



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THIS IS THE BEGINNING OF MUR # 2587

DATE FILMED 6/3/00 CAMERA NO. 2

CAMERAMAN K.A.U.

88040703248

1707 JALASANI NEIGH, SUITE 3
San Antonio, Texas 78213
512/344-1118 or 344-1212

SENSITIVE

RECEIVED
FEDERAL ELECTION COMMISSION
DEMOCRATIC CANDIDATE, U. S. SENATE(TX)

88 MAR 10 AM 9:31
March 2, 1988

SWORN TO AND SUBSCRIBED BEFORE ME ON THIS

4 DAY OF March, 1988.

CAROLYN S. HAISLER

Notary Public, Bexar County, Texas

FEDERAL ELECTION COMMISSION
Washington, D. C. 20463

TO WHOM IT MAY CONCERN

This letter is written to the Federal Election Commission as an official complaint in compliance with 2 U. S. C. #437g(a)(1). This is a filing of formal complaint, asking that the Federal Election Commission take action concerning this matter, as a violation of the Federal Campaign Act of 1971, and U.S. Codes, Title 2, regarding campaign financing. This complaint has also been filed with the local office of the Federal Bureau of Investigation, who are forwarding the case to their national office in Washington, D.C., and from thence on to the Department of Justice, Public Integrity Section. I hereby ask that your commission judge this case and carry out penalties upon parties concerned to the full extent of the law. This complaint is being filed by JOSEPH PIERCE SULLIVAN, known as JOE SULLIVAN on the political ballot as a Democratic Candidate for the U. S. SENATE, opposing Senator Lloyd Bentsen in the Democratic Primary, March 8th, 1988.

This formal letter of complaint cites Senator Lloyd Bentsen as the person who has committed the violation, along with every television and radio station which has offered his political commercials as "public service announcements." The actual names and addresses of these media companies may be obtained from the Savings & Loans Association League, Austin, Texas, who paid for the commercials directly out of their own funds. The source of the information upon which this complaint is based comes from the commercials on the airways. (Enclosed one of them with this letter.) Another violation of federal campaign laws might be ascribed to the ones saturating the state's radio networks which is paid for by the Senior Citizens National Alliance out of Virginia. These were also aired as "public service announcements." (Enclosed one with this letter on cassette tape.) These are the sources of information upon which the complaints are based.

As to the clear and concise recitation of the facts describing the violation of a statute or law over which the Commission has jurisdiction, I received word from the FBI that the statutes violated are U. S. CODE, Title 2 relating to campaign financing. Since corporations are not allowed by law to give to political campaigns, these savings and loans associations have broken the law by extending Bentsen more than one-half million dollars in advertising. In the second case, the Senior Citizens National Alliance out of Virginia ran state-wide radio advertising for Bentsen without Bentsen showing it as a campaign contribution. In both cases, all the advertising was disguised as "public service advertising" paid for by the savings and loans associations and senior citizens respectively. Political ads must be paid for out of ONE central campaign financing account, and these ads were NOT. All such campaign financing is violation of Title 2, U. S. CODE 340-460. Supporting documentation is in the form of the video and cassette tape enclosed. The "public service announcement" phrase actually aired on the radio by Station WOAI(1200) San Antonio was erased and the new disclaimer was added before they gave the tape to me. Actually radio recordings will verify this. (Telephone number, WOAI(1200)Radio=AC512/737-1200 or 734-7301)(Savings & Loan Assoc. League=AC512/476-6131, Tom King, Pres.)(National Alliance of Senior Citizens=AC703/528-6688, Curt Clintscale, Director)(Television Stations: KMOL(Ch4)1031 Navarro, 226-4251; KSAT(Ch12) 1408 N. St. Marys, 226-7611; both San Antonio, Tx, AC512) Statewide, many others.

Any thing further needed to process this complaint will be sent immediately. Thank you for your attention to this urgent and significant matter.

Joseph Pierce Sullivan

CONFIDENTIAL

Sunday, February 7, 1938

RECEIVED
FEB 16 1938
FEB 16 1938

FEDERAL ELECTION COMMISSION
999 E. Street NW
Washington, D. C. 20463

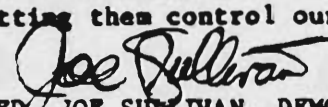
Dear Sirs,

It is with some hesitation that I write you this letter, and I hope that it is not out-of-order for me to do so! I am the Democratic candidate that is opposing the Honorable Lloyd Bentsen on Super Tuesday, March 9, 1938 in the Democratic Primary for the Democratic nomination to the U. S. Senate. I have the hopes that your fine organization has as its ultimate goal the fairness of all elections. I know you have some exact rules that cannot be broken, and some laws that you must enforce. My question today is-- who interprets when a candidate has broken a rule or law? And who decides what the restraint or punishment shall include? Do these rules apply to incumbents also? Is anyone so powerful that these rules and laws can be side-stepped?

The reason why I ask all these questions is that I feel that a great injustice is going on in Texas, and apparently few people are making comments about it. It is so unfair, and I feel that it is outright illegal. If all candidates were allowed to do this, there would be no such thing as a fair election anymore! I believe it is a key factor in my election, and apparently you people must make a call on its legality and fairness. I also beg you to do something about it...SOON.

For several days now, Senator Lloyd Bentsen, my Primary opponent, has been shown in advertisement which is addressed in the commercial itself as a "public service announcement" yet in fact it is for all practical purposes a political advertisement! It is being shown on every television and heard on every radio station in the entire State of Texas several times each day. It is a barrage or media blitz of monumental proportions! The advertisements have been paid for by a savings and loan league out of Austin who are very tight-lipped about the whole matter. It is my understanding that such an appearance is not allowed within a 45 day period before any election! The cost for such an advertisement is estimated to have a purchase value in excess of \$500,000 dollars. This media blitz has seriously affected the outcome of the future election on March 8th, I believe, and I humbly ask for your intercession before it is too late to have a fair election. This media blitz has established him name recognition that he did not have, especially with young and new voters. When the announcer announces the first words of the commercial-- SENATOR LLOYD BENTSEN-- that IS political advertising! You people know the limits on how much individuals or groups can spend on any political contributions, and that corporations cannot spend ANY money on candidates. THIS IS A CASE WHERE THEY ARE GETTING AWAY WITH IT-- AND CALLING IT A PUBLIC SERVICE ANNOUNCEMENT! This money is ILLEGAL money spent in a political campaign! BIG MONEY! I believe that Mr. Bentsen and these big corporations have clearly broken the laws of the land, and that they should be stopped and punished according to the law! Please help me get some relief from this avalanche of free advertisement Bentsen is getting. Surely this has to be illegal, for it is certainly very unfair! Would you please make a timely decision about the whole matter, and take appropriate action so as to give me a fair chance to win this election in a fair-and-square manner?

I have made a copy of the script of his television tape as an enclosure, and have a copy of his television tape on hand should you need to have the evidence. This is a free country! But if we allow big corporations to advertise their favorite candidates just before elections, we will be letting them control our destinies.

RESPECTFULLY SUBMITTED,  JOE SULLIVAN, DEMOCRATIC CANDIDATE,
U. S. SENATE

033040703250

ANNOUNCER: "SENATOR LLOYD BENTSEN"

SENATOR LLOYD BENTSEN: "For fifty-four years now, savings and loan deposits have been guaranteed by the United States government. Throughout all of that time, not one penny of insured deposits has been lost in Texas, or anywhere else in the country. Your deposit of up to \$100,000 is as good as gold in a federally insured Texas savings and loan. As safe as Fort Knox!"

BILLBOARD: "This message brought to you as a public service by your local Savings & Loan Association."

((((THIS IS THE EXACT WORDING OF THE COMMERCIAL AS ON TV)))

Exhibit

88040703251

I, Joe Sullivan, Democratic Candidate for the U. S. Senate, submit for your examination a phenomena which has been happening in recent days. Perhaps you have seen several times by now the so stated public service announcement involving the 18 year incumbent U. S. Senator urging confidence in the savings and loan associations of Texas. Though it may have been done quite innocently, I seriously question the motive and ethics of such a state-wide media blitz at this particular time, less than 45 days before Super Tuesday, March 8th. It is interesting that the very rich 18 year incumbent is being granted free advertisement in virtually all radio and television networks in every county of the state of Texas when he faces political opposition in the Democratic Primary 30 days away! It is even more interesting when you find that a league of savings and loan associations from across the state are financing the blitz. I frankly do not believe that this is an innocent arrangement that just happened! And it should not be allowed to happen! I call upon the people of Texas to examine the motive and ethics of this clever media thrust at such a timely moment: It appears to me as a purely political maneuver to establish better name recognition for the 18 year incumbent Senator who is out of touch with many voters. I believe that the people of Texas need to know that this media blitz on radio and television that we are experiencing is worth at least one-half million dollars, and that it is not a public service announcement as we normally think of it. This blitz was carefully planned by political masterminds to serve ONE primary purpose-- to get the 18 year incumbent of the U. S. Senate re-elected! Why should a U. S. Senator who does his job have to resort to such tactics? And why should the savings and loan associations of Texas so eagerly spend big money helping this man's re-election chances? It is interesting to note that the 18 year incumbent is on the Senate finance committee which plays a key and vital role in establishing the rules and regulations which do control the savings and loan associations of our country. Why should the ailing savings and loan associations of Texas be so happy to finance such massive advertising? Upon investigation, it may be clear that they have mutual commitments to each other. The savings and loan association league has bought themselves a senator, and he does not have to spend any of his millions of dollars to finance his political campaigns. This is not right. Corporations cannot give to political campaigns, and political action committees representing special interests are limited to a few thousand dollars. This appears to be a clear effort to skirt the law, for it does boil down to being political advertising for the 18 year incumbent Senator! I call into question the legality, and suggest that the implications from this case are enormous should other companies wish to advertise and at the same time propel their favorite candidates to victory! This is strongly opposed to the concept of free elections in this country!

Some television and radio stations have already correctly not permitted the 18 year incumbent's advertisement to run, and I want to thank them for their decisions. I ask all others to please stop these ads from airing in light of fairness and full compliance to the letter and intent of the law. I do want to ask at this time that all radio and television stations which have participated in this media blitz for the incumbent to please contact me to offer free and equal air-time which they have afforded the 18 year incumbent Senator. I believe this to be fair under the equal opportunity rules which govern candidates and news media. I hereby ask for equal time to share my message on every media network throughout our state from now to March 8th! Then we will have a more interesting election! I ask the people of Texas to look into this whole matter, being aware of what this free media blitz awarded the 18 year incumbent Senator is very insidiously trying to accomplish in the minds of Texas people.

Respectfully submitted,

Joe Sullivan

Joe Sullivan,
Democratic Candidate for the U. S. Senate

Feb 5, 1988

FCC has also been notified.

03040703252



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

February 19, 1988

Mr. Joe Sullivan
1407 Jackson Keller
Suite 5
San Antonio, TX 78213

Dear Mr. Sullivan:

We have received your letter on February 16, 1988, regarding the possibility of a violation of the Federal Election Campaign Act of 1971, as amended ("the Act").

The 1976 amendments to the Act and Federal Election Commission regulations require that a complaint meet certain specific requirements. Your letter does not meet these requirements. Consequently, the Commission can take no action at this time to investigate this matter.

