



FEDERAL ELECTION COMMISSION

WASHINGTON, D C 20463

THIS IS THE BEGINNING OF MUR # 4327

DATE FILMED 12-4-90 CAMERA NO. 4

CAMERAMAN JM KJ

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MUR 4327

MAR 20 10 50 AM '96

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

March 19, 1996

General Counsel
Federal Election Commission
999 E Street, NW
Washington, DC 20463

Complainant:
Congressman Bob Filner
Filner for Congress
P. O. Box 127868
San Diego, CA 92112

Respondent:
Vargas for Congress '96
FEC ID# C00307256
3609 Fourth Avenue
San Diego, CA 92103

To Whom It May Concern:

California's Primary Election is only six days away and I have become aware that my opponent, Congressional candidate Juan Vargas, is spending tens of thousands of dollars on television advertising in violation of Federal Election Campaign Laws. We know from the Enid Waldholtz scandal in Utah that illegal expenditures of this magnitude can change the outcome of an election.

This situation demands the immediate attention of the Commission and possibly a waiver of the Commission's normal administrative investigatory process to seek injunctive relief. Unless these immediate steps are taken, these violations could quite possibly change the outcome of the March 26, 1996 Primary Election in California's 50th District.

Vargas for Congress, an active Congressional campaign committee in California's 50th District controlled by candidate Juan Vargas, is receiving and spending tens of thousands of dollars in flagrant violation of Federal Election Campaign Act and Federal Election Commission regulations. Vargas has apparently illegally borrowed \$25,000 and is spending tens of thousands of dollars on television advertising without lawfully reporting the source of income used to finance this advertising.

Unsecured Personal Obligation Loan

The Vargas for Congress Committee reported in their FEC Report of Receipts and Disbursements filed March 14, 1996 (Schedules C and C-1 and attachments) that Mr. Vargas had loaned \$15,000 to his campaign on March 6, 1996. The source of these funds is clearly stated as an "Unsecured Personal Obligation" loan issued by the Bank of Commerce.

This loan is a direct violation of the Commission's regulations requiring that either traditional collateral with a perfected security instrument, or documented future anticipated income, be used to secure the loan. Mr. Vargas clearly states on Schedule C-1 that no future contributions and no assets of any type were pledged as collateral for the loan.

In effect, this loan is an illegal campaign contribution in the amount of \$15,000 from the Bank of Commerce to Mr. Vargas.

Of the \$18,000 Vargas for Congress has reported on 48 Hour Notices of Contributions Received, \$10,000 came from Mr. Vargas himself. Given the limited assets and incomes shown on Mr. Vargas' Financial Disclosure Statements, it is probable that this \$10,000 comes from the same illegal loans described above.

Television Advertising Without Lawfully Disclosing Source of Funds

The attached documents acquired from local television stations substantiate the following purchases of television advertising by the Vargas for Congress Committee:

KFMB-TV	Channel 8	\$34,450
KNSD-TV	Channel 39	\$34,825
KGTV-TV	Channel 10	\$25,850
Political Cablecasts		\$2,400
Political Cablecasts		\$3,360

Total:		\$100,885

This television buy commenced March 11, 1996--a mere five days after Vargas reported having only \$56,052.27 in cash on hand (including the illegal loan). 48 Hour Notices of Contributions Received account for only \$18,000 of additional funds raised (from contributions or loans in excess of \$1,000). Thus, Mr. Vargas would have to have raised \$26,000, all from contributions less than \$1,000, and done it in a matter of days. Given Mr. Vargas' past fundraising performance, this is a virtual impossibility. Clearly, funds are being expended on television advertising that have not been lawfully reported to the FEC.

96043770736

March 19, 1996 Page 3

These matters demand immediate and decisive action by the Federal Election Commission. To allow a candidate to purchase significant amounts of television advertising in the final days of a campaign and not report the source of the funds used to pay for the advertising, and to allow that candidate to bankroll his campaign with large, unsecured bank loans, threatens the integrity of the entire electoral process.

Signed and sworn under penalty of perjury,

Bob Filner

BOB FILNER
Member of Congress

ATTACHED:

FEC Report of Receipts and Disbursements filed March 14, 1996
(Schedules C and C-1 and attachments)
48 Hour Notices of Contributions Received
Commercial Broadcast Agreements with Vargas for Congress

BF/vh

96043770737

STATE OF CALIFORNIA,

COUNTY OF SAN DIEGO

} S.S.

On MARCH 19, 1996

before me, ARMAN L. DEMESA

a Notary Public in and for said County and State, personally

appeared MR. BOB FILNER

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

WITNESS my hand and official seal.

Signature Arman

FOR NOTARY SEAL OR STAMP



STATE OF CALIFORNIA,

COUNTY OF _____

} S.S.

On _____, before me, _____

a Notary Public in and for said County and State, personally

appeared _____

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

WITNESS my hand and official seal.

Signature _____

FOR NOTARY SEAL OR STAMP

FORM OF RECEIPT AND DISBURSEMENTS

For An Authorized Committee
(Summary Page)

CA/50

NAME OF COMMITTEE (Full)

VARGAS FOR CONGRESS '96

ADDRESS (Home and Office) ☐ Check if different than previously reported

2609 Fourth Avenue

CITY, STATE and ZIP CODE

San Diego, CA 92103

STATE/DISTRICT

RECEIVED
FEDERAL ELECTION
COMMISSION

1. FILING IDENTIFICATION NUMBER
C00307236

2. IS THIS REPORT AN AMENDMENT?
☐ YES ☒ NO

4. TYPE OF REPORT

☐ April 15 Quarterly Report

☒ Twelfth day report preceding

Primary

(Type of Election)

☐ July 15 Quarterly Report

election on 3-6-96

in the State of California

☐ October 15 Quarterly Report

☐ Thirtieth day report following the General Election in

☐ January 31 Year End Report

in the State of

☐ July 31 Mid-Year Report (Non-election Year Only)

☐ Termination Report

This report contains activity for

☒

Primary Election

☐

General Election

☐

Special Election

☐

Runoff Election

SUMMARY

6	Covering Period 1-1-96 through 3-6-96	COLUMN A This Period	COLUMN B Calendar Year-to-Date
6	Net Contributions (other than loans)		
(a)	Total Contributions (other than loans) (from Line 11(e))	67,438.00	
(b)	Total Contribution Refunds (from Line 20(d))	275.00	
(c)	Net Contributions (other than loans) (subtract Line 6(b) from 6(a))	67,163.00	
7	Net Operating Expenditures		
(a)	Total Operating Expenditures (from Line 17)	56,514.18	
(b)	Total Offset to Operating Expenditures (from Line 14)	461.81	
(c)	Net Operating Expenditures (subtract Line 7(b) from 7(a))	56,052.37	
8	Cash on Hand at Close of Reporting Period (from Line 27)	56,606.91	
9	Debits and Obligations Owed TO the Committee (Reported as on Schedule C and/or Schedule D)		
10	Debits and Obligations Owed BY the Committee (Reported as on Schedule C and/or Schedule D)	15,000.00	

For further information contact:

National Election Commission
999 E Street, NW
Washington, DC 20543
Toll Free 800-424-6530
Local 202-219-5430

I certify that I have examined this Report and to the best of my knowledge and belief it is true, correct and complete

Type or Print Name of Treasurer

Deanna Lieberhorst

Signature of Treasurer

Date

8-13-96

(NOTE: Submission of false, erroneous, or incomplete information may subject the person signing this Report to the penalties of 2 U.S.C. § 437g.)

NEC FORM 1
(Revised 8/97)

DETAILED SUMMARY PAGE

of Receipts and Disbursements
(Page 2, FEC FORM 278)

Name of Committee (Include) NARCAN FOR CONGRESS '96	COC007256	Reporting Period From 1-1-96	To 3-6-96
I. RECEIPTS		COLUMN A Total This Period	COLUMN B Calendar Year-To-Date

11 CONTRIBUTIONS (other than line 11(a) FROM:		
(a) Individuals/Persons Other Than Political Committees		
(i) Itemized (use Schedule A)	67,438.00	
(ii) Unitemized		
(iii) Total of contributions from individuals		
(b) Political Party Committees		
(c) Other Political Committees (such as PACs)		
(d) The Candidate		
(e) TOTAL CONTRIBUTIONS (other than line 11(a)(i), (b), (c) and (d))	67,438.00	

12 TRANSFERS FROM OTHER AUTHORIZED COMMITTEES		
--	--	--

13 LOANS		
(a) Made or Guaranteed by the Candidate	15,000.00	
(b) All Other Loans		
(c) TOTAL LOANS (add 13(a) and (b))	15,000.00	

14 OFFSETS TO OPERATING EXPENDITURES (Refunds, Rebates, etc.)	461.81	
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15 OTHER RECEIPTS (Dividends, Interest, etc.)		
--	--	--

16 TOTAL RECEIPTS (add 11(e), 12, 13(c), 14 and 15)	82,899.81	
--	-----------	--

II. DISBURSEMENTS

17 OPERATING EXPENDITURES	56,514.18	
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18 TRANSFERS TO OTHER AUTHORIZED COMMITTEES		
--	--	--

19 LOAN REPAYMENTS		
(a) Of Loans Made or Guaranteed by the Candidate		
(b) Of All Other Loans		
(c) TOTAL LOAN REPAYMENTS (add 19(a) and (b))		

20 REFUNDS OF CONTRIBUTIONS TO:		
(a) Individuals/Persons Other Than Political Committees	275.00	
(b) Political Party Committees		
(c) Other Political Committees (such as PACs)		
(d) TOTAL CONTRIBUTION REFUNDS (add 20(a), (b) and (c))		

21 OTHER DISBURSEMENTS		
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22 TOTAL DISBURSEMENTS (add 17, 18, 19(c), 20(d) and 21)	56,789.18	
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III. CASH SUMMARY

23 CASH ON HAND AT BEGINNING OF REPORTING PERIOD	\$ 37,696.29	
24 TOTAL RECEIPTS THIS PERIOD (from Line 16)	\$ 82,899.81	
25 SUBTOTAL (add Line 23 and Line 24)	\$ 120,596.20	
26 TOTAL DISBURSEMENTS THIS PERIOD (from Line 22)	\$ 56,789.18	
27 CASH ON HAND AT CLOSE OF THE REPORTING PERIOD (subtract Line 26 from 25)	\$ 63,807.02	

SCHEDULE C
(Revised 3-82)

LOANS

Page 1 of 1
LINE NUMBER
SUBMIT TO THE SERVICE
FOR EACH REPAYMENT DATE

Name of Borrower (in Full) VARGAS FOR CONGRESS '96 C00307256			
A. Full Name, Mailing Address and ZIP Code of Lender Source Bank of Commerce 600 West Broadway, Ste. 100 San Diego, CA 92101		Original Amount of Loan 15,000.00	Cumulative Payments To Date
Status: <input type="checkbox"/> Student <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):			Balance Outstanding at Close of This Period 15,000.00
Term: Date Issued <u>3-6-96</u> Date Due <u>7-5-96</u> Interest Rate <u>7.25%</u>		Secured	

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

1. Full Name, Mailing Address and ZIP Code Juan C. & Adrienne D. Vargas 1171 24th Street San Diego, CA 92103	Name of Employer City of San Diego Occupation Councilmember Amount Guaranteed Outstanding \$ 15,000.00
2. Full Name, Mailing Address and ZIP Code	Name of Employer Occupation Amount Guaranteed Outstanding \$
3. Full Name, Mailing Address and ZIP Code	Name of Employer Occupation Amount Guaranteed Outstanding \$

B. Full Name, Mailing Address and ZIP Code of Loan Source	Original Amount of Loan	Cumulative Payments To Date	Balance Outstanding at Close of This Period
Status: <input type="checkbox"/> Student <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):			
Term: Date Issued Date Due Interest Rate	Secured		

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

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

GRAND TOTALS This Period This Page (optional)

15,000.00

TOTALS This Period (Sum page in this book only)

15,000.00

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

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LOANS AND LINES OF CREDIT FROM LENDING INSTITUTIONS

NAME OF COMMITTEE (IN FULL) VARGAS FOR CONGRESS '96		PEC IDENTIFICATION NUMBER C00307256	
FULL NAME, MAILING ADDRESS AND ZIP CODE OF LENDING INSTITUTION (LENDER) Bank of Commerce 600 West Broadway, Ste. 100 San Diego, CA 92101		AMOUNT OF LOAN 15,000.00	INTEREST RATE (APR) 10.2502
		DATE INCURRED OR ESTABLISHED 3-6-96	DATE PAID 7-5-96

A. Has loan been restructured? ☒ No ☐ Yes If yes, date originally incurred: _____

B. If line of credit, amount of this draw: _____; total outstanding balance: _____

C. Are other parties secondarily liable for the debt incurred?

☒ No ☐ Yes (Endorsers and guarantors must be reported on Schedule C.)

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

☒ No ☐ Yes If yes, specify: _____

What is the value of this collateral? _____

Does the lender have a perfected security interest in it?

☒ No

☐ Yes

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

☒ No ☐ Yes If yes, specify: _____ What is the estimated value? _____

A depository account must be established pursuant to 11 CFR 100.7(b)(11)(i)(B) and 100.8(b)(12)(i)(B). Date account established: _____ Location of account: _____

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

Unsecured Personal Obligation

G. COMMITTEE TREASURER

TYPED NAME Desanna Liebergot

SIGNATURE

Desanna Liebergot

DATE

11-11-96

H. Attach a signed copy of the loan agreement.

I. TO BE SIGNED BY THE LENDING INSTITUTION

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

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

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

AUTHORIZED REPRESENTATIVE
STEPHEN D. BOONS
Vice President

SIGNATURE

TITLE

Stephen D. Boons
VICE PRESIDENT

DATE

11-11-96

DISBURSEMENT REQUEST AND AUTHORIZATION

Reference to the shaded areas are for Lender's use only and do not limit the applicability of the Lender's policies and procedures.

Borrower: JUAN C. VARGAS
ADRIENNE D. VARGAS
1171 34th Street
San Diego, CA 92103-2000

Lender: Bank of Commerce
Grand Lending
3000 North Street, Third Floor
San Diego, CA 92101-1010

LOAN TYPE. This is a Variable Rate (2.000% over High New York Prime Rate as Published in the Western Edition of the Wall Street Journal, Inc. on initial rate of 10.250%), Revolving Line of Credit Loan to an individual for \$15,000.00 due on July 2, 1995.

PRIMARY PURPOSE OF LOAN. The primary purpose of this loan

- ☐ Personal, Family or Household Purpose or Part
☒ Business (including Real Estate Investment).

NOTE

SPECIFIC PURPOSE. The specific purpose of the loan is: To provide funds for election advertising.

DISBURSEMENT INSTRUCTIONS. Borrower understands that no loan proceeds will be disbursed until all of Lender's conditions for making the loan have been satisfied. Please disburse the loan proceeds of \$15,000.00 as follows:

Amount paid to Borrower directly: \$15,000.00
\$ 5,000.00 Lender's Check # _____

Note Principal: \$15,000.00

CHARGES PAID IN CASH. Borrower has paid or will pay in cash as agreed the following charges:

Prepaid Finance Charges Paid in Cash: \$125.00
Documentation Fees \$125.00

Total Charges Paid in Cash: \$125.00

FINANCIAL CONDITION. BY SIGNING THIS AUTHORIZATION, BORROWER REPRESENTS AND WARRANTS TO LENDER THAT INFORMATION PROVIDED ABOVE IS TRUE AND CORRECT AND THAT THERE HAS BEEN NO MATERIAL CHANGE (CHANGE) BORROWER'S FINANCIAL CONDITION AS DISCLOSED IN BORROWER'S MOST RECENT FINANCIAL STATEMENT TO LENDER. AUTHORIZATION IS DATED MARCH 4, 1994.

BORROWER:

Juan C. Vargas
JUAN C. VARGAS

Adrienne D. Vargas
ADRIENNE D. VARGAS

Variable Rate, Line of Credit

LAKE & HILL, Reg. U.S. Pat. & Tm. Off., Vol. 2,500 (S) 1990 CH. Probation, Inc. All rights reserved. Printed in U.S.A. FILED FILED

Reference in the shaded area are for Lender's use only and do not limit the applicability of this document to any particular loan or loans.

Borrower: JUAN C. VARGAS
ADRIENNE D. VARGAS
1171 24th Street
San Diego, CA 92102-3006

Lender: Bank of Commerce
Branch Lending
9918 H: 1 Street, Third Floor
San Diego, CA 92131-1918

Principal Amount: \$15,000.00

Initial Rate: 10.250%

Date of Note: March 4, 1999

PROMISE TO PAY. JUAN C. VARGAS and ADRIENNE D. VARGAS ("Borrower") promise to pay to Bank of Commerce ("Lender"), or order, the sum of money of the United States of America, the principal amount of Fifteen Thousand & 00/100 Dollars (\$15,000.00) or so much as may be outstanding, together with interest on the unpaid outstanding principal balance of each advance. Interest shall be calculated from the date of each advance until repayment of each advance.

PAYMENT. Borrower will pay this loan in one payment of all outstanding principal plus all accrued unpaid interest on July 8, 1999. In each month, Borrower will pay regular monthly payments of accrued unpaid interest beginning April 4, 1999, and all subsequent interest payments are due on the same day of each month after that. Interest on this Note is computed on a 365/365 simple interest basis, that is, by applying the rate of the annual interest rate over the number of days in a year, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing. Unless otherwise agreed or required by applicable law, payments will be applied first to accrued unpaid interest, then to principal, and any remaining amount to any unpaid collection costs and late charges.

