization may allow a candidate or party representative to address its members and executive or administrative personnel, and their families, at a meeting, convention or other function of the labor organization. Employees outside the restricted class of the corporation or labor organization who are necessary to administer the meeting, limited invited guests and observers, and representatives of the news media may also be present during a candidate or party representative appearance under this section. The candidate or party representative may ask for contributions to his or her campaign or party, or ask that contributions to the separate segregated fund of the corporation or labor organization be designated for his or her campaign or party. The incidental solicitation of persons outside the corporation's or labor organization's restricted class who may be present at the meeting as permitted by this section will not be a violation of 11 CFR 114.5(g).

(3) *Partisan phone banks.* A corporation may establish and operate phone banks to communicate with its stockholders and executive or administrative personnel, and their families, urging them to register and/or vote for a particular candidate or candidates, and a labor organization may establish and operate phone banks to communicate with its members and executive or administrative personnel, and their families, urging them to register and/or vote for a particular candidate or candidates.

(4) *Partisan registration and get-out-the-vote drives.* A corporation may conduct registration and get-out-the-vote drives aimed at its stockholders and executive or administrative personnel, and their families, or a labor organization may conduct registration and get-out-the-vote drives aimed at its members and executive or administrative personnel, and their families. Registration and get-out-the-vote

drives include providing transportation to the polls. Such drives may be partisan in that individuals may be urged to register with a particular party or to vote for a particular candidate or candidates, but assistance in registering or voting may not be withheld or refused on a partisan basis, and if transportation or other services are offered in connection with a registration or get-out-the-vote drive, such transportation or services may not be withheld or refused on a partisan basis.

(2 U.S.C. 441b, 437c(a)(8))
148 FR 50505, Nov. 2, 1983

§ 114.4 Expenditures for communications in connection with a Federal election to the restricted class and the general public.

(a) *Nonpartisan communications by a corporation or labor organization to its employees or its restricted class—*

(1) *General.* (i) A corporation may make the nonpartisan communications permitted under 11 CFR 114.4 (b) and (c) to its stockholders, executive or administrative personnel, other employees, and their families. A labor organization may make such communications to its members, executive or administrative personnel, other employees, and their families. Communications which a corporation or labor organization may make only to its solicitable class are found at 11 CFR 114.3.

(ii) An incorporated membership organization, incorporated trade association, incorporated cooperative or corporation without capital stock may make the communications permitted under 11 CFR 114.4 (b) and (c) to its members, executive or administrative personnel, other employees, and their families, as provided by 11 CFR 114.4(d). The organizations covered under this section will be treated as corporations for the purpose of making communications to the general public under 11 CFR 114.4 (b) and (c).

(2) *Nonpartisan candidate and party appearances on corporate premises or at a meeting, convention or other function.* Corporations may permit candidates, candidates' representatives or representatives of political parties on corporate premises or at

a meeting, convention, or other function of the corporation to address or meet stockholders, executive or administrative personnel, and other employees of the corporation, and their families, under the conditions set forth in 11 CFR 114.4(a)(2)(i) through (v).

(i) If a candidate for the House or Senate or a candidate's representative is permitted to address or meet employees, all candidates for that seat who request to appear must be given the same opportunity to appear.

(ii) If a Presidential or Vice Presidential candidate or candidate's representative is permitted to address or meet employees, all candidates for that office who are seeking the nomination of a major party or who are on the general election ballot in enough States to win a majority of the electoral votes and who request to appear must be given the same opportunity to appear.

(iii) If representatives of a political party are permitted to address or meet employees, representatives of all political parties which had a candidate or candidates on the ballot in the last general election or which are actively engaged in placing or will have a candidate or candidates on the ballot in the next general election and who request to appear must be given the same opportunity to appear.

(iv) A corporation, its stockholders, executive or administrative personnel, or other employees of the corporation or its separate segregated fund shall make no effort, either oral or written, to solicit or direct or control contributions by members of the audience to any candidate or party in conjunction with any appearance by any candidate or party representative under this section; and

(v) A corporation, its stockholders, executive or administrative personnel or other employees of the corporation or its separate segregated fund shall not, in conjunction with any candidate or party representative appearance under this section, endorse, support or oppose any candidate, group of candidates or political party.

(3) *Nonpartisan candidate and party appearances on labor organization premises or at a meeting, convention or other function.* A labor organi-

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VERIFICATION

STATE OF CALIFORNIA, COUNTY OF

I have read the foregoing

and know its contents.

CHECK APPLICABLE PARAGRAPH

I am a party to this action. The matters stated in the foregoing document are true of my own knowledge except as to those matters which are stated on information and belief, and as to those matters I believe them to be true.

I am an Officer a partner a _____ of _____

a party to this action, and am authorized to make this verification for and on its behalf, and I make this verification for that reason. I am informed and believe and on that ground allege that the matters stated in the foregoing document are true. The matters stated in the foregoing document are true of my own knowledge except as to those matters which are stated on information and belief, and as to those matters I believe them to be true.

I am one of the attorneys for _____ a party to this action. Such party is absent from the county of aforesaid where such attorneys have their offices, and I make this verification for and on behalf of that party for that reason. I am informed and believe and on that ground allege that the matters stated in the foregoing document are true.

Executed on _____, 19____, at _____, California.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Type or Print Name

Signature

PROOF OF SERVICE

WETA (b) CCP Revised 5/1/88

STATE OF CALIFORNIA, COUNTY OF LOS ANGELES

I am employed in the county of _____ LOS ANGELES _____, State of California.

I am over the age of 18 and not a party to the within action; my business address is: _____ 20611 SOLEDAD CANYON ROAD, SANTA CLARITA, CA 91351-2491 _____

On _____ 09/22/____, 19____ 92____, I served the foregoing document described as _____ FEC COMPLAINT, NOTARIZED PLUS (3) COPIES _____

on _____ ALL INTERESTED PARTIES _____ in this action

by placing the true copies thereof enclosed in sealed envelopes addressed as stated on the attached mailing list.

by placing the original a true copy thereof enclosed in sealed envelopes addressed as follows:

OFFICE OF GENERAL COUNSEL, FEDERAL ELECTION COMMISSION, WASHINGTON, D.C. 20463
ATTN: COMPLAINT DIVISION

COMPTROLLER OF THE CURRENCY, 250 E. STREET S.W., WASHINGTON, D.C. 20219

BY MAIL ATTN: STEPHEN STEINBRINK, ACTING COMPTROLLER

*I deposited such envelope in the mail at _____ SANTA CLARITA _____, California. The envelope was mailed with postage thereon fully prepaid.

As follows: I am "readily familiar" with the firm's practice of collection and processing correspondence for mailing. Under that practice it would be deposited with U.S. postal service on that same day with postage thereon fully prepaid at _____ SANTA CLARITA _____, California in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing in affidavit.

Executed on _____ SEPTEMBER 22 _____, 19____ 92____, at _____ SANTA CLARITA _____, California.

*(BY PERSONAL SERVICE) I delivered such envelope by hand to the offices of the addressee.

Executed on _____, 19____, at _____, California.

(State) I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

(Federal) I declare that I am employed in the office of a member of the bar of this court at whose direction the service was made.

JOYCE E. VALVO

Type or Print Name

Signature

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92 SEP 29 AM 9:14



064# 6663

COPY

JAMES H. GILMARTIN
Candidate 25th Congressional District
20611 Soledad Canyon Road
Santa Clarita, California 91351-2491

MUR 3623

Part 2

26 SEPTEMBER 1992

Telephone (805) 251-8484 Fax (805) 251-8318

OFFICE OF GENERAL COUNSEL
FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463
ATTN: COMPLAINT DIVISION

COMPTROLLER OF THE CURRENCY
250 E. STREET S.W.
WASHINGTON, D.C. 20219
ATTN: STEPHEN STEINBRINK, ACTING COMPTROLLER

Gentlemen:

I wrote to both of you with a complaint on FEC violations on 24 September 1992.

I am the DEMOCRATIC NOMINEE for the 25th CONGRESSIONAL DISTRICT in California. The REPUBLICAN NOMINEE is HOWARD MCKEON, who is also CHAIRMAN OF THE BOARD OF VALENCIA NATIONAL BANK, and a member of HOWARD AND PHILS, of 47 western clothing stores.

We have just received a copy of the LOS ANGELES DAILY JOURNAL DATED 18 September 1992 under the heading "CASES TO WATCH." One of the cases pointed out by the legal editors is the case of COX V. LAW OFFICE OF PATTERSON AND NEAVITT, Case # BC 064211 and shown under the title of "UNDUE INFLUENCE."

We note for record purposes that MR. RICHARD A. PATTERSON, is a director, founder, attorney and contributor to MR. MC KEONS campaign and holds the title of SECRETARY OF THE BOARD for VALENCIA NATIONAL BANK. This is the same NATIONAL BANK CORPORATION that the REPUBLICAN NOMINEE is CHAIRMAN OF THE BOARD. This is the same bank where we have filed an FEC charge that the REPUBLICAN NOMINEE campaign manager claims is "frivolous and an attempt by GILMARTIN to sidestep campaign issues" as set out in the DAILY NEWS on 9-24-92. On each issue presented to the REPUBLICAN NOMINEE MR. MC KEON, he has the general answer of "not" knowing anything about the issue especially if it is controversial i.e. the gay rights contributions that were eventually returned, the gambling contributions from the crap dealers in Vegas and the attempt by a NATIONAL BANK, that he is CHAIRMAN OF THE BOARD, to influence a federal election by sending out literature and posed pictures, not only to the shareholders but to every bank thousands of customers on the NATIONAL BANK CONFIDENTIAL records. This is like the BANK of AMERICA endorsing one candidate and sending a posed political picture and article to all of their millions of clients.

We have obtained a copy of a complaint filed against RICHARD PATERSON, the present SECRETARY OF THE VALENCIA NATIONAL BANK, filed against him in an individual capacity, his law office and Does 1 to 25 as the litigation does not mention the

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FEDERAL ELECTION COMMISSION
MAY 11 1992

bank where the account was held. The complaint is self explanatory and covers the issues of: 1. undue influence; 2. Breach of fiduciary duties; 3. Conversion; 4. Fraud and deceit; 5. Malpractice, 6. Civil conspiracy; 7. Intentional infliction of Emotional Distress; 8. Constructive trust; 9. Injunctive relief and 10. Rescission.

We are well aware that a filing of litigation imputes no guilt of any type and that it is up to the court and jury to decide the merits of this case. If MR. PATTERSON was "not" the Secretary of VALENCIA NATIONAL BANK, A FOUNDER, A CONTRIBUTOR TO MR. MC KEONS CAMPAIGN FUND, A DIRECTOR OF THE NATIONAL BANK CORPORATION and still an active member of the board and corporation, we would not bring it to your attention and would assume the bank would report it to you in a normal reporting routine.

We do NOT feel that the acts of the FEDERAL NATIONAL BANK in pushing for the election of MR. MC KEON by a FEDERAL NATIONAL BANK and by its advertising and continued publication of this campaign literature is legal under the present FEC rules and places any candidate that does not own a FEDERAL BANK at a detriment. These rules were to insure fairness and justice for all.

We feel that the additional information obtained goes to the question of director insider loans as indicated in prior letters and who controls the directors in their approval of these loans and why should the directors of any NATIONAL BANK have preference over any individual when they go and apply for a loan from a local NATIONAL BANK.

I do believe additional investigation is required of these facts and that the FEC and COMPTROLLER OF THE CURRENCY owe to the public some explanation of the facts as set forth above.

Very truly yours:

JAMES H. GILMARTIN
DEMOCRATIC NOMINEE FOR CONGRESS, 25TH CONGRESSIONAL DISTRICT

Encl: COPY OF LOS ANGELES DAILY JOURNAL DATED 18 SEPTEMBER 1992

COPY OF LITIGATION IBC 064 211

COPY OF DAILY NEWS ARTICLE DATED 9-24-92

IBM MCKEONBK.COM

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SECTION II

LOS ANGELES COURTS

CASES TO WATCH

FILED

Professional negligence

Robert D. Mowry and Hilary Mowry filed a \$20 million lawsuit against the firm Sidley & Austin, alleging professional negligence, breach of fiduciary duty and breach of contract. In the complaint filed in Los Angeles Superior Court by attorney Steven J. Stanwyck in Los Angeles, the Mowrys contend the firm, through its Los Angeles office, had represented them since 1985 regarding their ownership in several entities, on an investigation of Mowry by the Securities and Exchange Commission and on the organization and structure of their business. The plaintiffs contend they learned Sept. 23, 1991, the firm's actions had fallen below the standard of care of lawyers in Los Angeles because it did not fully inform them of risks or the effect of Mowry entering into a consent decree with the SEC. The Mowrys also contend Sidley & Austin failed to disclose conflicts of interest. *Mowry v. Sidley & Austin*, BC064243 Sept. 16.

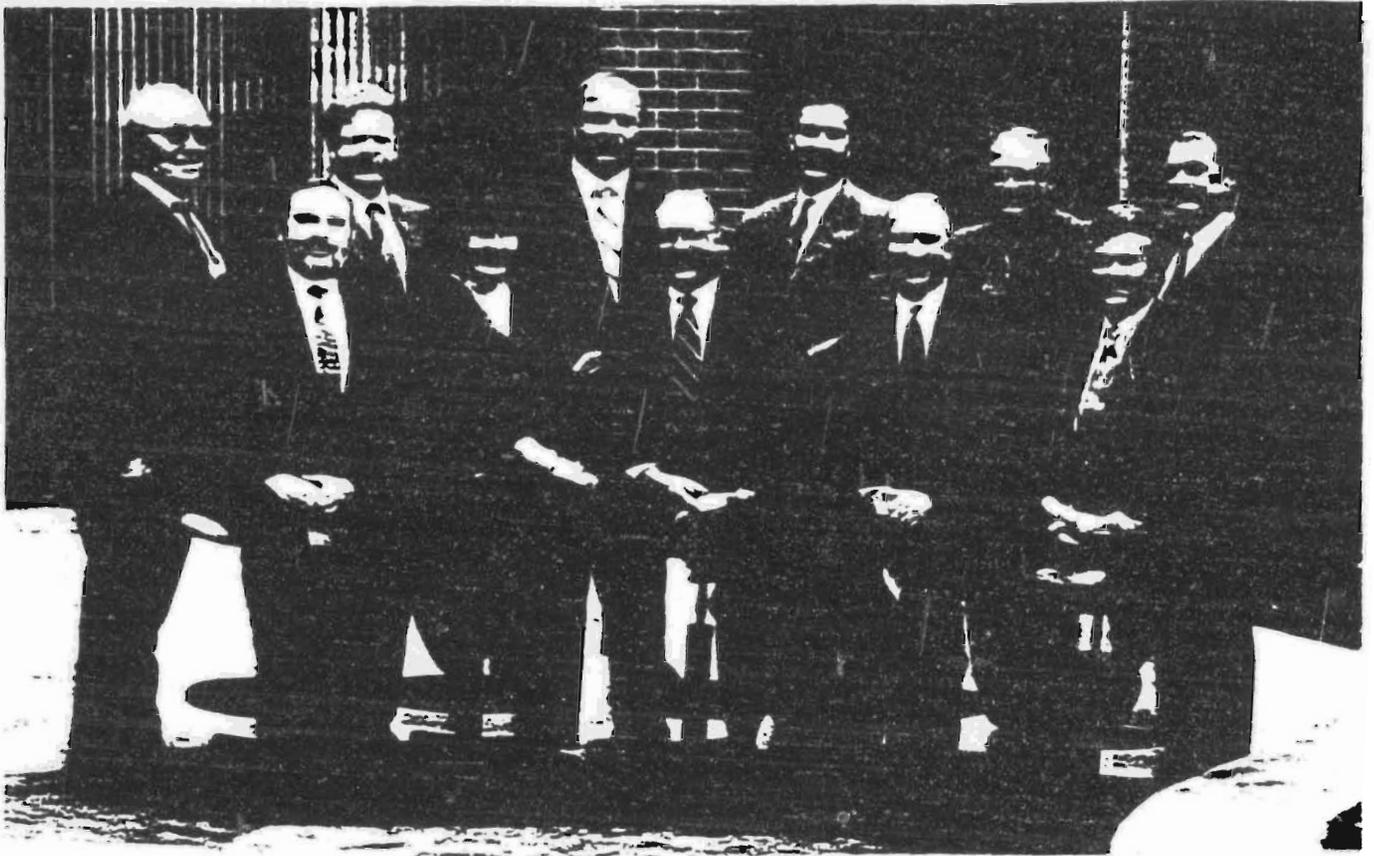
Undue influence: The son and sole surviving heir of a woman sued her lawyer and his firm for more than \$10 million, contending the attorney unduly influenced the woman into making him her primary beneficiary. In the Los

Angeles Superior Court complaint filed by attorney Crystal Russell of Knapp, Petersen & Clarke in Glendale, Rodney R. Cox contends that Richard A. Patterson in 1986 improperly let an attorney who was his personal friend draft the will and trust of Louise Cox Kizer, which named him as the primary beneficiary. Cox contends Peterson did not inform Kizer she could revoke the will and trust at any time and that the attorney actually ignored her request in December 1990 to terminate the trust. Cox is seeking all of the assets from his mother's estate, as well as \$10 million for pain and suffering and unspecified punitive damages. *Cox v. Law Offices of Patterson & Neavitt*, BC064244 Sept. 15.

ON TRIAL

Stealth chemicals: Trial continues in a group of lawsuits filed by former and current Lockheed employees against numerous chemical companies stemming from allegations that the employees were not warned of health dangers from chemicals they used in building the radar-evading F117A stealth fighter. *Orozco v. Lockheed Corp.* HCC30559B, before Judge Melvin B. Grover, Los Angeles Superior Court.

Board of Directors



Standing (from left to right): Eugene P. Burke, Anthony C. Mattness, Charles E. Albrecht, Richard A. Patterson, Orville E. Weaver, M.D., and Kent L. Fortun. Seated (from left to right): Louis A. Garas, Kathi Wiener, Robert N. Manier, Howard P. "Bud" McKeon, and Gert H. Rollins. Not shown: Richard B. Keysor

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Charles E. Albrecht
Land Division

Eugene P. Burke
President
Burke-Venard
Company

Kent L. Fortun
and Finance
The Angus

Louis A. Garas
Vice Chairman of the
Board
President
Crescent

Richard B. Keysor
Chairman of the Board
The Insurance Co. of
North America

Robert N. Manier
President and Chief
Executive Officer
The Angus

Anthony C. Mattness
The Angus

Howard P. "Bud" McKeon
Chairman of the Board
The Angus

Richard A. Patterson
Secretary of the Board
Attorney
Patterson and Neayff

Gert H. Rollins
President-United
K.N. Smith, III

Orville E. Weaver, M.D.
President
The Angus

Kathi Wiener
President
The Angus

SHARP, PETERSEN & CLARKE
Professional Corporation
North Grand Boulevard
Twelfth Floor
Glendale, California 91201-1904
(818) 547-5000

FILED

SEP 15 1982

MADE BY SHARP, PETERSEN & CLARKE
A PROFESSIONAL CORPORATION
BY G. GONZALES, CLERK

Attorneys for Plaintiff RODNEY COX

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES

Case assigned
to Judge CARDENAS

HCING4211

RODNEY RAY COX,
Plaintiff,
v.
LAW OFFICES OF PATTERSON &
HEAVITT, a California
Partnership established for
the practice of law; RICHARD
A. PATTERSON, an individual;
JAMES THOMAS HEAVITT, an
individual; and DOES 1 to 25,
Defendants.

- NO. _____
COMPLAINT FOR:
1) Undue Influence
2) Breach of Fiduciary Duties
3) Conversion
4) Fraud and Deceit
[CC §1710(3)]
5) Repractice
6) Civil Conspiracy
7) Intentional Infliction of
Emotional Distress
8) Constructive Trust
9) Injunctive Relief
10) Rescission

Plaintiff for its cause of action against defendants alleges
as follows:

GENERAL ALLEGATIONS COMMON TO ALL CAUSES OF ACTION

1. All allegations made herein, except paragraphs 1, 2,
20, 21, 24, 49 are made on information and belief.
2. Plaintiff, Rodney Ray Cox is an individual who is
domiciled and resides in Phoenix, Arizona.

3. Plaintiff is informed and believes and thereupon
alleges that Defendant Patterson & Heavitt is a business entity
the exact nature and type of which is unknown to Plaintiff but
believed to be a general partnership made up of Defendants
Richard A. Patterson and James Thomas Heavitt organized under the
laws of the State of California engaged in the practice of law in
Valencia, California, (referred herein as "Law Firm").
4. Defendant Law Firm is a successor in interest to the
law firm of Patterson, Heavitt & Berry, a Professional
Corporation comprised of Richard A. Patterson, James Thomas
Heavitt and Marc H. Berry.
5. Defendant Richard A. Patterson is an individual
licensed to practice law and practicing law in the State of
California (referred to herein as Defendant Patterson).
6. Defendant James T. Heavitt is an attorney practicing
law in the State of California (referred herein as Defendant
Heavitt).
7. Defendants Patterson and Heavitt at all times relevant
hereto herein were engaged in the practice of law in combination
with each other, as either a professional corporation,
partnership or other business entity.
8. Plaintiff is ignorant of the true names and capacities
of defendants sued herein as Does 1-25, inclusive and therefor
sues these defendants by fictitious names. Plaintiff will amend
the complaint to allege their true names and capacities when
ascertained. Plaintiff is informed and believes and therefor
alleges that each of the fictitiously named defendants is
negligent, has acted wilfully or otherwise and is therefore

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SHARP, PETERSEN
& CLARKE

COMMUNICATIONS DIV.

SHARP, PETERSEN
& CLARKE

COMMUNICATIONS DIV.

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responsible in some manner for the occurrence all herein and
of the Plaintiff's damages as alleged in this complaint were
proximately caused by those defendants' acts and/or omissions.

9. At all times relevant hereto Defendants Patterson,
Heavitt and Law Firm were attorneys for Louise Cox Kizer,
handling all of her legal affairs from approximately 1981 after
the death of Oscar Kizer, Mrs. Kizer's husband. Mrs. Kizer died
in Los Angeles on or about June 11, 1992. Plaintiff is Mrs.
Kizer's only child and heir.

10. On or about October of 1986, Mrs. Kizer consulted
Defendants concerning drafting a will and a trust leaving her
entire estate to Defendant Patterson. Defendant Patterson
referred Mrs. Kizer to one or more attorneys to prepare her will
and inter vivos trust which named Defendant Patterson as primary
beneficiary of all of the assets in her estate. In or about
October 8, 1986, an inter vivos trust was drafted which named
Defendant Patterson successor trustee and primary beneficiary.
At or about October 8, 1986, a will was prepared for Mrs. Kizer
which left her entire estate to the trust to be distributed in
accordance with the provisions of the trust. The attorney or
attorneys who prepared said will and trust were personal friends
of Defendant Patterson and/or consulted with Defendant Patterson
on one or more times prior to drafting the will and trust which
left everything to Defendant Patterson.

11. Defendant Patterson encouraged, persuaded, directed or
counseled Louise Cox Kizer to prepare the will and the trust
which named Defendant Patterson as primary beneficiary and in so
doing exercised undue influence over Mrs. Kizer's testamentary

KRAPP, PATTERSON
& CLARKE

CORRECTION COPY 2

disposition. Such undue influence is a breach of Defendants'
fiduciary duties to Mrs. Kizer and to Plaintiff.

12. Defendant Patterson breached his professional duty to
Mrs. Kizer in that he failed and refused to inform Mrs. Kizer:

(a) that she should seek independent counsel of her
choice, not an attorney of Defendant Patterson's choice
acting under his influence and direction to prepare the
will and the trust documents for her;

(b) that neither Defendant Patterson nor any one under
his direction should keep Mrs. Kizer's original
documents and that she should keep the originals
herself;

(c) that Mrs. Kizer had the absolute right at any time
to revoke the will and trust, and that she could do so
by destroying the original documents; and

(d) that Mrs. Kizer was under absolutely no obligation
to leave Defendant Patterson anything under the terms
of her will and trust.

13. In or about October 1986, immediately after the trust
and the will were prepared, on or about October 22, 1986,
Defendant Patterson borrowed \$142,260 from Mrs. Kizer to purchase
a law office building in Valencia, California used by Defendants.
At the time of borrowing said amount from Mrs. Kizer, Defendant
Patterson and Defendant Law Firm were Mrs. Kizer's attorney and
there was at all times an attorney client relationship.

14. Defendant Patterson did not advise Mrs. Kizer in
writing that said loan was a conflict of interest. Defendant
Patterson did not instruct Mrs. Kizer to have the transaction and

Wow!

KRAPP, PATTERSON
& CLARKE

CORRECTION COPY 2

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the documents relating to the transaction reviewed by an independent attorney of Mrs. Kiser's choice. ~~For~~ Mrs. Kiser did not knowingly waive the conflict of interest apparent in making the loan to Defendant Patterson, her attorney.

15. In connection with said loan, Defendant Patterson prepared all the documents, including the promissory note and a deed of trust to secure said promissory note for the \$142,260 loan made by Mrs. Kiser to Defendant Patterson and/or his wholly owned company. Defendant Patterson executed the promissory note and the deed of trust but refused and failed to record such deed of trust thereby protecting his interests to the detriment of his client, Mrs. Kiser.

16. In or about November of 1987, Mrs. Kiser made a loan of approximately \$10,000 to Defendant Heavitt. At the time of said loan, Mrs. Kiser was represented by Defendant Patterson and the Defendant Law Firm in which Defendant Heavitt was a principal. Neither Defendant Patterson nor Defendant Heavitt advised Mrs. Kiser in writing that such loan constituted a conflict of interest and instructed Mrs. Kiser to have the transaction reviewed by an independent attorney of her choice. Mrs. Kiser did not waive the conflict in writing. No security was given by Defendant Heavitt to Mrs. Kiser for this loan.

17. In or about 1988, Defendant Law Firm and Defendant Patterson transferred assets from Mrs. Kiser to Mrs. Kiser's trust. This transfer was a conflict of interest because at the time the transfer was made, Defendant Patterson was the primary beneficiary under the terms of the will and the trust. Notwithstanding the conflict of interest, Defendant Patterson did

SHARP PATTERSON & CLARKE

not the advise Mrs. Kiser of the conflict of interest in this transaction in writing, she was not instructed to get counsel of her choice and she did not give her informed consent to this conflict of interest in writing.

18. In or about December of 1990, Mrs. Kiser wrote a letter to Defendant Patterson instructing Defendant Patterson to change the terms of the trust, telling him that it was time to end the trust. Defendant Patterson took no action to terminate the trust or to incorporate Mrs. Kiser's changes into a modification or amendment to the trust instrument. At all times Defendant Patterson acted to protect his interest to the detriment of Mrs. Kiser and Plaintiff herein.

19. In or about April of 1991 Mrs. Kiser had a stroke which left her disabled and unable to handle her affairs. From and after that time, Defendant Patterson failed and refused to provide adequate care and treatment for Mrs. Kiser using Mrs. Kiser's own funds.

20. In or about June of 1992 at the time of Mrs. Kiser's death, Defendant Patterson first told Plaintiff to remove whatever Plaintiff wanted from the contents of Mrs. Kiser's house. However, during such removal, Defendant Patterson threatened to eject Plaintiff and to lock Plaintiff out which would leave Plaintiff and Plaintiff's two minor children with no place to spend the night. Only later did Defendant Patterson allow Plaintiff to remain and take possession of the rest of Mrs. Kiser's personal belongings.

21. On or about July 10, 1992 and again on August 5, 1992, Plaintiff demanded that Defendants return all of Mrs. Kiser's

SHARP PATTERSON & CLARKE

Letter?

NO CARLE

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to him. However, Defendants have failed to disclose to Plaintiff herein all or any portion of Mrs. Kizer's estate assets to Plaintiff herein.

FIRST CAUSE OF ACTION

(Undue Influence)

(Against All Defendants)

22. Plaintiff realleges and incorporates herein paragraphs 1 through 21 above as if they were set forth completely herein.

23. Commencing from and after 1981 Defendant Patterson took more and more control of Mrs. Kizer's affairs putting Mrs. Kizer in various business ventures wherein Defendant Patterson also had a business interest. Defendant Patterson never advised Mrs. Kizer that such transactions were a conflict of interest and that she should have the services of independent counsel of her choice to advise her. Defendant Patterson never received Mrs. Kizer's waiver of such conflicts of interest in writing.

24. During the period of time commencing some time after 1981, Defendant Patterson started to develop a personal relationship with Mrs. Kizer wherein he encouraged Mrs. Kizer to look upon him as her son and his children as her grandchildren. Such actions were all in an effort to further gain influence over Mrs. Kizer and to discourage Mrs. Kizer from a loving relationship with Plaintiff.

25. Defendant Patterson sent Mrs. Kizer to one or more attorneys that Defendant Patterson knew and recommended to Mrs. Kizer to draft her will and trust. Said attorneys were selected by Defendant Patterson and were under Defendant

KRAPP, PATTERSON
& CLARKE

CORRECTIONAL INSTITUTION

Patterson's control, suggestion and influence.