However, if you desire the Commission to look into the matter discussed in your letter to determine if the Act has been violated, a formal complaint as described in 2 U.S.C. § 437g(a)(1) must be filed. Requirements of this section of the law and Commission regulations at 11 C.F.R. § 111.4 which are a prerequisite to Commission action are detailed below:

- (1) A complaint must be in writing.
(2 U.S.C. § 437g(a)(1))
- (2) Its contents must be sworn to and signed in the presence of a notary public and shall be notarized.
(2 U.S.C. § 437g(a)(1))
- (3) A formal complaint must contain the full name and address of the person making the complaint.
(11 C.F.R. § 111.4)
- (4) A formal complaint should clearly identify as a respondent each person or entity who is alleged to have committed a violation. (11 C.F.R. § 111.4)
- (5) A formal complaint should clearly identify the source of information upon which the complaint is based. (11 C.F.R. § 111.4)
- (6) A formal complaint should contain a clear and concise recitation of the facts describing the violation of a

88040703253

statute or law over which the Commission has jurisdiction. (11 C.F.R. § 111.4)

- (7) A formal complaint should be accompanied by supporting documentation if known and available to the person making the complaint.
(11 C.F.R. § 111.4)

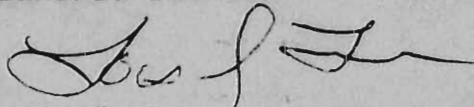
Finally, please include your telephone number, as well as the full names and addresses of all respondents.

Enclosed is a copy of Commission regulations, and your attention is directed to 11 C.F.R. § 111.4 through § 111.10 that deal with preliminary enforcement procedures. Also, enclosed is a compilation of Federal Election Campaign laws on which these regulations are promulgated. I trust these materials will be helpful to you should you wish to file a legally sufficient complaint with the Commission. The file regarding this correspondence will remain confidential for a 15 day time period during which you may file an amended complaint as specified above.

If we can be of any further assistance, please do not hesitate to contact me at (202) 376-8200.

Sincerely,

Lawrence M. Noble
General Counsel



By: Lois G. Lerner
Associate General Counsel

Enclosed are
1. Complaint
2. Regulations

cc: respondents

88040703254



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

February 19, 1988

H. Grant Taylor, Treasurer
Senator Lloyd Bentsen Election
Committee
PO Box 61202
Houston, TX 77208

Dear Mr. Taylor:


On February 16, 1988, the Federal Election Commission received a letter alleging that the Senator Lloyd Bentsen Election Committee and you, as treasurer, violated sections of the Federal Election Campaign Act of 1971, as amended. However, as indicated from the copy of the enclosed letter to the complainant, those allegations do not meet certain specified requirements for the proper filing of a complaint. Thus, no action will be taken on this matter unless the allegations are refiled meeting the requirements for a properly filed complaint. If the matter is refiled, you will be notified at that time.

This matter will remain confidential for 15 days to allow for the correction of the defects. If the defects are not cured and the allegations are not refiled, no additional notification will be provided and the file closed.

If you have any questions, please do not hesitate to call me at (202) 776-8200.

Sincerely,

Lawrence M. Noble
General Counsel

By: 
Lois G. Lerner
Associate General Counsel

Enclosures
Copy of Complaint
Copy of Letter to Complainant

cc: Senator Lloyd Bentsen

88040703255



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

March 8, 1988

Mr. Joe Sullivan
1407 Jackson Keller
Suite 5
San Antonio, TX 78213

RE: MUR 2587

Dear Mr. Sullivan:

This letter acknowledges receipt of your complaint, received on March 7, 1988, alleging possible violations of the Federal Election Campaign Act of 1971, as amended (the "Act"), by the Senator Lloyd Bentsen Election Committee and H. Grant Taylor as treasurer, the National Alliance Of Senior Citizens, and the Texas Savings and Loan League. The respondents will be notified of this complaint within five days.

You will be notified as soon as the Federal Election Commission takes final action on your complaint. Should you receive any additional information in this matter, please forward it to the Office of the General Counsel. Such information must be sworn to in the same manner as the original complaint. We have numbered this matter MUR 2587. Please refer to this number in all future correspondence. For your information, we have attached a brief description of the Commission's procedures for handling complaints. If you have any questions, please contact Retha Dixon, Docket Chief, at (202) 376-3110.

Sincerely,

Lawrence M. Noble
General Counsel

By: Lois G. Lerner
Associate General Counsel

Enclosure
Procedures

88040703256



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

March 8, 1988

H. Grant Taylor, Treasurer
Senator Lloyd Bentsen Election
Committee
PO Box 61202
Houston, TX 77208

RE: MUR 2587
Senator Lloyd Bentsen
Election Committee
H. Grant Taylor, as
Treasurer

Dear Mr. Taylor:

The Federal Election Commission received a complaint which alleges that the Senator Lloyd Bentsen Election 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 2587. Please refer to this number in all future correspondence.

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

This matter will remain confidential in accordance with Section 437g(a)(4)(B) and Section 437g(a)(12)(A) of Title 2 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.

88040703257

If you have any questions, please contact Judybeth Greene, the attorney assigned to this matter, at (202) 375-5690. For your information, we have attached a brief description of the Commission's procedures for handling complaints.

Sincerely,

Lawrence M. Noble
General Counsel


By: Lois G. Lerner
Associate General Counsel

Enclosures

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

cc: Senator Lloyd Bentsen

88040703258



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

March 8, 1988

E. O. Clinkscales, III
Director
National Alliance Of Senior
Citizens
2525 Wilson Blvd.
Arlington, VA 22201

RE: MUR 2587
National Alliance Of
Senior Citizens

Dear Mr. Clinkscales:

The Federal Election Commission received a complaint which alleges that the National Alliance Of Senior Citizens 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 2587. 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 National Alliance Of Senior Citizens in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements should be submitted under oath. Your response, which should be addressed to the General Counsel's Office, must be submitted within 15 days of receipt of this letter. If no response is received within 15 days, the Commission may take further action based on the available information.

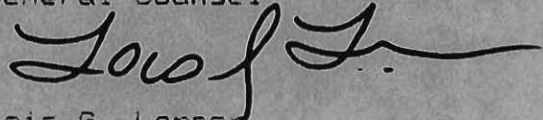
This matter will remain confidential in accordance with Section 437g(a)(4)(B) and Section 437g(a)(12)(A) of Title 2 unless you notify the Commission in writing that you wish the matter to be made public. If you intend to be represented by counsel in this matter, please advise the Commission by completing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

88040703259

If you have any questions, please contact Judybeth Greene, the attorney assigned to this matter, at (202) 376-5690. For your information, we have attached a brief description of the Commission's procedures for handling complaints.

Sincerely,

Lawrence M. Noble
General Counsel



By: Lois G. Lerner
Associate General Counsel

Enclosures

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

88040703260



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

March 8, 1988

Tom King, President
Texas Savings And Loan
League
408 W. 14th Street
Austin, TX 78701

RE: MUR 2587
Texas Savings And
Loan League

Dear Mr. King:

The Federal Election Commission received a complaint which alleges that the Texas Savings And Loan League 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 2587. 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 Texas Savings And Loan League in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements should be submitted under oath. Your response, which should be addressed to the General Counsel's Office, must be submitted within 15 days of receipt of this letter. If no response is received within 15 days, the Commission may take further action based on the available information.

This matter will remain confidential in accordance with Section 437g(a)(4)(B) and Section 437g(a)(12)(A) of Title 2 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.

88040703261

If you have any questions, please contact Judybeth Greene, the attorney assigned to this matter, at (202) 376-5690. For your information, we have attached a brief description of the Commission's procedures for handling complaints.

Sincerely,

Lawrence M. Noble
General Counsel


By: Lois G. Lerner
Associate General Counsel

Enclosures

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

88040703262

@CCA#6756

-MWR 2587

**NATIONAL ALLIANCE
OF SENIOR CITIZENS, INC.**



■ **National Headquarters:**
2525 Wilson Boulevard / Arlington, Virginia 22201 (703) 528-4380

■ **Mrs. Virginia Aubrey**
President

■ **Curt Clinkscales**
National Director

March 10, 1988

Office of the General Counsel
Attention: Lois G. Lerner
Federal Election Commission
Washington, DC 20463

Dear Ms. Lerner:

I am in receipt of the complaint filed with the Federal Election Commission by a candidate for the U.S. Senate in Texas.

There is no basis for the complaint.

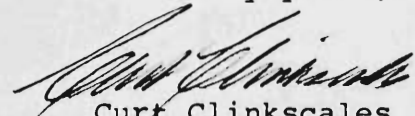
Our organization recently ran radio advertisements which were aimed at requesting that senior citizens contact Senator Bentsen - who is a member of the conference committee considering the "Medicare Catastrophic Protection Act of 1987" - to let him know that they oppose the legislation.

There was no mention of any election or of any support for or opposition to any candidate.

I would be happy to forward to you a tape of the same ad which was run in the districts or states of every member of the conference committee - although I don't have the exact tape for Senator Bentsen because it was sent to the radio stations in Texas which ran the ads.

I look forward to hearing that you have dismissed this unfounded complaint.

Sincerely yours,


Curt Clinkscales
National Director

CCC/clc

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL
88 MAR 14 PM 3:08

RECEIVED
FEDERAL ELECTION COMMISSION
MAIL ROOM
88 MAR 14 AM 10:09

88040703263

★ ★ ★ ★ ★ ★ ★ ★ ★ ★

Senator Bentsen

Election Committee

CCC #8908

RECEIVED
FEDERAL ELECTION COMMISSION
MAIL ROOM

88 MAR 28 AM 11:31

March 23, 1988

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

RE: MUR 2587 - Senator Lloyd Bentsen Election Committee
and H. Grant Taylor, as Treasurer

Dear Mr. Noble:

I am herewith forwarding a "Statement of Designation of Counsel" regarding referenced MUR 2587, naming Robert F. Bauer and Judith L. Corley.

Please feel free to contact me if you have questions.

Sincerely,

H. Grant Taylor, Treasurer

encl.

88 MAR 28 PM 2:42

RECEIVED
FEDERAL ELECTION COMMISSION

P. O. Box 61202, Houston, Texas 77208

STATEMENT OF DESIGNATION OF COUNSEL

MUR 2587

NAME OF COUNSEL: Robert F. Bauer and Judith L. Corley

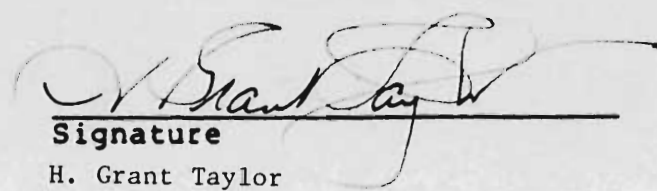
ADDRESS: PERKINS COIE
1110 Vermont Avenue, N.W.
Washington, D. C. 20005

TELEPHONE: 202/ 887-9030

The above-named individuals ^{are} 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.

