



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20461

THIS IS THE BEGINNING OF MUR # 4595

DATE FILMED 8-7-97 CAMERA NO. 2

CAMERAMAN S.C.G.

97043831264

## REPORTS ANALYSIS REFERRAL

TO

OFFICE OF GENERAL COUNSEL

DATE: JUN 17 1996

ANALYST: Todd Schumacher

I. COMMITTEE: Max Sandlin for Congress Committee  
(C00308429)  
Max A. Sandlin, Treasurer  
P.O. Box 1281  
Marshall, TX 75670

II. RELEVANT STATUTES: 2 U.S.C. §434(a) (6)  
11 CFR §104.5(f)

## III. BACKGROUND:

## Failure to file Forty-Eight Hour Notifications

Max Sandlin for Congress Committee ("the Committee") has failed to file two (2) 48-Hour Notifications for candidate loans totalling \$112,576.16 prior to the 1996 Primary Election.

The candidate was involved in the 1996 Primary Election held on March 12, 1996. Prior Notice was sent to the Committee on February 2, 1996 (Attachment 2). The Notice includes a section titled "48 Hour Notices on Contributions". This section reads "Notices are required if the committee receives contributions (including contributions and loans from the candidate's personal funds; and endorsements or guarantees of bank loans) of \$1,000 or more, during the period of February 22 through March 9. The notices must reach the appropriate federal and state filing offices within 48 hours of the committee's receipt of the contribution(s)."

Schedules A, C and C-1 of the 1996 12 Day Pre-Runoff Report indicate that the Committee failed to file two (2) 48-hour Notices for bank loans guaranteed by the candidate received during the aforementioned period (Attachment 3). The following are the loans for which 48-Hour Notices were not filed:

<u>Contributor Name</u>	<u>Date</u>	<u>Amount</u>
Max Sandlin (guarantor of loan from East Texas National Bank)	3/1/96	\$42,576.16

97043831205

<u>Contributor Name</u>	<u>Date</u>	<u>Amount</u>
Max Sandlin (guarantor of loan from East Texas National Bank)	3/4/96	\$70,000.00

On March 14, 1996, Cindy McGeorge, a Committee representative, called a Reports Analysis Division analyst to inform the Commission that she had become aware of a loan received by the Committee during the aforementioned time period for which a 48-Hour Notification had not been filed (Attachment 4). The analyst informed Ms. McGeorge that she should state the facts to the Commission in writing.

On March 25, 1996, the Commission received a letter from the Committee, which states that the committee did not file a 48-Hour Notification for a \$70,000 loan received during the period for which 48-Hour Notifications were required (Attachment 5). The letter does not address the failure to file a 48-Hour Notification for the \$42,576.16 loan.

On April 19, 1996, an Informational Notice was sent to the Committee (Attachment 6). The letter notes that the Committee may have failed to file one or more of the required 48-Hour Notices for "last minute" contributions of \$1,000 or more. The notice requests the Committee to review their procedures for checking contributions received during the aforementioned time period. In addition, the notice states that although the Commission may take legal steps, any response would be taken into consideration.

To date, the Committee has not addressed the failure to file a 48-Hour Notification for the \$42,576.16 loan.

97043831266

FEDERAL ELECTION COMMISSION  
1995-1996

STATE INDEX OF SUPPORTING DOCUMENTS - (E)

PAGE 1

CANDIDATE/COMMITTEE/DOCUMENT	OFFICE SOUGHT/	PARTY	RECEIPTS		DISBURSEMENTS		COVERAGE DATES	# OF PAGES	MICROFILM LOCATION
			PRIMARY	GENERAL	PRIMARY	GENERAL			
SANDLIN, MAX A JR		HOUSE 01 DEMOCRATIC PARTY					1996 ELECTION	ID# H6TX01162	
1. STATEMENT OF CANDIDATE							1NOV95		1 95HSE/584/0345
1995 STATEMENT OF CANDIDATE									
2. PRINCIPAL CAMPAIGN COMMITTEE									
MAX SANDLIN FOR CONGRESS COMMITTEE								ID #C00308429 HOUSE	
1995 STATEMENT OF ORGANIZATION							14NOV95		1 95HSE/584/1674
YEAR-END			357,450		76,873		1JUL95 -31DEC95		30 96HSE/589/0367
YEAR-END - AMENDMENT			-		-		1JUL95 -31DEC95		6 96HSE/594/1020
YEAR-END - AMENDMENT			-		-		1JUL95 -31DEC95		7 96HSE/594/2500
REQUEST FOR ADDITIONAL INFORMATION							1JUL95 -31DEC95		3 96FEC/029/4843
1996 48 HOUR CONTRIBUTION NOTICE							28FEB96		4 96HSE/594/1528
48 HOUR CONTRIBUTION NOTICE							6MAR96		3 96HSE/594/5180
48 HOUR CONTRIBUTION NOTICE							6MAR96		3 96HSE/595/0116
48 HOUR CONTRIBUTION NOTICE							8MAR96		3 96HSE/595/1737
48 HOUR CONTRIBUTION NOTICE							11MAR96		3 96HSE/595/2420
48 HOUR CONTRIBUTION NOTICE							11MAR96		3 96HSE/595/2783
48 HOUR CONTRIBUTION NOTICE							11MAR96		3 96HSE/595/3162
48 HOUR CONTRIBUTION NOTICE							11MAR96		3 96HSE/595/3165
48 HOUR CONTRIBUTION NOTICE							12MAR96		3 96HSE/595/2879
MISCELLANEOUS REPORT TO FEC							19MAR96		3 96HSE/596/4489
48 HOUR CONTRIBUTION NOTICE							22MAR96		3 96HSE/596/4157
48 HOUR CONTRIBUTION NOTICE							26MAR96		3 96HSE/596/4878
48 HOUR CONTRIBUTION NOTICE							27MAR96		3 96HSE/596/5173
48 HOUR CONTRIBUTION NOTICE							28MAR96		3 96HSE/597/0120
48 HOUR CONTRIBUTION NOTICE							29MAR96		3 96HSE/597/0449
48 HOUR CONTRIBUTION NOTICE							1APR96		3 96HSE/597/0767
48 HOUR CONTRIBUTION NOTICE							2APR96		3 96HSE/597/1378
48 HOUR CONTRIBUTION NOTICE							4APR96		3 96HSE/597/1656
48 HOUR CONTRIBUTION NOTICE							4APR96		3 96HSE/597/1847
PRE-PRIMARY			306,025		545,977		1JAN96 -21FEB96		34 96HSE/594/1479
PRE-PRIMARY - AMENDMENT			306,025		545,977		1JAN96 -21FEB96		37 96HSE/594/1769
PRE-PRIMARY - AMENDMENT			-		-		1JAN96 -21FEB96		4 96HSE/596/5011
PRE-RUN-OFF			241,331		261,854		22FEB96 -20MAR96		29 96HSE/596/5422
1 <sup>ST</sup> LETTER INFORMATIONAL NOTICE							22FEB96 -20MAR96		2 96FEC/046/2864
APRIL QUARTERLY				279,850		170,377	21MAR96 -31MAR96		23 96HSE/602/4635
TOTAL			904,806	279,850	884,704	170,377			234 TOTAL PAGES
3. AUTHORIZED COMMITTEES									
4. JOINT FUNDRAISING COMMITTEES AUTHORIZED BY THE CAMPAIGN									

All reports have been reviewed.