VARIABLE INTEREST RATE. The interest rate on this Note is subject to change from time to time based on changes in an independent index which is the High New York Prime Rate as Published in the Western Edition of the Wall Street Journal (the "Index"). The Index is not necessarily the lowest rate charged by Lender on its loans. If the Index becomes unavailable during the term of the loan, Lender may designate a substitute index after notice to Borrower. Lender will tell Borrower the current index rate upon Borrower's request. Borrower understands that Lender may make loans based on other rates as well. The interest rate change will not occur more often than each day. The Index currently is 8.250% per annum. The interest rate to be applied to the unpaid principal balance of this Note will be at a rate of 2.000 percentage points over the Index, resulting in an initial rate of 10.250% per annum. **NOTICE.** Under no circumstances will the interest rate on this Note be more than the maximum rate allowed by applicable law.

PREPAYMENT, MINIMUM INTEREST CHARGE. Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. In any event, even upon full prepayment of this Note, Borrower understands that Lender is entitled to a minimum interest charge of \$160.00. Other than Borrower's obligation to pay any minimum interest charge, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments of accrued unpaid interest. Rather, they will reduce the principal balance due.

LATE CHARGE. If a payment is 10 days or more late, Borrower will be charged 5.000% of the unpaid portion of the regularly scheduled payment or \$16.00, whichever is greater.

DEFAULT. Borrower will be in default if any of the following happens: (a) Borrower fails to make any payment when due. (b) Borrower breaks any promise Borrower has made to Lender, or Borrower fails to comply with or to perform when due any other term, obligation, covenant, or condition contained in this Note or any agreement related to this Note, or in any other agreement or loan Borrower has with Lender. (c) Any representation or statement made or furnished to Lender by Borrower or on Borrower's behalf is false or misleading in any material respect either now or at the time made or furnished. (d) Borrower dies or becomes insolvent, a receiver is appointed for any part of Borrower's property, Borrower makes an assignment for the benefit of creditors, or any proceeding is commenced either by Borrower or against Borrower under any bankruptcy or insolvency laws. (e) Any creditor tries to take any of Borrower's property or in which Lender has a lien or security interest. This includes a garnishment of any of Borrower's accounts with Lender. (f) Any of the events described in this default section occurs with respect to any guarantor of this Note. (g) A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of the indebtedness is impaired.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance on this Note and all accrued unpaid interest immediately due, without notice, and then Borrower will pay that amount. Upon Borrower's failure to pay all amounts declared due pursuant to this section, including failure to pay (upon final maturity) Lender, at its option, may also, if permitted under applicable law, increase the variable interest rate on this Note to 7.000 percentage points over the Index. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower also will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses whether or not there is a lawsuit, including attorney's fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Borrower also will pay any court costs, in addition to all other sums provided by law. This Note has been delivered to Lender and accepted by Lender in the State of California. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of San Diego County, the State of California. This Note shall be governed by and construed in accordance with the laws of the State of California.

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$15.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

LINE OF CREDIT. This Note evidences a revolving line of credit. Advances under this Note as well as directions for payment from Borrower's accounts, may be requested orally or in writing by Borrower or by an authorized person. Lender may, but need not, require that all requests be confirmed in writing. The following party or parties are authorized to request advances under the line of credit until Lender receives from Borrower at Lender's address shown above written notice of revocation of their authority: JUAN C. VARGAS and ADRIENNE D. VARGAS. Borrower agrees to be liable for all sums (either: (a) advanced in accordance with the instructions of an authorized person or (b) credited to any of Borrower's accounts with Lender). The unpaid principal balance owing on this Note at any time may be evidenced by endorsements on this Note or by Lender's internal records, including daily computer print-outs. Lender will have no obligation to advance funds under this Note if: (a) Borrower or any guarantor is in default under the terms of this Note or any agreement that Borrower or any guarantor has with Lender, including any agreement made in connection with the signing of this Note; (b) Borrower or any guarantor ceases doing business or is insolvent; (c) any guarantor seeks, claims or otherwise attempts to buy, modify or revoke such guarantor's guarantee of this Note or any other loan with Lender; or (d) Borrower has applied funds provided pursuant to this Note for purposes other than those authorized by Lender.

92650413.793A311A

COLUMBIA

CONCLUSION

Adrienne D. Vargas
ADRIENNE D. VARGAS

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2504270745
~~25015954508~~

U.S. HOUSE OF CONGRESSIONAL RECEIVED (For House Office Collection)

NAME FOR CONGRESS '96 900307255
21 Powell Avenue
San Diego, CA 92101
San Carlos Vargas U.S. House
San Carlos Vargas U.S. House

C. Spence
41 W. Robinhood Drive
Oceanside, CA 92057

NAME, ADDRESS AND ZIP CODE	NAME OF EMPLOYER	DATE (month, day, year)	AMOUNT
C. Spence 41 W. Robinhood Drive Oceanside, CA 92057	San Diego Chargers	3/15/96	1,000.00
NAME, ADDRESS AND ZIP CODE	NAME OF EMPLOYER	DATE (month, day, year)	AMOUNT
NAME, ADDRESS AND ZIP CODE	NAME OF EMPLOYER	DATE (month, day, year)	AMOUNT
NAME, ADDRESS AND ZIP CODE	NAME OF EMPLOYER	DATE (month, day, year)	AMOUNT
NAME, ADDRESS AND ZIP CODE	NAME OF EMPLOYER	DATE (month, day, year)	AMOUNT
NAME, ADDRESS AND ZIP CODE	NAME OF EMPLOYER	DATE (month, day, year)	AMOUNT
NAME, ADDRESS AND ZIP CODE	NAME OF EMPLOYER	DATE (month, day, year)	AMOUNT

FEC FORM 6

03/11/1996 10:30

0000000000

• Bob/gally

PAGE 01

48 HOUR NOTICE OF CONTRIBUTIONS/LOANS RECEIVED

(Please Print Name for Identification)

To be used to report all contributions/loans received of \$1000 or more, received within 48 days of the election.

1. Name of Contributor (if any)
YARGAS FOR CONGRESS '96 **C00307256**

2. Address (if any)
3609 South Avenue
San Diego, CA 92103

3. Name of Contributor (if any)
Juan Carlos Vargas **U.S. House**

Any information received from such persons and contributors may not be used to identify any person for the purpose of collecting contributions or for any other purpose other than using the name and address of any person who has contributed to such contribution.

A. Full Name, Mailing Address and ZIP Code	Name of Employer	Date Received (Day, Month, Year)	Amount
Juan Carlos Vargas 1171 24th St. San Diego, CA 92102	San Diego City Councilmember	3-11-96	9,000.00
B. Full Name, Mailing Address and ZIP Code	Name of Employer	Date Received (Day, Month, Year)	Amount
Yvette Ultra 3050 Cliff Place San Diego, CA 92116	Homemaker	3-11-96	1,000.00
C. Full Name, Mailing Address and ZIP Code	Name of Employer	Date Received (Day, Month, Year)	Amount
D. Full Name, Mailing Address and ZIP Code	Name of Employer	Date Received (Day, Month, Year)	Amount
E. Full Name, Mailing Address and ZIP Code	Name of Employer	Date Received (Day, Month, Year)	Amount
Total Contributions/Loans Received		3-11-96	

(For further information contact
 Federal Election Commission
 434 E Street, NW, Washington, DC 20540
 Tel: (202) 418-6800, (800) 424-9540

96043770747

07/27/96 09:26

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PAGE 01

48 HOUR NOTICE OF CONTRIBUTIONS/LOANS RECEIVED

(See Form 2780 for instructions)

To be used to report all contributions including loans of \$200 or more, received within 48 hours of the election.
Name of Candidate or Party

VARGAS FOR CONGRESS '96 C09307256

3609 Fourth Avenue

San Diego, CA 92103

Juan Carlos Vargas

U.S. House

Any contributor must sign this receipt and immediately mail it to the campaign for the candidate or party. The receipt must be signed by the contributor and must include the name and address of the contributor.

A. Full Name, Mailing Address and ZIP Code	Name of Employer	Date (month, day, year)	Amount
Juan Carlos Vargas 1171 24th St. San Diego, CA 92103	San Diego City	3-12-96	3,000.00
B. Full Name, Mailing Address and ZIP Code	Name of Employer	Date (month, day, year)	Amount
C. Full Name, Mailing Address and ZIP Code	Name of Employer	Date (month, day, year)	Amount
D. Full Name, Mailing Address and ZIP Code	Name of Employer	Date (month, day, year)	Amount
E. Full Name, Mailing Address and ZIP Code	Name of Employer	Date (month, day, year)	Amount

(Signature of Contributor)

Date

3-12-96

For further information (circle):

Check/Deposit Slip
Check/Deposit Slip
Check/Deposit Slip
Check/Deposit Slip

96043770748

48 HOUR NOTICE OF CONTRIBUTIONS/LOANS RECEIVED

(See Reverse Side for Instructions)

To be used to report all contributions (including loans) of \$200.00 or more, received within 48 hours of the election.

1. Name of candidate/PAC or P.O.

VARGAS FOR CONGRESS '96 C00307256

2. Address number and street

3609 Fourth Avenue

City, State, and ZIP Code

San Diego, CA 92103

3. Name of contributor

Juan Carlos Vargas

4. Office address

U.S. House

Any information taken from such Report and Statement may not be used or used by any person for the purpose of obtaining contributions or for any other purpose other than using the name and address of any political committee to obtain contributions from such committee.

4. RECONSTRUCTION NUMBER

A. Full Name, Mailing Address and ZIP Code	Name of Employer	Date (month, day, year)	Amount
C. Samuel Marrero 12625 High Bluff Dr., Ste. 212 San Diego, CA 92130	Land Grant Dev. Occupation President	3-14-96	1,000.00
B. Full Name, Mailing Address and ZIP Code	Name of Employer Occupation	Date (month, day, year)	Amount
C. Full Name, Mailing Address and ZIP Code	Name of Employer Occupation	Date (month, day, year)	Amount
D. Full Name, Mailing Address and ZIP Code	Name of Employer Occupation	Date (month, day, year)	Amount
E. Full Name, Mailing Address and ZIP Code	Name of Employer Occupation	Date (month, day, year)	Amount

SIGNATURE (signature)

Date
 3-14-96

For further information, contact:
 Federal Election Commission
 1100 E Street, NW, Washington, DC 20543
 Toll Free 800-424-9530, Local 202-718-3429

FEE FORM 6

96043770749

TO: David -
48 Hour Notices
(4 pages)

48 HOUR NOTICE OF CONTRIBUTIONS/LOANS RECEIVED

(See Reverse Side for Instructions)

By filing this report of contributions and loans received, you are certifying that the information is true and correct to the best of your knowledge and belief.

Vargas for Congress '96

3609 Fourth Avenue

San Diego, CA 92103

San Diego, CA 92103

1000000000

Juan Carlos Vargas

1000000000

U.S. House

Any individual or entity that provides any information to the public for the purpose of obtaining contributions or loans for the purpose of this report, other than the information provided by the individual or entity, is subject to the same penalties as the individual or entity.

CD0307256

A. Full Name, Mailing Address and ZIP Code		Name of Employer	Date Received (M, D, Y)	Amount
Tawfia H. Khoury 530 Silvergate Ave. San Diego, CA 92106		I Enterprises	3/8/96	1,000.00
		Occupation Businesswoman		
B. Full Name, Mailing Address and ZIP Code		Name of Employer	Date Received (M, D, Y)	Amount
Michel G. Khoury 530 Silvergate Ave. San Diego, CA 92106		I Enterprises	3/8/96	1,000.00
		Occupation Businesswoman		
C. Full Name, Mailing Address and ZIP Code		Name of Employer	Date Received (M, D, Y)	Amount
San Jose, N.D. 4021 Miller St. San Diego, CA 92103		Neuro Surgical Medical Clinic, Inc.	3/8/96	1,000.00
		Occupation Neurosurgeon		
D. Full Name, Mailing Address and ZIP Code		Name of Employer	Date Received (M, D, Y)	Amount
Sheila Coplan Jones 5840 Colfax Ave. Alexandria, VA 22311			3/8/96	1,000.00
		Occupation Homemaker		
E. Full Name, Mailing Address and ZIP Code		Name of Employer	Date Received (M, D, Y)	Amount
Mel Katz 12296 Semillon Blvd. San Diego CA 92131		MaxPower	3/8/96	1,000.00
		Occupation Bus. Exec.		

Signature of Contributor

1/1/96

For further information contact:
Federal Election Commission
111 E Street, N.E., Washington, DC 20543
Tel: 202-453-3437

96043770750
9601595227

96043770751

Monday, March 25	Young & Restless/11a-12n	Ch 8	7.3	500	6
Monday, March 25	News 8 @ 4/4p-5p	Ch 8	4.4	175	6
Monday, March 25	News 8 @ 4/4p-5p	Ch 8	4.4	175	6
Monday, March 25	News 8 @ 5/5p-6p	Ch 8	8.8	850	600 6
Monday, March 25	Chicago Hope/10p-11p	Ch 8	14.5	3100	6
Sunday, March 24	NCAA Bball/11a-4p	Ch 8	8.2	1800	6
Sunday, March 24	NCAA Bball/11a-4p	Ch 8	8.2	1800	6
Sunday, March 24	60 Minutes/7p-8p	Ch 8	18.4	3300	6
Sunday, March 24	CBS Movie/9p-11p	Ch 8	12.8	1200	6
Sunday, March 24	CBS Movie/9p-11p	Ch 8	12.8	1200	6
Saturday, March 23	Dr Quinn, MD/8p-9p	Ch 8	9.2	1300	6
Saturday, March 23	Walker Texas Ranger/10p-11p	Ch 8	7	900	6
Friday, March 22	Young & Restless/11a-12n	Ch 8	7.3	500	6
Friday, March 22	News 8 @ 4/4p-5p	Ch 8	4.4	175	6
Friday, March 22	News 8 @ 4/4p-5p	Ch 8	4.4	175	6
Friday, March 22	News 8 @ 5/5p-6p	Ch 8	8.8	850	600 6
Friday, March 22	Picket Fences/10p-11p	Ch 8	5.8	900	6
Thursday, March 21	Young & Restless/11a-12n	Ch 8	7.3	500	6
Thursday, March 21	News 8 @ 4/4p-5p	Ch 8	4.4	175	6
Thursday, March 21	News 8 @ 4/4p-5p	Ch 8	4.4	175	6
Thursday, March 21	News 8 @ 5/5p-6p	Ch 8	8.8	850	600 6
Thursday, March 21	Murder She Wrote/8p-9p	Ch 8	9.1	1100	6
Thursday, March 21	Murder She Wrote/8p-9p	Ch 8	9.1	1100	6
Wednesday, March 20	Young & Restless/11a-12n	Ch 8	7.3	500	6
Wednesday, March 20	News 8 @ 4/4p-5p	Ch 8	4.4	175	6
Wednesday, March 20	News 8 @ 4/4p-5p	Ch 8	4.4	175	6
Wednesday, March 20	News 8 @ 5/5p-6p	Ch 8	8.8	850	600 6
Tuesday, March 19	Young & Restless/11a-12n	Ch 8	7.3	500	6
Tuesday, March 19	News 8 @ 4/4p-5p	Ch 8	4.4	175	6
Tuesday, March 19	News 8 @ 4/4p-5p	Ch 8	4.4	175	6
Tuesday, March 19	News 8 @ 5/5p-6p	Ch 8	8.8	850	600 6
Tuesday, March 19	The Client/8p-9p	Ch 8	7	900	6
Tuesday, March 19	Movie 'Never Give Up/9p-11p	Ch 8	11.5	1000	6
Monday, March 18	Chicago Hope/10p-11p	Ch 8	14.5	3100	6
Sunday, March 17	60 Minutes/7p-8p	Ch 8	18.4	3300	6
Sunday, March 17	CBS Movie/9p-11p	Ch 8	12.8	1200	6
			298.8	34700	34450

Publ-Hx Fax Note 7871		Date 3-1-56	Page 2
To Will HARRIS		From LORRAINE	
Co/Dept		Co	
Phone 1		Phone 1	
Fax 1		Fax 1	