3/25/88

Date


Signature

H. Grant Taylor

RESPONDENT'S NAME: H. Grant Taylor, Treasurer
SENATOR LLOYD BENTSEN ELECTION COMMITTEE

ADDRESS: P. O. Box 61202
Houston, Texas 77208

HOME PHONE: 713/ 496-3174

BUSINESS PHONE: 713/236-5530 or 713/229-2595

880040703265

Bob Bauer

PERKINS COIE

A LAW PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS
1110 VERMONT AVENUE, N.W. • WASHINGTON, D.C. 20005 • (202) 887-9030

March 24, 1988

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

Re: MUR 2587 - Senator Lloyd Bentsen Election Committee
and H. Grant Taylor, as Treasurer

Attention: Judybeth Greene

Dear Mr. Noble:

This is in response to your letter dated March 6, 1988, informing the above-mentioned Respondents that a complaint had been filed against them. For the reasons discussed below, the Commission should dismiss the complaint at this time.

The complaint appears to allege that Respondents have received a prohibited corporate contribution in the form of advertising on behalf of Senator Bentsen, currently a candidate for the United State Senate from the state of Texas. The advertisements complained of are both public service announcements which, according to the text provided with the complaint,^{1/} simply identify Senator Bentsen with the words "Senator Lloyd Bentsen."

The Commission has long recognized that incumbent officeholders who are also seeking reelection may be asked to participate in activities as a consequence of their holding public office. These activities may also have some effect on the candidacy of the individual. In these cases, the Commission has looked to the purpose of the event or activity

^{1/} The complaint alleges violations by two groups which ran public service announcements featuring Senator Bentsen. The text of the second announcement by the Senior Citizens National Alliance was not provided to Respondents. As a public service announcement, however, it is doubtful that the ad contained any language that would alter the outcome, dismissal, argued for in this response.

to determine whether the federal campaign laws should be applied. Where the purpose of the event is to influence a federal election, the campaign laws govern; where the main purpose is not campaign-related, the Act does not apply.

In determining whether the "purpose of influencing" was present, the Commission has generally looked to such factors as:

1. the identification of the incumbent as a candidate for reelection in an upcoming election;
2. the advocacy of the individual's candidacy;
3. the solicitation of contributions to the candidate.

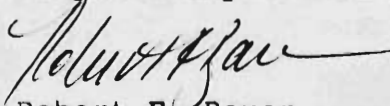
See, e.g., FEC Advisory Opinions 1977-54, 1978-15, 1978-88, 1980-16, 1 Fed. Election Camp. Fin. Guide (CCH) ¶¶ 5301, 5304, 5377, 5474.

As the text provided with the complaint shows, the public service advertisements were clearly not made for the purpose of influencing an election. Senator Bentsen is not identified as a candidate, there is no advocacy of his election and there is no solicitation of contributions to his campaign.

Not even the timing of the advertisements could be used to try to demonstrate a purpose of influencing. Senator Bentsen has appeared frequently in public service announcements throughout his terms as Senator, for numerous different organizations. There was no increase in the frequency of the broadcasts of these public service announcements during the period immediately preceding the Texas primary.

The public service announcements broadcast by the Savings and Loan Association League and the Senior Citizens National Alliance were just that -- public service announcements. There were no attempts to influence the federal election. There was no violation of the federal campaign laws. This complaint should be dismissed without further action

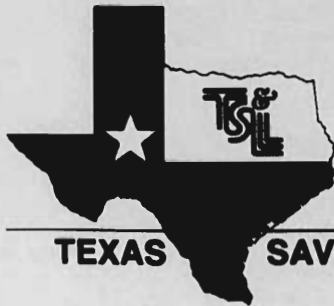
Respectfully submitted,



Robert F. Bauer
Judith L. Corley
Counsel

Senator Bentsen Election Committee
and H. Grant Taylor, as Treasurer

83040703267



HAND DELIVERED
RECEIVED
FEDERAL ELECTION COMMISSION
MAIL ROOM

88 MAR 31 AM 9:40

620# 9943

TOM S. KING
President

TEXAS SAVINGS & LOAN LEAGUE • 408 W. 14TH ST. • AUSTIN, TEXAS 78701 • 512/476-6139

March 30, 1988

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

Re: MUR 2587
Texas Savings & Loan League

Dear Ms. Greene:

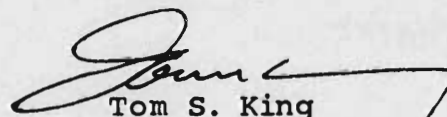
Please accept this letter, together with the enclosed analysis and its attachments, as the response of the Texas Savings and Loan League to the complaint in the above styled and numbered cause.

The League will show in its analysis that the radio and television spots complained of by Mr. Sullivan were not political advertisements, but were, in fact, legitimate and necessary communications with the customers of Texas savings and loan associations for the sole and specific purpose of reassuring depositors that the safety of their insured funds on deposit in Texas savings and loan associations is guaranteed by FSLIC, an agency of the Federal Government, and as such were completely safe.

The League appreciates the opportunity to work with the Commission to explain the circumstances surrounding the use of these public service announcements. It is our opinion that they served a valid public purpose and that the issue of their propriety is groundless and was raised solely for political purposes.

We are confident the Commission will appreciate the true nature of this undertaking and we stand ready to answer any questions or furnish any information that the Commission deems necessary.

Sincerely,


Tom S. King

TSK:bll

Enclosures

RECEIVED
FEDERAL ELECTION COMMISSION
88 MAR 31 AM 11:02

8
6
2
3
0
7
0
4
0
3
3
0
3

TEXAS SAVINGS & LOAN LEAGUE

Positive Image Campaign

ANALYSIS

In response to the issues raised in the complaint filed by Mr. Joseph Pierce Sullivan ("Complainant"), the Texas Savings and Loan League ("League") would show the Commission the following:

I. BACKGROUND.

The savings and loan business in Texas was the subject of substantial negative publicity for a period of at least 18 months prior to the airing of the public service announcements in question. Newspaper articles appeared containing remarks by a major statewide elected official alleging that the FSLIC would be unable to meet its obligations and inferring that depositors' funds were not safe in Texas savings and loan associations. Copies of some of the relevant newspaper articles have been enclosed for your inspection.

Fearing a severe cash drain as depositors made year-end monetary decisions, and having suffered a manageable but steady decline in S & L deposits over the fourth quarter of 1987, The Texas Savings and Loan League, on behalf of its 275 FSLIC-insured member institutions, was forced to dispel the concerns of a significant segment of its depositor base by purchasing air time for the public service announcements in question.

II. THE TEXAS SAVINGS AND LOAN LEAGUE.

The League is a full service trade association representing 276 of Texas' 280 savings and loan associations. A nonprofit Texas corporation, the League has been in existence since 1927, providing its members with traditional trade association services. The League is not in any way affiliated with the Lloyd Bentsen campaign, and although the League has a registered federal political action committee, no contribution has been made to Senator Bentsen within the last 24 months.

III. PUBLIC SERVICE ANNOUNCEMENTS.

There were two radio and television spots, one featuring U.S. Senator Phil Gramm (R-Tx) and the other featuring U.S. Senator Lloyd Bentsen (D-Tx). The audio track from the television spots were used for the radio spots.

There were 792 spots run, divided almost exactly evenly, with approximately 396 featuring Senator Gramm and another 396 featuring Senator Bentsen. Copies of both spots were furnished to radio and television stations on which air time was purchased and specific instructions were given to the stations that the spots were to be alternated. The spots began on Monday, December 28, and concluded on Friday, January 29.

The purpose behind this was twofold: (1) to maximize their impact by exposing viewers to two different spots, and (2) to ensure that the messages were bipartisan, so that no political motive could be ascribed to their airing.

IV. CONCLUSION.

The radio and television spots in question were public interest announcements and were not, nor were they ever intended to be political advertisements. Their content, the background prompting their airing, the equal use of the two senators, all combine to compel the conclusion that the Federal Election Campaign Act of 1971 was not violated.

23040703270

AMARILLO DAILY NEWS



Vol. 78 ♦ NO. 241

AMARILLO, TEXAS, TUESDAY, AUGUST 11, 1967

48 PAGES ♦ 25 CENTS

Clements says FSLIC will go 'belly-up'

By PHILLIP FIORINI
State News Bureau Editor

Texas Gov. Bill Clements charged Monday that the federal government is defrauding the public by keeping open insolvent savings and loan institutions and predicted the government will go "belly-up" on its depositors insurance program.

In an exclusive interview, Clements said that in some cases the government, because of the many Texas thrifts that have a negative net worth, will not be able respond to depositor guarantees of up to \$100,000.

"I will predict what is going to happen," he added. "The federal government is finally going to belly-up to this problem, and when they do, they're going to pay off those depositors like 30 cents on the dollar and give them a piece of paper, like a bond."

"They're going to rationalize by saying, well, I gave you 70 cents on the dollar on a piece of paper that's a bond, like a liberty bond or war bond or savings bond or whatever you want to call it, and that it's due 10 years from now ... like an IOU."

Similar to the Federal Deposit Insurance Corp. for banks, the Federal Savings and Loan Insurance Corp. guarantees S&L deposits up to \$100,000 at member institutions.

Exacerbating the problem for the industry, said Clements, is the government program aimed at keeping open many of the insolvent S&Ls, which have responded by borrowing more money and jeopardizing assets even more. In Amarillo on Monday, Clements also announced the formation of a governor's task force to study problems plaguing the savings and loan industry.

Few insolvent thrift units have been closed this year because the FSLIC, which is losing about \$10 million a day, has not had money to refund deposits. Instead, regulators followed a pattern of ousting executives but allowing deeply insolvent institutions to operate under management teams provided by healthier thrift units.

"The federal government, instead of closing and putting into liquidation those S&Ls that are in fact broke and have a negative balance sheet today, is keeping the doors open," the governor said.

"I'm telling you that this program by the federal government, and I don't care who's responsible for it, of doing what they're doing right now is an absolute fraud on the general public."

The widely reported troubles of these ailing institutions have forced the new managements to pay high interest rates — a full percentage point, or more, than the national average — to attract deposits. Many executives at healthier thrift units want these ailing rivals closed, arguing that their own institutions must pay higher rates to stay competitive, eroding their sound financial condition.

In Texas, as well as other states, those thrifts with a negative net worth, in an effort to improve liquidity and cash flow, are offering interest rates for deposits above what banks and sound S&Ls can afford to pay, Clements said. Negative net worth means that a thrift's liabilities outweigh its assets.

"They're advertising for additional deposits, and in the advertisements they're raising the rate of interest they will pay on those depos-

its above what the banks can pay, trying to attract more money into these defunct S&Ls that they know are broke and at the same time implying that that guarantee of up to \$100,000 is valid and it's not. They can't even keep those requirements today."

With falling demand for home mortgages adding to the problems of a weak commercial real estate market and the high costs of attracting depositors, savings and loans are predicted to fall deeper into trouble.

And some industry consultants have estimated that nearly \$60 billion may be needed to close ailing savings and loan associations and to refund deposits. Of that amount, many industry officials said, \$30 billion may be needed in Texas alone.

Forty-one of Texas' 261 thrift institutions reported negative net worth of 5 percent or more at the end of 1966, and Clements said those Texas S&Ls with negative worth have assets totaling \$43 billion. Four thrifts in the Texas Panhandle and South Plains area are operating under the federal government's Federal Home Loan Bank Management Consentment Program.