Ending cash-on-hand as of 3/31/96: \$129,573.24

Debts and obligations owed to the committee as of 3/31/96: \$0

Debts and obligations owed by the committee as of 3/31/96: \$647,597.16

97043831267

# PRIMARY ELECTION REPORT NOTICE

FEDERAL ELECTION COMMISSION

TEXAS  
Congressional Committees

February 2, 1996

FOR COMMITTEES INVOLVED ONLY IN THE PRIMARY (03/12/96)

REPORT	REPORTING PERIOD*	REG./CERT. MAILING DATE**	FILING DATE
Pre-Primary	01/01/96 - 02/21/96	02/26/96	02/29/96
	----48 Hour Notices----		
April Quarterly	02/22/96 - 03/31/96	04/15/96	04/15/96

#### WHO MUST FILE

Principal campaign committees of congressional candidates (including unopposed candidates) who seek nomination in the primary must file the above reports and notices. If the campaign has more than one authorized committee(s), in addition to the principal campaign committee, the principal campaign committee must also file a consolidated report on Form 32.

#### WHERE TO FILE

Due to recent legislative changes, U.S. House candidates should file with the Federal Election Commission, rather than with the Clerk of the House of Representatives. Senate candidates should continue to file with the Secretary of the Senate. Committees should consult the back of Forms 3 and 6 for both addresses.

#### 48 HOUR NOTICES ON CONTRIBUTIONS

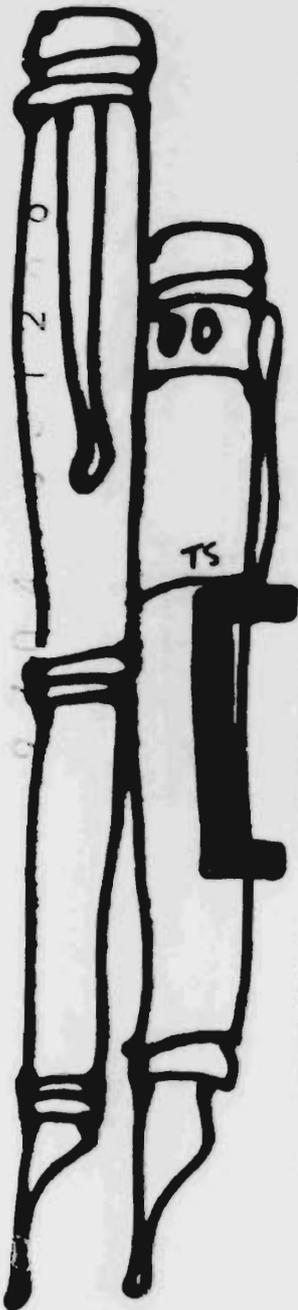
Notices are required if the committee receives contributions (including contributions and loans from the candidate's personal funds; and endorsements or guarantees of bank loans) of \$1,000 or more, during the period of February 22 through March 9. The notices must reach the appropriate federal and state filing offices within 48 hours of the committee's receipt of the contribution(s).

\*These dates indicate the beginning and the end of the reporting period. A reporting period always begins the day after the closing date of the last report filed. If the committee is new and has not previously filed a report, the first report must cover all activity that occurred before the committee registered and, if applicable, before the individual became a candidate.

\*\*Reports sent registered or certified mail must be postmarked by the mailing date; otherwise, they must be received by the filing date.

FOR INFORMATION, CALL: 800/424-9530 or 202/219-3420

SEE OPPOSITE SIDE FOR RUNOFF INFORMATION



TEXAS  
RUNOFF

FOR COMMITTEES INVOLVED IN BOTH THE PRIMARY (03/12/96) AND RUNOFF  
(04/09/96)

REPORT	REPORTING PERIOD*	REG./CERT.	FILING DATE
		MAILING DATE**	
Pre-Primary	01/01/96 - 02/21/96	02/26/96	02/29/96
	----48 Hour Notices----		
Pre-Runoff	02/22/96 - 03/20/96	03/25/96	03/28/96
	----48 Hour Notices----		
April Quarterly	03/21/96 - 03/30/96	04/15/96	04/15/96

**48 HOUR NOTICES ON CONTRIBUTIONS**

Notices are required if the committee receives contributions (including contributions and loans from the candidate's personal funds; and endorsements or guarantees of bank loans) of \$1,000 or more, during the period:

Primary: 02/22 - 03/09  
Runoff: 03/21 - 04/06

The notices must reach the appropriate federal and state filing offices within 48 hours of the committee's receipt of the contribution(s).

**LABEL**

Committees should affix the peel-off label from the envelope to Line 1 of the report. Corrections should be made on the label.

**COMPLIANCE**

Treasurers of political committees are responsible for filing all reports on time. Failure to do so is subject to enforcement action. Committees filing illegible reports or using non-FEC forms (except for FEC approved computer generated forms) will be required to refile.

\*These dates indicate the beginning and the end of the reporting period. A reporting period always begins the day after the closing date of the last report filed. If the committee is new and has not previously filed a report, the first report must cover all activity that occurred before the committee registered and, if applicable, before the individual became a candidate.

\*\*Reports sent registered or certified mail must be postmarked by the mailing date; otherwise, they must be received by the filing date.