26. Defendant Patterson never advised Mrs. Kizer that she could terminate the trust and the will if she changed her mind, and in fact, withheld such information from Mrs. Kizer because it was not in Defendant Patterson's best interest. Mrs. Kizer relied upon, looked to and was guided by Defendant Patterson in all aspects of her life.

27. In or about 1988 Defendant Law Firm and Defendant Patterson transferred from Mrs. Kizer to Mrs. Kizer's trust, certain assets while Defendant Patterson and Law Firm were attorneys for and representing Mrs. Kizer in an attorney client relationship. Such transfers were made to the trust by Defendants Patterson and Law Firm even though such transfers constituted a conflict of interest because at the time the transfers were made Defendant Patterson was the primary beneficiary under both the trust and the will. Notwithstanding the fact that Defendant Patterson was primary beneficiary, Defendant Patterson did not advise Mrs. Kizer in writing of the conflict of interest, recommend that she go to impartial counsel of her choice and obtain from Mrs. Kizer her written waiver of the conflict.

28. In or about 1987 through and including up to the time of Mrs. Kizer's death in 1992, Defendant Patterson remained Mrs. Kizer's attorney handling all of her legal affairs. Defendant Patterson put Mrs. Kizer into several business deals with Defendant Patterson including but not limited to: (a) an unsecured loan for \$142,000 as well as other unsecured loans to Defendant Patterson; (b) a loan by Mrs. Kizer to Defendant

Business Trust?

KRAPP, PATTERSON
& CLARKE

CORRECTIONAL INSTITUTION

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H.S.

Horses?

VALENCIA NATIONAL BANK

1 Result in the amount of \$10,000 which loan was unsecured;
 2 investment of approximately \$60,000 by Mrs. E. [redacted] a horse
 3 breeding limited partnership which investment is highly
 4 speculative for a woman of Mrs. Kizer's age, health and
 5 resources; (d) investment in Valencia National Bank which bank
 6 was formed by Defendant Patterson and in which he serves on the
 7 board of directors; (e) investment in Del Taco Limited
 8 Partnership, an investment of a speculative nature; (f)
 9 residential rental property; (g) speculative real estate
 10 development.

11 29. Defendant Patterson urged Mrs. Kizer to use one or
 12 more financial advisors, such advisors were friends, clients or
 13 other persons under the control and direction of Defendant
 14 Patterson. These financial advisors put Mrs. Kizer in a wide
 15 variety of business deals wherein Defendant Patterson was also a
 16 participant, investor, and/or principal.

17 30. At all times, Defendant Patterson urged Mrs. Kizer into
 18 investments which were not beneficial to Mrs. Kizer's best
 19 interests or were not sound bona fide third party investments.
 20 All said investments were done without expressly advising
 21 Mrs. Kizer to seek independent counsel or financial advice.

22 31. Defendant's undue influence and overreaching resulted
 23 in Mrs. Kizer leaving her entire estate to Defendant Patterson
 24 under the terms of the trust and the will and disinheriting
 25 Plaintiff except for \$1,000. At the time of death, Mrs. Kizer's
 26 estate was in excess of \$1,000,000.

27 32. Defendant's misconduct and undue influence proximately
 28 caused Plaintiff damages in an amount of at least the value of

SHIPP, PATTERSON & CLARKE

CIVIL NO. 87-01

9

1 the estate of Mrs. Kizer, or as proven at the time of trial.
 2 33. Defendants have caused Plaintiff to experience pain and
 3 emotional suffering, depression, loss of sleep and other serious
 4 consequences of Defendants' acts as alleged herein.

5 34. The conduct alleged herein by Defendants was
 6 intentional, outrageous, willful and deceitful and was done with
 7 the intention of depriving Plaintiff of his property or legal
 8 rights to the property by way of inheritance from his mother's
 9 estate thereby causing Plaintiff's injury. Such conduct is
 10 outrageous, despicable and subjected Plaintiff to cruel and
 11 unjust hardship, and was in conscious disregard of Plaintiff's
 12 rights so as to justify award of exemplary or punitive damages in
 13 an amount to be determined at trial.

SECOND CAUSE OF ACTION

(Breach of Fiduciary Duty - Fraud)

(Against Defendants Patterson, Nesvitt & Law Firm)

14 15. Plaintiff realleges and reincorporates all the
 16 allegations contained in paragraphs 1 through 34 above as if set
 17 forth completely and further alleges as follows:

18 16. California Probate Code § 16440 (former Civil Code
 19 § 2274) makes a breach of fiduciary duties as set forth in the
 20 Probate Code sections 16000 through 16100 (former California
 21 Civil Code §§ 2230 through 2233) actionable as fraud.

22 17. Defendant Patterson at all times relevant herein acted
 23 to protect his own business, financial, property or personal
 24 interests to the detriment of Mrs. Kizer's interest and/or that
 25 of her son, Plaintiff herein.

SHIPP, PATTERSON & CLARKE

CIVIL NO. 87-01

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1 38. Said conduct constituted a conflict of interest between
2 Plaintiff Law Firm and Defendant Patterson and Mrs. Kiser. Said
3 conflict of interest was never described in writing to Mrs. Kiser
4 nor was Mrs. Kiser advised to consult with independent counsel of
5 her own choice for advice and review of the documents. Defendant
6 Patterson did not have Mrs. Kiser waive the conflict in writing.

7 39. Defendants at all times protected, or attempted to
8 protect their own interests or the interests of each other to the
9 detriment of Mrs. Kiser and her heirs.

10 40. Defendant's breach of fiduciary duty as herein alleged
11 resulted in damage to Plaintiff in an amount equal to the value
12 of Mrs. Kiser's estate at the time of her death estimated to be
13 in excess of the amount of \$1,000,000.

14 41. Defendants have caused Plaintiff to experience pain and
15 emotional suffering, depression, loss of sleep and other serious
16 consequences of Defendants' acts as alleged herein.

17 42. Defendants' breach of trust as herein alleged was done
18 with the intention of depriving Plaintiff of his property or the
19 legal right to inherit his mother's estate, thereby causing
20 Plaintiff injury.

21 43. Such breach of their fiduciary duty by Defendants
22 herein is despicable conduct that subjects Plaintiff to cruel and
23 unjust hardship and is in conscious disregard of Plaintiff's
24 rights so as to justify award of exemplary or punitive damages in
25 an amount to be determined at trial.

26 //
27 //
28 //

SHARP PETERSON
& CLARKE

COBBLER/VERMONT, INC.

24043562845

1 THIRD CAUSE OF ACTION

2 (Conversion)

3 (Against Defendants Patterson & Law Firm)

4 44. Plaintiff realleges and incorporates herein all the
5 allegations as contained in paragraphs 1 through 43 above as set
6 forth completely and further alleges as follows:

7 45. At all times mentioned, Plaintiff is the rightful heir
8 at law of all assets of Louise Kiser Cox estate and but for the
9 wrongful acts as herein alleged above, Plaintiff would have
10 inherited all properties as the sole heir.

11 46. On or about July 10, 1992 and August 5, 1992, Plaintiff
12 demanded that Defendant Patterson and Defendant Law Firm return
13 all assets belonging to Mrs. Kiser. Defendant Patterson and
14 Defendant Law Firm have failed and refused and continue to fail
15 and refuse to deliver such assets to Plaintiff herein.

16 47. As a proximate result of Defendant's conversion of
17 Plaintiff's inheritance, Plaintiff has been damaged in an amount
18 in excess of \$1,000,000 or the value of Mrs. Kiser's estate
19 according to proof at trial.

20 48. Defendants have caused Plaintiff to experience pain and
21 emotional suffering, depression, loss of sleep and other serious
22 consequences of Defendants' acts as alleged herein.

23 49. Between the time Defendants' conversion of the
24 above-mentioned property to their own use and the filing of this
25 action, Plaintiff has expended attorney's fees and other costs in
26 attempting to obtain his legal interest in Mrs. Kiser's estate,
27 all to Plaintiff's further damage in an amount to be determined
28 at trial.

SHARP PETERSON
& CLARKE

COBBLER/VERMONT, INC.

30. The aforementioned acts of Defendants were willful, malicious and oppressive and were taken with the intent to defraud. Such acts justify the awarding of exemplary and punitive damages in an amount to be determined at trial.

FOURTH CAUSE OF ACTION

(Fraud and Deceit - Civil Code § 1710(3))

(Against Defendants Patterson, Heavitt & Law Firm)

51. Plaintiff realleges and incorporates herein all allegations as contained in paragraphs 1 through 41 above as if set forth completely and further alleges as follows:

52. At all times relevant herein, Defendant Patterson had a duty to disclose to Mrs. Kizer all facts and circumstances surrounding his conflicts of interest in the various business dealings he had with Mrs. Kizer. Defendant Patterson had a further duty to instruct Mrs. Kizer to retain the services of an independent attorney to advise her with respect to the conflicts of interest. Finally, Defendant Patterson was required to have Mrs. Kizer waive the conflicts of interest in writing. Defendant Patterson failed and refused to perform these duties.

53. The failure to disclose the conflicts of interest as is set forth above in paragraph 52 constitutes deceit under Civil Code section 1710(3) "the suppression of a fact by one who is bound to disclose it"

54. Defendants' misconduct proximately caused Plaintiff damages in an amount not less than the value of the estate of Mrs. Kizer, or as proven at the time of trial.

55. Defendants have caused Plaintiff to experience pain and

EMMA PATTERSON
& CLARKE

CALIFORNIA CIVIL RIGHTS ACT

emotional suffering, depression, loss of sleep and other serious consequences of Defendants' acts as alleged herein.

56. Plaintiff is entitled to punitive damages under California Code 3294 as Defendants' conduct is intentional, outrageous and willful. Defendants subjected Plaintiff to cruel and unjust hardship in conscious disregard of Plaintiff's rights justifying an award of exemplary and punitive damage in an amount to be determined at trial.

FIFTH CAUSE OF ACTION

(Malpractice)

(Against Defendants Patterson, Heavitt & Law Firm)

57. Plaintiff realleges and incorporates herein all allegations as contained in paragraphs 1 through 41 above as if set forth completely and further alleges as follows:

58. At or about December of 1990, Mrs. Kizer instructed Defendant Patterson that she wanted to change her trust and will. At all times after December, 1990, Defendant Patterson failed to exercise reasonable care and diligence in executing Mrs. Kizer's wishes by modification of the trust and will to make provisions for her son including, inter alia negligently and carelessly refusing to draft the amendment and/or modification to the will; negligently or carelessly failing to follow up with Mrs. Kizer to assure that the will and the trust reflected her testamentary desires and otherwise failing to protect and adequately insure that Plaintiff's interests were taken care of.

59. In rendering legal services to Mrs. Kizer, Defendant Law Firm and Defendant Patterson failed to exercise reasonable

EMMA PATTERSON
& CLARKE

CALIFORNIA CIVIL RIGHTS ACT

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skill and prudence in following Mrs. Kizer's directions.

40. Defendants' misconduct proximately caused Plaintiff damages in an amount not less than the value of the estate of Mrs. Kizer, or as proven at the time of trial.

61. Defendants have caused Plaintiff to experience pain and emotional suffering, depression, loss of sleep and other serious consequences of Defendants' acts as alleged herein.

SIXTH CAUSE OF ACTION

(Civil Conspiracy)

(Against All Defendants)

42. Plaintiff hereby incorporates by reference all foregoing paragraphs as if fully set forth herein and alleges further as follows:

43. Plaintiff is informed and believes and thereupon alleges that in or about 1981 through 1987, Defendants entered into a conspiracy by either explicitly or tacitly agreeing that Law Firm and Doe Defendants would represent Mrs. Kizer and see to it that all of Mrs. Kizer's assets were transferred to Defendant Richard A. Patterson.

44. Plaintiff is informed and believes and thereupon alleges that in or about October of 1986 Defendants and each of them knowingly and wilfully conspired among themselves and with one or more Doe Defendants to draft wills and trusts for Mrs. Kizer naming Defendant Patterson as the primary beneficiary and said conspiracy was designed solely for the purposes of wrongfully furthering the interest of co-conspirators and Defendant Richard Patterson.

EMERY PETERSEN & CLARKE

COURT REPORTER

45. Defendants and each of them acted in furtherance of the conspiracy by engaging in conduct described above including without limitation preparing legal documents constituting the will and trust for Mrs. Kizer.

46. Plaintiff is informed and believes and thereupon alleges that Defendants and each of them did the acts alleged above pursuant to and in furtherance of the conspiracy and agreement among the co-conspirators.

47. Defendants' misconduct proximately caused Plaintiff damages in an amount not less than the value of the estate of Mrs. Kizer, or as proven at the time of trial.

48. Defendants have caused Plaintiff to experience pain and emotional suffering, depression, loss of sleep and other serious consequences of Defendants' acts as alleged herein.

49. The acts and omissions of Defendants as described above constitute despicable conduct and fraud, oppression or malice committed with conscious or deliberate disregard of Plaintiff's rights, entitling Plaintiff to an award of punitive or exemplary damages.

SEVENTH CAUSE OF ACTION

(Intentional Infliction of Emotional Distress)

(Against all Defendants)

50. Plaintiff realleges the allegations contained in paragraphs 1 through 49 above and incorporate them herein as though set forth in full and further alleges as follows:

51. Defendants engaged in extreme, outrageous and malicious conduct for the purpose of intentionally inflicting emotional

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COURT REPORTER

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1 duress upon Plaintiff and to protect their own interests with
2 total disregard for the interests or rights which may flow to

3
4 72. As a direct result of the intentional and malicious
5 conduct of Defendants, Plaintiff has suffered severe emotional
6 distress all to his detriment in an amount not fully ascertained
7 but to be proven at the time of trial. Defendants have caused
8 Plaintiff to experience pain and emotional suffering, depression,
9 loss of sleep and other serious consequences of Defendants' acts
10 as alleged herein.

11 73. Conduct of Defendants was intentional, malicious and
12 oppressive as described above and was extreme and outrageous
13 towards Plaintiff and is the result of malicious and oppressive
14 conduct by Defendants which therefore entitles Plaintiff to
15 punitive or exemplary damages in an amount to be proven at trial.

16 EIGHTH CAUSE OF ACTION

17 (Constructive Trust)

18 (Against Defendant Patterson)

19
20 74. Plaintiff realleges and incorporates herein the
21 allegations contained in paragraphs 1 through 71 above as though
22 set forth completely and further alleges:

23 75. All of the assets of Mrs. Kiser's estate are in the
24 care, custody and control of Defendants Law Firm, Patterson &
25 Heavitt. There is a great likelihood that such assets will be
26 determined to belong to the Plaintiff. Therefore, Plaintiff
27 requests that a constructive trust and an accounting be imposed
28 upon all Defendants with respect to all of Mrs. Kiser's assets to

EMERY PETERSEN
vs. CLARENCE

EMERY PETERSEN

17

1 prevent Defendants from transferring, disposing or otherwise
2 encumbering Mrs. Kiser's assets during the pendency of this
3 trial.

4 76. A constructive trust is necessary and proper to prevent
5 Defendants from dissipating Mrs. Kiser's assets.

6 77. Plaintiff has no adequate remedy at law as once the
7 property is dissipated Plaintiff will be unable to recover any of
8 the property including heirlooms and jewelry which belonged to
9 Mrs. Kiser and were in her family for generations upon
10 information and belief. Defendant Patterson kept this jewelry in
11 his safe located in his office at his Law Firm.

12 78. Plaintiff will be irreparably injured if a constructive
13 trust is not issued and that the Defendants will be allowed to
14 further profit from their own wrongdoing and improper acts to the
15 further harm of Plaintiff.

16
17 NINTH CAUSE OF ACTION

18 (Injunctive Relief)

19 (Against Defendant Patterson)

20
21 79. Plaintiff realleges and incorporates herein the
22 allegations contained in paragraphs 1 through 78 above as though
23 set forth completely and further alleges:

24 80. All of the assets of Mrs. Kiser's estate are in the
25 care, custody and control of Defendants Law Firm, Patterson &
26 Heavitt. There is a great likelihood that such assets will be
27 dissipated during the pendency of the trial of this matter and
28 Plaintiff will be deprived of the assets of his mother's estate.
Therefore, Plaintiff requests that a preliminary injunction be

EMERY PETERSEN
vs. CLARENCE

EMERY PETERSEN

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1 (upon ordering the defendants not to transfer, dispose of, sell
 2 or otherwise convey any of the assets comprising of Mrs. Kizer's
 3 estate pending the trial of this matter
 4 A preliminary injunction is necessary and proper
 5 prevent Defendants from dissipating Mrs. Kizer's assets
 6
 7 82. Plaintiff has no adequate remedy at law as once the
 8 property is dissipated Plaintiff will be unable to recover any of
 9 the property including heirlooms and jewelry which belonged to
 10 Mrs. Kizer and were in her family for years.
 11
 12 83. Plaintiff will be irreparably injured if an injunction
 13 is not issued and that the Defendants will be allowed to further
 14 profit from their own wrongdoing and improper acts to the further
 15 harm of Plaintiff.

16 TENTH CAUSE OF ACTION

17 (Reclusion)

18 (Against Defendants Patterson, Heavitt & Law Firm)

19 84. Plaintiff realleges the allegations contained in
 20 paragraphs 1 through 84 above and incorporates them herein as if
 21 set forth completely and further alleges as follows:
 22
 23 85. Plaintiff claims that Defendants Patterson, Law Firm
 24 and Heavitt breached their fiduciary obligations to Mrs. Kizer in
 25 that all transactions between Defendants and Mrs. Kizer are or
 26 were obtained without adequate consideration and as the result of
 27 undue influence.
 28
 29 86. Former California Civil Code section 2235 creates a
 30 statutory presumption that transactions between a trustee and the
 31 beneficiary are presumed to have been entered into without

KNAPT, PETERSEN & CLARKE

COUNTERCLAIM OF

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32 sufficient consideration and under undue influence. Said section
 33 was replaced and recodified in Probate Code section 16004(c)
 34 which provides that transaction between a fiduciary and
 35 beneficiary during the existence of the relationship is a
 36 violation of the trustee's duty and is therefore, voidable at the
 37 election of the beneficiary.
 38
 39 87. Plaintiff seeks to void all transactions and business
 40 relationships between Defendant Patterson, Defendant Law Firm,
 41 Defendant Heavitt and Mrs. Kizer on the grounds and for the
 42 reasons that said transactions are without adequate consideration
 43 and the result of undue influence.

44
 45 Wherefore, Plaintiff prays for judgment against Defendants
 46 as follows:
 47 1. For the value of all assets in Mrs. Kizer's estate under
 48 counts 1 - 7;
 49 2. For mental pain and suffering in the amount of \$10,000,000
 50 under counts 1 - 7;
 51 3. For punitive or exemplary damages to be determined at trial
 52 on counts 1 - 4, 6 - 7;
 53 4. For the imposition of a constructive trust and an accounting
 54 under count 8;
 55 5. For a permanent injunction under count 9;
 56 6. For an order rescinding all transfers and business dealings
 57 between Louise Cox Kizer and her attorney, Defendant Patterson
 58 and Defendant Law Firm count 10;
 59 7. For Plaintiff's costs and attorneys' fees hereunder;
 60 8. For such other and further relief as is deemed proper.

61 DATED: September 14, 1980 KNAPT, PETERSEN & CLARKE

62
 63
 64 By Crystal H. Russell
 65 CRYSTAL RUSSELL
 66 Attorneys for Plaintiff
 67 BOWEN BAY COX

rs devise test for genetic defects in days.

THE SANTA CLARITA Daily News

9/24/94 ✓

Gilmartin files complaint against GOP opponent



James Gilmartin Says article violated election law

By Denis Wolcott
Daily News Staff Writer

James Gilmartin, the Democratic candidate for the 25th Congressional District, filed a complaint Wednesday claiming that the bank chaired by his GOP opponent violated federal election laws concerning corporate contributions.

The complaint, filed with the Federal Election Commission, concerns a story about Republican Howard "Buck" McKeon that appeared in the quarterly newsletter of Valencia National Bank, which McKeon has chaired since its in-

ception five years ago.

"The distribution of this newsletter went beyond the limits of national law. I would have no problem if it was just distributed to shareholders, but it went to all customers," Gilmartin said in a telephone interview.

Armando Azariloza, McKeon's campaign manager, said the complaint was frivolous and an attempt by Gilmartin to sidestep campaign issues.

Bank spokeswoman Gail Pnsker said the organization had complied

See COMPLAINT / Page 2

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Newsletter article may have violated law

COMPLAINT / From Page 1

with the law.

"There was no solicitation of contributions in this article," she said.

The Federal Election Commission refused to comment on the complaint until a decision is reached, which will likely occur after the Nov. 3 general election, a spokesman said.

In addition to McKeon and Gilmartin, candidates for the 25th District include independent Rick Parnis, Peace and Freedom Party candidate Nancy Lawrence, Green Party candidate Charles Winken and Libertarian Peggy Christensen.

The district spans the Santa Clara and Antelope valleys and part of the San Fernando Valley.

Gilmartin claims that Valencia National Bank and McKeon violated federal election law when the bank published a story in its "Outlook" newsletter congratulating McKeon on his June primary victory.

The letter was given to bank customers and is available at bank offices for anyone to pick up.

Federal election law prohibits banks, unions and other organizations from distributing election-related communications to persons outside their organizations, said Fred Eiland, an FEC spokesman.

"As long as it stays within that particular organization's own group, it's OK," Eiland said.

Gilmartin said he believes there is a violation because the newsletter is available to anyone walking into a Valencia National Bank.

Gilmartin also questions the propriety of McKeon, as the bank's chairman, allowing bank money to be spent on any partisan communication.

Azariloza said the bank's marketing department — not McKeon — came up with the idea for the story.

"It's not an endorsement; it's a feature story," Azariloza said.

VERIFICATION

STATE OF CALIFORNIA, COUNTY OF

I have read the foregoing

and know its contents.

CHECK APPLICABLE PARAGRAPH

I am a party to this action. The matters stated in the foregoing document are true of my own knowledge except as to those matters which are stated on information and belief, and as to those matters I believe them to be true.

I am an Officer a partner a of

a party to this action, and am authorized to make this verification for and on its behalf, and I make this verification for that reason. I am informed and believe and on that ground allege that the matters stated in the foregoing document are true. The matters stated in the foregoing document are true of my own knowledge except as to those matters which are stated on information and belief, and as to those matters I believe them to be true.

I am one of the attorneys for

a party to this action. Such party is absent from the county of aforesaid where such attorneys have their offices, and I make this verification for and on behalf of that party for that reason. I am informed and believe and on that ground allege that the matters stated in the foregoing document are true.

Executed on _____, 19____, at _____, California.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Type or Print Name

Signature

PROOF OF SERVICE

JDPA (3) CCP Revised 5/1/88

STATE OF CALIFORNIA, COUNTY OF

LOS ANGELES

I am employed in the county of _____ LOS ANGELES _____, State of California.

I am over the age of 18 and not a party to the within action; my business address is:

20611 SOLEDAD CANYON ROAD, SANTA CLARITA, CA 91351-2491

On 09/24/____, 19_92_, I served the foregoing document described as

COMPLAINT FILED AGAINST THE LAW OFFICE OF PATTERSON & NEAVITT, CASE

NUMBER BC 064211

on ALL INTERESTED PARTIES in this action

- by placing the true copies thereof enclosed in sealed envelopes addressed as stated on the attached mailing list.
- by placing the original a true copy thereof enclosed in sealed envelopes addressed as follows:

PLEASE SEE ATTACHED LIST

BY MAIL

*I deposited such envelope in the mail at SANTA CLARITA, California. The envelope was mailed with postage thereon fully prepaid.

As follows: I am "readily familiar" with the firm's practice of collection and processing correspondence for mailing. Under that practice it would be deposited with U.S. postal service on that same day with postage thereon fully prepaid at SANTA CLARITA, California in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing in affidavit.

Executed on SEPTEMBER 24, 1992, at SANTA CLARITA, California.

*(BY PERSONAL SERVICE) I delivered such envelope by hand to the offices of the addressee.

Executed on _____, 19____, at _____, California.

(State) I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

(Federal) I declare that I am employed in the office of a member of the bar of this court at whose direction the service was made.

JOYCE E. VALVO

Type or Print Name

Signature

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OFFICE OF GENERAL COUNSEL
FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463
ATTN: COMPLAINT DIVISION

CONSUMER COMPLAINT SPECIALIST
WESTERN DISTRICT, OCC
50 FREMONT ST., SUITE #3900
SAN FRANCISCO, CA 94105-2292

COMPTROLLER OF THE CURRENCY
250 E. STREET S.W.
WASHINGTON, D.C. 20219
ATTN: STEPHEN STEINBRINK, ACTING COMPTROLLER

94043562852



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20461

September 30, 1992

Robert L. Funk
27246 Garza Dr.
Saugus, CA 91350

RE: MUR 3625

Dear Mr. Funk:

This letter acknowledges receipt on September 28, 1992, of your complaint alleging possible violations of the Federal Election Campaign Act of 1971, as amended ("the Act"), by Howard McKeon, the Buck McKeon for Congress Committee and Daralyn E. Reed, as treasurer, the Valencia National Bank, the Board of Directors of the Valencia National Bank, and William Walsh IV. The respondents will be notified of this complaint within five days.

You will be notified as soon as the Federal Election Commission takes final action on your complaint. Should you receive any additional information in this matter, please forward it to the Office of the General Counsel. Such information must be sworn to in the same manner as the original complaint. We have numbered this matter MUR 3625. Please refer to this number in all future correspondence. For your information, we have attached a brief description of the Commission's procedures for handling complaints.

Sincerely,

Jonathan A. Bernstein
Assistant General Counsel

Enclosure
Procedures

24043562853



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

September 30, 1992

Howard McKeon
19415 Soledad Canyon Rd.
Santa Clarita, CA 91351

RE: MUR 3625

Dear Mr. McKeon:

The Federal Election Commission received a complaint which indicates that you may have violated the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint is enclosed. Also, the Commission has received a supplement to the complaint which is enclosed as well. We have numbered this matter MUR 3625. Please refer to this number in all future correspondence.

Under the Act, you have the opportunity to demonstrate in writing that no action should be taken against you in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements should be submitted under oath. Your response, which should be addressed to the General Counsel's Office, must be submitted within 15 days of receipt of this letter. If no response is received within 15 days, the Commission may take further action based on the available information.

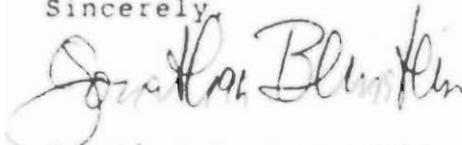
This matter will remain confidential in accordance with 2 U.S.C. § 437g(a)(4)(B) and § 437g(a)(12)(A) unless you notify the Commission in writing that you wish the matter to be made public. If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed 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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Howard McKeon
Page 2

If you have any questions, please contact Richard M. Zanfardino, the staff member assigned to this matter, at (202) 219-3690. For your information, we have enclosed a brief description of the Commission's procedures for handling complaints.

Sincerely,



Jonathan A. Bernstein
Assistant General Counsel

Enclosures

1. Complaint
2. Procedures
3. Designation of Counsel Statement

24043562855



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20461

September 30, 1992

Buck McKeon for Congress
Daralyn E. Reed, treasurer
18960 Soledad Canyon Rd.
Santa Clarita, CA 91351

RE: MUR 3625

Dear Ms. Reed:

The Federal Election Commission received a complaint which indicates that the Buck McKeon for Congress Committee ("Committee") and you, as treasurer, may have violated the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint is enclosed. Also, the Commission has received a supplement to the complaint which is enclosed as well. We have numbered this matter MUR 3625. Please refer to this number in all future correspondence.

Under the Act, you have the opportunity to demonstrate in writing that no action should be taken against you in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements should be submitted under oath. Your response, which should be addressed to the General Counsel's Office, must be submitted within 15 days of receipt of this letter. If no response is received within 15 days, the Commission may take further action based on the available information.

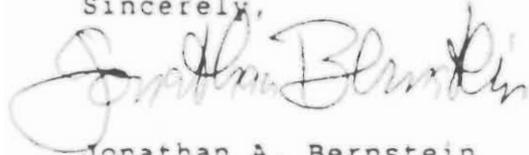
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94043562856

Daralyn E. Reed, treasurer
Page 2

If you have any questions, please contact Richard M. Zanfardino, the staff member assigned to this matter, at (202) 219-3690. For your information, we have enclosed a brief description of the Commission's procedures for handling complaints.

Sincerely,



Jonathan A. Bernstein
Assistant General Counsel

Enclosures

1. Complaint
2. Procedures
3. Designation of Counsel Statement

94043562857



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

September 30, 1992

Valencia National Bank
Robert Manley, President
23920 W. Valencia Blvd.
Valencia, CA 91355

RE: MUR 3625
Valencia National Bank

Dear Mr. Manley:

The Federal Election Commission received a complaint which indicates that the Valencia National Bank ("Bank") may have violated the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint is enclosed. Also, the Commission has received a supplement to the complaint which is enclosed as well. We have numbered this matter MUR 3625. Please refer to this number in all future correspondence.

