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By Overnight Delivery

July 1, 1999

Seth H. Row
Attorney
Federal Election Commission
999 "E" Street, N.W.
Washington, DC 20463

BULK FILE

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL
JUL 6 3 41 PM '99

Re: MUR 4742

Dear Seth:

In accordance with our previous conversations, enclosed are the responses to your office's Questions and Orders to Produce Documents, as well as some additional documents and materials relating to the above-captioned MUR 4742. Specifically, the following materials are enclosed herewith:

- (1) A cover letter prepared jointly by Councilman Juan Vargas, Larry Remer, and Deanna Liebergot providing an overview of their response to the allegations in the Complaint and some additional information not specifically referenced in the Questions and Orders to Produce Documents;
- (2) A sworn affidavit from Councilman Vargas;
- (3) A sworn affidavit from Larry Remer;
- (4) Responses to the Interrogatories directed to Deanna Liebergot and the Vargas for Congress '96 Committee;
- (5) Responses to the Interrogatories directed to Deanna Liebergot and the Committee to Re-Elect Vargas (the "State Committee");
- (6) Responses to the Interrogatories directed to Larry Remer of the Primacy Group;
- (7) Documents produced in response to the Subpoena to Produce Documents directed to Deanna Liebergot and Vargas for Congress '96;
- (8) Documents produced in response to the Subpoena to Produce Documents directed to Deanna Liebergot and

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Committee to Re-Elect Vargas '98;

- (9) Documents produced in response to the Subpoena to Produce Documents directed to Larry Remer and The Primacy Group; and
- (10) Additional Documents and Materials relevant to your investigation of this matter.

As you will see from these materials and responses, the allegations made in the Complaint and the Commission's Factual and Legal Analysis are without any factual, legal, or logical basis. Factually, there is absolutely no truth to the claims that Mr. Remer and The Primacy Group were overpaid by the State Committee for their work on Councilman Vargas' 1998 re-election campaign or that they have not made commercially reasonable efforts to collect on the debt owed to them by the Vargas for Congress '96 Committee. Legally, we question whether the Commission has the authority to state a lawful claim under the Act based solely upon the allegation that a campaign consultant was supposedly paid more than the competitiveness of an election would have justified, or that the failure to have collected a debt from a political committee with no assets constitutes a prohibited contribution. Equally important, however, there is utterly no *logical* basis for the Complaint and the Commission's analysis.

As we have emphasized to you in the past -- and as we would have thought any reasonable investigation of this matter would have discovered -- the City of San Diego has a strict campaign finance ordinance restricting the source and amount of campaign contributions to city council candidates. Under San Diego Municipal Code section 27.2941 (a copy of which is enclosed), there is a \$250 contribution limit to city council candidates; moreover, section 27.2947 prohibits contributions from any person other than an individual (i.e., no contributions are permitted from organizations or corporations). Councilman Vargas rigorously adhered to these restrictions in his 1998 re-election campaign. There was thus no possibility that Councilman Vargas could have used or was using the State Committee to receive contributions from sources and in amounts that would have been prohibited under federal law. *The City of San Diego's campaign finance laws are more restrictive than those of the federal Act, and it defies credulity to assert -- as the Complaint and Analysis suggest -- that Councilman Vargas would have raised money from fewer lawful sources and in contributions restricted to \$250 per person to pay off the Federal Committee's campaign debts, rather than to raise money at \$1,000 per contribution from a wider range of contributors.*

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Seth Row
July 1, 1999
Page 3

We have attempted in good faith to respond to all of the Commission's inquiries and to provide you with the information you have requested. We hope that upon review of these materials, you will immediately dismiss the Complaint in this matter. At a minimum, we hope that you will contact us to discuss this matter further with us before you proceed, so that we may respond to any lingering doubts you could possibly have regarding the frivolousness of the Complaint.

Please feel free to contact me with any questions or to discuss this matter further.

