



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THIS IS THE BEGINNING OF MUR # 2280

DATE FILMED 2/26/88 CAMERA NO. 4

CAMERAMAN J.A.Q.

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PUBLIC RECORDS INDEX - MUR 2280

1. Complaint, dtd 20 Oct 86, filed by Daniel F. Kripe, M.D.
2. Ltr, dtd 31 Oct 86, Lawrence M. Noble (Deputy General Counsel) to D.F. Kripke.
3. Ltr, dtd 31 Oct 86, L.M. Noble to Robert E. Miller, Jr. (treas, Citizens to Re-Elect Congressman Bill Lowery).
4. Ltr, dtd 31 Oct 86, L.M. Noble to The Honorable William D. Lowery.
5. Ltr, dtd 31 Oct. 86, L.M. Noble to Jet Air, Inc.
6. Expedited First General Counsel's Report 31 Oct 86.
7. Ltr, dtd 6 Nov 86, Bill Lowery to FEC designating Jan Baran, Esq. as Counsel.
8. Ltr, dtd 21 Nov 86, R.E. Miller to FEC, designating Jan Baran, Esq., as Counsel to Friends of Cong. Bill Lowery and R.E. Miller, as treasurer.
9. Ltr, dtd 21 Nov 86, J.W. Baran to FEC.
10. Ltr, dtd 20 Nov 86, Michael J. McCabe (Counsel for Jet Air, Inc.) to FEC, w/encl.
11. Ltrs (2), dtd 26 Nov 86, Lois G. Lerner (Assoc. General Counsel) to a) M.J. McCabe, b) J.W. Baran.
12. Response of Jet Air, Inc., dtd 4 Dec 86,
13. Response, of Bill Lowery, Friends of Bill Lowery and R.E. Miller, Jr.,
14. General Counsel's Report, 18 Feb 87.
15. Memo, 23 Feb 87, M.W. Emmons to Charles N. Steele (General Counsel), subj: Objections to G.C. Report.
16. Memo, 24 Feb 87, M.W. Emmons to C.N. Steele, Subj: Objections to G.C. Report.
17. Certification of Commission action, 13 Mar 87.
18. Ltrs (2), 19 Mar 87, Scott E. Thomas (Chairman, FEC) to a) J.W. Baran, b) M.J. McCabe.
19. Ltr, dtd 2 Apr 87, M.J. McCabe to FEC.

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20. General Counsel's Report, 27 May 87.
21. Memo, 9 June 87, M.W. Emmons to L.M. Noble (Acting General Counsel) Subj: Objections to G.C. Report.
22. Certification of Commission action, 10 June 87.
23. Ltrs (2), dtd 12 June 87, L.M. Noble to a) M.J. McCabe w/atch (Questions), b) J.W. Baran w/atch (Questions).
24. Ltr, dtd 29 June 87, J.W. Baran to FEC, w/atch (affidavits G. Gregston).
25. Ltr, dtd 8 July 87, M.J. McCabe to FEC.
26. General Counsel's Report, 5 Nov 87.
27. Memo, 16 Nov 87, L.M. Noble to the Commission, Subj: General Counsel's Brief, w/atch (Ltr and Brief to a) J. Baran and b) M.J. McCabe.
28. Ltr, dtd 9 Nov 87, D.F. Kripke to FEC, w/atch (news clipping).
29. Ltr, dtd 25 Nov 87, L.G. Lerner to D.F. Kripke.
30. Ltr, dtd 25 Nov 87, J.W. Baran to FEC, w/atch (Response Brief).
31. General Counsel's Report, 21 Dec. 87.
32. Certification of Commission action, 7 Jan 88.
33. Clsg ltrs (3), dtd 12 Jan 88, L.M. Noble to a) Jan Baran, b) M.J. McCabe, c) D.F. Kripke.
34. Ltr, 19 Jan 88, L.G. Lerner to D.F. Kripke, M.D.

-END-

NOTE: In preparing its file for the public record, O.G.C. routinely removes those documents in which it perceives little or no public interest, and those documents, or portions thereof, which are exempt from disclosure under the Freedom of Information Act.

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**PROTECT
AIR LAND
AND SEA
FOR CONGRESS
DAN KRIPKE**

RECEIVED AT THE FEC
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4730 Mission Bay Drive
San Diego, CA 92169

(619) 274-1986

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12:00

October 20, 1986

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

Dear Friends:

My name is Daniel F. Kripke, M.D., and my residence is 8437 Sugarman Drive, La Jolla, California 92037. My phone number is 619-453-6427.

Evidence has come to my attention that Representative William D. Lowery of the 41st District of California has committed violations of federal election laws. Representative Lowery's home address is 7712 Lear Road, McLean, Virginia 22102 and his office address is Longworth House Office Building, United States Congress, Washington, D.C. 20515.

Representative Lowery provided a convicted felon with opportunities to damage national security while receiving benefits from his company. In clumsy attempts to cover up his unethical conduct, he has ensnared himself in a web of contradictions and violations of federal election laws.

I am writing to request your formal investigation and appropriate action. This is a revision of my letter to you dated August 25, 1986.

Below are stated the facts and specific violations to the best of my knowledge and belief:

Recitation of Facts

According to press reports (attached), Representative Lowery admitted that he stayed in a penthouse (Rondelet #612, San Diego) owned by Jet Air, a defense contractor, for approximately 20 nights in 1984 and about 20 nights in 1985. In other press statements, the Representative or his staff have claimed that they do not know exactly when he stayed in the penthouse and lack adequate records (see attached press reports,) although they acknowledge that he did stay in the penthouse in 1984 and 1985. During this time, the Representative has admitted that he interceded with NASA and perhaps other government agencies in behalf of Jet Air to retain Jet Air's government contracts (see

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attached press reports). These circumstances are remarkable since the owner of Jet Air at the time had been recently sent to federal prison for a felony involving falsified contract work which endangered the space shuttle. Further, the NASA support which Representative Lowery obtained apparently resulted in other defense contracts, providing Jet Air more opportunities to endanger America's defense. On August 14, 1986, Jet Air and its owner were again indicted, this time for falsifying inspections of jet fighter engines, endangering our pilots and damaging national security (see attached).

An anonymous caller has informed my office that Representative Lowery was staying in the Jet Air penthouse for free in 1984. The caller alleged that a cover-up was initiated in February, 1985 to make it appear retrospectively that rent was being paid. The caller's information is substantiated by press reports (attached), which reflect that Representative Lowery claims to have paid rent to Jet Air only in 1985 and 1986, although he admitted staying in the penthouse in 1984. His own statements indicate that he stayed in the penthouse for many months without paying rent. He claimed that he made two rent payments of \$1200 each in February, 1985 and April, 1986. Representative Lowery stated that his campaign reimbursed him \$1200 on two occasions for these rental payments made to Jet Air. FEC reports demonstrate \$1200 payments to the Representative from his campaign on February 11, 1985 and April 28, 1986 (attached).

Although The Los Angeles Times (8/16//86, attached) reported that Representative Lowery stated he had paid Jet Air \$50 per night for lodging, even if true, he received a valuable consideration by paying only a portion of fair rental value. Rondolet #612 was worth more than \$50 per night. Rondolet unit #612 had an assessed valuation of about \$340,000 (information for San Diego County tax assessor) and an actual market valuation probably exceeding \$450,000 in 1984, judging by the attached statement of the sale price of a comparable unit. Since rental rates in 1984 in San Diego were approximately 12% of market value, fair longterm rental value for the unit unfurnished would be approximately \$149 per night. Since we understand that the unit was luxuriously furnished and provided with maid service, fair short-term rental value was at least \$200 per night. The Representative did not pay fair rental value.

A fair rental value of approximately \$200 per night is substantiated by a survey of the comparable night-by-night rentals closest to the Rondolet condominium complex. Rondolet unit #612 is a luxurious 2200 sq. ft. penthouse with 3 bedrooms and kitchen facilities. In a less fashionable area to the north, the Cabrillo Motor Lodge, 1150 Rosecrans Street, offers a much less luxurious 2-bedroom suite without cooking facilities or view for \$99.50 per night. The Vagabond Inn, 1325 Scott Street, offers single-room units with kitchenette for \$75-\$80 per night.

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To the south, Humphrey's Half Moon Inn offers a 1-bedroom suite, smaller but perhaps of comparable luxury, for \$250 per night (attached). The Bay Club Hotel offers 2-bedroom suites for \$300 per night. The Marina Inn offers 2-bedroom kitchenette suites for \$155 per night. The Kona Inn offers 2-bedroom suites for \$175-250 per night (rate sheets attached). It is unlikely that any of these comparison units are as large as Rondelet penthouse #612.

I. FAILURE TO REPORT A CAMPAIGN EXPENDITURE

The attached newspaper reports indicate that Representative Lowery claims that he paid Jet Air rent in February, 1985 for lodging received during the 1984 campaign, and that he was reimbursed for his personal check as a campaign expense. The February 11, 1985 payment could not refer to lodging between January 1 and February 11, 1985 because, to the best of my knowledge and belief, the Representative did not visit San Diego during that interval. On February 16, 1985, I personally heard Representative Lowery say that his February 13-18 visit was his first visit to San Diego in 1985. Further, the payment could not legally reimburse expenses on a February 13-18, 1985 visit to San Diego, since the Report of the Clerk of the House (attached) shows the Representative billed the government for rental car expenses, claiming that visit as official business. To claim that the campaign paid for the 1984 lodging in 1985 is to admit that this 1984 campaign expense was illegally omitted from 1984 FEC reports (where the penthouse lodging expense is not mentioned). Furthermore, the money owed should have been reported as an unpaid obligation in 1984 (11 CFR 104.11).

Similarly, if alleged payments to Jet Air in April, 1986 reimbursed by the \$1200 April 28, 1986 campaign payment to Mr. Lowery were for 1985 lodging, then the campaign illegally omitted to report these expenditures and the unpaid obligation in 1985. Repetition of the offense proves that it was studied and deliberate and could not have occurred without Mr. Lowery's participation.

II. ILLEGAL CONTRIBUTION NOT REPORTED

If Mr. Lowery's lodging in the Jet Air penthouse is claimed to be a campaign expense, then the campaign was obligated to pay fair market value for the lodging, that is, approximately \$4000 in 1984 and \$4000 in 1985. Once it was claimed that the lodging was a campaign activity, the balance between the \$4000 owed for each year and the \$1200 paid must be construed as an illegal campaign contribution. Such a contribution would be illegal, both because it was received from a corporation which cannot legally contribute to a federal candidate, and because it was not reported. Mr. Lowery personally received this illegal contribution as representative of his campaign. The possibility arises that Representative Lowery has refused to disclose the exact dates when he occupied the penthouse, because the size of the illegal corporate contribution might be found to be even greater.

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III. ILLEGAL USE OF CAMPAIGN FUNDS

Standard: "6. A Member of the House of Representatives shall keep his campaign funds separate from his personal funds. He shall convert no campaign funds to personal use in excess of reimbursement for legitimate and verifiable prior campaign expenditures and he shall expend no funds from his campaign account not attributable to bona fide campaign purposes." (Rules of the House of Representatives, Rule XLIII.)

"Amounts received by a candidate as contributions....no such amounts may be converted by any person to any personal use, other than to defray ordinary and necessary expenses incurred in connection with his or her duties as a holder of Federal office." (2 U.S.C. sec. 439a.)

In actual fact, lodging at the Rondolet was an expense for the Representative's personal luxury and not a legitimate campaign expense. The incumbent Representative, who owns no home in California, has sworn on his voter registration affidavit (attached) that he has a residence in his mother's condominium on Guisante Terrace in San Diego. Either he lied about having a San Diego residence or he had no verifiable campaign reason to stay in a nearby luxury penthouse. Even if he had no other residence, it is not proper to use campaign funds for a Representative's ordinary housing expenses in his home District. Eyewitnesses have stated to me that they observed that the Representative's wife and children were also staying at Rondolet #612, which further substantiates that penthouse payments made by the campaign were for personal luxury. These eyewitnesses are Mrs. Beatrice Andelaft (619-223-1451) and Mr. Joe Flynn (619-223-3087), both of whom reside at the Rondolet condominium.

It has been previously noted that if lodging at the Rondolet in 1984 was construed as a campaign expense, it should have been reported as an expense or outstanding obligation in 1984 FEC reports, which was not the case. The failure to report the expense in 1984, the contention that no adequate records were kept, and the fact that the initial payment was by the Representative's personal check all support the conclusion that the cost of lodging in the Jet Air penthouse was not recognized by the Lowery campaign as a legitimate campaign expense in 1984 and was not a legitimate campaign expense. The penthouse lodging was not construed as a campaign expense until a retrospective cover-up was attempted.

Representative Lowery has refused to disclose the dates when he stayed in the Jet Air penthouse at the Rondolet. This raises the suspicion that he is unable to document verifiable campaign activities on these occasions, especially in 1985 when there was no campaign.

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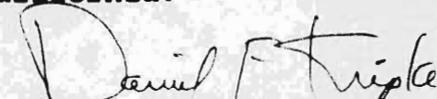
SUMMARY

These matters arise from Representative Lowery's willingness to provide a convicted felon with opportunities to imperil America's defense, not just the influence of petty favors and the deceitfulness of petty reporting violations and cover-ups.

To protect the integrity of America's defense, these matters deserve your careful investigation and firm action.

I know all of the facts stated hereinabove of my own personal knowledge or upon information and belief, and as to those matters, I believe them to be true.

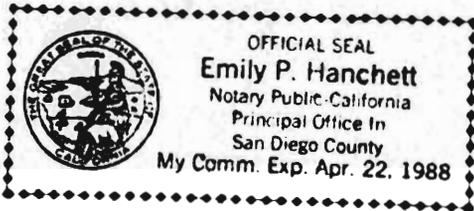
I declare under penalty of perjury that the foregoing is true and correct and that this complaint was executed on October 20, 1986 at San Diego California.


Daniel F. Kripke, M.D.

Sworn and subscribed to before me this 20th day of October, 1986 at San Diego, California.



Notary Public in and for said City and State



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Jet Air: How to win, lose political game

Defense contractor banks on the power of public office

By Ann Perry
Tribune Financial Writer

GEORGE T. STRAZA is a San Diego defense contractor who owns a string of multi-million-dollar homes, likes to entertain in his private railroad dining car and gives generously to his friends in public office.

Straza, who owns Jet Air Inc. of El Cajon, banked heavily on those friends to keep him doing business with the federal government after pleading guilty in 1984 to irregularities in making critical parts for the NASA space shuttle. Former Rep. Bob Wilson temporarily took over the presidency of the firm and Rep. Bill Lowery lobbied to keep Straza off the government's blacklist of contractors.



George T. Straza

Now, less than two years after serving time in a federal prison, Straza is again under federal scrutiny — this time in connection with Jet Air's \$276,000 contract to overhaul jet engine parts from Kelly Air Force Base in San Antonio.

The U.S. attorney's office and a federal grand jury in San Diego want to know if Jet Air illegally extracted gold worth possibly hundreds of thousands of dollars from worn-out parts, according to former employees familiar with the investigation.

The latest Jet Air investigation comes at a time when defense contractors are under increasing public scrutiny for cost overruns and abuses, and when NASA is under fire for ignoring safety in its haste to launch the ill-fated shuttle Challenger. Jet Air demonstrates the government's difficulty in policing an errant contractor and spotlights the often controversial relationship between politics and government contractors.

The Tribune has learned that:

● San Diego County politicians who received campaign contributions from Straza have played an important role in helping Jet Air survive after his 1984 criminal case.

Wilson, former ranking Republican member of the Armed Services Committee, and Lowery, R-San Diego, then a member of a House subcommittee on the space program, personally lobbied James Beggs, then administrator of NASA, seeking to lessen penalties against Jet Air. As a result of Straza's guilty plea, NASA could have prohibited, or "debarred," Jet Air from all government contracts.

But under an unusual agreement promoted by Wilson, Lowery and Straza's attorneys, NASA decided to debar Straza personally, but not the company. The NASA agreement required Straza to step aside as president until August 1987 and turn over day-to-day operations to a trustee/president.

Wilson held the post for several months, then was replaced by former Democratic state Sen. President Pro Tem James R. Mills. Another Republican congressman, Rep. Duncan Hunter, has recently helped the company win a military contract.

Wilson, Lowery, Mills and Hunter have all received campaign contributions from Straza. In addition, Straza also rented his Point Loma condominium to Wilson and Lowery for their visits back to San Diego.

● NASA agreed not to debar the company, despite the agency's own assertion in 1983 that Jet Air falsified X-rays of welds on parts critical to the safety of the space shuttle Challenger. The issue of safety played no role in NASA's decision, according to a NASA official.

The agreement with NASA also did not address allegations that Straza engaged in an illegal kickback scheme with an employee of Rockwell International who was instrumental in giving Straza space shuttle contracts, and that Straza improperly promoted Jet Air as a minority-owned company to help win government contracts.

NASA is conducting an inquiry whether Straza has violated the agreement not to run the company. The inquiry is complicated, however, by NASA's decision last year to allow Straza to work for the company under a consulting contract, for which he is reportedly paid an amount equal to his former \$300,000-plus annual salary.

Mills, a reserved, scholarly man with no prior business experience, nominally heads the company. But it was Straza who last month flew to Glasgow, Scotland, seeking new contracts with the company's longtime customer, Rolls-Royce.

In reporting this story, The Tribune has sought to obtain, under the federal Freedom of Information Act, an investigative report by NASA on Jet Air's activities involving contracts for the space shuttle. The report was used by the U.S. attorney's office to prosecute Straza.

NASA has said it would release an edited version of the report to The Tribune on Friday. However, Jet Air's attorney, Michael B. Poynor, said that the company plans to seek a court injunction to block the report's release.

Neither Straza nor Mills, as president of Jet Air, would be interviewed for this story. The company stated in a press release given to The Tribune that it would be inappropriate for either to grant interviews because of the current grand jury investigation.

The release also said that because of the secrecy of grand jury proceedings, "the full scope of the inquiry has not been made known to the company as of this point in time ... To the best of its knowledge, neither Jet Air nor any of its agents or representatives have engaged in any illegal activities.

"Jet Air stands ready to respond to all legitimate government inquiries as to how any defense contract is being performed," the release stated. "It has produced top-quality, high-technology jet aircraft parts for government and for private aviation clients since 1960, and plans to continue to maintain its high standards.

"The current investigation does not appear to be based on any issues of safety, product defects or any lack of quality which would in any way call into question the integrity of parts which Jet Air has produced now, or has produced at any time in the past. The current inquiries appear to focus on record-keeping activities."

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The U.S. attorney's office refuses to discuss the current investigation, which is being conducted in cooperation with the Air Force and the Department of Defense.

The Kelly Air Force Base contract was obtained on June 20, 1984, and has not yet lapsed, according to Air Force records. It called for Jet Air to replace worn-out seals in F-15 and F-16 jet engine parts that were shipped to Jet Air.

The investigation, according to former Jet Air employees, focuses on whether gold was extracted from the parts during the overhaul. The old parts and any gold contained in them legally belong to the government.

The former employees said it would be easy to remove the gold braze contained in the parts. The braze is a material used to solder the honeycomb seal to a ring that surrounds the jet turbine blades.

The honeycomb seal, which Jet Air makes and was to replace, helps maintain the compression necessary to make a jet engine work. Less expensive metals like nickel are currently used for soldering rather than gold.

Putting the used parts in an acid tank, former employees said, breaks down the braze and allows the honeycomb seal to be removed. The gold can be extracted from the acid sludge.

Straza took control of Jet Air in 1960 and developed it from a small machine shop with eight employees into a company of 200 workers and annual revenues estimated at \$10 million to \$12 million. Jet Air makes and repairs jet engine parts for military aircraft and for airliners.

One of its primary products is the honeycomb seal. Its major customers include the military, Pratt & Whitney and Rolls-Royce.

Straza came to be prosecuted in 1984 as a result of a federal investigation into cost overruns on the space program at Rockwell International, the primary contractor on the shuttle. No criminal charges were filed against Rockwell, but the company agreed to pay a civil penalty of \$500,000 to cover billing problems.

During the Rockwell investigation, information surfaced about misconduct by Jet Air, which worked from 1977 to 1980 as a subcontractor to Rockwell, making parts for five shuttle vehicles. That information was turned over to a federal grand jury in San Diego.

Although the grand jury heard allegations of several acts of misconduct, only one charge was filed against Straza. The case did not go to trial because of a plea-bargain agreement with the U.S. attorney's office. Straza agreed to plead guilty to one count of defrauding NASA under the Anti-Kickback Act if the prosecution brought no other related criminal charges.

Straza admitted he had illegally farmed out three Rockwell subcontracts to another machine shop, Dana Ingalls Profile of Burbank, and submitted false claims certifying that Jet Air had done the work. Jet Air paid Dana \$1.1 million for the work but charged NASA \$2.4 million.

Such subcontracting is prohibited by NASA as a threat to quality control.

The contracts were for "rub and seal panels," used to seal out heat along the rear edge of shuttle vehicle wings. NASA investigator Kenneth White said failure of the seals "could be catastrophic."

As a result of his conviction, Straza served 4½ months of a six-month sentence at Boron Federal Prison Camp, a minimum-security prison near Edwards Air Force Base where most space shuttles have landed.

As part of the plea bargain agreement Straza also agreed to pay NASA \$690,000, the amount NASA contends Straza overbilled on the Rockwell contracts, and which he is paying in installments. But before his sentencing Straza contended, in an effort to mitigate his punishment, that he had actually underbilled Rockwell by \$900,000.

Because of the plea-bargain agreement, several allegations made by NASA against Straza before the grand jury were not pursued. Straza has denied the allegations.

By far the most serious is NASA's contention that Jet Air falsified X-rays of welds on parts considered critical to the safety of the space shuttle Challenger.

In a Jan. 21, 1983, letter to Rockwell, William B. Marsh, director of the NASA Office of Inspector General, advised that former Jet Air employees claimed Jet Air officials "routinely falsified quality inspection records" and illegally subcontracted to unapproved machine shops. The

letter stated that witnesses corroborated that such practices were "widespread on every contract Jet Air performed."

In a report dated April 30, 1983, the NASA Office of Inspector General concluded that work on the Challenger welds had been performed by an unapproved contractor and that Jet Air falsified X-rays submitted to Rockwell "in an effort to avoid costs of reworking."

Rockwell responded by reviewing 1,800 of 6,000 shuttle parts provided by Jet Air. While concluding that it could not determine if the parts were defective, Rockwell maintained that most of the parts had a "very high design margin of safety."

However, Rockwell recommended that in the case of three critical parts, the number of Challenger flights should be limited to prevent crack growth, and stated that a fourth part "may yield under load but no catastrophic failure."

NASA officials have cited unspecified "difficulties in prosecuting the case" as the reason Straza was not charged in connection with the allegedly falsified X-rays.

(Investigators have concluded that the explosion that destroyed the Challenger on Jan. 28 and killed the seven-member crew was caused by faulty seals in a booster rocket manufactured by Morton Thiokol. The problem was not with the space shuttle itself, for which Jet Air supplied parts.)

Also raised during the investigation was an allegation that Straza engaged in a kickback scheme to benefit an official of Rockwell involved in the awarding of Jet Air's contracts.

According to federal court documents, while Jet Air was subcontracting with Rockwell in 1978, Straza purchased a small, financially distressed printing company in Orange County from Joseph Cuzzupoli, then vice president and production manager for Rockwell International Space Division.

Straza said he bought the company to help promote his new invention, the "solar shingle," a product he later scrapped.

However, a former Jet Air controller told investigators that the purchase was in fact a sham to cover a kickback to Cuzzupoli. The controller said he was forced to appraise the printing equipment at too high a value, \$123,000. When Straza closed the printing company 18 months later, the equipment sold at auction for \$25,000.

While Cuzzupoli left Rockwell because of his dealings with Straza, Rockwell said it found no evidence that Cuzzupoli provided favors to Straza.

Also of concern to NASA was that Straza allegedly promoted Jet Air as a minority company in trying to win government contracts. The minority designation, intended to apply mainly to companies owned or run by blacks, Hispanics and American Indians, is valuable because the government encourages major contractors such as Rockwell to subcontract with small and/or minority companies.

Straza, who boasts that he is descended from Romanian royalty, purportedly said that his company qualified for designation as a minority company because his mother was from Spain.

Bob Burnside, assistant director of procurement for the Small Business Administration in San Diego, said that such an ethnic background would not qualify a company as minority owned. He said that a company certifies itself and that such claims are rarely verified by the government.

After Straza's guilty plea, NASA was faced with deciding whether to debar Jet Air from receiving further government contracts. NASA officials originally favored debarment, according to NASA officials.

But after Straza, his attorneys, former Congressman Wilson and Rep. Lowery appealed to Beggs, then top NASA administrator, NASA decided to debar Straza only and not the company.

(Beggs, one of three former General Dynamics executives indicted Dec. 2 on charges they plotted to hide cost overruns on the defunct Sgt. York anti-aircraft gun, resigned his post in February.)

Stuart Evans, NASA assistant administrator for procurement and the agency's debarring officer, said he knew nothing of Wilson's and Lowery's visits to Beggs. He said Beggs was kept apprised of the debarment negotiations, but exerted no influence on the decision.

Wilson said he went to Jet Air's aid at Straza's request because he believed that debarring the company was "grossly unfair" and that Straza was a victim of a legal vendetta.

"I think NASA was on the wrong track," Wilson recalled. "I personally called on Mr. Beggs and told him so. It would have been doing the U.S.A. a disservice to debar him."

Wilson said he knew Beggs from the "many occasions when he testified before our (Armed Services) committee."

During his 28 years in Congress, Wilson secured many military contracts for his San Diego district.

As a congressman, Wilson received \$3,000 in campaign contributions from Straza and his wife, Arlene, between 1977 and 1980. And while a member of the House, Wilson said that Straza offered him the use of his condominium at Le Rondelet in Point Loma and his house in the Coronado Cays on Wilson's visits home.

Wilson said he stayed at the properties only occasionally and that he reimbursed Straza for their use. "I understood the implications of it," he said. "I wanted no conflict of interest."

Shortly after he retired from Congress in 1980 and set up a consulting and lobbying firm for defense contracts, Wilson was given use of a Jet Air corporate airline credit card from Straza. Wilson said he used the card two or three times during a six-month period when he was trying unsuccessfully to persuade Straza to hire him as a consultant.

Wilson said that neither his financial ties nor longtime friendship with Straza played a role in his decision to help Jet Air. Except for the one charge to which Straza pleaded guilty, Wilson said he had no knowledge of other allegations raised by NASA.

Joining Wilson in lobbying NASA was Lowery, who, along with his staff, had several meetings with NASA officials regarding Jet Air, according to Ben Haddad, Lowery's chief of staff.

"Mr. Beggs was always very accessible about it," Haddad recalled. "He was letting us know what was going on. He never gave us any promises, any assurances."

Haddad said Lowery went to the aid of the company because of the jobs he believed were at stake and the importance of Jet Air's work.

"There was nobody doubting that George did some things wrong," Haddad said, "but they did produce a good product. It was something that was necessary for the national defense."

Lowery received \$350 in campaign contributions from Straza in 1982 and 1983. More recently Lowery, who sold his San Diego home to buy one in the Washington, D.C., area, stayed in Straza's Point Loma condominium while on business and campaign visits here, according to Haddad.

Lowery's campaign records show his campaign reimbursed him for money Lowery said he paid to Straza for use of the condominium for an unspecified number of days. The campaign paid out \$1,200 in February 1985 and \$1,200 in April.

In seeking to prevent Jet Air's debarment, Wilson, Lowery and Straza's attorneys offered two compelling reasons that the agency now cites in defending its decision not to debar the company.

The Straza contingent argued that because much of the company's work was government-related, debarment would effectively kill the company and cost 200 workers their jobs. They also contended, in Wilson's word, that Straza was a technical "genius" whose special manufacturing techniques were vital to government needs.

However, former employees have disputed the latter claim. They maintained that while Jet Air has worked successfully with exotic metals, work performed by Jet Air could just as well be done by other companies. Straza's genius, they said, lay not so much in his technical abilities but his sales skills.

The purpose of debarment, according to NASA procurement official Tom Whelan, is not to punish further a company or an individual found guilty of a crime, but to protect the government from unscrupulous contractors.

"We agreed Straza himself was the bad guy and not the company," Whelan said. "Does NASA need to put 200 people out of work to protect itself from one Mr. Straza? The government is not in the business of putting people out of business."

Whelan said that, in deciding not to debar the company, NASA officials did not concern themselves with the agency's 1983 report that Jet Air falsified X-ray welds on the Challenger.

"The safety question never came up," Whelan said.

Under the debarment agreement, Straza cannot work as an employee of the company or vote his stock. He must allow a trustee to serve as president and run Jet Air.

NASA officials said they could recall only one or two other occasions in the past several years when a similar agreement was reached after the conviction of the principal officer of a government contractor. While unusual, said one official, "It's not wholly unique."

Straza later persuaded NASA officials that he should be allowed to perform work for the company as a consultant.

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Rep. Duncan Hunter, a member of the Armed Services Committee, said he interceded several months ago to help the company win a military contract at Mills' request. Hunter said Mills called to tell him that while Jet Air was not debarred from government work, it was nonetheless having trouble getting federal contracts. Mills told Hunter that Jet Air's employment had dropped off by 100.

But NASA said it is now exploring whether Straza has violated the agreement. If the agreement has been breached, NASA would take action to debar the company, said Evans, the debarring official.

At NASA's suggestion, Wilson was the first trustee to serve as Jet Air president. He held the position for several months while he continued to live and run his consulting business in Washington, D.C.

He left the post, Wilson said, because he needed to attend to his own business.

However, according to NASA, Wilson resigned after the agency questioned whether Wilson was working full time as Jet Air's president.

"I wasn't getting letters answered," said Evans. "I called the company and couldn't find him there." Evans called Wilson in for a meeting, after which Wilson resigned.

Replacing Wilson was Mills, who also had long been the recipient of Straza's campaign contributions. In 1978, the last time Mills ran for the state Senate, Straza held a fund-raiser for him, valued as a non-cash contribution of \$1,500, at the Straza family's Descanso ranch.

Mills was known politically for his key role in creating the San Diego Trolley and as a champion of liberal causes. With a reputation for integrity, he seemed a logical choice to restore public faith in the company.

But former employees familiar with Jet Air's current activities said that while Mills is the titular head of the company, Straza spends long hours at Jet Air every day.

Mills and Wilson haven't been the only politicians to come to Jet Air's assistance.

At the time, the company was one of only several in the country qualified to bid on a Navy contract to make jet engine burner cans. To help Jet Air be considered for the contract, Hunter had NASA send a letter to the Navy clarifying Jet Air's status as a government contractor. Jet Air won the contract, which a former employee estimated to be worth \$2 million.

Hunter said he was not familiar with the criminal case against Straza, but that he believed the company had "unique capabilities."

Between 1981 and 1984, Straza and his wife donated \$4,000 to Hunter's campaign, although \$1,000 was returned in April 1984, apparently because it put Straza over the limit for federal primary contributions to a single candidate. Hunter and his wife are friends of Straza's son and daughter-in-law.

Hunter said his assistance had nothing to do with campaign contributions or personal friendship, but with the concern that workers "in my district were losing jobs because of this cloud over Jet Air. One thing about the company, it makes some of the finest stuff in the world. Rolls-Royce doesn't go around buying from fly-by-night companies."

While NASA has raised serious questions about quality control at Jet Air, the Federal Aviation Administration has found no such problems with Jet Air parts on commercial aircraft, according to James Prendergast, supervising airworthiness inspector for the FAA in San Diego. Prendergast said a recent routine safety inspection of the company yielded only minor discrepancies which were corrected.

Jet Air had other disputed business dealings, several of which led to lawsuits.

One was filed in 1974 by Pathway Bellows, an El Cajon maker of large industrial expansion joints. The suit alleged that Jet Air, in seeking to enter the expansion-joint market, photocopied a Pathway Bellows catalog, spelling errors and all, and distributed it under Jet Air's name.

Pathway lost its suit, however, because it had failed to copyright the catalog. Straza caused Pathway further consternation by later setting up

a competing business near Pathway's Tennessee plant and by sending his private train car there for lavish entertainment of prospective customers.

A 1981 federal contract dispute in which the Bendix Corp. accused Jet Air of overbilling was settled out of court with Jet Air reportedly winning a nominal settlement.

Despite Jet Air's record of controversy, the company survives. Some former employees credit Straza's extensive entertaining of politicians and business contacts.

Straza has often used his many luxury homes for entertainment.

Straza believed, according to former associates, that old-fashioned wining-and-dining salesmanship was the key not just to winning contracts but to keeping them.

For example, they said, during the years that Straza did business with Rockwell, he arranged for Rockwell officials to spend weekends at one of his Palm Springs homes and even supplied a chef. Such generosity did not hurt, the associates said, if Straza later needed to ask the officials to modify or increase a Jet Air contract.