FOR INFORMATION, CALL: 800/424-9530 or 202/219-3420

TS  
9704831260

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

NAME OF COMMITTEE (in Full)

Max Sandlin for Congress Committee

A. Full Name, Mailing Address and ZIP Code	Name of Employer	Date (month, day, year)	Amount of Each Receipt this Period
East Texas National Bank P.O. Box 8019 Marshall, TX 75670	Self	3-1-96	42,576.16
Receipt For: <input checked="" type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	Occupation: BANK	Aggregate Year-to-Date > \$ 334,576.16	
B. Full Name, Mailing Address and ZIP Code	Name of Employer	Date (month, day, year)	Amount of Each Receipt this Period
East Texas National Bank P.O. Box 8019 Marshall, TX 75670	Self	3-4-96	70,000. <sup>00</sup>
Receipt For: <input checked="" type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	Occupation: Bank	Aggregate Year-to-Date > \$ 334,576.16	
C. Full Name, Mailing Address and ZIP Code	Name of Employer	Date (month, day, year)	Amount of Each Receipt this Period
Max Sandlin (personal funds) P.O. Box 1281 Marshall, TX 75670	Sandlin & Buckner	3-12-96	70,000.00
Receipt For: <input checked="" type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	Occupation: Attorney	Aggregate Year-to-Date > \$ 117,000.00	
D. Full Name, Mailing Address and ZIP Code	Name of Employer	Date (month, day, year)	Amount of Each Receipt this Period
Receipt For: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	Occupation:	Aggregate Year-to-Date > \$	
E. Full Name, Mailing Address and ZIP Code	Name of Employer	Date (month, day, year)	Amount of Each Receipt this Period
Receipt For: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	Occupation:	Aggregate Year-to-Date > \$	
F. Full Name, Mailing Address and ZIP Code	Name of Employer	Date (month, day, year)	Amount of Each Receipt this Period
Receipt For: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	Occupation:	Aggregate Year-to-Date > \$	
G. Full Name, Mailing Address and ZIP Code	Name of Employer	Date (month, day, year)	Amount of Each Receipt this Period
Receipt For: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	Occupation:	Aggregate Year-to-Date > \$	

SUBTOTAL of Receipts This Page (optional) .....	182,576.16
TOTAL This Period (last page this line number only) .....	182,576.16

97048312



Name of Committee (in Full)  
**Max Sandlin for Congress Committee**

A. Full Name, Mailing Address and ZIP Code of Loan Source	Original Amount of Loan	Cumulative Payment To Date	Balance Outstanding at Close of This Period
<b>East Texas National Bank P.O. Box 8019 Marshall, TX 75670</b>	<b>42,576.16</b>	<b>0.00</b>	<b>42,576.16</b>
Election: <input checked="" type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):			
Terms: Date Incurred <b>3-1-96</b> Date Due <b>6-3-96</b> Interest Rate <b>7.75%</b> Secured <input checked="" type="checkbox"/>			

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

1. Full Name, Mailing Address and ZIP Code	Name of Employer	Occupation	Amount Guaranteed Outstanding \$
<b>Max Sandlin P.O. Box 1281 Marshall, TX 75670</b>	<b>Sandlin &amp; Buckner</b>	<b>Attorney</b>	<b>\$ 42,576.16</b>
2. Full Name, Mailing Address and ZIP Code	Name of Employer	Occupation	Amount Guaranteed Outstanding \$
3. Full Name, Mailing Address and ZIP Code	Name of Employer	Occupation	Amount Guaranteed Outstanding \$

B. Full Name, Mailing Address and ZIP Code of Loan Source	Original Amount of Loan	Cumulative Payment To Date	Balance Outstanding at Close of This Period
Election: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):			
Terms: Date Incurred _____ Date Due _____ Interest Rate _____ %/yr Secured _____			

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

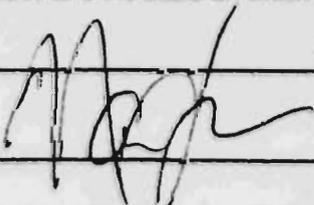
1. Full Name, Mailing Address and ZIP Code	Name of Employer	Occupation	Amount Guaranteed Outstanding \$
2. Full Name, Mailing Address and ZIP Code	Name of Employer	Occupation	Amount Guaranteed Outstanding \$
3. Full Name, Mailing Address and ZIP Code	Name of Employer	Occupation	Amount Guaranteed Outstanding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

SUBTOTALS This Period This Page (optional) .....	<b>42,576.16</b>
TOTALS This Period (last page in this line only) .....	<b>377,576.16</b>

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

0601596545  
97043831272

LOANS AND LINES OF CREDIT FROM LENDING INSTITUTIONS

NAME OF COMMITTEE (IN FULL) <b>Max Sandlin for Congress Committee</b>		FEC IDENTIFICATION NUMBER <b>C00308429</b>	
FULL NAME, MAILING ADDRESS AND ZIP CODE OF LENDING INSTITUTION (LENDER) <b>East Texas National Bank D.O. Box 8019 Marshall, TX 75670</b>		AMOUNT OF LOAN <b>42,576.16</b>	INTEREST RATE (APR) <b>8.75</b>
		DATE INCURRED OR ESTABLISHED <b>3-1-94</b>	DATE DUE <b>6-3-94</b>
Has loan been restructured? <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes If yes, date originally incurred: <u>12-1-95</u>			
B. If line of credit, amount of this draw: <u>NO</u> ; total outstanding balance: _____			
C. Are other parties secondarily liable for the debt incurred? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes (Endorsers and guarantors must be reported on Schedule C.)			
D. Are any of the following pledged as collateral for the loan: real estate, personal property, goods, negotiable instruments, certificates of deposit, chattel papers, stocks, accounts receivable, cash on deposit, or other similar traditional collateral? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes If yes, specify: <u>unsecured</u>			
What is the value of this collateral? <u>N/A</u>			
Does the lender have a perfected security interest in it? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes			
E. Are any future contributions or future receipts of interest income, pledged as collateral for the loan? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes If yes, specify: _____ What is the estimated value? _____			
A depository account must be established pursuant to 11 CFR 100.7(b)(11)(i)(B) and 100.8(b)(12)(i)(B). Date account established: <u>none</u> Location of account: _____			
F. If neither of the types of collateral described above was pledged for this loan, or if the amount pledged does not equal or exceed the loan amount, state the basis upon which this loan was made and the basis on which it assures repayment. <u>Signature loan</u>			
G COMMITTEE TREASURER		DATE	
TYPED NAME <b>Max Sandlin</b>		SIGNATURE  DATE <b>3-27-94</b>	
H. Attach a signed copy of the loan agreement.			
I. TO BE SIGNED BY THE LENDING INSTITUTION:			
I. To the best of this institution's knowledge, the terms of the loan and other information regarding the extension of the loan are accurate as stated above.			
II. The loan was made on terms and conditions (including interest rate) no more favorable at the time than those imposed for similar extensions of credit to other borrowers of comparable credit worthiness.			
III. This institution is aware of the requirement that a loan must be made on a basis which assures repayment, and has complied with the requirements set forth at 11 CFR 100.7(b)(11) and 100.8(b)(12) in making this loan.			
AUTHORIZED REPRESENTATIVE		TITLE	
TYPED NAME <b>R. Stephen Caverter</b>		SIGNATURE  DATE <b>3-27-94</b>	
		President + COO	

0990 49605964426/3  
 TS

LOANS AND LINES OF CREDIT FROM LENDING INSTTI .....