Sincerely,



Fredric D. Woocher

Enclosures

21.04.403.1601

Juan Vargas * Larry Remer * Deanna Liebergot

3609 4th Ave., San Diego, CA 92103

June 3, 1999

Federal Elections Commission
999 E Street NW
Washington, DC 20463

Re: MUR 4742

Dear sir or madam,

We would like to provide the following information with regard to the above referenced matter.

First of all, we completely and totally deny in whole and in part any allegation that we violated the Federal Campaign Act of 1971 as alleged in the complaint of Derek Roach, as filed with the Commission on May 12, 1998.

First, we wish to inform the Commission that the complainant, Mr. Roach, was a strong supporter of David Gomez, who ran against Juan Vargas for City Council in the June 1998 election. In addition, Mr. Gomez was also supported by Rep. Bob Filner, the incumbent Congressman, against whom Juan Vargas ran in 1996 and lost. It is the activities of the 1996 election that form the basis for this complaint.

Second, we wish to inform the Commission that Deanna Liebergot, the Treasurer of both Vargas for Congress '96 and the Committee to Re-Elect Vargas, is and at all times herein has been an employee of Mr. Remer and **The Primacy Group**. Ms. Liebergot has done an exemplary job of keeping the campaign's books, filing all required reports, and balancing the campaign checkbooks. These are her duties as an employee of Mr. Remer's. She, at no time, had any policy-making role in either campaign; nor did she make any decisions affecting the campaign debt, repayment of same, fundraising strategies, or other issues raised in your *Factual and Legal Analysis*.

Third, your *Factual and Legal Analysis* is in error on several points.

Your first theory is that the Committee to Re-Elect Vargas somehow overpaid Mr. Remer for his services in a "back door" attempt to repay the Vargas for Congress '96 debt. **This is completely false.**

The '98 re-election campaign looked, at its beginning, like a difficult race. Mr. Vargas drew as an opponent one David Gomez, a well known community activist who had founded a well known group to stop sewage from Tijuana from being dumped across the border into communities in the District. In addition, Mr. Gomez had supported Rep. Bob Filner over Councilman Vargas in 1996, a hotly contested race that Filner ultimately won -- and it appeared as if Filner was supporting Gomez in an effort to get rid of Vargas to prevent him from running against Filner again in the future.

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(Note: The FEC is undoubtedly aware of how serious "bad blood" feuds can run in politics. The Vargas-Filner feud is one of them. For Councilman Vargas to look at an election challenge from a Filner-linked candidate and not take it very seriously would have been irresponsible.)

In December of 1997, Mr. Remer began to assist Councilman Vargas in organizing his re-election campaign. The campaign fundraiser, Mr. James Taylor, was installed in Mr. Remer's office to work under his supervision. Mr. Remer worked with Councilman Vargas on a full court press of campaign strategies:

- Securing endorsements;
- Development and implementation of various political strategies;
- Developing position papers;
- Preparing press releases;
- Walking precincts;
- Producing literature;
- Direct Mail and Phone Banks;

Your *Factual and Legal Analysis* makes a point that Anthony Millican reported in the local newspapers that Councilman Vargas had tremendously out raised and overpowered Mr. Gomez. Attached please find more news articles from the **Union-Tribune** and the press release from Mr. Gomez' campaign announcement which document, in part, some of the issues in that part of Councilman Vargas' District and Mr. Gomez' level of prominence. We would like to note that:

- Mr. Gomez is an elected official. He was elected to the board of the Tia Juana County Water District.
- Mr. Gomez has been consistently critical of Councilman Vargas ever since the Councilman was first elected in a race wherein Mr. Gomez supported a rival candidate.
- Mr. Gomez has been widely quoted in the local press, including page 1 articles, and is seen as a legitimate political figure in the community.
- Mr. Gomez has a lengthy list of community service: President of *Citizens Revolting Against Pollution*, membership on the *San Diego Housing Appeals Board*, the *Otay Mesa-Nestor Planning Group*, and the *City of San Diego Oversight Committee Clean Water Act*, and an appointment from the Mayor to the *Voter Rights Task Force*.
- It is also interesting to note that Derrick Roach, your complainant, is also mentioned in the enclosed articles because his worm farm sits in the same valley where Mr. Gomez has been so active fighting to reduce sewage.