Last week, Sheshunoff & Co., an industry analyst in Austin, reported that thrift units in five Southwestern states in the first quarter this year lost a total of \$1.3 billion — \$1.1 billion of that in Texas — and Texas Panhandle and South Plains savings and loans lost \$640 million in 1966. That compared with profits of \$1.6 billion for the industry outside the Southwest.

(Over ...)

Clements triggers withdrawals

Regulators rebut governor's S&L comments

Compiled from staff and AP wire reports

The day after President Reagan signed a recapitalization bill for the Federal Savings and Loan Insurance Corp., customers stepped up withdrawals from at least one troubled Dallas savings and loan and from Panhandle S&Ls after hearing that Gov. Bill Clements had called the insurance program an absolute fraud.

During a swing through West Texas Monday, Clements claimed the federal government is defrauding the public by propping up failing S&Ls and that consumers could lose up to 70 percent of their deposits if the practice continues.

Federal regulators hastily called news conferences Tuesday in Washington, D.C., and Dallas to rebut Clements' claim and assure S&L customers that their money is safe.

But much of the damage had been done at Vernon Savings & Loan in Dallas, said Russell Cobler, spokesman for San Antonio Savings Association, which manages Vernon.

"Within the first morning after the FSLIC recapitalization was signed, Gov. Clements made some comments and Vernon

lost \$600,000 in deposits when all were insured, backed up and completely safe," despite the fact that Vernon is insolvent, Cobler said.

In an interview published in the Amarillo Globe-News Tuesday, Clements predicted the federal government would "belly up" on its promise to insure S&L deposits and "when they do, they're going to pay off those depositors like 30 cents on the dollar and give them a piece of paper, like a bond.

"They're going to rationalize by saying, well, I gave you 70 cents on the dollar on a piece of paper that's a bond, like a liberty bond or war bond or savings bond or whatever you want to call it, and that it's due 10 years from now ... like an IOU," the governor was quoted as saying.

The claims were quickly dismissed by federal regulators. "In all due respect, the governor is wrong," said Danny Wall, chairman of the Federal Home Loan Bank Board in Washington, the agency that oversees the FSLIC. "If such a thing were to happen, this is the agency that would do it. It

Please turn to CLEMENTS/BB



GOV. BILL CLEMENTS Criticizes recapitalization.

Hectic trading boosts Dow 45 points



NEW YORK (UPI) — Stock prices soared Tuesday on the second-highest volume in the New York Stock Ex-

ing — and most of it had been concentrated in the blue-chip sector," said Harry Villec of Sutro & Co. in San Francisco.

goes through some internal corrections," said Eugene Peroni Jr., chief technical analyst at Janney Montgomery Scott Inc. in Philadelphia.

JAN

Heated over



The activist should be charged with the insurers' according to

Right now question, and couple of weeks on individual Pennsylvania Washington, Organization is poor. Court Columbia has In theory

pressed paper! You suggested these changes. Lands' End has listened.

The cure for pajamas: Lands' End makes it eloquently with the "near perfect pajama" for men and women we feature on pages 114 and 115 of our August catalog issue. The highlight of our creation: a smoother, silkier, finerwoven fabric that rivals the feel of your most comfortable cotton blend dress shirts. Then, too, we've made it wrinkle-resistant, and Sanforized, and nicely washable. A great P.J.—and we're not talking P.J. Clarke's.

FINALLY—THIS YEAR'S company picnic will be a Mexican Fiesta! And just as last year's Western theme had real cowboys, this one assures you the whole Big Enchilada! Olé.

As always,
Your Friends at Lands' End



The Store We Mind.

It's 10 3/4 inches tall,
8 1/4 inches wide,
and 144 pages deep.
Our store is open
24 hours a day,
7 days a week.

LANDS' END
DIRECT MERCHANDISING

Please send free catalog.
Lands' End Dept. AF-D4
Dodgeville, WI 53595

Name _____
Address _____
City _____
State _____ Zip _____

Or call Toll-free:
1-800-356-4444

wage increase in the first year of the pact, but tied to lump-sum payments in the

Criticism of FSLIC Spurs Withdrawals At Thrifts in Texas

By LEONARD M. APCAR
By JOHN E. YANG

Staff Reporters of THE WALL STREET JOURNAL

Some Texas savings and loans were hit with a series of withdrawals yesterday after the governor of Texas said the federal government won't fully back deposits.

Gov. William Clements was quoted in yesterday's editions of the Amarillo Daily News predicting that the ailing Federal Savings and Loan Insurance Corp. will wind up paying depositors at institutions that fail "like 30 cents on the dollar and give them a piece of paper like a bond." The governor said federal efforts to keep insolvent thrifts open "is an absolute fraud on the general public."

The governor's remarks stunned thrift industry executives and regulators in Texas and Washington. They also touched off "higher than normal" withdrawals at savings and loans mostly in the Amarillo area, according to Roy G. Green, president of the Federal Home Loan Bank of Dallas. First Federal Savings & Loan Association of Amarillo said about \$35,000 was taken out of the institution yesterday because of the report of Gov. Clements's prediction. Most of it was deposited in the bank across the street, First Federal said.

William Zimmerman, First Federal's senior vice president and chief financial officer, said the thrift called a meeting of

CORRECTIONS & AMPLIFICATIONS

AZLAN ROBERT TEO, one of the defendants in the legal proceedings involving the defunct National Bank of Brunel, didn't admit guilt of any offenses during a recent bail hearing. An article in a previous edition incorrectly stated that he did. The article also misstated his former title at the bank; he was its senior manager.

ASEA BROWN BOVERI, which would be created by the planned merger of the main operating units of Asea AB and Brown, Boveri & Co., would hold the third-largest market share in the construction of gas and steam turbines among about two dozen competitors world-wide, according to Robert McCoy Jr., an analyst at Kidder, Peabody & Co. Mr. McCoy's assessment was misstated in an earlier edition.

METROPOLITAN LIFE INSURANCE CO. said revised estimates of Baldwin-United Corp.'s real estate and mortgage portfolio contributed to the insurance company's interest rates on annuities being lower than it originally estimated. An earlier edition said the estimates were for Metropolitan Life's portfolio.

details of your security programs. One has said that comparable absences cost it as much as \$1 million last year.

bank officials early in the day and monitored outflows hourly. He said that of the \$35,000 withdrawn from the thrift, about \$30,000 of it was one man's life's savings. "He didn't care whether the article was factual or not, it was his life's savings," Mr. Zimmerman said.

The Amarillo incident comes as Texas savings and loan depositors are nervous about the safety of their money and the soundness of banks and thrifts in Texas. Texas leads the nation so far this year in bank failures and the number of insolvent thrifts. For the past several months, savings and loans have been scrambling unsuccessfully to head off a liquidity crisis. The strong reaction by thrift industry regulators reflects their concern that the slightest nudge could set Texas financial institutions reeling.

Mr. Green and regulators at the Federal Reserve Bank of Dallas yesterday braced themselves for a run of withdrawals like that by arranging additional amounts of currency to be ready should customers threaten the liquidity of some institutions. Mr. Green and M. Danny Wall, chairman of the Federal Home Loan Bank Board, held separate news conferences to refute Gov. Clements's comments.

"The governor is wrong," Mr. Wall declared. Both he and Mr. Green said that "the full faith and credit of the United States" is behind federally insured deposits in thrifts and banks. Texas depositors should know, Mr. Wall said, that "your deposits are safe—fully safe—to the limit of \$100,000." Added Mr. Green, "to state anything to the contrary, is fallacious and misleading."

Mr. Green added that there is some \$130 billion of liquid assets available for the FSLIC and the 12 Federal Home Loan Banks to meet the demands of thrift customers. That figure includes about \$4 billion that is available at the Dallas bank, he said.

In Austin, a spokesman for Gov. Clements said the remarks were accurately reported in the newspaper, though he said the headline was wrong. The front page banner headline said: "Clements says FSLIC will go 'belly-up.'"

In fact, Gov. Clements said: "I will predict what is going to happen. The federal government is finally going to belly up to this problem and when they do, they're going to pay off those depositors like 30 cents on the dollar." He added, "They're going to rationalize by saying, 'Well, I gave you 70 cents on the dollar on a piece of paper.'"

"There isn't, there never has, there never will be such a plan," Mr. Wall declared. "There has never been a suggestion either here or in Congress of anything like that."

In a statement late yesterday, Gov. Clements didn't explain his views. He said the statements by thrift industry regulators "represent a reaffirmation by the federal government to stand behind the depositors of the savings and loan institutions across Texas. I applaud the renewed commitment."

8/12/87

Clements blasted for comments on ailing S&Ls

By Wayne Slater
and Jim Landers

Staff Writers of The News

AUSTIN — Gov. Bill Clements touched off a firestorm of criticism Tuesday for saying the federal government might renege on its guaranteed deposits at the state's ailing savings and loans.

Clements said in an interview that the federal government is propping up insolvent S&Ls because it doesn't have the money to pay insured deposits if it closed them.

Stung by Clements' remarks, the chairman of the Federal Home Loan Bank Board in Washington called the governor's statement "a complete fiction" and assured that insured S&L deposits are safe.

Al Myers of Olney, the chairman of the Texas Savings and Loan League, said "the true facts" would prove the governor wrong.

And distressed savings and loan executives in Amarillo, where the Republican governor's remarks were first published Tuesday, reported that some depositors had withdrawn money.

"It is irresponsible," said Dwight Turner, president of the Palo Duro Savings and Loan Association in Amarillo. "I'm a conservative Republican and I'd like my vote back."

Clements maintained Tuesday that the state faces "a very serious situation," saying that as many as 70 S&Ls in Texas may be insolvent but that federal regulators are allowing them to remain open.

"The people of Texas are entitled to know that there is a serious problem here," Clements said at an impromptu news conference in a Capitol hallway.

But Clements declined to discuss in detail an interview published Tuesday in the *Amarillo Daily News*.

In the published interview, Please see CLEMENTS on Page 9A.

Continued from Page 1A.

Clements said the federal government doesn't have the money to pay guarantees of up to \$100,000 per depositor at the state's troubled S&Ls. And he called the government's decision to keep the insolvent thrifts open "an absolute fraud on the general public."

"The federal government is finally going to belly up to this problem, and when they do, they're going to pay off those depositors like 30 cents on the dollar and give them a piece of paper, like a bond," Clements was quoted as saying.

"They're going to rationalize by saying, 'Well, I gave you 70 cents on the dollar on a piece of paper that's a bond, like a liberty bond or war bond or savings bond or whatever you call it, and that it's due 10 years from now ... like an IOU,'" he was reported as saying.

In Washington, Federal Home Loan Bank Board Chairman M. Denny Wall hastily arranged a news conference to rebut Clements' remarks.

"The governor is wrong," Wall said. "As Congress has said, your deposits are safe, totally safe, up to the full insured amount of \$100,000."

"To say that depositors may end up with only 30 cents on the FSLIC-insured dollar is a complete fiction — that has absolutely no basis whatsoever in fact. I assure all FSLIC-insured depositors in Texas and across the country that there is no reason to be concerned about the safety of federally insured money."

"I can state emphatically that FSLIC has not, does not and will not ever pay anything less than the full amount of insured deposits up to \$100,000," Wall said. "To suggest anything to the contrary is absolutely incorrect and must be identified as such immediately."