Under the Act, you have the opportunity to demonstrate in writing that no action should be taken against the Bank in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements should be submitted under oath. Your response, which should be addressed to the General Counsel's Office, must be submitted within 15 days of receipt of this letter. If no response is received within 15 days, the Commission may take further action based on the available information.

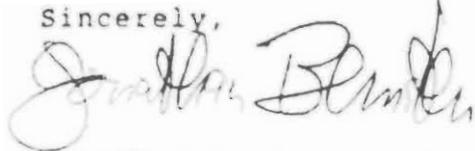
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94043562858

Robert Manley, President
Page 2

If you have any questions, please contact Richard M. Zanfardino, the staff member assigned to this matter, at (202) 219-3690. For your information, we have enclosed a brief description of the Commission's procedures for handling complaints.

Sincerely,



Jonathan A. Bernstein
Assistant General Counsel

Enclosures

1. Complaint
2. Procedures
3. Designation of Counsel Statement

94043562859



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20461

September 30, 1992

Board of Directors
Valencia National Bank
23920 W. Valencia Blvd.
Valencia, CA 91355

RE: MUR 3625
Charles B. Albrecq, Eugene P.
Burke, Kent L. Fortin,
Louis A. Garasi, Richard B.
Keysor, Robert N. Manley,
Anthony C. Matthes,
Howard P. McKeon, Richard A.
Patterson, Glen H. Rollins,
William Walsh IV, Kathy
Wiener, Orville E. Weaver

Dear Sirs and Madam:

The Federal Election Commission received a complaint which indicates that the Directors of the Valencia National Bank may have violated the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint is enclosed. Also, the Commission has received a supplement to the complaint which is enclosed as well. We have numbered this matter MUR 3625. Please refer to this number in all future correspondence.

Under the Act, you have the opportunity to demonstrate in writing that no action should be taken against you in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements should be submitted under oath. Your responses, which should be addressed to the General Counsel's Office, must be submitted within 15 days of receipt of this letter. If no response is received within 15 days, the Commission may take further action based on the available information.

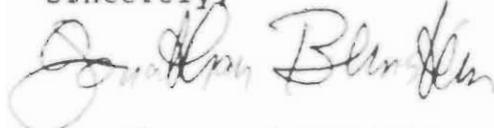
This matter will remain confidential in accordance with 2 U.S.C. § 437g(a)(4)(B) and § 437g(a)(12)(A) unless you notify the Commission in writing that you wish the matter to be made public. If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed 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.

24043562060

Board of Directors, Valencia National Bank
Page 2

If you have any questions, please contact Richard M. Zanfardino, the staff member assigned to this matter, at (202) 219-3690. For your information, we have enclosed a brief description of the Commission's procedures for handling complaints.

Sincerely,



Jonathan A. Bernstein
Assistant General Counsel

Enclosures

1. Complaint
2. Procedures
3. Designation of Counsel Statement

24043562861



FEDERAL ELECTION COMMISSION

WASHINGTON D.C. 20461

September 30, 1992

William Walsh IV
c/o Valencia National Bank
23920 W. Valencia Blvd.
Valencia, CA 91355

RE: MUR 3625

Dear Mr. Walsh:

The Federal Election Commission received a complaint which indicates that you may have violated the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint is enclosed. Also, the Commission has received a supplement to the complaint which is enclosed as well. We have numbered this matter MUR 3625. Please refer to this number in all future correspondence.

Under the Act, you have the opportunity to demonstrate in writing that no action should be taken against you in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements should be submitted under oath. Your response, which should be addressed to the General Counsel's Office, must be submitted within 15 days of receipt of this letter. If no response is received within 15 days, the Commission may take further action based on the available information.

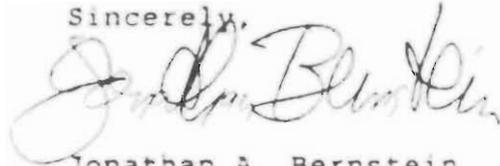
This matter will remain confidential in accordance with 2 U.S.C. § 437g(a)(4)(B) and § 437g(a)(12)(A) unless you notify the Commission in writing that you wish the matter to be made public. If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed 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.

94043562062

William Walsh IV
Page 2

If you have any questions, please contact Richard M. Zanfardino, the staff member assigned to this matter, at (202) 219-3690. For your information, we have enclosed a brief description of the Commission's procedures for handling complaints.

Sincerely,



Jonathan A. Bernstein
Assistant General Counsel

Enclosures

1. Complaint
2. Procedures
3. Designation of Counsel Statement

94043562863

TELEPHONE
(805) 948-688

WILLIAM WALSH IV

ATTORNEY AT LAW
LANCASTER OFFICE CENTRE
43770 15TH STREET WEST, SUITE 200
P.O. BOX 4379
LANCASTER, CALIFORNIA 93539-4379

RECEIVED
FEDERAL ELECTION
COMMISSION
MAIN COPY ROOM

OCT 25 11 35 AM 1992
1805 948-4000

October 23, 1992

Federal Election Commission
Washington, D.C. 20463

Re: Mur 3625

Gentlemen:

Your letter to me c/o Valencia National Bank dated September 30, 1992 has been referred to me.

I resigned as a member of the Board of Directors of Valencia National Bank on August 6, 1991. Enclosed is a copy of my letter of resignation. I have not served as a member of the Board of Directors of that entity since that date.

All of the matters cited by Mr. Gilmartin in his correspondence to you are items that have occurred subsequent to the time of my resignation.

Accordingly, I believe I have easily demonstrated that no action should be taken against me in this matter.

I hold no office with Valencia National Bank. Accordingly, since I am neither a director nor officer of Valencia National Bank, Section 114.2(d) prohibiting officers or directors from consenting to contributions or expenditures by the Bank has no applicability to me.

Furthermore, the suggestion that the letter to the editor I wrote of March 11, 1992, may have violated Federal Election Law is not supported by any authority. As previously stated, I have not been a member of the Board of Directors since August 6, 1991. Accordingly, I believe I am free to express my views on political matters. My letter to the editor had nothing to do with Valencia National Bank and at the time that I wrote the same I was neither a director nor officer of the Bank.

Your complainant, James H. Gilmartin, is obviously politically motivated by his attacks. He is an attorney at law admitted to practice in California. The fact that he makes this complaint without expressing any authority for his accusations is inexcusable.

With respect to the Valencia National Bank newsletter complained of by Mr. Gilmartin and Robert L. Funk, I was not

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Administrative Services

Federal Election Commission
October 23, 1992
Page 2

involved in any way in the creation, distribution or publication of the same.

I respectfully request that you take no action against the undersigned in connection with the alleged complaint.

Very truly yours,



WILLIAM WALSH IV

WW:mmf
Enclosure

cc: Office of General Counsel
Federal Election Commission

Consumer Complaint Specialist
Western District, OCC

Controller of the Currency
Attention: Steven Steinbrink, Acting Comptroller

94043562865

WW7/utr/fee



10/20/92 3:53 PM

October 20, 1992

Mr. Jonathan A. Bernstein
Assistant General Counsel
Federal Election Commission
Washington, D.C. 20463

Re: MUR 3625
Valencia National Bank

Dear Mr. Bernstein:

Valencia National Bank (the "Bank") is in receipt of your letter dated September 30, 1992, and received by the Bank on October 6, 1992. Your letter invites the Bank to respond to complaints filed by James H. Gilmartin and Robert L. Funk. These complaints allege the Bank acted improperly in publishing a newsletter entitled "Valencia National Bank Outlook", and that editorials written by Mr. William Walsh were also improper. For the reasons discussed below, we believe these complaints are entirely without merit.

The "Valencia National Bank Outlook" is a publication of the Bank which is periodically distributed to our shareholders and customers. The purpose of the newsletter is to inform our shareholders and customers of various Bank services, earnings results, and other news related to the Bank, its directors, and officers.

The Second Quarter, 1992 edition of the Outlook was published in July, 1992. The newsletter featured earnings results for the second quarter, 1992, a promotion for mortgage loans, a feature regarding available parking, and an article entitled "Mr. McKeon Pursues House Seat". This publication was scheduled to be published in July, with or without, the McKeon article. The newsletter was mailed to our shareholders directly, and to our customers in their regular monthly statements (i.e. at no additional cost to the Bank).

The content of this newsletter is consistent with previous editions which have highlighted accomplishments of other directors of the Bank. Also enclosed are "Outlook" publications of Second Quarter, 1989; Second Quarter, 1990; and Third Quarter, 1990. Included in these editions of the newsletter are articles congratulating Messrs. Keysor and Garasi on being named Man of the Year in the Santa Clarita Valley. Valencia National Bank is a locally owned and managed community bank, and takes pride in the accomplishments of its officers and directors. We feel such accomplishments are newsworthy to our shareholders and customers, and reflect the community involvement of the Bank and its directors and Officers.

920125

PI: 4:15:00

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The subject McKeon article was intended to be a news article by the Bank, informing our shareholders and customers that our Chairman, Mr. McKeon is pursuing a Congressional seat. Admittedly, the article is supportive of Mr. McKeon, and congratulates him on winning the June primary.

The appropriate authority regarding this matter is 2 USC 441, and in keeping with the definitions defined in 2 USC 441, we do not believe this newsletter constituted a payment to Mr. McKeon, or his campaign committee. The newsletter did not solicit funds on behalf of Mr. McKeon, or his campaign, nor did it represent any determinable expenditure on behalf of Mr. McKeon, or his campaign.

In addition, Section 9 (B) (i) of 2 USC 441 states the term "expenditure" does not include any news story, commentary, or editorial distributed through the facilities of any broadcasting station, newspaper, magazine, or other periodical publication, unless such facilities are owned or controlled by any political party, political committee, or candidate.

The subject article regarding Mr. McKeon is a news story, written in a newsletter that is a regular periodic publication of Valencia National Bank, and thus should fall squarely within the above exception provided by Section 9 (B) (i). The only question is whether Mr. McKeon "owns or controls" Valencia National Bank, and the answer is clearly no. "Control" of a national bank is defined by federal banking laws and regulations as the power to vote 25% or more of the bank's stock, or the power to direct the management or policies of the bank. The power to direct a bank's management or policies is presumed when an individual owns more than 10% of the bank's stock and either (i) that individual is the bank's largest single shareholder, or (ii) the bank has a class of securities registered under the Securities Exchange Act of 1934 (which the Bank does not). Mr. McKeon owns only 2.6% of the Bank's outstanding stock, and is far from being its largest shareholder. In fact, the Bank has one shareholder who owns approximately 10% of its outstanding stock. Thus, it is clear that Mr. McKeon does not "own or control" Valencia National Bank under the applicable definitions.

Moreover, Mr. McKeon is not even an "executive officer" of the Bank, or involved in its day-to-day operations. He is specifically excluded by resolution of the Bank's Board of Directors from participating in any major policy-making functions of the Bank, other than in his capacity as one of the Bank's outside directors. (The only executive officers of the Bank are its three most senior full-time salaried officers.)

Mr. McKeon, as Chairman of the Board, has no direct responsibility for the publication of the Bank's newsletter; and was not involved in the content or publication of the subject Second Quarter edition. In fact, Mr. McKeon had no knowledge the subject article was even being published. At the time of publication Mr. McKeon was on vacation in Hawaii, and did not contribute to the content of the article. The photograph used in the newsletter was a file photograph taken in 1990. In any event, since the Bank would be permitted under the statute to distribute a news article or editorial concerning Mr. McKeon in any other

24043562867

newspaper or periodical publication, it should certainly be free to do so in its own news publication.

Mr. Gilmartin's allegation that the new story was in violation of the Federal Election Campaign Act of 1971 is based on the fact the "Outlook" newsletter was distributed to the Bank's customers. The newsletter was distributed to approximately 1,500 of the Bank's customers, a de-minimis number of households in the 25th Congressional District which contains approximately 220,000 households. Mr. Gilmartin was responsible for "making news" of this article by reporting the action to several local newspapers. By so doing, he expanded the content of the article to a much greater audience, thereby promoting the "value" of the Bank's editorial comment. Obviously, Mr. Gilmartin did not consider the editorial content of the newsletter to be of great value; otherwise he would have filed his complaint and not attempted to promote the matter through the media.

Mr. Gilmartin has specifically accused the Bank of an "attempt...to influence a federal election", and has made the following inappropriate comparison: "This is like the Bank of America endorsing one candidate and sending a posed political picture and article to all of their millions of clients". Nothing could be further from the truth. We certainly agree with Mr. Gilmartin that the federal election campaign laws should be used to prevent certain types of actions from being taken with the intention of influencing the outcome of political elections. If Bank of America chose to endorse a political candidate and send an article concerning the candidate to their vast customer base, it might very well be assumed under those circumstances that the underlying motivation would be to influence a political election. But the circumstances here are entirely unrelated.

First, the Bank did not seek out a political candidate to endorse, it would seem to go without saying that the Bank would support its own Chairman. Moreover, a local community bank is fundamentally different in character and purpose from an institution like Bank of America. Many small community banks distribute periodic publications similar to our "Outlook", using a rather informal, "home-style" approach, to increase the level of involvement between the local bank and its community. For a bank of our size and type, information concerning achievements or activities of the Bank's directors or officers are viewed as matters of great interest to the Bank's shareholders and customers, many of whom know the individuals personally. (Incidentally, articles of this nature would almost invariably include a photograph of the individual concerned.) By contrast, with a huge impersonal institution like Bank of America, virtually none of its customers would even recognize the names of, much less have ever met, the institution's directors or senior management.

Due to the size and nature of our local community bank, and the small size of our shareholder and customer base compared to the number of registered voters in the district, we believe it should be obvious that our purpose in publishing the article was not to influence the results of any election, but simply to congratulate our Chairman, of whom we are very proud, and to inform our shareholders and customers about the accomplishments of one of our local directors in whom they might be interested.

24043562868

The allegations by Mr. Funk regarding editorials written by Mr. William Walsh and published in the Antelope Valley Press are entirely without merit. Mr. William Walsh, IV was a director of Valencia National Bank from 1987 to August, 1991, at which time he resigned to concentrate on his law practice. Mr. Walsh has not been a director of the Bank at any time Mr. McKeon has been a candidate for Congress. Mr. Walsh continues to be a shareholder of Valencia National Bank, but such investment does not preclude Mr. Walsh from expressing his views. Mr. Walsh's actions have no relevance to Valencia National Bank.

Although, not a part of the subject complaint, Mr. Gilmartin is quoted in an Antelope Valley Press article of September 23, 1992, "How much of the Bank's loan losses in 1991 is related to insider loans?" The fact is none of the Bank's loan losses, since inception, have involved Bank directors or officers. Mr. Gilmartin's suggestion that the Bank has extended favoritism to Bank directors is entirely without merit. The Bank is frequently examined by the Office of The Comptroller of the Currency (most recently in March, 1992). During each examination, loans to directors are examined closely, and the Bank has never been accused of making preferential loans to its directors.

Also, Mr. Gilmartin has been responsible for promoting an investigation of the Bank because of a lawsuit involving Mr. Richard Patterson, a director of the Bank. This subject lawsuit, identified in an Antelope Valley Press article dated September 25, 1992, concerns a lawsuit against Mr. Patterson. The Bank is not a party to the litigation, and has no knowledge of the merits of the case.

While Mr. Gilmartin has not included the matters of directors' loans or the Patterson lawsuit in his complaint, these two allegations through the media, serve to indicate Mr. Gilmartin has attempted to use the media to further his own campaign by making frivolous and disparaging statements about the Bank and its directors that are without any basis in fact.

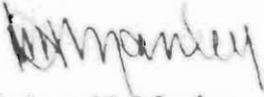
We would also like to point out that both Mr. McKeon and the Bank have made every effort throughout this campaign to avoid any appearance of impropriety or conflict of interest. In this connection, in the event Mr. McKeon is elected to the House of Representatives, he intends to immediately resign his position as Chairman of the Board, in order to avoid even the slightest appearance of such a conflict.

In summary, the Bank contends the complaints lodged by Messrs. Gilmartin and Funk are without merit. The subject Bank newsletter was a news article published in a periodic news organ which is not owned or controlled by Mr. McKeon, a candidate for Federal Office. In addition, there is no merit to improper activities by Mr. Walsh, as he has not been a director of the Bank during Mr. McKeon's campaign.

24043562869

I trust the above comments will assist the Commission's analysis of the subject complaint. If you have any questions regarding these comments or the enclosed documentation, please feel free to contact me at (805) 259-9900.

Sincerely,



Robert N. Manley
President

Enclosures:

- Subject Second Quarter, 1992 Valencia National Bank Outlook newsletter
- Second Quarter, 1989 Valencia National Bank Outlook newsletter
- Second Quarter, 1990 Valencia National Bank Outlook newsletter
- Third Quarter, 1990 Valencia National Bank Outlook newsletter
- Copy of September 22, 1992 article appearing in The Signal
- Copy of September 23, 1992 article appearing in the Antelope Valley Press
- Copy of September 24, 1992 article appearing in the Antelope Valley Press
- Copy of September 24, 1992 article appearing in the Daily News
- Copy of September 25, 1992 article appearing in the Antelope Valley Press
- Copy of September 28, 1992 article appearing in the Los Angeles Times
- Copy of September 29, 1992 article appearing in The Signal

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McKeon critics cry foul over newsletter

By DOUGLAS ALGER
Signal staff writer

SANTA CLARITA — Critics of Congressional candidate Howard "Buck" McKeon say a recent Valencia National Bank newsletter supporting him is in possible violation of federal election codes.

McKeon, Republican candidate for the new 25th Congressional District and chairman of the Valencia National Bank, was featured in the institution's quarterly "Outlook" publication distributed throughout August.

An 11-paragraph article, with a photograph of bank President Robert Manly congratulating McKeon for his success in the primary and wishing him success in the Nov. 3 election.

"With McKeon in Congress, the Santa Clarita Valley will be able to rest assured that its future is in the hands of someone dedicated to the economic success of businesses in

the community, and the protection and improvement of the quality of life for all residents," the article concluded.

Critics say the item is illegal because federal law restricts national banks from making a contribution or expenditure regarding a federal election.

"That's a clear violation of the Federal Election Code," said James Gilmartin, Democratic candidate for the 25th Congressional District and a lawyer.

"I have two problems with the mailer," said Rick Pamplin, Independent candidate in the political race. "Number one, I think it violates the Federal Elections Code on campaign contributions. Number two, I think it shows the roots of Buck McKeon as a banker."

Pamplin had previously called for McKeon to step down from his post as chairman of the bank board, saying it is a conflict of interest.

See FEC, page A3

FEC

Continued from page A1

Gail Prisker, editor of the Outlook publication, said the 1992 second quarter issue was distributed to approximately 400 shareholders, 3,000 account-holders and was available at the bank.

Not everyone objects to the article. Some say the newsletter carries no advertising and is no different than if a newspaper carries an article about an individual.

"We here at the bank support Buck," said Prisker. "It helps our image in the community that our chairman of the board is running for political office."

"I can tell you it was not done by us, or by our prerogative," said Armando Azarloza, McKeon's campaign manager who was interviewed for the newsletter story. "I don't know what their editorial rationale for doing it was."

"That might be true, except McKeon is the chairman of the board," said Gilmartin. "He's bending every rule there is, and that bothers me."

Fred Eiland, spokesman for the Federal Elections Commission, said the commission would not comment on a situation unless a complaint was filed.

He did, however, offer a definition of what the code means when it refers to a contribution for a campaign.

"A contribution is anything of value," Eiland said.

Both Gilmartin and Pamplin said they plan to file a complaint about the item with the Federal Election Commission.

"I thought it was extremely partisan," said Gilmartin. "I just think he's exceeding the limits, and the bank's exceeding the limits."

"I think it leaves a bad taste in everyone's mouth," Pamplin said.

24043562871

Gilmartin questions McKeon bank loans

By DAVID FOY
Staff Writer

CANYON COUNTRY - Democrat congressional candidate James Gilmartin raised the question Tuesday of "possible impropriety" by Republican Howard P. "Buck" McKeon because the bank that McKeon heads has made loans to members of its board of directors.

Although the loans by the Valencia National Bank do not violate any federal banking regulations, Gilmartin questioned whether there was any favoritism given to bank directors.

"We (taxpayers) are putting up the money for the Federal Deposit Insurance for the bank," Gilmartin, the Democratic candidate for the 25th Congressional District, said.

McKeon, who is chairman of the bank, dismissed the allegation as campaign rhetoric.

"Valencia National Bank has been an up-standing community bank," McKeon said. "Gilmartin and (pro-Ross Perot independent candidate Rick) Pamplin are going to do whatever they can do to raise as many issues as possible."

Gilmartin pointed to the bank's 1991 annual report, which he said indicates that at the end of 1991, the bank had \$3,451,037 outstanding in loans to directors and related parties.

Bank spokeswoman Gail Pinsker said there is "absolutely nothing" questionable about the loans, saying they were made consistent with the bank's policies regarding loans to any member of the public.

"We are completely in compliance with all regulations in that area," Pinsker said. "We are a highly regulated industry and have received favorable audits in this area ... We make loans to directors under the same

guidelines as the general public."

Gilmartin, a Santa Clarita attorney, noted that \$442,286 in loans were charged off in 1991.

"How much of that is related to insider loans?" Gilmartin asked.

Gilmartin also claimed that the bank's quarterly newsletter, the Outlook, violated federal elections law because a recent mailing featured a story and photograph on McKeon's congressional race.

Federal law forbids a director of any national bank to consent to any contribution or expenditure by the bank for partisan political communications.

"This again raises the question of impropriety by the chairman of the board of Valencia National Bank ... by virtue of this continuing use of National Bank money for partisan communications," Gilmartin stated.

See GILMARTIN on A4

Gilmartin

From A3

McKeon's campaign manager, Armando Azarloza, said his campaign had nothing to do with the Outlook article.

Bank spokeswoman Pinsker said she wrote the McKeon article for the newsletter because it was good public relations for the

bank.

"We regularly report the involvement of our directors with the community because it promotes a positive image of the bank in the community," she said, adding that the cost of including the McKeon article in the newsletter was "negligible."

Antelope Valley Press
September 23, 1992



James Gilmartin
Says article violated election law

Gilmartin files complaint against GOP opponent

By Denis Wolcott
Daily News Staff Writer

James Gilmartin, the Democratic candidate for the 25th Congressional District, filed a complaint Wednesday claiming that the bank chaired by his GOP opponent violated federal election laws concerning corporate contributions.

The complaint, filed with the Federal Election Commission, concerns a story about Republican Howard "Buck" McKeon that appeared in the quarterly newsletter of Valencia National Bank, which McKeon has chaired since its in-

ception five years ago.

"The distribution of this newsletter went beyond the limits of national law. I would have no problem if it was just distributed to shareholders, but it went to all customers," Gilmartin said in a telephone interview.

Armando Azarloza, McKeon's campaign manager, said the complaint was frivolous and an attempt by Gilmartin to sidestep campaign issues.

Bank spokeswoman Gail Pinsker said the organization had complied

See COMPLAINT / Page 2

Newsletter article may have violated law

COMPLAINT / From Page 1

with the law.

"There was no solicitation of contributions in this article," she said.

The Federal Election Commission refused to comment on the complaint until a decision is reached, which will likely occur after the Nov. 3 general election, a spokesman said.

In addition to McKeon and Gilmartin, candidates for the 25th District include Independent Rick Pamplin, Peace and Freedom Party candidate Nancy Lawrence, Green Party Candidate Charles Wilken and Libertarian Peggy Christensen.

The district spans the Santa Clarita and Antelope valleys and part of the San Fernando Valley.

Gilmartin claims that Valencia National Bank and McKeon violated federal election law when the bank published a story in its "Outlook" newsletter congratulating McKeon on his June primary victory.

The letter was given to bank customers and is available at bank offices for anyone to pick up.

Federal election law prohibits banks, unions and other organizations from distributing election-related communications to persons outside their organizations, said Fred Eiland, an FEC spokesman.

"As long as it stays within that particular organization's own group, it's OK," Eiland said.

Gilmartin said he believes there is a violation because the newsletter is available to anyone walking into a Valencia National Bank.

Gilmartin also questions the propriety of McKeon, as the bank's chairman, allowing bank money to be spent on any partisan communication.

Azarloza said the bank's marketing department — not McKeon — came up with the idea for the story.

"It's not an endorsement, it's a feature story," Azarloza said.

Pamplin says he'll hire actor to play McKeon

Antelope Valley Press
September 24, 1992

By DAVID FOY
Staff Writer

Independent congressional candidate Rick Pamplin said Wednesday that Republican Howard P. "Buck" McKeon's promise to appear at six candidate forums is not good enough.

If McKeon doesn't agree to a series of real debates between Pamplin, McKeon and Democrat James Gilmartin, where the candidates can argue and ask each other questions, Pamplin says, he will put an empty chair on the stage or hire an actor to play the part of McKeon.

McKeon, a candidate for the new 25th District, said Wednesday that the six public forums are sufficient to encourage voter participation, and that Pamplin has never specifically proposed a time and place for any of his hoped-for debates.

"We're participating in all of them," McKeon, a businessman and former Santa Clarita mayor, said of the six forums, which are scheduled throughout the district's boundaries of the Antelope, Santa Clarita and northern San Fernando valleys.

Other things to do

"But we just have a lot of other things to do. I'm just not letting him set the agenda for the campaign."

As to Pamplin's threat to have an actor "read quotes from McKeon's various flip-flops on the issues," McKeon said: "That's fine. I really don't care what he does. He can run his campaign any way he wants, and we're doing the same with ours."

The flap, one of a series of accusations and counter-accusations going on in the unusual three-way race, centers on the definition of the word "debate."

Pamplin complains that the format adopted by five of the six groups that are sponsoring debates does not allow for true face-to-face questioning and interchanges between the candidates, where he says he hopes to pin McKeon down on issues.

"Clearly, McKeon is afraid to debate and defend his numerous flip-flops on the issues," Pamplin said.

Pamplin says he would like to see six debates use the same format as an Oct. 15 debate sponsored by the Antelope Valley Press, where candidates are allowed to question each other af-

ter an initial round of statements and questions from Valley Press reporters and editors.

Gilmartin has accepted Pamplin's debate challenge, even though none has been actually scheduled.

"Mr. Gilmartin and I have said any time, any place, anywhere," Pamplin said. "If Mr. McKeon will simply agree to the debate, if I have to, I'll pay for the place myself and find a sponsoring organization."

Baffling?

McKeon's campaign manager, Armando Azarloza, said Pamplin's challenges are a continual source of bafflement.

"I don't know what he's talking about," Azarloza said. "He wants debates? So, do we. That's why we agreed to six debates, forums, call them what you will."

... What he's asking for, he's already got.

"The way he looks at debates may not be the way other organizations look at debates," Azarloza said. "Let the organization that is putting together the forum decide what the format will be."

Azarloza said McKeon has already committed to many scheduled campaign events before the Nov. 3 general election, and has tried to appear at as many forums and debates as possible.

Pamplin qualified for the ballot as an independent by collecting 12,000 signatures, apparently becoming the only pro-Ross Perot independent on a congressional district ballot in the United States.

In other campaign developments Wednesday, Gilmartin asked the Federal Elections Commission to investigate a story in a Valencia National Bank newsletter that congratulates McKeon - the chairman of the bank - for winning the June 2 Republican primary.

Gilmartin claims the story constitutes a violation of federal law because it constitutes the use of national bank resources for partisan political communications.

McKeon says he had nothing to do with the article.

Bank spokeswoman Gail Pisker said the story was not intended as a political communication, but as a way to publicize the accomplishments of one of its directors.

24043562874

Gilmartin seeks probe of opponent's bank

SANTA CLARITA - Democratic congressional candidate James Gilmartin asked federal officials Thursday to investigate a bank chaired by his Republican opponent in light of a lawsuit accusing a bank director of fraud.

A Los Angeles Superior Court suit was filed Sept. 15 against Richard A. Patterson, a Santa Clarita attorney and secretary of the Valencia National Bank, alleging wrongdoing involving a former client of his law practice. Some of the client's money was invested in Valencia National Bank, an investment which was not in the client's best interests, according to the suit.

Gilmartin, a candidate in the new Antelope Valley-based 25th District, said Thursday that the bank's affairs are a valid issue because his Republican opponent, Howard P. "Buck" McKeon, is chairman of the bank.

"Maybe they should take a closer look at the problems that might be in the bank," Gilmartin, an attorney, said, adding that he filed a complaint with the Federal Elections Commission and the Comptroller of the Currency.

Armando Azarloza, McKeon's campaign manager, said the charges are another example of mudslinging designed to divert attention from real issues.

"It's pretty frivolous," Azarloza said. "I would encourage him to start talking about the issues and stop trying to throw mud."

Bank President Robert Manley said Gilmartin's allegations are misdirected and "without merit." The suit "does not involve the bank, and we're not party to it," Manley said.

Patterson said there is "no merit to the lawsuit. The charges are, for lack of a better word, outrageous." Of Gilmartin's complaint, he said: "For someone to argue that since I got sued by an individual, and that reflects on the bank, and by second reflection to say that reflects on Buck McKeon, is ludicrous."