Additionally, the Commission is likely not aware of the fact that a challenge to Councilman Vargas' eligibility to run for re-election in 1998 surfaced at the beginning of the campaign. The rules governing both the length of Council terms and "term limits" have changed several times during Councilman Vargas' tenure on the Council, which began in February of 1993. San Diego City Councilmembers are limited to "two terms", though there was a great deal of confusion over what length of service constituted a "full term." An attorney named Marvin Hendrix filed a formal challenge with the City Clerk on March 4,

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1998, which the City Attorney and the Clerk reviewed and determined to be invalid. Ultimately, Mr. Hendrix sought relief in the courts, who ruled twice in favor of Councilman Vargas. I have enclosed a copy of Mr. Hendrix original letter and reply from the City Clerk for your information. This challenge from Mr. Hendrix posed a critical political challenge for the Vargas campaign, which required a tremendous amount of work from **The Primacy Group** on the Councilman's behalf to prepare ourselves to cope with any public repercussions of this issue if it became public before the campaign ended.

If, in the final analysis, Mr. Gomez made an anemic showing at the polls, this is only true because of the tremendous effort from all concerned. The Commission may not be aware of the fact that Councilman Vargas himself was first elected to the Council in February of 1993 on a budget of approximately \$25,000 against an opponent who spent more than \$225,000.

District 8 (Councilman Vargas' Council district) is very small and compact. It is "walkable" and, as Councilman Vargas himself proved, it can be won by a low budget candidate with a concerted, hard fought door-to-door campaign. In fact, in Councilman Vargas' 1993 successful race, that same community newspaper dismissed his candidacy as not having a chance. **Again, it would have been irresponsible to not take the Gomez challenge seriously.** That Mr. Vargas won handily only shows the effectiveness of his campaign. **In addition, the Hendrix lawsuit further highlights the need for political consulting to assist in the analysis and strategy of a potentially politically difficult situation.**

Further, your *Factual and Legal Analysis* attempts to analyze in depth **Primacy's** fees for the '98 Council race. We wish to make you aware of the following:

- A fee of \$3,000 per month (Dec. '97 through June '98) with a \$15,000 "win bonus" for a contested race is wholly consistent with prevailing fees charged "in the industry". (Note: A "win bonus" is a common feature of **Primacy/Vargas** contracts. The Congressional campaign contract - which is enclosed - included a large win bonus had Councilman Vargas won that race.
- **Primacy's** services included providing an office, supervising staff, treasurer services, along with the entire array of political message and strategy consulting services that are normally provided to a campaign.

In short, **there was absolutely no overpayment by the '98 Council race to Primacy.** Those fees were paid for hard work and were honestly earned.

Your alternative theory is that **Primacy** has somehow made an illegal contribution to Vargas for Congress '96 by not attempting to collect its debt more forcefully. **This is also completely false.** Some salient facts:

- It was agreed at the outset of the Vargas for Congress '96 campaign, as detailed in the contract between Councilman Vargas and **The Primacy Group** (a copy is enclosed with the documents requested by your subpoena), that the campaign

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would pay a monthly retainer of \$4,000 – \$1,000 in cash every month and the remainder to be held as “deferred compensation”. **We point out this fact to demonstrate that, from the outset, Primacy agreed that its consulting services would be paid “as the campaign’s finances permitted.”**