JOAN VARGAS

Monday, March 25	Today/7a-9a	Ch 7/30	2.5	225
Monday, March 25	LAPD/3p-3:30p	Ch 7/30	4	300
Monday, March 25	COPS/3:30p-4p	Ch 7/30	5.3	350
Monday, March 25	KNSD News/4p-5p	Ch 7/30	5	350
Monday, March 25	KNSD News/5p-5:30p	Ch 7/30	6.3	475
Monday, March 25	KNSD News/11p-11:30p	Ch 7/30	7.6	1050
Sunday, March 24	Movie 'Batman Forever'/9p	Ch 7/30	12.1	2500
Friday, March 22	Today/7a-9a	Ch 7/30	2.5	225
Friday, March 22	LAPD/3p-3:30p	Ch 7/30	4	300
Friday, March 22	COPS/3:30p-4p	Ch 7/30	5.3	350
Friday, March 22	KNSD News/4p-5p	Ch 7/30	5	350
Friday, March 22	KNSD News/5p-5:30p	Ch 7/30	6.3	475
Friday, March 22	Unsolved Mysteries/8p-9p	Ch 7/30	6.4	1600
Friday, March 22	Homicide/10p-11p	Ch 7/30	7.3	1800
Friday, March 22	KNSD News/11p-11:30p	Ch 7/30	7.6	1050
Thursday, March 21	Today/7a-9a	Ch 7/30	2.5	225
Thursday, March 21	LAPD/3p-3:30p	Ch 7/30	4	300
Thursday, March 21	COPS/3:30p-4p	Ch 7/30	5.3	350
Thursday, March 21	KNSD News/4p-5p	Ch 7/30	5	350
Thursday, March 21	KNSD News/5p-5:30p	Ch 7/30	6.3	475
Thursday, March 21	ER/10p-11p	Ch 7/30	21.6	7800
Thursday, March 21	KNSD News/11p-11:30p	Ch 7/30	7.6	1050
Wednesday, March 20	Today/7a-9a	Ch 7/30	2.5	225
Wednesday, March 20	LAPD/3p-3:30p	Ch 7/30	4	300
Wednesday, March 20	COPS/3:30p-4p	Ch 7/30	5.3	350
Wednesday, March 20	KNSD News/4p-5p	Ch 7/30	5	350
Wednesday, March 20	KNSD News/5p-5:30p	Ch 7/30	6.3	475
Wednesday, March 20	JAG/8p-9p	Ch 7/30	9.5	1600
Wednesday, March 20	Law and Order/10p-11p	Ch 7/30	8.1	1600
Wednesday, March 20	KNSD News/11p-11:30p	Ch 7/30	7.6	1050
Tuesday, March 19	Today/7a-9a	Ch 7/30	2.5	225
Tuesday, March 19	LAPD/3p-3:30p	Ch 7/30	4	300
Tuesday, March 19	COPS/3:30p-4p	Ch 7/30	5.3	350
Tuesday, March 19	KNSD News/4p-5p	Ch 7/30	5	350
Tuesday, March 19	KNSD News/5p-5:30p	Ch 7/30	6.3	475
Monday, March 18	Movie 'Conspiracy of Silence'	Ch 7/30	10.8	2000
Sunday, March 17	Movie 'Gorillas in the Mist'/9p	Ch 7/30	12.1	2500
		378	237.4	33300

96043770752

KNSD

Post-It Note	767	Unit	5590	Page	1
To	STEVE WEBER	From	LARRY REEDER		
Co/Dept		Co			
Phone #		Phone #			
Ext					



McGraw-Hill Broadcasting Company, Inc.
Box 85347, San Diego, CA 92158
(619) 237-1010 FAX 236-2296

TELEVISION CONFIRMATION/CONTRACT (AAAA - TvB - SRA Recommended Form)



AGENCY ADDRESS THE PRIMACY GROUP 3609 4TH AVE SAN DIEGO, CA 92103		BIAS NUMBER 960308-000898S A2 T 2	DATE 3/12/96 9:33:50 PAGE 1
LARRY REMER		ADVERTISER JUAN VARGAS	STATION/MARKET KGTV SAN DIEGO
80		PRODUCT VARGAS FOR CONGRESS	SALESMAN/OFFICE MARK WILCOX (POL)
FOR STATION USE 392 743 224		CONTRACT YEAR PCON=901 ACON=901	CONFLICT CODE
		BUYER/RATING SERVICE LARRY REMER /	MODIFICATION NUMBER

START DATE 3/17/96	END DATE 3/25/96	BILLING WEEKS M 3	CYCLE 1E	RATE CARD	FUTURE RATE CARD NO EFFECTIVE
------------------------------	----------------------------	-----------------------------	--------------------	-----------	----------------------------------

LINE NO	DAY	TIME FROM TO	TYPE	EFFECTIVE DATES	CLASS	SEC	FREQ OR PLAN	SPOTS PER WEEK	EARNED RATE SPOT	TOTAL SPOTS
1	SU	858P1130P	30	3/17		9		1	2,000.00	1
2	M	958P1100P	30	3/18		9		1	1,500.00	1
3	T-F	901A1000A	30	3/19- 3/22		9		8	175.00	8
4	M	901A1000A	30	3/25		9		2	175.00	2
6	M	1157A 300P	30	3/25		9		2	550.00	2
7	T-F	357P 500P	30	3/19- 3/22		9		4	700.00	4
8	M	357P 500P	30	3/25		9		1	700.00	1
9	T	1001P1100P	30	3/19		9		1	2,200.00	1
10	W-F	1101P1135P	30	3/20- 3/22		9		3	1,100.00	3
11	M	1101P1135P	30	3/25		9		1	1,100.00	1
12	SA	628P 656P	30	3/23		9		2	300.00	2
13	M	500P 600P	30	3/25		9		1	1,500.00	1
14	SU	858P1100P	30	3/24		9		2	2,000.00	2
15	T-TH	1157A 300P	30	3/19- 3/21		9		6	550.00	6

3/11/96	3/18/96	3/25/96
2,000.00	19,100.00	4,750.00

MAR96
25,85000

TO BE SIGNED AND RETURNED TO STATION

(I) (We) the undersigned subject to the conditions set forth herein, hereby authorize KGTV-10 to book for (my) (our) use the herein described time talent and production. Notwithstanding the conditions set forth as #1 on the reverse hereof the undersigned (is) (are) responsible for payment of this contract. When this contract is signed by both agency and advertiser they shall be jointly and severally liable for payments under this contract.

ACCEPTED FOR ADVERTISER DATE _____ ACCEPTED FOR AGENCY DATE _____ ACCEPTED FOR STATION DATE _____



McGraw-Hill Broadcasting Company, Inc.
Box 85347, San Diego, CA 92138
(619) 237-1010 FAX 236-2296

TELEVISION CONFIRMATION/CONTRACT
(AAAA - TvB - SRA Recommended Form)

K G T V



AGENCY ADDRESS THE PRIMACY GROUP 3609 4TH AVE SAN DIEGO, CA 92103		BIAS NUMBER 960308-000898S A2 T 2	DATE 3/12/96 9:33:50 PAGE 2
LARRY REMER		ADVERTISER JUAN VARGAS	STATION/MARKET KGTV SAN DIEGO
80		PRODUCT VARGAS FOR CONGRESS	SALESMAN/OFFICE MARK WILCOX (POL)
FOR STATION USE 392 743 224		CONTRACT YEAR PCON=901 ACON=901	CONFLICT CODE X
BUYER/RATING SERVICE LARRY REMER /		MODIFICATION NUMBER	

START DATE 3/17/96	END DATE 3/25/96	BILLING WEEKS M 3	CYCLE 1E	RATE CARD	FUTURE RATE CARD NO EFFECTIVE				
LINE NO	DAY	TIME FROM TO	TYPE	EFFECTIVE DATES	CLASS SEC	FREQ OR PLAN	SPOTS PER WEEK	EARNED RATE/SPOT	TOTAL SPOTS

MAR96
25,850.00

ADJUSTMENTS:		TOT SPOTS ORD/ADJ	35/	35
-PRE-EMPTED	.00	TOTAL EXPIRED	.00	
-DELETED	.00	TOTAL SCHEDULED	25,850.00	
-NO-RUNS	.00	TOT ORIG CONTRACT	25,850.00	
-INVOICE DETAIL	.00			
+MAKEGOODS	.00	TOTAL OF ADJ	.00	
TOTAL:	.00	CURRENT TOTAL	25,850.00	

TO BE SIGNED AND RETURNED TO STATION

(I) (We) the undersigned, subject to the conditions set forth hereon, hereby authorize KGTV-10 to book for (my) (our) use the herein described time talent and production. Notwithstanding the conditions set forth as #1 on the reverse hereof the undersigned (is) (are) responsible for payment of this contract. When this contract is signed by both agency and advertiser they shall be jointly and severally liable for payments under this contract.

ACCEPTED FOR ADVERTISER, DATE _____ ACCEPTED FOR AGENCY, DATE _____ ACCEPTED FOR STATION, DATE _____

BY

BY

BY

96043770754

AGREEMENT FORM FOR POLITICAL CABLECASTS

SYSTEM and LOCATION Chula Vista/National City Cable

19 96

Vargas For Congress

(being)
(on behalf of)

Juan Vargas

a legally qualified candidate of the Democratic political party for the office of

U.S. Congress

in the Primary election to be held on March 26 do hereby request system time on

channel USA, CNN, ESPN, TNT, Prime Sports
as follows:

LENGTH OF CABLECAST	HOURS	DAYS	TIMES PER WEEK	TOTAL NO. WEEKS	TOTAL CHARGES
:30	24	10	1,200		\$2,400

DATE OF FIRST CABLECAST

March 17, 1996

DATE OF LAST CABLECAST

March 26, 1996

Total Charges \$2,400

The cablecast time will be used by Vargas For Congress

I represent that the advance payment for the above-described cablecast time has been furnished by

Vargas For Congress

and you are authorized to so describe that sponsor in your log and to announce the program as paid for by such person or entity. The entity furnishing the payment, if other than an individual person, is: a corporation; () a committee; () an association; or () other unincorporated group. The names and offices of the chief executive officers of the entity are:

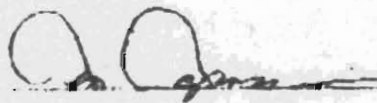
It is my understanding that: If the time is to be used by the candidate himself within 45 days of a primary or primary runoff election, or within 60 days of a general or special election, the above charges represent the lowest unit charge of the system for the same class and amount of time for the same period; where the use is by a person or entity other than the candidate or is by the candidate but outside the aforementioned 45 or 60 day periods, the above charges do not exceed the charges made for comparable use of such system or other system.

I agree that use of the system for the above-stated purposes will be governed by the Communications Act of 1934 as amended and the FCC's rules and regulations, particularly those provisions printed on the back hereof, which I have read and understand. I further agree to indemnify and hold harmless the system for any damages or liability that may ensue from the performance of the above-stated cablecasts. For the above-stated cablecasts I also agree to prepare a script or transcription, which will be delivered to the system at least 48 working hours before the time of the scheduled cablecasts. (note: the two preceding sentences are not applicable if the candidate is personally using the time).

Date: 3/8/96

(Candidate, Supporter or Agent)

Accepted/Rejected by



Title General Manager

This application, whether accepted or rejected, will be available for public inspection for a period of two years in accordance with (Section 76.205)

96043770755

AGREEMENT FORM FOR POLITICAL BROADCASTS

SYSTEM and LOCATION Chula Vista/National City Cable 1996
Lisa Raben (being)
 (on behalf of)

Congressman Bob Filner

a legally qualified candidate of the Democratic political party for the office of Congress

in the primary election to be held on March 26, do hereby request system time on
CNN, ESPN, USA, TNT & Prime Sports
 channel as follows:

LENGTH OF CABLE CAST	HOUR	DAYS	TIMES PER WEEK	TOTAL NO. WEEKS	RATE
:30	24 per day per network	14	840	2	\$2

(1680)

1913
 CSB142

DATE OF FIRST CABLECAST
 March 11, 1996

DATE OF LAST CABLECAST
 March 24, 1996

Total Charges \$3,360

The cablecast time will be used by Filner For Congress
 I represent that the advance payment for the above-described cablecast time has been furnished by
Filner For Congress

and you are authorized to so describe that sponsor in your log
 and to announce the program as paid for by such person or entity. The entity furnishing the payment, if other than an individual person,
 is a corporation; () a committee; () an association; or () other unincorporated group. The names and offices of the chief executive
 officers of the entity are _____

It is my understanding that: If the time is to be used by the candidate himself within 45 days of a primary or primary runoff election or within
 60 days of a general or special election, the above charges represent the lowest unit charge of the system for the same class and amount of
 time for the same period; where the use is by a person or entity other than the candidate or is by the candidate but outside the
 aforementioned 45 or 60 day periods, the above charges do not exceed the charges made for comparable use of such system by other users.

I agree that use of the system for the above-stated purposes will be governed by the Communications Act of 1934, as amended, and
 the FCC's rules and regulations, particularly those provisions printed on the back hereof, which I have read and understand. I further agree
 to indemnify and hold harmless the system for any damages or liability that may ensue from the performance of the above-stated cablecasts.
 For the above-stated cablecasts I also agree to prepare a script or transcription, which will be delivered to the system
 before the time of the scheduled cablecasts. (note: the two preceding sentences are not applicable
 if the candidate is personally using the time)

Date 3/1/96

(Candidate, Supporter or Agent)

Accepted/Rejected by

Title G.M.

This application, whether accepted or rejected, will be available for public inspection for a period of two years in accordance with
 provisions of 47 C.F.R. § 76.205)

96043770756



FEDERAL ELECTION COMMISSION
Washington, DC 20463

March 27, 1996

Honorable Bob Filner
Filner for Congress
P.O. Box 127868
San Diego, CA 92112

RE: MUR 4327

Dear Mr. Filner:

This letter acknowledges receipt on March 20, 1996, of your complaint alleging possible violations of the Federal Election Campaign Act of 1971, as amended ("the Act"). The respondent(s) will be notified of this complaint within five days.

Your letter seeks injunctive relief to prevent the respondents from continuing to engage in the allegedly improper activity. 2 U.S.C. § 437g(a)(6) provides that the Commission may seek such relief at the end of the administrative enforcement process. Accordingly, the Commission will not grant your request for injunctive relief at this time.

You will be notified as soon as the Federal Election Commission takes final action on your complaint. Should you receive any additional information in this matter, please forward it to the Office of the General Counsel. Such information must be sworn to in the same manner as the original complaint. We have numbered this matter MUR 4327. Please refer to this number in all future communications. For your information, we have attached a brief description of the Commission's procedures for handling complaints.

Sincerely,

Mary L. Taksar

Mary L. Taksar, Attorney
Central Enforcement Docket

Enclosure
Procedures

96043770757



FEDERAL ELECTION COMMISSION

Washington, DC 20463

March 27, 1996

Mr. Juan Carlos Vargas
Ms. Adrienne D. Vargas
1171 24th Street
San Diego, CA 92102

RE: MUR 4327

Dear Mr. & Ms. Vargas:

The Federal Election Commission received a complaint which indicates that you may have violated the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint is enclosed. We have numbered this matter MUR 4327. Please refer to this number in all future correspondence.

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

The complainant seeks injunctive relief to prevent you from continuing to engage in the allegedly improper activity. 2 U.S.C. § 437g(a)(6) provides that the Commission may seek such relief at the end of the administrative enforcement process. Accordingly, the Commission will not grant the complainant's request for injunctive relief at this time. The Commission will proceed with the processing of the remainder of the complaint pursuant to 2 U.S.C. § 437g(a).

9 6 0 4 3 7 0 7 5 8

This matter will remain confidential in accordance with 2 U.S.C. § 437g(a)(4)(B) and § 437g(a)(12)(A) unless you notify the Commission in writing that you wish the matter to be made public. If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

If you have any questions, please contact me at (202) 219-3400. For your information, we have enclosed a brief description of the Commission's procedures for handling complaints.

Sincerely,

Mary L. Taksar

Mary L. Taksar, Attorney
Central Enforcement Docket

Enclosures

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

96043770759



FEDERAL ELECTION COMMISSION

Washington, DC 20463

March 27, 1996

Deanne Liebergot, Treasurer
Vargas for Congress '96
2609 Fourth Avenue
San Diego, CA 92103

RE: MUR 4327

Dear Ms. Liebergot:

The Federal Election Commission received a complaint which indicates that Vargas for Congress '96 ("Committee") and you, as treasurer, may have violated the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint is enclosed. We have numbered this matter MUR 4327. Please refer to this number in all future correspondence.

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

The complainant seeks injunctive relief to prevent Vargas for Congress '96 from continuing to engage in the allegedly improper activity. 2 U.S.C. § 437g(a)(6) provides that the Commission may seek such relief at the end of the administrative enforcement process. Accordingly, the Commission will not grant the complainant's request for injunctive relief at this time. The Commission will proceed with the processing of the remainder of the complaint pursuant to 2 U.S.C. § 437g(a).

9604377075C

This matter will remain confidential in accordance with 2 U.S.C. § 437g(a)(4)(B) and § 437g(a)(12)(A) unless you notify the Commission in writing that you wish the matter to be made public. If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

If you have any questions, please contact me at (202) 219-3400. For your information, we have enclosed a brief description of the Commission's procedures for handling complaints.

Sincerely,

Mary L. Taksar

Mary L. Taksar, Attorney
Central Enforcement Docket

Enclosures

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

96043770761



FEDERAL ELECTION COMMISSION

Washington, DC 20463

March 27, 1996

Ms. Debbie Eden, Registered Agent
Bank of Commerce
PO Box 178440
San Diego, CA 92177

RE: MUR 4327

Dear Ms. Eden:

The Federal Election Commission received a complaint which indicates that the Bank of Commerce may have violated the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint is enclosed. We have numbered this matter MUR 4327. Please refer to this number in all future correspondence.

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

The complainant seeks injunctive relief to prevent the Bank of Commerce from continuing to engage in the allegedly improper activity. 2 U.S.C. § 437g(a)(6) provides that the Commission may seek such relief at the end of the administrative enforcement process. Accordingly, the Commission will not grant the complainant's request for injunctive relief at this time. The Commission will proceed with the processing of the remainder of the complaint pursuant to 2 U.S.C. § 437g(a).

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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 completing the enclosed form stating the name, address and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

If you have any questions, please contact me at (202) 219-3400. For your information, we have enclosed a brief description of the Commission's procedures for handling complaints.