Rockwell refused to comment on the alleged incident, except to note that current company policy prohibits any employee from accepting gifts or entertainment from a subcontractor.

Former employees said that while the company has survived controversy, it is not thriving as it could be. They said that Straza doesn't delegate authority to his top managers, or even to his son George C.P. Straza, who has worked there.

As a result, the former employees said, the company's best people tend to leave. Adding to the frustrations of those who stay is that Straza does not reinvest money in the company, instead buying expensive properties and cars.

Jet Air's revenues reached a plateau of \$10 million to \$12 million in recent years and have not grown since.

"It could have been quite a money maker," said one former employee, who added that the capital Straza should put into the company "he spends for toys."

Tribune staff writer Ron Roach and William Osborne of Copley News Service contributed to this story.

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Tribune photo by Joe Holly

THE MAIN HOUSE ON STRAZA'S EAST COUNTY ESTATE
Property was a frequent site for large parties

Homes, cars, toys adorn Straza's life

By Ann Perry

Tribune Financial Writer

GEORGE STRAZA, self-proclaimed descendant of Romanian royalty, likes to impress with his costly possessions — luxury homes, fancy cars and a collection of toys that includes a carousel, a Ferris wheel and an ornately decorated private railroad dining car.

Former associates describe the hefty 6-foot, 2-inch-tall, 57-year-old owner of Jet Air Inc. as a colorful, larger-than-life personality.

"Do you know those velvet paintings of bullfighters in Mexico?" asked one acquaintance. "He's a red velvet painting."

On the job, he is demanding, hard-driving and sometimes abrasive. But when entertaining business colleagues or politicians, the defense contractor is said to be a charming, fun-loving host.

Straza and his wife, Arlene, live in a large home in Rancho Santa Fe, decorated with antiques and original artworks by Picasso and Salvador Dali, collected during the Strazas' many world travels.

They also own Rancho La Straza off Old Highway 80 near Descanso, a 37-acre retreat where their son, George G.P. Straza and his wife live.

The ranch, scene of many political and charitable events including one party for 3,000, boasts a 5,000-square-foot master house, a new 7,000-square-foot mansion in the style of a French manor house, a seven-acre artificial lake suitable for water skiing, and a tennis court, as well as a carousel and Ferris wheel. Last year Straza put the estate up for sale for \$5.4 million, but there has been no public record of a sale.

Other properties include waterfront homes in Coronado, Point Loma and Del Mar, two sizable houses in Palm Springs and 36 acres of vacant, but potentially valuable land near Brown Field, where developers are laying ambitious plans for growth.

Straza has also owned, for at least 15 years, a 1,000-acre ranch east of Sacramento near the small town of Coloma. In the early 1970s he planned to turn it into a tourist resort and opened the Gold Rush restaurant and Pampered Camper campgrounds.

The project failed several years later when the restaurant burned down and the campground was closed.

As impressive as Straza's real estate is his fleet of automobiles. According to state motor vehicle records, he and his company own two Rolls-Royces, including a \$140,000 Rolls-Royce Corniche; five Cadillac; and two Mercedes-Benzes. In addition, associates said, Straza has also owned a rare custom-made Sparks sports car, a Model T Ford and a classic Thunderbird.

He owns a 30-foot boat and the Lady Gaye, a railroad car that sits on a side track at Straza's company and is named for his daughter. She plays the voluptuous Andrea on Larry Himmel's "San Diego at Large" show on Channel 5.

Straza and his wife, Arlene, often host charitable events at their homes. Last year at the suggestion of Rep. Duncan Hunter, the Corona do Republican, the Strazas held a benefit at their Rancho Santa Fe home for the International Medical Corps, raising \$12,000 to help the children of Afghanistan.

"The Strazas jumped right in," Hunter said. "They've done some excellent things in the community."

The Strazas have long been active, too, in local politics. Though they are known primarily as the backers of such Democratic candidates as former Congressman Lionel Van Deerlin, former state Senate President Pro Tem James R. Mills and ex-Gov. Jerry Brown, they have supported Republicans such as former Congressman Bob Wilson and Reps. Hunter and Bill Lowery.

In the past decade, the Strazas and Jet Air donated more than \$40,000 to various candidates. They also sponsored lavish political fund-raisers, introducing candidates to wealthy supporters.

Politics was the "last step" on a ladder of success for the Strazas, according to one source active in Democratic circles.

"They have everything else, why not politics?" Former associate said Straza was convinced his close ties to politicians would pay off for his business.

"George never gives money away," said a former associate, "unless there's a return along the line."

In 1976 then-Gov. Brown appointed Arlene Straza to be a director of the Del Mar Fair Board, a job often awarded to political supporters. She stepped down as president in 1981, one month after a public controversy arose over another board member's conflict of interest with a supplier. Mrs. Straza said she resigned to devote more time to the business of Jet Air.

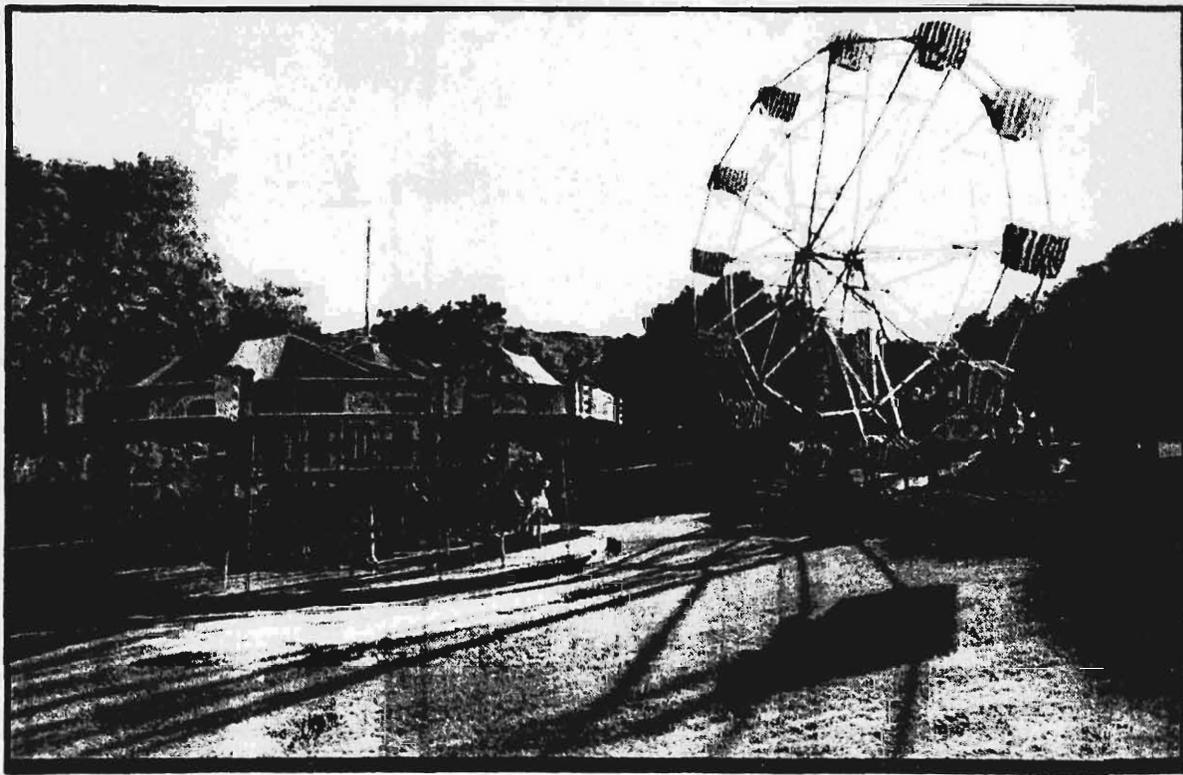
The campaign in which the Strazas were most active was state Sen. John Garamendi's bid for governor in the 1982 primary. Garamendi, a Democrat from Walnut Grove, lost to Los Angeles Mayor Tom Bradley, who was later defeated by Gov. George Deukmejian.

According to one source, Straza was Garamendi's greatest backer. "He (Straza) thought he would have a governor in his back pocket," the source said.

Campaign records indicate Straza planned to raise \$114,280 in pledges toward Garamendi's campaign. Although there is no way to measure whether Straza reached his fund-raising goal, records show that Jet Air and Straza family members gave \$18,100 to the campaign in in-kind contributions such as radio time, and Jet Air employees donated \$5,675 in cash and in-kind contributions.

The 1982 wedding of Straza's daughter perhaps best sums up the Straza style. It featured a motorecade of the Straza family cars. The bride arrived in a horse-drawn carriage and left with the groom in a helicopter.

Straza does not always go first class, however. On the day of his sentencing in federal court in 1984 for defrauding NASA, he arrived in a station wagon borrowed for the occasion from an employee.



Tribune photo by Joe Holly

STRAZA'S EAST COUNTY ESTATE INCLUDES A FERRIS WHEEL
Defense contractor owns a string of multimillion-dollar homes



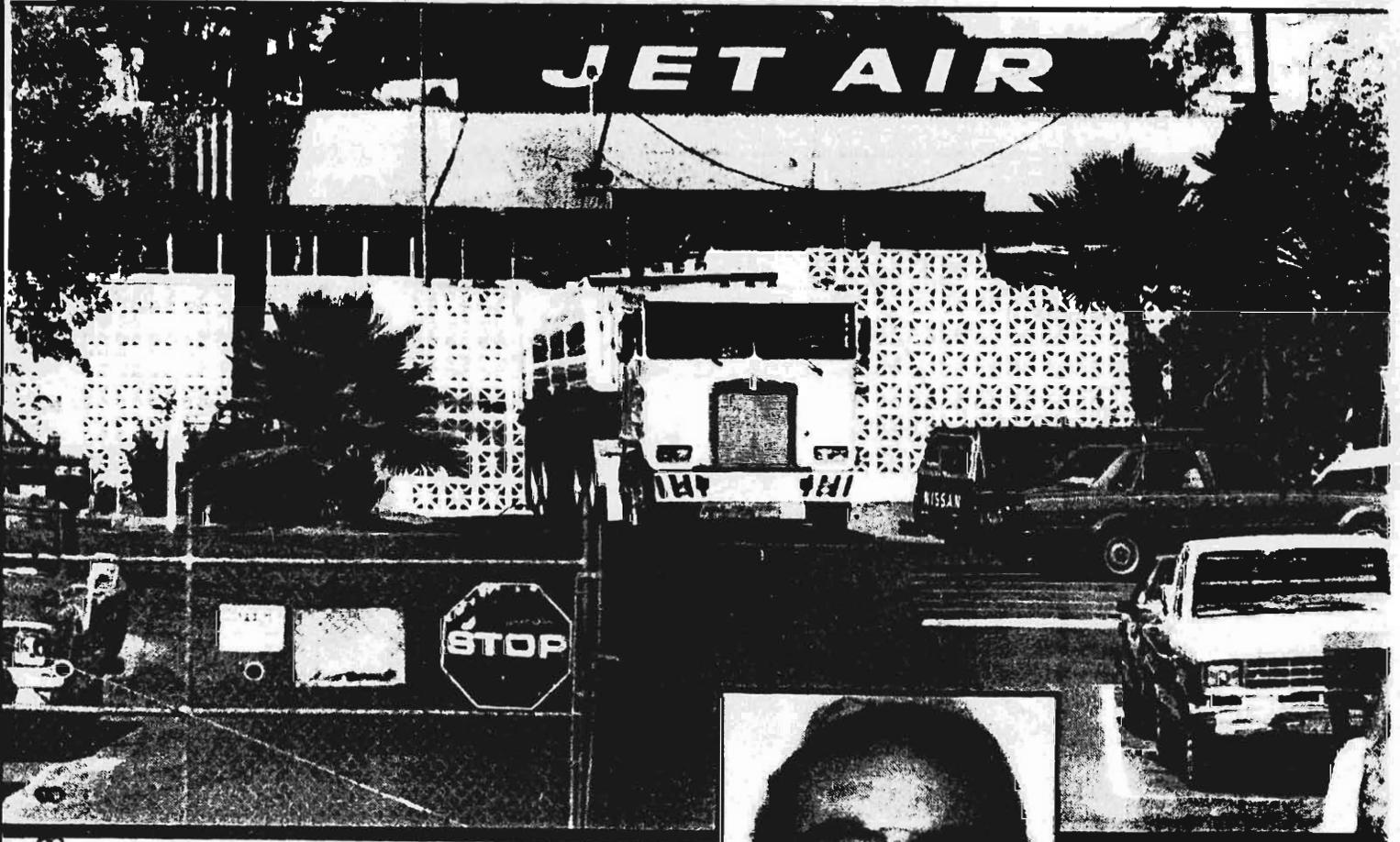
EX-REP. BOB WILSON
Temporary president of Jet Air



EX-STATE SEN. JAMES MILLS
Took over after Wilson

The investigation, according to former Jet Air employees, focuses on whether gold was extracted from F-15 and F-16 jet engine parts during overhaul. The old parts and any gold contained in them legally belong to the government.

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George Straza, left, owns Jet Inc., an El Cajon defense contractor that makes jet engine parts works with specialty metals used in aerospace projects. A federal grand jury is investigating the company.

Contractor Straza indicted

By George Flynn
Staff Writer

George Thomas Straza, a prominent area defense contractor already on criminal probation for falsifying space shuttle work, was indicted yesterday on charges that he stole gold and lied about inspections while under contract to rebuild Air Force jet engine parts.

Also accused in the 31-count federal indictment are his firm, El Cajon-based Jet Air Inc., and company Vice

President Joao Jaime Costa, 49.

U.S. Attorney Peter Nunez said \$25,000 worth of gold was illegally removed from Air Force jet engine seals. Many of the seals were certified as refurbished and returned to the military under a \$250,000 contract, but were found to be cracked and defective, Nunez said.

Those indicted, and their attorneys, were unavailable for comment.

Straza, 57, who lives in Rancho Santa Fe, has several major property

holdings in the area and has contributed to many political candidates.

In May 1984, he pleaded guilty to lying to NASA inspectors about funneling shuttle subcontracting work out to another firm. He was ousted as company president, served 4½ months of a suspended prison term and was ordered to pay a \$600,000 civil penalty to the government.

In an agreement with NASA, he was allowed to remain as consultant

See STRAZA on Page A-14

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Continued from A-1

to Jet Air, reportedly at an annual salary of \$300,000.

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As for their efforts on behalf of Jet Air, Nunez said, "I'm not in the business of advising politicians on what to do or what not to do." There was no evidence that any current or former officeholder was involved with the misconduct, he added.

Straza and Costa are to surrender today on the new charges, which include conspiracy, making false statements to a government agency and theft of government property.

If convicted, Straza and Costa could be sentenced to as much as 10 years in prison and Jet Air would face fines of up to \$500,000. Nunez said the Probation Department could take steps to force Straza to serve the remainder of his 1984 suspended prison term, which is more than four years.

Investigators said the criminal action could lead federal agencies to exclude the 200-employee firm from future government work, although government representatives could not be reached last night for comment.

Former state Sen. James Mills, the president of Jet Air, said he does not believe the indictment will curtail any current contracts except the one referred to in the charges. Investigators seized the refurbishing equipment and parts so that work has halted, he said.

"I am satisfied in my own mind that there was no wrongdoing," Mills said. "The whole thing — everything, as far as I can determine — seems to be based on misunderstandings with investigators."

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Jet Air was awarded the Air Force contract to repair 517 engine seals from F-15 and F-16 jets at Kelly Air Force Base near San Antonio on June 20, 1984 — shortly after Straza pleaded guilty in the shuttle contract case.

The Air Force delivered more than 1,000 of the seals to the Jet Air plant in El Cajon. Assistant U.S. Attorney George Hardy said the parts were dipped in a nitric acid solution to loosen the metal backing, which consists of 80 percent gold and 20 percent nickel.

Straza and Costa, according to the indictment, ordered workers to extract the gold, which settled into the sludge from the acid bath. That sludge was allegedly delivered from 1984 to 1986 to Rheem Metals Inc. in Santa Ana and Precious Metals Industries Inc. in Rialto for extraction of the gold.

Nunez said the stated \$25,000 value of the gold was based on what the precious metal was sold for, but he declined to say who bought it.

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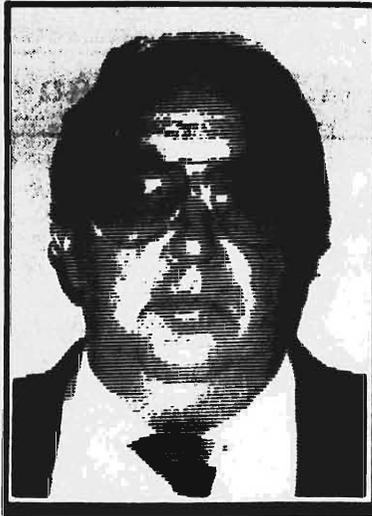
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Investigators knew of no accidents

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NASA's Jet Air probe revealed



GEORGE T. STRAZA

U.S. billed for work on home, report alleges

By Ann Perry
Tribune Financial Writer

SAN DIEGO defense contractor George T. Straza and his Jet Air Inc. charged the government for work done on his homes and personal property, including \$4,800 worth of lumber to build Straza's Hillcrest condominium project, according to allegations in a NASA investigative report obtained by The Tribune.

The report, released through a federal Freedom of Information Act request, details a series of allegations against Straza and his El Cajon company, a maker of jet engine and aerospace parts. Prepared by NASA's

Office of Inspector General, the report was used by the U.S. attorney's office in prosecuting Straza in 1984.

As part of a plea-bargain agreement with the U.S. attorney, Straza pleaded guilty to one count of lying to NASA about contracts involving parts critical to the safety of the space shuttle. In exchange, the prosecution agreed not to file any other charges related to Jet Air's 1977-1980 work on the space shuttle program as a subcontractor to Rockwell International.

However, Straza is again under federal investigation for possible irregularities involving a Jet Air contract with the Air Force.

Please see CONTRACTOR, A-8

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★Contractor

Continued From Page 1

A Jet Air spokesman said the allegations in the NASA report should be treated "only as unsubstantiated rumors."

U.S. Attorney Peter Nunez, commenting on the report's allegations, acknowledged that the prosecution of Straza and Jet Air could have been more vigorous. But he said his office was concerned about going after a relatively small company like Jet Air, when larger contractors were receiving lesser penalties for government-contract abuses.

As a result of his 1984 plea agreement, Straza and the company were not charged in connection with other allegations which were made by NASA and never proved. Some of these allegations are being made public for the first time with the release of the NASA investigative report.

At the request of Straza and as a condition of releasing the investigative report, NASA deleted the names of most of the individuals cited in the report, including that of Straza. However, with the assistance of a source familiar with the company and with the use of public court records, The Tribune has been able to clarify many of the charges.

The NASA report alleges that:

- The company charged to the space shuttle program such unauthorized materials as the lumber for Straza's Eagle Street condominiums, a \$979 mirror for a Straza residence, a \$454 Whirlpool freezer, \$6,717 in materials for a Jet Air contract with Rolls-Royce and \$6,000 worth of material used by a Jet Air subsidiary.

- Approximately \$175,000 was improperly charged to a space shuttle contract for work done by employees not involved in Jet Air's shuttle contracts, including work performed by a Jet Air employee who spent half his time doing carpentry and upholstery work for Straza's personal residences.

- In 1983 Jet Air overcharged the Convair division of General Dynamics in San Diego by an estimated \$600,000 on \$1 million in contracts. General Dynamics employees involved in giving Jet Air the Atlas Centaur and other military contracts were showered with offers of gifts and gratuities from Jet Air that included meals, tickets to political and charitable fund-raisers, sporting events, precious gems and the use of a condominium.

One Convair employee allegedly said he received so many calls from Jet Air offering gifts that he complained to his bosses. When the calls continued, the employee reportedly met with a company representative

who told him, "This is the way I do business. This is what it takes to get things done and it is not uncommon in the industry."

- Jet Air employees falsified quality-control documents on space shuttle contracts, and the company performed unauthorized work on parts critical to shuttle flight safety.

The report states that during the investigation, "information was developed indicating (that) the falsification of quality-control documents, substitution of X-rays, usage of duplicate inspection employee stamps and the performance of unauthorized rework were not uncommon at Jet Air."

Rockwell allegedly discovered that critical push rods for the space shuttle were bored to the wrong diameter and that the rod threads were deteriorated by improperly dipping them in acid. Failure of the rods, according to the report, "could mean the loss of the (space shuttle) vehicle and its crew." The rods were eventually reworked to meet specifications.

(The Jan. 28 explosion of the shuttle Challenger, for which Jet Air supplied parts, was due to a faulty seal on the booster rocket and not due to any problem with the shuttle itself, federal investigators have determined.)

National news

Letter from Washington

Lowery may forgo Jet Air condo on next trip West

By William Osborne
Copley News Service
Special to The Tribune

JET (AIR) LAG... Rep. Bill Lowery, R-San Diego, whose involvement in the contract controversy between NASA and George Straza's Jet Air Inc. made its way to Page 1 earlier this month, says he will "probably not" stay in the Point Loma condominium owned by Jet Air during future trips back to San Diego.

"It's always been an arm's-length transaction," Lowery said yesterday. "All perfectly legal and ethical." But he indicated that with the "recent revelations" about Jet Air being under investigation by the U.S. attorney's office and a federal grand jury, continued use of the condo is not likely.

Lowery, who sold his home in Kensington in order to buy a house in McLean, Va., said he first began making use of the Jet Air condo on trips back to San Diego in early 1984. He said he stayed there about 20 days last year, while staying at his mother's residence or with friends on other occasions. He used \$1,200 in campaign funds for the condo rental each of the last two years.

Lowery said he has met Straza "four or five times in my life" and noted that Straza was a "major fundraiser" for Ed Milliken, Lowery's

city council election opponent in 1977.

★ ★ ★

SMALL WORLD... Lowery was just finishing a press conference outside the Soviet Embassy yesterday — he had tried unsuccessfully to deliver petitions from some 2,000 San Diegans urging open emigration for Soviet Jews — when someone tapped him on the shoulder. Lowery turned and found the smiling face of Lawrence Taggart, former state savings and loan commissioner in California and now a San Diego consultant and Lowery constituent.

"Do you always lurk in front of the Soviet Embassy?" Lowery joked. Taggart, it turned out, was in Washington on business and was just walking down the street from his hotel when he noticed Lowery and the assembled reporters.

★ ★ ★

EYE ON NOVEMBER ... Rep. Jim Bates, D-San Diego, whose race with Republican former Councilman Bill Mitchell is the closest thing to a hotly contested congressional campaign in San Diego County this fall, picked up another \$20,000 or so at a \$300-per-person breakfast reception here yesterday. The invitees repre-

sented mostly Washington-based political action committees.

★ ★ ★

MOVING IN... Marci Kevane, a 16-year-old student at Granite Hills High School in El Cajon, comes to Washington next month for a five-month stint as a congressional page. She was nominated for the job, which pays \$823 a month, by Bates, who noted that her father, Robert Kevane, is a Republican but a Bates supporter. It is the second time the House leadership has given Bates a page position to fill. There are 66 House pages, 54 of them named by Democratic members.

★ ★ ★

MOVING OUT... Jay Hawkins, a graduate of La Jolla High School and UCSD who came to Washington in January 1985 to serve as a legislative assistant to Bates, has left the staff to join the political consulting firm of Creative Campaigns. Hawkins said he will be helping raise money for Democratic Senate candidates.

And Curt Erixon, a San Diegan who moved east to work for Sen. Pete Wilson, R-Calif., on military, defense and foreign affairs issues, has returned home to attend law school at the University of San Diego.

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Contractor Straza indicted

By George Flynn
Staff Writer

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Also accused in the 31-count federal indictment are his firm, El Cajon-based Jet Air Inc., and company Vice

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See STRAZA on Page A-14

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Investigators knew of no accidents

caused by the allegedly defective parts. They acknowledged that the contract did not specifically call for return of the gold in the used seals, but said that it is commonly known by contractors that government property is not to be disposed of without specific consent of agencies involved.

Straza had argued before his guilty plea in 1984 that Jet Air had not been informed of NASA restrictions against subletting work when it received a \$2.4 million contract from Rockwell International in 1979.

He admitted to farming out the production of seal panels for the shuttle program to Dana Ingalls of Burbank, and later telling inspectors falsely that Jet Air had performed the work. The government stated it would not prosecute further allega-

tions of violations on that NASA contract.

Nunez said that plea agreement may be considered lenient in light of the new charges, but it was not improper "based on what we knew at that time."

Former Rep. Bob Wilson lobbied NASA to allow Jet Air to continue receiving contracts, and he became the interim president while Straza became a consultant to the firm. Questions had arisen over whether Straza actually had stepped aside as chief officer.

"That's something between NASA, Mr. Straza and Jet Air," Nunez said yesterday. "One man's consultant may be another man's boss."

Rep. Bill Lowery said Wilson contacted him and he had a "couple of discussions" with NASA officials

about sparing the firm — but not Straza — from any blacklist on contractors.

Lowery said he wanted to prevent the loss of 200 jobs in the area and to preserve a base of available contractors on specialized government work.

Rep. Duncan Hunter, a close friend of the Straza family, said he had similar reasons for asking NASA to clarify its position on Jet Air to the Navy, which then awarded Jet Air a \$2 million contract for production of jet engine parts. The work was in danger of being shipped out to a Florida firm, Hunter said.

SAN DIEGO
CLIPPING SERVICE

THE TRIBUNE

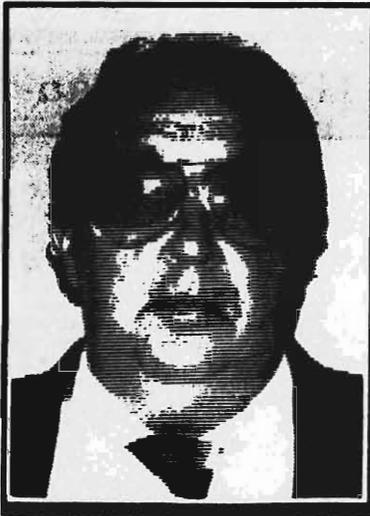
**Corrections
& clarifications**

In response to a story in The Tribune yesterday, Rep. Bill Lowery, R-San Diego, says that he did not lobby to keep George T. Straza off the government's blacklist of contractors. Rather, Lowery said, he lobbied to keep Jet Air, a company owned by Straza, off the list.

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NASA's Jet Air probe revealed



GEORGE T. STRAZA

U.S. billed for work on home, report alleges

By Ann Perry
Tribune Financial Writer

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At the request of Straza and as a condition of releasing the investigative report, NASA deleted the names of most of the individuals cited in the report, including that of Straza. However, with the assistance of a source familiar with the company and with the use of public court records, The Tribune has been able to clarify many of the charges.

The NASA report alleges that:

● The company charged to the space shuttle program such unauthorized materials as the lumber for Straza's Eagle Street condominiums, a \$979 mirror for a Straza residence, a \$454 Whirlpool freezer, \$6,717 in materials for a Jet Air contract with Rolls-Royce and \$6,000 worth of material used by a Jet Air subsidiary.

● Approximately \$175,000 was improperly charged to a space shuttle contract for work done by employees not involved in Jet Air's shuttle contracts, including work performed by a Jet Air employee who spent half his time doing carpentry and upholstery work for Straza's personal residences.

● In 1983 Jet Air overcharged the Convair division of General Dynamics in San Diego by an estimated \$600,000 on \$1 million in contracts. General Dynamics employees involved in giving Jet Air the Atlas Centaur and other military contracts were showered with offers of gifts and gratuities from Jet Air that included meals, tickets to political and charitable fund-raisers, sporting events, precious gems and the use of a condominium.

One Convair employee allegedly said he received so many calls from Jet Air offering gifts that he complained to his bosses. When the calls continued, the employee reportedly met with a company representative

who told him, "This is the way I do business. This is what it takes to get things done and it is not uncommon in the industry."

● Jet Air employees falsified quality-control documents on space shuttle contracts, and the company performed unauthorized work on parts critical to shuttle flight safety.

The report states that during the investigation, "information was developed indicating (that) the falsification of quality-control documents, substitution of X-rays, usage of duplicate inspection employee stamps and the performance of unauthorized rework were not uncommon at Jet Air."

Rockwell allegedly discovered that critical push rods for the space shuttle were bored to the wrong diameter and that the rod threads were deteriorated by improperly dipping them in acid. Failure of the rods, according to the report, "could mean the loss of the (space shuttle) vehicle and its crew." The rods were eventually reworked to meet specifications.

(The Jan. 28 explosion of the shuttle Challenger, for which Jet Air supplied parts, was due to a faulty seal on the booster rocket and not due to any problem with the shuttle itself, federal investigators have determined.)

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The company lied about its qualifications for doing space shuttle work. The report states that resumes of several Jet Air employees, sub-

Nunez, the U.S. attorney, said that his office's decision to allow Straza to enter a plea bargain on a one-count felony indictment was an appropriate one and allowed the case to be concluded without a trial. Straza served 4½ months in federal prison and agreed to repay NASA \$690,000 that Jet Air overbilled as a result of the illegal subcontracting.

"There were a number of allegations that we were investigating," Nunez said. "Some we were never able to prove. Some we thought we were."

He said that Straza's activities regarding quality-control procedures for parts on the space shuttle were "reprehensible."

Had Straza failed to agree to a plea bargain, Nunez said, there would have been more than one count filed against him in the indictment. However, Nunez added, prosecutors also worried that they were treating Jet Air harshly in light of punishments handed out to other, much larger government contractors.

The Jet Air investigation stemmed from a major federal investigation of alleged cost overruns by Rockwell, the primary contractor on the space shuttle. No criminal charges were filed, but the company agreed to pay a civil penalty of \$500,000 to cover billing irregularities.

Nunez said that the outcome of the Rockwell case "to some extent inhibited our ability to proceed in a vigorous manner" with the Jet Air prosecution.

Straza and his wife have owned Jet Air, a privately held company employing 200, since 1960. The company's major customers are the government, Rolls-Royce and Pratt & Whitney.

As a result of Straza's conviction, NASA barred him, but not Jet Air, from involvement in government contract work until August 1987. The company is currently run by former state Sen. James R. Mills.

Last week, The Tribune revealed that Straza and his company are again under investigation by the U.S. attorney's office and the federal grand jury. The investigation involves the company's \$276,000 contract to overhaul F-15 and F-16 fighter plane engines for Kelly Air Force Base in San Antonio.

mitted with the company's bid to Rockwell, were "overstated or inaccurate concerning their educational backgrounds."

advised [redacted] that he had 1998 Jet Air personnel full time and this accounted for 200 hours a week. If Jet Air charged more than that, he did not know where the time was coming from. [redacted] told [redacted] to send a RISK Cost Analyst to Jet Air to review the work that was being done and what Jet Air was charging but [redacted] never did.

When [redacted] returned to Jet Air after his discussion with [redacted] he discussed the possible overcharging by Jet Air with [redacted] and [redacted] indicated that Jet Air was not overcharging. In addition, [redacted] discussed the possible overcharging with [redacted] and [redacted] reassured [redacted] that Jet Air was not overcharging.

Because of the possible overcharging by Jet Air, [redacted] refused to sign any further Jet Air invoices and stopped signing the invoices for a short period of time. However, [redacted] talked with [redacted] and told [redacted] to go ahead and sign the invoices as complete. [redacted] further advised [redacted] to not make waves and that the direction to sign the invoices came from [redacted]. It should be noted [redacted] supervisor was [redacted] indicated that any problems with the invoices would be taken care of at RISK in Downey. As a result of the conversation with [redacted], [redacted] signed off on the Jet Air invoices he had previously refused to sign and continued to sign invoices throughout the remaining planning contracts. However, after the direction to sign the invoices came from [redacted], [redacted] signed the invoices in a different manner.

Originally [redacted] signed the invoices at or very near the bottom of the invoice, but after the overcharging issue came up, [redacted] signed the invoices directly under the planning ticket listing typed on the invoice so Jet Air would add the hours charged to the invoice under his signature. It was [redacted] belief that by signing in this fashion he was only indicating the work was complete and not attesting to the hours that Jet Air charged for the work.

[redacted] RISK, was interviewed and stated in 1978 there was a huge backlog of planning work to be completed at Rockwell. [redacted] was told by [redacted] RISK Director of Manufacturing, Engineering and Development, that [redacted] directed [redacted] offload enough planning work for five people to Jet Air. A contract was negotiated by the Rockwell Purchasing Department with Jet Air, but as the work progressed, [redacted] became concerned about poor workmanship and the hours per lot that Jet Air was charging. [redacted] informed [redacted] of his concerns about Jet Air and [redacted] would tell [redacted] to continue the contract. The third or fourth time [redacted] told [redacted] his concerns about Jet Air, [redacted] told [redacted] that if he [redacted] wanted his head handed to him on a platter, [redacted] should tell [redacted] about Jet Air.