- It has always been **The Primacy Group’s** intention to collect this debt and it has always been Councilman Vargas’ intention to pay it – even though both parties knew that consulting services could be legally volunteered. Mr. Remer and Councilman Vargas have discussed the Vargas for Congress '96 debt to **Primacy** on numerous occasions. Both have agreed that it is a valid outstanding debt; that it needs to be carried on any FEC reports as such; and that it will be repaid when conditions improve.
- For **The Primacy Group** the “business” decision regarding collection of the debt involved:
 - Helping to keep Councilman Vargas “politically viable” so his fundraising prowess would not disappear. This involved maintaining a professional relationship with the Councilman and assisting his re-election campaign in order to keep him in office. As is well known, it is virtually impossible for out of office politicians to raise funds to retire old campaign debts. This was borne out in a recent **NY Times** article (6/13/99, WK 4) where Geraldine Ferraro, a former Congresswoman and Vice Presidential candidate, canceled a fundraiser 48 hours before the event for lack of interest, even though President Clinton and Sens. Moynihan and Schumer was scheduled to attend. (article enclosed)
 - Not employing a collection agency, suing, or otherwise pursuing aggressive “collection techniques” which might be employed with commercial clients, in order to not alienate Councilman Vargas and keep him as a client (and, equally importantly, to keep good relationships with other current and potential clients).
- Timing is a critical element in politics. After the '96 Congressional race, Councilman Vargas felt, and Larry Remer agreed, that he had “tapped out” his supporters. In addition, the local economy was still experiencing a recession. Efforts were made to raise funds to pay off the debt and some debts were paid, but raising sufficient funds to make substantial payments on the Congressional debt proved to be impossible.
- Less than 18 months later, Councilman Vargas was facing what he thought would be a difficult re-election battle. All efforts were focused on raising funds and winning re-election. This was accomplished; but, after that election, it was again felt that it was not the right time to start fundraising to pay off the Congressional debt.
- Earlier this year, conditions seemed better. The local economy is strong. Councilman Vargas is not facing a tough re-election. As a result, a fundraiser has been hired and efforts are under way to raise funds to pay the Vargas for Congress '96 debt.

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We have enclosed an affidavit, signed under penalty of perjury that details the discussions and arrangements between Councilman Vargas and **The Primacy Group** over repayment of the debt.

The Primacy Group is a political consulting firm. More than 95% of its clients are candidates or campaign committees. When **The Primacy Group** and Councilman Vargas signed a contract for consulting services for the '96 Congressional campaign, Councilman Vargas agreed to assume personal responsibility for any and all outstanding debts of the campaign.

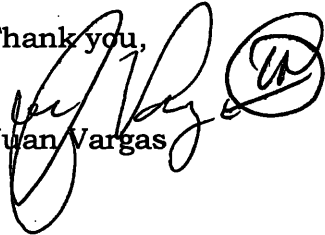
It has always been expected by all parties concerned that the Vargas for Congress '96 debt to Primacy and others will be paid in full.

Therefore, we respectfully ask the FEC to dismiss this baseless complaint as soon as possible.

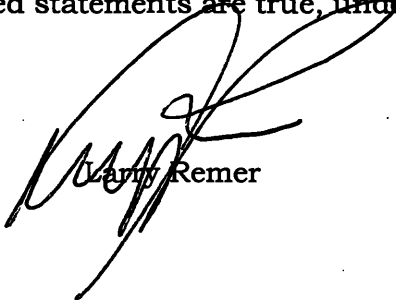
We swear the aforementioned statements are true, under penalty of perjury.

Thank you,

Juan Vargas



Larry Remer



Deanna Liebergot



21.04.403.1606

THE PRIMACY GROUP

AGREEMENT

This is an agreement between The Primacy Consulting Group Inc., 3609 Fourth Avenue, San Diego, CA, a political consulting firm, hereinafter referred to as "Consultant," and Juan Vargas, a candidate for the SD City Council, hereinafter referred to as "Client," whereby the consultant agrees to provide consultant services in support of the client's campaign for election to the US Congress in March of 1996 and November of 1996, hereinafter referred to as "the Campaign."

1. Services to be provided.

The consultant agrees to provide advice and assistance in support of the client's campaign. Said advice and assistance shall include the following:

- a. Development of a Campaign Plan which shall include a Theme, Message, Strategy and Budget;
- b. Under the direct supervision of the candidate, the consultant's bookkeeper shall serve as the campaign treasurer and shall collect and disburse all funds and make all necessary reports, filings and disclosures as required by law;
- c. The consultant shall assist in the execution of said Campaign Plan including advice on the organization and supervision of campaign staff, advice and assistance for said staff, and the retention and supervision of vendors for services related to said plan; and
- c. The consultant shall attend campaign meetings as needed and provide telephone consultation as needed.