On Monday, President Reagan signed into law legislation to pump \$10.8 billion into the savings and loan deposit insurance fund.

The measure will allow the depleted Federal Savings and Loan Insurance Corp., the fund that insures deposits in 3,200 S&Ls, to borrow up to \$10.8 billion over the next three years to subsidize the takeover of failing S&Ls by healthier institutions.

Clements said the new FSLIC funds were inadequate to meet the needs of the industry, and he expressed doubts that the state would see even \$1 billion of the amount.

In the published interview, Clements said troubled S&Ls are continuing to advertise "for additional deposits, and in the advertisements they're raising the rate of interest they will pay on those deposits above what the banks can pay, trying to attract more money into these defunct S&Ls that they know are broke and at the same time implying that the guarantee of up to \$100,000 is valid."

8 8 0 4 0 7 0 3 2 7 4

Clements' charges on S&Ls disputed

By KATHY LEWIS
and MARK SANDERS
Post Reporters

WASHINGTON — Federal officials Tuesday strongly disputed Texas Gov. Bill Clements' charge that the federal government is defrauding the public by keeping open insolvent savings and loan institutions and for saying those deposits were in jeopardy.

"I am here to say that the government is wrong," said M. Danny Wall,

chairman of the Federal Home Loan Bank Board, at a news conference called to respond to Clements' statements.

Wall said he could assure all Federal Savings & Loan Insurance Corp. depositors in Texas and elsewhere that there is no reason to be concerned about "the safety of federally insured money."

"I cannot state it emphatically enough that FSLIC does not, it has

See Clements/page 18A

Continued from page 1A

not nor will it ever pay anything less than 100 percent of the \$100,000 insured deposits in every institution that bears its insurance," Wall said.

"To say that depositors may end up with only 30 cents on the FSLIC-insured dollar is a complete fiction — that has absolutely no basis whatsoever in fact," he said in an accompanying statement.

The comments by the governor that triggered the federal reaction were reported by the Amarillo Daily News. "The federal government is finally going to belly-up to this problem and when they do they're going to pay off those depositors like 30 cents on the dollar and give them a piece of paper, like a bond," he told the paper.

"They're going to rationalize by saying well, I gave you 70 cents on the dollar on a piece of paper that's a bond, like a liberty bond or war bond or savings bond or whatever you want to call it, and that it's due

10 years from now like an IOU," he said.

But Wall said there has never been and never will be anything less than a full pay-off on insured deposits. "For anyone to suggest to the contrary is absolutely incorrect and must be identified as such immediately," he said.

Despite the criticism, Clements did not back down from his attack on the management of the federal insurance program. But he praised what he called a "renewed commitment" to protect Texans' savings.

"The statements issued today in Washington, D.C., and in Dallas by various officials with the Federal Savings and Loan Insurance Corp. represents a reaffirmation by the federal government to stand behind the depositors of the savings and loan institutions across Texas," Clements said.

"I applaud the renewed commitment. The people of Texas have an absolute right to be reassured that

their deposits will be secure and guaranteed," the governor said.

Clements renewed his call on all regulatory authorities to "move in a judicious manner to deal with problem savings and loan associations."

"There must be no disruption in the financial marketplace and the fabric of our system must not be weakened," he said.

Savings and loan officials in Amarillo said reports of Clements' comments triggered some demand by depositors that their savings accounts be withdrawn.

In his news conference Wall, however, said it was too early to tell if there had been "any runs" but he added, "There clearly is nervousness and that is part of why we are here."

Similar to the Federal Deposit Insurance Corp. for banks, the Federal Savings and Loan Insurance Corp. guarantees S&L deposits up to \$100,000 at member institutions.

"The federal government, instead of closing and putting into liquidation these S&Ls that are in fact broke and have a negative balance sheet today, is keeping the doors open," Clements said. "I'm telling you that this program by the federal government — and I don't care who is responsible for it — of doing what they're doing right now is an absolute fraud on the general public."

Clements said Tuesday that as many as 70 S&Ls in Texas are in serious financial trouble.

"The assets we're talking about are in the range of \$40 billion to \$43 billion in total assets," he said. "The people in Texas are entitled to know that there is a serious problem here, and that's what this is all about."

In April, Clements created the Savings and Loan Task Force to study the problem with the institutions in Texas. The seven-member panel is scheduled to report its findings and recommendations to Clements in October.

Tom King, president of the Texas Savings and Loan League, said a

measure signed by President Reagan Monday will provide some protection for S&Ls here.

The uproar over Clements' remarks came one day after Reagan signed the Competitive Equality Banking Act of 1987, which allows the FSLIC to raise \$10.8 billion in bond sales to subsidize takeovers of failing thrift institutions or to pay off depositors of insolvent ones that might be closed. The first sale is at the end of September.

"Had the governor been aware of the clauses in that bill, I think he would have probably moderated his statements somewhat," King said.

Moreover, Al Myers who chairs the league said: "Insured deposits in all Texas S&Ls are absolutely safe. Throughout the long and distinguished history of the savings and loan business in Texas, not one depositor has ever lost a nickel of insured funds in a Texas S&L."

Point by point Wall took issue with Clements' various statements.

He said Clements was wrong in his suggestion that Texas would be lucky to get more than \$1 billion out of the \$10.8 billion provided in new legislation and said no state-by-state estimates have been made.

Wall described the state of health of savings and loan institutions in Texas as not unlike that state of health of others business in Texas.

"Texas is hurting right now. It certainly will recover and has to be given time to recover."

"We must be sensitive to those portions of the industry that do

have prospect for survival."

He said he is scheduled to meet with the governor's task force, but said he has no special initiatives focused solely on Texas.

"Clearly it is a part of our concern but it's just that. It is a part," he said of the Texas problem.

Wall said he doesn't think there is any way to speculate on how many thrifts will have been closed versus how many will have been sold in Texas by a year from now.

"Not a day goes by but what someone indicates interest in investing in savings and loans, many in Texas," he said.

Texas has been a strong economy and will again be a strong economy, he said. "And the people who are looking at getting in this business perhaps see it as an opportune time to enter that economy."

Official moves cautiously on Texas S & Ls

By Steve Klinkerman
OF THE TIMES HERALD STAFF

The nation's top regulator of savings and loans said Tuesday that federal officials won't use newly approved thrift insurance bailout funds to close massive numbers of savings and loans in Texas.

M. Danny Wall, the new chairman of the Federal Home Loan Bank Board in Washington, told the Times Herald he favors a cautious, deliberate approach in dealing with the troubled Texas savings and loan industry.



Roy Green, outgoing president of the Federal Home Loan Bank of Dallas, has said that up to 40 Texas sav-

ings and loans are hopelessly insolvent and should be closed, merged or reorganized once thrift insurance funds become available.

On Monday, President Reagan signed into law the Competitive Equality Banking Act, which authorizes the depleted Federal Savings and Loan Insurance Corp. to borrow \$10.8 billion in the open market over the next three years. The funds enable FSLIC to close, merge or reorganize failed institutions and to repay insured accounts when necessary.

Wall said annual borrowings of

\$3.75 billion and projected regular annual revenues of \$2.4 billion will give the FSLIC about \$6 billion in income each year for the next three years. He emphasized that tax dollars aren't being used in the FSLIC rescue plan.

And Wall said regulators won't act impetuously with the funds, saying that massive thrift closings and sales of distressed assets would waste Federal Savings and Loan Insurance Corp. resources and further depress real estate values in Texas.

Instead, Wall said, the FHLB will concentrate on lowering funding costs for Texas thrifts and searching for the most economical way to deal with about a dozen of the most troubled S&Ls in Texas.

Some insolvent Texas S&Ls will be sold, merged or liquidated, Wall said, while others will be reorganized with the assistance of private advisers and investors.

Wall said a number of companies and investors have shown an interest in acquiring Texas S&Ls. "(Potential investors) know the Texas economy is in trouble," he said. "But they see the state as a big, vibrant market that will rebound."

To accommodate potential investors, Wall said, the Federal Home Loan Bank is prepared to create new institutions of a desired size and geographic distribution out of parts from old, distressed Texas S&Ls. "Our flexibility, along with Federal Savings and Loan Insurance funds, gives us a unique ability to craft institutions that will give investors a statewide presence."

Specifically, Wall said, the FHLB is prepared to sell or combine branch networks from distressed Texas S&Ls. Out-of-state securities firms and non-bank banks can buy Texas S&Ls with \$500 million or more in assets, Wall noted, and the regulators are prepared to expand a given institution to the required size by grafting branch networks.

At the same time, Wall said, the regulators expect to uncover more criminal acts as they clean up distressed Texas S&Ls and ready them for disposition. "Suffice to say, as we go into institutions we're going to learn a lot more detail than we know now," Wall said. "I suspect more evidence [of abuse] will be found."

Turning to the FHLB's relations with the state of Texas, Wall said he is committed to a new era of cooperation between the Federal Home Loan Bank Board and the Texas Savings and Loan Department, both of which have a hand in regulating most Texas S&Ls.

"There always will be pressures between a federal insurance system and state regulatory and chartering agencies," Wall said.

Dallas Times-Herald

8-12-87

38040703276

Clements gets heat over S&Ls

Bank official calls insured deposits safe

AUSTIN AMERICAN STATESMAN

By Seth Kantor AUG 12 1987
and John C. Henry
American-Statesman Staff

Gov. Bill Clements' claim that the federal government is committing "an absolute fraud on the general public" by keeping open insolvent savings and loans in Texas drew swift and strong reaction Tuesday from federal officials and thrift executives.

The new chairman of the Federal Home Loan Bank Board, M. Danny Wall, said Clements was peddling "a complete fiction" in predicting that the government will not be able to fully pay off on insured deposits.

Wall said that if any savings and loan in Texas or elsewhere is forced into liquidation, "all deposits of up to \$100,000 apiece will be made good and will be honored. I can't state that strongly enough."

The federal fund that underwrites savings and loan deposits is the Federal Savings and Loan Insurance Corp., which only Monday received a \$10.8-billion boost when President Reagan signed into law action taken by Congress to bolster the FSLIC.

Wall called a Washington news conference after Clements was quoted Tuesday in Amarillo as saying that "the federal government is finally going to belly up to this problem, and when they do, they're going to pay off those depositors like 30 cents on the dollar and give them a piece of paper, like a bond," to cover the remaining 70 cents.

The governor's comments were made in response to a question raised during an editorial board interview at the *Amarillo Globe-News*. The interview was published in the newspaper's Tuesday editions under the headline "Clements says FSLIC will go belly-up."

His remarks touched off a flood of reaction in Texas and in Washington, where there were rumors that savings and loan depositors might start a run on thrift institutions in Texas.

Roy G. Green, president of the Federal Home Loan Bank of Dallas, said the remarks sparked an increase in withdrawals Tuesday from Panhandle thrifts.

"It may be an immediate knee-jerk reaction . . . It's not something I would characterize as a phenomenal problem."

He said there was no question, however, that the increase in withdrawals was the result of Clements' comments.

"It's too early to tell if there is going to be a run," said Wall. "There clearly is nervousness among depositors."