The 80-page NASA investigative report of George T. Straza and El Cajon-based Jet Air Inc. was obtained by The Tribune through a Freedom of Information Act request. Before releasing the allegations, which led to Straza's conviction in 1984, NASA attorneys blacked out all names.

● Jet Air employees who cooperated with the grand jury investigation reported being intimidated and threatened with dismissal for their role in the investigation. One employee claimed that Straza's son, George C.P. Straza, called her and accused her of being a NASA source. The son said in a sworn statement that the call was a social one and he was only inviting her to lunch.

In another allegation, already made public through federal court records, the report states that Straza engaged in a kickback scheme with a Rockwell employee involved in letting subcontract work to Jet Air. Straza allegedly purchased the employee's failing printing company for a total investment of \$268,999. But NASA later estimated the value of the company at \$123,000.

The NASA report states that before Straza bought the printing company, Jet Air received Rockwell shuttle contracts totaling \$465,000. During the negotiations for the print-

ing company purchase, Jet Air received additional space shuttle contracts whose total value exceeded \$2 million. After the purchase, Jet Air received another \$6.9 million in contracts from Rockwell.

The NASA report indicated that no charges could be filed based on this allegation because the statute of limitations had run out.

The one charge to which Straza pleaded guilty involved the company's unauthorized subcontracting of critical space shuttle work to another machine shop. NASA prohibits such further subcontracting as a threat to quality control.

Michael B. Poyner, attorney for Jet Air, said the company would not comment on specific allegations contained in the NASA report.

"The newly released NASA report contains a number of unsubstantiated charges which, for various reasons, did not produce more than one indictment and one guilty plea," Poyner said. "I just hope that the current (grand jury) inquiry will be based on looking at the facts and not on unsubstantiated rumors."

National news

Letter from Washington

Lowery may forgo Jet Air condo on next trip West

By William Osborne
Copley News Service
Special to The Tribune

JET (AIR) LAG... Rep. Bill Lowery, R-San Diego, whose involvement in the contract controversy between NASA and George Straza's Jet Air Inc. made its way to Page 1 earlier this month, says he will "probably not" stay in the Point Loma condominium owned by Jet Air during future trips back to San Diego.

"It's always been an arm's-length transaction," Lowery said yesterday. "All perfectly legal and ethical." But he indicated that with the "recent revelations" about Jet Air being under investigation by the U.S. attorney's office and a federal grand jury, continued use of the condo is not likely.

Lowery, who sold his home in Kensington in order to buy a house in McLean, Va., said he first began making use of the Jet Air condo on trips back to San Diego in early 1984. He said he stayed there about 20 days last year, while staying at his mother's residence or with friends on other occasions. He used \$1,200 in campaign funds for the condo rental each of the last two years.

Lowery said he has met Straza "four or five times in my life" and noted that Straza was a "major fundraiser" for Ed Milliken, Lowery's

city council election opponent in 1977.

★ ★ ★

SMALL WORLD... Lowery was just finishing a press conference outside the Soviet Embassy yesterday — he had tried unsuccessfully to deliver petitions from some 2,000 San Diegans urging open emigration for Soviet Jews — when someone tapped him on the shoulder. Lowery turned and found the smiling face of Lawrence Taggart, former state savings and loan commissioner in California and now a San Diego consultant and Lowery constituent.

"Do you always lurk in front of the Soviet Embassy?" Lowery joked. Taggart, it turned out, was in Washington on business and was just walking down the street from his hotel when he noticed Lowery and the assembled reporters.

★ ★ ★

EYE ON NOVEMBER ... Rep. Jim Bates, D-San Diego, whose race with Republican former Councilman Bill Mitchell is the closest thing to a hotly contested congressional campaign in San Diego County this fall, picked up another \$20,000 or so at a \$300-per-person breakfast reception here yesterday. The invitees repre-

sented mostly Washington-based political action committees.

★ ★ ★

MOVING IN... Marci Kevane, a 16-year-old student at Granite Hills High School in El Cajon, comes to Washington next month for a five-month stint as a congressional page. She was nominated for the job, which pays \$823 a month, by Bates, who noted that her father, Robert Kevane, is a Republican but a Bates supporter. It is the second time the House leadership has given Bates a page position to fill. There are 66 House pages, 54 of them named by Democratic members.

★ ★ ★

MOVING OUT... Jay Hawkins, a graduate of La Jolla High School and UCSD who came to Washington in January 1985 to serve as a legislative assistant to Bates, has left the staff to join the political consulting firm of Creative Campaigns. Hawkins said he will be helping raise money for Democratic Senate candidates.

And Curt Erixon, a San Diegan who moved east to work for Sen. Pete Wilson, R-Calif., on military, defense and foreign affairs issues, has returned home to attend law school at the University of San Diego.

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Jet Air Owner Faces 17-Count Indictment

Defense Parts Contractor Has Links to Many San Diego Political Figures

By JIM SCHACHTER, Times Staff Writer

For the second time in two years, an El Cajon jet parts manufacturer with extensive ties to San Diego politicians faces charges that he falsified documents in connection with a sensitive federal contract.

George T. Straza, owner of Jet Air Inc., was indicted by a San Diego federal grand jury Thursday on 17 felony counts of conspiracy, making false statements and theft in the company's performance of a \$250,000 contract to refurbish engine air seals on Air Force F-15 and F-16 jets.

The 31-count indictment, issued after a 13-month investigation by the Air Force and Defense Department, alleges that Straza and Jet Air General Manager Jose Jaime Costa ordered employees to cover up the company's failure to complete required quality inspections of the engine seals. Though Jet Air delivered defective engines to the Air Force, no safety problems have been traced to the company, prosecutors said.

Jet Air, Straza and Costa also are accused of stealing \$25,000 worth of gold from the government by failing to return gold sludge removed from the engine seals as part of the refurbishment process.

James R. Mills, the former state Senate president pro tem who became Jet Air president last year, said Thursday that the company denies all allegations of wrongdoing. Mills said the company, with 240 employees and annual revenues exceeding \$12 million, has ongoing contracts with the Navy and Air Force.

Straza, a flamboyant 57-year-old businessman, pleaded guilty in May, 1984, to making false statements to the National Aeronautics

and Space Administration in connection with a \$2.4-million contract to manufacture parts for the space shuttle.

He served six months in prison and agreed to pay \$690,000 to NASA under a plea bargain with federal prosecutors. NASA subsequently barred Straza personally from obtaining further contracts, but allowed Jet Air to continue as a contractor—with the understanding that Straza would serve the firm only as a consultant, not an officer.

U.S. Atty. Peter K. Nunez said Thursday that the new charges could result in the revocation of Straza's probation on the 1984 conviction, which could lead to his imprisonment for 4½ years.

Also, Nunez said NASA was reviewing its dealings with Straza in light of the latest indictment. Mills said the space agency had kept close tabs on whether Straza was abiding by the limits of his agreement with NASA.

If convicted on all the new charges, Straza would face a maximum penalty of 106 years in prison. Costa, named in all 31 counts of the indictment, faces a maximum penalty of 175 years in prison. In addition, the company faces \$15.5 million in fines.

A civil lawsuit to recover a portion of the Air Force's contract payments to Jet Air also is possible, Nunez said.

Straza and Costa are scheduled to surrender this morning for arraignment by U.S. Magistrate Harry R. McCue.

Besides Mills, several other San Diego area politicians have become

Please see INDICT, Page 5

INDICT: Charges Tied to Jet Repair Contract

Continued from Page 1

involved with Jet Air and Straza in recent years. Mills' predecessor as company president was former Rep. Bob Wilson of San Diego.

Rep. Bill Lowery (R-San Diego) has rented a Jet Air condominium during visits to the San Diego area, Mills confirmed, and both Lowery and Rep. Duncan Hunter (R-Coronado) reportedly have interceded on the company's behalf with federal officials in Washington. Neither could be reached for comment Thursday.

The investigation of Jet Air turned up no evidence of wrongdoing by any current or former elected official, Nunez said. The illegal acts alleged in the indictment spanned the period from June, 1984, to February, 1985. Mills, who retired from the state Senate in 1982, joined the firm in June, 1985.

Nunez said he had no counsel to offer elected officials about the advisability of maintaining contacts with Jet Air in light of the new allegations. "I'm not in the business of advising politicians on what they should or should not do," he said.

Mills said he saw nothing questionable in the lawmakers' activities on behalf of Jet Air. "I think it's perfectly normal and natural for any congressman to try to get work for people in his district," Mills said. About 50% of Jet Air's business consists of government contracts, he said; the remainder is private work for airlines.

Under its contract with the Air Force, Jet Air was obligated to inspect more than 1,000 used engine air seals from Kelly Air Force

Base in Texas and to refurbish 517 worn seals. Among the steps in the repair process were washing the seals in an acid solution and inspecting them with a dye under fluorescent light.

The indictment alleges that Straza, Costa and Jet Air kept or sold the gold solder that washed from the seals, which prosecutors say should have been returned to the Air Force. They also are accused of ordering employees to falsify reports to lead Air Force and Defense Department auditors to believe inspections had been completed when they had not.

San Diego attorney Peter Hughes, who will defend Straza, said Thursday that the gold was retrieved by the company from toxic liquid wastes that otherwise would have been discarded. Hughes said his initial review of the questioned inspection reports indicated that the company did not mislead auditors to believe certain tests had been conducted when they had not.

"Our position is going to be that what was supposed to be done was in fact done," Hughes said.

In the 1984 case, Straza was accused of telling NASA that Jet Air had manufactured shuttle parts—as the company's pact with primary contractor Rockwell International required—when in fact he had arranged to subcontract the work to a Burbank firm.

Investigators said a former Jet Air employee tipped them off to the falsifications in that case. The same was true in the investigation that led to the new charges, according to Air Force investigator Richard Gwin.

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El Cajon Jet Parts Firm Officials Deny They Defrauded Air Force

By BARRY M. HORSTMAN and JIM SCHACHTER, Times Staff Writers

Two officials of an El Cajon jet parts manufacturing firm pleaded innocent in federal court in San Diego Friday to charges that they falsified documents and conspired to defraud the government on a \$250,000 Air Force contract.

George T. Straza, owner of Jet Air Inc., and Joao Jaime Costa, a salesman for the firm, pleaded innocent before U.S. Magistrate Harry McCue to all charges included in a 31-count indictment issued Thursday by a federal grand jury in San Diego. Jet Air, which also was named in the indictment, also pleaded innocent Friday.

Straza, who faces 17 felony counts of conspiracy, making false statements and theft, posted a \$100,000 personal surety bond and gave the government a trust deed on certain real estate to secure his release. Costa, named in all 31 counts, posted a \$50,000 personal surety bond. Both men are scheduled to appear in U.S. District Court on Aug. 25 to have a trial date set.

The indictment alleges that Straza and Costa ordered Jet Air employees to cover up the company's failure to complete required quality inspections on engine seals used on the Air Force's F-15 and F-16 jets. The two men and Jet Air also are accused of stealing \$25,000 worth of gold from the Air Force by failing to return gold sludge extracted from the engine seals as part of the refurbishment process.

At the request of Assistant U.S. Atty. George Hardy, McCue ordered Straza not to physically visit Jet Air's El Cajon facility.

"We feel his presence at Jet Air Inc. could pose potential problems

for witnesses in the case," Hardy said.

Straza's attorney, Peter Hughes, agreed to the condition, but said there was no cause for concern. "In truth and fact, there are no problems with respect to any personnel or witnesses from Mr. Straza," he said.

In an interview after the court hearing, Hardy explained: "If you have the man who's been boss of the company, and he's been indicted, and if he knows some of his employees out there may or may not be witnesses, you want to curtail any effect it may or may not have on them as far as their testimony."

Straza, who Hardy said is paid \$350,000 a year as a consultant to Jet Air, will be permitted to telephone company President James Mills, the company's general manager and his secretary.

Neither Straza nor Costa would comment after the hearing.

If convicted on all the charges, Straza faces a maximum sentence of 105 years in prison, while Costa faces a maximum penalty of 175 years in prison. Jet Air also faces \$15.5 million in fines.

Straza, a flamboyant 57-year-old businessman with extensive ties to San Diego politicians, is on probation from a 1984 conviction stemming from improprieties involving a \$2.4-million contract with the National Aeronautics and Space Administration to manufacture parts for the space shuttle.

In that case, Straza was accused of telling NASA that Jet Air had manufactured the shuttle parts—as the firm's part with primary con-

The new charges also could result in the revocation of Straza's probation on the 1984 conviction, which could lead to his imprisonment for 4½ years.

Statement by U.S. attorney

tractor Rockwell International required—when he actually had subcontracted the work to a Burbank company.

Under a plea bargain with federal prosecutors, Straza agreed to serve six months in prison and pay a \$680,000 fine to NASA. The space agency subsequently barred Straza from personally obtaining further contracts, but permitted Jet Air to continue as a contractor, with the understanding that Straza would serve the firm only as a consultant, not an officer.

U.S. Atty. Peter K. Nunez said Thursday that the new charges also could result in the revocation of Straza's probation on the 1984 conviction, which could lead to his imprisonment for 4½ years.

Jet Air employs 240 workers and has annual revenues exceeding \$12 million, according to Mills, a former state senator who became president of the firm in June, 1985—after the illegal acts cited in the indictment allegedly occurred. About 50% of Jet Air's business consists of government contracts, while the remainder is private work for airlines, Mills explained.

Several other San Diego area politicians also have become involved with Jet Air and Straza in

recent years. Prosecutors have said, however, that a 13-month investigation by the Defense Department and Air Force turned up no evidence of wrongdoing by any current or former elected officials.

Mills' predecessor as Jet Air president was former Rep. Bob Wilson (R-San Diego). In addition, both Reps. Bill Lowery (R-San Diego) and Duncan Hunter (R-Coronado) have interceded on the

company's behalf with federal officials in Washington in the wake of Straza's 1984 conviction.

Lowery, for example, spoke with former NASA administrator James Beggs and other NASA officials in an effort to ensure that Jet Air would not be precluded from bidding on government contracts because of Straza's conviction. Similarly, Hunter, saying that he wanted to make sure that Jet Air was "not officially left in limbo," asked federal officials to clarify the company's status as a potential bidder.

Both Lowery and Hunter insisted that their actions were motivated by their concern over the possible loss of local jobs if the company had been barred from performing government work.

"My job is to fight for defense jobs in my district," Hunter said.

"There's 200 people who carry lunch buckets in my district who work at that company, regardless of what happens with the individuals involved."

"I think preserving employment for several hundred people in San Diego . . . is worthy," Lowery said. "There has never been any allegations that any of them had done anything wrong."

Lowery, who does not own a house in San Diego, said that he has rented a Jet Air condominium during visits to San Diego. Lowery said that he stayed in the company's condo about 20 days in both 1984 and 1985, paying an average of about \$50 per day.

"I'm not responsible for the personal conduct of my landlord," Lowery said. "We had an arm's-length transaction."

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San Diego, California, Wednesday, Aug. 20, 1986

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Jet Air: flouting public interest

AMERICANS FOR the past year have been alternately amused and horrified by tales of corruption and cost overruns in national defense contracts. One day it would be headlines about \$600 toilet seats. The next day would bring news of grand jury investigations of multi-million-dollar cheating by major defense contractors. Gradually, we've become aware that defense contracting problems are serious indeed.

This month, San Diegans got a good look at a home-grown case of abuse that demonstrates the government's difficulty in policing an errant contractor and spotlights the cozy relationship between politics and government contractors. It may be that the government is more often the unwitting dupe of crooked contractors. But the saga of El Cajon's Jet Air Inc., and its owner, George T. Straza, is doubly disturbing in that it also demonstrates that the government and its representatives have sometimes chosen to ignore obvious signs of abuse.

As revealed in Tribune reporter Ann Perry's exhaustive investigation of Jet Air's activities over the past two years, the government continued to do business with Jet Air even after Straza pleaded guilty in 1984 and served time in federal prison for irregularities in making critical parts for the NASA space shuttles. Instead of placing Jet Air on the government's contractor blacklist, NASA agreed to an unusual arrangement under which only Straza — but not Jet Air — would be barred from doing business with the government.

Former San Diego Congressman Bob Wilson, once a ranking Republican on the House Armed Services Committee, and Rep. Bill Lowery, another San Diego Republican who was then a member of the House subcommittee on the space program — both of whom received campaign contributions from Straza — lobbied NASA to accept the plea bargain agreement. But even though Straza was debarred, NASA, incredibly, allowed him to work last year for Jet Air under a consulting contract that reportedly pays him an amount equal to his former \$300,000-plus annual salary. That consulting contract is likely to complicate NASA's belated investigation of whether Straza violated the terms of the plea-bargain agreement with the space agency.

Straza also received assistance from other local politicians. When NASA required Straza to step aside as president of Jet Air, day-to-day operations were turned over to a trustee-president: first Wilson, and then former state Senate President Pro Tem James Mills, D-San Diego. Meanwhile, Straza continued to represent Jet Air in seeking new contracts. And another Republican congressman, Rep. Duncan Hunter, recently helped Jet Air win a \$2 million contract to make jet engine burner cans. Both Mills and Hunter have been recipients of Straza's campaign largesse.

The plea-bargain agreement with NASA also meant that the government did not pursue allegations that Jet Air falsified X-rays of welds on parts considered critical to the safety of the shuttle Challenger; that Straza engaged in an illegal kickback scheme with an employee of Rockwell International who was instrumental in giving Straza space shuttle contracts; and that Straza improperly promoted himself as a member of group to help win government contracts. (The Jan. 28 explosion of the Challenger was due to a faulty seal on the booster rocket, not the shuttle itself.)

Now Straza is again under federal scrutiny — this time in connection with Jet Air's \$250,000 contract to overhaul jet engine parts from Kelly Air Force Base in San Antonio. The U.S. attorney's office and a federal grand jury in San Diego is looking into allegations that Jet Air illegally extracted and kept \$25,000 worth of gold from worn-out jet-engine air seals — gold which legally belongs to the government. Straza and another Jet Air official last week pleaded not guilty to charges they conspired to defraud the government.

Whatever the outcome of the current case, it's clear that mistakes in judgment were made by all parties involved in the earlier investigation of Jet Air. The U.S. attorney's office dropped its investigation of other serious allegations against Straza and Jet Air in order to get a plea-bargain agreement. NASA officials claimed they were only trying to protect Jet Air's 200 jobs by debarring only Straza instead of the company. But the space agency never should have agreed to the dubious arrangement of permitting local politicians to serve as figurehead presidents while Straza continued to work for Jet Air and represent it in seeking new contracts. And politicians like Wilson, Lowery, Mills and Hunter — all vociferous supporters of a strong national defense — have placed themselves in the compromising position of seeming to protect a campaign contributor and convicted felon at the expense of safety, cost and, possibly, the efficacy of the country's defense system.

If this is the sort of thing that happens in relatively small defense contracts with a relatively small company, one wonders whether it goes on in the mega-contracts with the nation's best-known defense giants.

By now, the solution is so obvious as to be a cliché: The government must be more effective in its monitoring of defense contracting; it must be ruthless in eliminating corruption, abuse and incompetence. Politicians must make protecting the public interest a higher priority than protecting political supporters and contributors. And the companies and personnel entrusted with building the components of the nation's defense must recognize that failure to do the job right endangers us all.

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Lowery election foe attacks congressman's use of Jet Air condo

By Rick Shaughnessy and Eddy McNeil
Tribune Staff Writers

Democratic congressional candidate Dan Kripke today sharply criticized use by Rep. Bill Lowery of a condominium owned by a troubled defense contractor for whom Lowery interceded with federal agencies.

Kripke, opposing Republican Lowery in the Nov. 4 election, called for congressional and Federal Election Commission investigations of the relationship between Lowery and Jet Air Inc. of El Cajon, owned by George T. Straza. He said Lowery's periodic use of the company's condominium is a breach of House Ethical Standards and violates federal law.

Lowery's use of the condominium was revealed by The Tribune in a story Aug. 5 that detailed Jet Air's legal troubles with the federal government and efforts by prominent politicians, including Lowery, to help the company.

A spokesman for Lowery denied Kripke's allegations and called them "outrageous and scurrilous."

Jet Air is a machining and metal-fabricating business. Straza was sentenced July 9, 1984, to federal prison for defrauding NASA. On the day Straza was sentenced, NASA began considering an action to prohibit Jet Air from working on the agency's projects. Lowery became one of Jet Air's strongest supporters in negotiations with NASA to retain the work.

A month after Straza's sentencing, a Lowery aide told The Tribune that the Lowery family, having sold its Kensington home, was renting a condominium at Le Rondelet, a development in Point Loma. Tax records indicate the condo at that time was owned by Jet Air.

On Feb. 7, 1985, Lowery wrote a personal check to Jet Air for \$1,200. A copy of the canceled check was provided for inspection yesterday. Lowery was reimbursed by his campaign committee on Feb. 11, 1985, according to campaign finance records.

Kripke, who has criticized Lowery for not keeping a home or an office within the 41st District, says the campaign's rent payment is a conversion to personal use of political funds. Kripke also contends that Lowery, by federal law, should have

disclosed expenditures for the condo on his 1984 campaign finance reports.

"Lodging at the Rondelet was an expense for the congressman's personal luxury and not a legitimate campaign expense," Kripke wrote to the Federal Election Commission. "To claim that the campaign paid for 1984 lodging in 1985 is to admit that this campaign expense was illegally omitted from 1984 Federal Election Commission reports."

Lowery was unavailable for comment. His spokesman, Karl Higgins, countered that "campaigning for Congress is full-time activity." He said the Federal Election Act "is very liberal in its interpretation on whether or not a member can have his campaign committee pay for his stay while he's out here (in San Diego)."

Higgins said Lowery settled his account with Jet Air when it came due. He said the fact it wasn't reported until 1985 might be explained if Jet Air had not billed Lowery until 1985.

Kripke also questioned whether the rent Lowery paid was the market value for such a condominium. He said published accounts of interviews with Lowery spokesmen indicate the congressman spent about 20 nights at the condo in 1984. Kripke said such accommodations are worth more than three times the \$1,200 Lowery paid the company and that the difference should have been reported either as a campaign contribution or personal gift from Jet Air.

Higgins said the Lowery organization is still unsure how many nights the congressman spent at the condo or how much he paid per night. Higgins said an analysis of whether the campaign paid the fair market value for the condominium awaits determination of those figures and may not be possible.

In a letter to Rep. Julian Dixon, chairman of the House Committee on Standards of Official Conduct, Kripke said he believed that Lowery had violated the provisions of the House Standard on Appearance of Influence that states: "Members ... should not accept favors or benefits for themselves or their families under circumstances which might be construed by reasonable persons as influencing the performance of governmental duties."

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Election foe questions Lowery



File photo

Dan Kripke

By John Marelius
Staff Writer

Democratic congressional candidate Dan Kripke yesterday accused Republican incumbent Bill Lowery of accepting favors from an embattled San Diego defense contractor in exchange for intervention with federal authorities.

Kripke asked the Federal Election Commission and the House Committee on Standards of Official Conduct to look into whether Lowery broke the law by using a luxury San Diego condominium owned by Jet Air of El Cajon while lobbying federal agencies on Jet Air's behalf in 1984.

"He's been unethical. He's broken the law. He's provided a crooked defense contractor the opportunity to damage national security," Kripke told a press conference outside the Rondolet condominium complex on

Shelter Island Drive.

Lowery spokesman Karl Higgins called Kripke's charges "scurrilous and deceitful."

"There has been full and complete compliance with FEC laws," said Higgins. "I think these charges are not worth the paper they're printed on."

At issue is Lowery's use of a luxury condominium owned by Jet Air for an undetermined number of days in 1984 and 1985.

George Straza, owner of Jet Air — which manufactures parts for the space shuttle and other aerospace projects — was sentenced to federal prison in 1984 for defrauding NASA. Straza was indicted again Aug. 14 on charges of stealing gold from machine parts and falsifying inspection reports.

Lowery interceded on Jet Air's be-

use of luxury Jet Air condo

half after Straza's 1984 conviction to keep the company from being removed from NASA's list of qualified contractors.

Higgins said Lowery was not acting on Straza's behalf, but on behalf of Jet Air's 200 or so employees.

"He has an overriding concern for the guy who carries his lunch box out to El Cajon every day who happens to live in Bill Lowery's district," Higgins said. He said the congressman was on his way back to Washington from Costa Rica yesterday and could not be reached for comment.

Lowery no longer owns a home in San Diego, and stayed at the Jet Air condominium on a number of occasions in 1984 and 1985. Campaign records show he sent Jet Air a personal check for \$1,200 in February 1985 and then charged the expense to his campaign fund.

"Lodging at the Rondolet was an expense for the congressman's personal luxury and not a legitimate campaign expense," said Kripke.

Even if the \$1,200 check was compensation for the use of the condominium an estimated 20 times in 1984, it comes nowhere near covering the cost of such a luxurious unit, Kripke said.

Higgins characterized Lowery's use of the condominium as "strictly business between Bill Lowery and Jet Air, not Bill Lowery and George Straza."

As for the rent on the unit, he said, "They billed at the end of the year and he sent a check."

Of the unusually low rate that was charged, Higgins said, "This is not a hotel. Bill is not a regular visitor so that they charged him a per-night rate."



File photo

Bill Lowery

8 8 0 4 0 6 7 3 9 4 0

Opponent Accuses Lowery of Election Law Violations

By TOWNSEND DAVIS, Times Staff Writer

Los Angeles Times

Wednesday, August 27, 1986

Editorial Pages

CC/Part II

3941

LOWERY: Alleged Violations of Election Law

Continued from Page 1
\$1,200 each on Feb. 7, 1985, and Feb. 11, 1986—months after the visits—and was later reimbursed with campaign funds.

Before this month's indictment, Straza was on probation from a conviction in 1984 stemming from improprieties involving a \$2.4-million contract with the National Aeronautics and Space Administration. Jet Air was to manufacture parts for the space shuttle, but Straza was accused of telling the space agency his company did the work when it was actually performed by a subcontractor in Burbank.

After the 1984 conviction, Lowery spoke with former NASA administrator James Beggs and other agency officials to make sure Straza's firm wouldn't be shut out from bidding on other government contracts.

That means Lowery may have violated House ethics guidelines when he also accepted the hospitality of Jet Air by using its condominium, Kripke charged.

Kripke also said Tuesday that the visits could not be considered

campaign expenses, especially in the non-election year of 1985. Even if they were campaign expenses, Kripke said, the \$2,400 paid was well below market value for 40 nights, at an average cost of \$60 a night.

As a comparison, the Democratic challenger released copies of rate cards for six Point Loma and Shelter Island hotels, where rooms cost \$100 to \$400 a night.

A Rondelet homeowner said Tuesday that a unit similar to Jet Air's sold a few years ago for \$400,000.

A spokesman for Jet Air declined to state the value of the condominium unit or how much it rents for, but an attorney for the company said it was primarily for visitors doing business with Jet Air.

Higgins said Lowery paid market value for the rooms and that the FEC would rule on whether the visits were campaign expenses. He said Lowery stayed at Le Rondelet because it is near downtown, but said he did not know what days Lowery stayed there.

"Lowery was billed at the end of the year for his casual and infre-

The Democratic challenger to U.S. Rep. Bill Lowery charged Tuesday that Lowery violated campaign finance and ethics laws by using the San Diego condominium of a defense contractor now under indictment for defrauding the government.

Dr. Dan Kripke said Lowery, a Republican who represents the 41st Congressional District, failed to report the full value of his use in 1984 and 1985 of a luxury, three-bedroom unit at the Le Rondelet condominium complex in Point Loma. The condominium is owned by Jet Air Inc., an El Cajon jet parts manufacturer that, along with its owner George T. Straza, was indicted this month on felony charges of defrauding the government of \$250,000 in an Air Force contract.

Kripke, a 44-year-old psychiatrist, said he has sent formal com-

plaints about the matter to the Federal Election Commission and to the House Committee on Standards of Official Conduct in Washington.

Lowery, who does not own a home in San Diego and sometimes stays with his mother in Tierrasanta, has said he stayed at the penthouse Rondelet unit about 20 times in both 1984 and 1985. Lowery was unavailable for comment Tuesday but Karl Higgins, his campaign manager, said the visits were legitimate campaign expenses.

"The Rondelet is one of a number of places that Bill Lowery stays at," Higgins said. "The bottom line is we paid for the stuff."

Higgins said Lowery wrote two personal checks to Jet Air for
Please see **LOWERY**, Page 2

quent use of the Rondelet," Higgins said. "I'd be surprised if Jet Air is someone who sends out monthly bills."

He said Lowery's lobbying for Jet Air during the same year he stayed at the company's condominium were "two unrelated coincidences" and that Lowery had, on occasion, been forced to leave the condo to make room for other Jet Air guests or employees.

He said that Kripke's charges were groundless. "I think that our opponent is a professional muckraker," Higgins said. "This is a continuation of this campaign by harassment and headline, and I fully expect the FEC will vindicate him [Lowery] again."

"I think we've reached the silly season," Higgins said. "We'd love to campaign on things like the border and drugs and offshore drilling . . . but for someone running for a federal office, Dan Kripke is incredibly and dangerously ignorant of local issues."

Kripke said the Le Rondelet visits showed the congressman received favors for defending a troubled defense contractor.

"It's very serious," Kripke said. "The congressman was willing to provide for Jet Air to cheat the government and threaten our national defense . . . to imperil our fighter pilots."

"I believe they don't want to disclose those dates [of use of the condominium] because they would have trouble proving that they were campaign activities then. To escape one violation, they just fall into another. There's just no way this is honest. . . . It's a sweetheart deal that they can't conceal."

Mike McCabe, a Jet Air attorney, also said Tuesday that former state Sen. James R. Mills resigned as company president Thursday for "a variety of reasons." A federal grand jury in San Diego indicted Jet Air and Straza on Aug. 14 on 3 counts of defrauding the federal government by not disclosing the company's failure to complete required quality inspections on engine seals in the Air Force's F-15 and F-16 jets.

McCabe said Mills' resignation was effective immediately and that a new president will be sought in the next two weeks.

The San Diego Union

Col. Ira C. Copley, 1864 - 1947
James S. Copley, 1916 - 1973

Editorials/Opinion

Helen K. Copley, Publisher
Gerald L. Warren, Editor

Page B-8

A Copley Newspaper

Tuesday, September 2, 1986

The Jet Air mess

The recent federal grand jury indictment of Jet Air Inc. and its owner George T. Straza is the latest in a series of troubling developments involving the El Cajon aerospace firm. The Jet Air scandal is significant because it raises serious questions not just about the company and Mr. Straza, but about federal contracting practices and congressional lobbying on behalf of Mr. Straza and his firm.

Jet Air, Mr. Straza, and Joao Jaime Costa, a company vice president, were charged in a 31-count indictment that alleges they stole \$25,000 worth of gold and lied about work performed under a \$276,000 contract to rebuild jet-engine seals for Air Force F-15 and F-16 fighters. This is not the first time Mr. Straza and his company have been accused of falsifying quality-control records on government contracts.

From 1977 to 1980, Jet Air was a subcontractor for Rockwell International and built critical parts of the space shuttle. Or so NASA thought. But Jet Air subcontracted part of the work to another machine shop — a viola-

tion of NASA quality-control regulations. Moreover, Jet Air falsified records to disguise the unauthorized subcontracting.

Under a plea-bargain arrangement, Mr. Straza pleaded guilty in 1984 to a single felony charge of lying to NASA about the subcontracting. As part of the plea-bargain, NASA barred Mr. Straza, but not Jet Air, from government contracts until August 1987. But NASA permitted Jet Air to hire Mr. Straza as a consultant, at a reported \$300,000 a year salary. Some banishment.

After intensive lobbying by former and present members of the San Diego congressional delegation, NASA not only did not bar Jet Air from government contracts, but failed to disclose to other federal agencies the serious nature of its problems with Jet Air. Thus, when the Air Force selected Jet Air to rebuild the jet-engine seals, its contract officers apparently were unaware of a NASA report alleging that "the falsification of quality-control documents, substitution of X-rays, usage of duplicate inspection employee stamps and the performance of unauthorized

rework were not uncommon at Jet Air" while it was working on the shuttle program.

Among the San Diegans who lobbied NASA to permit Jet Air to remain eligible for government contracts were former Rep. Bob Wilson and Reps. Duncan Hunter and Bill Lowery. Each previously had received campaign contributions from Mr. Straza, and Rep. Lowery has stayed at a Jet Air-owned condominium where he paid below-market rental rates during visits to his San Diego district.

The congressmen say their lobbying efforts were an attempt to save the jobs of 200 Jet Air employees. That's a laudable goal, but at what cost? Alleged defects in engine seals that Jet Air returned to the Air Force could cause the crash of a \$27 million F-15 fighter and the death of its pilot.