Sincerely,

Mary L. Taksar

Mary L. Taksar, Attorney
Central Enforcement Docket

Enclosures

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

96043770763

STATEMENT OF DESIGNATION OF COUNSEL

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

Apr 11 10 29 AM '96

MUR 4327

NAME OF COUNSEL: Mark Osman

FIRM: Circuit, McKellogg, Kinney & Ross

ADDRESS: 1205 Prospect, Suite 400

La Jolla, CA 92037

TELEPHONE: (619) 459-0581

FAX: (619) 459-0690

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

4/2/96
Date


Signature

RESPONDENT'S NAME: Bruce Nunes

Executive Vice President
Bank of Commerce
9918 Hibert Street

ADDRESS: _____

San Diego, CA 92131

TELEPHONE: HOME() _____

BUSINESS(619) 536-4540, ext. 336

96043770764

VARGAS

CONGRESS

The Clean Campaign!

APR 11 10 34 AM '96

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

April 8, 1996

Mary L. Taksar, Esq.
Central Enforcement Docket
Federal Election Commission
999 E. Street, N.W.
Washington, D.C. 20463

Re: **MUR 4327**

Dear Ms. Taksar:

On behalf of my wife, Adrienne Vargas, and myself, I respond to your letter dated March 27, 1996. Your letter requests my response to the letter dated March 19, 1996 from Bob Filner addressed to Lawrence Noble. Initially, I received a copy of that letter from the local daily newspaper, to which I presume Rep. Filner delivered the letter for purposes unrelated to any action by the Commission.

Since I received Rep. Filner's letter, Rep. Filner has prevailed in the Democratic primary election held on March 26, 1996.

1. Loan of \$15,000.

Rep. Filner accuses me of having made an illegal campaign contribution to Vargas for Congress '96 in the amount of \$15,000.00.

The accusation is completely false. Rep. Filner cites no statute, regulation or other authority which prohibits a candidate from making a loan to his or her campaign. There is no such authority. As someone who has made massive loans drawn from his personal wealth in past campaigns, Rep. Filner presumably is aware of the propriety of making loans to one's campaign.

I made the loan Rep. Filner describes as illegal to Vargas for Congress '96 with the proceeds of an unsecured personal loan made to me and my wife by the Bank of Commerce. The terms and conditions of Bank of Commerce's loan to us are completely set forth in the report which Vargas for Congress '96 filed with the Commission on March 14, 1996. No aspect of that loan violates any statute or regulation. Again, Rep. Filner cites no such statute or regulation. The attached letter dated March 27, 1996, from the bank's counsel to the State Banking Department explains in detail the propriety of the bank's loan to us.

3609 FOURTH AVENUE ■ SAN DIEGO, CA 92103
(619) 295-6923

Mary L. Taksar, Esq.
April 8, 1996
Page 2



The propriety of the loan is further underscored by the Commission's advance oral approval of it. Before seeking the loan, I asked my assistant, Larry Cohen, to contact the FEC to inquire about the possibility of making a loan to my campaign. I then called the FEC myself and stated that I wanted to secure a loan and use the money for the campaign. I gave the details of the loan terms and was told by the information specialist that the loan was consistent with FEC regulations. I then proceeded with the loan.

Rep. Filner goes on to hypothesize that an additional \$10,000 in loans to Vargas for Congress '96 "probab[ly] . . . comes from the same illegal loans described above." There are no such illegal loans. Rep. Filner has provided no facts or legal authority which would support the conclusion that any illegal loan has been made. There is no such fact or legal authority.

2. "Television Advertising Without Lawfully Disclosing Source of Funds [sic]."

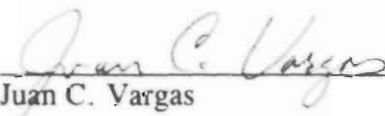
Rep. Filner asserts that "funds are being expended on television advertising that have not been lawfully reported to the FEC." Again, Rep. Filner offers no facts or legal authority which would support his accusation. Instead, he speculates that my "past fund raising performance" makes it a "virtual impossibility" that funds which my campaign has expended for television advertising were raised and reported lawfully. Such unfounded speculation is not a substitute for facts or legal authority.

Vargas for Congress '96 has lawfully reported all sums raised and expended. It will continue to do so.

I regret that Rep. Filner found it necessary to wage his campaign for re-election by making false and scurrilous accusations against me.

I respectfully request that the Commission close the file in this matter.

I declare under penalty of perjury that the foregoing is true and correct of my own personal knowledge and that I have executed this letter this 10, day of April, 1996 at San Diego, California.


Juan C. Vargas

Enclosure: Letter dated March 27, 1996

3609 FOURTH AVENUE ■ SAN DIEGO, CA 92103
(619) 295-6923

Mary L. Taksar, Esq.
April 8, 1996
Page 3

VARGAS

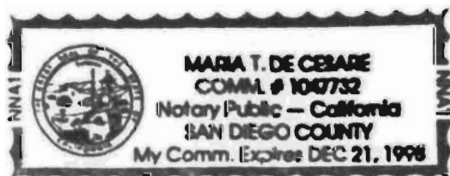
CONGRESS

The Clean Campaign!

STATE OF CALIFORNIA)
)
COUNTY OF SAN DIEGO) SS.

On April 10, 1996 before me, Maria T. De Cesare, a Notary Public in and for said County and State, personally appeared Juan C. Vargas, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.



Maria T. De Cesare
Notary Public in and for said County
and State

CIRCUIT, MCKELLOGG, KINNEY & ROSS LLP
LAW OFFICES

RICHARD K. CIRCUIT
R. KENNETH MCKELLOGG
RICHARD R. KINNEY, JR.
SCOTT HUNTER ROSS
DARL R. DANFORD
PHILIP C. WING
MARK A. OSMAN

TORREY FINANCIAL BUILDING
1205 PROSPECT STREET, SUITE 400
LA JOLLA, CALIFORNIA 92037

TELEPHONE (619) 499-0001
FACSIMILE (619) 499-0000

KATHLEEN K. HOLLIBROOK
SHERI L. NEWMAN
Paralegals

VERA P. LOPEZ
Legal Administrator

March 27, 1996



Ms. Sharon Dunlavy
State Banking Department
9609 Waples, Suite 100
San Diego, California 92121

Re: Correspondence from Congressman Bob Filner to Sharon Donovan (Dunlavy)
dated March 21, 1996

Dear Ms. Dunlavy:

This law firm represents the Bank of Commerce ("Bank"). In the above-referenced correspondence, U.S. Congressman Bob Filner suggests that City Councilman Juan Vargas received a loan of money by the Bank ("Loan") which was not made in accordance with applicable law and in the ordinary course of business.

Respectfully, the thought that the particular charge merits an investigation demonstrates Mr. Filner's lack of knowledge of the underlying Loan.

First, the Loan was made on a basis which assures repayment, evidenced by a written instrument (a promissory note) and subject to a due date. Second, the Loan bears a usual and customary interest rate of the Bank for this type of transaction. Third, the Loan was made by the Bank in accordance with applicable banking laws and in the ordinary course of business. In this regard, the suggestion that the Loan was made on an unsecured basis, and therefore equates to a "gift", fails to recognize economic realities. The Bank adhered to its formal underwriting process, which hopefully assures repayment by any borrower in the normal course.

Based on the foregoing, any further inquiry regarding this Loan will demonstrate that it is beyond doubt that Mr. Filner's allegations are without merit. Nothing in the transaction would suggest that Mr. Vargas has been treated differently than other Bank customers.

Finally, it is unjust to question the motives of the Bank's President, Peter Q. Davis, in relation to the Loan. Mr. Davis had no involvement whatsoever in the Loan's approval. Further, Mr. Davis's tireless efforts on behalf of the Center City Development Corporation has

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Ms. Sharon Dunlavey
State Banking Department
March 27, 1996
Page 2

greatly enhanced the City of San Diego's redevelopment. On the other hand, Mr. Davis's personal participation has obviously restricted potential business opportunities the Bank may have pursued in the Downtown San Diego area.

In sum, the Loan complies in every respect with the Federal election laws and in accordance with applicable State banking regulations. The Bank, along with its President, Mr. Davis, shall continue to vigorously defend and challenge any further unjustified and politically motivated attacks concerning the Bank's business practices.

If you have any questions or comments, please contact me immediately.

Very truly yours,

CIRCUIT, McKELLOGG, KINNEY & ROSS LLP

Mark A. Osman

MAO/gc
cc: Congressman Bob Filner

996043770769

CIRCUIT, MCKELLOGG, KINNEY & ROSS LLP
LAW OFFICES

RICHARD K. CIRCUIT
R. KEITH MCKELLOGG
RICHARD R. KINNEY, JR.
SCOTT HUNTER ROSS
DARL R. DANFORD
PHILLIP C. WING
MARK A. OSMAN

TORREY FINANCIAL BUILDING
1205 PROSPECT STREET, SUITE 400
LA JOLLA, CALIFORNIA 92037

TELEPHONE (619) 459-0581
FACSIMILE (619) 459-0690

KATHLEEN K. HOLLENBECK
SHERI L. PERLMAN
Paralegals

NORA P. LOPEZ
Legal Administrator

April 17, 1996

BY FACSIMILE (202) 219-3922
AND UPS NEXT DAY AIR

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL
APR 18 2 33 PM '96

Ms. Francis Hagen
Office of the General Counsel
Federal Election Commission
999 E Street, NW
Washington, D.C. 20463

Re: MUR 4327

Dear Ms. Hagen:

This law firm has been designated as counsel for the Bank of Commerce ("Bank") to act on its behalf to communicate with the Commission and to act on the Bank's behalf before the Commission, if necessary. The Statement of Designation of Counsel was previously forwarded to Mary L. Taksar, Esq.

The purpose of this correspondence is to demonstrate that no action should be taken against the Bank for the claim it violated the Federal Election Campaign Act of 1971, as amended ("Act"). Before outlining the relevant legal analysis in relation to the Act, a brief factual outline of the events leading up to the \$15,000 unsecured line of credit extended to Mr. and Mrs. Juan C. Vargas ("Loan") would be helpful.

On or about February 8, 1996, Juan C. Vargas ("Mr. Vargas") approached the Bank in an attempt to obtain a \$25,000 loan to Mr. Vargas and his wife, Adrienne D. Vargas. At the inception, Mr. Vargas made it known to Bank employees that the specific purpose of the Loan was to provide funds for election advertising for Mr. Vargas's Congressional campaign bid in California's 50th District democratic primary.

As with all potential borrowers, Mr. Vargas was required to fill out the Bank's standard loan documents provided to loan applicants. Thereafter, the Bank conducted its customary review of Mr. and Mrs. Vargas's loan documents, including their financial statement, utilizing the Bank's standard criteria. In conjunction with this review, the Bank ran a credit check to further ensure that the borrowers were credit worthy.

Ms. Frances Hagen
Federal Election Commission
April 17, 1996
Page 2

Upon following the Bank's standard policy and procedures, the Bank, in early March, 1996, approved a loan to Mr. and Mrs. Vargas in the principal amount of \$15,000 at an initial rate of 10.25% on a revolving line of credit.

Significantly, the Bank is informed and believes Mr. Vargas complied with all reporting requirements of the Act and the Bank executed the appropriate documentation, including the Schedule C-1 form entitled "Loans and Lines of Credit From Lending Institutions." This document described accurately the terms of the Loan and other information regarding the approval of the Loan.

In applying this factual background to the applicable legal requirements set forth at 11 C.F.R. §§ 100.7(b)(11) and 100.8(b)(12) and related authority, it is undisputed that the Bank exercised extreme caution in ensuring compliance with the Act. Further, the Loan was made on terms and conditions (including interest rate) no more favorable at the time than those imposed for similar extensions of credit to other borrowers of comparable credit worthiness.

More specifically, the requirements enumerated within 11 C.F.R. §§ 100.7(b)(11) and 100.8(b)(12) have been met, as the Loan was made in the ordinary course of the Bank's business and in accordance with applicable banking laws and regulations.

First, the Loan bears the usual and customary interest rate of the lending institution for the category of loan involved. The customary interest rate for a personal line of credit extended by the Bank will vary, but the range is generally New York prime rate plus 1% to 4%. In accordance with the Bank's customary practice, the Loan was made to Mr. and Mrs. Vargas at New York prime rate plus 2%, within this range.

Second, the Loan was made on a basis which assured repayment. In evaluating Mr. and Mrs. Vargas's credit worthiness, the following factors were considered prior to approving the Loan: (a) annual income of both applicants; (b) annual debt service; (c) debt ratio; (d) net worth; (e) TRW national risk score; (f) the Bank's internal loan score; (g) homeowner status; (h) good character; and (i) size of the unsecured loan.

E.M. Hamilton, Senior Vice President, an individual involved in extending unsecured personal lines of credit for over 20 years, evaluated the aforementioned criteria in relation to Mr. and Mrs. Vargas. Mr. Hamilton's analysis on behalf of the Bank indicated that a promissory note signed by Mr. and Mrs. Vargas sufficiently assured repayment of the Loan.

Third, as mentioned, the \$15,000 unsecured line of credit is evidenced by a promissory note (see Exhibit 1).

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Ms. Frances Hagen
Federal Election Commission
April 17, 1996
Page 3

Fourth, the subject Loan is subject to a due date.

Although the Loan was not obtained using either of the sources of repayment described in 11 C.F.R. § 100.7(b)(11)(i)(A) or (B), or a combination of said paragraphs, the Commission is statutorily permitted to consider the totality of the circumstances of the subject Loan, which circumstances clearly indicate the Loan was made on a basis that assures repayment. [See 11 C.F.R § 100.7(b)(11)(ii).]

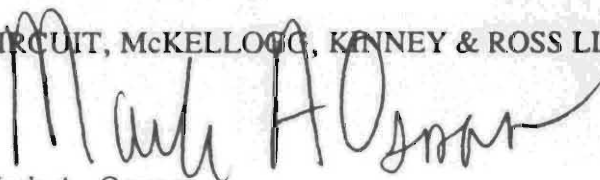
In summary, the complaint filed by Mr. Filner which claims that the Bank may have violated the Federal Election Campaign Act of 1971 is totally unfounded. No action whatsoever should be taken against the Bank, as the Loan was made on terms and conditions no more favorable than those imposed for similar extensions of credit to other borrowers of comparable credit worthiness. Since the Bank complied with applicable banking laws and regulations and made the Loan in the ordinary course of its business, it is expected that the Office of the General Counsel shall report to the Commission making a recommendation that the Commission find no reason to believe that the complaint filed by Mr. Filner sets forth a possible violation of the Act; and accordingly, that the Commission close the file in the matter.

Finally, the Bank requests that this matter remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A).

If you have any questions, please contact me at (619) 459-0581. The Bank shall continue to cooperate fully with your office and the Commission to refute any unfounded complaints such as the one filed by Mr. Filner.

Very truly yours,

CIRCUIT, McKELLOGG, KINNEY & ROSS LLP


Mark A. Osman

MAO/gc
Enclosure

96043770772

PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No	Call	Collateral	Account	Officer	Initials
\$15,000.00	03-04-1996	07-05-1996	7727917-29				EMH	EMH
References in the shaded area are for Lender's use only and do not limit the applicability of this document to any particular loan or item								

Borrower: JUAN C. VARGAS
ADRIENNE D. VARGAS
1171 24th Street
San Diego, CA 92102-2008

Lender: Bank of Commerce
Branch Lending
9918 Hibert Street, Third Floor
San Diego, CA 92131-1018

Principal Amount: \$15,000.00

Initial Rate: 10.250%

Date of Note: March 4, 1996

PROMISE TO PAY. JUAN C. VARGAS and ADRIENNE D. VARGAS ("Borrower") promise to pay to Bank of Commerce ("Lender"), or order, in lawful money of the United States of America, the principal amount of Fifteen Thousand & 00/100 Dollars (\$15,000.00) or so much as may be outstanding, together with interest on the unpaid outstanding principal balance of each advance. Interest shall be calculated from the date of each advance until repayment of each advance.

PAYMENT. Borrower will pay this loan in one payment of all outstanding principal plus all accrued unpaid interest on July 5, 1996. In addition, Borrower will pay regular monthly payments of accrued unpaid interest beginning April 4, 1996, and all subsequent interest payments are due on the same day of each month after that. Interest on this Note is computed on a 365/365 simple interest basis; that is, by applying the ratio of the annual interest rate over the number of days in a year, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing. Unless otherwise agreed or required by applicable law, payments will be applied first to accrued unpaid interest, then to principal, and any remaining amount to any unpaid collection costs and late charges.

VARIABLE INTEREST RATE. The interest rate on this Note is subject to change from time to time based on changes in an independent index which is the High New York Prime Rate as Published in the Western Edition of the Wall Street Journal (the "Index"). The Index is not necessarily the lowest rate charged by Lender on its loans. If the Index becomes unavailable during the term of this loan, Lender may designate a substitute index after notice to Borrower. Lender will tell Borrower the current Index rate upon Borrower's request. Borrower understands that Lender may make loans based on other rates as well. The interest rate change will not occur more often than each day. The Index currently is 8.250% per annum. The interest rate to be applied to the unpaid principal balance of this Note will be at a rate of 2.000 percentage points over the Index, resulting in an initial rate of 10.250% per annum. NOTICE: Under no circumstances will the interest rate on this Note be more than the maximum rate allowed by applicable law.

PREPAYMENT; MINIMUM INTEREST CHARGE. Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. In any event, even upon full prepayment of this Note, Borrower understands that Lender is entitled to a minimum interest charge of \$100.00. Other than Borrower's obligation to pay any minimum interest charge, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments of accrued unpaid interest. Rather, they will reduce the principal balance due.

LATE CHARGE. If a payment is 10 days or more late, Borrower will be charged 5.000% of the unpaid portion of the regularly scheduled payment or \$10.00, whichever is greater.