Wall said he knew there was "nervousness" in Texas because of telephone calls received Tuesday at the Federal Home Loan Bank Board office in Dallas and at Texas savings and loans from worried depositors.

"I have no idea whatsoever where Gov. Clements got the idea that FSLIC would pay off depositors only 30 cents on the dollar and give them paper to cover the rest," said Wall, who was installed July 1 as new chief of the independent government agency that supervises the nation's thrift institutions.

"There is not now, never has been and never will be such a plan," said Wall.

Wall said statements attributed to Clements "are uninformed. To say that depositors may end up with only 30 cents on the FSLIC-insured dollar is a complete fiction that has absolutely no basis whatsoever in fact."

"I assure all FSLIC-insured depositors in Texas and across the country that there is no reason to be concerned about the safety of federally insured money."

Few insolvent thrift units have been closed this year because the FSLIC, which is losing about \$10 million a day, has not had money to refund deposits. Instead, regulators have followed a pattern of ousting executives but allowing deeply insolvent institutions to operate under management teams provided by healthier thrift units.

Wall said he tried Tuesday to call Clements, but had only talked to members of the governor's staff. Other calls of concern had been placed to the governor's office from the Treasury Department and the Dallas bank board.

Shortly after noon in Austin, Clements began tempering his remarks about the state's ailing savings and loan industry and cautioned reporters to tread carefully on the subject. "I hope you're not going to get into an area of sensationalism, which is what you're tending to do."

"I think we have a situation here that is a difficult one. It has some real tough problems to be solved," he said. "The people of Texas are entitled to know there's a serious problem here. The assets we're talking about are in the range of \$40 billion to \$43 billion."

Later, the governor issued a statement commending federal authorities' reaction to his earlier remarks saying it represents "a reaffirmation by the federal government to stand behind the depositors of the savings and loan institutions across Texas."

"I applaud the renewed commitment," he said. "The people of Texas have an absolute right to be reassured that their deposits will be secure and guaranteed."

"There must be no disruption in the financial marketplace, and the fabric of our system must not be weakened," he said. "Federal and state authorities are addressing this problem, and their efforts must ensure the integrity of the individual depositor."

Clements press secretary Reggie Bashur said the governor's statements in Amarillo were based on

conversations and meetings he has held with federal and state officials about the savings and loan problem. Bashur declined to name the officials.

"He's not trying to cast doubt or aspersions on the savings and loan industry as a whole," Bashur said. "There are some savings and loans that are in good financial shape."

"The governor feels consumers should take it on themselves to check into the condition of their savings and loans," Bashur said.

Clements' quotes rattle S&L industry

DALLAS TIMES HERALD AUG 12 1987
By Pat Baldwin
OF THE TIMES HERALD STAFF

Gov. Bill Clements unleashed a frenzy of distraught reaction in the savings and loan industry Tuesday by suggesting that the federal government is propping up failing Texas thrifts and that depositors might receive as little as 30 cents on the dollar.

In an interview with the Amarillo Daily News, Clements charged that the federal government is defrauding the public by keeping open insolvent savings and loan institutions and predicted the government will be unable to meet obligations for its depositors insurance program.

So concerned were officials that the Federal Home Loan Banks in Washington and Dallas held news conferences to reassure the public that savings and loan deposits are safe. Still, they indicated that withdrawals increased Tuesday in the Amarillo area.

The governor's press secretary spent the day clarifying Clements' position. Late Tuesday, his office issued yet another statement "applauding the renewed commitment" by the federal government to stand behind Texas S&L depositors.

"The people of Texas have an absolute right to be reassured that their deposits will be secure and guaranteed," Clements' statement said.

That statement was in sharp contrast with the governor's published comments that the program aimed at keeping open many insolvent S&Ls is exacerbating industry problems. Instead, he said, the S&Ls have lost more money and are jeopardizing deposits even more.

The governor was further quoted, "I'm telling you that this program by the federal government, and I don't care who's responsible for it, of doing what they're doing right now is

an absolute fraud on the general public."

Clements' comments coincided with President Reagan's signing of legislation Monday that pumped \$10.8 billion into the Federal Savings and Loan Insurance Corp. Financial industry experts had widely hailed the legislation for its reaffirmation of the "full faith and credit of the U.S. government."

"To state anything to the contrary is fallacious and misleading," said Roy Green, the outgoing president of the Federal Home Loan Bank of Dallas.

"Since this insurance fund was created by the United States Congress in 1934, no depositor has lost even one nickel of insured funds."

He said the thrift system has almost \$110 billion available "to meet any depositor withdrawal demands," with \$4 billion readily available just in the Home Loan Bank system's Ninth District, which includes Texas. In fact, Green said, the bank had extra cash on hand Tuesday after officials became aware of Clements' remarks, but it wasn't needed.

Green said that no Amarillo institution had requested assistance

from the FHLB as a result of what he termed "more than normal" withdrawals on Tuesday, but "we stand ready to step in to help." He described the withdrawals as a "knee-jerk reaction" to Clements' statements.

"Just because Gov. Clements said he sees no 'foreseeable solution' does not mean that no solution exists," Green said.

In Amarillo, thrift executives reported numerous customer inquiries. Roy Cartwright, president of First Federal Savings and Loan Association, said his thrift had four accounts worth a total of \$38,400 close as a direct result of the governor's comments.

"One of them was a friend of mine who said, 'Roy, it's my life savings, even though it's very small,' Cartwright said. 'I'm going to watch it for about 30 days, and if everything's OK, I'll bring it right back to you.'"

Cartwright added that it was upsetting for Clements "to be talking about the negative things that create fear and doubt in the minds of the depositors regarding their retirement and their income from their savings."

The S&L industry operates under strict regulations that Clements clearly doesn't understand, he said. "As evidenced by Gov. Clements' paying football players and the state of affairs of SMU under his leadership, it's pretty damned obvious that he doesn't know what he's talking about" with the savings and loans, Cartwright said.

He referred to the pay-for-play football scandal that occurred while Clements headed the SMU Board of Governors and was disclosed this past spring.

Other business leaders and state officials joined in criticizing Clements' remarks.

"It's ludicrous," said Jack Crozier, president of Murray Savings in Dallas. "The FSLIC is not going to do anything less than what its insurance contract says it will do. And that's for any depositor."

Attorney General Jim Mattox said Clements failed to accurately assess the federal government's commitment. "I think that the federal government is going to put in whatever money is necessary to resolve the problems of any of the thrifts that have problems."

Rep. Steve Bartlett, R-Dallas, a member of the House-Senate conference committee that wrote the new savings and loan bailout, said the legislation signed this week by President Reagan safeguards all depositors' money.

"I think Gov. Clements is wrong to suggest that deposits were not fully insured, because they are," said Bartlett, normally a strong Clements ally. "The fact

is that the federal government has to stand behind the insured savings and loan deposits and they are."

Another Republican congressional source, who asked not to be identified, said, "I can't imagine why he said it."

"This is the kind of thing that can undermine the system and bring about a lack of confidence," the source said. "It's incredible."

M. Danny Wall, the new chairman of the Federal Home Loan Bank Board in Washington, said Clements' statements apparently are based on misinformation.

"With all due respects, the governor is wrong," Wall said.

Wall added that his message to depositors is: "Your deposits are safe — totally safe — to the \$100,000 insured amount."

The governor himself spoke, only briefly with reporters, saying that as many as 70 savings and loans in Texas have been declared insolvent, which means that they have a negative net worth. "This is what this whole discussion is all about," Clements said. "The people of Texas are entitled to know that there is a serious problem here."

Vow of silence for Clements?

GOV. BILL Clements may know something about the savings and loan business that other folks don't know. But his charge that the federal government is about to perpetrate "an absolute fraud" on the public by short-changing depositors at troubled thrifts sounds as if he suffered another of his frequent attacks of "shoot-from-the-lip" disease.

Even if he has problems with the legislation to provide the Federal Savings and Loan Insurance Corp. (FSLIC) with an infusion of \$10.8 billion to protect depositors, it was irresponsible of him to speculate that depositors may get back only 30 cents on the dollar, plus a government IOU, if their S&Ls go belly-up. That kind of talk can only sow the seeds of panic and can do serious harm to the entire S&L industry.

S&L officials in the Panhandle reported some withdrawals that could be attributable to Gov. Clements' comments, which were published in an Amarillo newspaper. Officials of the Federal Home Loan Bank Board were so concerned that they held a news conference to reassure depositors.

As on other occasions, it was left to the governor's press office to clean up the mess. In the wake of Mr. Clements' remarks, his press aide issued a statement saying the governor "applauded the new commitment" by the federal government to stand behind Texas S&L depositors.

However, on Wednesday he was at it again, insisting the Texas savings and loan industry has "serious, serious problems." If the governor cannot take a vow of silence, surely he can think before he pops off.

/The Houston Post/Fri., August 14, 1987

S&L wolf cry

Sometimes you can create a problem where none exists simply by saying it does. Sometimes you can aggravate a problem by saying it's worse than it is. And there are times to keep your mouth shut when you don't have a good handle on what you're talking about.

Gov. Bill Clements was batting zero in the above categories with his unfortunate comments on the Federal Savings and Loan Insurance Corp. He created a problem when he said the FSLIC could pay only 30 cents on the dollar on insured savings and pay the remainder with a bond-like instrument. A few gullible individuals promptly withdrew their savings from S&Ls — zero for one.

A good many others worried about hard-earned dollars in such institutions, some of which are in trouble and none of which were helped any by Clements' blabberings. There will be some who will think twice about making deposits in S&Ls because of the governor's statement — zero for two.

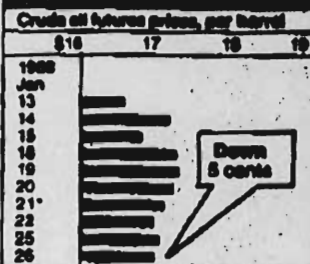
The chairman of the Federal Home Loan Bank Board, M. Danny Wall, promptly and publicly repeated that the FSLIC doesn't, hasn't and never will pay anything less than 100 percent of deposits to \$100,000 in insured S&Ls. Clements' comment, Wall said, "is a complete fiction that has absolutely no basis whatsoever in fact." While predicting the future is an uncertain art, it's a good bet Wall is doing it better than Clements — zero for three.

The governor himself, after an uncompromising harrumph or two, averred he was pleased to see a "renewed commitment" to protect Texans' savings. He added a call for authorities to move in a judicious manner to deal with the problem S&Ls.

Protecting Texans' savings is a fine idea. Clements' comments didn't serve that goal a bit. He should have kept quiet.

88040703279

DIGEST TODAY'S NEWS



West Texas intermediate crude oil scheduled for delivery in March closed Tuesday on the New York Mercantile Exchange at \$17.04 a barrel, down from Monday's close of \$17.09 a barrel. Switches to March deliveries.

SOURCE: New York Mercantile Exchange

Bobby R. Ammer, president of Dallas-based Walker Corp. has been elected vice president of the Independent Petroleum Association of America. He is responsible for overseeing membership and organization activities in North-Central Texas.

TCI to take over Heritage

By Michael Weiss
Staff Writer

Tele-Communications Inc., the nation's largest operator of cable television systems, hopes within weeks to take over operational control of the Dallas, Mesquite and Farmers Branch cable systems now held by Heritage Communications Inc., officials said Tuesday.