Congressmen clearly have an obligation to help their constituents, be they individuals or companies. But they have a greater obligation to ensure that taxpayers and the Defense Department are getting their money's worth from contractors. In the case of Jet Air, it appears they are not.

Diego and now I have to put up with this?" he says testily. He says he supports restoring the Gaslamp Quarter, in which his campaign office and the Pleasureland bookstore share a building with other tenants. He says renewal of the quarter will help all of San Diego, including his district, which begins about six blocks away.

For more than eight months, Democrat Dan Kripke, the La Jolla psychiatrist seeking to unseat Lowery, has been leveling charges at the three-term incumbent Republican.

REP. BILL LOWERY

Incumbent in yuppie district

Some of those efforts, such as his attempt to link Lowery to pornography, have been pretty much ignored by news agencies.

Others, like his charges that the congressman acted illegally and unethically when he stayed in the

DAN KRIPKE

La Jolla psychiatrist

Point Loma condominium of a troubled defense subcontractor, have generated some news coverage.

On the whole, though, Kripke's barrage in the early goings of the campaign does not appear to have Please see CONGRESS, A-10

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Page 1!

THE TRIBUNE

Tuesday, September 9, 1986

Lowery, Kripke square off

Challenger's charges keep Congress race lively

By Rick Shaughnessy
Tribune Staff Writer

At 9:30 p.m. the politician goes to the phone.

"Congressman, your opponent released a statement saying you shouldn't keep your campaign office in a building that also houses an adult bookstore," says the reporter. "Do you have a response?"

Rep. Bill Lowery sighs audibly, then begins speaking in angry tones.

"I've spent all day in meetings trying to keep offshore rigs off San Diego and now I have to put up with this?" he says testily. He says he supports restoring the Gaslamp Quarter, in which his campaign office and the Pleasureland bookstore share a building with other tenants. He says renewal of the quarter will help all of San Diego, including his district, which begins about six blocks away.

For more than eight months, Democrat Dan Kripke, the La Jolla psychiatrist seeking to unseat Lowery, has been leveling charges at the three-term incumbent Republican.



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On the the whole, though, Kripke's barrage in the early goings of the campaign does not appear to have
Please see CONGRESS, A-10

page 1!

★Congress

Continued From Page 1

shaken the base of support enjoyed by Lowery in the 41st Congressional District, which includes San Diego County beach communities from Point Loma to Solana Beach and inland communities from Rancho Bernardo to Hillcrest.

At a fund-raising cocktail party last week, Lowery asked supporters to adopt his strategy of ignoring the attacks. "Every two years at this time we start the silly season," he said.

The race is one of contrasts.

Kripke is a scholar, a veteran, a Democrat, a product of the Atlantic seaboard, and an unpolished campaigner.

Lowery is a college and law-school dropout, a San Diego native, a Vietnam-era youth made ineligible for the draft by a football injury, and a savvy political operator in San Diego Republican politics.

Lowery says he began politicking at the age of 12, when he stuffed envelopes for Republican candidates and carted brochures around San Diego neighborhoods in his wagon.

In later years he was president of College Republicans at San Diego State College, a political consultant and co-founder of the successful California Group, and a San Diego city councilman.

As a member of Congress at home in San Diego, he exudes confidence with a near-condescending stump style that draws on boyish good looks and a soft-spoken delivery.

He conveys an image of youth and affluence in a young and affluent district.

Nearly 40 percent of the population in the 41st Congressional District consists of unmarried adults — a percentage greater than that in any of the three other San Diego-based congressional districts. The median housing value for the district was \$107,000 in 1980. Nearly half of the district's residents rent their homes, according to U.S. Census reports.

Predictably, challenger Kripke says incumbent Lowery is ideologically out of touch with such a constituency.

"You might call it a yuppie district," says Kripke, who specializes in sleep disorders at the Veterans Administration Hospital in La Jolla. The district has one of the largest college populations in the state and is well below the state average in poor and minority residents, he says.

However, given the popularity of President Reagan with the young and the affluent, it would appear that Lowery, who supported the president in 1985 on 71 percent of his votes,

might be held in high esteem by the voters of the district, who went for Reagan by a nearly 2-1 margin over challenger Walter Mondale in 1984.

Consider also this Almanac of American Politics' assessment of Lowery: "After the 1984 election, Lowery got a seat on (the) Appropriations (Committee) from which he should be able to look after San Diego's military and other parochial interests as well as to advance his views on national issues, which seem thoroughly in line with those of his constituents."

Not so, says Kripke.

"The district has about the highest percentage of single working women in the state," he says. "Lowery is anti-woman. He's against the ERA, equal pay for equal work, abortion when the mother's life is in danger, and family planning," Kripke says.

Lowery scoffs at the accusations.

He says he favors the Equal Rights Amendment and voted against it only once. That was a showing of opposition to Speaker of the House Tip O'Neill's "blatantly political" attempt to seek passage of the measure without debate.

"I would never support passing any constitutional amendment on that basis. That's used for non-controversial measures," he said.

The record of congressional votes indicates that, contrary to Kripke's claims, Lowery voted for a measure that would limit federal funding of abortions to cases where the life of the mother is in danger.

"I support equal rights for women as well as for the unborn. I don't think they're inconsistent at all," Lowery says. "When the mother's life is in danger I think that (abortion) would be a proper medical procedure."

Lowery calls Kripke's "anti-woman" tag "bogus." He says he received a majority of women's votes in the district in each of his past elections.

Kripke's second assault on Lowery is on veterans' issues. More than half the residents of the district are veterans or spouses of veterans, Kripke says. He says Lowery has voted consistently to cut veterans' benefits.

"Rambo was angry about communists and betraying politicians stabbing him in the back," Kripke says. "Lowery is one of those betraying politicians." On top of that, he adds, "he's a war wimp."

"An eyewitness saw him marching in favor of the war in Vietnam and then he went down to the draft board saying he had a sore shoulder," Kripke says.

Lowery says he has no recollection of having marched in favor of the war in Vietnam while a student at

San Diego State. "I have felt that it was a mistake for the U.S. to commit ground troops in Southeast Asia."

Lowery received the endorsement of the Veterans of Foreign Wars in June as a result of his votes on defense and veterans' issues.

Lowery has retained his poise through most of Kripke's attacks.

Early in the race, Kripke challenged Lowery on his lack of residence, campaign office or congressional office in the district.

The challenge was similar to a charge Lowery made in his first campaign for Congress, when he ran newspaper ads that called his opponent "Sacramento Bob Wilson."

"Perhaps the reason Sacramento Bob Wilson isn't more concerned about the quality of life in San Diego is because he owns his home in Sacramento, five properties in Sacramento and none in San Diego," the ad said.

Lowery responds to Kripke's charge of absenteeism by stating that he is not required by law to maintain a home in his district.

He says his case is different from his former opponent Wilson's because there can be no doubt that Lowery's roots and interests are in San Diego while Wilson's were in Sacramento.

"I've owned a home. I've paid property taxes in San Diego. Wilson never did," Lowery said. He says he has invested in an apartment building in Del Mar, in the northern reaches of the district.

Most damaging to Lowery has been a recent spate of stories documenting Lowery's ties to the El Cajon-based Jet Air Inc., owned by businessman and felon George Straza.

The congressman wrote a personal check dated Feb. 7, 1985, for \$1,200 to Jet Air for use of the company's luxury condominium. His campaign committee reimbursed him for the expense a few days later, according to federal records. A second personal check for the same amount and dated Feb. 11, 1986, was written to Jet Air for 1985 lodgings. Again Lowery's campaign committee reimbursed the congressman, records show.

Lowery told one reporter he stayed 20 nights in the condo in 1985. Spokesmen for the congressman repeated that statement and said he also stayed 20 nights in the condo in 1984.

However, in light of Kripke's charge to the Federal Elections Commission and House Ethics Committee, that \$60 a night is not the market value for accommodations at the condo. Lowery and his staff are re-evaluating those statements.

Lowery says he is trying to reconstruct his calendars from 1985 to 1986 to determine how many times he stayed at the condominium. He says the complaints to federal agencies are an attempted smear.

"Charges were made in the campaign, interestingly enough, the same week — the last week of August, which coincidentally is enough time to get the issues solved with the (Federal Elections Commission)" before the election, said.

Kripke no longer appears as optimistic as he was in January when announced his candidacy.

If he doesn't win, Kripke says, he will be happy to have helped publicize what he sees as Lowery's shortcomings.

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Voter affidavit

30

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STATE OF CALIFORNIA
COUNTY OF SAN DIEGO

Form for David Lowery

NAME: William David Lowery

RESIDENCE: 9863 Guisante Terrace, San Diego, CA 92124

MAILING ADDRESS: 7712 Lear Road, McLean, VA 22102

BIRTH: 5/2/47

OCCUPATION: Congressman

PARTY: Republican

AFFIDAVIT NUMBER: 7420001

NAME: LOWERY, WILLIAM D.

REGISTRATION DATE: 10-15-84

BATCH NUMBER: 24-4181

PRECINCT NUMBER: 17121

Signature: William D. Lowery 9/19/84

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PRIOR REGISTRATION: William D. Lowery, 5550 Westminster Terrace, San Diego, CA

OFFICE USE: 215

STATE OF CALIFORNIA
COUNTY OF SAN DIEGO

Form for VAUGHAN

NAME: VAUGHAN

RESIDENCE: 3730 CA, NATIONAL

MAILING ADDRESS: 21281, SAN DIEGO

PARTY: American Independent Party

Form for VAUGHAN LOWERY

NAME: VAUGHAN LOWERY

RESIDENCE: 451 OAK PLACE

REGISTRO PREVIO

Voter affidavit
From microfilm
dated 9/29/84
residence at 4563
Guisante Terrace,
San Diego

SCHEDULE B

**ITEMIZED DISBURSEMENTS
OPERATING EXPENDITURES**

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Name of Committee (in Full)

Citizens to Re-Elect Congressman Bill Lowery #C00121038

A. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Dorsee Productions 832 Fifth Avenue San Diego, CA 92101	Fund raising fee Disbursement for: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	2/1/85	\$ 1,500.00
B. Full Name, Mailing Address and ZIP Code Pacific Telephone Van Nuys, CA 91388	Telephone service Disbursement for: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	2/1/85	150.47
C. Full Name, Mailing Address and ZIP Code Miller/Roos/Guerrero & Co. 1200 Third Avenue, Suite 700 San Diego, CA 92101	Accounting fee Disbursement for: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	2/4/85	1,600.00
D. Full Name, Mailing Address and ZIP Code Gene Gregston 880 Front Street, Room 6S-15 San Diego, CA 92188	Meeting exp. with constituents all under \$200 Disbursement for: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	2/7/85	308.73
E. Full Name, Mailing Address and ZIP Code Pacifica Travel 5103 Linda Vista Road San Diego, CA 92110	Air fare Disbursement for: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	2/8/85	340.00
F. Full Name, Mailing Address and ZIP Code Bill Lowery 7712 Lear Road McLean, VA 22102	Reimb: Lodging During Campaign Disbursement for: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	2/11/85	1,200.00
G. Full Name, Mailing Address and ZIP Code Dorsee Productions 832 Fifth Avenue San Diego, CA 92101	Reimb.: Fund raising Telephone charges Disbursement for: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	2/12/85	367.01
H. Full Name, Mailing Address and ZIP Code Lehr's Greenhouse 2828 Camino del Rio South San Diego, CA 92108	Banquet deposit Disbursement for: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	2/15/85	200.00
I. Full Name, Mailing Address and ZIP Code U. S. Postmaster San Diego, CA	Postage Disbursement for: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	2/15/85	350.00
SUBTOTAL of Disbursements This Page (optional)			6,016.21
TOTAL This Period (last page this line number only)			

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SCHEDULE B

**ITEMIZED DISBURSEMENTS
OPERATING EXPENDITURES**

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Name of Committee (in Full)

Friends of Congressman Bill Lowery

#C00121038

A. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Miller/Roos & Co. 1200 Third Avenue, #700 San Diego, CA 92101	Fee Disbursement for: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	4/1/86	\$ 600.00
B. Full Name, Mailing Address and ZIP Code U. S. Postmaster Washington, D. C.	Postage Disbursement for: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	4/2/86	506.00
C. Full Name, Mailing Address and ZIP Code Karl Higgins 4620 Edgeware San Diego, CA 92116	Campaign expenses all under \$200 Disbursement for: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	4/2/86	239.30
D. Full Name, Mailing Address and ZIP Code Spirit of '76 Tours 1900 Kendall Street, N.E. Washington, D. C. 20002	Fund raising Shuttle service Disbursement for: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	4/7/86	247.50
E. Full Name, Mailing Address and ZIP Code Ballonatik 4478 1/2 - 30th Street San Diego, CA 92116	Fund raising decorations Disbursement for: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	4/12/86	650.00
F. Full Name, Mailing Address and ZIP Code Miller/Roos & Co. 1200 Third Avenue, Suite 700 San Diego, CA 92101	Fee Disbursement for: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	4/18/86	1,000.00
G. Full Name, Mailing Address and ZIP Code Miller/Roos & Co. 1200 Third Avenue, Suite 700 San Diego, CA 92101	Computer fee Disbursement for: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	4/22/86	948.80
H. Full Name, Mailing Address and ZIP Code The Hunt Room 406 First Street, S.E. Washington, D. C. 20515	San Diego Chamber of Commerce reception Disbursement for: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	4/25/86	780.50
I. Full Name, Mailing Address and ZIP Code Bill Lowery 1440 Longworth Building Washington, D. C. 20515	Reimb. for: Lodging while campaigning Disbursement for: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):	4/28/86	1,200.00
SUBTOTAL of Disbursements This Page (optional)			6,172.10
TOTAL This Period (last page this line number only)			

98040673949



THE CLERK OF THE HOUSE

HOUSE OF REPRESENTATIVES

DEPARTMENT OF THE CLERK

REPORT
OF THE
CLERK OF THE
HOUSE

FROM

January 1, 1985, to March 31, 1985



MAY 21, 1985 — Referred to the Committee on House Administration,
ordered to be printed.

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON, D.C.

(S) Amount

.....	7,333 50
.....	5,116 66
.....	3,750 00
.....	2,794 50
.....	8,074 26
.....	1,000 00
.....	6,033 24
.....	201 37
.....	147 00
.....	2,483 10
.....	(8,445 46
.....	9,073 09
AGENCIES.....	11 50
.....	199 95
AGENCIES.....	3 70
.....	130 82
.....	6 80
.....	2 00
.....	200 00
.....	402 41
.....	152 24
.....	83 28
.....	143 13
.....	150 00
.....	13 69
.....	199 95
.....	3,350 00
.....	145 56
.....	6 69
.....	20 00
.....	10 00
.....	6 10
RETURN BY CONGRESSMAN.....	559 00
RETURN BY BEN HADDAD.....	350 00
.....	201 39
.....	147 33
.....	9 35
BUSINESS.....	142 36
BUSINESS.....	114 08
.....	102 00
SAL BUSINESS.....	9 00
TO WASH, DC AND RETURN BY KAREN DALY.....	409 00

.....	41 48
.....	86 88
.....	48 00
.....	84 24
.....	27 12
.....	75 83
.....	2,000 00
.....	24 00
.....	2,372 06
.....	(15 06)
.....	241 54
.....	195 00
.....	396 00
.....	305 91
.....	2 00
.....	11 00
TO WASHINGTON AND RETURN BY GENE.....	419 00
.....	760 57
MESS.....	37 00
WHILE MEETING W/PRESS PEOPLE RE.....	195 81
.....	28 00
.....	2,796 50
.....	5,855 00
.....	24 42
.....	300 86
.....	24 96
BUSINESS.....	221 82
.....	199 95
.....	31 44
.....	10 00
SS INCLUDES 1 MEAL.....	112 83
.....	9 30
DC AND RETURN.....	514 00
.....	136 08
.....	51 60
.....	191 48
.....	7 34
.....	74 64
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.....	45 20
RETURN BY CONGRESSMAN.....	554 00
.....	499 68
.....	5 80
.....	6 00
R MILE.....	147 60
DC BY CONGRESSMAN.....	129 00
.....	10 75
.....	250 00
.....	511 58
.....	400 00
.....	3,923 70

STATEMENT OF DISBURSEMENTS

Date Voucher No. Payee Service dates Location (8) Amount

LBJ INTERNS, MEMBERS CLERK HIRE AND OFFICIAL EXPENSES OF MEMBERS—Con.

OFFICE OF THE HON. BILL LOWERY—Con.

		MCPEAK, DOROTHY	01/01/85-03/31/85	OFFICE MANAGER/PERSONAL SECRETARY	7,333.50
		MEYER, DONA L.	01/01/85-03/31/85	DISTRICT OFFICE MANAGER	5,116.66
		MORRIS, MARY BERTINA	01/01/85-03/31/85	RECEPTIONIST	3,750.00
		RYAN, JAMES F.	01/01/85-03/31/85	FIELD REPRESENTATIVE	2,794.50
		SHEETZ, PATRICIA ANDERSON	01/01/85-03/31/85	PRESS SECRETARY	8,074.26
		SWEETING, GREGORY	01/16/85-03/31/85	D.C. INTERN	1,000.00
		ZANOTTI, GINA	01/01/85-03/31/85	DISTRICT REPRESENTATIVE	6,033.24
EXPENSES					
01-25	5023770014	CHESAPEAKE & POTOMAC TELEPHONE CO.	11/01/84-11/30/84	LOCAL EQUIPMENT CHARGE	201.37
01-25	5023820018	Do	11/01/84-11/30/84	LOCAL TELEPHONE SERVICE	147.00
01-31	5031900484	(EQUIPMENT ALLOWANCE CHARGED)	01/01/85-01/31/85		2,493.10
01-31	5032360014	(STATIONERY ALLOWANCE CHARGED)	01/31/85	CREDIT FOR 1984	(8,445.46
01-31	5032440013	Do	01/01/85-01/31/85		9,073.09
02-05	5035400004	TED CHANG	01/18/85	REIMB FOR TAXI FARES WHILE ON OFFICIAL BUSINESS TO GOV'T AGENCIES	11.50
02-05	5035400001	GENERAL SERVICES ADMINISTRATION	01/22/85	TELEPHONE CHARGES	199.95
02-05	5035400005	BENJAMIN A HADDAD	01/04/85	REIMB FOR TAXI FARES WHILE ON OFFICIAL BUSINESS TO GOV'T AGENCIES	3.70
02-05	5035400002	PACIFIC BELL	01/08/85-02/07/85	TELEPHONE CHARGES	130.82
02-05	5035400003	Do	01/08/85-02/07/85	AT&T TOLLS	6.80
02-12	5039320002	TED CHANG	01/28/85	TAXI FARE REIMBURSEMENT WHILE ON OFFICIAL BUSINESS	2.00
02-12	5039320003	CONGRESSIONAL TRAVEL AND TOURISM CAUCUS	01/29/85	ANNUAL MEMBERSHIP DUES	200.00
02-12	5039320001	GSA, OAD, FINANCE DIVISION	01/29/85	STATIONERY ITEMS FOR D.O.	402.41
02-13	5042250020	AT&T INFORMATION SYSTEMS	12/01/84-12/31/84	TELEPHONE SERVICE	152.24
02-13	5042250017	C & P TELEPHONE	11/01/84-11/30/84	TELEPHONE CHARGES	83.28
02-13	5042250018	Do	12/01/84-12/31/84	TELEPHONE SERVICE	143.13
02-13	5042250019	ENVIRONMENTAL & ENERGY STUDY CONFERENCE	01/01/85-01/01/86	ANNUAL MEMBERSHIP DUES	150.00
02-13	5042250020	GENERAL SERVICES ADMINISTRATION	11/30/84	STATIONERY ITEMS, DISTRICT OFFICE	13.69
02-13	5042250007	Do	12/22/84	TELEPHONE SERVICES	199.95
02-13	5042250009	ITT DIALCOM	12/20/84-12/31/84	BATCH SERVICES, ENTRY	3,350.02
02-13	5042250015	PACIFIC BELL	12/08/84-01/08/85	TELEPHONE SERVICES	145.56
02-13	5042250016	Do	12/08/84-01/08/85	AT&T COMMUNICATIONS	6.69
02-13	5042250012	POMERADO PUBLISHING PENASQUITOS NEWS	01/17/85-01/16/86	ANNUAL SUBSCRIPTION - DISTRICT OFFICE	20.00
02-13	5042250013	RANCHO BERNARDO JOURNAL	12/15/84-12/14/85	ANNUAL SUBSCRIPTION - DISTRICT OFFICE	10.00
02-13	5042250014	SAN DIEGO OFFICE SUPPLY	11/28/84	STATIONERY ITEMS FOR DISTRICT OFFICE	6.10
02-13	5042250011	WASHINGTON TRAVEL CENTER	12/12/84-12/16/84	R/T AIRFARE FROM WASHINGTON TO DISTRICT (SAN DIEGO) AND RETURN BY CONGRESSMAN	559.00
02-13	5042250010	Do	12/14/84-12/28/84	R/T AIRFARE FROM WASHINGTON TO DISTRICT (SAN DIEGO) AND RETURN BY BEN HADDAD	350.00
02-13	5042920013	CHESAPEAKE & POTOMAC TELEPHONE CO.	12/01/84-12/31/84	LOCAL EQUIPMENT CHARGE	201.39
02-11	5043680016	Do	12/01/84-12/31/84	LOCAL TELEPHONE SERVICE	147.33
02-19	5043340010	POSTMASTER	01/14/85	EXPRESS MAIL TO DISTRICT	9.35
02-22	5047800013	ENTERPRISE RENT-A-CAR	11/17/84-11/21/84	RENTAL CAR FOR CONGRESSMAN WHILE IN DISTRICT ON OFFICIAL BUSINESS	142.36
02-22	5047800014	Do	12/13/84-12/17/84	RENTAL CAR FOR CONGRESSMAN WHILE IN DISTRICT ON OFFICIAL BUSINESS	114.08
02-26	5050650002	KAREN DALY	01/07/85-01/30/85	MILEAGE REIMBURSEMENT DISTRICT TRAVEL 425 MI AT 24/MI	102.00
02-26	5050650008	Do	02/02/85	REIMBURSEMENT FOR TAXI FARE FROM AIRPORT WHILE ON OFFICIAL BUSINESS	8.00
02-26	5050650007	Do	02/02/85-02/12/85	REIMBURSEMENT FOR R/T AIRFARE FROM DISTRICT SAN DIEGO TO WASH, DC AND RETURN BY KAREN DALY	409.00

02-26	5050650009	Do	02/07/85-02/10/85	REIMBURSEMENT FOR MEALS WHILE ON OFFICIAL BUSINESS	41.48
02-26	5050650004	KARL B HIGGINS	01/07/85-01/31/85	MILEAGE REIMBURSEMENT DISTRICT TRAVEL 362 MI AT 24/MI	86.88
02-26	5050650005	STEPHEN A LINDSLEY	01/02/85-01/31/85	MILEAGE REIMBURSEMENT DISTRICT TRAVEL 200 MILES AT 24/MI	48.60
02-26	5050650001	DONA L MEYER	01/02/85-01/29/85	REIMBURSEMENT FOR MILEAGE DISTRICT TRAVEL 351 MI AT 24/MI	84.24
02-26	5050650003	JAMES F RYAN	01/08/85-01/14/85	MILEAGE REIMBURSEMENT DISTRICT TRAVEL 113 MI AT 24/MI	27.12
02-26	5050650006	SAN DIEGO OFFICE SUPPLY	12/28/84	STATIONERY SUPPLIES FOR DISTRICT OFFICE	75.83
02-28	5058580023	POSTMASTER	02/19/85	STAMPS - 22¢	2,000.00
02-28	5058580024	Do	02/19/85	12 ROLLS OF 2¢ STAMPS	24.00
02-28	5059900478	(EQUIPMENT ALLOWANCE CHARGED)	02/01/85-02/28/85		2,372.06
02-28	5060350004	(STATIONERY ALLOWANCE CHARGED)	02/28/85		(15.06
02-28	5060450033	Do	02/01/85-02/28/85	CREDIT	241.54
02-28	5060700010	(PHOTOGRAPHIC SERVICES CHARGED)	02/01/85-02/28/85		195.06
03-07	5058230001	ALLENS PRESS CLIPPING BUREAU	01/01/85-12/31/86	ANNUAL SUBSCRIPTION FOR WASHINGTON DC CLIPPING SERVICE	396.00
03-07	5058230004	AT&T INFORMATION SYSTEMS	01/01/85-01/31/85	TELEPHONE EQUIPMENT SERVICES	305.91
03-07	5058230010	RANDALL K BROBERG	01/18/85	REIMBURSEMENT FOR TAXI FARE WHILE ON OFFICIAL BUSINESS	2.00
03-07	5058230005	FEDERAL EXPRESS CORP	12/19/84	EXPRESS MAIL TO DISTRICT	11.00
03-07	5058230006	RICHARD GENE GREGSTON	01/18/85-01/25/85	REIMBURSEMENT FOR R/T AIRFARE FROM DISTRICT (SAN DIEGO) TO WASHINGTON AND RETURN BY GENE GREGSTON	419.00
03-07	5058230008	Do	01/18/85-01/25/85	REIMBURSEMENT FOR HOTEL WHILE IN DC ON OFFICIAL BUSINESS	760.57
03-07	5058230007	Do	01/20/85-01/25/85	REIMBURSEMENT FOR TAXI FARES WHILE IN DC ON OFFICIAL BUSINESS	37.00
03-07	5058230009	Do	01/20/85-01/25/85	REIMBURSEMENT FOR MEALS WHILE IN DC ON OFFICIAL BUSINESS WHILE MEETING W/PRESS PEOPLE RE. DISTRICT	195.81
03-07	5058230002	ITT DIALCOM	11/20/84-12/10/84	DELIVERY AND PICKUP OF DATA MATERIALS	28.00
03-07	5058230003	Do	11/30/84	DATA DELIVERY	2,796.50
03-07	5063650025	GENERAL SERVICES ADMINISTRATION	01/01/85-03/31/85	RENT SAN DIEGO, CA	5,855.00
03-19	5073430015	C & P TELEPHONE	01/01/85-01/31/85	TELEPHONE CHARGES, DC - TOLL CALLS	24.42
03-19	5073430014	CONGRESSIONAL ARTS CAUCUS	03/05/85-12/31/85	1985 MEMBERSHIP DUES	300.00
03-19	5073430019	KAREN DALY	02/16/85-02/26/85	MILEAGE REIMB, DISTRICT TRAVEL 104 MILES AT 24/MILE	24.96
03-19	5073430027	ENTERPRISE RENT-A-CAR	02/13/85-02/18/85	CAR RENTAL FOR CONGRESSMAN WHILE IN DISTRICT ON OFFICIAL BUSINESS	221.89
03-19	5073430029	GENERAL SERVICES ADMINISTRATION	01/01/85-01/31/85	TELEPHONE CHARGES, D.O.	199.95
03-19	5073430018	RICHARD GENE GREGSTON	02/01/85-02/27/85	MILEAGE REIMB, DISTRICT TRAVEL 131 MILES AT 24/MILE	31.44
03-19	5073430031	HERITAGE	03/01/85-03/01/86	ANNUAL SUBSCRIPTION, DC	10.00
03-19	5073430024	KARL B HIGGINS	01/02/85	REIMB FOR HOTEL ROOM WHILE IN WASH, DC ON OFFICIAL BUSINESS, INCLUDES 1 MEAL	112.83
03-19	5073430025	Do	01/02/85	REIMB FOR TAXI FARE FROM AIRPORT TO HOTEL	9.30
03-19	5073430023	Do	01/02/85-01/05/85	REIMB FOR R/T AIRFARE FROM DISTRICT (SAN DIEGO) TO WASH, DC AND RETURN	514.00
03-19	5073430021	Do	02/04/85-02/27/85	MILEAGE REIMB, DISTRICT TRAVEL 567 MILES AT 24/MILE	136.28
03-19	5073430030	STEPHEN A LINDSLEY	02/08/85-02/26/85	MILEAGE REIMB, DISTRICT TRAVEL 215 MILES AT 24/MILE	51.60
03-19	5073430012	PACIFIC BELL	01/08/85-02/07/85	TELEPHONE CHARGES, D.O.	191.48
03-19	5073430013	Do	01/08/85-02/07/85	AT&T TOLL CALLS, D.O.	7.34
03-19	5073430020	JAMES F RYAN	02/16/85-02/21/85	MILEAGE REIMB, DISTRICT TRAVEL 311 MILES AT 24/MILE	74.64
03-19	5073430016	SAN DIEGO UNIFIED SCHOOL DISTRICT	02/16/85	RENTAL OF AUDITORIUM AT PT. LOMA HIGH	51.50
03-19	5073430017	THOMAS J LAMFORD	02/05/85-02/07/85	PRINTING OF LETTERS	45.20
03-19	5073430026	WASHINGTON TRAVEL CENTER	02/13/85-02/18/85	R/T AIRFARE FROM WASH, DC TO DISTRICT (SAN DIEGO) AND RETURN BY CONGRESSMAN	554.00
03-19	5073430022	GINA ZANOTTI	01/01/85-01/31/85	MILEAGE REIMB, DISTRICT TRAVEL 2082 MILES AT 24/MI	499.58
03-25	5080200010	RANDALL K BROBERG	03/05/85	REIMBURSEMENT FOR PARKING FEE WHILE ON OFFICIAL BUSINESS	5.80
03-25	5080200011	TED CHANG	03/11/85	REIMBURSEMENT FOR TAXI FARE WHILE ON OFFICIAL BUSINESS	6.00
03-25	5080200008	DONA L MEYER	02/02/85-02/28/85	MILEAGE REIMBURSEMENT DISTRICT TRAVEL 615 MILES AT 24¢ PER MILE	147.60
03-25	5080520021	WASHINGTON TRAVEL CENTER	03/10/85	ONE WAY AIR FARE FROM DISTRICT (SAN DIEGO) TO WASHINGTON DC BY CONGRESSMAN	129.00
03-25	5080520021	POSTMASTER	03/01/85	EXPRESS MAIL TO DISTRICT	10.75
03-26	5080200006	HOUSE INFORMATION SYSTEMS	02/15/85	COMPUTER USAGE AND PERSONAL SUPPORT	250.00
03-26	5080200009	GINA ZANOTTI	02/01/85-02/28/85	MILEAGE REIMBURSEMENT DISTRICT TRAVEL 2132 MILES	511.58
03-31	5088900473	(EQUIPMENT ALLOWANCE CHARGED)	12/01/84-12/31/84		400.00
03-31	5088900474	Do	03/01/85-03/31/85		3,923.70

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 31, 1986

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Daniel F. Kripke, M.D.
8437 Sugarman Drive
LaJolla, CA 92037

RE: MUR 2280

Dear Dr. Kripke:

This letter is to acknowledge receipt of your complaint on October 27, 1986, against the Honorable William D. Lowery, Citizens To Re-Elect Congressman Bill Lowery and Robert E. Miller, Jr., as treasurer, and Jet Air, Inc., which alleges violations of the Federal Election Campaign laws. A staff member has been assigned to analyze your allegations. The respondents will be notified of this complaint within 24 hours. You will be notified as soon as the Commission takes final action on your complaint. Should you have or receive any additional information in this matter, please forward it to this office. For your information, we have attached a brief description of the Commission's procedures for handling complaints.

Please be advised that this matter shall remain confidential in accordance with 2 U.S.C. § 437g(a)(4)(B) and § 437g(a)(12)(A) unless the respondents notify the Commission in writing that they wish the matter to be made public.

Sincerely,

Charles N. Steele
General Counsel

Lawrence M. Noble
By: Lawrence M. Noble
Deputy General Counsel

Enclosure

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 31, 1986

SPECIAL DELIVERY
RETURN RECEIPT REQUESTED

Robert E. Miller, Jr., Treasurer
Citizens To Re-Elect Congressman Bill Lowery
1200 Third Avenue, Suite 700
San Diego, CA 92101

RE: MUR 2280

Dear Mr. Miller:

This letter is to notify you that on October 27, 1986, the Federal Election Commission received a complaint which alleges that Citizens To Re-Elect Congressman Bill Lowery and you, as treasurer, have violated certain sections of the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint is enclosed. We have numbered this matter MUR 2280. 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 and Citizens To Re-Elect Congressman Bill Lowery in connection with this matter. You may respond to the allegations within 15 days of receipt of this letter. The complaint may be dismissed by the Commission prior to receipt of the response if the alleged violations are not under the jurisdiction of the Commission or if the evidence submitted does not indicate that a violation of the Act has been committed. Should the Commission dismiss the complaint, you will be notified by mailgram. If no response is filed within the 15 day statutory period, the Commission may take further action based on available information.

You are encouraged to respond to this notification promptly. In order to facilitate an expeditious response to this notification, we have enclosed a pre-addressed, postage paid, special delivery envelope.

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.