DEFAULT. Borrower will be in default if any of the following happens: (a) Borrower fails to make any payment when due. (b) Borrower breaks any promise Borrower has made to Lender, or Borrower fails to comply with or to perform when due any other term, obligation, covenant, or condition contained in this Note or any agreement related to this Note, or in any other agreement or loan Borrower has with Lender. (c) Any representation or statement made or furnished to Lender by Borrower or on Borrower's behalf is false or misleading in any material respect either now or at the time made or furnished. (d) Borrower dies or becomes insolvent, a receiver is appointed for any part of Borrower's property, Borrower makes an assignment for the benefit of creditors, or any proceeding is commenced either by Borrower or against Borrower under any bankruptcy or insolvency laws. (e) Any creditor tries to take any of Borrower's property on or in which Lender has a lien or security interest. This includes a garnishment of any of Borrower's accounts with Lender. (f) Any of the events described in this default section occurs with respect to any guarantor of this Note. (g) A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of the indebtedness is impaired.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance on this Note and all accrued unpaid interest immediately due, without notice, and then Borrower will pay that amount. Upon Borrower's failure to pay all amounts declared due pursuant to this section, including failure to pay upon final maturity, Lender, at its option, may also, if permitted under applicable law, increase the variable interest rate on this Note to 7.000 percentage points over the Index. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower also will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Borrower also will pay any court costs, in addition to all other sums provided by law. This Note has been delivered to Lender and accepted by Lender in the State of California. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of San Diego County, the State of California. This Note shall be governed by and construed in accordance with the laws of the State of California.

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$15.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

LINE OF CREDIT. This Note evidences a revolving line of credit. Advances under this Note, as well as directions for payment from Borrower's accounts, may be requested orally or in writing by Borrower or by an authorized person. Lender may, but need not, require that all oral requests be confirmed in writing. The following party or parties are authorized to request advances under the line of credit until Lender receives from Borrower at Lender's address shown above written notice of revocation of their authority: JUAN C. VARGAS and ADRIENNE D. VARGAS. Borrower agrees to be liable for all sums either: (a) advanced in accordance with the instructions of an authorized person or (b) credited to any of Borrower's accounts with Lender. The unpaid principal balance owing on this Note at any time may be evidenced by endorsements on this Note or by Lender's internal records, including daily computer print-outs. Lender will have no obligation to advance funds under this Note if: (a) Borrower or any guarantor is in default under the terms of this Note or any agreement that Borrower or any guarantor has with Lender, including any agreement made in connection with the signing of this Note; (b) Borrower or any guarantor ceases doing business or is insolvent; (c) any guarantor seeks, claims or otherwise attempts to limit, modify or revoke such guarantor's guarantee of this Note or any other loan with Lender; or (d) Borrower has applied funds provided pursuant to this Note for purposes other than those authorized by Lender.

GENERAL PROVISIONS. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive any applicable statute of limitations, presentment, demand for payment, protest and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan, or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

PRIOR TO SIGNING THIS NOTE, EACH BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. EACH BORROWER AGREES TO THE TERMS OF THE NOTE AND ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THE NOTE.

BORROWER:

x Juan C. Vargas
JUAN C. VARGAS

x Adrienne D. Vargas
ADRIENNE D. VARGAS

Variable Rate. Line of Credit.

LASER PRO, Reg. U.S. Pat. & T.M. Off., Ver. 3.20b (c) 1996 CFI ProServices, Inc. All rights reserved. [CA-D20 E3.21 F3.21 P3.21 VARGAS.LN]

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RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

APR 22 10 44 AM

THE PRIMACY GROUP

3609 4th Ave., San Diego, CA 92103
619/295-6923 FAX: 619/295-0487

April 17, 1996

Mary L. Taskar
Central Enforcement Docket
Federal Elections Commission
999 E. Street NW
Washington, DC 20463

RE: MUR 4327

Dear Ms. Taskar:

I am in receipt of your letter dated March 27, 1996 regarding the above referenced matter.

I received this letter on April 8, 1996.

I am aware that Juan Vargas, the candidate, was also named in this complaint and also received a letter from your office and the same supporting documents.

I have read Mr. Vargas' letter and agree with every point in its entirety. I ask that the Commission accept this submittal of a copy of Mr. Vargas' letter and incorporate it in your proceedings as a response on my behalf.

Thank you,



Deanna Libergot, Treasurer
Vargas for Congress

Enclosure: Letter dated April 8, 1996

96043770775

VARGAS

CONGRESS

The Clean Campaign!

April 8, 1996

Mary L. Taksar, Esq.
Central Enforcement Docket
Federal Election Commission
999 E. Street, N.W.
Washington, D.C. 20463

Re: **MUR 4327**

Dear Ms. Taksar:

On behalf of my wife, Adrienne Vargas, and myself, I respond to your letter dated March 27, 1996. Your letter requests my response to the letter dated March 19, 1996 from Bob Filner addressed to Lawrence Noble. Initially, I received a copy of that letter from the local daily newspaper, to which I presume Rep. Filner delivered the letter for purposes unrelated to any action by the Commission.

Since I received Rep. Filner's letter, Rep. Filner has prevailed in the Democratic primary election held on March 26, 1996.

1. Loan of \$15,000.

Rep. Filner accuses me of having made an illegal campaign contribution to Vargas for Congress '96 in the amount of \$15,000.00.

The accusation is completely false. Rep. Filner cites no statute, regulation or other authority which prohibits a candidate from making a loan to his or her campaign. There is no such authority. As someone who has made massive loans drawn from his personal wealth in past campaigns, Rep. Filner presumably is aware of the propriety of making loans to one's campaign.

I made the loan Rep. Filner describes as illegal to Vargas for Congress '96 with the proceeds of an unsecured personal loan made to me and my wife by the Bank of Commerce. The terms and conditions of Bank of Commerce's loan to us are completely set forth in the report which Vargas for Congress '96 filed with the Commission on March 14, 1996. No aspect of that loan violates any statute or regulation. Again, Rep. Filner cites no such statute or regulation. The attached letter dated March 27, 1996, from the bank's counsel to the State Banking Department explains in detail the propriety of the bank's loan to us.

3609 FOURTH AVENUE ■ SAN DIEGO, CA 92103
(619) 295-6923

Mary L. Taksar, Esq.
April 8, 1996
Page 2

VARGAS

CONGRESS

The Clean Campaign!

The propriety of the loan is further underscored by the Commission's advance oral approval of it. Before seeking the loan, I asked my assistant, Larry Cohen, to contact the FEC to inquire about the possibility of making a loan to my campaign. I then called the FEC myself and stated that I wanted to secure a loan and use the money for the campaign. I gave the details of the loan terms and was told by the information specialist that the loan was consistent with FEC regulations. I then proceeded with the loan.

Rep. Filner goes on to hypothesize that an additional \$10,000 in loans to Vargas for Congress '96 "probab[ly] . . . comes from the same illegal loans described above." There are no such illegal loans. Rep. Filner has provided no facts or legal authority which would support the conclusion that any illegal loan has been made. There is no such fact or legal authority.

2. "Television Advertising Without Lawfully Disclosing Source of Funds [sic]."

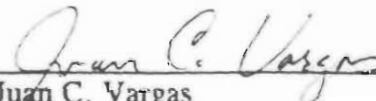
Rep. Filner asserts that "funds are being expended on television advertising that have not been lawfully reported to the FEC." Again, Rep. Filner offers no facts or legal authority which would support his accusation. Instead, he speculates that my "past fund raising performance" makes it a "virtual impossibility" that funds which my campaign has expended for television advertising were raised and reported lawfully. Such unfounded speculation is not a substitute for facts or legal authority.

Vargas for Congress '96 has lawfully reported all sums raised and expended. It will continue to do so.

I regret that Rep. Filner found it necessary to wage his campaign for re-election by making false and scurrilous accusations against me.

I respectfully request that the Commission close the file in this matter.

I declare under penalty of perjury that the foregoing is true and correct of my own personal knowledge and that I have executed this letter this 10, day of April, 1996 at San Diego, California.



Juan C. Vargas

Enclosure: Letter dated March 27, 1996

Mary L. Taksar, Esq.
April 8, 1996
Page 3



The Clean Campaign!

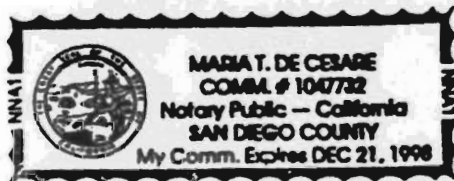
STATE OF CALIFORNIA)

) ss.

COUNTY OF SAN DIEGO)

On April 10, 1996 before me, Maria T. De Cesare, a Notary Public in and for said County and State, personally appeared Juan C. Vargas, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.



Maria T. De Cesare
Notary Public in and for said County
and State

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(619) 295-6923

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NORA P. LOPEZ
Legal Administrator

March 27, 1996



Ms. Sharon Dunlavey
State Banking Department
9609 Waples, Suite 100
San Diego, California 92121

Re: Correspondence from Congressman Bob Filner to Sharon Donovan (Dunlavey)
dated March 21, 1996

Dear Ms. Dunlavey:

This law firm represents the Bank of Commerce ("Bank"). In the above-referenced correspondence, U.S. Congressman Bob Filner suggests that City Councilman Juan Vargas received a loan of money by the Bank ("Loan") which was not made in accordance with applicable law and in the ordinary course of business.

Respectfully, the thought that the particular charge merits an investigation demonstrates Mr. Filner's lack of knowledge of the underlying Loan.

First, the Loan was made on a basis which assures repayment, evidenced by a written instrument (a promissory note) and subject to a due date. Second, the Loan bears a usual and customary interest rate of the Bank for this type of transaction. Third, the Loan was made by the Bank in accordance with applicable banking laws and in the ordinary course of business. In this regard, the suggestion that the Loan was made on an unsecured basis, and therefore equates to a "gift", fails to recognize economic realities. The Bank adhered to its formal underwriting process, which hopefully assures repayment by any borrower in the normal course.

Based on the foregoing, any further inquiry regarding this Loan will demonstrate that it is beyond doubt that Mr. Filner's allegations are without merit. Nothing in the transaction would suggest that Mr. Vargas has been treated differently than other Bank customers.

Finally, it is unjust to question the motives of the Bank's President, Peter Q. Davis, in relation to the Loan. Mr. Davis had no involvement whatsoever in the Loan's approval. Further, Mr. Davis's tireless efforts on behalf of the Center City Development Corporation has

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Ms. Sharon Dunlavey
State Banking Department
March 27, 1996
Page 2

greatly enhanced the City of San Diego's redevelopment. On the other hand, Mr. Davis's personal participation has obviously restricted potential business opportunities the Bank may have pursued in the Downtown San Diego area.

In sum, the Loan complies in every respect with the Federal election laws and in accordance with applicable State banking regulations. The Bank, along with its President, Mr. Davis, shall continue to vigorously defend and challenge any further unjustified and politically motivated attacks concerning the Bank's business practices.

If you have any questions or comments, please contact me immediately.

Very truly yours,

CIRCUIT, McKELLOGG, KINNEY & ROSS LLP

Mark A. Osman

MAO/gc

cc: Congressman Bob Filner

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FEDERAL ELECTION COMMISSION

999 E Street, N.W.
Washington, D.C. 20463

FIRST GENERAL COUNSEL'S REPORT

RECEIVED
FEDERAL ELECTION COMMISSION
SEP 30 11 22 AM '96

SENSITIVE

MUR: 4311

DATE COMPLAINT FILED: February 21, 1996

DATE OF NOTIFICATION: February 28, 1996

DATE ACTIVATED: April 30, 1996

MUR: 4327

DATE COMPLAINT FILED: March 20, 1996

DATE OF NOTIFICATION: March 27, 1996

DATE ACTIVATED: April 30, 1996

STAFF MEMBER: Tony Buckley

COMPLAINANT: The Honorable Bob Filner

RESPONDENTS (MUR 4311): Juan C. Vargas
Vargas for Congress '96 and Deanna Liebergot,
as treasurer
Richard D'Ascoli
Ralph Inzunza
The Primacy Group

RESPONDENTS (MUR 4327): Juan C. Vargas
Adrienne D. Vargas
Vargas for Congress '96 and Deanna Liebergot,
as treasurer
Bank of Commerce

RELEVANT STATUTES:
2 U.S.C. § 431(2)
2 U.S.C. § 431(8)(A)(i), (ii)
2 U.S.C. § 431(8)(B)(i)
2 U.S.C. § 431(8)(B)(vii)(II)-(III)
2 U.S.C. § 432(e)(1)
2 U.S.C. § 434(a)(1)
2 U.S.C. § 434(a)(4)(A)(ii)
2 U.S.C. § 434(b)(2).
2 U.S.C. § 441a(a)(1)(A)
2 U.S.C. § 441a(f)

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11 C.F.R. § 100.7(a)(1)(i)(C)
 11 C.F.R. § 100.7(b)(1)(i)(A)(1), (B)
 11 C.F.R. § 101.1(a)
 11 C.F.R. § 104.14(d)
 11 C.F.R. § 105.1
 11 C.F.R. § 110.1(i)(1)
 11 C.F.R. § 110.3(d)

INTERNAL REPORTS CHECKED: Disclosure Reports
 MUR Index
 Advisory Opinion Index

FEDERAL AGENCIES CHECKED: None

I. GENERATION OF MATTER

Both of these matters were generated by complaints filed by Congressman Bob Filner ("Complainant"), who represents California's 50th congressional district, against his opponent in the 1996 Democratic primary election, San Diego City Councilman Juan Vargas.¹ Both of these matters deal with issues surrounding activity by Mr. Vargas' principal campaign committee, Vargas for Congress '96 ("the Vargas Committee"). Mr. Vargas announced his candidacy for the Democratic nomination shortly after winning re-election to his city council seat.²

The complaint in MUR 4311 contains seven separate allegations of illegal activity. The first allegation results from the mention of a poll in an undated page from California Political Week ("CALPEEK").³ CALPEEK mentioned that "a poll commissioned by Vargas and conducted by his consultant (Larry Remer) of 480 random, likely Demo voters shows: Vargas

¹ MUR 4311 comprises the initial complaint filed on October 20, 1995, and amendments filed on October 23, 1995 and February 20, 1996. In this report, they are referred to collectively as "the Complaint". MUR 4327 comprises the single complaint filed on March 20, 1996.

² Congressman Filner won the primary election, which was held on March 26, 1996.

³ Nor does the page contain a volume or issue number by which a publication date might be discerned.

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41.4%, Filner 32.8% -- the rest undecided." Complainant alleges that the Vargas Committee did not report any expenditure for polling for the period September 28 through December 31, 1995, and that the Vargas Committee thus failed to properly report expenditures.

The second allegation involves Ralph Inzunza, whom Complainant identifies as "Councilman Vargas' [former] Chief of Staff, [who] is widely known to be managing the Vargas for Congress campaign." Complainant notes that reports filed by the Vargas Committee do not show Mr. Inzunza as receiving any pay. Complainant states that "[b]ecause the cost of Mr. Inzunza's services are not listed as either a loan to the campaign, or an in-kind contribution, they constitute an illegal contribution." (Emphasis omitted).

Five more allegations revolve around money spent by Mr. Vargas' city council re-election campaign, which spent approximately \$69,000 in an uncontested race. Generally, Complainant alleges that The Primacy Group, a political consulting firm which worked for Vargas' city council re-election campaign and then worked for Vargas' congressional campaign, used funds collected for the city council race in connection with the Federal race. Complainant more specifically suggests that both The Primacy Group and Richard D'Ascoli, an employee of Mr. Vargas' city council re-election campaign who then went to work for Vargas' congressional campaign, performed services for Vargas for Congress for which they had been paid by the city council re-election campaign. Complainant has concluded that violations occurred because Mr. D'Ascoli was paid \$4,600 for a two-month period working for the city council re-election committee, and was only paid \$1,800 for a three-month period working for the Vargas Committee. Likewise with The Primacy Group, Complainant points out that The Primacy Group

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was paid \$15,000 for the unopposed city council race, but was paid less than \$2,500 for the last three months of 1995 by the Vargas Committee for similar services.

Complainant also alleges that Mr. Vargas was a candidate for Federal office sooner than the filing date of his Statement of Candidacy, October 13, 1995, would suggest. Complainant states that on September 20, 1985, the day after Mr. Vargas' re-election to the San Diego City Council, brochures touting his Federal candidacy appeared in the district. Complainant alleges that the cost of this brochure, and of the several full-time staff members who began working for the Vargas Committee around this time, would have caused the Vargas Committee to exceed the \$5,000 expenditure mark for candidate status. Complainant further suggests that money from the city council re-election campaign was used to pay for the production of the brochure.

Complainant claims that examination of expenditure reports for the city council re-election campaign give a plausible explanation for where funds were obtained for the brochure's production.

The complaint in MUR 4327 alleges two separate violations. First, Complainant alleges that the Vargas Committee, and the candidate himself, accepted an excessive contribution in the form of a bank loan in the amount of \$15,000 to the candidate which did not comply with the Commission's regulations regarding such matters. Complainant also suggests that \$10,000 reported by the Vargas Committee as coming from the candidate may also derive from an improper bank loan. Additionally, Complainant alleges that the Vargas Committee failed to properly report the receipt of contributions. Complainant makes this conclusion by looking at the amount spent by the campaign on television advertising for the period commencing March 11, 1996, \$100,885, and looking at the amount the committee reported as its cash-on-hand

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as of March 6, 1996, \$56,052.27, and the amount reported in 48-Hour Notices in the intervening period, \$18,000, to conclude that the Committee must not have reported all of its receipts.