NAME OF COMMITTEE (IN FULL) <b>Max Sundlin for Congress Committee</b>		FEC IDENTIFICATION NUMBER <b>00308429</b>	
FULL NAME, MAILING ADDRESS AND ZIP CODE OF LENDING INSTITUTION (LENDER) <b>East Texas National Bank P.O. Box 8019 Marshall, TX 75670</b>		AMOUNT OF LOAN <b>70,000.00</b>	INTEREST RATE (APR) <b>8.75</b>
		DATE INCURRED OR ESTABLISHED <b>3-4-96</b>	DATE DUE <b>4-4-96</b>

A. Has loan been restructured?  No  Yes If yes, date originally incurred: \_\_\_\_\_

B. If line of credit, amount of this draw: none; total outstanding balance: \_\_\_\_\_

C. Are other parties secondarily liable for the debt incurred?  
 No  Yes (Endorsers and guarantors must be reported on Schedule C.)

D. Are any of the following pledged as collateral for the loan: real estate, personal property, goods, negotiable instruments, certificates of deposit, chattel papers, stocks, accounts receivable, cash on deposit, or other similar traditional collateral?

No  Yes If yes, specify: 3000 shares of Howell & Sundlin stock in the name of Max Sundlin.

What is the value of this collateral? 5.8 million dollars

Does the lender have a perfected security interest in it?  No  Yes

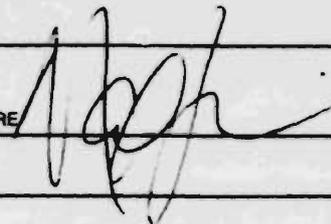
E. Are any future contributions or future receipts of interest income, pledged as collateral for the loan?

No  Yes If yes, specify: \_\_\_\_\_ What is the estimated value? \_\_\_\_\_

A depository account must be established pursuant to 11 CFR 100.7(b)(11)(i)(B) and 100.8(b)(12)(i)(B). Date account established: none Location of account: \_\_\_\_\_

F. If neither of the types of collateral described above was pledged for this loan, or if the amount pledged does not equal or exceed the loan amount, state the basis upon which this loan was made and the basis on which it assures repayment.

N/A

G COMMITTEE TREASURER	DATE
TYPED NAME <b>Max Sundlin</b> SIGNATURE 	<b>3-27-96</b>

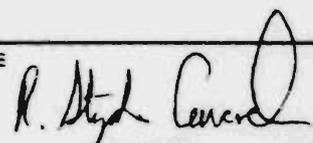
H. Attach a signed copy of the loan agreement.

I. TO BE SIGNED BY THE LENDING INSTITUTION:

I. To the best of this institution's knowledge, the terms of the loan and other information regarding the extension of the loan are accurate as stated above.

II. The loan was made on terms and conditions (including interest rate) no more favorable at the time than those imposed for similar extensions of credit to other borrowers of comparable credit worthiness.

III. This institution is aware of the requirement that a loan must be made on a basis which assures repayment, and has complied with the requirements set forth at 11 CFR 100.7(b)(11)(i) and 100.8(b)(12) in making this loan.

AUTHORIZED REPRESENTATIVE	TITLE	DATE
TYPED NAME <b>R. Stephen Gaverder</b> SIGNATURE 	<b>President + COO</b>	<b>3-27-96</b>

960159631274

TS

March 14, 1996

TELECON

NAME OF COMMITTEE: Max Sandlin for Congress Committee  
SUBJECT: Failure to File 48-Hour Notification  
FEC REP: Todd Schumacher  
COMMITTEE REP: Cindy McGeorge

Ms. McGeorge called and said that she had just realized that the committee had failed to file a 48-Hour Notification for a \$70,000 loan that the candidate had taken out on March 4, 1996. I told her to send the Commission a letter detailing the circumstances under which the loan was incurred and to provide an explanation as to why the 48-hour Notification was not filed. She asked if the committee was going to be fined. I told her it was possible.

970438312/5

RECEIVED  
FEDERAL ELECTIONS  
COMMISSION  
MAIL ROOM

MAR 25 1 22 PM '96

March 14, 1996

Todd Schumacher  
Federal Elections Commission  
999 E. Street NW  
Washington, DC 20463

Dear Mr. Schumacher,

I am writing to you regarding our earlier conversation concerning 48 hour contribution limits prior to the March primary election. As I stated earlier, a loan from the candidate, Max Baubin, on March 4, 1996 for \$70,000.00 was not reported during the 48 hour contribution period. As you know, I called you immediately upon discovering my error. The candidate made the loan by telephone and by fax machine from the campaign trail. The loan was made to Mr. Baubin, and he to the campaign against an investment account of his which he was closing. Cashing out the investment account took several days and I only discovered my failure to report when I was paying off this note with the proceeds from the investment account today. As your records reflect, I did report all other contributions under this rule meticulously.

Understanding that this is a violation I would ask that the Commission consider the following:

I was out of the office that day with my six-month old daughter who had to have an unexpected surgery.

That Mr. Baubin is a first time candidate and I a first time reporter.

That Mr. Baubin had made several other previously reported loans to the campaign through transactions with the same bank, East Texas National Bank of Marshall.

That there was no intent to hide this transaction or avoid reporting.

That this was the candidate's own money.

That as soon as I discovered my error, I called you to report it.

9 / 043843; 92 / 6

Page 2

I really have studied the Commission's Rules and Regulations and have made diligent attempts to comply. I hope you and the Commission will take all of these circumstances into consideration when you consider my error.

Sincerely,

*Cindy McGee*

Cindy McGee

06010438310217  
264490



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

RQ-5

Max A. Sandlin, Treasurer  
Max Sandlin for Congress Committee  
P.O. Box 1281  
Marshall, TX 75670

APR 19 1996

Identification Number: C00308429

Reference: 12 Day Pre-Runoff Report (2/22/96-3/20/96)

Dear Mr. Sandlin:

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

-Schedule A of your report indicates that your committee may have failed to file one or more of the required 48 hour notices regarding "last minute" contributions received by your committee after the close of books for the 12 Day Pre-Primary report. A principal campaign committee must notify the Commission, in writing, within 48 hours of any contribution of \$1,000 or more received between two and twenty days before an election. These contributions are then reported on the next report required to be filed by the committee. To ensure that the Commission is notified of last minute contributions of \$1,000 or more to your campaign, it is recommended that you review your procedures for checking contributions received during the aforementioned time period. Although the Commission may take legal action, any response you wish to provide concerning this matter will be considered. (11 CFR §104.5(f))

Any amendment or clarification should be filed with the Federal Election Commission. If you need assistance, please feel free to contact me on our toll-free number, (800) 424-9530. My local number is (202) 219-3580.