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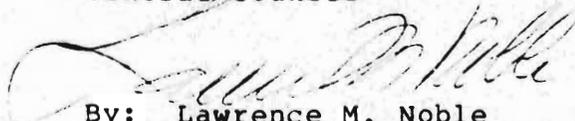
This matter will remain confidential in accordance with 2 U.S.C. § 437g(a)(4)(B) and § 437g(a)(12)(A) unless you notify the Commission, in writing, that you wish the matter to be made public.

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

If you have any questions, please contact Charles Snyder, the attorney assigned to this matter, at (202) 376-8200.

Sincerely,

Charles N. Steele
General Counsel



By: Lawrence M. Noble
Deputy General Counsel

Enclosures
Complaint
Procedures
Envelope

88040673954

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

October 31, 1986

SPECIAL DELIVERY
RETURN RECEIPT REQUESTED

The Honorable William D. Lowery
Longworth House Office Building
United States Congress
Washington, DC 20515

RE: MUR 2280

Dear Mr. Lowery:

This letter is to notify you that on October 27, 1986, the Federal Election Commission received a complaint which alleges that you have violated certain sections of the Federal Election Campaign Act of 1971, as amended (the Act"). A copy of the complaint is enclosed. We have numbered this matter MUR 2280. 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 connection with this matter. You may respond to the allegations within 15 days of receipt of this letter. The complaint may be dismissed by the Commission prior to receipt of the response if the alleged violations are not under the jurisdiction of the Commission or if the evidence submitted does not indicate that a violation of the Act has been committed. Should the Commission dismiss the complaint, you will be notified by mailgram. If no response is filed within the 15 day statutory period, the Commission may take further action based on available information.

You are encouraged to respond to this notification promptly. In order to facilitate an expeditious response to this notification, we have enclosed a pre-addressed, postage paid, special delivery envelope.

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.

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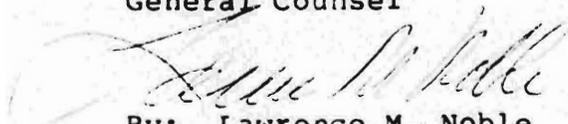
This matter will remain confidential in accordance with 2 U.S.C. § 437g(a)(4)(B) and § 437g(a)(12)(A) unless you notify the Commission, in writing, that you wish the matter to be made public.

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

If you have any questions, please contact Charles Snyder, the attorney assigned to this matter, at (202) 376-8200.

Sincerely,

Charles N. Steele
General Counsel



By: Lawrence M. Noble
Deputy General Counsel

Enclosures
Complaint
Procedures
Envelope

98040673956

Alm



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 31, 1986

SPECIAL DELIVERY
RETURN RECEIPT REQUESTED

Jet Air, Inc.
1071 Industrial Place
El Cajon, CA 92020

RE: MUR 2280

Gentlemen:

This letter is to notify you that on October 27, 1986, the Federal Election Commission received a complaint which alleges that Jet Air, Inc. has violated certain sections of the Federal Election Campaign Act of 1971, as amended (the "Act"). A copy of the complaint is enclosed. We have numbered this matter MUR 2280. 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 Jet Air, Inc. in connection with this matter. You may respond to the allegations within 15 days of receipt of this letter. The complaint may be dismissed by the Commission prior to receipt of the response if the alleged violations are not under the jurisdiction of the Commission or if the evidence submitted does not indicate that a violation of the Act has been committed. Should the Commission dismiss the complaint, you will be notified by mailgram. If no response is filed within the 15 day statutory period, the Commission may take further action based on available information.

You are encouraged to respond to this notification promptly. In order to facilitate an expeditious response to this notification, we have enclosed a pre-addressed, postage paid, special delivery envelope.

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.

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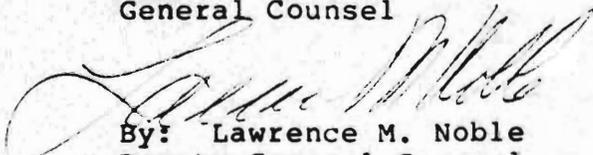
This matter will remain confidential in accordance with 2 U.S.C. § 437g(a)(4)(B) and § 437g(a)(12)(A) unless you notify the Commission, in writing, that you wish the matter to be made public.

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

If you have any questions, please contact Charles Snyder, the attorney assigned to this matter, at (202) 376-8200.

Sincerely,

Charles N. Steele
General Counsel



By: Lawrence M. Noble
Deputy General Counsel

Enclosures
Complaint
Procedures
Envelope

88040673958

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SENSITIVE

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

EXPEDITED FIRST GENERAL COUNSEL'S REPORT

**RESPONDENT: Citizens to Re-Elect
Congressman Bill Lowery
and Robert E. Miller,
as treasurer; Rep.
William D. Lowery;
Jet Air Corp.**

**MUR NO: 2280
DATE TRANSMITTED TO
COMMISSION:
STAFF: Charles Snyder**

APR 1 1986
OFFICE OF THE
COMMISSION SECRETARY
APR 1 1986
3:14

COMPLAINANT: Daniel F. Kripke, M.D.

SUMMARY OF ALLEGATIONS

Complainant Daniel F. Kripke, M.D., candidate for Congress from the 41st District of California, has alleged that his opponent, Representative William D. Lowery, stayed in a penthouse owned by Jet Air, Inc. for approximately 20 nights in 1984 and 20 nights in 1985. Complainant argues that Representative Lowery paid less than the fair market value for renting this penthouse. The Citizens to Re-Elect Congressman Bill Lowery Committee ("RCBL") paid Representative Lowery \$1,200 in 1985 and \$1,200 in 1986 to compensate him for these expenses. According to complainant, the fair market value of the rental was approximately \$4,000 for each 20-night stay at the penthouse. It should be noted that the penthouse is located in Representative Lowery's Congressional district, and that he does not own any property in that district.

Complainant alleges that the rental constituted an illegal corporate contribution from Jet Air, Inc. to RCBL, in violation of 2 U.S.C. § 441b, and that this contribution was not reported, in violation of 2 U.S.C. § 434(b). Complainant asserts that the failure to report a continuing obligation arising from this

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transaction violated 11 C.F.R. § 104.11. Finally, complainant alleges that Representative Lowery (who was first elected to Congress in 1980) violated 2 U.S.C. § 439a by putting campaign contributions to personal use.

PRELIMINARY LEGAL ANALYSIS

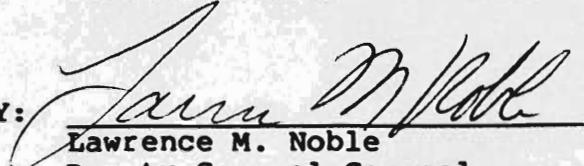
The Office of General Counsel's initial review of the complaint indicates a possible violation of the Federal Election Campaign Act. Accordingly, respondents must be given the opportunity to respond before this Office makes recommendations regarding this matter.

Charles N. Steele
General Counsel

10/31/86

Date

BY:


Lawrence M. Noble
Deputy General Counsel

98040673960

GCC #1968

BILL LOWERY
41ST DISTRICT, CALIFORNIA

COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEES:
MILITARY CONSTRUCTION
TREASURY—POSTAL SERVICE—
GENERAL GOVERNMENT



WASHINGTON OFFICE:
1440 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-3201
Mr. 2260
DISTRICT OFFICE:
880 FRONT STREET, ROOM 6-S-15
SAN DIEGO, CA 92188
(619) 231-0957

CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES

November 6, 1986

Federal Election Commission
999 E. Street, NW
Washington, D. C. 20463

Gentlemen:

As you requested in your letter of 31, I will have
Jan Baran of 1776 K Street, NW, Washington, D. C. 20006,
(202) 429-7330, represent me as counsel in regards
to the complaint filed by Daniel Kripke.

Please see that he receives all communications concerning
this complaint.

Sincerley,

Bill Lowery
BILL LOWERY
Member of Congress

BL:di

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GENERAL COUNSEL

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MILLER/ROOS & CO.
POLITICAL REPORTING CONSULTANTS

Robert E. Miller, Jr., CPA
C. Marty Roos, CPA

Federal Election Commission
999 "E" Street, N. W.
Washington, D. C. 20463

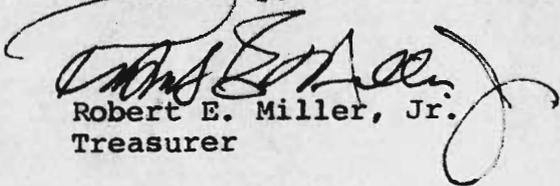
Re: Friends of Congressman Bill Lowery
I. D. #C00121038

Gentlemen:

This letter is to inform you that Jan Baren, 1776 "K" Street, N.W., Washington, D. C. 20006 has been retained to act as legal counsel for Friends of Congressman Bill Lowery for the complaint filed by Dan Kripke.

Please send all further correspondence to Mr. Baren at the above address.

Yours truly,


Robert E. Miller, Jr.
Treasurer

REM/1a

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OFFICE OF THE
GENERAL COUNSEL

WILEY, REIN & FIELDING

1776 K STREET, N.W.
WASHINGTON, D. C. 20006

JAN W. BARAN
(202) 429-7330

November 21, 1986

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OFFICE OF THE
GENERAL COUNSEL

Charles N. Steele, Esquire
General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Attention: Charles Snyder

Re: MUR 2280

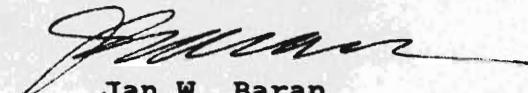
Dear Mr. Steele:

This office represents Congressman Bill Lowery and Friends of Congressman Bill Lowery, Robert E. Miller, Jr. as Treasurer in the above-captioned matter. Enclosed please find letters from these clients confirming our representation.

The complaint in this matter was received on November 6, 1986, two days after the election. While we wish to file a response, we will be unable to do so within the 15 day period provided by statute. Post-election and Thanksgiving travel plans of several individuals who are needed in order to prepare the response require us to request an extension of 20 days for such filing. Accordingly, I respectfully request an extension up to and including December 8, 1986.

Your favorable consideration of this request will be appreciated.

Sincerely,


Jan W. Baran

JWB:dac
Enclosures

cc: Robert E. Miller, Jr.
Congressman Bill Lowery

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SAVITZ, McCABE & SCHMID
ATTORNEYS AT LAW
A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

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RICHARD E. SAVITZ
MICHAEL J. McCABE
GREGORY W. SCHMID

FORWARD HOUSE
108 IVY STREET
SAN DIEGO, CALIFORNIA 92101
(619) 231-1181

November 20, 1986

Federal Election Commission
Washington, D.C. 20463

Attn: Charles Snyder, Esquire

Re: Request for extension of time within which to answer
complaint, MUR 2280

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GENERAL COUNSEL
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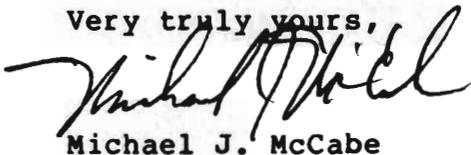
Dear Mr. Snyder:

As we discussed on the phone on November 18, 1986, please consider this letter to constitute my request for an extension of time within which to answer the above-referenced complaint for a period of twenty (20) days, to and including December 8, 1986. As I related to you by phone, although the corporation received the complaint on or about November 6, 1986, it was not forwarded to me for action until Monday, November 17, 1986. In addition, during the evening hours of Monday, November 17, 1986, my law office was burglarized and vandalized causing considerable disarray to my files, and severely disrupting my law practice. For these reasons, please grant Jet Air, Inc. an extension of time within which to answer the Federal Election Commission's complaint to and including December 8, 1986.

I have enclosed a designation of representative letter authorizing me to act as the corporation's counsel in this matter.

If you require any further information or documentation in order to favorably act upon this request please do not hesitate to contact me.

Very truly yours,



Michael J. McCabe

MJM/vgh

Enclosure

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SAVITZ, McCABE & SCHMID

ATTORNEYS AT LAW

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

RICHARD E. SAVITZ
MICHAEL J. MCCABE
GREGORY W. SCHMID

FORWARD HOUSE
108 IVY STREET
SAN DIEGO, CALIFORNIA 92101
(619) 231-1181

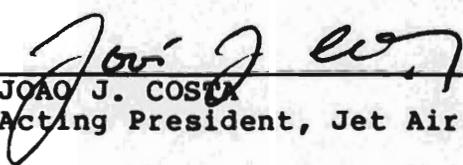
November 20, 1986

DESIGNATION OF REPRESENTATIVE

MUR 2280

Jet Air, Inc., hereby designates Michael J. McCabe, Savitz, McCabe & Schmid, 108 Ivy Street, San Diego, California, 92101, (619) 231-1181, as its legal representative before the Federal Election Commission with respect to the above-referenced matter.

DATED: 11/20/86



JOAO J. COSTA
Acting President, Jet Air, Inc.

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Mem



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 26, 1986

Michael J. McCabe, Esquire
Savitz, McCabe & Schmid
Forward House
108 Ivy Street
San Diego, California 92101

Re: MUR 2280
Jet Air, Inc.

Dear Mr. McCabe:

This is in reference to your letter dated November 20, 1986, in which you request a twenty day extension of time to respond to the allegations against your client, Jet Air, Inc.

I have reviewed your request and agree to the requested extension. Accordingly, your response will be due no later than December 8, 1986. If you have any questions, please contact Charles Snyder, the attorney assigned to this matter at (202) 376-8200.

Sincerely,

Charles N. Steele
General Counsel

By: Lois G. Lerner
Associate General Counsel

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Alton



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 26, 1986

Jan W. Baran, Esquire
Wiley, Rein & Fielding
1776 K Street, N.W.
Washington, D.C. 20006

Re: MUR 2280
Friends of Congressman
Bill Lowery and Robert E.
Miller, as treasurer

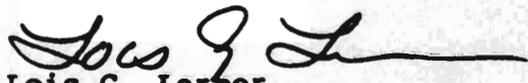
Dear Mr. Baran:

This is in response to your letter dated November 21, 1986, in which you request a twenty day extension of time to respond to the allegations against your clients, Rep. William Lowery, Friends of Congressman Bill Lowery and Robert E. Miller as treasurer.

I have reviewed your request and agree to the requested extension. Accordingly, your response is due no later than December 8, 1986. If you have any questions, please contact Charles Snyder, the attorney assigned to this matter at (202) 376-8200.

Sincerely,

Charles N. Steele
General Counsel

By: 
Lois G. Lerner
Associate General Counsel

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SAVITZ, McCABE & SCHMID
ATTORNEYS AT LAW
A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

RICHARD E. SAVITZ
MICHAEL J. MCCABE
GREGORY W. SCHMID

FORWARD HOUSE
108 IVY STREET
SAN DIEGO, CALIFORNIA 92101
(619) 231-1181

December 4, 1986

Federal Election Commission
Washington, D.C. 20463

Attn: Charles Snyder, Esq.

Re: Answer to complaint against Jet Air, Inc. MUR 2280

Dear Mr. Snyder:

After reviewing the letter of October 20, 1986 from Daniel F. Kripke, M.D., outlining the nature of Dr. Kripke's complaint to the Federal Election Commission, I have concluded that my client Jet Air, Inc., is only alleged to have violated the Act with respect to the second complaint voiced by Dr. Kripke, that the corporation in effect made an illegal contribution to Representative Lowery when it permitted him to stay at the Rondelet condominium in 1984 and 1985. For that reason, I will address this letter only to that portion of Dr. Kripke's letter dealing with this allegation.

The Rondelet condominium referred to by Dr. Kripke is the property of the corporation, and its primary function is to provide lodging to buyers and other business customers of the corporation who are traveling from long distances and require overnight accommodations. Frequently, international business visitors will arrive at odd hours of the evening and mornings, making it very difficult to find suitable accommodations for them which are available at a moments notice. For this reason, the corporation purchased the condominium in question, and keeps it available for its business visitors. The condominium itself is not regularly rented or leased to other non-business contacts, nor are the usual luxury hotel services such as maid service and room service provided to persons who are permitted to stay at that location.

It has been the prior experience of Jet Air's corporate officers, moreover, that the condominium is not occupied for at least one third of the year and, therefore, no business of the corporation would be disrupted by permitting Representative Lowery to use this condominium from time to time. For this reason, the corporation determined that it would permit Representative Lowery to stay at the condominium for an unspecified number of days in 1984 and 1985 for the payment of a

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Federal Election Commission
Page Two
December 4, 1986

lump sum amounting to twelve hundred dollars (\$1,200). No formula for computing the fair rental value of the property was employed in arriving at this figure. Rather, the corporate officers involved in making this decision simply determined that getting an additional twelve hundred dollars (\$1,200) for time in which the condominium would not be used for the corporation's business anyway was better than getting nothing and allowing the condominium to remain vacant.

Moreover, Representative Lowery fully understood that his right to utilize the condominium for the payment of the lump sum twelve hundred dollar (\$1,200) per year rental fee, did not entitle him to reserve the condominium for any specific days. On the contrary, it was understood between the corporation and Representative Lowery that if the corporation needed the condominium to provide it to business visitors during the period of time that Representative Lowery was occupying it, he would relinquish possession to those business visitors upon demand by the corporation. In fact, Representative Lowrey was "bumped" from the condominium on at least three (3) occasions during the period of time in question. Thus, the uncertainty of his tenancy in the condominium, and his inability to make long range plans calling for its availability should be taken into consideration by the commission in determining whether the corporation's arrangement with Representative Lowery constituted an illegal campaign contribution.

For all of the above-outlined reasons, it is respectfully submitted that the corporation did not violate any provision of the Federal Election Campaign Act of 1971 and that the allegations leveled against the corporation in this aspect of Dr. Kripke's complaint ought to be dismissed.

If you require any further information or documentation from me in order to fully and fairly evaluate this situation, please do not hesitate to contact me.

Very truly yours,

SAVITZ, McCABE & SCHMID



Michael J. McCabe
Attorneys for Jet Air, Inc.

MJM/vgh

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WILEY, REIN & FIELDING

1776 K STREET, N.W.
WASHINGTON, D. C. 20006

JAN W. BARAN
(202) 429-7330

December 8, 1986

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RECEIVED
GENERAL COUNSEL

Charles N. Steele, Esquire
General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Re: MUR 2280

Dear Mr. Steele:

This Response, including the attached Affidavits, is submitted on behalf of Congressman Bill Lowery and the Friends of Congressman Bill Lowery, Robert E. Miller, Jr., Treasurer, in reply to a complaint filed by Daniel F. Kripke, M.D. and designated Matter Under Review ("MUR") 2280. For the reasons set forth herein, the Federal Election Commission ("FEC" or "Commission") should find no reason to believe that Congressman Bill Lowery or the Friends of Congressman Bill Lowery have violated any provisions of the Federal Election Campaign Act of 1971 as amended ("the Act").

I. FACTS

A. The Complaint

On October 27, 1986, Dr. Daniel F. Kripke, Democratic candidate for election as the U.S. Representative for the

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Charles N. Steele, Esquire

December 8, 1986

Page 2

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41st District of California, submitted the instant complaint to the Federal Election Commission. In brief, Dr. Kripke ("complainant") alleges that Congressman Bill Lowery (Dr. Kripke's electoral opponent) and his principal campaign committee, the Friends of Bill Lowery ("the Committee"), did not pay the fair market rate for the Congressman's intermittent and restricted use of a condominium owned by Jet Air, Inc. and, as a result, accepted prohibited in-kind contributions which were not reported to the Commission. As evidence in support of this conclusion the complainant relies on his own unsubstantiated estimate of the fair market rental value for allegedly similar rentals, and a survey of hotel rates for rooms allegedly comparable to the Jet Air condominium. Additionally, the complainant alleges that the Committee's expenditures to Jet Air, Inc. were not reported in a timely manner.¹

¹ Complainant also alleges that Congressman Lowery violated the Rules of the House of Representatives by failing to keep his campaign funds separate from his personal funds and using undue influence in presenting the views of his constituent, Jet Air, Inc., to various Federal agencies. Because these allegations are both specious and outside the jurisdiction of this Commission, 2 U.S.C. § 437c(b), they will not be addressed in this response.

B. The Agreement

Jet Air, Inc., a San Diego manufacturer, owns condominium #612 at Le Rondolet, 1150 Anchorage Lane, San Diego, California. Affidavit of Gene Gregston, District Office Administrator to Congressman Bill Lowery, ¶ 2 ("Gregston Aff.") Tab 1. This condominium is used by Jet Air as lodgings for visiting out-of-town buyers (or potential buyers) of its products. Id. at ¶ 3.

Some time in 1984 representatives of Jet Air advised Congressman Lowery's District Office that Jet Air's condominium was available for occasional use by the Congressman during his trips to San Diego on an "if available" basis, i.e., if it was not being used by Jet Air or its guests. Id. at ¶ 4. Congressman Lowery's staff conveyed to Jet Air the Congressman's interest in using the condominium on this basis, and inquired about its rental rate. Id. at ¶ 5. They were advised that the condominium had not been rented previously and Jet Air was uncertain of the appropriate rate to charge for its use. Id. at ¶ 6.

Discussions on the appropriate charge for use of the condominium ensued and proceeded for some time, as there was no comparable commercial market available for reference in calculating the charges for the conditional use being offered

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WILEY, REIN & FIELDING

Charles N. Steele, Esquire
December 8, 1986
Page 4

by Jet Air, Inc. Id. at ¶ 8. Under Jet Air's offer, use of the condominium on any given night was not guaranteed; moreover, approved use of the condominium would not preclude Congressman Lowery from being "bumped" from the condominium at any time in favor of Jet Air clients. Id. at ¶ 9. A condominium rental within these provisions was completely unique in the San Diego rental market. Affidavit of David Pierce, San Diego real estate agent, ¶ 4 ("Pierce Aff.") Tab 2.

Congressman Lowery intended to, and did in fact, use this condominium only on an occasional basis. Id. at ¶¶ 16 - 18. In view of this proposed limited use and Jet Air's restrictions, and the fact that the condominium did not include such basic amenities as daily maid service or air conditioning, id. at ¶ 9, Congressman Lowery agreed to pay a charge of \$1,200 per year, payable annually in a lump sum, for the conditional right to use Jet Air's condominium. Id. at ¶ 10. Payment was due at the beginning of each year following its use. Id. This agreement was not in writing.

C. Congressman Lowery's Use of the Condominium

Actual use of the condominium was coordinated through telephone conversations between Congressman Lowery's staff and the secretarial staff of Jet Air. Id. at ¶ 11. In 1984,

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Charles N. Steele, Esquire
December 8, 1986
Page 5

Congressman Lowery used the Jet Air condominium on seven of his trips to San Diego. Id. at ¶ 16. In 1985 Congressman Lowery stayed in the Jet Air condominium during 12 trips to San Diego; and in 1986 he used the condominium on four trips to his District. Id. at ¶¶ 17 and 18. On many occasions the condominium was not available for Congressman Lowery's use. Id. at ¶ 14. Moreover, on at least five occasions Congressman Lowery was asked to vacate the condominium so that Jet Air guests could use it. Id. at ¶ 15.

On February 7, 1985 Congressman Lowery paid Jet Air for his 1984 use of the condominium with a check for \$1,200. Id. at ¶ 19. He then requested reimbursement from his campaign committee, and the Friends of Bill Lowery Committee reimbursed him for that expenditure on February 11, 1985. Id. at ¶ 20. On February 11, 1986 Congressman Lowery paid Jet Air \$1,200 and was subsequently reimbursed by the Committee on April 28, 1986. Id. at ¶¶ 21 and 22. The Committee's disbursements to Congressman Lowery were included in its July 31, 1985 mid-year report and its pre-primary 1986 report (for the period covering April 1, 1986 - May 14, 1986).

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II. ARGUMENTS OF LAW

A. Jet Air, Inc. Leased Its Condominium To
Congressman Lowery at the Usual and Normal Rate

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The Commission's regulations state that the provision of any goods or services to a Federal candidate or political committee "at a charge which is less than the usual and normal charge for such goods and services" results in an in-kind contribution. 11 C.F.R. § 100.7(a)(1)(iii)(A). The "usual and normal charge" for goods is defined as "the price of those goods in the market from which they ordinarily would have been purchased". *Id.* at § 100.7(a)(1)(iii)(B). Hence, the threshold inquiry in this case is whether the amounts Jet Air, Inc. charged Congressman Lowery for intermittent and restricted use of its condominium were the "usual and normal charge" for such arrangement.

The facts at hand clearly demonstrate that there was no established market for rental of a Le Rondolet condominium. *Gregston Aff.* ¶ 8. The Jet Air condominium had not been rented previously. Moreover, the terms and conditions of the proposed lease arrangement were unlike any rental arrangements available within the Le Rondolet building. *Id.* at ¶ 7. Thus, there was no identifiable market from which the "usual and normal charge" for this proposed rental of the Jet Air

WILEY, REIN & FIELDING

Charles N. Steele, Esquire
December 8, 1986
Page 7

condominium could reasonably be established. Indeed, a licensed real estate agent familiar with the condominium rental market in San Diego has stated that the terms and conditions being offered by Jet Air, Inc. are completely unique to that rental market and could only be valued at a rate negotiated and agreed upon between the renting parties. Pierce Aff., ¶¶ 4 - 5.

Contrary to the complainant's assertions, the lease agreement between Congressman Lowery and Jet Air is not comparable to a nightly commercial hotel rental or a standard condominium lease. Its terms and conditions are clearly distinguishable from those of a nightly hotel rental where reservations are guaranteed and guests are not subject to being "bumped". Further, the usual and normal amenities of hotel rooms, e.g. maid and room service, air conditioning and a message center, were not included with this rental. Similarly, this lease arrangement is not equivalent or comparable to a standard condominium lease agreement where the lessee obtains unrestricted use of the premises for months or years at a time.

The arrangement between Jet Air, Inc. and Congressman Lowery is similar to one previously considered by the Commission in MUR 2008. In that case it was alleged that Congressman Bob Edgar had rented an apartment from its owner

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WILEY, REIN & FIELDING

Charles N. Steele, Esquire

December 8, 1986

Page 8

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at less than fair market value. There, as here, use of the rental property was restricted: Congressman Edgar was limited to use of the first floor of the house only and the owner retained portions of the house for storage of her personal property. In addition to these limitations, the owner derived a benefit from her rental arrangement with Congressman Edgar that was significant to any estimation of the fair market value of the property: By renting to a part-time resident, the value of her property was less likely to deteriorate than it would under conventional leasing arrangements. Thus, she was able to derive income from her property, avoid the costs that would accrue from intensive use of the house through a full-time, unrestricted renter, and continue using a portion of the property herself. The Commission, in MUR 2008, recognized a monthly rental of \$250, far below the cost of an unrestricted rental of similar property, as full payment of the "usual and normal" charge.

Similar benefits have accrued to Jet Air, Inc. through its leasing arrangement with Congressman Lowery: Jet Air has retained full access to its property; avoided the deterioration in property values inherent to full-time rental property; and derived income from property that was an otherwise non-income producing asset.

WILEY, REIN & FIELDING

Charles N. Steele, Esquire
December 8, 1986
Page 9

In MUR 2008 the Commission implicitly adopted the principle that the "usual and normal charge" for a rental property depends on the facts attendant to each particular situation -- where there is no comparable commercial market to a rental arrangement the "usual and normal charge" may be established by agreement between the parties. The Commission should apply that principle to this case and determine that no in-kind contribution has occurred because Jet Air, Inc. leased its condominium to Congressman Lowery at the usual and normal rate.

B. The Friends of Bill Lowery Committee Properly Reported Its Expenditures

The complainant argues that the Friends of Bill Lowery Committee failed to comply with the reporting requirements of the Act (2 U.S.C. § 434) and Commission regulations (11 C.F.R. § 104.11) by (1) failing to report the in-kind contributions resulting from the less than full market value rental of the Jet Air condominium; and (2) not reporting the debts owed to Jet Air, Inc. when they were incurred in 1984. As discussed above, Congressman Lowery paid fair market value for the conditional rights he obtained for use of the Jet Air condominium. Thus no in-kind contributions occurred from that use and no reporting obligation was incurred.

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WILEY, REIN & FIELDING

Charles N. Steele, Esquire
December 8, 1986
Page 10

With respect to the complainant's second allegation we note that the lease agreement for use of the Jet Air's condominium was between Jet Air, Inc. and Congressman Lowery, not the Committee. Although that agreement was entered into in 1984, the Committee incurred no legal obligations under it.² Thus, contrary to the complainant's allegations, the Committee had no duty to report any obligations incurred in 1984 under this lease arrangement.

The agreement between Congressman Lowery and Jet Air, Inc. called for a lump sum payment early in each calendar year following use of the condominium. Accordingly, on February 7, 1985 Congressman Lowery paid Jet Air, Inc. for his 1984 use of the Jet Air condominium. Congressman Lowery submitted a request for reimbursement for that expense to the the Committee. The Committee reimbursed Congressman Lowery on February 11, 1985 and reported that reimbursement as an operating expenditure in its next report to the Federal Election Commission.

Commission regulations require authorized political committees to itemize all disbursements in excess of \$200 in

² In making this agreement Congressman Lowery was not acting as an agent of his Committee pursuant to 11 C.F.R. § 102.7(d) because he was not accepting a contribution, obtaining a loan or making any disbursements in connection with his campaign.

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WILEY, REIN & FIELDING

Charles N. Steele, Esquire
December 8, 1986
Page 11

each reporting period. 11 C.F.R. § 104.3. Pursuant to that requirement the Committee itemized its disbursement to Congressman Lowery in its March 1985 report to the Commission.

Similarly, on February 11, 1986 Congressman Lowery paid Jet Air, Inc. \$1,200 for his 1985 use of the condominium and requested reimbursement for that expense from the Committee. The Committee reimbursed Congressman Lowery on April 28, 1986 and included itemization of that disbursement in its next report to the Commission. In sum, the Committee fully and timely complied with all of its reporting obligations under the Act concerning these expenditures.

III. CONCLUSION

Congressman Lowery paid fair market rate for the limited rights he obtained for use of the Jet Air condominium. Thus, no in-kind contributions occurred and no reporting obligation was incurred by his Committee. Further, the Committee fully and timely reported the reimbursements it made to Congressman Lowery for his payments to Jet Air, Inc. Accordingly, the Commission should find no reason to believe that Congressman

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WILEY, REIN & FIELDING

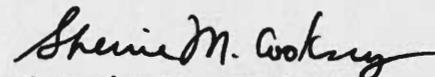
Charles N. Steele, Esquire
December 8, 1986
Page 12

Bill Lowery or the Friends of Bill Lowery Committee,
Robert E. Miller, Jr., as treasurer, violated the Act.

Sincerely,



Jan W. Baran



Sherrie M. Cooksey
Sherrie M. Cooksey



Trevor Potter
Trevor Potter

Counsel for
Congressman Bill Lowery
and the Friends of Bill
Lowery Committee,
Robert E. Miller, as
treasurer

cc: Honorable Bill Lowery
Robert E. Miller, Jr.

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Affidavit of Gene Gregston

Gene Gregston, being duly sworn, deposes and says:

1. I am Gene Gregston, District Office Administrator to Congressman Bill Lowery of the 41st Congressional District of California. In that position I am responsible for arranging for the procurement of lodgings and related logistical support for Congressman Lowery during his trips to the District.

2. Jet Air, Inc., a San Diego manufacturer owns condominium #612 at Le Rondolet, 1150 Anchorage Lane, San Diego.

3. To the best of my knowledge, the Jet Air condominium was maintained by Jet Air for the express purpose of providing lodging to out-of-town buyers of Jet Air products and was otherwise unused.

4. Some time during 1984 representatives of Jet Air, Inc. advised my office that Jet Air's condominium was available for Congressman Lowery's use during his visits to San Diego on an "if available basis", i.e., if Jet Air or its guests were not using it.

5. After discussing it with Congressman Lowery, the District Office staff advised Jet Air that he would be interested in using the condominium and asked about its rental rate.

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6. The Jet Air officials advised that there was no set rental rate because the condominium had not been rented previously.

7. Also, to the best of our knowledge, no condominiums in Le Rondolet were available under conditions similar to those being offered by Jet Air.

8. Discussions on payment for use of the condominium were initiated, and proceeded for some time as there was no comparable commercial market available for calculation of the appropriate charges for its restrictive rental.

9. The restrictions on use of the Jet air condominium were (a) its use could not be guaranteed for any particular evening; (b) Congressman Lowery would be subject to being evicted or "bumped" from the premises at any time; (c) none of the basic amenities for standard nightly lodgings, e.g., maid and room service or air conditioning, were available at the Jet Air condominium.

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10. Based on considerations stated in paragraph 8 we agreed that the annual fee for use of the condominium would be \$1,200. Payment was due at the beginning of each year following use of the condominium.

11. Arrangements for use of the condominium were made through telephone conversations between myself, or my staff, and Jet Air secretarial staff.

12. Congressman Lowery stays in a variety of places when he visits the District, depending upon the nature of his activities during a particular trip.