II. FACTUAL AND LEGAL ANALYSIS

A. Law

Pursuant to 2 U.S.C. § 432(e)(1), each candidate for Federal office shall designate in writing a principal campaign committee within 15 days after becoming a candidate. The term "candidate" means, *inter alia*, an individual who seeks nomination for election to Federal office. 2 U.S.C. § 431(2). An individual is deemed to seek nomination to Federal office if he has received contributions aggregating in excess of \$5,000 or has made expenditures aggregating in excess of \$5,000. See 2 U.S.C. § 431(2)(A). A candidate for the House of Representatives must designate his or her principal campaign committee by either filing a Statement of Candidacy with the Commission on FEC Form 2, or by filing the appropriate information with the Clerk of the House of Representatives. See 11 C.F.R. §§ 101.1(a) and 105.1.

Pursuant to 11 C.F.R. § 110.3(d), it is illegal to transfer funds or assets from a candidate's campaign committee or account for a non-Federal election to his or her principal campaign committee or other authorized committee for a Federal election.

Pursuant to 2 U.S.C. § 441a(a)(1)(A), no person shall make a contribution to a candidate and his authorized political committees with respect to any election for Federal office which, in the aggregate, exceed \$1,000. This limitation applies to contributions by spouses of candidates. 11 C.F.R. § 110.1(i)(1). The term "contribution" includes any 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, as well as the payment by any person of compensation for the

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personal services. 2 U.S.C. § 431(8)(A)(i), (ii). Pursuant to 2 U.S.C. § 441a(f), no political committee shall accept any contribution made in violation of section 441a(a)(1)(A).

The term "contribution" does not include the value of services provided without compensation by any individual who volunteers on behalf of a candidate or political committee. 2 U.S.C. § 431(8)(B)(i). Nor does the term "contribution" include a loan from a qualifying bank which is made in accordance with applicable law and in the ordinary course of business. 2 U.S.C. § 431(8)(B)(vii), 11 C.F.R. § 100.7(b)(11). A loan is deemed to be made in the ordinary course of business if it meets four criteria: 1) it bears the usual and customary interest rate for the category of loan involved; 2) it is made on a basis which assures repayment; 3) it is evidenced by a written instrument; and 4) it is subject to a due date or amortization schedule. 11 C.F.R. § 100.7(b)(11). A loan is considered to be made on a basis which assures repayment if, when it is obtained, the lending institution has either perfected a security interest in collateral owned by the candidate or political committee receiving the loan, and the fair market value of the collateral is either equal to or greater than the loan amount, or the lending institution has obtained a written agreement whereby the candidate or political committee receiving the loan has pledged future receipts as payment on the loan. See 11 C.F.R. § 100.7(b)(11)(i)(A)(1), (B). If these factors are not present, the Commission can look to the totality of the circumstances on a case-by-case basis to determine whether the loan was made on a basis which assures repayment. 11 C.F.R. § 100.7(b)(11)(ii). Where a loan is concerned, each endorser or guarantor is deemed to have contributed that portion of the total amount for which he or she agreed to be liable in a written agreement. 11 C.F.R. § 100.7(a)(1)(i)(C).

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Pursuant to 2 U.S.C. § 434(a)(1), the treasurer of each political committee shall file reports of receipts and disbursements in accordance with certain provisions. Among these provisions is the requirement that the report include the total amount of receipts. See 2 U.S.C. § 434(b)(2). The treasurer is responsible for assuring that the information contained in any such report is accurate. 11 C.F.R. § 104.14(d).

B. Responses to Complaints

1. Responses to complaint in MUR 4311

a. response of Richard D'Ascoli

Richard D'Ascoli worked for Juan Vargas' city council re-election campaign, and then worked for Mr. Vargas' Federal campaign. Mr. D'Ascoli rejects any suggestion that he was paid by the city council campaign for work to be done on the congressional campaign. Specifically, he states that "[u]ntil Mr. Vargas announced his candidacy for the House of Representatives on October 6, 1995, I never performed any work in connection with that candidacy." He makes no effort to address the allegations concerning the discrepancies between the amounts he was paid to work by each committee for his campaign work. Nevertheless, Mr. D'Ascoli states that "Representative Filner's accusation that I was 'illegally paid . . . in advance for work to be performed during [Mr. Vargas'] campaign for Congress' is totally false."

b. response of Ralph Inzunza

Ralph Inzunza served as Councilman Vargas' Chief of Staff until taking a leave of absence on September 22, 1995. He assumed the position of campaign manger for Vargas for Congress on October 6, 1995. Inzunza also denies any wrongdoing. He states that, given the anticipation that Congressman Filner would significantly outspend the Vargas Committee, and

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that Mr. Vargas would run a relatively low-budget, grass-roots campaign, he volunteered his services to the Vargas Committee.

c. responses of Larry Remer and The Primacy Group

Larry Remer is the president of The Primacy Group, the political consulting firm which worked for Juan Vargas' city council re-election campaign and for his Federal campaign. He has submitted one response as an individual, and one as president of The Primacy Group.⁴ To avoid confusion in the discussion, these two responses are treated as one.

Mr. Remer first addresses the allegation that costs associated with the poll which appeared in CALPEEK were not reported. Remer admits directing the poll, which he states was conducted during the second week of January 1996 by volunteer campaign workers who gleaned the pertinent data from the campaign's data base, and made phone calls to selected voters. Mr. Remer further explains that, to his knowledge, the Vargas Committee incurred no out-of-pocket expenses in connection with the survey and that, therefore, there were no expenses to report in connection with the survey. He states that the survey was conducted during the second week of January 1996, after the reporting period identified by Complainant.

Mr. Remer disputes Complainant's contention that either The Primacy Group or Richard D'Ascoli was paid by the city council committee for work to be for Vargas for Congress. He states that there were indications that Mr. Vargas would face a challenger in his city council re-election race, that the Vargas city council committee prepared for this challenge, and that potential opponents withdrew because, in Mr. Remer's estimation, the Vargas campaign had

⁴ This latter response states that it is filed on behalf of Richard D'Ascoli, Ralph Inzunza, Larry Remer, Juan Vargas, Vargas for Congress '96, and Deanna Liebergot, the treasurer of Vargas for Congress.

prepared so well that potential challengers realized their efforts would be futile. Mr. Remer further states the Vargas city council campaign operated similarly in 1993, raising approximately \$65,000, resulting in him facing no opposition. He adds that, although there ultimately was no opposition, "there still were contracts to fulfill for services from The Primacy Group and Mr. D'Ascoli for said campaign."

Next, Mr. Remer addresses Mr. Inzunza's activity with the Vargas campaign, and corroborates Inzunza's statement that he volunteered his services to the campaign. Remer states that Inzunza "lives with his father and is living on his savings."

With regard to the issue of the timely filing of the Statement of Candidacy, Mr. Remer states that "[w]hen Councilman Vargas started his Congressional campaign after the Council re-election campaign was over and the election had been held, he established a Congressional Campaign committee in accordance with FEC regulations and hired the Primacy Group, Mr. D'Ascoli and others to work on his behalf." (Emphasis in original). Remer does not specifically address the allegation that the Federal campaign brochure was paid for by the city council campaign.

Neither Mr. Vargas nor the Vargas Committee filed a response with respect to the allegations in the complaint in MUR 4311.

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2. Responses to complaint in MUR 4327

a. response of Juan Vargas⁵

Mr. Vargas states that the loan he made to his campaign was made from the proceeds of an unsecured loan, and that the terms of that loan were set forth in a report filed with the Commission by the Vargas Committee on March 14, 1996.⁶ Mr. Vargas states that no part of that loan violates any statute or regulation. He further states that, prior to seeking the loan, he spoke with one of the Commission's information specialists, that he stated that he wanted to secure a loan and use the money for the campaign and gave the details of the loan terms, and that he was told that the loan was consistent with Commission regulations.

Regarding Complainant's contention that two additional loans of \$5,000 each reported by the Vargas Committee as being made by Juan Vargas were also made with the proceeds of the Bank of Commerce loan, Mr. Vargas states that "there are no such illegal loans. Rep. Filner has provided no facts or authority which would support the conclusion that any illegal loan was made. There is no such fact or legal authority."

Regarding the allegation that the Vargas Committee did not report the receipt of certain funds, Mr. Vargas states that the Vargas Committee "has lawfully reported all sums raised and expended."

⁵ Deanna Liebergot, treasurer of 'Vargas for Congress, submitted a response in which she incorporates by reference the submission of Mr. Vargas.

⁶ Vargas is apparently referring to the Vargas Committee's 1996 12-Day Pre-Primary Report, which included an FEC Schedule C-1 reflecting the loan, and a copy of the promissory note.

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b. response of Bank of Commerce

Bank of Commerce ("the Bank") details the circumstances of the making of the loan and argues that the loan was properly made. The Bank states that Mr. Vargas approached it on February 8, 1996 to obtain a loan for \$25,000. Vargas informed bank personnel at that time that the purpose of the loan was to provide funds for election advertising in his congressional campaign bid. The Bank further states that Vargas was required to fill out the Bank's standard loan documents, and that a customary review of the loan documents, including the Vargas' financial statement, was conducted. In conjunction with this, the Bank ran a credit check. "[U]pon following [its] standard policy and procedures, the Bank . . . approved a loan to Mr. and Mrs. Vargas in the principal amount of \$15,000 at an initial rate of 10.25% on a revolving line of credit."

Regarding the propriety of the loan, the Bank states that the loan was made in the ordinary course of business and in accordance with applicable banking law and regulations. The Bank further states that the loan bears the usual and customary interest rate of the lending institution for the category of loan involved. It states that the customary rate for personal lines of credit is generally the New York prime rate, plus one percent to four percent; the loan to Mr. and Mrs. Vargas was made at the New York prime rate, plus two percent. The Bank then argues that the loan was made on a basis which assured repayment. In support, the Bank cites the following factors which were considered before approving the loan: 1) annual income of both applicants; 2) annual debt service; 3) debt ratio; 4) net worth; 5) TRW national risk score; 6) the Bank's internal loan score; 7) homeowner status; 8) good character; and 9) size of the unsecured loan. The Bank states that a certain senior vice president with extensive experience in extending

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unsecured personal lines of credit evaluated these criteria in relation to the Vargases and that his analysis indicated that a signed promissory note was a sufficient assurance that the loan would be repaid.

The Bank further states that the loan is evidenced by a promissory note, and is subject to a due date. The Bank has provided a copy of the promissory note, but not provided any documents or other information which demonstrates how consideration of these factors supported the loan to the Vargases.

The Bank acknowledges that the loan was obtained without using either of the methods at 11 C.F.R. § 100.7(b)(11)(i)(A) or (b), but argues that the "totality of the circumstances" clearly indicate that the loan was made on a basis which assured repayment, citing 11 C.F.R. § 100.7(b)(11)(ii).

C. Analysis

1. Allegations in MUR 4311

a. failure to report costs associated with poll mentioned in CALPEEK

Complainant has presented no evidence that a violation has occurred; rather, he has merely assumed that there were reportable costs associated with taking the poll, that they were incurred during a certain period, and that they were not properly reported. As noted above, the documentation submitted by Complainant does not assist his contention, as it provides no information as to when the poll was conducted.

Respondents have stated that the poll was conducted after the reporting period suggested by Complainant. More importantly, they have stated that volunteers to the campaign created the survey "by gleaning the pertinent data from the [Vargas Committee's] database, and by making

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phone calls to selected voters." They state that neither the Vargas Committee nor The Primacy Group incurred any outside expenses in connection with the survey. Although Respondents do not address the value of the services provided by Larry Remer, the president of The Primacy Group who admits to directing the efforts associated with this poll, such services may have been provided pursuant to the general consulting contract between The Primacy Group and the Vargas Committee. Indeed, no evidence has been provided which suggests that The Primacy Group did not bill the Vargas Committee for all services rendered.⁷ Accordingly, there does not appear to be reason to believe that the Vargas Committee failed to report costs associated with the poll.

b. acceptance of illegal contribution from campaign manager Ralph Inzunza

Here, Complainant bases his allegation on the fact that Ralph Inzunza is the campaign manager for the Vargas Committee, and that none of the Vargas Committee's reports show payments to him. Accordingly, Complainant concludes that the Vargas Committee accepted a contribution from Mr. Inzunza in the form of his services. Respondents Ralph Inzunza and Larry Remer have both stated that Mr. Inzunza volunteered his services to the Vargas Committee. Pursuant to 2 U.S.C. § 431(8)(B)(i), services provided without compensation by an individual who volunteers on behalf of a candidate or political committee are not a contribution. Thus, nothing about Mr. Inzunza's activities on behalf of the Vargas Committee constitutes a contribution, illegal or otherwise.

⁷ The Vargas Committee's most recent report, its 1996 July Quarterly Report, show that it owes \$24,506.07 for consulting and expenses.

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c. Illegal transfer of funds from non-Federal committee to Federal committee

Several of the violations suggested by complainant fall under this category. First, there is the general allegation that The Primacy Group used funds collected for the city council race in connection with the Federal race. More specifically, there is Complainant's suggestion that Richard D'Ascoli and The Primacy Group were both paid for services performed for the Vargas Committee by Mr. Vargas' city council re-election committee. Additionally, there is the specific allegation that the costs associated with a brochure promoting Mr. Vargas' Federal candidacy were paid for with money from the city council re-election campaign.

Respondents have addressed Complainant's general allegation. Respondents state that there were indications that Mr. Vargas would face a challenger in his re-election race, that the Vargas city council committee prepared for this challenge, and that potential opponents withdrew because the Vargas campaign had prepared so well that potential challengers realized their efforts would be futile. Respondents further state the Vargas city council campaign operated similarly in 1993, raising approximately \$65,000 and facing no opposition as a result.

An article in the San Diego Business Journal, attached to the complaint, supports Respondents' contention that Vargas ran unopposed in the 1993 race. *See Mike Allen, Maneuvering by Vargas stuns his fellow Democrats*, S.D. BUS. J., Oct. 16, 1995, at 7 (noting that, in the 1993 city council race, Vargas "was elected for the third time to the Eighth Council District Sept. 19 and for the second time without opposition.") At the same time, documents produced by Respondents do not necessarily support their claim as to the amount of money

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raised for the 1993 race. A copy of the summary page from Mr. Vargas' 1993 city council campaign shows that that campaign raised approximately \$47,500, not \$65,000, for that race.⁸

Thus, there is a discrepancy in what Respondents say was raised for Mr. Vargas' 1993 city council race and his 1995 city council race. Nevertheless, there is no direct evidence that money was used for the city council race in the Federal race. Mr. Vargas may have benefited from an extensive city council campaign in increased visibility and name recognition, but the Commission has long recognized that legitimate activities by office holders are not necessarily campaign-related. See, e.g., MUR s 3855 and 3937 (Friends of Andrea Seastrand for Congress). As noted below, Complainant's specific allegations regarding the use of city council campaign funds to pay for Federal election expenses do not appear to be valid. Accordingly, this Office does not believe Complainant's less specific allegation should be given greater credence in the absence of any other evidence to support it.

With respect to the allegations concerning payments to Mr. D'Ascoli and The Primacy Group, as noted above, Respondents state generally that any money received from the city council re-election committee was for work performed on that campaign. Furthermore, they specifically deny that any money received from the city council re-election committee was used to pay them for work to be done for the Vargas Committee. Respondents do not address, however, what Complainant claims are discrepancies between what D'Ascoli and The Primacy Group were paid for their work for the city council re-election campaign, and their work for the Vargas Committee.

⁸ Respondents have also attached a copy of the summary page from Complainant's 1991 race for the city council seat now occupied by Mr. Vargas, showing that Complainant spent \$284,000 in that race.

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Nevertheless, it does not appear that a comparison of what D'Ascoli and The Primacy Group were paid for each campaign supports Complainant's contention that the city council re-election campaign paid for services provided to the Federal campaign. Indeed, Complainant appears to have used two different sets of figures in comparing what Mr. D'Ascoli was paid, and what The Primacy Group was paid, for the two campaigns. The figure given for payments to Mr. D'Ascoli in connection with the city council re-election campaign was based on two months during the campaign, and included expenses for which Mr. D'Ascoli was apparently reimbursed by the campaign.⁹ The figure for The Primacy Group proffered by the Complainant was based on amounts paid to the consultant over the course of nine months. Moreover, with regard to costs incurred by the Vargas Committee for the services of D'Ascoli and The Primacy Group, the complaint was filed before the Vargas Committee filed its 1996 April Quarterly Report, which showed debts and obligations to D'Ascoli and The Primacy Group of \$5,000 and \$25,628.33, respectively.¹⁰

Using appropriate figures to compare what Mr. D'Ascoli and The Primacy group were paid, on average, for the nine-month period of the city council re-election campaign, against what they were to be paid, on average, for the six months of the Federal primary campaign, reveals that each received more for the Federal campaign than for the non-Federal campaign. D'Ascoli was paid approximately \$9,100 over the nine months of the non-Federal campaign, an average of

⁹ The disclosure statement for California requires that a code be placed by each disbursement, so as to indicate the purpose of that disbursement. In tallying up amounts paid to Mr. D'Ascoli, Complainant not only added those amounts coded "G" and "P", which apply to general operations and overhead, and professional management and consulting services, respectively, and which would appear to represent payment to D'Ascoli for services performed, but also added those amounts coded "F" and "I", which relate to fundraising events and literature, respectively, and which would appear to be reimbursements of costs advanced by Mr. D'Ascoli.

¹⁰ The April Quarterly Report also shows a payment to The Primacy Group of \$1,000.