"It certainly causes one to question the judgment of the person trying to make that connection," Patterson said.

The 25th District includes the Los Angeles County portion of the Antelope Valley, plus Santa Clarita, Northridge, Chatsworth and Granada Hills. The Nov. 3 election pits Gilmartin against McKeon, independent Rick Pamplin and three minor party candidates.

24043562875

Bank's Mailers Illegal, McKeon Foes Charge

■ **Politics:** One opponent files complaint over a newsletter backing the GOP Congress hopeful.

By JACK CHEEVERS
TIMES STAFF WRITER

Two opponents of Republican congressional contender Howard P. (Buck) McKeon are complaining to federal election officials about a newsletter touting McKeon that was mailed by a Valencia bank he chairs to 2,500 of its customers.

Democrat James Gilmartin and independent Rick Pamplin charged that the Valencia National Bank newsletter constitutes an illegal corporate contribution to McKeon's campaign, and Pamplin called on McKeon to resign as board chairman.

The three men are battling in the newly created 25th Congressional District, which covers the Santa Clarita and Antelope valleys and

parts of the northern San Fernando Valley. Pamplin, a Palmdale screenwriter, qualified for the ballot after a signature-gathering drive by local Ross Perot supporters.

The newsletter was mailed last month to 400 bank stockholders and 2,500 checking account customers, said bank marketing director Gail Pinsker, who edits the newsletter. In addition, copies were left in display racks at a branch office in Valencia, she said.

The report congratulated McKeon, who has been bank chairman for five years, on winning the June GOP primary election and said that, if elected Nov. 3, he "will benefit the Valley tremendously."

"With McKeon in Congress, the Santa Clarita Valley will be able to rest assured that its future is in the hands of someone dedicated to the economic success of businesses in the community," it said.

Gilmartin, a Santa Clarita attorney, was identified in the newsletter.

Please see RACE, B5

RACE: Candidates Criticize Bank Mailer

Continued from B3

ter as McKeon's Democratic opponent, but was not otherwise described. Pamplin was not mentioned.

Gilmartin and Pamplin said the newsletter violated the federal ban on campaign contributions by corporations and gave McKeon an unfair political advantage.

"If I mailed out 3,000 newsletters, it would cost me, for postage and printing and so forth, probably \$1,500 to \$1,700," said Gilmartin, who noted that McKeon's campaign was more than \$200,000 in debt after the primary election.

"Why does the Republican candidate get a free ride? Because he chairs the bank. It's just unfair." Gilmartin filed a complaint with the Federal Election Commission last week, and Pamplin said Friday

he plans to file one soon.

FEC spokesman Fred Eiland said it is legal for federally chartered banks to communicate political endorsements to stockholders, executives, employees and their families, but not to the general public.

McKeon said he had "nothing at all to do" with the newsletter.

Pamplin called on McKeon to resign the bank chairmanship, saying it would be a conflict of interest for him to hold the job while serving in Congress.

McKeon said he informed other bank directors that if he is elected in November, he will resign "as soon as they can accept my resignation." McKeon said he made that decision before Pamplin entered the race last month.

McKeon said he would quit not

because of any conflict of interest, but because he won't have the time to attend bank board meetings if he is elected.

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Gilmartin tries to link McKeon with lawsuit

By DOUGLAS ALGER
Signal staff writer

VALENCIA — Democratic candidate James Gilmartin has contacted the Federal Election Commission, linking Republican opponent Howard "Buck" McKeon to a campaign contributor hit with a more-than \$10-million lawsuit.

A suit was filed in Los Angeles Superior Court Sept. 15, accusing Valencia attorney Richard Patterson of fraud and malpractice in his representation of a woman during the 1980s.

Gilmartin notified the commis-

sion of the suit and outlined the perceived link between Patterson and McKeon last week.

McKeon and Gilmartin are running for the 25th Congressional District that includes Santa Clarita, Antelope and San Fernando valleys.

Gilmartin originally contacted the commission to protest the write-up of McKeon in a quarterly newsletter printed by Valencia National Bank, saying it violated federal election codes prohibiting national banks from making a contribution or expenditure for a congressional campaign.

"I didn't like the response from

Mr. McKeon's campaign manager that the complaint was frivolous, and I wanted to let (McKeon) know that there might be more problems there than he is aware of," said Gilmartin.

The Democratic candidate has criticized McKeon for claiming to be unaware of controversial issues.

"Somewhere along the way, if he's going to Congress, he's got to know something," Gilmartin said.

Gilmartin described Patterson in a letter to the commission as "a director, founder, attorney and contributor to Mr. McKeon's campaign" and points to McKeon's position as

chairman of the bank board.

"I just want to show that there is a hell of a lot going on that he doesn't know about," Gilmartin said.

Patterson, secretary of the Valencia National Bank board of directors, has rejected the claim he wrongly advised a client as her attorney.

"The case has no merit. It's an outrageous claim," Patterson said.

Both Patterson and Armando Azarloza, McKeon's campaign manager, say the attorney's involvement in McKeon's bid for office has been limited to a single do-

See FEC, page A4

FEC

Continued from page A1

nation of \$500 in February during the primary race.

"I've been a contributor, and I put his sign in my front yard," said Patterson. "I'm not a part of his campaign organization."

"In terms of a campaign role with us, I've never met him," said Azarloza. "If he does have a campaign role, it is a very small one."

Patterson said even if the lawsuit was valid, "it is a long stretch and an unfair stretch" to link McKeon with it.

The lawsuit was filed by Phoenix resident Rodney Cox, who said Patterson wrongly advised

Louise Cox Kizer, his mother.

The allegations say Patterson convinced Kizer to make him the primary beneficiary of her will, borrowed more than \$142,000 to purchase a law office building, and advised her to make unwise investments in a horse breeding partnership, fast food establishment, speculative real estate and Valencia National Bank.

The investments into the bank, according to Patterson, were limited to the purchase of 1,500 shares of stock.

"As far as Mrs. Kizer was concerned, she was a shareholder and purchased stock in the bank (during its founding)," Patterson said.

No date has been set for the suit to be heard.

Acknowledging the filing of a lawsuit does not mean Patterson is guilty, Gilmartin nevertheless has called for the commission to investigate the situation.

As for the original complaint by Gilmartin, Azarloza said the newsletter article was prompted by the bank and not by McKeon's campaign office.

He accused both Gilmartin and independent candidate Rick Pumphlin of avoiding campaign issues by instead launching a barrage of allegations against McKeon.

"Right from the beginning we've been hit by mud about a dozen times," said Azarloza. "(This lawsuit claim) is a bigger stretch than the Golden Gate Bridge."

The Signal
September 29, 1992

VALENCIA NATIONAL BANK

Outlook

SECOND QUARTER, 1992



Bank President Robert Manley (left) congratulates Bank Chairman Buck McKeon on his success in the Congressional primary.

Photo by Gary Choppe

McKeon Pursues House Seat

Congratulations to Valencia National Bank Chairman, Howard P. "Buck" McKeon, on his successful bid in the primary, toward the goal of securing a Congressional seat.

McKeon successfully competed against five other Republicans in the June primary for the Republican spot on the ballot this fall. The 25th congressional district, which includes the Santa Clarita Valley, is a new district, born out of new district lines drawn this year, therefore, there was no incumbent candidate.

McKeon, who has chaired our board since the bank organized more than five years ago, will compete against local democratic candidate James Gilmartin this November, for the Congressional position.

If elected, McKeon is committed to traveling to the district each month to gather information on the needs and concerns of the community to take back to Congress, as well as bringing information from the Capitol to the community, on bills and measures that affect us here.

His plans include holding regular forums in the area, and arranging for interviews with government officials via radio and cable television, according to his campaign manager, Armando

continued on back

Increase in earnings posted for second quarter

Valencia National Bank continues to build on a strong foundation, with continued profitability and plans for expansion.

Second quarter net earnings increased 9% to \$137,815, (27 cents per share), compared to \$126,530, (25 cents per share), for the same period in 1991. The bank's strong showing for the second quarter, was due to an increase in transaction accounts and the stabilization of interest rates, according to Robert Manley, president and chief executive officer.

Valencia National's loans (net of reserves) increased 4% over the second quarter of last year, to \$37.8 million. Total assets and total deposits remained relatively unchanged from the same period last year, registering in at \$60.8

million and \$53.9 million, respectively.

Profits for the Santa Clarita Valley based bank rose to \$226,125 (44 cents per share) for the year to date, a 5% decrease from the \$238,837 posted last year.

Valencia National Bank is looking forward to the grand opening of its second branch, planned for early fall in the Newhall area. The branch, located at the corner of Lyons Avenue and Peachland Avenue, is currently undergoing extensive remodeling.

Like our Valencia Branch, the Newhall Branch will be a full-service office offering everything from loan and merchant services to a drive-up window and Automated Teller Machine. Businesses and consumers will enjoy the

continued on back

SECOND QUARTER 1992 RESULTS

Assets	\$60,845,984
Deposits	\$53,852,510
Loans	\$37,849,699
Net Income (for quarter)	\$137,815
Net Income (year-to-date)	\$226,125
Earnings per share (year-to-date)	\$.44
Stock price	\$10.00
Book value	\$12.28

Mortgage Loans Now Available

Valencia National Bank is pleased to announce the addition of another loan product to our growing list of banking services!

Mortgage loans are now available, offering competitive rates, terms, and fees, and the same personalized service that has become our trademark in the community.

"Our customers can rest assured that they are getting all the necessary information up front with no hidden costs or surprises," according to Elizabeth Hopp, Vice President and coordinator of the Bank's mortgage loan program. "Brokers and finance companies are notorious for bait and switch techniques, at the disadvantage of the client."

Valencia National Bank, through a correspondent bank relationship, offers excellent rates and a variety of mortgage programs. At the end of July, rates for a 30 year fixed first trust deed were under 8% for a conventional loan (less than \$202,300), and under 8½% for a jumbo loan (up to \$1 million). The bank requires that the residence be owner-occupied.

Rates are at their lowest in nearly 20 years, making this a perfect time for refinancing as well.

Valencia National Bank continues to provide customers with products and services designed with convenience in mind. Now, with our mortgage loan programs, customers can do all of their business and personal banking under one roof.

Contact Elizabeth Hopp at 259-9900, for more information regarding our mortgage programs.

Second Quarter Earnings Up

continued from front

same friendly, professional, and personalized service that has become our trademark in the financial services industry. Our convenient deposit pick-up service will also be available for Newhall Branch customers.

Throughout the last year the Bank's stock has remained around the \$10.00 per share mark, despite the favorable performance of the Bank and the increased book value per share. This phenomenon is not unique to Valencia National. Most other independent bank

stocks also have been trading at or near book value over the last couple of years. Although the price of the Bank's stock has remained fairly constant over the year, there has generally been a ready market available through Sutro & Co., Inc. Ownership of the Bank remains widespread amongst approximately 400 shareholders, most of whom are customers of the Bank.

Valencia National Bank stock is publicly traded through brokerage firms, including Sutro & Co., Inc., 800-288-2811, and the Valencia Office of Dean Witter Reynolds, Inc., 259-2455.

McKeon for Congress

continued from front

Azarloza. Additionally, an "800" number will be established to answer questions on a continuous basis.

McKeon is anxious to serve on several committees that will best serve his constituency, including: The Small Business Committee, Armed Services Committee, (which involves the aerospace industry), and The Energy and Commerce Committee, (which involves environmental concerns).

If elected, McKeon will be one of

some 125 new Congressmen and women elected to office this year. This large turnover will better facilitate new ideas and initiatives, based on what the population needs and desires.

Prior to redistricting, the Santa Clarita Valley had been divided by several district lines, which created a weak representation at the national level. The election of McKeon to Congress, with his strong ties to, and knowledge of, our community, combined with recent redistricting in the area will benefit the Valley tremendously.

With McKeon in Congress, the Santa Clarita Valley will be able to rest assured

Bank Parking Update

Valencia National Bank customers and employees can look forward to easier, safer access into the Bank parking lot, with the installation of a traffic signal at the corner of Valencia Boulevard and Town Center Drive.

In conjunction with the opening of the Valencia Town Center mall, scheduled for September, this signal and all other area traffic improvements will be completed by early August, according to Marlee Lauffer from Newhall Land.

In addition to this welcome improvement, bank management has been working closely with City officials in an effort to ease parking congestion experienced by some of our customers in the building parking lot.

Recently, the City repaved and restriped the parking lot, adding a handicapped space near our main entrance. The bank is the only company in the building to have spaces reserved solely for the use of its clients, with seven spaces currently reserved.

Bank management monitors these spaces throughout the day and authorizes parking tickets to non-customers who violate the posted restrictions.

As another courtesy to bank customers, building employees, including bank employees, have been advised to park away from the west side of the building as an accommodation to bank customers.

We appreciate your continued patience, as bank management continues to address this problem.

that its future is in the hands of someone dedicated to the economic success of businesses in the community, and the protection and improvement of the quality of life for all local residents.

Good luck Buck!

The Valencia National Bank Outlook is published quarterly for our Shareholders, Customers and Friends.

Editor: Gail Pinsker

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Member FDIC Equal Housing Lender

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VALENCIA NATIONAL BANK

Outlook

THIRD QUARTER, 1990

Director Lou Garasi named 1990 Man-of-the-Year



Lou Garasi

Over the years, Valencia National Bank Director Louis Garasi has spent countless hours contributing time and energy to various community projects and organizations.

In September, Garasi was recognized for his efforts and awarded the distinguished 1990 Santa Clarita Valley Man of the Year Award, at an annual banquet sponsored by the SCV Chamber of Commerce.

Garasi's wife Rita was honored the same evening as the 1990 Woman of the Year, marking the first time that a husband and wife won the awards in the same year.

Lou's community involvement ranges from being the past president of the SCV Chamber of Commerce and

founding director and past president of the Valencia Industrial Association to participation on the Santa Clarita City Formation Committee, Chamber Transportation Committee, SCV Boys and Girls Club and the College of the Canyons Foundation.

Garasi was instrumental in bringing desperately needed child care services (La Petit Academy) to the Industrial Center several years ago, benefiting hundreds of men and women working in the area.

Garasi is the President of Gruber Systems in the Valencia Industrial Center, which supplies the cultured marble industry with fiberglass molds and related supplies.

continued on back

Third quarter 1990 most profitable to date

Despite ongoing headlines detailing the financial woes of our nation's savings and loan industry, and major money center banks, many independent, community-oriented banks continue to thrive.

And, Valencia National Bank is no exception.

With its strong capital base, full range of quality banking services and commitment to personalized service, Valencia National proudly posted \$169,733 in third quarter earnings, marking the Bank's most profitable quarter in its three year history.

Valencia National Bank's total assets increased 20% to \$54.1 million from \$45.1 million posted a year earlier.

The bank experienced a steady increase in quality loan requests over the past year, expanding its portfolio 38%, from \$28.4 million posted for the third quarter of 1989 to a current level of \$39.2 million.

With bank deposits of \$48.2 million, the current loan to deposit ratio is 81%.

Approximately 17% of our deposit base is comprised of non-interest bearing accounts, with the remainder in interest bearing accounts.

We continue to be amongst the leaders in the community with regard to the attractiveness of our rates. This combined with our commitment to providing friendly and efficient service has proven to be the formula for our success.

Sutro & Co., Inc., who makes a market in Valencia National Bank stock, reports the recent bid price \$12.50 and asked price of \$13.50 for the Bank's common stock.

During the last quarter over 11,500 shares were traded, producing a relatively active market for the Bank's stock.

Additional shares are currently available through Sutro & Co., 800-888-0929 or 800-288-2811 and the Valencia office of Dean Witter Reynolds, Inc. 259-2455.

THIRD QUARTER 1990 RESULTS

Assets	\$54,075,412
Deposits	\$48,202,864
Loans	\$39,158,228
Net income (for quarter)	\$169,733
Net income (year-to-date)	\$332,542
Stock price	\$13.50
Earnings per share (for quarter)	\$.33
Earnings per share (year-to-date)	\$.65

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Valencia National Bank receives top bank rating for 1989!

Earlier this year, Valencia National Bank received notification that it had been designated as a premier performing bank for 1989.

Out of 426 eligible banks in California, only 144 received this top rating. Valencia National Bank is one of only eight banks headquartered in the Santa Clarita and San Fernando Valleys which achieved this status.

The designation of a premier

performing bank is made each year by the Findley Reports, a recognized authority of California Banks.

Findley analyzes various criteria relating to the strength and growth of the banks and compares the following statistics: Increase in deposits for the year, net operating income as a percentage of average total assets, net stockholder return as a percentage of beginning equity capital and net loan

loss as a percentage of beginning gross loans and discounts.

It is to be noted that of the banks surveyed, Valencia National was in the top 1% in increase in deposits in 1989.

Congratulations to the Board, management team and staff for the hard work and efforts required to achieve this top status!

Powerbroker Game a Local Success

Collect \$250,000 in Interest Earnings every time you pass Valencia National Bank, and take control of some of the biggest businesses in town. Sound too good to be true?

Well, Santa Clarita Valley residents are playfully doing just that with the new SCV Powerbroker Game released in June.

The game, featuring over 40 prominent local businesses, and produced by the Pasadena-based Higgins Group, is described as a business stimulation game and promises "high finance and low blows" for players who wheel and deal their way toward controlling the Valley.

Proceeds from the game sales will benefit a special educational endowment fund created by the Santa Clarita Valley Chamber of Commerce.

According to a Chamber spokesperson, the Education Committee plans on using the money for scholarship programs and business education partnerships.

Valencia National Bank, an active corporate Chamber member, chose to participate in the game by endorsing the money used in the game as well as acting as the game board starting space.

The games make great Holiday gifts, as well as gifts for people who are new in town, business associates, and co-workers.

The Santa Clarita Valley Chamber of Commerce, as well as several local retail stores, are selling the games for \$19.95. The Chamber is located in Suite #125 of the Valencia National Bank building.

Imagine, you too can be a Powerbroker. Drop by the Chamber and purchase a game today!

Garasi, 1990 Man of the Year

continued from front

As a Founding Director of the Bank, Garasi, along with the other Directors, envisioned a community-oriented bank with a philosophy of superior service, local decisions and an investment and lending policy that would directly benefit the economic development of the Santa Clarita Valley. Today, with the guidance of the Board, Valencia National Bank is that Bank.

Lou and Rita feel like they have been blessed in their lives. They enjoy

quality time together and enjoy visits from their two daughters, both living out of the area.

They have lived in the Santa Clarita Valley since the early 70s, and found community involvement to be a great way to meet people in the Valley.

Lou and Rita plan to continue giving something back to the community they cherish, in the form of continued dedication and service to the community.

Congratulations from Valencia National Bank to Lou and Rita on your well deserved awards!

The *Valencia National Bank Outlook* is published quarterly for our Shareholders, Customers and Friends.

Editor: Gail Pinsker

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VALENCIA NATIONAL BANK

Outlook

SECOND QUARTER, 1989

Director Dick Keysor named 1989 Man-of-the-Year



Richard Keysor

Over the years, Valencia National Bank Director Richard Keysor has spent countless hours contributing time and energy to improve the quality of life for residents of the Santa Clarita Valley.

Keysor, the 1989 recipient of the Santa Clarita Valley Man of the Year Award, was recognized in June for his philanthropic efforts, at an annual banquet sponsored by the SCV Chamber of Commerce.

At the age of 60, Keysor continues to dedicate his life to helping others. Organizations like the SCV Boys and Girls Club, United Way, and Boy Scouts have benefited greatly through his successful fundraising efforts.

As the current President of the Henry Mayo Newhall Memorial Hospital Foundation, Keysor has spearheaded the most successful fundraising effort in the hospital's history.

His goal is to raise \$15 million for the HMNMH endowment fund and is well on his way having raised \$5 million to date.

Keysor also serves on the Boards of several other local businesses including Valencia National Bank, the Sulphur Springs School District and Keysor-Century.

As a Founding Director of the Bank, Keysor believes that a bank with

continued on back

Second Annual Shareholders' Meeting

Future bright for Valencia National Bank

Continued profitability and future goals were the main topics of the second annual Valencia National Bank Shareholders' meeting held in the branch, on May 25, 1989.

Chairman of the Board, Buck McKeon, warmly welcomed the shareholder group and spoke briefly on the achievements of the Bank during the previous year.

The Bank's 14 original Directors were re-elected to an additional term and will continue to serve on the Board with the shareholders' best interests in mind.

Robert Manley, President, shared the Bank's projections for the remainder of 1989 and reviewed the Bank's growth over the past year.

Some of the highlights discussed included:

A 227% increase in assets from \$10,410,000 in December, 1987 to \$34,064,000 in December, 1988.

An asset level of \$40,000,000 as of April, 1989, with a year-end projection of \$50,000,000.

A deposit level of \$33,000,000 as of April, 1989 compared to \$6,472,000 and \$29,732,000 for year-end 1987 and 1988, respectively.

A loan portfolio of \$23,000,000 as of April, 1989 compared to less than \$2,000,000 and \$18,000,000 for year-end 1987 and 1988, respectively.

Net income for 1988 was \$15,725 as opposed to the projected net loss of more than \$100,000.

Net income for the last quarter of 1988 was \$83,933, and was \$123,528 for the first quarter of this year.

Manley also mentioned that bank management continues to diligently search for an appropriate sight in Canyon Country for an additional branch, but has been unable to locate a suitable location to date.

According to Manley, the outlook

for the remainder of the year is bright, with projections of reaching \$50,000,000 in assets and achieving net income of \$462,000 for the year.

SECOND QUARTER 1989 RESULTS

Assets	\$39,375,533
Deposits	\$34,308,298
Loans	\$27,182,294
Net income (for quarter)	\$139,339
Net income (year-to-date)	\$262,851
Stock price	\$13.75
Earnings per share (for quarter)	\$.27
Earnings per share (year-to-date)	\$.52

ECONOMIC OUTLOOK

Policy-makers at the Federal Reserve will continue easing credit in an effort to keep a sluggish economy from sliding into recession, many analysts believe. That should translate into good news for borrowers.

Rates on a variety of loans, including home equity loans and home mortgage loans, are expected to head lower through the rest of the summer and on into the fall, economists predict.

Consumers have begun to favor fixed-rate mortgages, which can now be found for under 10%, as opposed to variable rate teasers.

Prime rate is expected to drop to around 9 1/2% by the end of the third quarter, according to Robert J. Smith, Sr. V.P., Sutro & Co., Inc.

Smith also believes that the three-month Treasury Bill rate will drop to 7 1/4% by October 1.

Little or no growth in the GNP is expected and the unemployment rate is expected to increase slightly.

Certificate of Deposit rates are expected to follow the same downward trend, possibly dropping another 1%-2% by year end.

It's not too late to take advantage of the declining rate trend by shifting your savings into medium and a long-term Valencia National Bank CD accounts, still paying more than 9% in many cases.

Information contained herein is based on sources believed to be reliable. However, neither the information nor the views herein can be guaranteed.

Spotlight on Business Services

First in a series

Valencia National Bank's full range of quality banking services are available to large and small businesses alike. From our checking accounts, interest bearing accounts and courier service to our commercial loans and lines, our professional staff can put together a banking program to suit your needs.

CHECKING ACCOUNT

Our simplified fee structure and no per check charge policy, combined with our commitment to personalized service make this account very attractive.

Instead of worrying about charges for routine banking transactions, you'll have peace of mind knowing that just a flat \$10 fee will be assessed if the average monthly balance falls below \$2,000. There is no charge for average balances over \$2,000.

We feature easy to read monthly statements and offer a full range of check styles at reasonable prices, including the popular peg board accounting systems.

Our Business Checking Account is available to sole proprietorships, partnerships and corporations.

MONEY MARKET ACCOUNT

Our Money Market Account is a great account for businesses to earn interest on idle funds without locking them into a time deposit.

With the unlimited deposit feature and six debit per month allowance, (including phone transfers), this account enables you to have access to your funds for deposits or withdrawals.

There is no monthly service charge on accounts with average balances of more than \$2,000 and a \$12 per month assessment for accounts with average balances below \$2,000.

Our Money Market Account is available to sole proprietorships, partnerships and corporations.

SUPER NOW ACCOUNT

This interest bearing checking account, which is available to sole proprietorships only, offers the convenience of unlimited check writing privileges, plus the ability to earn an attractive rate of interest.

There is no monthly service charge for accounts which maintain an average monthly balance of \$1500, and a flat \$8 per month fee is the monthly balance falls below \$1500.

CERTIFICATE OF DEPOSIT ACCOUNT

Certificate of Deposit Accounts are available to sole proprietorships, partnerships and corporations.

Your funds earn a high rate of interest for the term of your choice. The longer the term the higher the rate -- currently over 9% in many cases!

There is no maintenance fee for this account, however, there is a substantial penalty for early withdrawal.

If you would like additional information on our Commercial Services call or drop by our office and speak with Leslie or Peggy in the New Accounts Department.

Next issue we will spotlight our Business Deposit Courier Service and our Night Depository Service.

Keysor, 1989 Man of the Year

continued from front

the philosophy of superior service and responsiveness to the needs of the community was long needed and that Valencia National filled that void.

The combination of an involved Board of Directors, management team, and group of exceptional employees have been the strength of the bank, according to Keysor.

Keysor and his wife Arlene have resided in the Santa Clarita Valley since 1968. Their nine children and nine grandchildren also keep them busy.

Keysor and his family are very active with the Church of Jesus Christ Latter Day Saints, where Keysor has served as Bishop and in other capacities teaching Mormon principles to the congregation.

He plans to continue to positively impact the lives of many in the community through his involvement with businesses and charitable organizations.

Keysor also plans on doing some traveling around the world in the near future - in his spare time.

Congratulations from Valencia National Bank on your well deserved award!

The Valencia National Bank Outlook is published quarterly for our Shareholders, Customers, and Friends.

Editor: Gail Pinsker

VALENCIA NATIONAL BANK

23920 W. Valencia Blvd.

Valencia, CA 91355

805-259-9900 Member FDIC

Valencia National Bank is a locally owned independent bank, whose stock is publicly traded through stock brokerage firms, including Sutro & Co., Inc. of Westlake Village and the local office of Dean Witter & Co.

This issue dedicated to Director Vince Wiese, Sept. 17, 1919 - July 14, 1989

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VALENCIA NATIONAL BANK

Outlook

SECOND QUARTER, 1990

Community Banking has its advantages

Community Banking offers local decisions, quick and efficient service in a friendly, professional environment . . . and more!

As a Santa Clarita Valley-based community bank, we are committed to providing quality banking services to local businesses and individuals in a friendly, professional environment.

Recently, Security Pacific National Bank announced their intent to acquire Santa Clarita National Bank, the community's oldest and largest SCV-based commercial bank, with branches throughout the Valley.

As noted in a *Signal* newspaper article following this announcement, the finalization of this acquisition will leave Valencia National Bank as the only commercial bank based in the Santa Clarita Valley.

Why choose a community-oriented bank over a major money center bank?

We have listed some of the many advantages to banking with a local bank:

• **LOCAL DECISIONS** -- Decisions on everything ranging from commercial and installment loan requests, VISA card approval, to Merchant Bankcard Services acceptance are all made here in the Santa Clarita Valley, not "downtown" or out of state.

• **ACCESS TO SENIOR MANAGEMENT** -- From the President to the Senior Credit Officer to Commercial Loan Officers and Bank Directors, they are at your service, and care about you and your business.

• **QUICK RESPONSE** -- Whether you are anxious for a response to a loan request to build your dream home or in need of a copy of a paid check, you can rest assured that our qualified

professionals will give you an answer fast.

• **QUALITY BANKING SERVICES** -- From competitive rates on loans and investment accounts, to a National ATM Network, to our time-saving Business Deposit Pick-Up Service, Valencia National Bank offers a wide variety of services to suit the needs of businesses and consumers.

• **FAMILIAR FACES IN ALL DEPARTMENTS** -- All of our employees live locally and have previous commercial bank or business experience. They are committed to building a long-term business relationship with our clients while providing friendly, professional service with a smile.

In addition, Valencia National Bank supports a variety of local organizations and professional clubs through financial contributions as well as through personal involvement of Bank Officers, Directors and staff.

The Bank's Directors, Officers and staff all believe in giving something back to the community that has supported the Bank's growth and success since opening, two-and-a-half years ago.

People like Bank Director Richard Keyser, who, in 1989 was the recipient of the Santa Clarita Valley Man of the Year award for his continuous devotion to helping others.

Bank Director Glen Rollins and his wife Loretta are two more examples of that same dedication and attitude. As co-chairs for the upcoming annual Boys and Girls Club auction, their commitment to the children of the community is unsurpassed.

Assistant Vice President/Operations Officer Janet Ages has been recognized as a top solicitor for the 1990 Boys and Girls Club Auction and Assistant Vice President/Loan Officer Paula Meade's

participation in the SCV chapter of Soroptomist International positively affects many local groups.

Vice President/Commercial Loan Officer Robert Kaplan is this year's chairman of Henry Mayo Newhall Memorial Hospital's 6th annual Run for the Health of it. His involvement with this fitness oriented program ties in with one of the Valley's most celebrated cultural family events -- the annual Valencia Arts and Sports Festival.