13. Frequently when I made arrangements for Congressman Lowery to stay in the Jet Air condominium he decided instead to stay at the homes of his mother, brother, sister or friends.

14. On many occasions Jet Air advised us that the condominium was unavailable for Congressman Lowery's use.

15. Moreover, on at least five occasions Congressman Lowery was "bumped" from the condominium after being advised that it was available for his use.

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16. To the best of my knowledge in 1984, Congressman Lowery used the Jet Air condominium on seven of his trips to San Diego.

17. To the best of my knowledge, in 1985 Congressman Lowery stayed in the Jet Air condominium during 12 of his trips to San Diego.

18. To the best of my knowledge, Congressman Lowery in 1986 used the condominium during four trips to his district.

19. Pursuant to the agreement with Jet Air, Inc., on Feb.7, 1985, Congressman Lowery paid for his 1984 use of the condominium with a check for \$1,200.

20. Congressman Lowery then requested reimbursement for that payment from the Friends of Bill Lowery Committee, which reimbursed him on February 11, 1985.

21. On February 11, 1986, Congressman Lowery paid Jet Air \$1,200 for his 1985 use of the condominium.

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22. Congressman Lowery then requested reimbursement for that payment form the Friends of Bill Lowery Committee, which reimbursed him on April 28, 1986.

Gene Gregston

Gene Gregston

Sworn to and subscribed before me
this 5th day of December, 1986.

Gene A. Sumner

Notary Public

My Commission Expires:

January 14, 1988

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Affidavit of Dave Pierce

Dave Pierce, being duly sworn, deposes and says:

1. I am Dave Pierce, a licensed real estate agent in the state of California with an office in San Diego.
2. I have been in the real estate business for 10 years.
3. I am familiar with the condominium rental market in San Diego for the past 7 years and the factors which determine the establishment of rental rates.
4. In my professional opinion, there is no way to determine the rental rate of a condominium such as the unit occasionally used by Congressman Bill Lowery at Le Rondolet. I base my opinion on the fact that a condominium rental with a proviso that the occupant may be "bumped" without notice, effectively cancelling the right to use of the condominium, is completely unique to the rental market.

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5. As such, any rental agreement including such a previously described condition could only be valued at the rental rate negotiated between the landlord and occupant agreeing to such terms and conditions.

Dave Pierce

Dave Pierce

Sworn to and subscribed before me
this 5th day of December, 1986

Karen Haywood
Notary Public

My Commission Expires:

August 24, 1990



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SENSITIVE

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)	
)	
Citizens to Re-Elect)	
Congressman Bill Lowery)	
and Robert E. Miller, as treasurer)	MUR 2280
Rep. William D. Lowery;)	
Jet Air, Inc.)	

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COMMUNICATIONS SECTION

GENERAL COUNSEL'S REPORT

I. BACKGROUND

This matter was generated through a complaint filed on October 27, 1986 by Daniel F. Kripke, M.D. ("complainant") against Rep. William Lowery (complainant's opponent in the 1986 Congressional election in the 41st District of California); */ the Citizens to Re-Elect Congressman Bill Lowery Committee ("RCBL") and Robert E. Miller, as treasurer; and Jet Air, Inc.

This Office circulated an Expedited First General Counsel's Report to the Commission on October 31, 1986. Counsel for Jet Air Inc. and counsel for RCBL requested extensions of time to respond to the complaint until December 8, 1986. These requests were granted. The responses have now been received. (See Attachments 2 and 3).

In substance, the complaint alleges that Rep. Lowery stayed in a penthouse (No. 612 Le Rondelet, 1150 Anchorage Lane, San Diego, CA) (hereinafter referred to as "the penthouse" or "condominium") owned by Jet Air, Inc. for approximately 20 nights in 1984 and 20 nights in 1985, and paid Jet Air, Inc. rentals of \$1,200 in 1985 and another \$1,200 in 1986. Rep. Lowery was reimbursed by RCBL for both of these payments (a fact that

*/ Rep. Lowery won re-election with 69% of the vote.

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appears on RCBL's reports). Complainant alleges that, based on property values and the quality of the penthouse, a fair market value of the rental was at least \$200 per night. For a stay of forty nights, therefore, Rep. Lowery should have paid \$8,000, rather than \$2,400. Complaint concludes that: 1. Jet Air, Inc. made an illegal, corporate in-kind contribution to Rep. Lowery and RCBL in violation of 2 U.S.C. § 441b; 2. RCBL failed to report the cost of the lodging as a campaign expenditure in 1984 (which was paid for in 1985) in connection Rep. Lowery's 1984 Congressional campaign, and it failed to report the unpaid obligation in 1984, in violation of 2 U.S.C. § 434(b); and 3. Rep. Lowery and RCBL used committee funds for personal purposes in violation of 2 U.S.C. § 439a.

II. LEGAL AND FACTUAL ANALYSIS

The allegation that Jet Air Inc. made an in-kind contribution to Rep. Lowery, or RCBL, is based on the following regulations:

The term "contribution" includes the following payments, services or other things of value:

(1) A gift, subscription, loan . . . , advance, or deposit of money or anything of value made by any person for the purpose of influencing any election for Federal office is a contribution

(iii)(A) For purposes of 11 C.F.R. 100.7(a)(1), the term "anything of value" includes all in-kind contributions. Unless specifically exempted under 11 C.F.R. 100.7(b), the

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provision of any goods or services without charge or at a charge which is less than the usual and normal charge for such goods or services is a contribution. . . .

11 C.F.F. § 100.7(a)

Complainant asserted that a fair market value of rental was \$200 per night, based on a comparison between the penthouse involved and allegedly similar hotel accommodations in the area, and on the assertion that rental values in the San Diego area equal approximately 12% of market value (to which complainant adds an additional charge for furnishing and maid service). (See Attachment 1). Jet Air, Inc., in response to the complaint, states in part:

The Rondelet condominium referred to by Dr. Kripke is the property of the corporation, and its primary function is to provide lodging to buyers and other business customers of the corporation who are traveling from long distances and require overnight accommodations.

. . . The condominium itself is not regularly rented or leased to other non-business contacts, nor are the usual luxury hotel services as maid service and room service provided to persons who are permitted to stay at that location.

It has been the prior experience of Jet Air's corporate officers, moreover, that the condominium is not occupied for at least one third of the year and, therefore, no business of the corporation would be disrupted by permitting Rep. Lowery to use this condominium from time to time. For this reason, the corporation determined that it would permit Rep. Lowery to stay at the condominium for an unspecified number of days in 1984 and 1985 for the

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payment of a lump sum amounting to twelve hundred dollars (\$1,200).

Moreover, Rep. Lowery fully understood that his right to utilize the condominium for the payment of the lump sum twelve hundred dollars (\$1,200) per year rental fee, did not entitle him to reserve the condominium for any specific days. On the contrary, it was understood between the corporation and Rep. Lowery that if the corporation needed the condominium to provide it to business visitors during the period of time that Rep. Lowery was occupying it, he would relinquish possession to those business visitors upon demand by the corporation. In fact, Rep. Lowery was "bumped" from the condominium on at least three (3) occasions during the period of time in question.

(See attachment 2). RCBL's response confirms Jet Air, Inc.'s account of the terms of the rental agreement, including the fact that Rep. Lowery was subject to being "bumped" from the condominium (this response states he was bumped at least 5 times), and the fact that the usual services of a hotel, such as housekeeping, were not included in the rental in question.

Based on the complaint and the responses, therefore, it appears that Jet Air, Inc. afforded Representative Lowery a benefit available to no one else. The condominium was not normally rented out; certainly, it was not made available to the general public at any price. Furthermore, Rep. Lowery was not restricted in the number of nights he could stay at the condominium. While he chose to stay approximately 20 nights in 1984 and 20 nights in 1986, he had paid a flat rate of \$1,200 for

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use of the condominium any night for the entire year. The sole restriction was that he could be "bumped" in case Jet Air's business visitors required the facility at a particular time. No other "non-business contact" of Jet Air, Inc. could seek to rent the condominium.

It appears, therefore, that Jet Air, Inc. contributed to Rep. Lowery "something of value" by providing him a unique access to a condominium not available to the public, or indeed to anyone other than Jet Air Inc.'s business contacts. Since the condominium was located in Rep. Lowery's home district, and since he stayed at the condominium during an election year and at other times when he may have been engaged in activity related to his seeking re-election to Congress, it appears that this corporate contribution was in violation of the provision of the Federal Election Campaign Act ("the Act") stating that: "It is unlawful for any ... corporation whatever ... to make a contribution or expenditure in connection with any [federal] election." 2 U.S.C. § 441b(a). The same statutory provision makes it unlawful for any candidate, political committee, or other person to accept any contribution prohibited by this section. Id. The term "contribution" is defined to include "any direct or indirect payment, distribution, loan, advance, deposit, or gift of money, or any services, or anything of value ... to any candidate, campaign committee, or political party or organization in connection with any [federal] election" 2 U.S.C. § 441b(b) (2).

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In the view of this Office, further investigation is necessary to determine how many of the occasions Rep. Lowery used the condominium were in connection with his re-election efforts. To the extent that he used the condominium for political purposes, Jet Air, Inc. would have violated 2 U.S.C. § 441b(a) by making a corporate contribution to a candidate for federal office, and RCBL would have violated 2 U.S.C. § 441b(a) by accepting a prohibited contribution. Also, RCBL violated 2 U.S.C. § 434(b) by failing to report the contribution in question.

There remains to consider only whether Rep. Lowery, or RCBL, violated 2 U.S.C. § 439a by using political committee funds to reimburse the Congressman for the cost of the rental of the Jet Air, Inc. condominium. That statute states in pertinent part:

Amounts received by a candidate as contributions that are in excess of any amount necessary to defray his expenditures, and any other amounts contributed to an individual for the purpose of supporting his or her activities as a holder of Federal office, may be used by such candidate or individual, as the case may be, to defray any ordinary and necessary expenses incurred in connection with his or her duties as a holder of Federal office, . . . or 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 January 8, 1980, no such amounts may be converted by any person to any personal use, other than to defray any ordinary and necessary

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expenses incurred in connection with his or her duties as a holder of Federal office.

2 U.S.C. § 439a. Since Rep. Lowery was first elected to Congress in November 1980, he is subject to the limitations on personal use of campaign contributions contained in the above-quoted section.

The Commission has accorded candidates considerable discretion in determining appropriate uses for campaign funds. See MUR 2010, First General Counsel's Report. Thus, when a candidate for Congress requested an advisory opinion as to whether he could use campaign funds to defray ordinary living expenses while a candidate, the Commission ruled that:

With respect to the issue posed in your request the Commission concluded in Advisory Opinion 1976-17 that campaign funds of a vice presidential candidate could be spent to defray living expenses incurred while she was engaged in campaign activity. . . . Thus payments for your personal living expenses would be permissible expenditures under the Act although subject to disclosure pursuant to 2 U.S.C. § 434 and § 104.2 of the Commission's regulations.

AO 1978-5.

Subsequently, an advisory opinion request was made to determine whether AO 1978-5 remained valid after the passage of the 1979 amendments, which included the present 2 U.S.C. § 439a. The Commission concluded that:

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The 1979 Amendments to the Act, specifically the provisions of §439a, do not affect the result in Advisory Opinion 1978-5. The Commission has stated in several opinions that candidates and their respective principal campaign committees have wide discretion under the Act as to how campaign funds may be spent. The Commission thus concludes that so far as the Act is concerned your personal living expenses during the course of a campaign may be defrayed from your campaign funds.

AO 1980-49.

The purposes for which Rep. Lowery returned to his district and stayed at the condominium would be crucial for a determination whether a violation of 2 U.S.C. § 439(a) occurred. If, for example, he went to San Diego to perform constituent services, his costs could be paid from the RCBL account as "ordinary and necessary expenses in connection with his ... duties as a holder of Federal office." 2 U.S.C. § 439a. Likewise, the committee could also pay costs incurred for campaign purposes without violating 2 U.S.C. § 439a, (although, in such a case, RCBL would have violated 2 U.S.C. § 441b(a) by accepting a corporate contribution from Jet Air, Inc., as discussed above). Finally, question of whether campaign funds could be used by a Congressman for his personal purposes (i.e. those unrelated to his duties as an officeholder or to his

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campaigns) was addressed by the Commission in a recent advisory opinion.

An incumbent Congressman inquired whether campaign funds could be used to pay for a "portion of the lease" on an apartment in Washington, D.C. obtained for the Congressman's personal use and for use by members of his campaign staff who visit Washington frequently. The Commission concluded:

The Act and regulations permit candidates and their campaign committees to make their own determination as to the types of expenditures that will most effectively influence their nomination or election In past opinions, the Commission has held that campaign committees may purchase a vehicle for use by the candidate and the committee, pay rent to a candidate for campaign office space in the candidate's house or other candidate-owned property, and pay a portion of the rent on a candidate's residence where a part of the house is used for campaign equipment storage. . . .

To the extent the use of the apartment by your campaign staff is to accommodate them on their visits to Washington for campaign purposes, this situation is materially indistinguishable from those cited above. Therefore, to that extent an allocable portion of the lease may paid [sic] by your campaign committee and treated for purpose of the Act as an expenditure to influence your nomination or election. The portion of the rent paid by the committee as a campaign expenditure should be reported as an operating expenditure under 2 U.S.C. § 434(b) and 11 C.F.R. 104.3.

If, on the other hand, the use of the apartment is provided to your

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campaign staff in connection with visits to Washington that are not for the purpose of conducting campaign activities, the payments made by your committee would appear to represent a use of excess campaign funds for a personal purpose. See 2 U.S.C. § 439a, 11 C.F.R. 113.2; also see Advisory Opinion 1985-22 [15822]. Since you were a Member of Congress on January 8, 1980, such a personal use would not be barred by the Act or Commission regulations. Payments for such a use should, however, be reported by your committee as miscellaneous disbursements rather than campaign operating expenditures. See 2 U.S.C. § 434(b)(6)(A), 11 C.F.R. 104.3(b)(4)(vi).

AO 1985-42.

To the extent that Rep. Lowery used the Jet Air, Inc. condominium when visiting his District for personal purposes, it appears, applying the foregoing analysis, that the use of campaign funds to defray such costs would constitute "a use of excess campaign funds for a personal purpose." Unlike the Congressman who requested the Advisory Opinion just quoted, Rep. Lowery was not a Member of Congress on January 8, 1980. Consequently, such personal use of campaign funds would violate 2 U.S.C. § 439a. Therefore, this Office recommends that the Commission find reason to believe that RCBL and its treasurer and Rep. Lowery violated 2 U.S.C. § 439a. An investigation may then be undertaken to determine the purpose for which Rep. Lowery used the condominium.

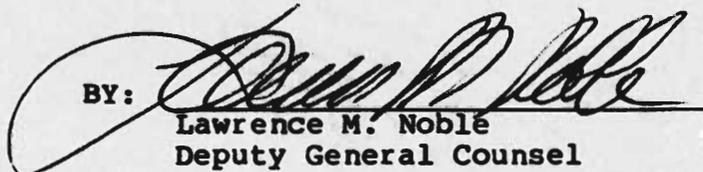
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RECOMMENDATIONS

1. Find reason to believe that Jet Air, Inc., violated 2 U.S.C. § 441b.
2. Find reason to believe that the Citizens to Re-Elect Congressman Bill Lowery Committee and Robert E. Miller, as treasurer, violated 2 U.S.C. §§ 439a, 441b, and 434(b).
3. Find reason to believe that Rep. William D. Lowery violated 2 U.S.C. § 439a.
4. Approve and send the attached letters.

Charles N. Steele
General Counsel

8 8 0 4 0 6 7 4 0 0 1
Date 2/18/87

BY: 
Lawrence M. Noble
Deputy General Counsel

Attachments

1. Complaint
2. Response of Jet Air, Inc.
3. Response of RCBL and Rep. Lowery
4. Proposed letter to Michael J. McCabe
5. Proposed letter to Jan Baran



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

Attachments to General
Council's Report

have been removed from this position in the Public Record File either because they duplicate documents located elsewhere in this file, or because they reflect exempt information.

For Attachment	<u>1</u>	see	<u>#1</u>
	<u>2</u>		<u>#12</u>
	<u>3</u>		<u>#13</u>
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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM TO: CHARLES N. STEELE
GENERAL COUNSEL

FROM: MARJORIE W. EMMONS / JOSHUA MCFADDEN *JM*

DATE: FEBRUARY 23, 1987

SUBJECT: OBJECTION TO MUR 2280 - GENERAL COUNSEL'S REPORT
SIGNED FEBRUARY 18, 1987

The above-captioned document was circulated to the Commission on Thursday, February 19, 1987 at 4:00 P.M.

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

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

This matter will be placed on the Executive Session agenda for March 10, 1987.

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM TO: CHARLES N. STEELE
GENERAL COUNSEL

FROM: MARJORIE W. EMMONS/ JOSHUA MCFADDEN *JM*

DATE: FEBRUARY 24, 1987

SUBJECT: OBJECTIONS TO MUR 2280 - GENERAL COUNSEL'S REPORT
SIGNED FEBRUARY 18, 1987

The above-captioned document was circulated to the Commission on Thursday, February 19, 1987 at 4:00 P.M.

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

Commissioner Aikens	<u> X </u>
Commissioner Elliott	<u> </u>
Commissioner Josefiak	<u> X </u>
Commissioner McDonald	<u> </u>
Commissioner McGarry	<u> X </u>
Commissioner Thomas	<u> X </u>

This matter will be placed on the Executive Session agenda for March 10, 1987.

88040674004

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)	
)	
Citizens to Re-Elect Congressman)	
Bill Lowery)	
Robert E. Miller, as treasurer)	MUR 2280
Representative William D. Lowery)	
Jet Air, Inc.)	

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session of March 10, 1987, do hereby certify that the Commission decided by a vote of 6-0 to take the following actions in MUR 2280:

1. Find reason to believe that Jet Air, Inc. violated 2 U.S.C. § 441b, specifically with regard to the extension of credit beyond a commercially reasonable time.
2. Find reason to believe that the Citizens to Re-Elect Congressman Bill Lowery Committee and Robert E. Miller, as treasurer, violated 2 U.S.C. § 441b, specifically for the receipt of an extension of credit beyond a commercially reasonable time, and 2 U.S.C. § 434(b).
3. Direct the Office of General Counsel to send appropriate letters.

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

Attest:

3-13-87
Date

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

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

March 19, 1987

Mr. Jan Baran, Esquire
Wiley, Rein and Fielding
1776 K Street, N.W.
Washington, D.C. 20006

RE: MUR 2280
Citizens to Re-Elect
Congressman Bill Lowery

Dear Mr. Baran:

The Federal Election Commission notified your clients on October 31, 1986, of a complaint alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint was forwarded to your clients at that time. We acknowledge receipt of your explanation of this matter which was dated December 8, 1986.

Upon further review of the allegations contained in the complaint and information supplied by you, the Commission, on March 10, 1987, determined that there is reason to believe that Citizens to Re-Elect Congressman Bill Lowery and Robert E. Miller as treasurer, violated 2 U.S.C. §§ 434(b) and 441b, provisions of the Act. This finding is based on your clients' acceptance of a contribution, which was not reported, from a corporation in the form of an extension of credit beyond a commercially reasonable time, in that Congressman Lowery was provided lodging by Jet Air, Inc. for which he did not have to pay for up to a year. You may submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Please submit any such response within ten days of your receipt of this notification.

The Office of General Counsel would like to settle this matter through conciliation prior to a finding of probable cause. You should be advised, however, that if pre-probable cause conciliation is requested, the Commission is under no obligation to propose a conciliation agreement until it has completed its investigation in this matter. Also, under 111.18(d), the Commission is not required to enter into any negotiations

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Jan Baran, Esquire
Page Two

directed towards reaching a conciliation agreement unless and until it makes a finding of probable cause to believe. In the absence of any information which demonstrates that no further action should be taken against your clients, the Office of General Counsel must proceed to the next compliance stage.

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 your clients wish the matter to be made public. If you have any questions, please contact Charles Snyder, the attorney assigned to this matter, at (202) 376-8200.

Sincerely,



Scott E. Thomas
Chairman

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

March 19, 1987

Michael J. McCabe, Esquire
Savitz, McCabe and Schmid
Forward House
108 Ivy Street
San Diego, California 92101

RE: 2280
Jet Air, Inc.

Dear Mr. McCabe:

The Federal Election Commission notified your clients on October 31, 1986, of a complaint alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint was forwarded to your client at that time. We acknowledge receipt of your explanation of this matter which was dated December 4, 1986.

Upon further review of the allegations contained in the complaint and information supplied by you, the Commission, on March 10, 1987, determined that there is reason to believe that Jet Air, Inc. violated 2 U.S.C. §441b, a provision of the Act. This finding is based on evidence that your client made a prohibited, corporate contribution to a candidate for federal office, by providing Rep. William D. Lowery an extension of credit beyond a commercially reasonable time, in that it provided Representative Lowery with housing on Jet Air, Inc. property for which he was not required to pay for up to one year. You may submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Please submit any such response within ten days of your receipt of this notification.

The Office of General Counsel would like to settle this matter through conciliation prior to a finding of probable cause. You should be advised, however, that if pre-probable cause conciliation is requested, the Commission is under no obligation to propose a conciliation agreement until it has completed its investigation in this matter. Also, under 11 C.F.R. § 111.18(d), the Commission is not required to enter into any negotiations directed towards reaching a conciliation agreement unless and until it makes a finding of probable cause to believe. In the absence of any information which demonstrates that no further action should be taken against your clients, the Office of General Counsel must proceed to the next compliance stage.

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Michael J. McCabe, Esquire
Page Two

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 your client wishes the matter to be made public. If you have any questions, please contact Charles Snyder, the attorney assigned to this matter, at (202) 376-8200.

Sincerely,



Scott E. Thomas
Chairman

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SAVITZ, McCABE & SCHMID
ATTORNEYS AT LAW
A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

RICHARD E. SAVITZ
MICHAEL J. McCABE
GREGORY W. SCHMID

FORWARD HOUSE
108 IVY STREET
SAN DIEGO, CALIFORNIA 92101
(619) 239-1181

APR 6 1987
3:01 PM
COMMUNICATIONS SECTION

April 2, 1987

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

Re: Jet Air, Inc. Number 2280

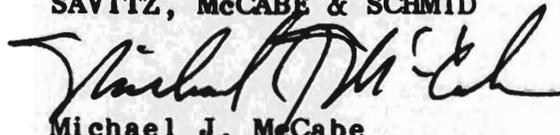
Dear Mr. Thomas:

Please consider this letter to be my request for an extension of time within which to notify you as to whether or not my client desires to seek conciliation in the above-referenced matter, or wishes to proceed to the next investigative level. While your notice to me was dated March 19, 1987, for some reason it was not received by me until March 26, 1987, thereby making my response due on or before April 6, 1987. Due to the press of business, I have been unable to fully investigate this matter and consult with my client concerning its desires. For that reason, I would greatly appreciate your extending the time within which to make the election regarding conciliation to and including April 16, 1987.

If you have any questions concerning this matter, or desire to discuss it further with me, please contact me at your earliest convenience.

Very truly yours,

SAVITZ, McCABE & SCHMID



Michael J. McCabe
Attorneys for Jet Air, Inc.

APR 6 1987
4:42 PM

RECEIVED
OFFICE OF THE
GENERAL COUNSEL

MJM/vgh

cc: Jet Air, Inc.
350 Cypress Lane, Suite C
El Cajon, California 92020

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)	
)	
Citizens to Re-Elect)	MUR 2280
Congressman Bill Lowery)	
and Robert E. Miller, as)	
treasurer)	
Jet Air, Inc.)	

SENSITIVE

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GENERAL COUNSEL'S REPORT

I. BACKGROUND

On March 10, 1987, the Commission found reason to believe that Jet Air, Inc. ("Jet Air") violated 2 U.S.C. § 441b by making a corporate contribution to the Citizens to Re-Elect Congressman Bill Lowery committee ("the Committee") and Robert E. Miller, as treasurer, in the form of an extension of credit beyond a commercially reasonable time. The allegedly illegal extension of credit occurred when Jet Air permitted Congressman William Lowery to stay at a penthouse owned by the corporation and did not require payment of any rental for some considerable period afterward. The Commission also found reason to believe the Committee violated 2 U.S.C. § 441b by accepting the prohibited corporate contribution, specifically for the receipt of credit beyond a commercially reasonable time, as described above, and 2 U.S.C. § 434(b) for failure to report receipt of said contribution.

II. ANALYSIS

In order to analyze the commercial reasonableness of the extension of credit involved in this case, it is necessary to calculate the length of time between Rep. Lowery's staying at the condominium and his paying for it. Respondents have previously

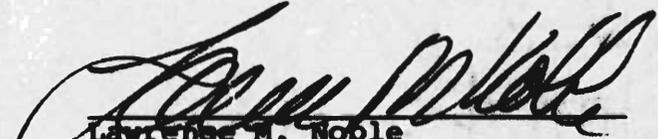
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stated that Rep. Lowery stayed at the condominium on seven trips to San Diego in 1984, on 12 trips in 1985, and on four trips in 1986. It was also stated that he paid Jet Air, Inc. \$1,200 on February 7, 1985, and another \$1,200 on February 11, 1986. The response did not state the exact dates on which Rep. Lowery stayed at the condominium, nor did it state when, or how much, he paid for his use of the condominium in 1986. Without this information, it is impossible to state for how long Jet Air, Inc. extended credit to Rep. Lowery or the Committee, and it is therefore not feasible to assess to the reasonableness of that extension of credit. Counsel for the Committee have been advised of this need for further information, but they will not provide it absent a formal Commission request. Consequently, this Office recommends that the Commission issue the attached interrogatories to both respondents in the matter.

III. RECOMMENDATIONS

1. Approve and send the attached interrogatories and letter to the Citizens to Re-Elect Congressman Bill Lowery, and Robert E. Miller, as treasurer.
2. Approve and send the attached interrogatories and letter to Jet Air, Inc.

5/27/87
Date


Lawrence M. Noble
Acting General Counsel

Attachments

1. Proposed interrogatories and letter to the Committee
2. Proposed interrogatories and letter to Jet Air, Inc.

88040674012

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Citizens to Re-Elect) MUR 2280
Congressman Bill Lowery)
and Robert E. Miller, as)
treasurer)
Jet Air, Inc.)

CERTIFICATION

I, Mary W. Dove, recording secretary for the Federal Election Commission executive session on June 9, 1987, do hereby certify that the Commission decided by a vote of 5-1 to take the following actions in the above-captioned matter:

1. Approve and send the interrogatories and letter attached to the General Counsel's report dated May 27, 1987, to the Citizens to Re-Elect Congressman Bill Lowery, and Robert E. Miller, as treasurer.
2. Approve and send the interrogatories and letter attached to the General Counsel's report dated May 27, 1987, to Jet Air, Inc.

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

Attest:

6-10-87
Date

Mary W. Dove
Mary W. Dove
Administrative Assistant

88040674014



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

June 12, 1987

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Michael J. McCabe, Esquire
Savitz, McCabe & Schmid
Forward House
108 Ivy Street
San Diego, CA 92101

RE: MUR 2280
Jet Air, Inc.

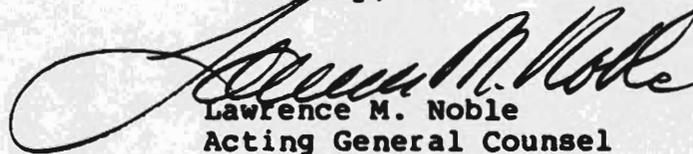
Dear Mr. McCabe:

On March 19, 1987, you were notified that the Federal Election Commission had found reason to believe your client violated 2 U.S.C. § 441b, a provision of the Federal Election Campaign Act of 1971, as amended.

Pursuant to its investigation of this matter, the Commission has issued the attached questions to your client. Please submit all answers to the questions under oath within 10 days of your receipt of this letter.

If you have any questions, please direct them to Charles Snyder, the attorney handling this matter at (202) 376-8200.

Sincerely,


Lawrence M. Noble
Acting General Counsel

Enclosure
Questions

88040674015

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phm

INSTRUCTIONS

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

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

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

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

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

Unless otherwise indicated, the discovery requests shall refer to the time period from January 1, 1984 to the present.

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

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DEFINITIONS

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

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

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

"Document" shall mean the original and all non-identical copies, including drafts, of all papers and records of every type in your possession, custody, or control, or known by you to exist. The term document includes, but is not limited to books, letters, contracts, notes, diaries, log sheets, records of telephone communications, transcripts, vouchers, accounting statements, ledgers, checks, money orders or other commercial paper, telegrams, telexes, pamphlets, circulars, leaflets, reports, memoranda, correspondence, surveys, tabulations, audio and video recordings, drawings, photographs, graphs, charts, diagrams, lists, computer print-outs, and all other writings and other data compilations from which information can be obtained.

"Identify" with respect to a document shall mean state the nature or type of document (e.g., letter, memorandum), the date, if any, appearing thereon, the date on which the document was prepared, the title of the document, the general subject matter of the document, the location of the document, the number of pages comprising the document.

"Identify" with respect to a person shall mean state the full name, the most recent business and residence addresses and telephone numbers, the present occupation or position of such person, the nature of the connection or association that person has to any party in this proceeding. If the person to be identified is not a natural person, provide the legal and trade names, the address and telephone number, and the full names of both the chief executive officer and the agent designated to receive service of process for such person.

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

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QUESTIONS

1. Give the dates, including day, month, and year, of all occasions on which Rep. William D. Lowery stayed at a penthouse or condominium, located at #612 LeRondolet, 1150 Anchorage Lane, San Diego, California, owned by Jet Air, Inc. If, on certain of the foregoing occasions, Rep. Lowery stayed at the aforesaid address for two or more days consecutively, state the beginning and ending dates of such stays.
2. State how much Rep. Lowery, or any of his agents, paid for his use of the penthouse or condominium, referred to in question 1, during each of the following years:

- (a) 1984
- (b) 1985
- (c) 1986
- (d) 1987

3. State the dates on which Rep. Lowery, or any of his agents, made each of the payments referred to in question 2.

State the duration of time that was paid for by each of the foregoing payments (give beginning and ending dates of each period of use of penthouse).

4. Attach all documents relating to any agreement or contract between Rep. Lowery, or any of his agents, and Jet Air, Inc., or any of its agents, concerning the manner in which Rep. Lowery would use or pay for his use of the above-referenced penthouse or condominium, the amounts to be paid, and the schedule by which such payments would become due.

88040674018

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

plm

June 12, 1987

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Mr. Jan W. Baran, Esquire
Wiley, Rein & Fielding
1776 K Street, N.W.
Washington, D.C. 20006

RE: MUR 2280
Citizens to Re-Elect
Congressman Bill Lowery
and Robert E. Miller, as
treasurer

Dear Mr. Baran:

On March 19, 1987, you were notified that the Federal Election Commission had found reason to believe your client violated 2 U.S.C. §§ 434(b) and 441b, provisions of the Federal Election Campaign Act of 1971, as amended.

Pursuant to its investigation of this matter, the Commission has issued the attached questions to your client. Please submit all answers to the questions under oath within 10 days of your receipt of this letter.

If you have any questions, please direct them to Charles Snyder, the attorney handling this matter at (202) 376-8200.

Sincerely,

Lawrence M. Noble
Lawrence M. Noble
Acting General Counsel

Enclosure
Questions

88040674019

236

INSTRUCTIONS

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

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

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

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

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

Unless otherwise indicated, the discovery requests shall refer to the time period from January 1, 1984 to the present.

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

88040674020

DEFINITIONS

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

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

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

"Document" shall mean the original and all non-identical copies, including drafts, of all papers and records of every type in your possession, custody, or control, or known by you to exist. The term document includes, but is not limited to books, letters, contracts, notes, diaries, log sheets, records of telephone communications, transcripts, vouchers, accounting statements, ledgers, checks, money orders or other commercial paper, telegrams, telexes, pamphlets, circulars, leaflets, reports, memoranda, correspondence, surveys, tabulations, audio and video recordings, drawings, photographs, graphs, charts, diagrams, lists, computer print-outs, and all other writings and other data compilations from which information can be obtained.

"Identify" with respect to a document shall mean state the nature or type of document (e.g., letter, memorandum), the date, if any, appearing thereon, the date on which the document was prepared, the title of the document, the general subject matter of the document, the location of the document, the number of pages comprising the document.

"Identify" with respect to a person shall mean state the full name, the most recent business and residence addresses and telephone numbers, the present occupation or position of such person, the nature of the connection or association that person has to any party in this proceeding. If the person to be identified is not a natural person, provide the legal and trade names, the address and telephone number, and the full names of both the chief executive officer and the agent designated to receive service of process for such person.