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\$1,011 per month. D'Ascoli charged \$6,800 for the six months of the Federal campaign, an average of \$1,133 per month. Likewise, The Primacy Group was paid approximately \$15,300 over the nine months of the non-Federal campaign, an average of \$1,700 per month, while it charged approximately \$27,000 for the six months of the Federal campaign, an average of \$4,500 per month. Accordingly, Mr. D'Ascoli and The Primacy Group both apparently worked for the Federal campaign at greater cost than they did for the non-Federal campaign, thus completely undermining this aspect of Complainant's allegations. Consequently, it does not appear that there is reason to believe the non-Federal campaign subsidized the federal campaign in this instance.

The final allegation centers around Complainant's statement that, on September 20, 1995, the day after Mr. Vargas' re-election to the San Diego City Council, flyers touting Vargas' Federal candidacy appeared in the district. The flyer in question, a copy of which is attached to the complaint, states that it was paid for by "Vargas for Congress '96, Deanna Liebergot, Treasurer." Complainant further states that, on that same day, "several full-time staff members began to work in a congressional campaign office," citing the San Diego Business Journal article cited above. Complainant alleges that the Vargas city council re-election campaign paid for the flyers, thus resulting in a transfer of funds from a non-Federal committee to a Federal committee. Complainant further alleges that this expenditure was over \$5,000, resulting in Mr. Vargas attaining candidate status by September 20, 1995, and that accordingly, his Statement of Candidacy filed on October 13, 1995 was untimely filed.

Although this specific allegation was not directly addressed by Respondents, Respondents have stressed repeatedly that no money from the city council re-election campaign

was spent in the Federal race. Moreover, despite Complainant's contention, this Office can discern no expense reported on Mr. Vargas' city council re-election campaign reports which might relate to the brochure at issue. In contrast, the Vargas Committee's 1996 January Year-End Report, does show disbursements to PG Printing & Graphics for "Printing" in amounts totaling \$2,764 in early October 1995, which more than likely relate to the brochure at issue.

However, although the Vargas Committee reports that it disbursed funds for the brochures in early October 1995, Complainant has alleged that these brochures were being distributed as early as September 20, 1995. If Complainant is correct in his observation, then the Vargas Committee should have reported the disbursement for the brochures as being made as of the date it obtained them, not the date the invoice was paid. Cf. FECA v. American Federation of State, County and Municipal Employees - P.E.O.P.L.E. Qualified, et al., CA No. 88-3208 (RCL) (D.D.C. 1990) (where the court determined that a political committee which made an in-kind contribution to a candidate's committee was required to report the cost of that contribution at the time the phone banks were in operation, rejecting the political committee's argument that the disbursement occurred when it paid for the services.) Accordingly, this Office recommends that the Commission find reason to believe that Vargas for Congress '96 and Deanna Liebergot, as treasurer, violated 2 U.S.C. § 434(a)(1) and 11 C.F.R. § 104.14(d) by failing to accurately report the date of the disbursement associated with the brochures.

Mr. Vargas' Statement of Candidacy was filed with the Clerk of the House of Representatives on October 13, 1995, and was dated October 9, 1995. Given that, for Vargas to be in compliance, he could have become a candidate no earlier than September 28, 1995. The Vargas Committee's first report, the 1996 January Year-End Report, shows that the only

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disbursement by the Vargas Committee prior to this date was for \$200 on September 25, 1995, to San Diego Gas & Electric. Even factoring in the amount apparently spent on the brochures, Mr. Vargas would not have exceeded the threshold for candidate status due to the amount of its expenditures by September 28, 1995. Additionally, by September 29, 1995, the Vargas Committee had only received \$3,500 in contributions. Thus, it appears, that the Vargas Committee neither accepted contributions nor made expenditures in excess of \$5,000 prior to September 28, 1995, and that, therefore, Mr. Vargas' Statement of Candidacy was timely filed.

2. Allegations in MUR 4327

a. loan from Bank of Commerce

The following summary of the circumstances surrounding the making of the loan is taken from the more complete explanation submitted by the Bank of Commerce, and described *supra* at 11-12. It appears that Mr. Vargas approached the Bank on February 8, 1996 to obtain a loan for \$25,000. According to the information received to date, he informed bank personnel at that time that the loan was to assist in his congressional campaign bid. Vargas filled out the Bank's standard loan documents, and a customary review of the loan documents, including Mr. and Mrs. Vargas' financial statement, was conducted. In conjunction with this, the Bank ran a credit check. The Bank's submission further states that a senior vice president with extensive experience in extending unsecured personal lines of credit evaluated nine criteria in relation to the Vargases and his analysis indicated that a signed promissory note was a sufficient assurance

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that the loan would be repaid.¹¹ The Bank approved a loan to Mr. and Mrs. Vargas in the principal amount of \$15,000 at an initial rate of 10.25% on a revolving line of credit.

Based on allegations in the complaint, a question arises as to whether the loan was made in the ordinary course of business, specifically, whether it was made on a basis which assures repayment.¹² Because the loan in the instant matter is unsecured, the only way Mr. Vargas can establish this proposition is through the "totality of the circumstances" provision at 11 C.F.R. § 100.7(b)(11)(ii). Generally, section 100.7(b)(11)(ii) "leaves open the possibility that other approaches, such as loans guaranteed in whole or in part by the borrower's signature, which are not specified in the rules, will also be found" to assure repayment. Explanation and Justification, Regulations on Loans from Lending Institutions to Candidates and Political Committees, 56 Fed. Reg. 67118, 67119 (December 27, 1991).

In Advisory Opinion 1994-26, a candidate sought permission to use revolving lines of credit he had held for several years prior to his candidacy. The lines of credit were unsecured signature loans based on the candidate's credit, owned wholly by the candidate and for which no other person was jointly or severally liable on any portion of the accounts. In determining that the totality of the circumstances indicated that use of the lines of credit for the campaign would meet the assurance of repayment requirement, the Commission noted that the lines of credit did

¹¹ The following factors were considered before approving the loan: 1) annual income of both applicants; 2) annual debt service; 3) debt ratio; 4) net worth; 5) TRW national risk score; 6) the Bank's internal loan score; 7) homeowner status; 8) good character; and 9) size of the unsecured loan.

¹² The loan is evidenced by a written instrument and is subject to a due date. Moreover, the bank states that, with regard to the 10.25% interest rate, "[t]he customary rate for personal lines of credit will vary, but the range is generally New York prime rate, plus 1% to 4%. In accordance with the Bank's customary practice, the Loan was made to Mr. and Mrs. Vargas at New York prime rate, plus 2%, within this range." The interest rate is a variable one.

not "appear to have been obtained . . . for the purpose of influencing any candidacy or other political purpose." The Commission also took into consideration the fact that the lines had been issued years prior to the candidacy, evidencing a long-standing relationship between the lending institutions and the candidate. The Commission ultimately concluded that the candidate could draw on these lines of credit for his campaign without the draws being considered to be contributions by the bank.¹³

The application of such factors in the instant matter weighs against the loan being considered to have been made on a basis which assures repayment. First, Mr. Vargas has admitted that the unsecured line of credit was obtained specifically to aid in his federal campaign. Second, the loan was obtained with the signature of Vargas' wife; the account was not wholly-owned by the candidate. Finally, there is no evidence that Mr. Vargas had any prior relationship with the bank. Indeed, the Vargas Committee's campaign depository was maintained at another bank.¹⁴

Certain facts, surrounding the actual making of the loan, however, may suggest that the loan was made on a basis which assures repayment. First, there is the fact that, while both Mr. Vargas and the Bank state that Mr. Vargas approached the Bank for a \$25,000 loan, he only obtained a \$15,000 loan, suggesting that the Bank only authorized an amount it felt assured would be repaid. Next, there is the fact that approximately one month passed from the time

¹³ The Commission declined to approve the use of one of the lines of credit because it did not appear to have been obtained from a qualified depository institution.

¹⁴ A letter from the Bank's counsel to the California State Banking Department reveals that other questions have been raised about the propriety of the loan. That letter, which was attached to Juan Vargas' response to the complaint, notes that "it is unjust [for the State Banking Department] to question the motives of the Bank's President . . . in relation to the Loan. [The President] had no involvement whatsoever in the Loan's approval. Further, [the President's] tireless efforts on behalf of the Center City Development Corporation has greatly enhanced the City of San Diego's redevelopment."

Mr. Vargas first approached the Bank to request the loan until the promissory note was issued, suggesting the possibility that the Bank carefully evaluated the application. The Bank has represented that a senior vice president with extensive experience in extending unsecured lines of credit evaluated nine criteria in determining whether the signed promissory note alone was sufficient assurance of repayment. Indeed, it appears to this Office that an evaluation of these nine factors, itemized *supra* at 11, would have provided the Bank with sufficient evidence of whether it could expect that the loan would be repaid. The loan was in fact repaid on May 29, 1996.

For the "totality of the circumstances" to demonstrate that repayment is assured, Respondents must produce enough information for the Commission to be able to exercise its own judgment as to the propriety of the loan. The Commission may then determine whether the lending institution properly considered the information in deciding to approve the loan.

Here, Respondents have not met their burden, in that they have failed to provide the Commission with enough information with which to evaluate the Bank's decision.

Accordingly, this Office recommends that the Commission find reason to believe that the Bank of Commerce violated 2 U.S.C. § 441b with respect to the making of this loan, and that Vargas for Congress '96 and Deanna Liebergot, as treasurer, violated 2 U.S.C. § 441b by accepting the proceeds of this loan. Because of his involvement in obtaining the loan for the Vargas

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Committee, this Office further recommends that the Commission find reason to believe that Juan C. Vargas violated 2 U.S.C. § 441b.

Where a loan is concerned, each endorser is deemed to have contributed that portion of the total amount for which he or she agreed to be liable in a written agreement. See 11 C.F.R. § 100.7(a)(1)(i)(C). In the event that the loan agreement does not stipulate the portion of the loan for which each endorser or guarantor is liable, the loan shall be considered a loan by each endorser or guarantor in the same proportion to the unpaid balance that each endorser or guarantor bears to the total number of endorsers or guarantors. *Id.* The spouse of a candidate is not considered a contributor to the candidate's campaign if the candidate obtains a loan on which the spouse's signature is required, jointly owned assets are used as collateral or security for the loan, and the value of the candidate's share of the collateral equals or exceeds the amount of the loan. See 11 C.F.R. § 100.7(a)(1)(i)(D). Where, as here, the spouse of the candidate is a signatory on an unsecured loan, she is treated as any other endorser.

The promissory note in this matter states that "[t]he obligations under this Note are joint and several," meaning that each borrower is liable for the full amount borrowed. The campaign deposited the full amount of the line of credit, \$15,000, into its account on March 6, 1996. Up until the 1996 July Quarterly Report, Adrienne Vargas had not made any contribution to the Vargas Committee. Consequently, she could contribute up to \$1,000 before she exceeded the limitations at Section 441a(a)(1)(A). Moreover, because Mrs. Vargas was one of two people responsible for paying off the loan, the amount of her contribution is one-half of the draw on the line of credit.

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Accordingly, this Office recommends that the Commission find reason to believe that Adrienne Vargas violated 2 U.S.C. § 441a(a)(1)(A) by making an excessive contribution in the amount of \$6,500 to Vargas for Congress '96, and that Vargas for Congress '96 and Deanna Liebergot, as treasurer, violated 2 U.S.C. § 441a(f) by accepting this contribution.

b. other loans

Complainant further alleges that two \$5,000 loans reported as being made by the candidate probably came from the same bank loan, arguing that "[g]iven the limited assets and incomes shown on Mr. Vargas' Financial Disclosure Statements, it is probable that this \$10,000 comes from the same [Bank of Commerce loan]."

The information in hand does not support Complainant's contention. The full amount of the line of credit had been deposited into the Vargas Committee's accounts, and no payments were made on that loan prior to the election. Accordingly, Mr. Vargas could not access that line of credit for more funds. Additionally, while Complainant claims that information on a financial disclosure statement for Mr. Vargas would suggest that Mr. Vargas could not afford to make these loans from personal funds, Complainant has not provided a copy of that statement. Mr. Vargas has stated simply that "[t]here are no such illegal loans."

This Office has obtained a copy of the Financial Disclosure Statement filed by Mr. Vargas with the U.S. House of Representatives on November 2, 1995. Attachment 1. That form shows that Mr. Vargas had total earnings in 1995, up to the time of the filing of the report, of \$53,000. The form further shows that Mr. Vargas apparently has two retirement plans worth between \$1,001 and \$15,000 each.¹⁵ The form did not require reporting of personal savings of

¹⁵ Three retirement plans are reported. One apparently belongs to Mr. Vargas' wife.

\$5,000 or less, and no personal savings is reported. The form also indicates debt in the form of two student loans, valued at between \$15,001 and \$50,000 each.¹⁶ The form did not require the reporting of home mortgages or car loans.

Not only is the information on the Financial Disclosure Form too abstract to draw a conclusion as to whether Mr. Vargas was able to make the loans in question, but it was filed approximately four months before the loans were made, and thus does not present a contemporaneous picture of Mr. Vargas' financial situation.¹⁷ Absent more information, this Office cannot recommend that the Commission find reason to believe that violations occurred with respect to these two loans.

c. failure to report contributions

There does not appear to be any basis to support Complainant's next allegation, that the Vargas Committee failed to report all of the contributions it received. Complainant makes this conclusion by looking at the amount spent by the campaign on television advertising, as evidenced by invoices from local television stations for the period commencing March 11, 1996, \$100,885, and argues that because the Vargas Committee's 1996 12-Day Pre-Primary Report showed only \$56,000 in cash-on-hand, and because the Vargas Committee reported only \$18,000 in contributions in its 48-Hour Notices, the Vargas Committee "would have to have raised \$26,000 . . . in a matter of days."

This Office has no evidence to suggest that Mr. Vargas is incorrect in his assertion that "Vargas for Congress '96 has . . . reported all sums raised and expended." As required, the

¹⁶ It is not clear if one of these loans belongs to Mr. Vargas' wife.

¹⁷ The loans were received by the Vargas Committee on March 11 and 12, 1996

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Vargas Committee's 12-Day Pre-Primary Report was complete as of the 20th day before the election, March 6, 1996. See 2 U.S.C. § 434(a)(4)(A)(ii). That left almost three weeks before the election, held on March 26, 1996, not "a matter of days", for the Vargas Committee to obtain sufficient funds to pay for the advertising. Complainant acknowledges that the \$18,000 reported on 48-Hour Notices brought the amount needed by the Vargas Committee down to \$26,000. In fact, the Vargas Committee's 1996 April Quarterly Report shows that, between the date of completion of the Pre-Primary Report and 48 hours prior to the election, it raised over \$60,000. Therefore, there is no reason to believe that the Vargas Committee violated the Act with respect to this allegation.

III. PROPOSED RESOLUTION OF MATTER

This report contains recommendations for reason to believe findings against the Vargas Committee for failing to properly report the date of certain disbursements, for accepting a corporate contribution in the form of an improper bank loan, and for accepting an excessive contribution from the spouse of the candidate in the form of a loan guarantee. The report also contains one recommendation against the candidate, Juan Vargas, for accepting the improper bank loan on behalf of the Committee, one recommendation against the candidate's spouse for making an excessive contribution due to her loan guarantee, and one recommendation against the Bank of Commerce for making the improper loan. With regard to all of the other allegations made by Complainant, the report recommends that the Commission find no reason to believe that violations have occurred.

Other than the recommendation regarding the failure to properly report the date of the expenditures associated with the brochure, all of the other for reason to believe findings in this

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matter surround the loan obtained from the Bank of Commerce. As noted above, that loan was repaid on May 29, 1996, more than one month before its due date. Additionally, Mr. Vargas was the losing candidate in the primary election, and the Vargas Committee's latest report, the 1996 July Quarterly Report, showed that it had \$361 in cash-on-hand, and over \$73,000 in debts and obligations, as of June 30, 1996. Thus, while it does appear that violations may have occurred, it further appears that Commission resources would be put to better use in pursuing other matters. Given these factors, this Office recommends that the Commission take no further action against Juan C. Vargas, Adrienne Vargas, Commerce Bank, and Vargas for Congress '96 and Deanna Liebergot, as treasurer, and that it close the file in this matter. In notifying Respondents of the Commission's decisions, this Office will include admonishment language regarding the Act's requirements.

IV. RECOMMENDATIONS

1. Find no reason to believe that Richard D'Ascoli violated the Act.
2. Find no reason to believe that Ralph Inzunza violated the Act.
3. Find no reason to believe that The Primacy Group violated the Act.
4. Find no reason to believe that Juan C. Vargas violated the Act with respect to the allegations in MUR 4311.
5. Find reason to believe that Vargas for Congress '96 and Deanna Liebergot, as treasurer, violated 2 U.S.C. § 434(a)(1) and 11 C.F.R. § 104.14(d) with respect to the allegations in MUR 4311.
6. Find no reason to believe that Vargas for Congress '96 and Deanna Liebergot, as treasurer, committed any other violation with respect to the allegations in MUR 4311.
7. Find reason to believe that the Bank of Commerce, Juan C. Vargas, and Vargas for Congress '96 and Deanna Liebergot, as treasurer, each violated 2 U.S.C. § 441b with respect to the allegations in MUR 4327.

