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December 4, 1998

Via Federal Express

F. Andrew Turley, Esq.
Supervisory Attorney
Central Enforcement Docket
Federal Elections Commission
Office of the General Counsel
999 E Street, NW
6th Floor
Washington, D.C. 20463

Re: MUR 4853

Dear Mr. Turley:

This office represents the Pat Neal for Congress Campaign (FEC ID C00330753), its Treasurer and Ms. Neal (collectively "Neal"). An executed Designation of Counsel form is attached. The purpose of this letter is to respond to your letter dated November 9, 1998 regarding the above-referenced matter, and to demonstrate that no further action should be taken by the FEC in this matter^{1/}.

MUR 4853 relates to a residential "second" mortgage loan taken by Neal personally. The proceeds of that loan were then loaned by Neal to her campaign. The transaction was fully reported as required by FEC regulations, and there is no basis to allege that any violation of federal law occurred. The details of the transaction are as follows:

^{1/} Neal's time to respond was graciously extended to December 7, 1998 by Jennifer H. Boyt of your office by letter dated November 24, 1998.

F. Andrew Turley, Esq.
December 4, 1998
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1. On October 9, 1998, Patricia W. Neal obtained a residential "second" mortgage loan from SeaSide Mortgage Corporation (the "loan"). It is Neal's best information and belief that SeaSide Mortgage Corporation is licensed by the State of California as a California Residential Mortgage Lender, and is fully qualified and permitted to make such loans under the California Residential Mortgage Lending Act, California Financial Code Sections 50000, et seq. According to the California Department of Real Estate, SeaSide Mortgage's State License Number is 01182041.
2. The loan was made in accordance with the applicable laws of the State of California, namely the above-referenced California Residential Mortgage Lending Act, and was made by SeaSide Mortgage in its ordinary course of business.
3. The loan was evidenced by a written instrument, a Note Secured by Deed of Trust. That Note, a copy of which was previously filed with the applicable FEC report, clearly indicates the interest rate of 13.5% per annum, and the loan's due date of April 9, 1999. The Note also requires monthly interest payments on the 9th calendar day of each month until the Note is repaid.
4. The loan was fully disclosed on all applicable FEC forms. Schedule C-1, filed with the FEC on November 3, 1998 (copy attached), provides the details of the transaction as required by the FEC. Schedule C-1 is signed by Ronald Arbolida, the authorized representative of the lender. Mr. Arbolida indicated that 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. Mr. Arbolida also indicated that the loan was made on a basis that assures repayment (see below), and that the loan complied with federal regulations, as applicable.
5. The loan was made on a basis which assures repayment pursuant to 11 CFR Section 100.7(b)(11)(i)(A)(1), in that the lending institution has perfected a security interest in collateral owned by the candidate. The collateral for the loan is residential real property owned by Neal at 6471 Oakcrest Circle, Huntington Beach, California. A copy of the short form deed of trust and assignment of rents recorded in the Office of the Clerk/Recorder of the County of Orange is attached. Under California Civil Code Section 2957, the referenced Deed of Trust is a "security document," and SeaSide's security interest in the real property securing the loan was perfected upon its execution and delivery by Neal. Recording of the document is the

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Page 3

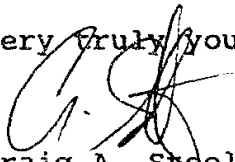
responsibility of the lending institution, and recording was accomplished on November 2, 1998, prior to the election.

6. Form C-1, properly filed with the FEC, indicates that the fair market value of the property is \$699,000, far in excess of the amount of the loan.
7. As further evidence of the legitimacy of the transaction, note that Neal timely made the first payment required by the Note on November 6, 1998. A copy of the check evidencing such payment is attached.

The foregoing demonstrates that the transaction was a permissible loan, and not a contribution by SeaSide Mortgage. The above-referenced complaint was merely an attempt to generate adverse publicity regarding Neal in the days leading up to the election. There is no basis to believe that any violation of federal election law has occurred in this matter. Accordingly, we respectfully request that the Commission take no further action in response to the complaint, and that the file be closed. We further request that the matter remain confidential in accordance with 2 U.S.C. § 437g(a)(4)(B) and § 437g(a)(12)(A).

Thank you for your consideration of this response. Please do not hesitate to contact the undersigned should you have any further questions.

Very truly yours,


Craig A. Steele

Attachments

cc: Pat Neal
Kinde Durkee

CAS:cas
1202184

STATEMENT OF DESIGNATION OF COUNSEL

MUR 4853NAME OF COUNSEL: Craig A. SteeleFIRM: Richards, Watson & GershonADDRESS: 333 South Hope Street,38th FloorLos Angeles, California 90071TELEPHONE: (213) 626-8484FAX: (213) 626-0078

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.