Sincerely,

Todd Schumacher  
Senior Reports Analyst  
Reports Analysis Division

99 97 00 34 03 8 63 4 1 6 2 4 8 75

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

**FIRST GENERAL COUNSEL'S REPORT**

**RAD REFERRAL:** 96L-04  
**DATE ACTIVATED:** JULY 19, 1996

**STAFF MEMBER:** Clinett Short  
Tony Buckley

**SOURCE:** INTERNALLY GENERATED

**RESPONDENTS:** Max Sandlin for Congress Committee and  
Max Sandlin, as Treasurer

**RELEVANT STATUTE:** 2 U.S.C. § 434(a)(6)(A)

**I. GENERATION OF MATTER**

The Office of the General Counsel received a referral from the Reports Analysis Division ("RAD") on July 19, 1996. Attachment 1. The basis for the attached referral is the failure of the Max Sandlin for Congress Committee and Max Sandlin, as treasurer, to file two forty-eight hour notifications ("48 Hour Notices") for candidate loan contributions totaling \$112,576.16. The candidate, Max Sandlin, received forty-two percent (42%) of the vote in the Primary Election, and subsequently won the 1996 Runoff Election in the first Congressional District in the State of Texas with fifty-six percent (56%) of the vote.

**II. FACTUAL AND LEGAL ANALYSIS**

Based on the Factual and Legal Analysis, see Attachment 2, this Office recommends the Commission find reason to believe the Respondents violated 2 U.S.C. § 434(a)(6)(A).

970438312/9

**III. DISCUSSION OF CONCILIATION AND CIVIL PENALTY**

In addition to the reason to believe recommendation, this Office recommends that the Commission offer to enter into conciliation with the Respondents prior to a finding of probable

Attached for the Commission's approval is a proposed conciliation agreement

**IV. RECOMMENDATIONS**

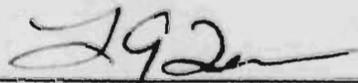
1. Open a MUR.
2. Find reason to believe that Max Sandlin for Congress Committee and Max Sandlin, as Treasurer violated 2 U.S.C. § 434(a)(6)(A), and enter into conciliation prior to a finding of probable cause to believe.

97043831280

- 3. Approve the attached Factual and Legal Analysis, proposed conciliation agreement, and the appropriate letter.

Lawrence M. Noble  
General Counsel

12/4/96  
Date

BY:   
Lois G. Lerner  
Associate General Counsel

Attachments:

- 1. Factual and Legal Analysis
- 2. Proposed Conciliation Agreement

97043831281

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of )

Max Sandlin for Congress Committee )  
and Max Sandlin, as Treasurer. )

RAD Referral )  
#96L-04 )

MUR 4595

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on December 10, 1996, the Commission decided by a vote of 4-0 to take the following actions in RAD Referral #96L-04:

1. Open a MUR.
2. Find reason to believe that Max Sandlin for Congress Committee and Max Sandlin, as Treasurer violated 2 U.S.C. § 434(a)(6)(A), and enter into conciliation prior to a finding of probable cause to believe.
3. Approve the Factual and Legal Analysis, proposed conciliation agreement, and the appropriate letter, as recommended in the General Counsel's Report dated December 4, 1996.

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

Attest:

12-11-96  
Date

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

Received in the Secretariat: Wed., Dec. 04, 1996 4:41 p.m.  
Circulated to the Commission: Thurs., Dec. 05, 1996 11:00 a.m.  
Deadline for vote: Tues., Dec. 10, 1996 4:00 p.m.

bjr

97043831282



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

December 17, 1996

Max Sandlin, Treasurer  
Max Sandlin for Congress Committee  
P.O. Box 1281  
Marshall, TX 75670

RE: MUR 4595

Dear Mr. Sandlin:

On December 11, 1996, the Federal Election Commission found that there is reason to believe the Max Sandlin for Congress Committee ("Committee") and you, as treasurer, violated 2 U.S.C. § 434(a)(6)(A), a provision of the Federal Election Campaign Act of 1971, as amended ("the Act"). The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office within 15 days of your receipt of this letter. Where appropriate, statements should be submitted under oath. In the absence of additional information, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

In order to expedite the resolution of this matter, the Commission has also decided to offer to enter into negotiations directed towards reaching a conciliation agreement in settlement of this matter prior to a finding of probable cause to believe. Enclosed is a conciliation agreement that the Commission has approved.

If you are interested in expediting the resolution of this matter by pursuing preprobable cause conciliation and if you agree with the provisions of the enclosed agreement, please sign and return the agreement, along with the civil penalty, to the Commission. In light of the fact that conciliation negotiations, prior to a finding of probable cause to believe, are limited to a maximum of 30 days, you should respond to this notification as soon as possible.

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

If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address, and telephone number of such

97043831233

counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

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 investigation to be made public.

For your information, we have attached a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Clinett Short, the staff member assigned to this matter, at (202) 219-3690.

Sincerely,



Scott E. Thomas  
Commissioner

Enclosures  
Factual and Legal Analysis  
Procedures  
Designation of Counsel Form  
Conciliation Agreement

9 7 0 4 3 8 3 1 2 8 4

**FEDERAL ELECTION COMMISSION**  
**FACTUAL AND LEGAL ANALYSIS**

RESPONDENTS: Max Sandlin for Congress Committee,  
and Max Sandlin, as Treasurer

This matter was generated based on information ascertained by the Federal Election Commission ("the Commission") in the normal course of carrying out its supervisory responsibilities. See 2 U.S.C. § 437g(a)(2).

The Federal Election Campaign Act of 1971, as amended ("the Act"), requires principal campaign committees of candidates for federal office to notify in writing either the Secretary of the Senate, the Clerk of the U.S. House of Representatives or the Commission, as appropriate, and the Secretary of State, of each contribution totaling \$1,000 or more, received by any authorized committee of the candidate after the 20th day but more than 48 hours before any election. 2 U.S.C. § 434(a)(6)(A). The Act further requires notification to be made within 48 hours after the receipt of the contribution and to include the name of the candidate and office sought, the date of receipt, the amount of the contribution, and the identification of the contributor. *Id.* The notification of these contributions shall be in addition to all other reporting requirements. 2 U.S.C. § 434(a)(6)(B).