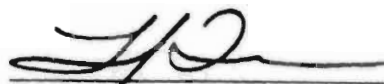
8. Find reason to believe that Adrienne D. Vargas violated 2 U.S.C. § 441a(a)(1)(A) with respect to the allegations in MUR 4327.
9. Find reason to believe that Vargas for Congress '96 and Deanna Liebergot, as treasurer, violated 2 U.S.C. § 441a(f) with respect to the allegations in MUR 4327.
10. Find no reason to believe that Vargas for Congress '96 and Deanna Liebergot, as treasurer, committed any other violation with respect to the allegations in MUR 4327.
11. Take no further action against Juan C. Vargas and Vargas for Congress '96 and Deanna Liebergot, as treasurer, regarding the violations in connection with MUR 4311.
12. Take no further action against the Bank of Commerce, Juan C. Vargas, Adrienne D. Vargas, and Vargas for Congress '96 and Deanna Liebergot, as treasurer, regarding the violations in connection with MUR 4327.
13. Approve the appropriate letters.
14. Close the files.

Lawrence M. Noble
General Counsel

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Date

10-3-96

BY:


Lois G. Lerner
Associate General Counsel

Attachment:

1. Financial Disclosure Form



FEDERAL ELECTION COMMISSION

WASHINGTON D.C. 20461

MEMORANDUM

TO: LAWRENCE NOBLE, GENERAL COUNSEL

FROM: MARJORIE W. EMMONS/MARY W. DOVE *MW*
COMMISSION SECRETARY

DATE: OCTOBER 7, 1996

SUBJECT: MURS 4311/4327 - ERRATA. MEMORANDUM TO THE
COMMISSION DATED OCTOBER 2, 1996.

The above-captioned document was circulated to the
Commission on October 2, 1996 4:00 p.m..

Objection(s) have been received from the
Commissioner(s) as indicated by the name(s) checked below:

Commissioner Aikens	_____
Commissioner Elliott	<u>XX</u> (FOR THE RECORD)
Commissioner McDonald	_____
Commissioner McGarry	_____
Commissioner Potter	_____
Commissioner Thomas	_____

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

MEMORANDUM

TO: LAWRENCE NOBLE
GENERAL COUNSEL

FROM: MARJORIE W. EMMONS/MARY W. DOVE *MWD*
SECRETARY OF THE COMMISSION

DATE: OCTOBER 15, 1996

SUBJECT: MURS 4311/4327 - ERRATA. MEMORANDUM TO THE
COMMISSION DATED OCTOBER 2, 1996.

The above-captioned matter was circulated
to the Commission on a ⁷²~~48~~- hour vote basis on October 2, 1996.

The matter has been placed on the agenda
for TUESDAY, OCTOBER 22, 1996 due to the lack
of four affirmative votes at the time of the deadline.

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

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 4311
Juan C. Vargas;)
Vargas for Congress '96 and)
Deanna Liebergot, as treasurer;)
Richard D'Ascoli;)
Ralph Inzunza;)
The Primacy Group;)
)
) AND
) MUR 4327
)
Juan C. Vargas;)
Adrienne D. Vargas;)
Vargas for Congress '96 and)
Deanna Liebergot, as treasurer;)
Bank of Commerce)

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session on October 22, 1996, do hereby certify that the Commission took the following actions with respect to MURS 4311 and 4327:

1. Decided by a vote of 4-0 to
 - a) Find no reason to believe that Richard D'Ascoli violated the Act.
 - b) Find no reason to believe that Ralph Inzunza violated the Act.
 - c) Find no reason to believe that The Primacy Group violated the Act.
 - d) Find no reason to believe that Juan C. Vargas violated the Act with respect to the allegations in MUR 4311.

(continued)

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- e) Find reason to believe that Vargas for Congress '96 and Deanna Liebergot, as treasurer, violated 2 U.S.C. § 434(a)(1) and 11 C.F.R. § 104.14(d) with respect to the allegations in MUR 4311.
 - f) Find no reason to believe that Vargas for Congress '96 and Deanna Liebergot, as treasurer, committed any other violations with respect to the allegations in MUR 4311.
 - g) Find reason to believe that Adrienne D. Vargas violated 2 U.S.C. § 441a(a)(1)(A) with respect to the allegations in MUR 4327.
 - h) Find reason to believe that Vargas for Congress '96 and Deanna Liebergot, as treasurer, violated 2 U.S.C. § 441a(f) with respect to the allegations in MUR 4327.
 - i) Find no reason to believe that Vargas for Congress '96 and Deanna Liebergot, as treasurer, committed any other violation with respect to the allegations in MUR 4327.

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

(continued)

2. Failed in a vote of 2-2 to pass a motion to

- a) Find reason to believe that the Bank of Commerce, Juan C. Vargas, and Vargas for Congress '96 and Deanna Liebergot, as treasurer, each violated 2 U.S.C. § 441b with respect to the allegations in MUR 4327.
- b) Take no further action against the Bank of Commerce, Juan C. Vargas, Adrienne D. Vargas, and Vargas for Congress '96 and Deanna Liebergot, as treasurer, regarding the violations in connection with MUR 4327.

Commissioners McDonald and Thomas voted affirmatively for the motion. Commissioners Aikens and Elliott dissented. Commissioner McGarry was not present.

3. Decided by a vote of 4-0 to

- a) Take no further action against Adrienne D. Vargas and Vargas for Congress '96 and Deanna Liebergot, as treasurer in connection with MUR 4327.
- b) Send appropriate letters.
- c) Close the file.

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

(continued)

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4. Decided by a vote of 4-0 to rescind all of the previous actions just taken in this meeting on MURS 4311 and 4327.

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

5. Decided by a vote of 4-0 to

- a) Find no reason to believe that Richard D'Ascoli violated the Act.
- b) Find no reason to believe that Ralph Inzunza violated the Act.
- c) Find no reason to believe that The Primacy Group violated the Act.
- d) Find no reason to believe that Juan C. Vargas violated the Act with respect to allegations in MUR 4311.
- e) Find reason to believe that Vargas for Congress '96 and Deanna Liebergot, as treasurer, violated 2 U.S.C. § 434(a)(1) and 11 C.F.R. § 104.14(d) with respect to the allegations in MUR 4311.
- f) Find no reason to believe that Vargas for Congress '96 and Deanna Liebergot, as treasurer, committed any other violation with respect to the allegations in MUR 4311.

(continued)

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- g) Find reason to believe that Adrienne D. Vargas violated 2 U.S.C. 441a(a)(1)(A) with respect to the allegations in MUR 4327.
- h) Find reason to believe that Vargas for Congress '96 and Deanna Liebergot, as treasurer, violated 2 U.S.C. § 441a(f) with respect to the allegations in MUR 4327.
- i) Find no reason to believe that Vargas for Congress '96 and Deanna Liebergot, as treasurer, committed any other violation with respect to the allegations in MUR 4327.

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

6. Failed in a vote of 2-2 to pass a motion to find reason to believe that the Bank of Commerce, Juan C. Vargas, and Vargas for Congress '96 and Deanna Liebergot, as treasurer, each violated 2 U.S.C. § 441b with respect to the allegations in MUR 4327.

Commissioners McDonald and Thomas voted affirmatively for the motion. Commissioners Aikens and Elliott dissented. Commissioner McGarry was not present.

(continued)

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7. Decided by a vote of 4-0 to

- a) Take no further action against Juan C. Vargas and Vargas for Congress '96 and Deanna Liebergot, as treasurer, regarding the violations in connection with MUR 4311.
- b) Take no further action against Adrienne D. Vargas, and Vargas for Congress '96 and Deanna Liebergot, as treasurer, regarding the violations in connection with MUR 4327.
- c) Approve appropriate letters.
- d) Close the files.

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

Attest:

10-24-96
Date

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

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 8, 1996

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

The Honorable Bob Filner
Bob Filner for Congress
P.O. Box 127868
San Diego, CA 92112

RE: MURs 4311 and 4327
Juan C. Vargas
Vargas for Congress '96 and Deanna
Liebergot, as treasurer
Richard D'Ascoli
Ralph Inzunza
The Primacy Group
Adrienne D. Vargas
Bank of Commerce

Dear Congressman Filner:

On October 22, 1996, the Federal Election Commission reviewed the allegations of your complaint and two amendments in MUR 4311 dated October 20, 1995, October 23, 1995 and February 20, 1996, respectively. The Commission found that on the basis of the information provided in your complaint and amendments, and information provided by the Respondents, there is no reason to believe Juan C. Vargas, Richard D'Ascoli, Ralph Inzunza, or The Primacy Group, violated the Federal Election Campaign Act of 1971, as amended ("the Act"). The Commission did find that there was reason to believe Vargas for Congress '96 and Deanna Liebergot, as treasurer, violated 2 U.S.C. § 434(a)(1), a provision of the Act, and 11 C.F.R. § 104.14(d), a provision of the Commission's regulations.

Also on October 22, 1996, the Commission reviewed the allegations of your complaint in MUR 4327 dated March 20, 1996. The Commission found that on the basis of the information provided in your complaint, and information provided by the Respondents, there was reason to believe Vargas for Congress '96 and Deanna Liebergot, as treasurer, violated 2 U.S.C. § 441a(f), and Adrienne D. Vargas violated 2 U.S.C. § 441a(a)(1)(A). The Commission was equally

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divided on whether to find reason to believe Juan C. Vargas, Vargas for Congress '96 and Deanna Liebergot, as treasurer, and Bank of Commerce, each violated 2 U.S.C. § 441b.


Finally, after considering the circumstances of these matters, the Commission, on October 22, 1996, determined to take no further action against Adrienne D. Vargas and Vargas for Congress '96 and Deanna Liebergot, as treasurer, and closed the files in these matters. These matters will become part of the public record within 30 days. A Statement of Reasons providing a basis for the Commission's decision in MUR 4327 regarding Juan C. Vargas, Vargas for Congress '96 and Deanna Liebergot, as treasurer, and Bank of Commerce, will follow. The Federal Election Campaign Act of 1971, as amended, allows a complainant to seek judicial review of the Commission's dismissal of these actions. See 2 U.S.C. § 437g(a)(8).

If you have any questions, please contact Tony Buckley, the attorney assigned to this matter, at (202) 219-3690.

Sincerely,

Lawrence M. Noble
General Counsel

BY:


Lois G. Lerner
Associate General Counsel

Enclosure
General Counsel's Report
Certification

96043770818



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 8, 1996

Councilman Juan Carlos Vargas
1171 24th Street
San Diego, CA 92102

RE: MURs 4311 and 4327

Dear Mr. Vargas:

On February 28 and March 27, 1996, the Federal Election Commission notified you of complaints alleging that you had violated certain sections of the Federal Election Campaign Act of 1971, as amended.

On October 22, 1996, the Commission considered the complaints. Regarding the complaint in MUR 4311, the Commission found no reason to believe you violated the Act. Regarding the complaint in MUR 4327, the Commission was equally divided on whether to find reason to believe you violated 2 U.S.C. § 441b. Accordingly, the Commission closed its file in this matter. A Statement of Reasons providing a basis for the Commission's decision will follow.

The confidentiality provisions at 2 U.S.C. § 437g(a)(12) no longer apply and this matter is now public. In addition, although the complete file must be placed on the public record within 30 days, this could occur at any time following certification of the Commission's vote. If you wish to submit any factual or legal materials to appear on the public record, please do so as soon

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Juan Carlos Vargas
MURs 4311 and 4327
Page 2

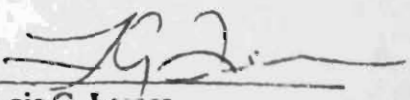
as possible. While the file may be placed on the public record before receiving your additional materials, any permissible submissions will be added to the public record upon receipt.

If you have any questions, please contact Tony Buckley, the attorney assigned to this matter, at (202) 219-3690.

Sincerely,

Lawrence M. Noble
General Counsel

BY:


Lois G. Lerner
Associate General Counsel

Enclosure
General Counsel's Report

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 8, 1996

Adrienne D. Vargas
1171 24th Street
San Diego, CA 92102

RE: MUR 4327

Dear Mrs. Vargas:

On March 27, 1996, the Federal Election Commission notified you of a complaint alleging that you had violated certain sections of the Federal Election Campaign Act of 1971, as amended.

On October 22, 1996, the Commission found reason to believe that you violated 2 U.S.C. § 441a(a)(1)(A), a provision of the Act. However, after considering the circumstances of this matter, the Commission also determined to take no further action and closed its file.

The Commission reminds you that although a spouse of a candidate is not considered a contributor to the candidate's campaign if the candidate obtains a loan on which the spouse's signature is required, jointly owned assets are used as collateral or security for the loan, and the value of the candidate's share of the collateral equals or exceeds the value of the loan, if such a loan is unsecured, then the spouse is treated as any other contributor subject to the limitations of 2 U.S.C. § 441a(a)(1)(A). You should take steps to ensure compliance with the limitations of section 441a(a)(1)(A) in the future.

The confidentiality provisions at 2 U.S.C. § 437g(a)(12) no longer apply and this matter is now public. In addition, although the complete file must be placed on the public record within 30 days, this could occur at any time following certification of the Commission's vote. If you

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Adrienne D. Vargas
MUR 4327
Page 2

wish to submit any factual or legal materials to appear on the public record, please do so as soon as possible. While the file may be placed on the public record before receiving your additional materials, any permissible submissions will be added to the public record upon receipt.

If you have any questions, please contact Tony Buckley, the attorney assigned to this matter, at (202) 219-3690.

Sincerely,



Lee Ann Elliott
Chairman

Enclosure
GC Report

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 8, 1996

Deanna Liebergot, Treasurer
Vargas for Congress '96
3609 Fourth Avenue
San Diego, CA 92103

RE: MURs 4311 and 4327

Dear Ms. Liebergot:

On February 28 and March 27, 1996, the Federal Election Commission notified you of complaints alleging that Vargas for Congress '96 ("the Committee") and you, as treasurer, had violated certain sections of the Federal Election Campaign Act of 1971, as amended.

On October 22, 1996, the Commission considered the complaints. Regarding the complaint in MUR 4311, the Commission found reason to believe the Committee and you, as treasurer, violated 2 U.S.C. § 434(a)(1) and 11 C.F.R. § 104.14(d). The Commission found no reason to believe the Committee and you, as treasurer, committed any other violation with respect to the allegations in MUR 4311. Regarding the complaint in MUR 4327, the Commission found reason to believe the Committee and you, as treasurer, violated 2 U.S.C. § 441a(f). The Commission was equally divided on whether to find reason to believe the Committee and you, as treasurer, violated 2 U.S.C. § 441b. Finally, the Commission found no reason to believe the Committee and you, as treasurer, committed any other violation with respect to the allegations in MUR 4327.

After considering the circumstances of these matters, the Commission also determined to take no further action and closed its files. The Commission reminds you that when a candidate obtains a loan on which the spouse's signature is required, and that loan is unsecured, then the spouse's signature results in a contribution equal to half the value of the loan. Such a contribution is subject to the limitations of 2 U.S.C. § 441a(a)(1)(A). The Commission further reminds you that a disbursement for an expenditure should be reported as having been made when the expenditure is made, or the benefit is actually conferred, whichever comes first. You should take steps to ensure compliance with these requirements in the future.

The confidentiality provisions at 2 U.S.C. § 437g(a)(12) no longer apply and this matter is now public. In addition, although the complete file must be placed on the public record within 30 days, this could occur at any time following certification of the Commission's vote. If you wish to submit any factual or legal materials to appear on the public record, please do so as soon

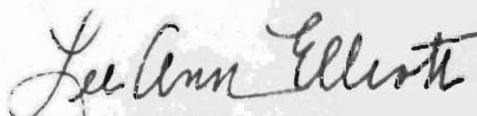
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Deanna Liebergot, Treasurer
MURs 4311 and 4327
Page 2

as possible. While the file may be placed on the public record before receiving your additional materials, any permissible submissions will be added to the public record upon receipt.

If you have any questions, please contact Tony Buckley, the attorney assigned to this matter, at (202) 219-3690.

Sincerely,



Lee Ann Elliott
Chairman

Enclosure
General Counsel's Report

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

THIS IS THE END OF MUR # 4927

DATE FILMED 12-4-96 CAMERA NO. 4

CAMERAMAN JMN

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

Date: 12/9/96

✓ Microfilm

 Press

THE ATTACHED MATERIAL IS BEING ADDED TO CLOSED NUR 4327

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 27, 1996

Mark A. Osman, Esq.
Circuit, McKellogg, Kinney & Ross, LLP
Torrey Financial Building
1205 Prospect Street, Suite 400
La Jolla, California 92037

RE: MUR 4327

Dear Mr. Osman:

On March 27, 1996, the Federal Election Commission notified your client, Bank of Commerce, of a complaint alleging that it had violated certain sections of the Federal Election Campaign Act of 1971, as amended.

On October 22, 1996, the Commission considered the complaint. The Commission was equally divided on whether to find reason to believe your client violated 2 U.S.C. § 441b. Accordingly, the Commission closed its file in this matter. A Statement of Reasons providing a basis for the Commission's decision will follow.

The confidentiality provisions at 2 U.S.C. § 437g(a)(12) no longer apply and this matter is now public. In addition, although the complete file must be placed on the public record within 30 days, this could occur at any time following certification of the Commission's vote. If you

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wish to submit any factual or legal materials to appear on the public record, please do so as soon as possible. While the file may be placed on the public record before receiving your additional materials, any permissible submissions will be added to the public record upon receipt.

If you have any questions, please contact Tony Buckley, the attorney assigned to this matter, at (202) 219-3690.

Sincerely,

Lawrence M. Noble
General Counsel

BY:


Lois G. Lerner
Associate General Counsel

Enclosure
General Counsel's Report

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