The change could come in as little as four weeks, although officials point to a mid-April target date. Although Heritage officials don't believe the change in management requires approval of the local cities, they will wait until government consents are received.

"We have been pleased with the perform-

ance in Dallas," said David Oman, a vice president of Heritage, which acquired the operation from Warner Amex Cable Communications Inc. in October 1985 for \$110 million. "We have brought the system along light years from where it was."

Warner Amex originally was given the franchise in separate actions by the three cities.

The latest change is largely the result of revisions to the tax law that made Heritage's operations in Dallas difficult, said Joe King, president and general manager for the system.

Tele-Communications, working with Heritage management, completed an \$850 mil-

lion leveraged buy. Since then, Heritage unit of Tele-

Tele-Communications could not be run as a service 4.2 million systems it owns. It million subscribers and partnerships.

The company that holds a 36% Broadcasting System TBS and Cat Tele-Communications include ones in Ft. Lake City.

The Dallas sys-

S&L features Connally in ads

By Michael Weiss
Staff Writer

At last count, former Texas Gov. John Connally, in the refuge of Chapter 11 bankruptcy protection, was sitting on debts of \$48.75 million. His assets totaled \$13 million.

That would seem to make him an unlikely spokesman for anything involving financial stability or saving money.

It's been said that these are extraordinary times in Texas. Meet John Connally, pitchman. On Jan. 31, the former governor will debut in one of three celebrity television commercials for Houston-based University Savings Association.

"We wanted to put on some Texans who had faced adversity," said Steve Barnhill, vice president and executive creative director for Taylor Brown & Barnhill, a Houston advertising agency that designed the spots.

Other spokesmen are former Houston Oilers coach Bum Phillips, who will tell audiences, "There's not but two kinds of coaches — them that's been fired, and them that's gonna be," and restaurateur Nino Laurenzo, who built a chain of restaurants after her husband suddenly died.

The Connally spot, filmed Jan. 18 in one take, features the former governor sitting alone with a plain background.



John Connally

"Nellie and I worked hard all our lives to make sure our future would be financially secure," Connally tells viewers.

"Well, the future is here, and things haven't quite worked out. Please see S&L on Page 5D."

S&L features Connally in TV ads

Continued from Page 1D.

he we'd planned. But that's all right, because there is no better place than Texas to start over and to give a little something — because you never know what the future may bring."

When the ad agency proposed Connally as a spokesman for saving money, officials at University Savings were "ecstatic," said Doug Valero, the thrift's executive vice president and chief savings officer.

"We knew we had to treat that subject very delicately," he said. Our message is such that it fit like

a glove," he said. "We didn't have to ponder it. It was only a matter of getting the governor to do it."

The agency, working through an intermediary, approached Connally. "I am not aware of him having any reservations," Barnhill said. "He had absolute authority over what he would say."

Connally, of course, was compensated for the appearance, although the amount is being kept a secret. "He's very sensitive about it," Barnhill said.

The former governor couldn't be reached for comment. He was at the

birth and final day of an auction of 1,200 personal items that is expected to raise \$1 million to be used to repay debts.

"He is a powerful spokesman at this time," Barnhill said.

The University Savings campaign, which initially will air during the Super Bowl, follows by weeks a smaller effort by the Texas Savings and Loan League.

The organization, representing thrifts statewide, recruited U.S. Sen. Lloyd Bentsen and Phil Gramm to tell consumers that the "full faith and credit" of the federal

government stands behind insured banks and savings and loans, said Tom S. King, executive vice president of the league.

"It's for the benefit of the little old ladies who are afraid about their money," said King, whose organization's ads finish their run on radio and television this Friday. "We have got to keep the money in Texas and rebuild our economy."

According to Federal Home Loan Bank Board data, Texas thrifts lost \$4.6 billion during the first nine months of the year.



FEDERAL HOME LOAN BANK OF DALLAS

George M. Barclay
President

November 19, 1987

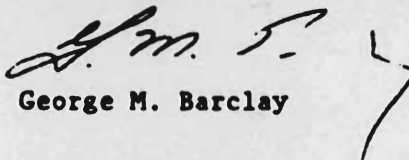
Mr. Tom S. King, President
Texas Savings and Loan League
408 W. 14th Street
Austin, TX 78701

Dear Tom:

I have reviewed your letter of November 6, 1987 to managing officers of Texas institutions soliciting their financial support to fund the showing of the television spots featuring Senators Lloyd Bentsen and Phil Gramm. I have also reviewed the contribution you are requesting from these Texas institutions in order to have approximately 728 spots shown throughout the state.

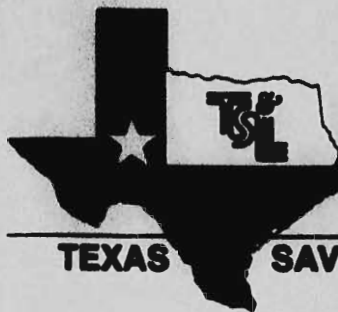
Please be advised that the Federal Home Loan Bank of Dallas will take no supervisory objection to any Texas institution that participates voluntarily up to the amounts suggested in your November 6 letter. In addition, as you and I discussed, the Federal Home Loan Bank of Dallas has agreed and will fund the Danny Wall spots, if called upon, when they are aired.

Sincerely,


George M. Barclay

GMB:cr

cc: Joe Selby, FHLB Dallas



JAMES R. REYNOLDS
Senior Vice President

TEXAS SAVINGS & LOAN LEAGUE • 408 W. 14TH ST. • AUSTIN, TEXAS 78701 • 512/476-6131

To: Managing Officers
Advertising/PR Coordinators

December 31, 1987

FROM: Tom King
Jim Reynolds

RE: Positive Image Campaign

2
8
2
3
0
7
0
4
0
0
3
3
2
The first phase of our industry's Positive Image Campaign began on Monday, December 28th with broad television and radio penetration for our public service messages on safety and soundness. In the following four weeks we will alternate between television and radio coverage on a weekly basis.

All League members have been mailed the first set of advertising slicks for use as newspaper ads, statement stuffers, etc. S & Ls in some areas intend to pool their resources to buy additional cooperative advertising, both on radio & television and in newspapers. A list of contributing S & Ls is appended hereto.

Although it's early, the League has gotten some very positive response from the campaign. We think it will go a long way toward restoring customer confidence, especially in our savings account/C.D. customer base. Even with the favorable early response indicating we are making good progress, it promises to be a long fight. The failing economy and other factors with which we are all familiar have left us in a pretty deep hole and we can't expect to dig completely out of it overnight. We need to keep our messages before our existing and prospective customers. That takes advertising dollars.

All the developmental, overhead, and related soft costs, plus a substantial portion of the radio advertising, have been paid with League funds. As of this date, every penny of industry money has gone into our television campaign. We believe it's working but we need your help to continue.

It makes good business sense to send the League your proportionate share in support of the Positive Image Campaign today. Help us work to help you.

FEDERAL ELECTION COMMISSION

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

EXECUTIVE SESSION
RECEIVED
FEDERAL ELECTION COMMISSION
88 APR 19 AM 11:40
APR 28 1988
SENSITIVE

FIRST GENERAL COUNSEL'S REPORT

MUR #2587
DATE COMPLAINT RECEIVED BY OGC
March 7, 1988
DATE OF NOTIFICATION TO
RESPONDENTS March 8, 1988
STAFF MEMBER Greene

COMPLAINANT: Joseph Sullivan

RESPONDENTS: Senator Lloyd Bentsen Election Committee and H.
Grant Taylor, as treasurer
Texas Savings and Loan League
National Alliance of Senior Citizens, Inc.

RELEVANT STATUTE: 2 U.S.C. § 441b(a)

INTERNAL REPORT
CHECKED: Public Records

FEDERAL AGENCIES
CHECKED: None

I. GENERATION OF MATTER

On March 7, 1988, Joseph Sullivan filed a complaint against the Senator Lloyd Bentsen Election Committee and H. Grant Taylor, as treasurer, the Texas Savings and Loan League and the National Alliance of Senior Citizens. On March 8, 1988, the respondents were notified of the complaint.

Responses were received from all three respondents. The National Alliance of Senior Citizens, Inc. filed its response on March 14, 1988, the Senator Lloyd Bentsen Election Committee filed its response on March 25, 1988 and the Texas Savings and Loan League filed its response on March 31, 1988.

83040703283

II. FACTUAL AND LEGAL ANALYSIS

A. Background

The complainant, a primary opponent of Senator Bentsen, alleges that the National Alliance of Senior Citizens and the Texas Savings and Loan League paid for a substantial number of television and radio commercials in support of Senator Bentsen's re-election under the guise of "public service announcements" in violation of the Act. He claims that every television and radio station which ran these ads also violated federal election laws.

The complainant alleges that these commercials were aired as part of a statewide media blitz within forty-five days of the March 8, 1988 primary election. The complainant estimates the value of these commercials at over \$500,000. The Senator Lloyd Bentsen Election Committee reports did not reflect the cost of these commercials in any way.

A videotape of the Texas Savings and Loan League ("the League") commercial and a cassette tape of the National Alliance of Senior Citizens, Inc. commercial were submitted to the Commission with the complaint.

The League's television commercial was a thirty-second spot which featured Senator Lloyd Bentsen speaking about the safety of deposits in federally insured Texas Savings and Loan institutions. The clip opened with a live picture of Senator Bentsen against a background with the Texas Savings and Loan Association logo and initials:

83040703284

ANNOUNCER: Senator Lloyd Bentsen.

SEN. LLOYD BENTSEN: For fifty-four years now, savings and loan deposits have been guaranteed by the United States government. Throughout all of that time, not one penny of insured deposits has been lost in Texas, or anywhere else in the country. Your deposit of up to \$100,000 is as good as gold in a federally insured Texas savings and loan. As safe as Fort Knox.

BILLBOARD: This message brought to you as a public service by your local Savings & Loan Association.

The title frame of the video indicated that it was filmed on October 28, 1987.

The Alliance's radio commerical featured a conversation between two actors about the Catastrophic Health Care Bill. The commerical encouraged listeners to call Senator Bentsen and tell him to vote against the bill. See transcript at Attachment 2.

B. Legal Analysis

1. Texas Savings and Loan League Commericals

Pursuant to 2 U.S.C. § 441b(a), it is unlawful for a corporation to make a contribution or expenditure in connection with any election for federal office. The term "contribution or expenditure" is defined at 2 U.S.C. § 441b(b)(2) to include any direct or indirect payment, distribution, loan, advance, deposit or gift of money or any services or anything of value to any candidate or campaign committee, in connection with a Federal election. As the Texas Savings and Loan League (the "League") is a non-profit Texas corporation, the Act prohibits it from making contributions or expenditures in connection with Federal elections. 2 U.S.C. § 441b(a).