According to 2 U.S.C. § 431(8)(A) and 11 C.F.R. § 100.7(a)(1)(B), a loan is a contribution at the time it is made and is a contribution to the extent that it remains unpaid. Furthermore, each guarantor or endorser of a loan shall be deemed to have contributed that portion of the total amount of the loan for which the guarantor or endorser agreed to be liable until the loan is repaid. 2 U.S.C. § 431(8)(B)(vii)(I) and 11 C.F.R. § 100.7(a)(1)(i)(C). When a loan is first received, a political committee must disclose certain information regarding the terms

97043831285

of the loan on Schedule C-1 or C-P-1 with the next due report. 11 C.F.R. § 104.3(d)(1)(i)-(v).<sup>1</sup> When a loan is restructured to change the terms of repayment, the political committee must submit a new Schedule C-1 or C-P-1 with the next due report. 11 C.F.R. § 104.3(d)(3). The effect of Paragraph (d)(3) is such that "each time a loan is restructured to change its terms, the candidate or political committee must report it as a new loan." Explanation and Justification, Regulations on Loans from Lending Institutions to Candidates and Political Committees, 56 Fed. Reg. 67123 (December 27, 1991). Nothing in the Commission's regulations exempts restructured loans from the reporting requirements of 2 U.S.C. § 434(a)(6)(A).<sup>2</sup>

Similarly, the Commission has determined that, when a line of credit is opened, even if the candidate or committee has yet to draw on it, it must be reported on Schedule C. 11 C.F.R. § 104.3(d)(1). The Commission has noted that requiring such notification "provides a more accurate picture of the candidate's financial status for the public record." Explanation and Justification, 56 Fed. Reg. 67123. This same consideration is especially relevant in the period just before an election when a candidate has restructured a loan so as to change the terms of repayment, when funds which may have been required for loan payments might then be diverted for other purposes.

The Primary Election in the state of Texas was held on March 12, 1996. Pursuant to the Act, the Respondents were required to notify the Commission, in writing, of all contributions of \$1,000 or more received from February 22 to March 9, 1996, within 48 hours of their receipt. A

<sup>1</sup> Information to be reported includes, among other things, the date and amount of the loan; the interest rate and repayment schedule; and the type and value of collateral, along with whether a security interest has been perfected.

<sup>2</sup> In restructuring (i.e. refinancing) a loan, the effect is that the outstanding balance is paid back and disbursed again. Restructuring might also result in the committee obtaining additional funds, further justifying the 48-hour reporting requirement.

97043831266

review of the Committee's 1996 12 Day Pre-Runoff Report identified one (1) contribution received on March 3, 1996 of \$1,000 or more in the form of a loan guarantee totaling \$70,000. The contribution was reported on Schedules A and C with the candidate, Max Sandlin, listed as its sole guarantor. The Committee did not submit a 48-Hour Notice for this contribution.

Further review of the Committee's 1996 12 Day Pre-Runoff Report identified one (1) contribution received on March 1, 1996 of \$1,000 or more, in the form of the restructuring of a loan in the amount of \$42,576.16 to change the terms of repayment. The loan had originally been obtained on December 1, 1995 in the amount of \$50,000, and was due and payable in full on March 1, 1996. The restructuring changed the terms of repayment by delaying the due date until well after the Primary Election and by providing for a lower interest rate. The restructuring of the loan allowed the Committee to delay payment of over \$40,000 to the holder of the promissory note, and thus use that money for other purposes, in the period just before the Primary Election.<sup>3</sup> The contribution was reported on Schedule C with the candidate, Max Sandlin, listed as its sole guarantor.<sup>4</sup> The Committee did not submit a 48-Hour Notice for this contribution.

Therefore, there is reason to believe that the Max Sandlin for Congress Committee and Max Sandlin, as treasurer violated 2 U.S.C. § 434(a)(6)(A) by failing to report two campaign contributions of \$1,000 or more, received after the 20th day, but more than 48 hours before the primary election, within 48 hours of receipt of the contributions.

<sup>3</sup> The original loan bore an interest rate of 9.25 percent, with full payment due on March 1, 1996. The restructured loan, in the amount of \$42,576, bore an interest rate of 8.75 percent, with full payment due on June 3, 1996. This same loan was subsequently restructured again to delay repayment until August 17, 1996.

<sup>4</sup> The Committee originally reported the restructured loan on Schedule A as well. In consultation with the Reports Analysis Division, it subsequently amended its reports to eliminate the Schedule A report.

97043831287

# PERKINS COIE

A LAW PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS  
507 FOURTEENTH STREET, N.W. · WASHINGTON, D.C. 20005-2011  
TELEPHONE: 202 628-6688 · FACSIMILE: 202 434-1698

JAN 15 6 12 PM '97

RECEIVED  
FEDERAL ELECTION  
COMMISSION  
OFFICE OF GENERAL  
COUNSEL

ELLEN L. WEINTRAUB  
(202) 434-1639  
wein@perkinscoie.com

January 15, 1997

Ms. Clinett Short  
Federal Election Commission  
999 E Street, N.W.  
Washington, D.C. 20463

Re: MUR 4595

Dear Ms. Short:

I am writing on behalf of the Max Sandlin for Congress Committee and Max Sandlin, as Treasurer, to request an extension of time in which to respond to the allegations contained in MUR 4595. The Statement of Designation of Counsel for Respondents is enclosed.

Although the letter notifying Congressman Sandlin of this matter is dated December 17, 1996, the Committee did not receive it until January 7, 1997. Congressman Sandlin is a new Member of Congress and is currently occupied in hiring staff and organizing his office. Events surrounding the inauguration of the President of the United States will consume much of next week. In addition, the congressman's campaign staff and campaign records remain in Texas. In order to gather the information necessary to respond fully to the allegations raised by the Commission, Respondents respectfully request an extension of 20 days, until Tuesday, February 11, 1997.

Thank you for your assistance in this matter. Please do not hesitate to contact me directly at 202/434-1639 if you require any further information.

Very truly yours,



Ellen L. Weintraub

Enclosure

[09901-9700/DA970130.044]

97043831288

**STATEMENT OF DESIGNATION OF COUNSEL**

**NO:** 4595

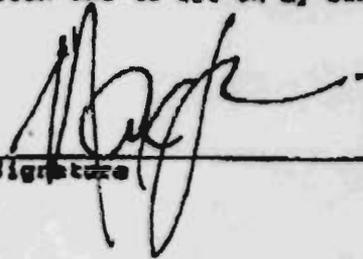
**NAME OF COUNSEL:** Robert F. Bauer/RLisa L. Maintramb

**ADDRESS:** Perkins Coie  
Suite 900  
607 Fourteenth Street, NW  
Washington, D.C. 20005-2011

**TELEPHONE:** 202/628-6600

The above-named individual is hereby designated as my  
counsel and is authorized to receive any notifications and other  
communications from the Commission and to act on my behalf before  
the Commission.