12/4/98
DatePatricia W Neal
SignatureRESPONDENT'S NAME: Pat Neal, Pat Neal for CongressADDRESS: 6471 Oakcrest Ln
Huntington Beach, CA 92648TELEPHONE: HOME (714) 536-8027BUSINESS (714) 372-4956

SCHEDULE C-1

Federal Election Commission
Washington, D.C. 20463Supplementary for Attachment
for on Page ___ of Schedule C

LOANS AND LINES OF CREDIT FROM LENDING INSTITUTIONS

NAME OF COMMITTEE (IN FULL) Pat Neal for Congress		FEC IDENTIFICATION NUMBER C00330753	
FULL NAME, MAILING ADDRESS AND ZIP CODE OF LENDING INSTITUTION (LENDER) Seaside Mortgage Corp. 1506 Cranshaw Blvd., Ste A Redondo Beach, CA 90501		AMOUNT OF LOAN 100,000.00	INTEREST RATE (APR) 11.5
		DATE INCURRED OR ESTABLISHED 10/9/98	DATE DUE 4/9/99
A. Has loan been restructured? <input checked="" type="checkbox"/> No <input type="checkbox"/> 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? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes (Endorsers and guarantors must be reported on Schedule C.)			
D. Are any of the following pledged as collateral for the loan: real estate, personal property, goods, negotiable instruments, certificates of deposit, chattel papers, stocks, accounts receivable, cash on deposit, or other similar traditional collateral? <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes If yes, specify: <u>Real Estate</u>			
What is the value of this collateral? <u>699,000.00</u>			
Does the lender have a perfected security interest in it? <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes			
E. Are any future contributions or future receipts of interest income, pledged as collateral for the loan? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes If yes, specify: _____ What is the estimated value? _____			
A depository account must be established pursuant to 11 CFR 100.7(b)(11)(i)(B) and 100.8(b)(12)(i)(B). Date account established: _____ 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.			
G. COMMITTEE TREASURER		DATE	
TYPED NAME <u>KIM DUKKEE, ASST. TREASURER</u>		SIGNATURE <u>[Signature]</u> <u>11/3/98</u>	
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 <u>[Signature]</u>		DATE	
TYPED NAME <u>RONALD ARBOLIDA</u>		TITLE <u>EX. V.P. OWNER</u> <u>11/3/98</u>	
SIGNATURE			

STANDARD FORM NO. 100-10

12/91

RECORDING REQUESTED BY

Order No.

Escrow No.

AND WHEN RECORDED MAIL TO

Name

SeaSide Mortgage Corp.

Street
Address

1506 Crenshaw Blvd., Suite A

City &
State

Torrance, Calif.

Recorded in the County of Orange, California
Gary L. Granville, Clerk/Recorder

18.00

19980742007 1:09pm 11/02/98

000 22047684 22 00
D11 A36 3 0 12.00 0.00 0.00 0.00 0.00
0.00 0.00 0.00

SPACE ABOVE THIS LINE FOR RECORDER'S USE

SHORT FORM DEED OF TRUST AND ASSIGNMENT OF RENTS
(INDIVIDUAL)
(DUE ON SALE CLAUSE)

A.P.N.

This Deed of Trust, made this 9th day of October 1998, between

PATRICIA W. NEAL, A WIDOW

6471 Oakcrest Circle, Huntington Beach, Calif. 92648, herein called Trustor,
whose address is

(number and street)

(city)

(state)

zip

North American Tide Company, a California corporation, herein called Trustee, and

SeaSide Mortgage Corporation, a California Corporation

herein called Beneficiary.

Witnesseth: That Trustor IRREVOCABLY GRANTS, TRANSFERS AND ASSIGNS to TRUSTEE IN TRUST, WITH POWER OF SALE,
that property in Orange County, California, described as:

See attached exhibit A for legal description and made a part hereof.

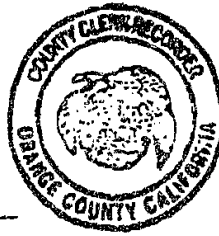
If the trustor shall sell, convey or alienate said property, or any part thereof, or any interest therein, or shall be divested of his title or any interest therein in any manner or way, whether voluntarily or involuntarily, without the written consent of the beneficiary being first had and obtained, beneficiary, shall have the right, at his option, except as prohibited by law, to declare an indebtedness or obligations secured hereby, irrespective of the maturity date specified in any note evidencing the same, immediately due and payable. Consent to one such transaction shall not be deemed to be a waiver of the right to require such consent to future successive transactions.

TOGETHER WITH the rents, issues and profits thereof, SUBJECT, HOWEVER, to the right, power and authority given to and conferred upon Beneficiary by paragraph (10) of the provisions incorporated herein by reference to collect and apply such rents, issues and profits.

For the Purpose of Securing: 1. Performance of each agreement of Trustor incorporated by reference or contained herein.
2. Payment of the indebtedness evidenced by one promissory note of even date herewith, and any extension or renewal thereof, in the principal sum of \$ 35,500.00 executed by Trustor in favor of Beneficiary or order. 3. Payment of such further sums as the then record owner of said property hereafter may borrow from Beneficiary, when evidenced by another note (or notes) reciting it is so secured.

I CERTIFY THAT, IF THIS SEAL IS ATTIXED
IN PURPLE INK, THIS IS A TRUE AND
CORRECT COPY OF THE PERMANENT RECORD
FILED OR RECORDED IN THIS OFFICE.

NOV 02 1998
DATE FEE



COUNTY CLERK-RECORDER
Gary L. Genovese
ORANGE COUNTY STATE OF CALIFORNIA

09:04:39.2570

WELLS FARGO BANK 8127
DATE 11/6/98
PAY TO THE ORDER OF SEASIDE MORTGAGE \$1350.00/ky
ONE THOUSAND THREE HUNDRED FIFTY 1/100 DOLLARS
J. S. OR PATRICIA NEAL TRUST
1978 LIVING REV. TRUST
PATRICIA NEAL TTEE
MEMO 1981 INTEREST
Patricia Neal