Senior Vice President Bart Aikman, who joined the bank in Dec. 1989, enthusiastically accepted a request to participate in the ongoing YMCA fundraising campaign.

Just to name a few.

We also support the business community through our association with the Santa Clarita Valley and Canyon Country Chambers of Commerce. We are dedicated to supporting continued economic prosperity in our community while maintaining the exceptional quality of life that we all enjoy.

As a community-oriented bank we want to see your business grow and prosper. We welcome the opportunity to tailor a financial program to put you on track to reaching your goals.

Get in touch with a Bank Officer today!

FIRST QUARTER 1990 RESULTS

Assets	\$49,102,300
Deposits	\$43,694,744
Loans	\$34,611,561
Net income (After taxes)	\$59,400
Stock price	\$13.25
Earnings per share	\$.12

ECONOMIC OUTLOOK

The true picture for 1990 will improve as the year progresses with stronger exports and weaker imports which will run nearly flat compared to last year. Our trade gap will shrink for the third straight year, hovering around one hundred billion dollars. As the new environment unfolds in Eastern Europe there may be a shift in international investment dollars attracted by higher rates in these markets in order to build the economies of Eastern Europe. These investments could effect rates in the domestic market in the latter part of 1990 and perhaps into 1991.

The outlook for rates in the short term will remain fairly flat and trend downward into the next quarter. Long term rates such as mortgage interest rates should begin to turn downward in the second half of the year providing there are no major investment changes in Eastern Europe. Long term treasuries are a good investment at this time as well as high grade corporates and tax free municipals. There are yields of around 8.5% for up to 30 year T-Bonds, over 9% on high grade corporates and around 7% on state and local tax exempts. There should be a significant down trend in rates overall over the long haul, which means well into 1991.

This year should reflect a home buyers market with lower mortgage rates and smaller price increases. Prices in most areas have bottomed. Real estate will continue to be a good investment in the 90's however double digit gains year after year will be slight if at all.

The projected population in California for 1990 is expected to be 29.7 million with the overall California job market looking strong well into the next quarter. Analysts project 26% of employers will add workers, with 62% planning to keep current levels.

Information contained herein is based on sources believed to be reliable. However, neither the information nor the views can be guaranteed.

Spotlight on Business Services

Last in a series

Valencia National Bank's full range of quality banking services are available to large and small businesses alike.

In the previous two issues we focused on different account types and related depository services. In this issue, we spotlight our Business Credit Services.

BUSINESS LINES OF CREDIT provide the versatility to finance Working Capital needs or meet the special requirements of companies with seasonal business cycles.

EQUIPMENT FINANCING features competitive rates and terms on loans for business vehicles, machinery and equipment.

ACCOUNTS RECEIVABLE AND INVENTORY FINANCING is available to help meet a firm's cash requirements during its business cycle, particularly during seasonal periods and to support rapid growth.

LETTERS OF CREDIT are available to assist clients with international transactions.

PROFESSIONAL LOANS are available to accommodate business executives, attorneys, and accountants, as well as physicians, dentists and other health care professionals, for establishing or expanding their practices.

CONSTRUCTION LOANS provide corporations and developers with the ability to finance a variety of construction projects.

TERM LOANS are available for businesses to finance expansion and other longer term objectives. With

typical maturities of two to five years, these loans may be secured or unsecured and offer competitive rates and terms.

CORPORATE VISA CARDS are available at the low 15% Annual Percentage Rate. Internationally accepted VISA cards are great for entertaining clients, business travel, and other business-related purchases.

Business Banking is a matter of prime importance at Valencia National Bank.

We are committed to providing quality banking services to the business and professional community. As business people ourselves, we also understand the demands of running a growing enterprise. We provide that extra measure of support and work closely with clients to tailor solutions that are truly responsive to each individual situation. As a result, all types of local business and professional customers come to us confident in our ability to meet their specific needs. They appreciate the fact that we are a community oriented bank, committed to promoting the economic prosperity of the Santa Clarita Valley.

At Valencia National Bank, we combine sophisticated banking with a friendly, personal approach that makes doing business a pleasure.

From customized credit services to deposit and specialized services, our objective is to build a solid banking relationship that can make all the difference in helping your business achieve its goals.

Call and ask for a Loan Officer to discuss your special banking needs today!

The Valencia National Bank Outlook is published for our Shareholders, Customers and Friends.

Editor: Gail Pinsker

VALENCIA NATIONAL BANK
23920 W. Valencia Blvd.
Valencia, CA 91355
805-259-9900 Member FDIC

Valencia National Bank is a locally owned independent bank, whose stock is publicly traded through stock brokerage firms, including Sutro & Co., Inc. of Westlake Village, 800-888-0929 or 800-288-2811, and the local office of Dean Witter & Co., 805-255-2455.

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**Buck
McKeon**
U.S. CONGRESS

RECEIVED
OCT 27 10 15 AM '92

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October 22, 1992

Federal Election Commission
Washington D.C. 20463

RE: MUR 3625

Dear Sirs:

The following is a formal response to the complaint filed against my campaign on September 28, 1992 by James H. Gilmartin, my Democrat opponent in the congressional race for California's 25th District.

If your office has any further questions, please feel free to contact me or my campaign manager, Armando E. Azarloza.

Sincerely,

Howard "Buck" McKeon

HOWARD "BUCK" McKEON

24043562886

STATEMENT OF HOWARD "BUCK" McKEON

MUR 3625

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RECEIVED
MURKIN FILED
OCT 27 1992

The following is a formal response to James H. Gilmartin's complaint filed against my campaign on September 28, 1992. Both complaints levied against my campaign by Mr. Gilmartin are unfounded and deserve no action from your office.

After my primary victory in June 1992, the public information officer at Valencia National Bank interviewed my campaign manager, Armando E. Azarloza, for a story on the election. On any single day the press interviews my campaign staff several times for stories on the campaign. The subsequent story, "McKeon Pursues House Seat," was reported as a news item and published in the *Outlook*, Valencia National Bank's second quarter newsletter. The said story does not advocate my election, nor advocates the defeat of Democrat James H. Gilmartin. In fact, the article notes that the Democrat candidate for Congress is Mr. Gilmartin. The story was not solicited by me or any representative from my campaign. I was completely unaware that the *Outlook* was going to contain any article on this race. I had no involvement in the creation of the article, its publication, or selecting the individuals to whom it was distributed.

The picture that appears in the story was taken in 1990 with Robert Manley, president of Valencia National Bank, and has no relation whatsoever to the campaign. Mr. Gilmartin is right on one count, I am Chairman of the Board of Valencia National Bank. However, I am not involved in the day to day operation of the bank. Nor do I have any contact with the editorial staff of the *Outlook*. There is a full professional staff that is charged with operating all of the bank's activities. Therefore for Mr. Gilmartin to claim that I placed the story or that I violated any election laws is false and warrants no action by your office.

On the second count that Mr. Gilmartin has raised, it is true that Richard Patterson sits on the Board of Directors of Valencia National Bank. It is also true that Mr. Patterson is currently involved in a lawsuit filed against him in Los Angeles Superior Court. How this involves me is unclear. It is up to the judicial system to determine if Mr. Patterson has done anything wrong, and at that point, Valencia National Bank will have to make a decision on Mr. Patterson's continued involvement with the Bank. All this is far removed from my congressional campaign. I am unclear on the merits of Mr. Gilmartin's complaint and why this complaint has been filed with your office. This also deserves no action from your office.

Howard "Buck" McKeon

Howard "Buck" McKeon

October 22, 1992

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**Comptroller of the Currency
Administrator of National Banks**

Washington, D.C. 20219

April 2, 1993

MUR 3625

Office of General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

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RECEIVED
FEDERAL ELECTION COMMISSION

Dear Sir or Madam:

Late last fall Mr. James H. Gilmartin filed a complaint with both your office and ours concerning the activities of Valencia National Bank, Valencia, California. Mr. Gilmartin alleged that certain of the bank's activities were in violation of Federal election laws and banking laws. A copy of his letter is enclosed for your reference.

We would greatly appreciate it if you could advise us of the current status of this complaint and, specifically if possible, whether you found that the bank indeed was in violation of any Federal election laws.

Thank you for your cooperation in providing this information. If you have any questions, I can be reached at 202-874-4460.

Sincerely,



Wallace S. Nathan, Director
Bank Operations and Assets Division
Law Department

enclosure

94043562008



COPY

JAMES H. GILMARTIN
Candidate 25th Congressional District
20611 Soledad Canyon Road
Santa Clarita, California 91351-2491

26 SEPTEMBER 1992

Telephone (805) 251-8484 Fax (805) 251-8318

OFFICE OF GENERAL COUNSEL
FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463
ATTN: COMPLAINT DIVISION

COMPTROLLER OF THE CURRENCY
250 E. STREET S.W.
WASHINGTON, D.C. 20219
ATTN: STEPHEN STEINBRINK, ACTING COMPTROLLER

93 APR -7 AM 10:13

RECEIVED
FEDERAL ELECTION COMMISSION

Gentlemen:

I wrote to both of you with a complaint on FEC violations on 24 September 1992.

I am the DEMOCRATIC NOMINEE for the 25th CONGRESSIONAL DISTRICT in California. The REPUBLICAN NOMINEE is HOWARD MCKEON, who is also CHAIRMAN OF THE BOARD OF VALENCIA NATIONAL BANK, and a member of HOWARD AND PHILS, of 47 western clothing stores.

We have just received a copy of the LOS ANGELES DAILY JOURNAL DATED 18 September 1992 under the heading "CASES TO WATCH." One of the cases pointed out by the legal editors is the case of COX V. LAW OFFICE OF PATTERSON AND NEAVITT, Case # BC 064211 and shown under the title of "UNDUE INFLUENCE."

We note for record purposes that MR. RICHARD A. PATTERSON, is a director, founder, attorney and contributor to MR. MC KEONS campaign and holds the title of SECRETARY OF THE BOARD for VALENCIA NATIONAL BANK. This is the same NATIONAL BANK CORPORATION that the REPUBLICAN NOMINEE is CHAIRMAN OF THE BOARD. This is the same bank where we have filed an FEC charge that the REPUBLICAN NOMINEE campaign manager claims is "frivolous and an attempt by GILMARTIN to sidestep campaign issues" as set out in the DAILY NEWS on 9-24-92. On each issue presented to the REPUBLICAN NOMINEE MR. MC KEON, he has the general answer of "not" knowing anything about the issue especially if it is controversial i.e. the gay rights contributions that were eventually returned, the gambling contributions from the crap dealers in Vegas and the attempt by a NATIONAL BANK, that he is CHAIRMAN OF THE BOARD, to influence a federal election by sending out literature and posed pictures, not only to the shareholders but to every bank thousands of customers on the NATIONAL BANK CONFIDENTIAL records. This is like the BANK of AMERICA endorsing one candidate and sending a posed political picture and article to all of their millions of clients.

We have obtained a copy of a complaint filed against RICHARD PATERSON, the present SECRETARY OF THE VALENCIA NATIONAL BANK, filed against him in an individual capacity, his law office and Does 1 to 25 as the litigation does not mention the

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bank where the account was held. The complaint is self explanatory and covers the issues of: 1. undue influence; 2. Breach of fiduciary duties; 3. Conversion; 4. Fraud and deceit; 5. Malpractice, 6. Civil conspiracy; 7. Intentional Infliction of Emotional Distress; 8. Constructive trust; 9. Injunctive relief and 10. Rescission.

We are well aware that a filing of litigation imputes no guilt of any type and that it is up to the court and jury to decide the merits of this case. If MR. PATTERSON was "not" the Secretary of VALENCIA NATIONAL BANK, A FOUNDER, A CONTRIBUTOR TO MR. MC KEONS CAMPAIGN FUND, A DIRECTOR OF THE NATIONAL BANK CORPORATION and still an active member of the board and corporation, we would not bring it to your attention and would assume the bank would report it to you in a normal reporting routine.

We do NOT feel that the acts of the FEDERAL NATIONAL BANK in pushing for the election of MR. MC KEON by a FEDERAL NATIONAL BANK and by its advertising and continued publication of this campaign literature is legal under the present FEC rules and places any candidate that does not own a FEDERAL BANK at a detriment. These rules were to insure fairness and justice for all.

We feel that the additional information obtained goes to the question of director insider loans as indicated in prior letters and who controls the directors in their approval of these loans and why should the directors of any NATIONAL BANK have preference over any individual when they go and apply for a loan from a local NATIONAL BANK.

I do believe additional investigation is required of these facts and that the FEC and COMPTROLLER OF THE CURRENCY owe to the public some explanation of the facts as set forth above.

Very truly yours:

JAMES H. GILMARTIN
DEMOCRATIC NOMINEE FOR CONGRESS, 25TH CONGRESSIONAL DISTRICT

Encl: COPY OF LOS ANGELES DAILY JOURNAL DATED 18 SEPTEMBER 1992
COPY OF LITIGATION BC 064 211
COPY OF DAILY NEWS ARTICLE DATED 9-24-92

IBM MCKEONBK.COM

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20461

APRIL 21, 1993

Wallace S. Nathan, Director
Bank Operations and Assets
Division
Law Department
Comptroller of the Currency
Washington, D.C. 20219

RE: MUR 3625

Dear Mr. Nathan:

This is in response to your letter dated April 2, 1993, inquiring into the complaint filed by James H. Gilmartin. Although we appreciate your need for information regarding the complaint, the confidentiality provisions of the Federal Election Campaign Act of 1971, as amended, prohibit our office from disclosing such information prior to the completion of the Commission's review without the express written consent of the individuals involved in the allegations of the complaint. See 2 U.S.C. § 437g(a)(12). We will undertake, however, to inform you as soon as the matter is resolved.

Should you have any further questions, please feel free to contact Helen J. Kim, the attorney assigned to this matter, at (202) 219-3690.

Sincerely,

A handwritten signature in cursive script, which appears to read "Lois G. Lerner".

Lois G. Lerner
Associate General Counsel

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RECEIVED
FEDERAL ELECTION
COMMISSION
ADMINISTRATIVE SERVICES
JUN 6 8 52 AM '94

JAMES H. GILMARTIN
Candidate 25th Congressional District
20611 Soledad Canyon Road
Santa Clarita, California 91351-2491

Telephone (805) 251-8484 Fax (805) 251-8318

30 May 1994

**OFFICE OF GENERAL COUNSEL
FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463
Attn: COMPLAINT DIVISION, CASE #: MUR 3625**

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL
JUN 6 9 49 AM '94

**COMPTROLLER OF THE CURRENCY
250 E. STREET, S.W.
WASHINGTON, D.C. 20219
Attn: STEPHEN STEINBRINK, ACTING COMPTROLLER**

**FEDERAL BUREAU OF INVESTIGATION
11000 WILSHIRE BOULEVARD
17TH FLOOR
LOS ANGELES, CALIFORNIA 90024**

24943562892

Gentlemen:

I have been the DEMOCRATIC candidate for CONGRESS in the 25th CONGRESSIONAL DISTRICT in 1992 and hopefully in 1994.

I wrote to all of you September 1992 and November 1992 as follows:

"We feel that the additional information obtained goes to the question of director insider loans as indicated in prior letters and who controls the directors in their approval of these loans and why should the directors of any NATIONAL BANK have preference over any individual when they go and apply for a loan from a local NATIONAL BANK"

The newspapers, LOS ANGELES TIMES, NEWHALL SIGNAL and the DAILY NEWS have had front page coverage on the above issue relating to VALENCIA NATIONAL BANK.

The articles are enclosed and it appears that the newspapers have done a good job in bringing this to the attention of the public.

Very truly yours:

**JAMES H. GILMARTIN
CANDIDATE FOR CONGRESS**

Bank investors question ouster

Valencia National president says board wants him out for demanding loans be repaid

Susan Goldsmith
News Staff Writer

VALENCIA — Valencia National bank customers and investors question Friday about the bank's management after the board of directors moved to oust the bank's president.

Manley said he is being forced out because he took a hard line on requesting repayment of loans taken out by the bank's own board of directors.

A promised statement from the board on Friday never materialized.

Manley said he is being forced out because he took a hard line on requesting repayment of loans ta-

ken out by the bank's own board of directors.

John P. Mayne, a company stockholder, said the board's attempt to force Manley out is raising a lot of questions that aren't being answered.

"I just don't know what's going on," he said. "I'd like to know what's going on with the bank. I'm very interested as a stockholder."

City Council member Jan Heidt remains a customer even though she sold her stock in the bank to avoid a conflict of interest when the City Council agreed to lease the bank building as a temporary City Hall.

"I'd like to know what's going on," Heidt said. "If Manley's allegations are true, I think it will hurt every customer of the bank. We'll

have to eat the losses through higher fees."

Board Chairman Lou Garasi said investors and customers have nothing to worry about. He said the bank is on solid ground and Manley's ouster is unrelated to the bank's performance.

According to the bank's 1993 fi-

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DAILY NEWS / SUNDAY, MAY 29, 1994

Bank's attempt to oust CEO raises questions

BANK / From Page 1

financial statements, profits dropped from \$310,458 in 1992 to \$29,454 the following year.

Valencia National also had an unprecedented turnover in its board of directors in 1993, when four of its 12 members resigned within one month, according to officials and bank records. A fifth member resigned this year.

The four members who resigned last year are: Kathy Wiener, a former escrow company executive; Anthony Matthes, president of SVI Properties; Glen Rollins, a broker with R.R. Gable Inc.; and Kent Fortin, chief financial officer of The Applied Cos.

In an action unrelated to the bank, Wiener and her husband Harold have been accused of embezzling more than \$2 million from trust accounts from their escrow business, state records show.

No criminal charges have been filed, but the state Department of

Corporations closed the business after an audit and prohibited the two from working in the state's escrow industry.

Bank officials confirm that Katharine Wiener never repaid loans she took out while serving on the board, but they refuse to say how much she owes Valencia National.

Records also show that the bank extended a \$150,000 unsecured loan to current board member Chuck Albrecq in 1990 despite the rancher and real estate developer's inability to pay off a previous \$200,000 unsecured loan to Valencia National.

Albrecq, a real estate developer, has since paid off both loans, according to the bank's 1993 proxy statement to investors.

"I paid them off completely," Albrecq said.

The proxy shows that bank directors and officers borrowed \$4.65 million from the bank in 1992 — a common practice in the industry, analysts said.

But while it is common for directors and officers to borrow from their own bank, for any such loans to be in default is "not common at all unless you're in a fraud situation," said Warren Heller, a spokesman for VERIBANK, an independent bank research firm.

"Banks are in the business of being paid back even by insiders," Heller said.

Heller said Valencia National now has about \$600,000 in delinquent loans. He did not know what percentage of that sum might be from past or present directors.

If the bank has not made reasonable efforts to collect on insider loans, "they'll have problems at exam time," he said referring to regulators' audits.

Rouie Oda, chief counsel for the comptroller agency's western district, said banking regulations prohibit agency officials from discussing its annual bank audits.

Additionally, she said that no administrative actions have ever been

taken against the bank for violations of banking regulations and it is not the subject of an agency investigation.

Valencia National is an independent, local bank based in Valencia with branches in Newhall and Canyon Country. Stock is publicly traded.

Valencia National was founded in 1987 by a group of prominent residents and business people including Rep. Howard P. McKeon, whose brother took his place on the board when McKeon was elected to Congress in 1992.

Other founders were Heidt and her husband, Gerald, several members of the McKeon family; Louis and Rita Garasi; developers Jack Shine and Geoff Palmer; real estate broker Glen Rollins and his wife, Loretta; and Harold and Katherine Wiener, who owned the defunct Country Oaks Escrow.

The list of founders included members of a clique of business leaders — including the Heidts,

Garasis and McKeons — who also were involved in Santa Clarita's 1987 city formation.

Manley, the bank's first president, said he was asked Tuesday to resign his \$120,996 a year post. He will refuse to resign when he returns from vacation in two weeks, he said.

Manley said he believes the board wants him out because he's been critical of tax collection policies on loans made to board members including some who had resigned.

"I was concerned about the manner in which some directors, past and present, handled their obligations with the bank," Manley said. "In some cases the board has had to take action (for repayment) and is doing that has made some enemies."

Garasi refused to say why Manley was asked to resign but denied involved insider borrowing.

"The board had been considering this action for over two years."

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SATURDAY, MAY 28, 1994

THE SANTA CLARITA VALLEY'S DAILY NEWSPAPER, ESTABLISHED 1919

25 CENTS

Insider loans may cost bank \$600,000

By **STEVE WHITMORE**
Signal City Editor

SANTA CLARITA — Insider borrowing by Valencia National Bank's board of directors — the focal point in bank President Bob Manley's apparent ouster — may end up costing the institution more than \$600,000 over a two-year span, said a senior bank official.

Moreover, several bank shareholders and depositors have already closed their accounts, or are threatening to do so, if the directors follow through with Manley's termination, said the bank official, who

spoke on condition of anonymity for fear of job reprisal.

Manley, 51, was suddenly asked to resign Tuesday by the eight member board of directors. Manley, the bank's president since it opened in October 1987, refused, saying he's probably going to fight his removal. Manley has taken vacation and is expected back within two weeks.

The cause for the dismissal is directors lending themselves, and/or family members, money over Manley's objections, and then defaulting on those loans, Manley and others say. In fact, insider borrowing caused the resignation of at least four

directors last year, the bank official contends.

"If Bob had not stepped in, we would be under (a cease and desist) order right now. The (Office of the Comptroller of the Currency) can come in and close you," the official said.

The insider borrowing to date apparently has cost the bank \$300,000 in 1993, and may cost the bank at least \$330,000 in 1994 if delinquent director loans are not brought current, the official said. The bank's loan committee is the board of directors.

Board Chairman Lou Garasi has repeatedly and categorically denied any

impropriety involving directors borrowing money from the bank. He also denied insider borrowing had anything to do with Manley's termination, which he said may now officially occur next week.

Kent Fortin, a founding bank director who resigned last year, also denied his resignation had anything do with improper loans. He said he resigned because the demand of his aerospace job required more attention.

He refused to discuss, however, any loans he may have with the bank, saying it is a privacy issue.

"I am a good customer with the bank," he

said, adding his actions have never lost the bank money. He also refused to comment on the financial transactions of any other current or former board member.

Glen Rollins, another director who resigned last year about the same time as Fortin, also denied any wrongdoing. Rollins said his loan with the bank is current.

Despite the internal turmoil, the bank is in "good financial shape," the senior official said.

"That's not to say it hasn't had its troubles. It has," the official said. "If we had back (the money lost due to directors'

See **BANK**, page A8

Bank

Continued from page A1
(loans) we would really be doing well."

The bank has also been receiving numerous phone calls inquiring about the Manley matter, the offi-

cial said.

Garasi confirmed "several people" have closed their accounts, causing concern among bank officials. However, he did not release any dollar figures connected to the withdrawals. He said the situation will be rectified when a new president is hired.

Licensed contractor Dave Davis, who owns a plastering business, has not closed his business account yet, but is ready to do so.

"I've got the utmost respect for Bob Manley," Davis said. "If they (the board of directors) let a man of that caliber go, I'll take my business elsewhere."



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Candidate 25th Congressional District
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29 JUNE 1994

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Gentlemen:

I have written to all of you over the past two (2) years. This case involving the VALENCIA NATIONAL BANK has become the "laughing stock" of the area where the bank president is allegedly fired for "not" covering up on defaulting loans of the insider directors. Where are the federal agencies that are allegedly supervising the National Bank when these acts are going on and continuing?

The article of 6-07-94 in the Signal indicates that the bank allegedly "rigged" the price of the stock according to a letter to the paper and the shareholders traded the stock between themselves at lower prices than offered to the public. Who is protecting the poor public that is buying the stock at rigged prices higher than what the insiders are buying and selling?

Being an old seat holder in the Pacific Coast Stock Exchange, I have never seen such newspaper coverage and so little action on behalf of the agencies that supervise banks. Our compliance officers would have had us fired in 24 hours and out on the street yet the Federal Agencies allow the losses and coverups to continue. The article of 6-07-94 shows over \$330,000.00 losses on insider loans plus another \$300,000.00 more this year. Does anyone at the Federal Agencies care?

I wrote to all of you September 1992 and November 1992 as follows:

"We feel that the additional information obtained goes to the question of director

insider loans as indicated in prior letters and who controls the directors in their approval of these loans and why should the directors of any NATIONAL BANK have preference over any individual when they go and apply for a loan from a local NATIONAL BANK."

Another director has been replaced at the National Bank after her Escrow company was closed by the State of California when over \$2,600,000.00 was missing from the escrow accounts. You should read the articles where the State is closing the escrow company (coming in the front door) and the National Bank is giving them about \$146,000.00 in cashier checks (going out the back door) on the same day. The article of Dwight Jurgens is enclosed on this issue. I also believe that these parties might also be involved in shortages of the National bank.

Some of this money appears to have even ended up in a Congressional Candidate campaign fund of our local Congressman who told the press." He said he understands that insurance has or will reimburse parties for losses caused by the alleged embezzlement."

Is it not wonderful when even a Congressman knows the money is "allegedly" stolen by one of his directors on the Board of a National Bank and so long as it is insured, he can keep this "allegedly" stolen money for campaign purposes.

It is amazing that over \$3,200,000.00 is missing from insured escrows and National Bank accounts and no federal agency seems to have the slightest interest in the events even though placed on notice in 1992.

The newspapers, LOS ANGELES TIMES, NEWHALL SIGNAL and the DAILY NEWS have had front page coverage on the above issue relating to VALENCIA NATIONAL BANK.

The Feds go after Dan Rostenkowski for "stamps" and yet when people take over a National Bank and run it like a private club for their own benefit and the shareholders loss, no one seems to care. I am trying to find the morality between these two cases. \$3,200,000.00 in losses sure seems a bigger play than the public allegations that I have seen against Dan Rostenkowski. Maybe the Feds should spend a little time looking at this case?

Very truly yours:

JAMES H. GILMARTIN
DEMOCRATIC NOMINEE FOR CONGRESS

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Weaver Directors quit over bad loans

Manley read about
firing in newspaper

By CAROL A. BROOKS
Signal Staff Writer

SANTA CLARITA — A former Valencia National Bank director said Monday directors were asked to resign last year if they failed to repay loans, backing up ousted bank President Bob Manley's claim he had asked directors who couldn't repay insider loans to quit.

The board fired Manley in absentia last week. The former bank president found out he didn't have a job when he read newspaper reports about his firing after returning from a vacation Saturday.

"They never even had the courtesy to even try to reach me," Manley, 51, said Monday, "despite the fact they had assured me they would wait until I would get back from vacation before taking action."

Directors said Manley was fired because he was incapable of meeting shareholders' needs — namely, producing increasing profits. Manley said he was kicked out because he tried to limit insider loans.

Former founding director Orville Weaver said Monday he resigned last August because he no longer wanted to serve on the same board as Bob Manley, not because he was asked to resign.

"I don't feel Bob Manley runs a good bank," Weaver said. "I think it takes one kind of person to start a bank and get it growing and another to keep it going. . . . The bank is doing fine, but there were times when other banks were doing better. Why weren't we?"

While Weaver said he believes Manley wasn't fired over insider loans, he backed up Manley's statement that directors were asked by Manley and the board to resign last year if they couldn't repay loans.

"Some directors had problems

See BANK, page A6

Bank

Continued from page A1
paying loans because of the economy," Weaver said. "They were given the choice to pay them or resign."

Added Manley: "It was my architecture that led to that. I'm the one who came up with that wording, if you will."

The bank has lost nearly \$300,000 over its seven-year history to insider loans, bank officials said. Board Chairman and Acting President Lou Garasi said the bank plans to recoup \$200,000 of that money. He did not specify as to how the bank would recoup that money, however.

Furthermore, there is still another reported \$330,000 in defaulted loans, over and above the \$300,000 that could be lost this year, bank officials said.

Last June and July, four of 14 directors resigned: Kathy Wiener, Glen Collins, Ken Fortun and Anthony Matthes.

All except Wiener maintain they were not asked to resign, but left to tend to their businesses.

Weaver resigned in August "because I didn't want to be a part of the board Bob Manley sat on."

Board Chairman and Acting

"Part of that is because shareholders have been selling stock between themselves at lower prices than the selling price."

— Bob Manley

President Louis Garasi had said the four directors resigned to take care of businesses pinched by the recession. When told both Manley and former director Weaver said those same directors had been told to resign, Garasi said, "No comment."

Meanwhile, Manley said directors blamed him for the bank's stock dropping from \$14 in 1991 to \$8 currently. The former president said he wasn't fully at fault.

"Part of that is because shareholders have been selling stock between themselves at lower prices than the selling price," Manley said. "And the directors were a part of that."

If that kind of pattern is conducted on a large scale, stock values can drop, said Jim Marks, an executive vice president with Sutro, a brokerage firm that sells Valencia National Bank stock.

Congressmen prepare for fall battles

By DAVID FOX
Staff Writer

Primary election results Wednesday put Antelope Valley congressmen Howard P. "Buck" McKeon and William M. Thomas into general election contests against Democrats who plan to attack them on character issues.