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

QUESTIONS

1. Give the dates, including day, month, and year, of all occasions on which Rep. William D. Lowery stayed at a penthouse or condominium, located at #612 LeRondolet, 1150 Anchorage Lane, San Diego, California, owned by Jet Air, Inc. If, on certain of the foregoing occasions, Rep. Lowery stayed at the aforesaid address for two or more days consecutively, state the beginning and ending dates of such stays.
2. State how much Rep. Lowery, or any of his agents, paid for his use of the penthouse or condominium, referred to in question 1, during each of the following years:
 - (a) 1984
 - (b) 1985
 - (c) 1986
 - (d) 1987

3. State the dates on which Rep. Lowery, or any of his agents, made each of the payments referred to in question 2.

State the duration of time that was paid for by each of the foregoing payments (give beginning and ending dates of each period of use of penthouse).

4. Attach all documents relating to any agreement or contract between Rep. Lowery, or any of his agents, and Jet Air, Inc., or any of its agents, concerning the manner in which Rep. Lowery would use or pay for his use of the above-referenced penthouse or condominium, the amounts to be paid, and the schedule by which such payments would become due.

88040674022

CCC# 3747

WILEY, REIN & FIELDING

1776 K STREET, N.W.
WASHINGTON, D. C. 20006

RECEIVED
DISTRICT OFFICE
GENERAL COUNSEL
BT JUN 29 4:54

JAN W. BARAN
(202) 429-7330

June 29, 1987

Mr. Lawrence M. Noble
Acting General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Attention: Mr. Charles Snyder

Re: MUR 2280

Dear Mr. Noble:

This response is submitted on behalf of Congressman Bill Lowery and the Friends of Congressman Bill Lowery, Robert E. Miller, Jr., Treasurer (the "Committee") in reply to interrogatories propounded by the Federal Election Commission (the "Commission") to the Committee on June 12, 1987.

Set forth as Exhibit 1 to this response is an affidavit submitted by Gene Gregston, District Office Administrator for Congressman Lowery, replying to each of the questions posed by the Commission. As the attached affidavit indicates, many of the responses to the questions you have posed have been previously submitted to the Commission under oath.

If you have any questions on these matters, please do not hesitate to contact us.

Sincerely,


Jan W. Baran


Sherrie M. Cooksey

Attachments

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1

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Affidavit of Gene Gregston

Gene Gregston being duly sworn, deposes and says:

1. I am Gene Gregston, District Office Administrator to Congressman Bill Lowery of the 41st Congressional District of California. I have personal knowledge of the facts contained herein and am competent to testify thereto.

2. Set forth below are responses to each of the questions posed by the Federal Election Commission in a letter dated June 12, 1987 from Acting General Counsel Lawrence E. Noble to Jan W. Baran, Counsel to the Friends of Bill Lowery, Robert E. Miller, Jr., Treasurer.

3. QUESTION 1: Give the dates, including day, month, and year, of all occasions on which Rep. William D. Lowery stayed at a penthouse or condominium, located at #612 LeRondolet, 1150 Anchorage Lane, San Diego, California, owned by Jet Air, Inc. If, on certain of the foregoing occasions Rep. Lowery stayed at the aforesaid address for two or more days consecutively, state the beginning and ending dates of such stays.

RESPONSE: See Attachment A. Also, it should be noted that the Jet Air, Inc. condominium was not a "penthouse" -- it was a sixth floor condominium (or apartment) on a floor of several similar apartments.

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4. QUESTION 2: State how much Rep. Lowery, or any of his agents, paid for his use of the penthouse or condominium, referred to in question 1, during each of the following

- years: (a) 1984
(b) 1985
(c) 1986
(d) 1987.

RESPONSE:

(a) See paragraph 19 of my previously submitted affidavit (attached as Exhibit B to this Affidavit).

(b) See paragraph 21 of my previously submitted affidavit (attached as Exhibit B to this Affidavit).

(c) \$1200.

(d) Effective December 31, 1986, Congressman Lowery terminated his oral contract with Jet Air, Inc. for use of the LeRondolet condominium. Accordingly, Congressman Lowery has not and will not stay in the Jet Air condominium in 1987.

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5. QUESTION 3: State the dates on which Rep. Lowery, or any of his agents made each of the payments referred to in question 2.

State the duration of time that was paid for by each of the foregoing payments (give beginning and ending dates of each period of use of penthouse).

RESPONSE:

(a) 1984: See paragraph 19 of my previously submitted affidavit (attached as Exhibit B to this Affidavit).

(b) 1985: See paragraph 21 of my previously submitted affidavit (attached as Exhibit B to this Affidavit).

(c) 1986: On February 3, 1987, Congressman Lowery paid Jet Air, Inc. for his 1986 use of the Jet Air condominium with a check for \$1200.

(d) 1987: As noted in my response to Question 2 above, effective December 31, 1987, Congressman Lowery terminated his oral contract with Jet Air, Inc. for use of the LeRondolet condominium. Hence, no payments are due for any 1987 use of such premises.

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6. QUESTION 4: Attach all documents relating to any agreement or contract between Rep. Lowery, or any of his agents, and Jet Air, Inc., or any of its agents, concerning the manner in which Rep. Lowery would use or pay for his use of the above-referenced penthouse or condominium, the amounts to be paid, and the schedule by which such payments would become due.

RESPONSE: No such documents exist, this was an oral agreement.

980440674028

Gene Gregston
Gene Gregston

Attachments

Sworn to and subscribed before me
this 26th day of June, 1987.

Beatrice M. Tammariello
Notary Public

My commission expires: 6-2-89



A

88040674029

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ATTACHMENT A

1984

February 10-15
February 17

June 3

July 2-13

October 18-21
October 25, 26

November 7, 8

1985*

April 9-13

June 29, 30

July 1-4

August 2-10
August 20, 21

October 11

November 8-10

December 13

1986

February 12-17

June 27

July 7
July 10-12

* In my previously submitted affidavit (Attachment B) I stated that "to the best of my knowledge, in 1985 Congressman Lowery stayed in the Jet Air condominium during 12 of his trips to San Diego." (Attachment B, ¶ 19.) I also stated that "frequently when I made arrangements for Congressman Lowery to stay in the Jet Air condominium he decided instead to stay at the home of his mother, brother, sister or friends." (Attachment B, ¶ 13.) Consistent with these statements, and to the best of my knowledge and belief, the seven visits listed on this page for 1985 are the only times in which Congressman Lowery actually used the Jet Air condominium in 1985.

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B

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ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED

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Affidavit of Gene Gregston

Gene Gregston, being duly sworn, deposes and says:

1. I am Gene Gregston, District Office Administrator to Congressman Bill Lowery of the 41st Congressional District of California. In that position I am responsible for arranging for the procurement of lodgings and related logistical support for Congressman Lowery during his trips to the District.

2. Jet Air, Inc., a San Diego manufacturer owns condominium #612 at Le Rondolet, 1150 Anchorage Lane, San Diego.

3. To the best of my knowledge, the Jet Air condominium was maintained by Jet Air for the express purpose of providing lodging to out-of-town buyers of Jet Air products and was otherwise unused.

4. Some time during 1984 representatives of Jet Air, Inc. advised my office that Jet Air's condominium was available for Congressman Lowery's use during his visits to San Diego on an "if available basis", i.e., if Jet Air or its guests were not using it.

5. After discussing it with Congressman Lowery, the District Office staff advised Jet Air that he would be interested in using the condominium and asked about its rental rate.

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6. The Jet Air officials advised that there was no set rental rate because the condominium had not been rented previously.

7. Also, to the best of our knowledge, no condominiums in Le Rondolet were available under conditions similar to those being offered by Jet Air.

8. Discussions on payment for use of the condominium were initiated, and proceeded for some time as there was no comparable commercial market available for calculation of the appropriate charges for its restrictive rental.

9. The restrictions on use of the Jet air condominium were (a) its use could not be guaranteed for any particular evening; (b) Congressman Lowery would be subject to being evicted or "bumped" from the premises at any time; (c) none of the basic amenities for standard nightly lodgings, e.g., maid and room service or air conditioning, were available at the Jet Air condominium.

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10. Based on considerations stated in paragraph 8 we agreed that the annual fee for use of the condominium would be \$1,200. Payment was due at the beginning of each year following use of the condominium.

11. Arrangements for use of the condominium were made through telephone conversations between myself, or my staff, and Jet Air secretarial staff.

12. Congressman Lowery stays in a variety of places when he visits the District, depending upon the nature of his activities during a particular trip.

13. Frequently when I made arrangements for Congressman Lowery to stay in the Jet Air condominium he decided instead to stay at the homes of his mother, brother, sister or friends.

14. On many occasions Jet Air advised us that the condominium was unavailable for Congressman Lowery's use.

15. Moreover, on at least five occasions Congressman Lowery was "bumped" from the condominium after being advised that it was available for his use.

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16. To the best of my knowledge in 1984, Congressman Lowery used the Jet Air condominium on seven of his trips to San Diego.

17. To the best of my knowledge, in 1985 Congressman Lowery stayed in the Jet Air condominium during 12 of his trips to San Diego.

18. To the best of my knowledge, Congressman Lowery in 1986 used the condominium during four trips to his district.

19. Pursuant to the agreement with Jet Air, Inc., on Feb.7, 1985, Congressman Lowery paid for his 1984 use of the condominium with a check for \$1,200.

20. Congressman Lowery then requested reimbursement for that payment from the Friends of Bill Lowery Committee, which reimbursed him on February 11, 1985.

21. On February 11, 1986, Congressman Lowery paid Jet Air \$1,200 for his 1985 use of the condominium.

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22. Congressman Lowery then requested reimbursement for that payment form the Friends of Bill Lowery Committee, which reimbursed him on April 28, 1986.

Gene Gregston
Gene Gregston

Sworn to and subscribed before me
this 5th day of December, 1986.

Gene Gregston
Notary Public

My Commission Expires:

Gene Gregston

88040674036

RECEIVED AT THE FEC
COC# 3915

SAVITZ, McCABE & SCHMID
ATTORNEYS AT LAW
A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

87 JUL 15 P12:10

RICHARD E. SAVITZ
MICHAEL J. MCCABE
GREGORY W. SCHMID

FORWARD HOUSE
108 IVY STREET
SAN DIEGO, CALIFORNIA 92101
(619) 231-1181

July 8, 1987

Mr. Lawrence M. Noble
Acting General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

87 JUL 15 P 3: 10

RECEIVED
GENERAL COUNSEL

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Re: MUR 2280, Jet Air, Inc.

Dear Mr. Noble:

This response is submitted on behalf of George T. Straza, President of Jet Air, Inc. in reply to the interrogatories propounded by the Federal Election Commission (the "Commission") to Jet Air, Inc. on June 12, 1987.

Set forth below are the interrogatories and answers:

QUESTION NUMBER 1

Give the dates, including day, month, and year, of all occasions on which Rep. William D. Lowery stayed at a penthouse or condominium, located at #612 LeRondolet, 1150 Anchorage Lane, San Diego, California, owned by Jet Air, Inc. If, on certain of the foregoing occasions, Rep. Lowery stayed at the aforesaid address for two or more days consecutively, state the beginning and ending date of such stays.

ANSWER NUMBER 1

February 10 - 15, 1984, February 17, 1984, June 3, 1984, July 2 - 13, 1984, October 18 - 21, 1984, October 25, 26, 1984, November 7, 8, 1984, April 9 - 13, 1985, June 29, 30, 1985, July 1 - 4, 1985, August 2 - 10, 1985, August 20, 21, 1985, October 11, 1985, November 8 - 10, 1985, December 13, 1985, February 12-17, 1986, June 27, 1986, July 7, 1986, July 10 - 12, 1986.

88040674007

Mr. Lawrence M. Noble
Acting General Counsel
Federal Election Commission
Page Two
July 8, 1987

INTERROGATORY NUMBER 2

State how much Rep. Lowery, or any of his agents, paid for his use of the penthouse or condominium, referred to in question 1, during each of the following years:

- (a) 1984
- (b) 1985
- (c) 1986
- (d) 1987

RESPONSE NUMBER 2

- (a) \$1,200
- (b) \$1,200
- (c) \$1,200
- (d) No payment for 1987. Agreement terminated on December 31, 1986.

INTERROGATORY NUMBER 3

State the dates on which Rep. Lowery, or any of his agents, made each of the payments referred to in question 2.

State the duration of time that was paid for by each of the foregoing payments (give beginning and ending dates of each period of use of penthouse).

ANSWER NUMBER 3

- (a) 1984: Feb. 7, 1985
- (b) 1985: February 11, 1986
- (c) 1986: February 3, 1987
- (d) 1987: No payment. Agreement terminated December 31, 1986.

88040674039

Mr. Lawrence M. Noble
Acting General Counsel
Federal Election Commission
Page Three
July 8, 1987

INTERROGATORY NUMBER 4

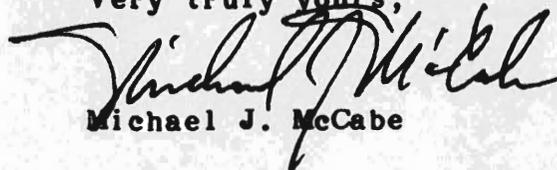
Attach all documents relating to any agreement or contract between Rep. Lowery, or any of his agents, and Jet Air, Inc., or any of its agents, concerning the manner in which Rep. Lowery would use or pay for his use of the above-referenced penthouse or condominium, the amounts to be paid, and the schedule by which such payments would become due.

ANSWER NUMBER 4

No such documents exist, this was an oral agreement.

If you have any questions on these matters, please do not hesitate to contact us.

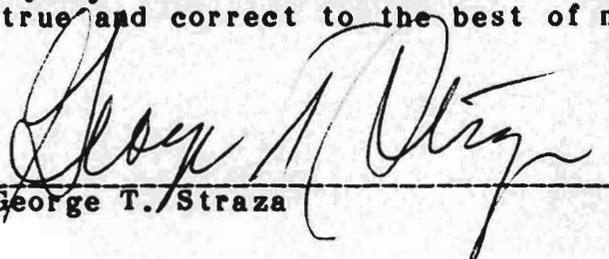
Very truly yours,


Michael J. McCabe

MJM/vgh

I, George T. Straza, the President of Jet Air, Inc., hereby declare under penalty of perjury that the answers to the foregoing interrogatories are true and correct to the best of my knowledge and belief.

DATED: 7/8/87


George T. Straza

cc: George T. Straza
c/o Jet Air, Inc.
350 Cypress Lane
El Cajon, California 92020

88040674039

BEFORE THE FEDERAL ELECTION COMMISSION

87 NOV -5 PM 3:54

In the Matter of)
Citizens to Re-Elect Congressman)
Bill Lowery and Robert E. Miller,)
as treasurer)
Jet Air, Inc.)

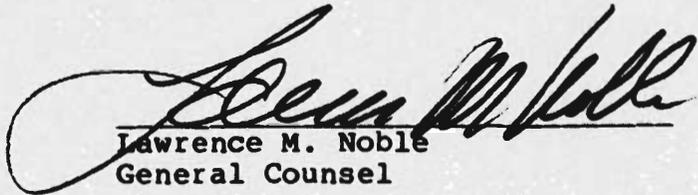
MUR 2280

SENSITIVE

GENERAL COUNSEL'S REPORT

The Office of the General Counsel is prepared to close the investigation in this matter as to Citizens to Re-Elect Congressman Bill Lowery and Robert E. Miller, as treasurer, and Jet Air, Inc., based on the assessment of the information presently available.

Date 11/5/57


Lawrence M. Noble
General Counsel

88040674040



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

RECEIVED
FEDERAL ELECTION COMMISSION
SECRETARIAT

87 NOV 16 AM 10:49

SENSITIVE

November 16, 1987

MEMORANDUM

TO: The Commission

FROM: Lawrence M. Noble 
General Counsel

SUBJECT: MUR #2280

Attached for the Commission's review are briefs stating the position of the General Counsel on the legal and factual issues of the above-captioned matter. Copies of these briefs and letters notifying the respondents of the General Counsel's intent to recommend to the Commission findings of no probable cause to believe were mailed on November 13, 1987. Following receipt of the respondents' reply to these notices, this Office will make a further report to the Commission.

Attachments

- 1-Briefs
- 2-Letters to respondents

88040674041



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 13, 1987

Jan Baran, Esquire
Wiley, Rein & Fielding
1776 K Street, N.W.
Washington, D.C. 20006

RE: MUR 2280
Citizens to Re-Elect
Congressman Bill Lowery
Committee and Robert E.
Miller, as treasurer

Dear Mr. Baran:

Based on a complaint filed with the Federal Election Commission on October 27, 1986, and information supplied by your clients, the Commission, on March 10, 1987, found that there was reason to believe your clients, Citizens to Re-Elect Congressman Bill Lowery Committee and Robert E. Miller, as treasurer, violated 2 U.S.C. §§ 441b and 434(b), and instituted an investigation of this matter.

After considering all the evidence available to the Commission, the Office of the General Counsel is prepared to recommend that the Commission find no probable cause to believe that a violation has occurred.

The Commission may or may not approve the General Counsel's recommendation. Submitted for your review is a brief stating the position of the General Counsel on the legal and factual issues of the case. Within 15 days of your receipt of this notice, you may file with the Secretary of the Commission a brief (10 copies if possible) stating your position on the issues and replying to the brief of the General Counsel. (Three copies of such brief should also be forwarded to the Office of the General Counsel, if possible.) The General Counsel's brief and any brief which you may submit will be considered by the Commission before proceeding to a vote of whether there is probable cause to believe a violation has occurred.

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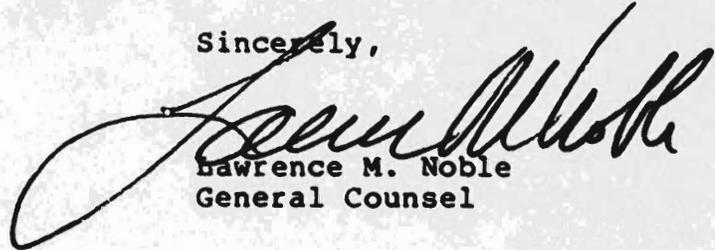
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If you are unable to file a responsive brief within 15 days, you may submit a written request for an extension of time. All requests for extensions of time must be submitted in writing five days prior to the due date and good cause must be demonstrated.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

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

Should you have any questions, please contact Charles Snyder, the attorney assigned to handle this matter, at (202) 376-8200.

Sincerely,



Lawrence M. Noble
General Counsel

Enclosure
Brief

88040674043

274

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Citizens to Re-Elect) MUR 2280
Congressman Bill Lowery)
Committee and Robert E.)
Miller, as treasurer)
GENERAL COUNSEL'S BRIEF

I. STATEMENT OF FACTS

On March 10, 1987, the Commission found reason to believe that the Citizens to Re-Elect Congressman Bill Lowery Committee ("the Committee") and Robert E. Miller, as treasurer, violated 2 U.S.C. § 441b, specifically for the receipt of a contribution in the form of an extension of credit beyond a commercially reasonable time from a corporation, and 2 U.S.C. § 434(b), by failing to report said corporate contributions.

The basis for the Commission's findings was that Rep. William Lowery stayed at a condominium owned by Jet Air on certain occasions while visiting his district (where he does not own a home or maintain a residence) in 1984-1986. Specifically, Rep. Lowery stayed at the condominium on 7 occasions (28 nights) in 1984, 8 occasions (27 nights) in 1985, and 4 occasions (11 nights) in 1986. Pursuant to an oral agreement with Jet Air, Rep. Lowery was entitled to stay at the condominium an unlimited number of nights during the aforesaid years, provided that the condominium was not needed by any of Jet Air's business guests. Rep. Lowery could be (and was, on several occasions) "bumped" from the condominium when Jet Air needed it for business guests. It was further provided that Rep. Lowery would pay Jet Air a flat

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rate of \$1200 for each year the agreement remained in effect. Such payment would be due early in the year following that in which Rep. Lowery used the condominium. Accordingly, Rep. Lowery paid Jet Air \$1200 on each of the following dates: February 7, 1985 (for 1984); February 11, 1986 (for (1985)); and February 3, 1987 (for 1986). Effective December 31, 1986, Rep. Lowery terminated the oral agreement with Jet Air, and, therefore, has not used the condominium in 1987.

II. ANALYSIS

Under the Federal Election Campaign Act ("the Act"), "It is unlawful for ... any corporation whatever ... to make a contribution or expenditure in connection with any [Federal] election ... or for any candidate, political committee, or other person knowingly to accept or receive any contribution prohibited by this section" 2 U.S.C. § 441b(a). Under the Commission's regulations, "Any candidate who receives a contribution ... shall be considered as having received the contribution ... as an agent of such authorized committee(s)." 11 C.F.R. § 102.7(d). Accordingly, a contribution made by Jet Air to Rep. Lowery would be deemed a contribution by Jet Air to the Committee. Because Jet Air is a corporation, any such contribution would violate 2 U.S.C. § 441b.

The Act further provides that, "Each treasurer of a political committee shall file reports of receipts and disbursements in accordance with the provisions of this

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subsection." 2 U.S.C. § 434(a) (1). "Each report under this section shall disclose ... (2) for the reporting period and calendar year, the total amount of all receipts, and the total amount of all receipts in the following categories:

(A) contributions from persons other than political committees [and] (3) the identification of each -

(A) person ... who makes a contribution to the reporting committee during the reporting period, whose contribution or contributions have an aggregate amount or value in excess of \$200 within the calendar year ..., together with the date and amount of any such contribution" 2 U.S.C. 434(b). Consequently, if the Committee failed to report a contribution made to it (through Rep. Lowery, as its agent) from Jet Air, it would have violated 2 U.S.C. § 434(b).

Based on the Commission's findings, the sole issue is whether Jet Air's permitting Rep. Lowery to stay at its condominium during the course of a year, and not pay for it until the following year, resulted in a campaign contribution in the form of an extension of credit beyond a commercially reasonable time. Under the Commission's regulations, the definition of "contribution" includes a provision that: "The extension of credit by any person for a length of time beyond normal business or trade practice is a contribution, unless the creditor has made a commercially reasonable attempt to collect the debt."

11 C.F.R. § 100.7(a) (4). Applying the foregoing provision to the

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facts of the present case, it must be first determined what the "normal business or trade practice" was. This determination is complicated by the fact that Jet Air was not in the business of renting rooms, but was rather a defense contractor. Thus, Jet Air's contract with Lowery cannot be compared to any other rental made by the corporation. Nor is it useful to compare the instant arrangement to accommodations provided by hotels, since the contract between Jet Air and Lowery allowed for "bumping," and did not include maid service and certain other amenities normally provided by hotels. Also, the contract itself, allowing as it did a flat rate payment (due after the end of the year) for use of the condominium limited only by the need to provide lodging for business guests, was not typical of either hotel or apartment leases.

In considering the reasonableness of the rental agreement in this case, it should be noted that, under common law,

The rule is that where a term of years is granted for a gross rent without specification as to the time of payment, it does not become due and payable until the end of the term, and that where by the contract the rent is payable either yearly, half-yearly, quarterly, monthly, or weekly, and there is no provision for payment at any particular time during such periods, either expressly made or to be gathered by necessary implication from the acts and circumstances of the parties or by custom or usage in the community, the rent is not due and

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payable until the end of those respective periods. This rule is statutory in some jurisdictions.

49 Am. Jur. 2d Landlord and Tenant § 555 (1970). To be sure, the parties may agree that the rent is to be paid in advance, and "There are some statutes to the effect that unless otherwise expressly provided by the lease or terms of holding, all rent is due and payable in advance." Id. § 557. In the present instance, the parties had in fact contracted for the payment to be due at end of the term.^{*/}

Based on that contract, it appears from responses to interrogatories that Rep. Lowery paid for his use of the condominium in February of the following year in each instance. Under the contract between the parties, said payment was not due until the following year. Without exception, Rep. Lowery made the payment when due, and Jet Air had no occasion to pursue any collection remedies.

^{*/} Based on an informal telephone survey of San Diego condominium management companies, it is the usual and normal practice of such companies, when renting a condominium, to require the payments be made in advance on a monthly basis. But they also stated that it is impossible to generalize about a rental agreement that might be made by an owner of a condominium (as opposed to those of companies in the business of managing or developing condominiums); such arrangements vary according to the wishes of the lessors and lessees concerned.

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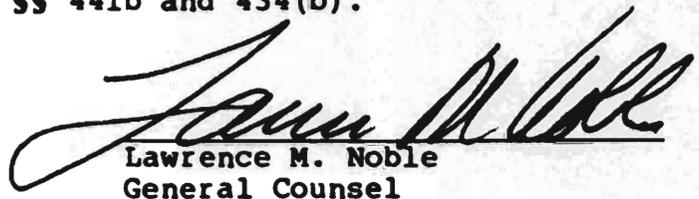
Accordingly, based on the oral agreement of the parties, and the course of dealing established between them, there was no unreasonable extension of credit in this case. It was not inappropriate for the parties to agree that the rental should be due at the end of the term. Such payments were made in a timely fashion under the terms of the arrangement, so that Jet Air had no occasion to make a "commercially reasonable attempt to collect the debt." This Office recommends, therefore, that the Commission find no probable cause to believe the Committee violated 2 U.S.C. § 441b, as it does not appear that it accepted a corporate contribution from Jet Air. For that reason, the Committee also was not obliged to report the receipt of such a contribution, and therefore it is recommended that the Commission find no probable cause to believe the Committee violated 2 U.S.C. § 434(b).

III. RECOMMENDATION

Find no probable cause to believe Citizens to Re-Elect Congressman Bill Lowery Committee and Robert E. Miller, as treasurer, violated 2 U.S.C. §§ 441b and 434(b).

Date

11/13/87


 Lawrence M. Noble
 General Counsel

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 13, 1987

Michael J. McCabe, Esquire
Savitz, McCabe & Schmid
Forward House
108 Ivy Street
San Diego, California 92101

RE: MUR 2280
Jet Air, Inc.

Dear Mr. McCabe:

Based on a complaint filed with the Federal Election Commission on October 27, 1986, and information supplied by your client, Jet Air, Inc., the Commission, on March 10, 1987, found that there was reason to believe your clients, Jet Air, Inc., violated 2 U.S.C. § 441b, and instituted an investigation of this matter.

After considering all the evidence available to the Commission, the Office of the General Counsel is prepared to recommend that the Commission find no probable cause to believe that a violation has occurred.

The Commission may or may not approve the General Counsel's recommendation. Submitted for your review is a brief stating the position of the General Counsel on the legal and factual issues of the case. Within 15 days of your receipt of this notice, you may file with the Secretary of the Commission a brief (10 copies if possible) stating your position on the issues and replying to the brief of the General Counsel. (Three copies of such brief should also be forwarded to the Office of the General Counsel, if possible.) The General Counsel's brief and any brief which you may submit will be considered by the Commission before proceeding to a vote of whether there is probable cause to believe a violation has occurred.

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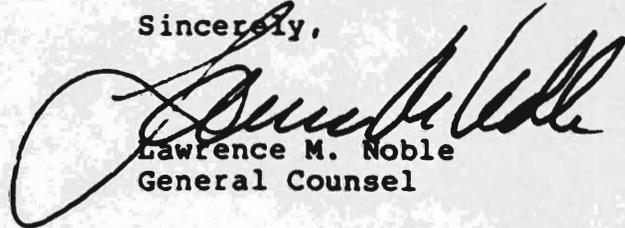
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If you are unable to file a responsive brief within 15 days, you may submit a written request for an extension of time. All requests for extensions of time must be submitted in writing five days prior to the due date and good cause must be demonstrated.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

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

Should you have any questions, please contact Charles Snyder, the attorney assigned to handle this matter, at (202) 376-8200.

Sincerely,



Lawrence M. Noble
General Counsel

Enclosure
Brief

68040674051

276

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Jet Air, Inc.) MUR 2280
)

GENERAL COUNSEL'S BRIEF

I. STATEMENT OF FACTS

On March 10, 1987, the Commission found reason to believe that Jet Air, Inc. ("Jet Air") violated 2 U.S.C. § 441b, specifically for the making of a contribution in the form of an extension of credit beyond a commercially reasonable time, to an authorized political committee of a candidate for federal office, specifically the Re-Elect Congressman Bill Lowery Committee ("the Committee") and Robert E. Miller, as treasurer.

The basis for the Commission's finding was that Rep. William Lowery stayed at a condominium owned by Jet Air, Inc. on certain occasions while visiting his district (where he does not own a home or maintain a residence) in 1984-1986. Specifically, Rep. Lowery stayed at the condominium on 7 occasions (28 nights) in 1984, 8 occasions (27 nights) in 1985, and 4 occasions (11 nights) in 1986. Pursuant to an oral agreement with Jet Air, Rep. Lowery was entitled to stay at the condominium an unlimited number of nights during the aforesaid years, provided that the condominium was not needed by any of Jet Air's business guests. Rep. Lowery could be (and was, on several occasions) "bumped" from the condominium when Jet Air needed it for business guests. It was further provided that Rep. Lowery would pay Jet Air a flat rate of \$1200 for each year the agreement remained in effect.

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Such payment would be due early in the year following that in which Rep. Lowery used the condominium. Accordingly, Rep. Lowery paid Jet Air \$1200 on each of the following dates: February 7, 1985 (for 1984); February 11, 1986 (for 1985); and February 3, 1987 (for 1986). Effective December 31, 1986, Rep. Lowery terminated the oral agreement with Jet Air, and, therefore, has not used the condominium in 1987.

II. ANALYSIS

Under the Federal Election Campaign Act ("the Act"), "It is unlawful for ... any corporation whatever ... to make a contribution or expenditure in connection with any [Federal] election ... or for any candidate, political committee, or other person knowingly to accept or receive any contribution prohibited by this section" 2 U.S.C. § 441b(a). Under the Commission's regulations, "Any candidate who receives a contribution ... shall be considered as having received the contribution ... as an agent of such authorized committee(s)." 11 C.F.R. § 102.7(d). Accordingly, a contribution made by Jet Air to Rep. Lowery would be deemed a contribution by Jet Air to the Committee. Because Jet Air is a corporation, any such contribution would violate 2 U.S.C. § 441b.

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Based on the Commission's finding, the sole issue is whether Jet Air's permitting Rep. Lowery to stay at its condominium during the course of a year, and not pay for it until the following year, resulted in a campaign contribution in the form of an extension of credit beyond a commercially reasonable time. Under the Commission's regulations, the definition of "contribution" includes a provision that: "The extension of credit by any person for a length of time beyond normal business or trade practice is a contribution, unless the creditor has made a commercially reasonable attempt to collect the debt." 11 C.F.R. § 100.7(a)(4). Applying the foregoing provision to the facts of the present case, it must be determined what the "normal business or trade practice" was. This determination is complicated by the fact that Jet Air was not in the business of renting rooms, but was rather a defense contractor. Thus, Jet Air's contract with Lowery cannot be compared to any other rental made by the corporation. Nor is it useful to compare the instant arrangement to accommodations provided by hotels, since the contract between Jet Air and Lowery allowed for "bumping," and did not include maid service and certain other amenities normally provided by hotels. Also, the contract itself, allowing as it did a flat rate payment (due after the end of the year) for use of the condominium limited only by the need to provide lodging

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for business guests, was not typical of either hotel or apartment leases.

In considering the reasonableness of the rental agreement in this case, it should be noted that under common law,

The rule is that where a term of years is granted for a gross rent without specification as to the time of payment, it does not become due and payable until the end of the term, and that where by the contract the rent is payable either yearly, half-yearly, quarterly, monthly, or weekly, and there is no provision for payment at any particular time during such periods, either expressly made or to be gathered by necessary implication from the acts and circumstances of the parties or by custom or usage in the community, the rent is not due and payable until the end of those respective periods. This rule is statutory in some jurisdictions.

49 Am. Jur. 2d Landlord and Tenant § 555 (1970). To be sure, the parties may agree that the rent is to be paid in advance, and "There are some statutes to the effect that unless otherwise expressly provided by the lease or terms of holding, all rent is due and payable in advance." Id. § 557. In the present instance, the parties had in fact contracted for the payment to be due at end of the term.*

*/ Based on an informal telephone survey of San Diego condominium management companies, it is the usual and normal practice of such companies, when renting a condominium, to require the payments be made in advance on a monthly basis. But they also stated that it is impossible to generalize about a rental agreement that might be made by an owner of a condominium (as opposed to those of companies in the business of managing or developing condominiums); such arrangements vary according to the wishes of the lessors and lessees concerned.

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Based on that contract, it appears from responses to interrogatories that Rep. Lowery paid for his use of the condominium in February of the following year in each instance. Under the contract between the parties, said payment was not due until the following year. Without exception, Rep. Lowery made the payment when due, and Jet Air had no occasion to pursue any collection remedies.

Accordingly, based on the oral agreement of the parties, and the course of dealing established between them, there was no unreasonable extension of credit in this case. It was not inappropriate for the parties to agree that the rental should be due at the end of the term. Such payments were made in a timely fashion under the terms of the arrangement, so that Jet Air had no occasion to make a "commercially reasonable attempt to collect the debt." This Office recommends, therefore, that the Commission find no probable cause to believe Jet Air violated 2 U.S.C. § 441b, as it does not appear that it made a corporate contribution to the Committee.