1-9-97  
**DATE**

  
**Signature**

**RESPONDENT'S NAME:** Max Sandlin  
Max Sandlin for Congress

**ADDRESS:** P.O. Box 1281  
Marshall, TX 75671

**HOME PHONE:** \_\_\_\_\_  
**BUSINESS PHONE:** 903/938-8822

97043831289



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

January 17, 1997

**VIA FACSIMILE**  
**FIRST CLASS MAIL**

Ellen L. Weintraub  
Perkins Coie  
607 Fourteenth Street, N.W.  
Suite 800  
Washington, D.C. 20005-2011

RE: MUR 4595  
Max Sandlin for Congress Committee  
and Max Sandlin, as treasurer

Dear Ms. Weintraub:

This is in response to your letter dated January 15, 1997, requesting an extension until February 11, 1997 to respond to the reason to believe finding. After considering the circumstances presented in your letter, the Office of the General Counsel has granted the requested extension. Accordingly, your response is due by the close of business on February 11, 1997.

If you have any questions, please contact me at (202) 219-3697.

Sincerely,

Clinett Short  
Paralegal

97043831290

**BEFORE THE FEDERAL ELECTION COMMISSION**

RECEIVED  
FEDERAL ELECTION  
COMMISSION  
SECRETARIAT

May 27 10 17 AM '97

In the Matter of )

Max Sandlin for Congress Committee )  
and Anne Yappen, as treasurer )

MUR 4595

**SENSITIVE**

**GENERAL COUNSEL'S REPORT**

**I. BACKGROUND**

On December 10, 1996, the Commission found reason to believe that Max Sandlin for Congress Committee and Max Sandlin, as treasurer, violated 2 U.S.C. § 434(a)(6)(A) by failing to provide 48-Hour Notices for two candidate loan contributions totaling \$112,576.16. At that time, the Commission approved a conciliation agreement

97043831291

97043831292

97043831293

97043831294

**III. DISCUSSION OF PROCEDURAL OPTIONS**

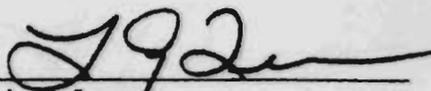
Accordingly, this Office recommends that the Commission reject Respondents' proposed conciliation agreement, and proceed to the next stage of the enforcement process.

**IV. RECOMMENDATIONS**

1. Reject the proposed conciliation agreement from Max Sandlin for Congress Committee and Anne Yappen, as treasurer.
2. Proceed to the next stage of the enforcement process.
3. Approve the appropriate letter.

Lawrence M. Noble  
General Counsel

Date 5/23/97

BY:   
Lois G. Lerner  
Associate General Counsel

Attachments

1. Revised proposed agreement
2. Submission by Respondents

Staff assigned: Tony Buckley

97043831295

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of )  
 ) MUR 4595  
Max Sandlin for Congress Committee )  
and Anne Yappen, as treasurer )

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session on June 10, 1997, do hereby certify that the Commission decided by a vote of 4-0 to reject the recommendations in the General Counsel's May 23, 1997 report and instead take the following actions in MUR 4595:

1. Accept the proposed conciliation agreement from Max Sandlin for Congress Committee, subject to amendment to change the name of the treasurer.
2. Send an appropriate letter.

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

Attest:

6-11-97  
Date

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

97043831296

RECEIVED  
FEDERAL ELECTION  
COMMISSION  
SECRETARIAT

**BEFORE THE FEDERAL ELECTION COMMISSION**

JUL 9 11 21 AM '97

In the Matter of )  
 )  
Max Sandlin for Congress Committee ) MUR 4595  
and Anne Yappen, as treasurer )

**SENSITIVE**

**GENERAL COUNSEL'S REPORT**

**I. BACKGROUND**

Attached is a conciliation agreement which has been signed by Ellen Weintraub, counsel for Max Sandlin for Congress Committee and Anne Yappen, as treasurer. Attachment 1.

The attached agreement contains no changes from the agreement approved by the Commission on June 10, 1997. No check for the civil penalty has been received.

**II. RECOMMENDATIONS**

1. Accept the attached conciliation agreement with Max Sandlin for Congress Committee and Anne Yappen, as treasurer.
2. Approve the appropriate letter.
3. Close the file.

Lawrence M. Noble  
General Counsel

Date 7/8/97

BY:   
Lois G. Lerner  
Associate General Counsel

Attachment  
Conciliation Agreement

Staff Assigned: Tony Buckley

97043831297

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of )  
 )  
Max Sandlin for Congress Committee ) MUR 4595  
and Anne Yappen, as treasurer. )

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on July 14, 1997, the Commission decided by a vote of 4-0 to take the following actions in MUR 4595:

1. Accept the conciliation agreement with Max Sandlin for Congress Committee and Anne Yappen, as treasurer, as recommended in the General Counsel's Report dated July 8, 1997.
2. Approve the appropriate letter, as recommended in the General Counsel's Report dated July 8, 1997.
3. Close the file.

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

Attest:

7-15-97  
Date

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

Received in the Secretariat:	Wed., July 09, 1997	11:21 a.m.
Circulated to the Commission:	Wed., July 09, 1997	4:00 p.m.
Deadline for vote:	Mon., July 14, 1997	4:00 p.m.

bjr

97043831298



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

July 17, 1997

Ellen L. Weintraub, Esq.  
Perkins Coie  
607 Fourteenth Street, N.W.  
Washington, D.C. 20005-2011

RE: MUR 4595  
Max Sandlin for Congress Committee and  
Anne Yappen, as treasurer

Dear Ms. Weintraub:

On July 14, 1997, the Federal Election Commission accepted the signed conciliation agreement submitted on your clients' behalf in settlement of violations of 2 U.S.C. § 434(a)(6)(A), a provision of the Federal Election Campaign Act of 1971, as amended. Accordingly, the file has been closed in this matter.

The confidentiality provisions at 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 before receiving your additional materials, any permissible submissions will be added to the public record upon receipt.

Information derived in connection with any conciliation attempt will not become public without the written consent of the respondent and the Commission. See 2 U.S.C. § 437g(a)(4)(B). The enclosed conciliation agreement, however, will become a part of the public record.

Enclosed you will find a copy of the fully executed conciliation agreement for your files. Please note that the first civil penalty payment is due within 30 days of the conciliation agreement's effective date, and that subsequent payments are due in 30-day increments following the initial payment. If you have any questions, please contact me at (202) 219-3690.

Sincerely,

Tony Buckley  
Attorney

Enclosure  
Conciliation Agreement

97043831299

**BEFORE THE FEDERAL ELECTION COMMISSION**

In the Matter of )  
 )  
Max Sandlin for Congress Committee ) MUR 4595  
and Anne Yappen, as treasurer )

**CONCILIATION AGREEMENT**

This matter was initiated by the Federal Election Commission ("Commission"), pursuant to information ascertained in the normal course of carrying out its supervisory responsibilities.