McKeon, R-Santa Clarita, finished with 30,247 votes, or 82 percent, in Tuesday's Republican primary in the 25th District, compared to 7,021 votes, or 18 percent, for GOP rival Sandra Talley of Antelope Acres.

"We didn't run a big campaign, so I just felt real good that people felt I was doing the job they sent me there to do," McKeon said.

Santa Clarita attorney James H. Gilmartin easily won the Democratic nomination, gaining 15,733 votes, or 62.5 percent, over William Horning of Lancaster, a custody records clerk who had 9,458 votes, or 37.4 percent.

Asked why he won, Gilmartin laughed and said: "My good looks! Whatever I attribute it to, I thank them."

The 25th District includes the Los Angeles County part of the Antelope Valley, plus Santa Clarita and the northern San Fernando Valley.

In the 21st District, which includes parts of Kern and Tulare counties, Thomas, R-Bakersfield, won renomination to his ninth term over Bakersfield insurance agent Nora Jenkins Weber.

Thomas had 35,374 votes, or 69.8 percent, while Weber had 15,233 votes, 30.1 percent.

"We basically ran a traditional campaign on the issues," Thomas spokeswoman Cathy Abernathy said. "We're really pleased with the strong showing I got in the primary. It's one of

the highest percentages ever.

On the Democratic side, Bakersfield businessman Donn Evans defeated the 1992 nominee, Bakersfield attorney Deborah Vollmer. Evans had 17,379 votes (55 percent) to Vollmer's 14,683 (45 percent).

"I think I won because I got out and met enough people who spread the word through a grassroots organization that they are tired of the politicians we have today, and they were opposed to Miss Vollmer's stand on welfare and government in general," Evans said.

Questions

In the 25th District, the primary set up a rematch of the 1992 election between McKeon and Gilmartin.

Gilmartin said he will focus his campaign on questions regarding McKeon's 1987-92 tenure as chairman of Valencia National Bank.

The bank's chief executive officer, Robert Manley, was fired last week, and the bank's profits have dropped significantly in the last two years, according to newspaper accounts.

Manley has told Santa Clarita-area newspapers that he was forced out because he took a hard line on insisting on repayment of loans taken out by members of the bank's own board of directors.

News media reports indicated the bank has lost as much as \$600,000 on such insider loans.

Gilmartin said news reports have made the insider loans a "major issue in the Santa Clarita area."

"And since Mr. McKeon was chairman of the board from the inception of the bank to the time he resigned to go to Congress...

See CONGRESSMEN on A7

Antelope Valley Press Thursday, June 9, 1994 A7

Congressmen

From A3
he might have to answer for some of these insider loans," Gilmartin said.

McKeon said he did not sit on the loan committee, but he can "categorically say, very firmly, no" to the question of whether directors received preferential treatment in loans.

"I do know that Manley sat on the loan committee," McKeon said. "If he had any problems with loans that were being made, then he should have raised them at that time."

McKeon said his family-owned corporation, Howard & Phil's Western Wear, is a customer of Valencia National Bank

economic conditions that caused investments to sour.

"Some members of the board were real estate and land developers who had real struggles, as has everybody in that field with this last recession," McKeon said.

Gilmartin also noted that Kathy Wiener, a former executive in the failed Country Oaks Escrow, was a founding board member of the bank along with McKeon.

Authorities say Wiener and her husband Harold allegedly embezzled more than \$2 million from the trust accounts from their escrow business. No criminal charges have been filed, but

the state Department of Corporations closed the business and prohibited the two from working in the escrow industry in California.

Gilmartin said McKeon should return a \$500 donation made to McKeon's 1992 campaign by Kathy Wiener.

McKeon said the Wiener's were friends but he has had no contact with them since the Country Oaks scandal broke a year ago. He said he understands that insurance has at will claim for the alleged embezzlement.

McKeon said he is proud of what the bank has done. "I have no problems with





Dwight Jurgens

Intermission

Are Wieners rolling away from justice?

It has been a year now since the till at Country Oaks Escrow was discovered to be light by \$2.6 million. And so far, about all that's come out of it is that its owners, Harold and Kathy Wiener, have been forbidden from working in the escrow business again.

That ought to teach 'em. To refresh your memory a little, it was like this: one year ago, one or both of the Wieners went into Valencia National Bank and withdrew somewhere around \$160,000. The next day, their business was seized and socked up.

Kathy Wiener hasn't been seen since, having rushed off to Utah. Harold Wiener, for whatever reason, struck around a few days and was soon sued by a former client who claimed his \$44,000 in escrow was misused.

As time marched on, Harold eventually answered the suit and claimed that he didn't embezzle any money, and if he did it was because of medication he was taking that left him unable to distinguish right from wrong, and if that didn't fly, then it was the fault of the auditors for not discovering the theft, and, presumably, alerting him he was taking money that didn't belong to him.

The unique defense brought plenty of guffaws and knee slaps from local residents, and even caused one woman to ask incredulously, "So what is Kathy's excuse... that she got a contact high?" which I considered one of the better lines to date.

Anyway, on June 8, 1993, Burrows Escrow moved in and bought the company, saving most of the jobs and minimizing the interruptions in the flow of transactions among those residents wanting to sell or buy property.

And then Escrow Agents Fidelity Corp., who would eventually make good on the missing money, went into court and put it all on the record, charging the Wieners with writing fraudulent checks and using trust funds to purchase and improve other real property. The suit asked for restitution in the amount of \$2.6 million, attorney fees and punitive damages in an unspecified amount.

Not much has happened since. Oh, Harold Wiener went before a judge and said he was in poor health and needed money to live on and that sort of thing, so the judge granted him \$5,000 a month, presumably out of the best egg that Escrow Agents Fidelity Corp. lays was comprised of thoroughly tainted money.

And if you're really interested in how absurd it all gets, Escrow Agents Fidelity Corp. has joined the Wieners in suing the accountants for not catching what it claims is Wiener's embezzlement.

Since then, time, and the law, have stood still.

Well... not for everyone. There's an otherwise completely decent man getting ready to stand trial for stealing a couple of 25-cent newspapers. He was arrested and charged with little delay.

And the court calendars are filled with misdemeanor-theft cases, simple assault cases, DUI cases and charges against men and women that will be heard by a judge before your next bi-monthly paycheck comes.

My own view is, the delay in the Wiener case is an absolute travesty, and if it's not partially because they were part of the socially elite, with plenty of friends in all the high places, then I'm not a bald-headed column writer.

I don't even know who has the responsibility to file charges. But if it's the county, Mike Antonovich should press for action; if it's the state, someone call Pete Knight; and if it's the feds, then put in a call to Buck.

We can't let the rich and powerful slide... at least not without a fight.

Dwight Jurgens' commentary appears Wednesdays through Sundays. He can be reached at 255-1234, ext. 298.

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10-16-92

Price: 35¢

64 Pages Eight Sections

McKeon criticized by Gilmartin during debate

By DAVID FOY
Staff Writer

LANCASTER - Candidates for a new Antelope Valley congressional district squared off Thursday night in an often lively debate in which Republican Howard P. "Buck" McKeon was criticized for the way his campaign has been financed and run.

"This man is arrogant, deceitful and does not care about one single rule the federal government supplied to him the day he ran for office," Democrat James Gilmartin shouted.

"I'm not arrogant," McKeon, a businessman and former Santa Clarita mayor, replied. He

Presidential debate/B1

- Bush, Clinton and Perot field questions from voters in exchanges that range from taxes to crime and character.

added later: "I don't think that I have to speak to my integrity."

Gilmartin, McKeon, pro-Ross Perot independent Rick Pamplin, Libertarian Peggy Christensen and Green Party candidate Charles

Wilken participated in the debate, which was sponsored by the Antelope Valley Press and held in the Lancaster Performing Arts Center.

They are competing in the Nov. 3 general election for the 25th Congressional District, which includes the Los Angeles County portion of the Antelope Valley, Santa Clarita, Northridge, Chatsworth and Granada Hills. Peace and Freedom candidate Nancy Lawrence did not attend the debate.

Christensen got off one of the more laugh-provoking lines of the debate when she explained why she supports congressional term limits.

"Politicians are like dirty diapers,"

Christensen said. "They need changing frequently, and for the same reason."

The candidates generally stuck to such issues as the federal budget deficit, health care, transportation and banking deregulation during the first portion of the debate, which featured questions from Valley Press editors.

But when the candidates were allowed to ask questions of each other, McKeon found his integrity under attack from Gilmartin and Pamplin, who criticized McKeon's acceptance of campaign contributions from political action committees.

Pamplin asked whether it was true that Mc-

See DEBATE on B6

Debate

From A1

Keon has hired Dan Morgan & Associates, a Virginia based firm that solicits contributions from PAC's for candidates, to obtain PAC money for McKeon's campaign.

McKeon confirmed that it was true, but denied Pamplin's charge that McKeon had lied by saying he never solicited PAC money. McKeon said he didn't think he ever said that.

Gilmartin, a Santa Clarita attorney, criticized McKeon once a mass mailing McKeon sent out in May during the GOP primary and purportedly bearing the letterhead of a Hawthridge restaurant named Fred Huckvale.

During what resembled a courtroom cross-examination, McKeon was handed a copy of the letter by Gilmartin. McKeon conceded that the address listed as Huckvale's was actually that of McKeon's San Fernando Valley campaign office.

McKeon also admitted that the letter - a hit piece criticiz-

ing GOP primary challenger Wyoming Democrat Gilmartin - was being paid for by the campaign.

Gilmartin said he was doubtful the money was for the campaign.

McKeon said he had no idea if the party had solicited the money.

McKeon said he was doubtful the letterhead was for the restaurant.

Christensen also criticized an article about McKeon's GOP primary victory. Gilmartin also sniped at loans made by the bank to its directors; McKeon said federal regulators told the bank it could not forbid loans to its own directors.

Christensen spoke in favor of individual responsibility, for



EVELYN KRISTO/valley press

with other candidates in the 25th District Congressional election, participated in an Antelope Valley Press sponsored debate Thursday night.

A POINT - Libertarian candidate Peggy Christensen speaks at the debate. Howard "Buck" McKeon, left, and Rick Pamplin listen. The three, along

Telescope helps confirm existence of

THE SANTA CLARITA Daily News

Vol. 1, No. 1

Printed in California

Executive under fire from directors Valencia National Bank's board calls for resignation of president, co-founder

By Staff Writers

SANTA CLARITA — The directors of Valencia National Bank have called for the resignation of Robert Manley, president and co-founder of the bank, after a series of meetings.

Manley said he was surprised by the board's action, but he agreed to resign.

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Board wants president of bank to resign

MANLEY / From Page 1

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Oversight keeps fired bank chief on board



Bob Manley

By CAROL A. BROOKS
Signal Staff Writer

SANTA CLARITA — Ousted Valencia National Bank president Bob Manley said Thursday he plans to file suit against the bank for improperly firing him earlier this month, although he is still technically a board member.

In an apparent oversight by the directors, Manley remains a board member although he's been fired and shoved out of the board chairman post — at least until a shareholders' meeting July 28, when shareholders will elect directors for the next year.

"I don't think they thought it through all the way," Manley said Thursday of his fellow directors. "As a director I was elected by the shareholders and until we have the sharehol-

ders meeting and a new slate of directors is voted in, I still have the fiduciary responsibility to the shareholders to make decisions for the bank."

Acting Board Chairman Louis Garasi confirmed Manley is still a director, but will not be included in the roster of nominees to be submitted for shareholders at next month's meeting.

"The board decided not to nominate him," Garasi said.

Ironically, Manley was present for that vote.

"Naturally, I voted against it," he said, laughing.

However, Garasi said anyone can be nominated before the shareholders' meeting.

Manley added he plans to attend the shareholders' meeting and is "very interested

in voting for directors who will operate the bank in a safe and sound matter."

He declined to say whether he will vote for the current board members or whether he wants to be nominated for another year on the board.

Part of his ambivalence, he said, is because he plans to file a lawsuit against the bank board for improperly firing him *in absentia* in early June.

"I tried to work things out in an amicable way but they weren't cooperative," he said.

Manley said because he's filing the suit, he decided late Wednesday to give up his post as president of the Santa Clarita Valley Chamber of Commerce.

"I feel that as president of the chamber I am the spokesman and representative for the members," he said. "I am therefore also the

representative of those I plan to be litigated against. I stepped down because I didn't want to put the chamber in the middle of the situation."

Chamber officials said they are sad to see Manley go and commended him for six months' work, during which time he oversaw the development of a new newsletter and booming membership.

Longtime chamber member and Director Gary Johnson will take over the presidency soon as the 21 member chamber board approved Manley's resignation and Johnson's designation during a meeting next week, said chamber Executive Vice President Viki Rudolph.

Johnson said he will resign from the presidency of the Valencia Industry Association.

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THE SANTA CLARITA VALLEY DAILY NEWS PAPER, ESTABLISHED 1913

Bank says moves not related to Manley

VALENCIA — In an apparently unrelated matter to the tumultuous firing of bank president Bob Manley, two mid-managers of Valencia National Bank have resigned their positions with the financial institution.

Branch Manager Elizabeth Hoop on Lyons Avenue is resigning to take a job with a large San Fernando Bank opening a new branch here, while assistant branch manager Paula Meade has resigned to move to Texas, bank officials said.

Hoop and Valencia National Bank Board Chairman Louis Garza say the move is to further her career. Hoop not related to the recent firing of Bank President Bob Manley. Meade was unavailable for comment.

"The other bank approached me a couple of months ago," Hoop said. "Our initial talks were before Manley got fired. This has nothing to do with Manley. This is strictly what's good for me."

Hoop wouldn't disclose what bank it was she was going to, but said she would be managing the new branch set to open here within the next month.

"It's a little bit bigger bank," she said. "They're offering me a bigger salary and better benefits package."

The board of directors fired Manley earlier this month because he wasn't producing a large enough profit for shareholders, according to bank officials.

--The Signal

Tell it to The Signal

Have an opinion you want to get off your chest? Call 255-2617, leave your name and phone number, and be as brief as possible.

What is the truth?

"I'm pleased to see that today's Signal has finally maybe hit upon the truth regarding Bob Manley and Valencia National Bank (June 7). The truth of the matter is that if you really checked with the stock brokerage house, the stock had fallen below \$7 a share months ago. As an investor and customer of the bank, I'll tell you that my investment made some seven years ago at \$10 a share is currently worth only 65 percent of that. You have to look at the management when that sort of thing happens, and the management is represented by Mr. Manley. I have personally had conversations with him in the past regarding the price of the stock, insisting that The Signal report the correct price, and he was very reluctant. As a matter of fact, I called The Signal and said the price listed under Stocks of Local Interest was incorrect. And this was months ago. Therefore, as a customer, and particularly as a stockholder, I am pleased that the board of directors is taking some action to, in fact, right a wrong. Mr. Manley did a fine job getting the bank started, and as a stockholder, I am grateful for that. But as the board of directors, who represent me as a stockholder, have suggested, it was time to go to new leadership. I hope you print this opinion. Thank you."

M---

McKeon owes answers over turmoil at bank

There is a stench coming from Valencia Bank and Washington.

The bank fires the bank president because (the bank president said) he is critical of sweetheart loans given to board directors. It is reported that five directors during the past year resigned because of defaulted loans. After deregulation scores of developers and business owners got into the S&L and banking business. The taxpayers are picking up their tabs today.

Has Joseph McKeon used his influence as a director of Valencia Bank to help the McKeon brothers boot business? There may be no wrongdoing, but Congressman Buck McKeon owes an answer to the public.

A local reporter stated in a commentary that McKeon is not following the wishes of constituents in many areas, including crime prevention. I agree. He broke a campaign promise and voted for the North American Free Trade Agreement.

It is time for voters of all parties to take a hard look at Congressman McKeon. Does he have the judg-

ment and integrity to represent the people? It appears that the job is just too big for him.

-- Andrew Polette
Valencia



JUN 30 3 55 PM '94

BEFORE THE FEDERAL ELECTION COMMISSION

SENSITIVE

In the Matter of)

) Enforcement Priority
)

GENERAL COUNSEL'S QUARTERLY REPORT

I. INTRODUCTION

This report is the second Enforcement Priority System Quarterly Report. The purpose of this Quarterly Report is to recommend that the Commission no longer pursue the identified lower priority and stale cases.

II. CASES RECOMMENDED FOR CLOSING

A. Cases Not Warranting Further Pursuit Relative to Other Cases Pending Before the Commission

A critical component of the Priority System is identifying those pending cases that do not warrant the further expenditure of resources. Each incoming matter is evaluated using Commission approved criteria

By closing such cases the Commission is able to use its limited resources to focus on more important cases.

Having evaluated incoming matters, this Office has identified 16 cases which do not warrant further pursuit relative to the other pending cases.¹ A short

1. These matters are: MUR 3920; MUR 3930; MUR 3934; MUR 3939; MUR 3942; MUR 3943; MUR 3945; MUR 3948; MUR 3953; MUR 3955; MUR 3957; MUR 3964; MUR 3965; MUR 3967; RAD 94L-22; and RAD 94L-25.

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description of each case and the factors leading to assignment of a relatively low priority and consequent recommendation not to pursue each case is attached to this report. See Attachments 1-16. For the Commission's convenience, the narratives for externally-generated matters are immediately followed by the complaint and response(s) and the narratives for internally-generated matters are immediately followed by the referral.

B. Stale Cases

Investigations are severely impeded and require relatively more resources when the activity and evidence are old. Consequently, the Office of General Counsel recommends that the Commission focus its efforts on cases involving more recent activity. Such efforts will also generate more impact on the current electoral process and are a more efficient allocation of our limited resources. To this end, this Office has identified 42 cases that

do not warrant further investment of significant Commission resources.² Since the recommendation not to pursue the identified cases is based on staleness, this Office has not prepared separate

2. These matters are: MUR 3132; MUR 3432; MUR 3466; MUR 3470; MUR 3473; MUR 3495; MUR 3558; MUR 3575; MUR 3581; MUR 3594; MUR 3600; MUR 3625; MUR 3647; MUR 3663; MUR 3684; MUR 3698; MUR 3712; MUR 3733; MUR 3744; MUR 3749; MUR 3756; MUR 3759; MUR 3767; MUR 3776; MUR 3779; RAD 92L-26, RAD 93L-25; RAD 93L-26; RAD 93L-29; RAD 93L-31; RAD 93L-33; RAD 93L-35; RAD 93L-36; RAD 93L-38; RAD 93L-39; RAD 93NF-02; RAD 93NF-03; RAD 93NF-06; RAD 93NF-10; RAD 93NF-12; RAD 93NF-15; and RAD 93NF-20.

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narratives for these cases. However, for externally-generated matters in which the Commission has made no findings, the complaint and response(s) are attached to the report and for internally-generated matters in which the Commission has made no findings, the referral is attached. See Attachments 17-53. Because the Commission has already made findings in five of the stale cases, no additional information is being attached to this report in regard to these cases.³

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3. These matters are: MUR 3132, MUR 3432, MUR 3466, MUR 3495, and MUR 3733.

This Office recommends that the Commission exercise its prosecutorial discretion and no longer pursue the identified cases effective August 1, 1994. This will allow the Legal Review Team adequate time to prepare the Pre-MUR and MUR files so that the cases can appear on the public record by September 1, 1994, within 30 days of the August 1, 1994, closing date. This timeframe also will enable this Office to prepare closing letters so that the letters can be mailed on August 2, 1994. Additionally, the Press Office will need time to review the files for inclusion in one of its press releases.

III. RECOMMENDATIONS

A. Decline to open a MUR and close the file in the following matters to be effective on August 1, 1994:

- 1) RAD 92L-26
- 2) RAD 93L-25
- 3) RAD 93L-26
- 4) RAD 93L-29
- 5) RAD 93L-31
- 6) RAD 93L-33
- 7) RAD 93L-35
- 8) RAD 93L-36
- 9) RAD 93L-38
- 10) RAD 93L-39
- 11) RAD 94L-22
- 12) RAD 94L-25
- 13) RAD 93NF-02
- 14) RAD 93NF-03
- 15) RAD 93NF-06
- 16) RAD 93NF-10
- 17) RAD 93NF-12
- 18) RAD 93NF-15
- 19) RAD 93NF-20

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B. Take no action, close the file effective on August 1, 1994, and approve the appropriate letter in the following matters:

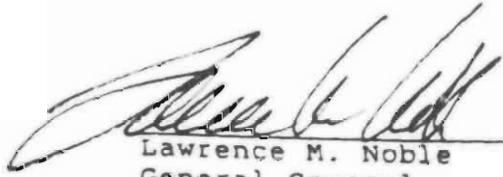
- 1) MUR 3470
- 2) MUR 3473
- 3) MUR 3558
- 4) MUR 3575
- 5) MUR 3581
- 6) MUR 3594
- 7) MUR 3600
- 8) MUR 3625
- 9) MUR 3647
- 10) MUR 3663
- 11) MUR 3684
- 12) MUR 3698
- 13) MUR 3712
- 14) MUR 3744
- 15) MUR 3749
- 16) MUR 3756
- 17) MUR 3759
- 18) MUR 3767
- 19) MUR 3776
- 20) MUR 3779
- 21) MUR 3920
- 22) MUR 3930
- 23) MUR 3934
- 24) MUR 3939
- 25) MUR 3942
- 26) MUR 3943
- 27) MUR 3945
- 28) MUR 3948
- 29) MUR 3953
- 30) MUR 3955
- 31) MUR 3957
- 32) MUR 3964
- 33) MUR 3965
- 34) MUR 3967

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C. Take no further action, close the file effective on August 1, 1994, and approve the appropriate letter in the following matters:

- 1) MUR 3132
- 2) MUR 3432
- 3) MUR 3466
- 4) MUR 3495
- 5) MUR 3733

6/30/94
Date


Lawrence M. Noble
General Counsel

24043562209

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
Enforcement Priority) Agenda Document
#X94-72

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session on July 19, 1994, do hereby certify that the Commission decided by a vote of 6-0 to take the following actions with respect to Agenda Document #X94-72:

A. Decline to open a MUR and close the file in the following matters to be effective on August 1, 1994:

- 1) RAD 92L-26
- 2) RAD 93L-25
- 3) RAD 93L-26
- 4) RAD 93L-29
- 5) RAD 93L-31
- 6) RAD 93L-33
- 7) RAD 93L-35
- 8) RAD 93L-36
- 9) RAD 93L-38
- 10) RAD 93L-39
- 11) RAD 94L-22
- 12) RAD 94L-25
- 13) RAD 93NF-02
- 14) RAD 93NF-03
- 15) RAD 93NF-06
- 16) RAD 93NF-10
- 17) RAD 93NF-12
- 18) RAD 93NF-15
- 19) RAD 93NF-20

(continued)

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- B. Take no action, close the file effective on August 1, 1994, and approve the appropriate letter in the following matters:

- 1) MUR 3470
- 2) MUR 3473
- 3) MUR 3558
- 4) MUR 3575
- 5) MUR 3581
- 6) MUR 3594
- 7) MUR 3600
- 8) MUR 3625
- 9) MUR 3647
- 10) MUR 3663
- 11) MUR 3684
- 12) MUR 3698
- 13) MUR 3712
- 14) MUR 3744
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- 16) MUR 3756
- 17) MUR 3759
- 18) MUR 3767
- 19) MUR 3776
- 20) MUR 3779
- 21) MUR 3920
- 22) MUR 3930
- 23) MUR 3934
- 24) MUR 3939
- 25) MUR 3942
- 26) MUR 3943
- 27) MUR 3945
- 28) MUR 3948
- 29) MUR 3953
- 30) MUR 3955
- 31) MUR 3957
- 32) MUR 3964
- 33) MUR 3965
- 34) MUR 3967

(continued)

94043562911

C. Take no further action, close the file effective on August 1, 1994, and approve the appropriate letter in the following matters:

- 1) MUR 3132
- 2) MUR 3432
- 3) MUR 3466
- 4) MUR 3495
- 5) MUR 3733

Commissioners Aikens, Elliott, McDonald, McGarry, Potter, and Thomas voted affirmatively for the decision.

Attest:

7-20-94

Date

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

94043562912



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

August 2, 1994

Robert L. Funk
27246 Garza Drive
Sangus, CA 91350

RE: MUR 3625

Dear Mr. Funk:

On September 28, 1992, the Federal Election Commission received your complaint alleging certain violations of the Federal Election Campaign Act of 1971, as amended ("the Act").

After considering the circumstances of this matter, the Commission exercised its prosecutorial discretion to take no action in the matter. This case was evaluated objectively relative to other matters on the Commission's docket. In light of the information on the record, the relative significance of the case, and the amount of time that has elapsed, the Commission determined to close its file in this matter on August 1, 1994. This matter will become part of the public record within 30 days.

The Act allows a complainant to seek judicial review of the Commission's dismissal of this action. See 2 U.S.C. § 437g(a)(8).

Sincerely,

Mary L. Taksar

Mary L. Taksar
Attorney

94043562913



FEDERAL ELECTION COMMISSION

WASHINGTON D.C. 20463

AUG 02 1994

Gary Condie, Treasurer
Buck McKeon for Congress
P.O. Box 2071
Santa Clarita, CA 91386

RE: MUR 3625
Buck McKeon for Congress and
Gary Condie, as Treasurer

Dear Mr. Condie:

On September 30, 1992, the Federal Election Commission notified Buck McKeon for Congress ("Committee") and its treasurer, of a complaint alleging certain violations of the Federal Election Campaign Act of 1971, as amended. A copy of the complaint was enclosed with that notification.

After considering the circumstances of this matter, the Commission exercised its prosecutorial discretion to take no action against the Committee and you, as treasurer. This case was evaluated objectively relative to other matters on the Commission's docket. In light of the information on the record, the relative significance of the case, and the amount of time that has elapsed, the Commission determined to close its file in this matter on August 1, 1994.

The confidentiality provisions of 2 U.S.C. § 437g(a)(12) no longer apply and this matter is now public. In addition, although the complete file must be placed on the public record within 30 days, this could occur at any time following certification of the Commission's vote. If you wish to submit any factual or legal materials to appear on the public record, please do so as soon as possible. While the file may be placed on the public record prior to receipt of your additional materials, any permissible submissions will be added to the public record when received.

If you have any questions, please contact Joan McEnery at (202) 219-3400.

Sincerely,

Mary L. Taksar

Mary L. Taksar
Attorney

94043562914



FEDERAL ELECTION COMMISSION

WASHINGTON D.C. 20461

August 2, 1994

Representative Howard McKeon
19415 Soledad Canyon Road
Santa Clarita, CA 91351

RE: MUR 3625
Howard McKeon

Dear Mr. McKeon:

On September 30, 1992, the Federal Election Commission notified you of a complaint alleging certain violations of the Federal Election Campaign Act of 1971, as amended. A copy of the complaint was enclosed with that notification.

After considering the circumstances of this matter, the Commission exercised its prosecutorial discretion to take no action against you. This case was evaluated objectively relative to other matters on the Commission's docket. In light of the information on the record, the relative significance of the case, and the amount of time that has elapsed, the Commission determined to close its file in this matter on August 1, 1994.

The confidentiality provisions of 2 U.S.C. § 437g(a)(12) no longer apply and this matter is now public. In addition, although the complete file must be placed on the public record within 30 days, this could occur at any time following certification of the Commission's vote. If you wish to submit any factual or legal materials to appear on the public record, please do so as soon as possible. While the file may be placed on the public record prior to receipt of your additional materials, any permissible submissions will be added to the public record when received.

If you have any questions, please contact Joan McEnery at (202) 219-3400.

Sincerely,

Mary L. Taksar

Mary L. Taksar
Attorney

94043562915



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

August 2, 1994

William Walsh, IV
43770 15th Street, West
Suite 200
P.O. Box 4379
Lancaster, CA 93539-4379

RE: MUR 3625
William Walsh, IV

Dear Mr. Walsh:

On September 30, 1992, the Federal Election Commission notified you of a complaint alleging certain violations of the Federal Election Campaign Act of 1971, as amended. A copy of the complaint was enclosed with that notification.

After considering the circumstances of this matter, the Commission exercised its prosecutorial discretion to take no action against you. This case was evaluated objectively relative to other matters on the Commission's docket. In light of the information on the record, the relative significance of the case, and the amount of time that has elapsed, the Commission determined to close its file in this matter on August 1, 1994.

The confidentiality provisions of 2 U.S.C. § 437g(a)(12) no longer apply and this matter is now public. In addition, although the complete file must be placed on the public record within 30 days, this could occur at any time following certification of the Commission's vote. If you wish to submit any factual or legal materials to appear on the public record, please do so as soon as possible. While the file may be placed on the public record prior to receipt of your additional materials, any permissible submissions will be added to the public record when received.

If you have any questions, please contact Joan McEnery at (202) 219-3400.

Sincerely,

Mary L. Taksar

Mary L. Taksar
Attorney

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20461

August 2, 1994

Board of Directors
Valencia National Bank
23920 W. Valencia Bank
Valencia, CA 91355

RE: MUR 3625
Board of Directors of the
Valencia National Bank

Dear Sirs and Madam:

On September 30, 1992, the Federal Election Commission notified the Directors of the Valencia National Bank of a complaint alleging certain violations of the Federal Election Campaign Act of 1971, as amended. A copy of the complaint was enclosed with that notification.