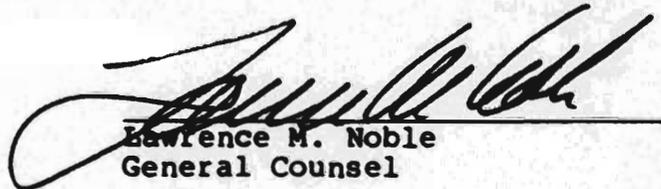
III. RECOMMENDATION

Find no probable cause to believe Jet Air, Inc. violated 2 U.S.C. § 441b.

Date

11/13/87

Lawrence M. Noble
General Counsel



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6CC # 4745

Daniel F. Kripke, M.D.
8437 Sugarman Drive
La Jolla, California 92037

RECEIVED
FEDERAL ELECTION COMMISSION
MAIL ROOM

87 NOV 13 AM 9:25

November 9, 1987

RE: MUR 2280

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

Dear Sir:

The enclosed clipping, further describing the criminal activities of Jet Air and its owner, substantiates my assertion in MUR 2280 that Representative Lowery gave Jet Air an opportunity to cheat the government.

Would you be kind enough to update me on the status of MUR 2280?

Specifically, can you tell me if the matter has been taken to court? Which court and case number? Are the court records open to public inspection?

Thank you so much for your attention in this matter which involves such serious attempts to cheat our government.

Sincerely,

Daniel F. Kripke
Daniel F. Kripke, M.D.

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL

87 NOV 13 AM 10:50

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Former Jet Air Owner Convicted of Engine Parts Fraud

By RALPH FRAMMOLINO, *Times Staff Writer*

George T. Straza, the former owner of Jet Air Inc. of El Cajon, was convicted Friday of defrauding a jet-engine manufacturer under government contract by double-dealing in engine parts.

A federal jury deliberated three days before delivering the guilty verdicts against Straza, 58, of Rancho Santa Fe, on 43 counts of conspiracy, theft of government property, mail fraud and issuing false invoices. It was the second time in three years that Straza was convicted of fraud in connection with government contract work.

The federal jury also convicted Jet Air corporate secretary Alice Skinner, 57, of Lakeside on 20 similar fraud counts.

Jurors, however, acquitted Joao Jaime Costa, Jet Air's 50-year-old former vice president and general manager, on 20 fraud counts.

None of the defendants would comment after the verdicts came in. Straza's attorney—Howard Weitzman, who headed the successful defense of auto maker John DeLorean of cocaine charges—

would only say that a motion would be filed to request a new trial for Straza and Skinner.

The three were charged with defrauding Pratt & Whitney, a government contractor, by charging the company for 90 jet engine burner cans that, in fact, Jet Air sold to Aerospace Innovators Ltd. of Manhattan Beach. They were also accused of mail fraud for allegedly sending Pratt & Whitney false billings, and of using unauthorized blueprints.

The scheme, prosecutors said during the trial, netted Straza and the others \$239,000 in personal profit. The ultimate destination of the parts, used in the A-4 Skyhawk and A-4 Intruder fighter planes, is still under investigation, government officials say.

The verdicts represented Straza's second conviction on fraud charges. In May, 1984, he pleaded guilty to making false statements to the National Aeronautics and Space Administration in connection with a \$2.4-million contract to manufacture parts for the space

shuttle.

Under a plea bargain with federal prosecutors, Straza agreed to serve six months in prison and reimburse NASA \$690,000. The space agency subsequently barred Straza personally from obtaining further contracts, but allowed Jet Air to continue as a contractor as long as Straza would limit his ties to the company to that of a consultant.

In Straza's second trial, Assistant U.S. Atty. George Hardy said that the verdicts rendered Friday sent a message that federal prosecutors and the U.S. Dept. of Justice "are going to come down hard on government contract fraud. It's a policy."

"To me, it was a clear-cut case where you had [defendants] taking property that didn't belong to them and reselling it for a profit," said Hardy.

Michael Pancer, Costa's attorney, declined to say Friday why he thought his client was acquitted and the others found guilty.

"I thought it was a very weak

government case, and the jury saw likewise," Pancer said. "They just didn't have the evidence" to convict Costa.

Added Hardy: "The way it came in, there was some doubt about [Costa's] involvement. During a trial, some things happen differently than [a prosecutor] plans, and I can see how the jury had doubts about his guilt."

The trial against Straza and two Jet Air employees spun out of a 13-month investigation by the Air Force and Defense Department.

Straza and Jet Air have ties to San Diego-area politicians. James R. Mills, former state Senate president pro tem, became Jet Air president in 1985, and his predecessor as company president was Rep. Bob Wilson of San Diego.

In addition, Rep. Bill Lowery (R-San Diego) has rented a Jet Air condominium during visits from Washington. Both Lowery and Rep. Duncan Hunter (R-Coronado) have reportedly interceded with federal officials in the company's behalf.



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

25 November 1987

Daniel F. Kripke, M.D.
8437 Sugarman Drive
LaJolla, California 92097

RE: MUR 2280

Dear Dr. Kripke:

This is in response to your letter dated November 9, 1987 in which you request information pertaining to a complaint you filed on October 27, 1986, with the Federal Election Commission.

The Federal Election Campaign Act of 1971, as amended ("the Act") prohibits any person from making public the fact of any notification or investigation by the Commission, prior to closing the file in the matter, unless the parties being investigated have agreed in writing that the matter be made public. See 2 U.S.C. § 437g(a)(4)(B) and § 437g(a)(12)(A). Because there has been no written agreement that the matter be made public, we are not in a position to release any information at this time.

As you were informed by letter of October 31, 1986, we will notify you as soon as the Commission takes final action on your complaint.

Sincerely,

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Associate General Counsel

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MAIL ROOM

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WILEY, REIN & FIELDING

1776 K STREET, N.W.
WASHINGTON, D. C. 20006
(202) 429-7000

November 25, 1987

JAN W. BARAN
(202) 429-7330

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL
87 NOV 27 PM 12: 41

The Honorable Marjorie W. Emmons
Commission Secretary
Federal Election Commission
999 E Street, N.w.
Washington, D.C. 20463

RE: MUR 2280 (Citizens to Re-elect
Congressman Bill Lowery, et al.)

Dear Madame Secretary:

Enclosed please find Respondent's Brief and ten copies
in the above-captioned matter filed pursuant to 11 C.F.R.
§ 111.16(c).

Sincerely,


Jan W. Baran

JWB:jrb

Enclosure

cc: Congressman Bill Lowery
Robert E. Miller, Jr.
Lawrence M. Noble, Esquire (3 copies)

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Citizens to Re-Elect) MUR 2280
Congressman Bill Lowery)
Committee and Robert E.)
Miller, as Treasurer)

RESPONDENT'S BRIEF

This response is submitted on behalf of the Friends of Congressman Bill Lowery, and Robert E. Miller, Jr., as Treasurer ("Respondents") in reply to the General Counsel's Brief of November 13, 1987 which recommends that the Commission find no probable cause to believe that Respondents violated 2 U.S.C. §§ 441b and 434(b).

The Respondents believe that the General Counsel appropriately is recommending no probable cause to believe that a violation has occurred in this matter and accepts the reasoning of the General Counsel. In addition, Respondents reiterate that the agreement at issue in this matter complies with the Act and with Commission regulations which define the "usual and normal charge" for goods to mean "the price of those goods in the market from which they ordinarily would have been purchased." 11 C.F.R. § 100.7(a)(1)(iii)(B). Here, as stated in our December 8, 1986 response to this complaint (Attachment A), and as recognized in the General Counsel's Brief, there is no identifiable market from which the usual and normal charge for the rental of the Jet Air Condominium reasonably could be established. Since there is

no comparable commercial market to this rental arrangement, the "usual and normal" charge may be established by the parties as was done here. See MUR 2008.

Furthermore, as agreed, Congressman Lowery paid promptly pursuant to the terms of the contract. Thus, the Respondents have not accepted a corporate contribution from Jet Air, Inc., nor have they violated any reporting obligations.

Accordingly, we urge the Commission to find no probable cause to believe that Respondents violated 2 U.S.C. §§ 441b and 434(b).

Sincerely,


Jan W. Baran


Carol A. Laham

WILEY, REIN & FIELDING
1776 K Stret, N.W.
Washington, D.C. 20006
(202) 429-7000

Counsel for Friends of
Congressman Bill Lowery,
and Robert E. Miller, Jr.,
Treasurer

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WILEY, REIN & FIELDING

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1776 K STREET, N.W.
WASHINGTON, D. C. 20006

JAN W. BARAN
202 429-7330

December 8, 1986

Charles N. Steele, Esquire
General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Re: MUR 2280

Dear Mr. Steele:

This Response, including the attached Affidavits, is submitted on behalf of Congressman Bill Lowery and the Friends of Congressman Bill Lowery, Robert E. Miller, Jr., Treasurer, in reply to a complaint filed by Daniel F. Kripke, M.D. and designated Matter Under Review ("MUR") 2280. For the reasons set forth herein, the Federal Election Commission ("FEC" or "Commission") should find no reason to believe that Congressman Bill Lowery or the Friends of Congressman Bill Lowery have violated any provisions of the Federal Election Campaign Act of 1971 as amended ("the Act").

I. FACTS

A. The Complaint

On October 27, 1986, Dr. Daniel F. Kripke, Democratic candidate for election as the U.S. Representative for the

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WILEY, REIN & FIELDING

Charles N. Steele, Esquire
December 8, 1986
Page 2

41st District of California, submitted the instant complaint to the Federal Election Commission. In brief, Dr. Kripke ("complainant") alleges that Congressman Bill Lowery (Dr. Kripke's electoral opponent) and his principal campaign committee, the Friends of Bill Lowery ("the Committee"), did not pay the fair market rate for the Congressman's intermittent and restricted use of a condominium owned by Jet Air, Inc. and, as a result, accepted prohibited in-kind contributions which were not reported to the Commission. As evidence in support of this conclusion the complainant relies on his own unsubstantiated estimate of the fair market rental value for allegedly similar rentals, and a survey of hotel rates for rooms allegedly comparable to the Jet Air condominium. Additionally, the complainant alleges that the Committee's expenditures to Jet Air, Inc. were not reported in a timely manner.¹

¹ Complainant also alleges that Congressman Lowery violated the Rules of the House of Representatives by failing to keep his campaign funds separate from his personal funds and using undue influence in presenting the views of his constituent, Jet Air, Inc., to various Federal agencies. Because these allegations are both specious and outside the jurisdiction of this Commission, 2 U.S.C. § 437c(b), they will not be addressed in this response.

B. The Agreement

Jet Air, Inc., a San Diego manufacturer, owns condominium #612 at Le Rondolet, 1150 Anchorage Lane, San Diego, California. Affidavit of Gene Gregston, District Office Administrator to Congressman Bill Lowery, ¶ 2 ("Gregston Aff.") Tab 1. This condominium is used by Jet Air as lodgings for visiting out-of-town buyers (or potential buyers) of its products. Id. at ¶ 3.

Some time in 1984 representatives of Jet Air advised Congressman Lowery's District Office that Jet Air's condominium was available for occasional use by the Congressman during his trips to San Diego on an "if available" basis, i.e., if it was not being used by Jet Air or its guests. Id. at ¶ 4. Congressman Lowery's staff conveyed to Jet Air the Congressman's interest in using the condominium on this basis, and inquired about its rental rate. Id. at ¶ 5. They were advised that the condominium had not been rented previously and Jet Air was uncertain of the appropriate rate to charge for its use. Id. at ¶ 6.

Discussions on the appropriate charge for use of the condominium ensued and proceeded for some time, as there was no comparable commercial market available for reference in calculating the charges for the conditional use being offered

WILEY, REIN & FIELDING

Charles N. Steele, Esquire
December 8, 1986
Page 4

by Jet Air, Inc. Id. at ¶ 8. Under Jet Air's offer, use of the condominium on any given night was not guaranteed; moreover, approved use of the condominium would not preclude Congressman Lowery from being "bumped" from the condominium at any time in favor of Jet Air clients. Id. at ¶ 9. A condominium rental within these provisions was completely unique in the San Diego rental market. Affidavit of David Pierce, San Diego real estate agent, ¶ 4 ("Pierce Aff.") Tab 2.

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Congressman Lowery intended to, and did in fact, use this condominium only on an occasional basis. Id. at ¶¶ 16 - 18. In view of this proposed limited use and Jet Air's restrictions, and the fact that the condominium did not include such basic amenities as daily maid service or air conditioning, id. at ¶ 9, Congressman Lowery agreed to pay a charge of \$1,200 per year, payable annually in a lump sum, for the conditional right to use Jet Air's condominium. Id. at ¶ 10. Payment was due at the beginning of each year following its use. Id. This agreement was not in writing.

C. Congressman Lowery's Use of the Condominium

Actual use of the condominium was coordinated through telephone conversations between Congressman Lowery's staff and the secretarial staff of Jet Air. Id. at ¶ 11. In 1984,

WILEY, REIN & FIELDING

Charles N. Steele, Esquire
December 8, 1986
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Congressman Lowery used the Jet Air condominium on seven of his trips to San Diego. Id. at ¶ 16. In 1985 Congressman Lowery stayed in the Jet Air condominium during 12 trips to San Diego; and in 1986 he used the condominium on four trips to his District. Id. at ¶¶ 17 and 18. On many occasions the condominium was not available for Congressman Lowery's use. Id. at ¶ 14. Moreover, on at least five occasions Congressman Lowery was asked to vacate the condominium so that Jet Air guests could use it. Id. at ¶ 15.

On February 7, 1985 Congressman Lowery paid Jet Air for his 1984 use of the condominium with a check for \$1,200. Id. at ¶ 19. He then requested reimbursement from his campaign committee, and the Friends of Bill Lowery Committee reimbursed him for that expenditure on February 11, 1985. Id. at ¶ 20. On February 11, 1986 Congressman Lowery paid Jet Air \$1,200 and was subsequently reimbursed by the Committee on April 28, 1986. Id. at ¶¶ 21 and 22. The Committee's disbursements to Congressman Lowery were included in its July 31, 1985 mid-year report and its pre-primary 1986 report (for the period covering April 1, 1986 - May 14, 1986).

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II. ARGUMENTS OF LAW

A. Jet Air, Inc. Leased Its Condominium To
Congressman Lowery at the Usual and Normal Rate

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The Commission's regulations state that the provision of any goods or services to a Federal candidate or political committee "at a charge which is less than the usual and normal charge for such goods and services" results in an in-kind contribution. 11 C.F.R. § 100.7(a)(1)(iii)(A). The "usual and normal charge" for goods is defined as "the price of those goods in the market from which they ordinarily would have been purchased". *Id.* at § 100.7(a)(1)(iii)(B). Hence, the threshold inquiry in this case is whether the amounts Jet Air, Inc. charged Congressman Lowery for intermittent and restricted use of its condominium were the "usual and normal charge" for such arrangement.

The facts at hand clearly demonstrate that there was no established market for rental of a Le Rondolet condominium. *Gregston Aff.* ¶ 8. The Jet Air condominium had not been rented previously. Moreover, the terms and conditions of the proposed lease arrangement were unlike any rental arrangements available within the Le Rondolet building. *Id.* at ¶ 7. Thus, there was no identifiable market from which the "usual and normal charge" for this proposed rental of the Jet Air

WILEY, REIN & FIELDING

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Page 7

condominium could reasonably be established. Indeed, a licensed real estate agent familiar with the condominium rental market in San Diego has stated that the terms and conditions being offered by Jet Air, Inc. are completely unique to that rental market and could only be valued at a rate negotiated and agreed upon between the renting parties. Pierce Aff., ¶¶ 4 - 5.

Contrary to the complainant's assertions, the lease agreement between Congressman Lowery and Jet Air is not comparable to a nightly commercial hotel rental or a standard condominium lease. Its terms and conditions are clearly distinguishable from those of a nightly hotel rental where reservations are guaranteed and guests are not subject to being "bumped". Further, the usual and normal amenities of hotel rooms, e.g. maid and room service, air conditioning and a message center, were not included with this rental. Similarly, this lease arrangement is not equivalent or comparable to a standard condominium lease agreement where the lessee obtains unrestricted use of the premises for months or years at a time.

The arrangement between Jet Air, Inc. and Congressman Lowery is similar to one previously considered by the Commission in MUR 2008. In that case it was alleged that Congressman Bob Edgar had rented an apartment from its owner

WILEY, REIN & FIELDING

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December 8, 1986
Page 8

at less than fair market value. There, as here, use of the rental property was restricted: Congressman Edgar was limited to use of the first floor of the house only and the owner retained portions of the house for storage of her personal property. In addition to these limitations, the owner derived a benefit from her rental arrangement with Congressman Edgar that was significant to any estimation of the fair market value of the property: By renting to a part-time resident, the value of her property was less likely to deteriorate than it would under conventional leasing arrangements. Thus, she was able to derive income from her property, avoid the costs that would accrue from intensive use of the house through a full-time, unrestricted renter, and continue using a portion of the property herself. The Commission, in MUR 2008, recognized a monthly rental of \$250, far below the cost of an unrestricted rental of similar property, as full payment of the "usual and normal" charge.

Similar benefits have accrued to Jet Air, Inc. through its leasing arrangement with Congressman Lowery: Jet Air has retained full access to its property; avoided the deterioration in property values inherent to full-time rental property; and derived income from property that was an otherwise non-income producing asset.

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December 8, 1986
Page 9

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In MUR 2008 the Commission implicitly adopted the principle that the "usual and normal charge" for a rental property depends on the facts attendant to each particular situation -- where there is no comparable commercial market to a rental arrangement the "usual and normal charge" may be established by agreement between the parties. The Commission should apply that principle to this case and determine that no in-kind contribution has occurred because Jet Air, Inc. leased its condominium to Congressman Lowery at the usual and normal rate.

B. The Friends of Bill Lowery Committee Properly Reported Its Expenditures

The complainant argues that the Friends of Bill Lowery Committee failed to comply with the reporting requirements of the Act (2 U.S.C. § 434) and Commission regulations (11 C.F.R. § 104.11) by (1) failing to report the in-kind contributions resulting from the less than full market value rental of the Jet Air condominium; and (2) not reporting the debts owed to Jet Air, Inc. when they were incurred in 1984. As discussed above, Congressman Lowery paid fair market value for the conditional rights he obtained for use of the Jet Air condominium. Thus no in-kind contributions occurred from that use and no reporting obligation was incurred.

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Page 10

With respect to the complainant's second allegation we note that the lease agreement for use of the Jet Air's condominium was between Jet Air, Inc. and Congressman Lowery, not the Committee. Although that agreement was entered into in 1984, the Committee incurred no legal obligations under it.² Thus, contrary to the complainant's allegations, the Committee had no duty to report any obligations incurred in 1984 under this lease arrangement.

The agreement between Congressman Lowery and Jet Air, Inc. called for a lump sum payment early in each calendar year following use of the condominium. Accordingly, on February 7, 1985 Congressman Lowery paid Jet Air, Inc. for his 1984 use of the Jet Air condominium. Congressman Lowery submitted a request for reimbursement for that expense to the the Committee. The Committee reimbursed Congressman Lowery on February 11, 1985 and reported that reimbursement as an operating expenditure in its next report to the Federal Election Commission.

Commission regulations require authorized political committees to itemize all disbursements in excess of \$200 in

² In making this agreement Congressman Lowery was not acting as an agent of his Committee pursuant to 11 C.F.R. § 102.7(d) because he was not accepting a contribution, obtaining a loan or making any disbursements in connection with his campaign.

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December 8, 1986
Page 11

each reporting period. 11 C.F.R. § 104.3. Pursuant to that requirement the Committee itemized its disbursement to Congressman Lowery in its March 1985 report to the Commission.

Similarly, on February 11, 1986 Congressman Lowery paid Jet Air, Inc. \$1,200 for his 1985 use of the condominium and requested reimbursement for that expense from the Committee. The Committee reimbursed Congressman Lowery on April 28, 1986 and included itemization of that disbursement in its next report to the Commission. In sum, the Committee fully and timely complied with all of its reporting obligations under the Act concerning these expenditures.

III. CONCLUSION

Congressman Lowery paid fair market rate for the limited rights he obtained for use of the Jet Air condominium. Thus, no in-kind contributions occurred and no reporting obligation was incurred by his Committee. Further, the Committee fully and timely reported the reimbursements it made to Congressman Lowery for his payments to Jet Air, Inc. Accordingly, the Commission should find no reason to believe that Congressman

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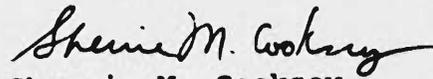
Charles N. Steele, Esquire
December 8, 1986
Page 12

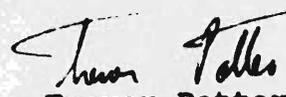
Bill Lowery or the Friends of Bill Lowery Committee,
Robert E. Miller, Jr., as treasurer, violated the Act.

Sincerely,



Jan W. Baran


Sherrie M. Cooksey


Trevor Potter

Counsel for
Congressman Bill Lowery
and the Friends of Bill
Lowery Committee,
Robert E. Miller, as
treasurer

cc: Honorable Bill Lowery
Robert E. Miller, Jr.

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BEFORE THE FEDERAL ELECTION COMMISSION

SENSITIVE

EXECUTIVE SESSION

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RECEIVED
FEDERAL ELECTION COMMISSION

MUR 2280

JAN 06 1988

In the Matter of)
)
Citizens to Re-Elect)
Congressman Bill Lowery and)
Robert E. Miller, as treasurer)
Jet Air, Inc.)

GENERAL COUNSEL'S REPORT

I. BACKGROUND

On March 10, 1987, the Commission found reason to believe that Jet Air, Inc. ("Jet Air") violated 2 U.S.C. § 441b, specifically with regard to its making a contribution in the form of an extension of credit beyond a commercially reasonable time to Rep. William Lowery, a candidate for federal office. On the same date, the Commission also found reason to believe that the Citizens to Re-Elect Congressman Bill Lowery ("the Committee") and Robert E. Miller, as treasurer, violated 2 U.S.C. § 441b, specifically for the receipt of a contribution in the form of an extension of credit beyond a commercially reasonable time from Jet Air, and 2 U.S.C. § 434(b), based on its failure to report the aforesaid contribution. The facts that gave rise to the foregoing findings involved Jet Air's permitting Rep. Lowery to stay at a condominium it owned without paying any rental until the year following his use of the property. Specifically, Rep. Lowery stayed at the condominium 28 nights in 1984, for which he paid \$1,200 on February 7, 1985; 27 nights in 1985, for which a payment of \$1,200 was made on February 11, 1986; and 11 nights in 1986, for which a payment of \$1,200 was made on February 3, 1987.

II. ANALYSIS

(See General Counsel's Briefs, signed November 13, 1987.)

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The Commission's finding that the aforesaid violations occurred was based specifically on the grounds that Jet Air made an extension of credit beyond a commercially reasonable time to the Committee by not requiring payment for use of the condominium until the beginning of the year following that in which such use occurred. Under the Commission's regulations, the definition of "contribution" includes a provision that: "The extension of credit by any person for a length of time beyond normal business or trade practice is a contribution, unless the creditor has made a commercially reasonable attempt to collect the debt."

11 C.F.R. § 100.7(a)(4). In the present case, the definition of "normal business or trade practice" is complicated by the fact that Jet Air was not in the business of renting rooms, and the agreement between the parties included a number of unconventional features, such as a provision for the "bumping" of Rep. Lowery when the condominium was needed for Jet Air's business clients. But it is clear that the agreement between the parties called for a lump sum payment after the end of any year in which the agreement was effective, that such an agreement did not conflict with common law principles governing landlord/tenant relations, and that in each instance payments were made promptly in accordance with the agreement and practice of the parties.

Accordingly, based on the oral agreement of the parties, and the course of dealing established between them, there was no

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unreasonable extension of credit in this case. This Office recommends, therefore, that the Commission find no probable cause to believe the Committee and Jet Air violated 2 U.S.C. § 441b. For that reason, the Committee, in our view, was not obliged to report the receipt of a contribution, and it is recommended further that the Commission find no probable cause to believe the Committee violated 2 U.S.C. § 434(b).

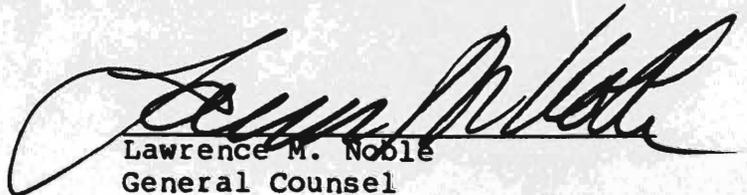
III. RECOMMENDATIONS

1. Find no probable cause to believe Jet Air, Inc. violated 2 U.S.C. § 441b.
2. Find no probable cause to believe Citizens to Re-Elect Congressman Bill Lowery and Robert E. Miller, as treasurer violated 2 U.S.C. §§ 434(b) and 441b.
3. Close the file.
4. Approve the attached letters.

Date

12/21/87

Lawrence M. Noble
General Counsel



Attachments

1. Committee's brief
2. Letters to Respondents(2)
3. Letter to Complainant

Staff Person: Charles Snyder

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

Attachments to General
Counsel's Report

have been removed from this position in the Public Record File either because they duplicate documents located elsewhere in this file, or because they reflect exempt information.

For Attachment 1 see 30
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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)	
)	
Citizens to Re-Elect Congressman)	MUR 2280
Bill Lowery and Robert E. Miller,)	
as treasurer)	
Jet Air, Inc.)	

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session of January 6, 1988, do hereby certify that the Commission decided by a vote of 5-0 to take the following actions in MUR 2280:

1. Find no probable cause to believe Jet Air, Inc. violated 2 U.S.C. § 441b.
2. Find no probable cause to believe Citizens to Re-Elect Congressman Bill Lowery and Robert E. Miller, as treasurer, violated 2 U.S.C. §§ 434(b) and 441b.
3. Close the file.
4. Approve the letters attached to the General Counsel's report dated December 21, 1987, subject to amendment of the letter to the counsel for the Committee as agreed during this meeting.

Commissioners Elliott, Josefiak, McDonald, McGarry, and Thomas voted affirmatively for the decision; Commissioner Aikens was not present during the consideration of this matter.

Attest:

1-7-88

Date

Marjorie W. Emmons

Marjorie W. Emmons
Secretary of the Commission

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plm



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

January 12, 1988

Jan Baran, Esquire
Wiley, Rein & Fielding
1776 K Street, N.W.
Washington, D.C. 20006

Re: MUR 2280
Citizens to Re-Elect
Congressman Bill
Lowery and Robert E.
Miller, as treasurer

Dear Mr. Baran:

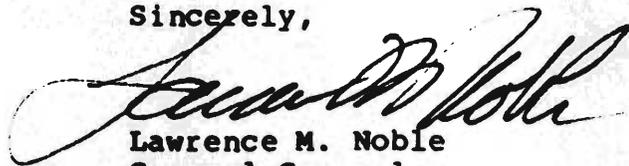
This is to advise you that, on January 6, 1988, the Federal Election Commission found that there is no probable cause to believe your clients violated 2 U.S.C. §§ 434(b) and 441b(a). Accordingly, the file in this matter has been closed.

In addition, it should be pointed out that your clients should have reported an outstanding debt of \$1,200 owed to Rep. William Lowery in their April, 1986 Quarterly report. The Commission recommends that this report be amended to include that debt.

This matter will become part of the public record within 30 days. Should you wish to submit any factual or legal materials to appear on the public record, please do so within ten days. Such materials should be sent to the Office of the General Counsel.

If you have any questions, please contact Charles Snyder, the attorney assigned to this matter, at (202) 376-8200.

Sincerely,


Lawrence M. Noble
General Counsel

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

January 12, 1988

Michael J. McCabe, Esquire
Savitz, McCabe & Schmid
Forward House
108 Ivy Street
San Diego, CA 92101

Re: MUR 2280
Jet Air, Inc.

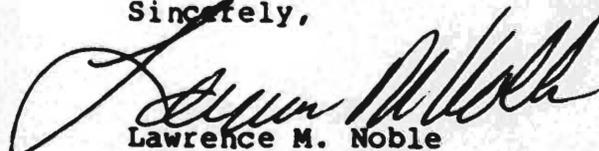
Dear Mr. McCabe:

This is to advise you that, on January 6, 1988, the Federal Election Commission found that there is no probable cause to believe your client violated 2 U.S.C. § 441b(a). Accordingly, the file in this matter has been closed.

This matter will become part of the public record within 30 days. Should you wish to submit any factual or legal materials to appear on the public record, please do so within ten days. Such materials should be sent to the Office of the General Counsel.

If you have any questions, please contact Charles Snyder, the attorney assigned to this matter, at (202) 376-8200.

Sincerely,


Lawrence M. Noble
General Counsel

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

January 12, 1988

plm

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

David F. Kripke, M.D.
8437 Sugarman Drive
La Jolla, California

RE: MUR 2280

Dear Dr. Kripke:

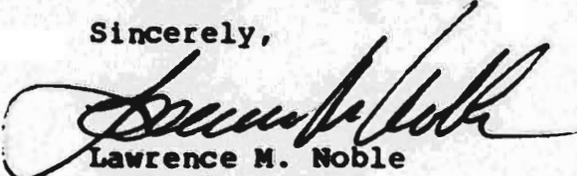
This is in reference to the complaint you filed with the Federal Election Commission on October 27, 1986, concerning an alleged contribution by Jet Air, Inc. to Rep. William Lowery.

Based on your complaint, on March 10, 1987, the Commission found that there was reason to believe Jet Air, Inc. violated 2 U.S.C. § 441b, a provision of the Federal Election Campaign Act of 1971, as amended, and that the Citizens to Re-Elect Congressman Bill Lowery Committee and Robert E. Miller violated 2 U.S.C. §§ 434(b) and 441b, and instituted an investigation of this matter. After an investigation was conducted and the General Counsel's brief and the respondent's brief were considered, the Commission, on January 6, 1988, found that there was no probable cause to believe that Jet Air, Inc. violated 2 U.S.C. § 441b or that the Citizens to Re-Elect Congressman Bill Lowery Committee and Robert E. Miller violated 2 U.S.C. §§ 434(b) and 441b. Accordingly, the file in this matter was closed on

This matter will become part of the public record within 30 days. The Federal Election Campaign Act of 1971, as amended, allows a complainant to seek judicial review of the Commission's dismissal of this action. See 2 U.S.C. § 437g(a)(8).

If you have any questions, please contact Charles Snyder, the attorney assigned to this matter, at (202) 376-8200.

Sincerely,


Lawrence M. Noble
General Counsel

Enclosure
Final General Counsel's Report

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

January 19, 1988

John

Daniel F. Kripke, M.D.
8437 Sugerman Drive
LaJolla, California 92097

RE: MUR 2280

Dear Dr. Kripke:

On January 12, 1988, this Office sent you a notification that on January 6, 1988, the Commission made findings of no probable cause to believe and closed the file in the above-referenced matter. It has come to my attention that the date that the file was closed was inadvertently omitted from that letter. Accordingly, we are now sending you a copy of that letter that includes the date the file was closed.

If you have any questions, please contact Charles Snyder, the attorney assigned to this matter, at (202) 376-8200.

Sincerely,

Lawrence M. Noble
General Counsel

By: Lois G. Lerner
Associate General Counsel

Enclosure
Letter

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THIS IS THE END OF MUR # 2280

DATE FILMED 2/26/88 CAMERA NO. 4

CAMERAMAN J.A.Q.

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FEDERAL ELECTION COMMISSION
WASHINGTON, D C 20463

THE FOLLOWING MATERIAL IS BEING ADDED TO THE
PUBLIC FILE OF CLOSED MUR 2280.

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A LAW PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS
1110 VERMONT AVENUE, N.W. • WASHINGTON, D.C. 20005 • (202) 887-9030

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February 17, 1988

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

RECEIVED
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OFFICE OF GENERAL COUNSEL
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Dear Mr. Snyder:

Pursuant to your request, this letter acknowledges the receipt of two briefs prepared by the FEC Office of General Counsel and one brief submitted by the respondent in connection with the Commission's compliance action designated MUR 2280.

I understand that these documents have been made available to me at this time because the file in MUR 2280 has not yet been placed on the public record. Although the Commission's letter of January 12 to Dr. Daniel Kripke, complainant in this matter, stated that the file would be made part of the public record within 30 days, I understand from you that the remainder of the file will not be made public until next week at the earliest, and possibly not until the following week.

I appreciate your cooperation in making these materials available to me prior to the release of the file to the public. While I anticipate that the briefs you have provided will provide sufficient information for our purposes, if additional information is required, I will be in contact with you.

Very truly yours,

Judith L. Corley
Counsel to Daniel F. Kripke, M.D.

cc: Daniel F. Kripke, M.D.

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