89040703285

83040703286
The central question, therefore, is whether the League's sponsorship of commercials featuring Senator Bentsen was "in connection with" a Federal election. The fact that the commercial does not, on its face, appear to be advocating the re-election of Senator Bentsen does not end this inquiry. The Commission has recently concluded that the absence of express advocacy or solicitations will not preclude a determination that the public appearance of a candidate was campaign-related. See A.O. 1986-26. Thus, the Commission has looked not only to the statements made by the candidate, but also to the context of the speech.^{1/}

In its response to the complaint, the Texas Savings and Loan League claimed that the radio and television spots complained of were "not political advertisements but were, in fact, legitimate and necessary communications, with the customers of Texas savings and loan associations for the sole and specific purpose of reassuring depositors that the safety of their insured funds on deposit in Texas savings and loan associations is guaranteed by the FSLIC, an agency of the Federal Government, and as such were completely safe." Attachment 1 at 4.

Further contextual information provided by the League tends to support the League's assertion that these commercials were designed to address an industry problem rather than to assist Senator Lloyd Bentsen's re-election campaign. The response

^{1/} Because Senator Bentsen appeared in the ad, the question is whether it is a corporate contribution since it was clearly coordinated or made in cooperation with Senator Bentsen.

indicates that Texas Savings and Loan Associations had received a substantial amount of "negative publicity" in the eighteen months before the ad campaign, much of which resulted from Texas Governor Clements' comment that the FSLIC is going to go belly-up and pay off depositors at as little as 30 cents on the dollar. By the fourth quarter of 1987, the League noted a steady decline in savings and loan deposits. The League claims that it made the Bentsen ad as part of a "Positive Image Campaign" to "dispel the concerns of a significant segment of its depositor base." (Attachment 1 at 5).

The organization of this "Positive Image Campaign" also tends to support the League's claim that its commercials were not made "in connection with" a Federal election. The League's ad campaign ran from December 28, 1987 through January 29, 1988 and therefore ended at least five weeks before the March 8, 1988 primary election. Moreover, there were two sets of spots run during this campaign: one featured Senator Phil Gramm, (R-Tx) and the other featured Senator Lloyd Bentsen (D-Tx). Of the 796 spots shown, approximately 396 featured Senator Gramm and another 396 featured Senator Bentsen. (Attachment 1 at 5) Moreover, the League specifically gave the radio and television stations which aired the commercials directions to alternate the spots. Id.

In short, it appears that the League ran an ad campaign designed to allay consumer fears about the stability of their savings deposits, in a manner designed to avoid questions of partisanship. Accordingly, this Office recommends that the

88040703287

Commission find that there is no reason to believe that the Texas Savings and Loan League violated 2 U.S.C. § 441b(a). In this connection, this Office also recommends that the Commission find no reason to believe that the Senator Lloyd Bentsen Election Committee and H. Grant Taylor, as treasurer, violated 2 U.S.C. § 441b(a) with respect to the Texas Savings and Loan and League commercials.

2. National Alliance of Senior Citizens Commericals

As the National Alliance of Senior Citizens is a non-profit Virginia corporation, the restrictions of Section 441b(a) are also applicable to its activities.

The complainant here claims that the "Senior Citizens National Alliance out of Virginia ran state wide radio advertising for Bentsen without Bentsen showing it as a campaign contribution." This aspect of the complaint appears to be ill-founded. The commercial in question did not appear to be made in connection with the re-election campaign of Senator Lloyd Bentsen; rather, it appeared to be strictly an issue advocacy commercial which encouraged people to call Senator Bentsen and tell him to vote against the Catastrophic Health Care Bill. See Transcript of tape cassette at Attachment 2.

Such publicity does not appear to be designed to advocate the re-election of Senator Bentsen as complainant contends. The only action which the ad seeks is to motivate concerned listeners to tell Senator Bentsen, a member of the conference committee considering the "Medicare Catastrophic Protection Act of 1987,"

88040703288

to vote against the bill. The ad does not tell listeners to vote for or against Senator Bentsen, nor does it refer to any election. The use of Senator Bentsen's name in this ad was necessary to direct the action sought, and does not appear to be designed to increase the Senator's name recognition. Additionally, the ad does not give either a positive or a negative assessment of Senator Bentsen or any other contender for his Senate seat and does not appear to benefit Senator Bentsen or other candidates. Furthermore, as the National Alliance for Senior Citizens explained in its response to the complaint:

Our organization recently ran radio advertisements which were aimed at requesting that senior citizens contact Senator Bentsen - who is a member of the conference committee considering the "Medicare Catastrophic Protection Act of 1987" -to let him know that they oppose the legislation....There was no mention of any election or of any support for or opposition to any candidate.

In short, it does not appear that this commercial was made in connection with any election for Federal office.^{2/}

Accordingly, this Office recommends that the Commission find no reason to believe that the National Alliance of Senior Citizens, Inc. violated 2 U.S.C. § 441b(a). Similarly, this

^{2/} The fact that this ad was characterized as a "political announcement paid for by the National Alliance for Senior Citizens" does not affect this analysis. The Federal Communications Commission requires an announcement of sponsorship for all advertisements including those that contain issue-related messages. 47 U.S.C. § 317. Thus, the organization's characterization of this ad is not determinative as to whether this ad contained an electioneering message.

Office recommends that the Commission find no reason to believe that the Senator Lloyd Bentsen Election Committee and H. Grant Taylor, as treasurer, violated 2 U.S.C. § 441b(a) with respect to the commercials sponsored by the National Alliance of Senior Citizens.

III. RECOMMENDATIONS


1. Find no reason to believe that the Senator Lloyd Bentsen Election Committee and H. Grant Taylor, as treasurer, violated 2 U.S.C. § 441b(a).
2. Find no reason to believe that the Texas Savings and Loan League violated 2 U.S.C. § 441b(a).
3. Find no reason to believe that the National Alliance of Senior Citizens, Inc. violated 2 U.S.C. § 441b(a).
4. Approve the attached letters.
5. Close the file.

Lawrence M. Noble
General Counsel

Date

4/19/88

BY:


Lois G. Lerner

Associate General Counsel

Attachments

1. Responses to complaint
2. Transcript of Tape Cassette Submitted by Complainant
3. Proposed letters.

38040703290

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Senator Lloyd Bentsen Election)
Committee and H. Grant Taylor,)
as treasurer) MUR 2587
Texas Savings and Loan League)
National Alliance of Senior)
Citizens, Inc.)

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the
Federal Election Commission executive session of April 28,
1988, do hereby certify that the Commission decided by a vote
of 6-0 to take the following actions in MUR 2587:

1. Find no reason to believe that the Senator
Lloyd Bentsen Election Committee and H.
Grant Taylor, as treasurer, violated 2 U.S.C.
§ 441b(a).
2. Find no reason to believe that the Texas
Savings and Loan League violated 2 U.S.C.
§ 441b(a).
3. Find no reason to believe that the National
Alliance of Senior Citizens, Inc. violated
2 U.S.C. § 441b(a).
4. Approve the letters attached to the General
Counsel's report dated April 19, 1988.

(continued)

88040703291

Federal Election Commission
Certification for MUR 2587
April 28, 1988

Page 2

5. Close the file.

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

Attest:

4-28-88

Date

Marjorie W. Emmons

Marjorie W. Emmons
Secretary of the Commission

88040703292



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20541

MEMORANDUM TO: LAWRENCE M. NOBLE
GENERAL COUNSEL

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

DATE: APRIL 21, 1988

SUBJECT: OBJECTION TO MUR 2587 - General Counsel's Report
Signed April 19, 1988

The above-captioned document was circulated to the Commission on Tuesday, April 19, 1988 at 4:00 P.M.

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

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

This matter will be placed on the Executive Session agenda for April 28, 1988.

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

88040703293



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

May 4, 1988

Curt Clinkscales
National Director
National Alliance of Senior Citizens, Inc.
2525 Wilson Boulevard
Arlington, VA 22201

RE: MUR 2587
National Alliance of
Senior Citizens, Inc.

Dear Mr. Clinkscales:

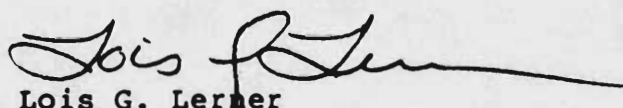
On March 8, 1988, the Federal Election Commission notified National Alliance of Senior Citizens, Inc., of a complaint alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended.

On April 28, 1988, the Commission found, on the basis of the information in the complaint, and information provided by you, that there is no reason to believe the National Alliance of Senior Citizens, Inc., violated 2 U.S.C. § 441b. Accordingly, the Commission closed its file in this matter.

This matter will become a part of the public record within 30 days. If you wish to submit any materials to appear on the public record, please do so within ten days. Please send such materials to the Office of the General Counsel.

Sincerely,

Lawrence M. Noble
General Counsel

BY: 
Lois G. Lerner
Associate General Counsel

Enclosure
General Counsel's Report

88040703294



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

May 4, 1988

Robert F. Bauer, Esquire
Perkins Coie
1110 Vermont Avenue, N.W.
Washington, D.C. 20005

RE: MUR 2587
Senator Lloyd Bentsen
Election Committee and
H. Grant Taylor, as
treasurer

Dear Mr. Bauer:

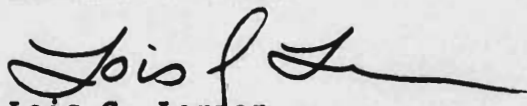
On March 8, 1988, the Federal Election Commission notified the Senator Lloyd Bentsen Election Committee and H. Grant Taylor, as treasurer, of a complaint alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended.

On April 28, 1988, the Commission found, on the basis of the information in the complaint, and information provided by you, that there is no reason to believe the Senator Lloyd Bentsen Election Committee and H. Grant Taylor, as treasurer, violated 2 U.S.C. § 441b. Accordingly, the Commission closed its file in this matter.

This matter will become a part of the public record within 30 days. If you wish to submit any materials to appear on the public record, please do so within ten days. Please send such materials to the Office of the General Counsel.

Sincerely,

Lawrence M. Noble
General Counsel

BY: 
Lois G. Lerner
Associate General Counsel

Enclosure
General Counsel's Report

88040703295



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

May 4, 1988

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Joseph Sullivan
1407 Jackson Keller, Suite 5
San Antonio, Texas 78213

RE: MUR 2587

Dear Mr. Sullivan:

On April 28, 1988, the Federal Election Commission reviewed the allegations of your complaint dated March 4, 1988 and found that on the basis of the information provided in your complaint and information provided by the Senator Lloyd Bentsen Election Committee, the National Alliance of Senior Citizens, Inc. and the Texas Savings and Loan League, there is no reason to believe that the Senator Lloyd Bentsen Election Committee, the National Alliance of Senior Citizens, Inc. and the Texas Savings and Loan League violated 2 U.S.C. § 441b. Accordingly, on April 28, 1988, the Commission closed the file in this matter. The Federal Election Campaign Act of 1971, as amended ("the Act") allows a complainant to seek judicial review of the Commission's dismissal of this action. See 2 U.S.C. § 437g(a)(8).

Should additional information come to your attention which you believe establishes a violation of the Act, you may file a complaint pursuant to the requirements set forth in 2 U.S.C. § 437g(a)(1) and 11 C.F.R. § 111.4.

Sincerely,

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Associate General Counsel

Enclosure
General Counsel's Report

88040703296



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THIS IS THE END OF MUR #

2587

88040703297



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THIS IS THE END OF MUR # 2587

DATE FILMED 6/3/88 CAMERA NO. 2

CAMERAMAN K.A.U.

8804 070 3297