After considering the circumstances of this matter, the Commission exercised its prosecutorial discretion to take no action against the Directors. This case was evaluated objectively relative to other matters on the Commission's docket. In light of the information on the record, the relative significance of the case, and the amount of time that has elapsed, the Commission determined to close its file in this matter on August 1, 1994.

The confidentiality provisions of 2 U.S.C. § 437g(a)(12) no longer apply and this matter is now public. In addition, although the complete file must be placed on the public record within 30 days, this could occur at any time following certification of the Commission's vote. If you wish to submit any factual or legal materials to appear on the public record, please do so as soon as possible. While the file may be placed on the public record prior to receipt of your additional materials, any permissible submissions will be added to the public record when received.

If you have any questions, please contact Joan McEnery at (202) 219-3400.

Sincerely,

Mary L. Taksar

Mary L. Taksar
Attorney

94043562917



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

August 2, 1994

Robert Manley, President
Valencia National Bank
23920 W. Valencia Blvd.
Valencia, CA 91355

RE: MUR 3625
Valencia National Bank

Dear Mr. Manley:

On September 30, 1992, the Federal Election Commission notified the Valencia National Bank of a complaint alleging certain violations of the Federal Election Campaign Act of 1971, as amended. A copy of the complaint was enclosed with that notification.

After considering the circumstances of this matter, the Commission exercised its prosecutorial discretion to take no action against the Valencia National Bank. This case was evaluated objectively relative to other matters on the Commission's docket. In light of the information on the record, the relative significance of the case, and the amount of time that has elapsed, the Commission determined to close its file in this matter on August 1, 1994.

The confidentiality provisions of 2 U.S.C. § 437g(a)(12) no longer apply and this matter is now public. In addition, although the complete file must be placed on the public record within 30 days, this could occur at any time following certification of the Commission's vote. If you wish to submit any factual or legal materials to appear on the public record, please do so as soon as possible. While the file may be placed on the public record prior to receipt of your additional materials, any permissible submissions will be added to the public record when received.

If you have any questions, please contact Joan McEnery at (202) 219-3400.

Sincerely,

Mary L. Taksar

Mary L. Taksar
Attorney

24043562918



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THIS IS THE END OF MUR # 3625

DATE FILMED 8-30-94 CAMERA NO. 2

CAMERAMAN JMK

94043562919



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

<input checked="" type="checkbox"/>	Microfilm
<input type="checkbox"/>	TO: [illegible]
<input type="checkbox"/>	TO: [illegible]

THE FOLLOWING DOCUMENTATION IS ADDED TO

THE PUBLIC RECORD IN CLOSED MUR 3625.

9/1/94

24043565118



FEDERAL ELECTION COMMISSION
ADMINISTRATIVE SERVICES DIVISION

AUG 1 9 42 AM '94

JAMES H. GILMARTIN
Candidate 25th Congressional District
20611 Soledad Canyon Road
Santa Clarita, California 91351-2491

Telephone (805) 251-8484 Fax (805) 251-8318

24 JULY 1994

OFFICE OF GENERAL COUNSEL
FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

Attn: COMPLAINT DIVISION, CASE #: MUR 3625 (STILL PENDING SINCE 1992)

COMPTROLLER OF THE CURRENCY
250 E. STREET, S.W.
WASHINGTON, D.C. 20219

Attn: HONORABLE EUGENE LUDWIG, COMPTROLLER OF THE CURRENCY

FEDERAL BUREAU OF INVESTIGATION
11000 WILSHIRE BOULEVARD, 17TH FLOOR
LOS ANGELES, CALIFORNIA 90024

Gentlemen:

Nothing has been released to the public by any agency authorized to handle cases of this nature and the newspapers continue to report more money to be reported either missing or lost by a National Bank whose Chairman of the Board, Howard Mc Keon, founder, investor and shareholder created and ran until he was elected to Congressional office in 1993. (CALIFORNIA 25TH CD). The Newhall Signal reported on 06-07-94 that "The bank has lost nearly \$300,000.00 over its seven year history (1987 to 1994) to insider loans, Bank officials said."

The Newhall Signal on 26 May 1994 reported "resignations were prompted by federal regulators investigating allegations of improper loans made by the bank to board of directors. Moreover, some of the directors defaulted on those loans, the source said." In the same article, this was categorically denied by the President Lou Garasi saying that "they're "absolutely not true." Who is telling the truth? Is the bank president misleading the newspapers and claiming that the federal regulators were not doing their job?

Two years ago, (1992) on local TV, I asked a simple question to Mr. McKeon, who at that time was Chairman of the Board "Who is in charge at VALENCIA NATIONAL BANK?" The reply from his assistant was "I can tell you it was not done

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by us or by our prerogative." If the Chairman of the Board of a NATIONAL BANK does not know, then who does? This was on the issue of using NATIONAL BANK assets to issue a NATIONAL BANK letter to all of its customers and shareholders. Federal election law prohibits banks, especially NATIONAL BANKS, to contribute on election-related communications as set out in the FEC rules.

If it was not for the newspapers putting so much pressure on the NATIONAL BANK, we could have had another major bank failure. The president MR. GARASI claims no supervision or comments by Federal authorities.

In the past two (2) years, each of the above offices has received letters from me with clippings from local newspapers such as the Los Angeles Times, Antelope Valley Press, Newhall Signal and the Daily News as the "insider loans" increased and increased apparently with or without collateral to the "staggering" amount of over \$4,650,000.00.

This case involving the VALENCIA NATIONAL BANK has become the "laughing stock" of the area where the bank president is allegedly fired for "not" covering up on defaulting loans of the insider directors. Where are the federal agencies that are allegedly supervising the National Bank when these acts (\$4,650,000.00 in "insider" loans in 1992 reported by Daily News on 5-29-94) are going on and continuing? Now the fired President is to be appointed to be the president of another bank. The NATIONAL BANK has stonewalled all newspaper inquiries to the real facts and the president has claimed no federal intervention.

I sent Newhall Signal's story of 6-07-94 that indicated that the bank allegedly "rigged" the price of the stock according to a letter to the paper and the shareholders traded the stock between themselves at lower prices than offered to the public. Who is protecting the poor public that is buying the stock at rigged prices higher than what the insiders are buying and selling? Does anyone really care in the government?

I spent over 14 years in the market, many being a principal on an Exchange, and I have never seen anything like this without federal action. The Newhall Signal article of 6-07-94 shows over \$330,000.00 losses on insider loans plus another \$300,000.00 more this year. Does anyone at the Federal Agencies care? No one has even tried to stop this continuing loss to the NATIONAL BANK since 1992 when the first lawsuits were filed against a director. If the federal bank regulators had notice in 1992, did they ever do anything to bring this to a halt or is the president MR. GARASI still misleading the press?

If so, why?

I wrote to all of you September 1992 and November 1992 as follows:

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"We feel that the additional information obtained goes to the question of director "insider" loans as indicated in prior letters and who controls the directors in their approval of these loans and why should the directors of any NATIONAL BANK have preference over any individual when they go and apply for a loan from a local NATIONAL BANK."

Another director and founder of the NATIONAL BANK has been replaced at the National Bank after her Escrow company was closed by the State of California when over \$2,800,000.00 was missing from the escrow accounts. You should read the articles where the State is closing the escrow company (coming in the front door) and the National Bank is giving them about \$146,000.00 in cashier checks (going out the back door) on the same day. I sent the article of Dwight Jurgens, a local columnist, on this issue. I have also written to Gil Garcetti, Los Angeles District Attorney, on why the COUNTY OF LOS ANGELES has not prosecuted the largest "SINGLE ESCROW FRAUD IN CALIFORNIA" while one of the principals was a director of a NATIONAL BANK. The same article points out that these parties (escrow) might also be involved in shortages of the NATIONAL BANK. Since the COMPTROLLERS OFFICE knew or had some knowledge in 1992 of "foul" play, why did they do nothing?

Some of this allegedly embezzled escrow money appears to have even ended up in a Congressional Candidate campaign fund of our local Congressman who told the press, "He said he understands that insurance has or will reimburse parties for losses caused by the alleged embezzlement." Is it not wonderful when even a Congressman knows the money is "allegedly" stolen by one of his directors on the Board of a National Bank that he is Chairman of the Board and so long as it is insured, he can keep this "allegedly" stolen money for campaign purposes. Wow!

We wonder why the voters have such "APATHY," and who can blame them when they read the papers and see the culprits running free with other peoples money.

It is amazing that over \$3,400,000.00 is missing from insured escrows and NATIONAL BANK "insider loans" and no federal agency has ever reported to have the slightest interest in the events even though placed on notice in 1992. Even the president of the bank as late as 1994 denies any federal investigation.

I have been called by ranking members of Congress for copies of these stories and copies are on file with the DCCC in Washington. In the next 14 days, I am sending to every member of Congress a copy of this pamphlet entitled, "The bank that Buck built." Maybe some action then will occur. I am also sending a copy to the President of the United States as the size of this loss makes all the allegations against him appear to be pennies on the dollar. Maybe he will take an interest.

7 4 0 4 3 5 6 5 1 2 2

The local District Attorney office has prosecuted a person that stole two (2) Los Angeles Times at 25 cents each but has not prosecuted the loss of over \$2,8000.00 from fiduciary escrow trust funds. There seem to be two standards, one; when people take over a NATIONAL BANK and run it like a private club for their own benefit and the shareholders loss, no one seems to care. I am trying to find the morality between these two cases of shortages in a NATIONAL BANK and stealing two Los Angeles Times.

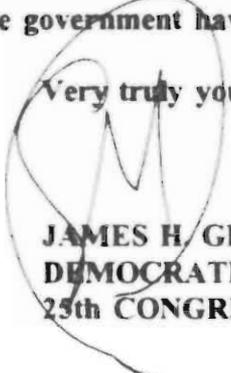
We have offered to debate MR. McKEON on this issue in any forum so long as he could not take the FIFTH AMENDMENT but he has either failed to show or excused himself via his staff assistant indicating that he does not want to debate in "enemy" territory.

I sure would like to find out if the President Mr. Garasi is telling the truth that the federal regulatory agencies did not care and that the "good old boys" can go right back to the "good old ways" of "insider loans" to the "insiders" and just write off the losses as they are incurred without any blame being attached to the NATIONAL BANK.

Mr. Keating, must be smiling in Federal prison, as to why he did not think of "good old boys insider loans" and everyone smiles and goes right on with business as if nothing ever happened.

On the 30th of July 1994, the FBI and the County Sheriffs Department are appearing with MR. MCKEON at an open forum, and it will give us the first chance to ask some of these questions to Federal officials and see what type of response we get back from them as letters to the government have gone unanswered for over two years.

Very truly yours:



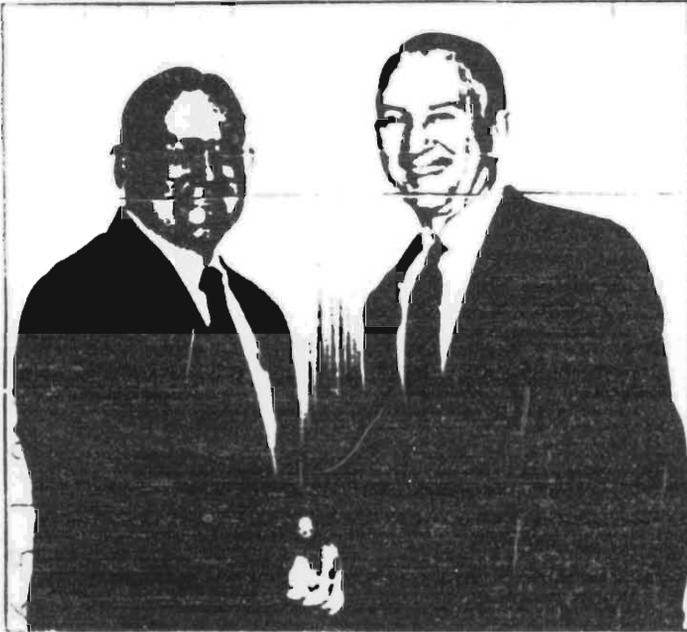
JAMES H. GILMARTIN
DEMOCRATIC NOMINEE FOR CONGRESS
25th CONGRESSIONAL DISTRICT, CALIFORNIA

Encl: CLIPPINGS
cc: PRESIDENT OF THE UNITED STATES
cc: ALL MEMBERS OF CONGRESS

VALENCIA NATIONAL BANK

Outlook

SECOND QUARTER, 1992



Bank President Robert Manley (left) congratulates Bank Chairman Buck McKeon on his success in the Congressional primary. Photo by Gary Choppe'

McKeon Pursues House Seat

Congratulations to Valencia National Bank Chairman, Howard P. "Buck" McKeon, on his successful bid in the primary, toward the goal of securing a Congressional seat.

McKeon successfully competed against five other Republicans in the June primary for the Republican spot on the ballot this fall. The 25th congressional district, which includes the Santa Clarita Valley, is a new district, born out of new district lines drawn this year, therefore, there was no incumbent candidate.

McKeon, who has chaired our board since the bank organized more than five years ago, will compete against local democratic candidate James Gilmartin this November, for the Congressional position.

If elected, McKeon is committed to traveling to the district each month to gather information on the needs and concerns of the community to take back to Congress, as well as bringing information from the Capitol to the community, on bills and measures that affect us here.

His plans include holding regular forums in the area, and arranging for interviews with government officials via radio and cable television, according to his campaign manager, Armando

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Increase in earnings posted for second quarter

Valencia National Bank continues to build on a strong foundation, with continued profitability and plans for expansion.

Second quarter net earnings increased 9% to \$137,815, (27 cents per share), compared to \$126,530, (25 cents per share), for the same period in 1991. The bank's strong showing for the second quarter, was due to an increase in transaction accounts and the stabilization of interest rates, according to Robert Manley, president and chief executive officer.

Valencia National's loans (net of reserves) increased 4% over the second quarter of last year, to \$37.8 million. Total assets and total deposits remained relatively unchanged from the same period last year, registering in at \$60.8

million and \$53.9 million, respectively.

Profits for the Santa Clarita Valley based bank rose to \$226,125 (44 cents per share) for the year to date, a 5% decrease from the \$238,837 posted last year.

Valencia National Bank is looking forward to the grand opening of its second branch, planned for early fall in the Newhall area. The branch, located at the corner of Lyons Avenue and Peachland Avenue, is currently undergoing extensive remodeling.

Like our Valencia Branch, the Newhall Branch will be a full-service office offering everything from loan and merchant services to a drive-up window and Automated Teller Machine. Businesses and consumers will enjoy the

continued on back

SECOND QUARTER 1992 RESULTS

Assets	\$60,845,984
Deposits	\$53,852,510
Loans	\$37,849,699

Net Income	\$137,815
(for quarter)	

Net Income	\$226,125
(year-to-date)	

Earnings per share	\$.44
(year-to-date)	

Stock price	\$10.00
Book value	\$12.28

Editorial

from The Signal

10-03-94
SIBUM

DARELL PHILLIPS Publisher
 WILLIAM FLEET General Manager
 ANDREW VOROS Editor
 TIM WHYTE Managing Editor
 STEVE WHITMORE City Editor

The Signal's opinion is always labeled "Editorial." All other viewpoints on the Opinion pages represent individual opinions and are not necessarily those of this newspaper.

Questions abound over bank dismissal

Now that it's official and Bob Manley has been fired as president of Valencia National Bank, plenty of questions remain that shareholders, bank customers and the community deserve to have answered.

Valencia National Bank is a publicly held company with some 400 shareholders, many of whom live in the area. And, many local businesses rely on the bank for financial services, thus the interest into this bank's management changes is keen.

It's also a concern that a well respected and hard-working member of the community like Bob Manley has been removed from the company, and may be lost from the community as well.

While the board of directors denies his firing was the result of a disagreement over the practice of loans to directors, there are those within the bank as well as Manley who assert his "conservative" philosophy about that practice led to his termination.

When asked for documentation about these alleged loans, board President Lou Garasi acknowledged the practice, and even said there had been a \$200,000 loan to a former director that has been charged off, or considered lost.

That former director's identity and full documentation about the practice have been kept secret by the board of this public company.

If the loan practice was not the motivation for Manley's termination, then certainly releasing records about director's loans should not be a problem.

The Signal urges Valencia National Bank to open its books for public scrutiny regarding all direc-

tors' loans and their specific status, including defaults.

It's time to put the speculation behind us, and full disclosure is the only way to accomplish that.

Moreover, Manley's termination, according to the board, was the result of a lack of responsiveness to shareholders, customers and the community.

This is despite the board's recognition that "Manley helped the bank get off its feet, grow to three branches and become profitable" all during a recession when banks and savings and loans were dropping like flies. If that's not being responsive to shareholders, then we don't know what is.

In regards to not being responsive to the community, Manley is the well-liked, current president of the Santa Clarita Valley Chamber of Commerce, treasurer of the Boys & Girls Club, and serves on the board for the local hospital. He is also a common face at nearly all charitable events. That's not being responsive to the community?

How he responded to customers is something only the bank's internal management can judge, but two of the three reasons for his departure are hard to swallow, which leads us and others to believe there was another reason.

The board of directors has the right to make a decision and to fire the president of the bank. But, when a popular and active member of the community is fired from a publicly held bank for, among other things, "not being responsive to the community," the public has the right to ask questions.

THE BANK TIME BANK (NO XEROX) BUILT

Ill Feelings, Lawsuits Remain in Wake of Escrow Fraud Case

■ Investigation: Harold and Kathy Wiener, accused a year ago of bilking \$2.8 million, have left Santa Clarita for Utah.

By MARK SABBATINI
SPECIAL TO THE TIMES

SANTA CLARITA—Harold and Kathy Wiener were considered one of the community's most respected and successful couples—until a year ago today.

That's when state auditors seized their escrow firm, accusing them of bilking \$2.8 million from customer deposits in what a state regulatory agency called the largest incident of escrow fraud in state history.

The Wieners, who deny any wrongdoing, have since moved to Utah, leaving behind ill feelings among some people in the community and a tangle of lawsuits.

The couple started Country Oaks Escrow Inc. in 1981 and built it up into one of the state's largest escrow firms. They were also well-known community leaders, involved in such events as charity auctions for the Santa Clarita Valley Boys & Girls Club.

But Country Oaks employees who arrived at work a year ago today found the state had seized the Valencia-based company after an audit revealed defrauding of customer accounts through such schemes as falsifying deposits and cleaning up improper transactions.

Escrow companies hold deposits from real estate purchases in trust accounts until credit checks and other terms of a sale are finalized. Country Oaks should have had an average of \$4.47 million in its four trust accounts during 1992, but the amount was actually much lower, according to the audit by the state Department of Corporations, which regulates escrow firms.

The department's investigation concluded that the Wieners were responsible for the shortfall and that the missing funds were spent on, among other things, cleaning houses and their daughter's Christmas party.

About 2,000 real estate transactions were left in limbo, but the funds were insured by Escrow Agents Fidelity Corp., a nonprofit corporation that filed a civil law-

suit against the Wieners in June, 1993, to recover the money.

The Department of Corporations has banned the couple from working in the escrow industry in California. The Los Angeles County district attorney's office has been investigating the matter for several months, but it is uncertain whether charges will be filed, said Deputy Dist. Atty. Pamela Geimen.

The Wieners have attributed the missing funds to auditing lapses and the effects of Harold Wiener's heart medication. Kathy Wiener has filed for bankruptcy. The couple could not be reached for comment.

They have filed civil lawsuits against four pharmaceutical companies for allegedly prescribing medication that impaired Harold Wiener's ability "to tell right from wrong."

And they are also suing their auditor, Martin and Hedman of Valencia, for allegedly failing to detect and report the shortfall of funds. Jeffrey Karpel, the Wieners' attorney, said the consequences might have been less dire for the couple and the matter more easily resolved if the fact that funds were missing was known before the state audit.

Randall Dean, an attorney representing the auditing firm, disagrees.

"The purpose of the audit was not to detect embezzlement by the principals of the company, but to present a financial snapshot of the picture of the company to the Department of Corporations," Dean said.

Karpel said the Wieners may drop the pharmaceutical companies lawsuit, which could prove costly, and focus on the litigation against the auditor.

In Santa Clarita, meanwhile, some people are anxiously awaiting the outcome of the district attorney's investigation and the lawsuits.

Sue Herrell, manager of the TMC Escrow Co. branch in Santa Clarita, said escrow companies were treated like used-car salesmen for a time after the fall of Country Oaks.

"It ticks me off that nothing was done," Herrell said. "[Rep.] Dan Rostenkowski [was indicted for allegedly] taking \$500,000 and for violating the public trust. Harold

and Kathy just did it on a larger scale.

"What they did violated the trust within the industry," she added. "For a long time after their company went under, we suffered because a lot of people lacked trust in the independent escrow industry."

Investigators have had to sort through volumes of complicated documents.

Allen Eggers, a state-appointed conservator who spent nearly a year investigating the alleged fraud, said Country Oaks financial records occupy one-fourth of a 1,200-square-foot warehouse.

"It was more voluminous than anything I've done in the past because of the size of the company [and] the transactions occurred over a fairly long period of time," he said.

Country Oaks' accounts were taken over by Burrow Escrow Co., a Santa Ana-based firm, four days after the state seized Country Oaks' records. Cynthia Moller, manager of the Burrow Escrow office in Valencia and an employee of the Wieners for six years, said account operations are mostly back to normal after a period of uncertainty.

"I think the community has been very good about separating Country Oaks from what we are and what we've done," she said.

Moller said the incident still remains on the minds of the many former Country Oaks employees now working for Burrow Escrow, especially since Kathy Wiener's bankruptcy filing. Country Oaks' more than 100 employees are still owed paychecks from the Wieners ranging from a few hundred to a few thousand dollars.

"I was going to come back from maternity leave and I couldn't decide whether to come back in May or June [last year]," Moller said. "I came back in May and worked the whole month and I didn't get paid for it. I could have spent one more month with my baby."

But Moller said most of her resentment toward the Wieners has vanished during the past year.

"I feel more pity for them because they threw away what they had," she said. "But at the same time it hurts because we cared about them."

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BUCK McKEON'S CRIME INITIATIVE

I have co-sponsored a bill, HR 2872, and supported other provisions which focus on attacking violent crime and removing violent offenders from the streets for good. They raise the cost of committing a crime and promote the rights of the public and not of the criminal. These measures achieve these objectives through the following reforms:

- **Truth in Sentencing** — Provides \$10 billion in federal grants for prison construction to states that adopt truth in sentencing laws, where two-time violent felons must serve at least eighty five percent of their sentences.
- **A Loophole Free "Three Strikes and You're Out"** — Imposes life imprisonment for a third state or federal violent felony conviction.
- **A Workable, Effective Death Penalty** — Strengthens the death penalty by eliminating endless *habeas corpus* appeals, requiring juries or courts to recommend the death penalty if aggravating factors outweigh mitigating factors and prohibiting the use of racial quotas or statistical tests when imposing the death penalty.
- **Reforming the Exclusionary Rule** — Ensures criminals won't be set free on technicalities when police officers gather evidence in good faith without a warrant.
- **Additional Police Officers** — Provides more than \$3 billion in grants to cities and counties to increase police presence in these communities and to establish community policing programs.
- **Immigration Reform** — Recognizes the impact of illegal aliens on the nation's overburdened judicial system by authorizing 6,000 additional border patrol agents.

Crime Town Meeting Announcement

The impact of crime is felt by all of us who reside in the Southern California area. Each of us has a story to tell about how we have fallen victim to some type of criminal behavior. In order to better protect ourselves, I have assembled a panel of law enforcement experts to discuss crime and its impact on our society. I am inviting you to attend to learn firsthand how we can work together in our neighborhoods to make them safer places to live. Your participation is important.

Saturday, July 30, 1994
10:00 a.m. to 11:30 a.m.
Cal State University, Northridge
The Dome in Lot C near
Zelzah & Plummer Streets

Participants
U.S. Rep. Buck McKeon
Los Angeles Police Department
L.A. County Sheriff's Department
Federal Bureau of Investigation
Representatives from "Mad About Rising Crime" (MARC)

HOW TO CONTACT BUCK McKEON

Santa Clarita Valley
23929 W. Valencia Blvd., Suite 410
Santa Clarita, CA 91355
(805) 254-2111

Antelope Valley
11888 West Avenue M-4, Suite D
Palmdale, CA 93551
(805) 254-2111

San Bernardino Valley
17124 Sunnyside Avenue, Suite 201
Northridge, CA 91325
(818) 254-2111

Capital Office
Washington, D.C. 20515
(202) 225-2111

Congress of the United States
House of Representatives
Washington, D.C. 20515
Official Business



M.C.
Bulk Rate

CAR-RT SORT WK BR07
Mr. James H. Gilmartin
28808 San Francisco Canyon Rd
Sanger CA 91350-4919



PRINTED ON RECYCLED PAPER



Bank says moves not related to Manley

VALENCIA — In an apparently unrelated matter to the tumultuous firing of bank president Bob Manley, two mid-managers of Valencia National Bank have resigned their positions with the financial institution.

Branch Manager Elizabeth Hoop on Lyons Avenue is resigning to take a job with a large San Fernando Bank opening a new branch here, while assistant branch manager Patricia Meade has resigned to move to Texas, bank officials said.

Hoop and Valencia National Bank Board Chairman Louis Garcia say the move is to further her career and is not related to the recent firing of bank President Bob Manley. Meade was unavailable for comment.

"The other bank approached me a couple of months ago," Hoop said. "Our initial talks were before Manley got fired. . . . This has nothing to do with Manley. This is strictly what's good for me."

Hoop wouldn't disclose what bank it was she was going to, but said she would be managing the new branch set to open here within the next month.

"It's a little bit bigger bank," she said. "They're offering me a bigger salary and better benefits package."

The board of directors fired Manley earlier this month because he wasn't producing a large enough profit for shareholders, according to bank officials.

—The Signal

Tell it

to The Signal

Have an opinion you want to get off your chest? Call 255-2617, leave your name and phone number, and be as brief as possible.

What is the truth?

"I'm pleased to see that today's Signal has finally maybe hit upon the truth regarding Bob Manley and Valencia National Bank (June 7). The truth of the matter is that if you really checked with the stock brokerage house, the stock had fallen below \$7 a share months ago. As an investor and customer of the bank, I'll tell you that my investment made some seven years ago at \$10 a share is currently worth only 65 percent of that. You have to look at the management when that sort of thing happens, and the management is represented by Mr. Manley. I have personally had conversations with him in the past regarding the price of the stock, insisting that The Signal report the correct price, and he was very reluctant. As a matter of fact, I called The Signal and said the price listed under Stocks of Local Interest was incorrect. And this was months ago. Therefore, as a customer, and particularly as a stockholder, I am pleased that the board of directors is taking some action to, in fact, right a wrong. Mr. Manley did a fine job getting the bank started, and as a stockholder, I am grateful for that. But as the board of directors, who represent me as a stockholder, have suggested, it was time to go to new leadership. I hope you print this opinion. Thank you."

McKeon

McKeon owes answers over turmoil at bank

There is a stench coming from Valencia Bank and Washington.

The bank fires the bank president because (the bank president said) he is critical of sweetheart loans given to board directors. It is reported that five directors during the past year resigned because of defaulted loans. After deregulation scores of developers and business owners got into the S&L and banking business. The taxpayers are picking up their tabs today.

Has Joseph McKeon used his influence as a director of Valencia Bank to help the McKeon brothers boot business? There may be no wrongdoing, but Congressman Buck McKeon owes an answer to the public.

A local reporter stated in a commentary that McKeon is not following the wishes of constituents in many areas, including crime prevention. I agree. He broke a campaign promise and voted for the North American Free Trade Agreement.

It is time for voters of all parties to take a hard look at Congressman McKeon. Does he have the judg-

ment and integrity to represent the people? It appears that the job is just too big for him.

— Andrew Poletta
Valencia

Letters

to the Editor

Mail to: The Signal, P.O. Box 801870, Santa Clara, CA 91380
Hand deliver to: 24000 Creekside Road, Valencia
FAX to: (805) 254-8068

THE WHOLE STORY?

Editor:

Two related articles on the front page of your May 26 issue, "Valencia Bank president forced out" and "Wieners barred from industry," appear to epitomize a paradox plaguing our society today.

According to the articles, the bank's president will lose his job for trying to protect the bank from improper loans to the board of directors — of which Kathy Wiener was a member until last June — and Kathy's punishment for embezzling \$2.8 million from the escrow fund and fleeing to Utah for the last year is to be told, "You can't take advantage of California consumers anymore."

I certainly hope there is more going on here than is reported. If these articles represent the "whole story," the implications regarding the decline of our society are very grave indeed. If these articles don't represent the "whole story," shame on you for implying otherwise.