This matter was also initiated, in part, pursuant to information voluntarily brought forward by Max Sandlin for Congress Committee and Max A. Sandlin, its then-treasurer. The Commission found reason to believe that Max Sandlin for Congress Committee and its treasurer ("Respondents") violated 2 U.S.C. § 434(a)(6)(A).

NOW, THEREFORE, the Commission and the Respondents, having participated in informal methods of conciliation, prior to a finding of probable cause to believe, do hereby agree as follows:

I. The Commission has jurisdiction over the Respondents and the subject matter of this proceeding, and this agreement has the effect of an agreement entered pursuant to 2 U.S.C. § 437g(a)(4)(A)(i).

II. Respondents have had a reasonable opportunity to demonstrate that no action should be taken in this matter.

III. Respondents enter voluntarily into this agreement with the Commission.

97043831300

IV. The pertinent facts in this matter are as follows:

1. The Max Sandlin for Congress Committee is a political committee within the meaning of 2 U.S.C. § 431(4), and is the authorized principal campaign committee for Max Sandlin's 1996 congressional campaign.

2. Anne Yappen is the current treasurer of the Max Sandlin for Congress Committee. Max A. Sandlin was the treasurer of the Max Sandlin for Congress Committee at the time of the events in this matter.

3. The Federal Election Campaign Act of 1971, as amended ("the Act"), requires principal campaign committees of candidates for federal office to notify in writing either the Secretary of the Senate, the Clerk of the U.S. House of Representatives or the Commission, as appropriate, and the Secretary of State, of each contribution totaling \$1,000 or more, received by any authorized committee of the candidate after the 20th day but more than 48 hours before any election. 2 U.S.C. § 434(a)(6)(A). The Act further requires notification to be made within 48 hours after the receipt of the contribution and to include the name of the candidate and office sought, the date of receipt, the amount of the contribution, and the identification of the contributor. *Id.* The notification of these contributions shall be in addition to all other reporting requirements. 2 U.S.C. § 434(a)(6)(B).

4. According to 2 U.S.C. § 431(8)(A) and 11 C.F.R. § 100.7(a)(1)(B), a loan is a contribution at the time it is made and is a contribution to the extent that it remains unpaid. Each guarantor or endorser of a loan shall be deemed to have contributed that portion of the total amount of the loan for which the guarantor or endorser agreed to be liable until the loan is repaid. 2 U.S.C. § 431(8)(B)(vii)(I) and 11 C.F.R. § 100.7(a)(1)(i)(C). When a loan is first received, a

97043831301

political committee must disclose certain information regarding the terms of the loan on Schedule C-1 or C-P-1 with the next due report. 11 C.F.R. § 104.3(d)(1)(i)-(v). When a loan is restructured to change the terms of repayment, the political committee must submit a new Schedule C-1 or C-P-1 with the next due report. 11 C.F.R. § 104.3(d)(3). The effect of Paragraph (d)(3) is such that "each time a loan is restructured to change its terms, the candidate or political committee must report it as a new loan." Explanation and Justification, Regulations on Loans from Lending Institutions to Candidates and Political Committees, 56 Fed. Reg. 67123 (December 27, 1991). Nothing in the Commission's regulations exempts restructured loans from the reporting requirements of 2 U.S.C. § 434(a)(6)(A).

5. The Primary Election in the state of Texas was held on March 12, 1996. Pursuant to the Act, the Respondents were required to notify the Commission, in writing, of all contributions of \$1,000 or more received from February 22 to March 9, 1996, within 48 hours of their receipt.

6. On March 1, 1996, Respondents received a contribution of \$1,000 or more, in the form of the restructuring of a loan in the amount of \$42,576.16 to change the terms of repayment. The loan had originally been obtained on December 1, 1995 in the amount of \$50,000, and was due and payable in full on March 1, 1996. The restructuring changed the terms of repayment by delaying the due date until after the Primary Election. The terms of the loan, both before and after the restructuring, provided for interest at a variable rate of 1/2 percent above the prime rate (which had declined 1/4 of a point at the time of the restructuring). The contribution was reported on Schedules A, C and C-1 of the 1996 12-Day Pre-Runoff Report

97043831302

with the candidate, Max Sandlin, listed as its sole guarantor. The Committee did not submit a 48-Hour Notice for this contribution.

7. On March 3, 1996, Respondents received a contribution of \$1,000 or more in the form of a loan guarantee totaling \$70,000. The contribution was reported on Schedules A, C and C-1 of the 1996 12-Day Pre-Runoff Report with the candidate, Max Sandlin, listed as its sole guarantor. The Committee did not submit a 48-Hour Notice for this contribution.

8. Respondents contend that neither of the violations were knowing and willful. With respect to the failure to file a 48-Hour Notice for the \$70,000 loan, Respondents contend that their established procedure for filing such notices was disrupted due to a family emergency involving the Committee's bookkeeper.

V. Respondents failed to report campaign contributions of \$1,000 or more received after the 20th day, but more than 48 hours before the primary election, within 48 hours of receipt of the contributions, in violation of 2 U.S.C. § 434(a)(6)(A).

VI. Respondents will pay a civil penalty to the Federal Election Commission in the amount of Seven Thousand Dollars (\$7,000), pursuant to 2 U.S.C. § 437g(a)(5)(A). One thousand dollars (\$1,000) shall be due no more than 30 days from the date this agreement becomes effective. The balance shall be due in three installments of two thousand dollars (\$2,000) each. These payments shall be due 60, 90, and 120 days, respectively, from the date this agreement becomes effective.

VII. The Commission, on request of anyone filing a complaint under 2 U.S.C. § 437g(a)(1) concerning the matters at issue herein or on its own motion, may review compliance with this agreement. If the Commission believes that this agreement or any requirement thereof

97043831303

has been violated, it may institute a civil action for relief in the United States District Court for the District of Columbia.

VIII. This agreement shall become effective as of the date that all parties hereto have executed same and the Commission has approved the entire agreement.

IX. Respondents shall have no more than 30 days from the date this agreement becomes effective to comply with and implement the requirements contained in this agreement and to so notify the Commission.

X. This Conciliation Agreement constitutes the entire agreement between the parties on the matters raised herein, and no other statement, promise, or agreement, either written or oral, made by either party or by agents of either party, that is not contained in this written agreement shall be enforceable.

FOR THE COMMISSION:

Lawrence M. Noble  
General Counsel

BY:   
Lois G. Lerner  
Associate General Counsel

7/17/97  
Date

FOR THE RESPONDENTS:

  
Ellen L. Weintraub  
Counsel

7/3/97  
Date

97043831304



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

THIS IS THE END OF MUR # 4595

DATE FILMED 8-1-97 CAMERA NO. 2

CAMERAMAN S.E.G.

97043831305