Debra Hinkle
Valencia

No justice here

"Well, Dwight Jurgens has done it again. He has come through with a very logical and intelligent column regarding the Wiener embezzlement case (June 1). I had just been asking my perfect and wonderful husband why they hadn't been indicted. Why are they still free as the birds and even being paid \$5,000 a month? It's a little like what a reader said recently regarding the Rodney King case: 'The police can beat the crap out of me any time for \$3.8 million.' Now, how can I embezzle \$2.6 million and go footloose and fancy free while collecting \$5,000 per month? There is no justice in the Justice Department. There is no justice in our court system. And now we can't even get a little justice right here at home in Santa Clara. It's a fact: It will take a miracle from God to get justice on planet earth."

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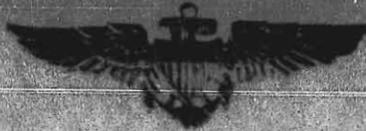
FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

Date: 10/28/94

Microfilm
 Public Records
 Press

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THE ATTACHED MATERIAL IS BEING ADDED TO CLOSED NUR 3625



JAMES H. GILMARTIN
 Candidate 25th Congressional District
 20611 Soledad Canyon Road
 Santa Clarita, California 91351-2491
 Telephone (805) 251-8484 Fax (805) 251-8316

AUG 1 9 42 AM '94

24 JULY 1994

**OFFICE OF GENERAL COUNSEL
 FEDERAL ELECTION COMMISSION
 WASHINGTON, D.C. 20463**

Attn: COMPLAINT DIVISION, CASE #: MUR 3625 (STILL PENDING SINCE 1992)

**COMPTROLLER OF THE CURRENCY
 250 E. STREET, S.W.
 WASHINGTON, D.C. 20219**

Attn: HONORABLE EUGENE LUDWIG, COMPTROLLER OF THE CURRENCY

**FEDERAL BUREAU OF INVESTIGATION
 11000 WILSHIRE BOULEVARD, 17TH FLOOR
 LOS ANGELES, CALIFORNIA 90024**

Gentlemen:

Nothing has been released to the public by any agency authorized to handle cases of this nature and the newspapers continue to report more money to be reported either missing or lost by a National Bank whose Chairman of the Board, Howard Mc Keon, founder, investor and shareholder created and ran until he was elected to Congressional office in 1993. (CALIFORNIA 25TH CD). The Newhall Signal reported on 06-07-94 that "The bank has lost nearly \$300,000.00 over its seven year history (1987 to 1994) to insider loans, Bank officials said."

The Newhall Signal on 26 May 1994 reported "resignations were prompted by federal regulators investigating allegations of improper loans made by the bank to board of directors. Moreover, some of the directors defaulted on those loans, the source said." In the same article, this was categorically denied by the President Lou Garasi saying that "they're "absolutely not true." Who is telling the truth? Is the bank president misleading the newspapers and claiming that the federal regulators were not doing their job?

Two years ago, (1992) on local TV, I asked a simple question to Mr. McKeon, who at that time was Chairman of the Board "Who is in charge at VALENCIA NATIONAL BANK?" The reply from his assistant was "I can tell you it was not done

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by us or by our prerogative." If the Chairman of the Board of a NATIONAL BANK does not know, then who does? This was on the issue of using NATIONAL BANK assets to issue a NATIONAL BANK letter to all of its customers and shareholders. Federal election law prohibits banks, especially NATIONAL BANKS, to contribute on election-related communications as set out in the FEC rules.

If it was not for the newspapers putting so much pressure on the NATIONAL BANK, we could have had another major bank failure. The president MR. GARASI claims no supervision or comments by Federal authorities.

In the past two (2) years, each of the above offices has received letters from me with clippings from local newspapers such as the Los Angeles Times, Antelope Valley Press, Newhall Signal and the Daily News as the "insider loans" increased and increased apparently with or without collateral to the "staggering" amount of over \$4,650,000.00.

This case involving the VALENCIA NATIONAL BANK has become the "laughing stock" of the area where the bank president is allegedly fired for "not" covering up on defaulting loans of the insider directors. Where are the federal agencies that are allegedly supervising the National Bank when these acts (\$4,650,000.00 in "insider" loans in 1992 reported by Daily News on 5-29-94) are going on and continuing? Now the fired President is to be appointed to be the president of another bank. The NATIONAL BANK has stonewalled all newspaper inquiries to the real facts and the president has claimed no federal intervention.

I sent Newhall Signal's story of 6-07-94 that indicated that the bank allegedly "rigged" the price of the stock according to a letter to the paper and the shareholders traded the stock between themselves at lower prices than offered to the public. Who is protecting the poor public that is buying the stock at rigged prices higher than what the insiders are buying and selling? Does anyone really care in the government?

I spent over 14 years in the market, many being a principal on an Exchange, and I have never seen anything like this without federal action. The Newhall Signal article of 6-07-94 shows over \$330,000.00 losses on insider loans plus another \$300,000.00 more this year. Does anyone at the Federal Agencies care? No one has even tried to stop this continuing loss to the NATIONAL BANK since 1992 when the first lawsuits were filed against a director. If the federal bank regulators had notice in 1992, did they ever do anything to bring this to a halt or is the president MR. GARASI still misleading the press?

If so, why?

I wrote to all of you September 1992 and November 1992 as follows:

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"We feel that the additional information obtained goes to the question of director "insider" loans as indicated in prior letters and who controls the directors in their approval of these loans and why should the directors of any NATIONAL BANK have preference over any individual when they go and apply for a loan from a local NATIONAL BANK."

Another director and founder of the NATIONAL BANK has been replaced at the National Bank after her Escrow company was closed by the State of California when over \$2,800,000.00 was missing from the escrow accounts. You should read the articles where the State is closing the escrow company (coming in the front door) and the National Bank is giving them about \$146,000.00 in cashier checks (going out the back door) on the same day. I sent the article of Dwight Jurgens, a local columnist, on this issue. I have also written to Gil Garcetti, Los Angeles District Attorney, on why the COUNTY OF LOS ANGELES has not prosecuted the largest "SINGLE ESCROW FRAUD IN CALIFORNIA" while one of the principals was a director of a NATIONAL BANK. The same article points out that these parties (escrow) might also be involved in shortages of the NATIONAL BANK. Since the COMPTROLLERS OFFICE knew or had some knowledge in 1992 of "foul" play, why did they do nothing?

Some of this allegedly embezzled escrow money appears to have even ended up in a Congressional Candidate campaign fund of our local Congressman who told the press, "He said he understands that insurance has or will reimburse parties for losses caused by the alleged embezzlement." Is it not wonderful when even a Congressman knows the money is "allegedly" stolen by one of his directors on the Board of a National Bank that he is Chairman of the Board and so long as it is insured, he can keep this "allegedly" stolen money for campaign purposes. Wow!

We wonder why the voters have such "APATHY," and who can blame them when they read the papers and see the culprits running free with other peoples money.

It is amazing that over \$3,400,000.00 is missing from insured escrows and NATIONAL BANK "insider loans" and no federal agency has ever reported to have the slightest interest in the events even though placed on notice in 1992. Even the president of the bank as late as 1994 denies any federal investigation.

I have been called by ranking members of Congress for copies of these stories and copies are on file with the DCCC in Washington. In the next 14 days, I am sending to every member of Congress a copy of this pamphlet entitled. "The bank that Buck built." Maybe some action then will occur. I am also sending a copy to the President of the United States as the size of this loss makes all the allegations against him appear to be pennies on the dollar. Maybe he will take an interest.

9 4 0 4 3 5 9 1 6 4 5

The local District Attorney office has prosecuted a person that stole two (2) Los Angeles Times at 25 cents each but has not prosecuted the loss of over \$2,8000.00 from fiduciary escrow trust funds. There seem to be two standards, one; when people take over a NATIONAL BANK and run it like a private club for their own benefit and the shareholders loss, no one seems to care. I am trying to find the morality between these two cases of shortages in a NATIONAL BANK and stealing two Los Angeles Times.

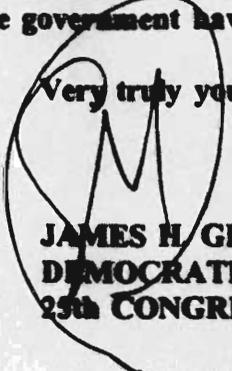
We have offered to debate MR. McKEON on this issue in any forum so long as he could not take the FIFTH AMENDMENT but he has either failed to show or excused himself via his staff assistant indicating that he does not want to debate in "enemy" territory.

I sure would like to find out if the President Mr. Garasi is telling the truth that the federal regulatory agencies did not care and that the "good old boys" can go right back to the "good old ways" of "insider loans" to the "insiders" and just write off the losses as they are incurred without any blame being attached to the NATIONAL BANK.

Mr. Keating, must be smiling in Federal prison, as to why he did not think of "good old boys insider loans" and everyone smiles and goes right on with business as if nothing ever happened.

On the 30th of July 1994, the FBI and the County Sheriffs Department are appearing with MR. MCKEON at an open forum, and it will give us the first chance to ask some of these questions to Federal officials and see what type of response we get back from them as letters to the government have gone unanswered for over two years.

Very truly yours:


JAMES H. GILMARTIN
DEMOCRATIC NOMINEE FOR CONGRESS
25th CONGRESSIONAL DISTRICT, CALIFORNIA

Encl: CLIPPINGS
cc: PRESIDENT OF THE UNITED STATES
cc: ALL MEMBERS OF CONGRESS

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VALENCIA NATIONAL BANK

Outlook

SECOND QUARTER, 1992



Bank President Robert Manley (left) congratulates Bank Chairman Buck McKeon on his success in the Congressional primary.
Photo by Gary Choppe'

McKeon Pursues House Seat

Congratulations to Valencia National Bank Chairman, Howard P. "Buck" McKeon, on his successful bid in the primary, toward the goal of securing a Congressional seat.

McKeon successfully competed against five other Republicans in the June primary for the Republican spot on the ballot this fall. The 25th congressional district, which includes the Santa Clarita Valley, is a new district, born out of new district lines drawn this year, therefore, there was no incumbent candidate.

McKeon, who has chaired our board since the bank organized more than five years ago, will compete against local democratic candidate James Gilmartin this November, for the Congressional position.

If elected, McKeon is committed to traveling to the district each month to gather information on the needs and concerns of the community to take back to Congress, as well as bringing information from the Capitol to the community, on bills and measures that affect us here.

His plans include holding regular forums in the area, and arranging for interviews with government officials via radio and cable television, according to his campaign manager, Armando
continued on back

Increase in earnings posted for second quarter

Valencia National Bank continues to build on a strong foundation, with continued profitability and plans for expansion.

Second quarter net earnings increased 9% to \$137,815, (27 cents per share), compared to \$126,530, (25 cents per share), for the same period in 1991. The bank's strong showing for the second quarter, was due to an increase in transaction accounts and the stabilization of interest rates, according to Robert Manley, president and chief executive officer.

Valencia National's loans (net of reserves) increased 4% over the second quarter of last year, to \$37.8 million. Total assets and total deposits remained relatively unchanged from the same period last year, registering in at \$60.8

million and \$53.9 million, respectively.

Profits for the Santa Clarita Valley based bank rose to \$226,125 (44 cents per share) for the year to date, a 5% decrease from the \$238,837 posted last year.

Valencia National Bank is looking forward to the grand opening of its second branch, planned for early fall in the Newhall area. The branch, located at the corner of Lyons Avenue and Peachland Avenue, is currently undergoing extensive remodeling.

Like our Valencia Branch, the Newhall Branch will be a full-service office offering everything from loan and merchant services to a drive-up window and Automated Teller Machine. Businesses and consumers will enjoy the
continued on back

SECOND QUARTER 1992 RESULTS

Assets	\$60,845,984
Deposits	\$53,852,510
Loans	\$37,849,699
Net Income (for quarter)	\$137,815
Net Income .. (year-to-date)	\$226,125
Earnings per share (year-to-date)	\$.44
Stock price	\$10.00
Book value	\$12.28

Editorial

from The Signal

6-23-77
5/6/77

DARELL PHILLIPS Publisher
WILLIAM FLEET General Manager
ANDREW VOROS Editor
TIM WHYTE Managing Editor
STEVE WHITMORE City Editor

The Signal's opinion is always labeled "Editorial." All other viewpoints on the Opinion pages represent individual opinions and are not necessarily those of this newspaper.

Questions abound over bank dismissal

Now that it's official and Bob Manley has been fired as president of Valencia National Bank, plenty of questions remain that shareholders, bank customers and the community deserve to have answered.

Valencia National Bank is a publicly held company with some 400 shareholders, many of whom live in the area. And, many local businesses rely on the bank for financial services, thus the interest into this bank's management changes is keen.

It's also a concern that a well respected and hard-working member of the community like Bob Manley has been removed from the company, and may be lost from the community as well.

While the board of directors denies his firing was the result of a disagreement over the practice of loans to directors, there are those within the bank as well as Manley who assert his "conservative" philosophy about that practice led to his termination.

When asked for documentation about these alleged loans, board President Lou Garasi acknowledged the practice, and even said there had been a \$200,000 loan to a former director that has been charged off, or considered lost.

That former director's identity and full documentation about the practice have been kept secret by the board of this public company.

If the loan practice was not the motivation for Manley's termination, then certainly releasing records about director's loans should be a problem.

The Signal urges Valencia National Bank to open its books for public scrutiny regarding all direc-

tors' loans and their specific status, including defaults.

It's time to put the speculation behind us, and full disclosure is the only way to accomplish that.

Moreover, Manley's resignation, according to the board, was the result of a lack of responsiveness to shareholders, customers and the community.

This is despite the board's recognition that "Manley helped the bank get off its feet, grow to three branches and become profitable" all during a recession when banks and savings and loans were dropping like flies. If that's not being responsive to shareholders, then we don't know what is.

In regards to not being responsive to the community, Manley is the well-liked, current president of the Santa Clarita Valley Chamber of Commerce, treasurer of the Boys & Girls Club, and serves on the board for the local hospital. He is also a common face at nearly all charitable events. That's not being responsive to the community?

How he responded to customers is something only the bank's internal management can judge, but two of the three reasons for his departure are hard to swallow, which leads us and others to believe there was another reason.

The board of directors has the right to make a decision and to fire the president of the bank. But, when a popular and active member of the community is fired from a publicly held bank for, among other things, "not being responsive to the community," the public has the right to ask questions.

THE BANK TIME BACK (no KOD) BUILT

Ill Feelings, Lawsuits Remain in Wake of Escrow Fraud Case

Investigation: Harold and Kathy Wiener, accused a year ago of bilking \$2.8 million, have left Santa Clarita for Utah.

BY MARK SABBATINI
SPECIAL TO THE TIMES

SANTA CLARITA—Harold and Kathy Wiener were considered one of the community's most respected and successful couples—until a year ago today.

That's when state auditors seized their escrow firm, accusing them of bilking \$2.8 million from customer deposits in what a state regulatory agency called the largest incident of escrow fraud in state history.

The Wieners, who deny any wrongdoing, have since moved to Utah, leaving behind ill feelings among some people in the community and a tangle of lawsuits.

The couple started Country Oaks Escrow Inc. in 1981 and built it up into one of the state's largest escrow firms. They were also well-known community leaders, involved in such events as charity auctions for the Santa Clarita Valley Boys & Girls Club.

But Country Oaks employees who arrived at work a year ago today found the state had seized the Valencia-based company after an audit revealed defrauding of customer accounts through such schemes as falsifying deposits and cleaning up improper transactions.

Escrow companies hold deposits for real estate purchases in trust accounts until credit checks and other terms of a sale are finalized. Country Oaks should have had an average of \$4.47 million in its four trust accounts during 1992, but the amount was actually much lower, according to the audit by the state Department of Corporations, which regulates escrow firms.

The department's investigation concluded that the Wieners were responsible for the shortfall and that the missing funds were spent on, among other things, cleaning services and their daughter's Christmas party.

About 2,000 real estate transactions were left in limbo, but the Wieners were insured by Escrow Agents' Fidelity Corp., a nonprofit corporation that filed a civil law-

suit against the Wieners in June, 1993, to recover the money.

The Department of Corporations has banned the couple from working in the escrow industry in California. The Los Angeles County district attorney's office has been investigating the matter for several months, but it is uncertain whether charges will be filed, said Deputy Dist. Atty. Pamela Geimen.

The Wieners have attributed the missing funds to auditing lapses and the effects of Harold Wiener's heart medication. Kathy Wiener has filed for bankruptcy. The couple could not be reached for comment.

They have filed civil lawsuits against four pharmaceutical companies for allegedly prescribing medication that impaired Harold Wiener's ability "to tell right from wrong."

And they are also suing their auditor, Martin and Hedman of Valencia, for allegedly failing to detect and report the shortfall of funds. Jeffrey Karpel, the Wieners' attorney, said the consequences might have been less dire for the couple and the matter more easily resolved if the fact that funds were missing was known before the state audit.

Randall Dean, an attorney representing the auditing firm, disagrees.

"The purpose of the audit was not to detect embezzlement by the principals of the company, but to present a financial snapshot of the picture of the company to the Department of Corporations," Dean said.

Karpel said the Wieners may drop the pharmaceutical companies lawsuit, which could prove costly, and focus on the litigation against the auditor.

In Santa Clarita, meanwhile, some people are anxiously awaiting the outcome of the district attorney's investigation and the lawsuits.

Sue Herrell, manager of the TMC Escrow Co. branch in Santa Clarita, said escrow companies were treated like used-car salesmen for a time after the fall of Country Oaks.

"It ticks me off that nothing was done," Herrell said. "[Rep.] Dan Rostenkowski [was indicted for allegedly] taking \$500,000 and for violating the public trust. Harold

and Kathy just did it on a larger scale.

"What they did violated the trust within the industry," she added. "For a long time after their company went under, we suffered because a lot of people lacked trust in the independent escrow industry."

Investigators have had to sort through volumes of complicated documents.

Allen Eggers, a state-appointed conservator who spent nearly a year investigating the alleged fraud, said Country Oaks financial records occupy one-fourth of a 1,200-square-foot warehouse.

"It was more voluminous than anything I've done in the past because of the size of the company [and] the transactions occurred over a fairly long period of time," he said.

Country Oaks' accounts were taken over by Burrow Escrow Co., a Santa Ana-based firm, four days after the state seized Country Oaks' records. Cynthia Moller, manager of the Burrow Escrow office in Valencia and an employee of the Wieners for six years, said account operations are mostly back to normal after a period of uncertainty.

"I think the community has been very good about separating Country Oaks from what we are and what we've done," she said.

Moller said the incident still remains on the minds of the many former Country Oaks employees now working for Burrow Escrow, especially since Kathy Wiener's bankruptcy filing. Country Oaks' more than 100 employees are still owed paychecks from the Wieners ranging from a few hundred to a few thousand dollars.

"I was going to come back from maternity leave and I couldn't decide whether to come back in May or June [last year]," Moller said. "I came back in May and worked the whole month and I didn't get paid for it. I could have spent one more month with my baby."

But Moller said most of her resentment toward the Wieners has vanished during the past year.

"I feel more pity for them because they threw away what they had," she said. "But at the same time it hurts because we cared about them."

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I have co-sponsored a bill, HR 2872, and supported other provisions which focus on attacking violent crime and removing violent offenders from the streets for good. They raise the cost of committing a crime and promote the rights of the public and not of the criminal. These measures achieve these objectives through the following reforms:

- **Truth in Sentencing** — Provides \$10 billion in federal grants for prison construction to states that adopt truth in sentencing laws, where two-time violent felons must serve at least eighty five percent of their sentences.
- **A Loophole Free "Three Strikes and You're Out"** — Imposes life imprisonment for a third state or federal violent felony conviction.
- **A Workable, Effective Death Penalty** — Strengthens the death penalty by eliminating endless *habeas corpus* appeals, requiring juries or courts to recommend the death penalty if aggravating factors outweigh mitigating factors and prohibiting the use of racial quotas or statistical tests when imposing the death penalty.
- **Reforming the Exclusionary Rule** — Ensures criminals won't be set free on technicalities when police officers gather evidence in good faith without a warrant.
- **Additional Police Officers** — Provides more than \$3 billion in grants to cities and counties to increase police presence in these communities and to establish community policing programs.
- **Immigration Reform** — Recognizes the impact of illegal aliens on the nation's overburdened judicial system by authorizing 6,000 additional border patrol agents.

Crime Town Meeting Announcement

The impact of crime is felt by all of us who reside in the Southern California area. Each of us has a story to tell about how we have fallen victim to some type of criminal behavior. In order to better protect ourselves, I have assembled a panel of law enforcement experts to discuss crime and its impact on our society. I am inviting you to attend to learn firsthand how we can work together in our neighborhoods to make them safer places to live. Your participation is important.

Saturday, July 30, 1994
10:00 a.m. to 11:30 a.m.
Cal State University, Northridge
The Dome in Lot C near
Zelzah & Plummer Streets

Participants
U.S. Rep. Buck McKeon
Los Angeles Police Department
L.A. County Sheriff's Department
Federal Bureau of Investigation
Representatives from "Mad About Rising Crime" (MARC)

HOW TO CONTACT BUCK McKEON

Santa Clarita Valley
23929 W. Valencia Blvd., Suite 410
Santa Clarita, CA 91355
(805) 254-2111

Antelope Valley
2000 West Avenue M-4, Suite D
Bakersfield, CA 93311
(805) 833-3133

San Bernardino Valley
17130 Riverside Avenue, Suite 201
Northridge, CA 91325
(818) 708-3812

Orange County

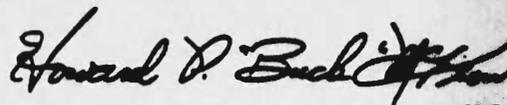
7000 East Orange Blvd.

Orange, CA 92667

(714) 952-3800

Congress of the United States
House of Representatives
Washington, D.C. 20515

Official Business



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Mr. James H. Gilmartin
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Sanger CA 91350-4919



Bank says moves not related to Manley

VALENCIA — In an apparently unrelated matter to the termination (firing) of bank president Bob Manley, two mid-managers of Valencia National Bank have resigned their positions with the financial institution.

Branch Manager Elizabeth Hoop of Lyons Avenue is resigning to take a job with a large San Fernando Bank opening a new branch here, while assistant branch manager Paula Meade has resigned to move to Texas, bank officials said.

Hoop and Valencia National Bank Board Chairman Louis Geram said the move is to further her career and is not related to the recent firing of President Bob Manley. Meade was unavailable for comment.

"The other bank approached me a couple of months ago," Hoop said. "Our mutual tasks were before Manley got fired. . . . This has nothing to do with Manley. This is simply what's good for me."

Hoop wouldn't discuss what bank it was she was going to, but said she would be managing the new branch set to open here within the next month.

"It's a little bit bigger bank," she said. "They're offering me a bigger salary and better benefits package."

The board of directors fired Manley earlier this month because he wasn't producing a large enough profit for shareholders, according to bank officials.

—The Signal

Tell it to The Signal

Have an opinion you want to get out there? Call 299-2817, leave your name and phone number, and be as brief as possible.

What is the truth?

"I'm pleased to see that today's Signal has finally maybe hit upon the truth regarding Bob Manley and Valencia National Bank (June 7). The truth of the matter is that if you really checked with the stock brokerage house, the stock had fallen below \$7 a share months ago. As an investor and customer of the bank, I'll tell you that my investment made some seven years ago at \$10 a share is currently worth only 65 percent of that. You have to look at the management when that sort of thing happens, and the management is represented by Mr. Manley. I have personally had conversations with him in the past regarding the price of the stock, insisting that The Signal report the correct price, and he was very respectful. As a matter of fact, I called The Signal and said the price listed under Stocks of Local Interest was incorrect. And this was months ago. Therefore, as a customer, and particularly as a stockholder, I am pleased that the board of directors is taking some action to, in fact, right a wrong. Mr. Manley did a fine job getting the bank started, and as a stockholder, I am grateful for that. But as the board of directors, who represent me as a stockholder, have suggested, it was time to go to new leadership. I hope you print this opinion. Thank you."

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McKeon owes answers over turmoil at bank

There is a stench coming from Valencia Bank and Washington.

The bank fires the bank president because (the bank president said) he is critical of sweetheart loans given to board directors. It is reported that five directors during the past year resigned because of defaulted loans. After deregulation scores of developers and business owners got into the S&L and banking business. The taxpayers are picking up their tabs today.

Has Joseph McKeon used his influence as a director of Valencia Bank to help the McKeon brothers boot business? There may be so wrongdoing, but Congressman Buck McKeon owes an answer to the public.

A local reporter stated in a commentary that McKeon is not following the wishes of constituents in many areas, including crime prevention. I agree. He broke a campaign promise and voted for the North American Free Trade Agreement.

It is time for voters of all parties to take a hard look at Congressman McKeon. Does he have the judgment and integrity to represent the people? It appears that the job is just too big for him.

— Andrew Poletta
Valencia

Letters

to the Editor

Mail to: The Signal, P.O. Box 801870, Santa Clarita, CA 91380
Hand deliver to: 24000 Creekside Road, Valencia
FAX to: (805) 254-9068

THE WHOLE STORY?

Editor:

Two related articles on the front page of your May 26 issue, "Valencia Bank president forced out" and "Wieners barred from industry," appear to epitomize a paradox plaguing our society today.

According to the articles, the bank's president will lose his job for trying to protect the bank from improper loans to the board of directors — of which Kathy Wiener was a member until last June — and Kathy's punishment for embezzling \$2.8 million from the escrow fund and fleeing to Utah for the last year is to be told, "You can't take advantage of California consumers anymore."

I certainly hope there is more going on here than is reported. If these articles represent the "whole story," the implications regarding the details of our society are very grave indeed. If these articles don't represent the "whole story," shame on you for implying otherwise.

Debra Flakie
Valencia

No justice here

"Well, Dwight Jurgens has done it again. He has come through with a very logical and intelligent column regarding the Wiener embezzlement case (June 1). I had just been asking my perfect and wonderful husband why they hadn't been indicted. Why are they still free as the birds and even being paid \$5,000 a month? It's a little like what a reader said recently regarding the Rodney King case: "The police can beat the crap out of me any time for \$3.8 million." Now, how can I embezzle \$2.6 million and go footloose and fancy free while collecting \$5,000 per month? There is no justice in the Justice Department. There is no justice in our court system. And now we can't even get a little justice right here at home in Santa Clarita. It's a fact: It will take a miracle from God to get justice on planet earth."

Friday, June 17, 1994, THE SIGNAL, A DAILY NEWSPAPER, A11

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10 November 1992

OFFICE OF GENERAL COUNSEL
FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

ATTN: COMPLAINT DIVISION

COMPTROLLER OF THE CURRENCY
250 E. STREET S.W.
WASHINGTON, D.C. 20219

ATTN: STEPHEN STEINBRINK, ACTING COMPTROLLER

FEDERAL BUREAU OF INVESTIGATION
11000 WILSHIRE BOULEVARD
17TH FLOOR
LOS ANGELES, CALIFORNIA 90024

ATTN: BANK INVESTIGATIONS

Gentlemen:

I wrote to both of you with a complaint on FEC violations on 24 September 1992 and on 26 September 1992 with additional information.

I have lost the race for Congress and I am cleaning up the information that I did not send already to your office.

I was the DEMOCRATIC NOMINEE for the 25th CONGRESSIONAL DISTRICT in California. The REPUBLICAN NOMINEE is HOWARD MCKEON, who is also CHAIRMAN OF THE BOARD OF VALENCIA NATIONAL BANK, and a member of HOWARD AND PHILS, of 49 western clothing stores.

I forgot to forward this information to the FBI and was reminded of this by MR. MCKEON during a debate when he did not want to answer further questions.

If the original lawsuit is valid and the claims are accurate, and there is no way to determine till the case is tried and adjudged, it appears that the appropriated money went into VALENCIA NATIONAL BANK and MRS. COX was a founder of the NATIONAL BANK.

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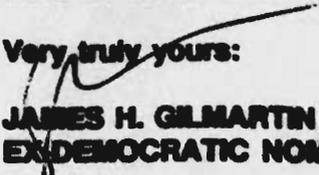
Then we would have a NATIONAL BANK that was founded on LOOTED or EMBEZZELED money based on the allegations in the complaint that are attached.

We felt that this information should be available to the appropriate agency that appears to be the FBI as we have left them out on the earlier letters.

We are well aware that a filing of litigation imputes no guilt of any type and that it is up to the court and jury to decide the merits of this case. If MR. PATTERSON was "not" the Secretary of VALENCIA NATIONAL BANK, A FOUNDER, A CONTRIBUTOR TO MR. MC KEONS CAMPAIGN FUND, A DIRECTOR OF THE NATIONAL BANK CORPORATION and still an active member of the board and corporation, we would not bring it to your attention and would assume the bank would report it to you in a normal reporting routine.

We do not know if this has been reported to the FBI or if the complaints were filed with the NATIONAL BANK by the injured parties.

Very truly yours:


JAMES H. GILMARTIN
EX-DEMOCRATIC NOMINEE FOR CONGRESS, 25TH CONGRESSIONAL DISTRICT

Encl: LETTER OF 24 SEPTEMBER 1992
LETTER OF 26 SEPTEMBER 1992 AND ENCLOSURES
COPY OF FOUNDERS OF NATIONAL BANK IN 1990 AND 1991 SHOWING COX

IBM MCKEONBK.COM

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