2. Payment for consultant services.

The client hereby agrees to compensate the consultant as follows for the above described services:

- a. A retainer of \$4000 per month, payable according to the following schedule:
 - * \$1000 per month paid monthly to the consultant until the Primary Election in March of 1996;
 - * \$1000 per month (a total of \$6000) to be disbursed to the consultant on March 1, 1996 if -- in the opinion of BOTH the client and the consultant -- the campaign can afford to make said disbursement without significantly harming the campaign effort.

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Otherwise, said \$6000 will become "deferred" income and will be paid to the consultant after the Primary Election (within 180 days or 6 months)

- * \$2000 per month for the period until the March 1996 primary election to be held as "deferred compensation" and to be paid within 180 days (6 months) of the Primary Election;
- * \$4000 per month for the period of April 1996 through Nov. 1996, if the client wins the March Primary Election and becomes the Democratic nominee for U.S. Congress;

b. A bonus of \$25,000, payable according to the following schedule:

- * \$12,500 if the client wins the Primary Election and becomes the Democratic nominee for Congress;
- * \$12,500 if the client wins the September 1996 General Election and is elected to the U.S. Congress;

3. Consultant's Authority

The consultant shall have the authority to act on behalf of the campaign: to hire, fire, enter into leases or agreements, or otherwise make financial commitments on behalf of the campaign. The consultant agrees not to spend more than \$1000 on behalf of the campaign without the express permission of the client.

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4. Reimbursement for approved expenditures.

- a. All expenses incurred by the consultant associated with providing the services described above, including transportation, long distance phone charges, meals and other associated items, will be paid by the client upon presentation of an itemized accounting.
- b. Should the client chose to authorize the consultant to incur any direct expenses on behalf of the campaign, said expenses -- including production and printing of materials, COGS signs, radio TV or newspaper advertising -- shall be approved by the client in advance and shall be paid by the client upon presentation of an itemized accounting of said expenses. The consultant may require the client to provide purchase orders or to pay in advance for certain large expenditures, including production expenses and placement costs for mail pieces.

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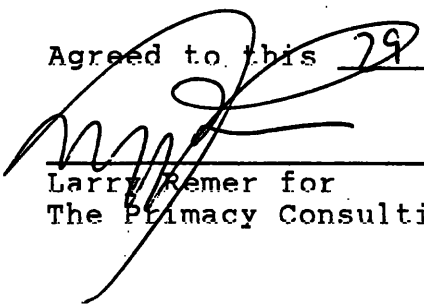
6. Hold Harmless Clause.

The client shall assume full responsibility for reviewing and approving all printed materials, radio and television advertisements and any other materials produced by the consultant in support of the client's campaign. Should any of the above described advertisements or materials result in liability claims, including but not limited to libel, slander, copyright or trademark infringement, the client shall assume personal responsibility for defending himself and the consultant from said claims.

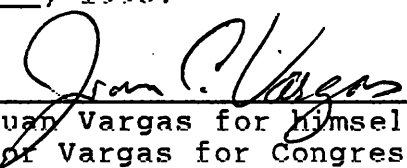
7. Termination.

This agreement may be terminated in whole or in part by either party with 30 days written notice, except that the bonus provision contained in Section 2(b), shall remain in effect if the contract is terminated within 45 days of the election.

Agreed to this 29 day of Sept., 1995.



Larry Remer for
The Primacy Consulting Group, Inc.



Juan Vargas for himself and
for Vargas for Congress '96

21.04.403.1609

Affidavit of Juan Vargas:

I, Juan Vargas, declare:

1. I, Juan Vargas, am a City Councilman, representing District 8 in the City of San Diego.
2. Larry Remer is a political consultant and president of **The Primacy Group**, a full service political consulting firm with an office in San Diego.
3. I ran for the 50th Congressional District seat in the March 1996 Democratic primary against the incumbent, Bob Filner.
4. I hired Larry Remer and **The Primacy Group** to provide campaign consulting and other services for my Congressional campaign.
5. I signed a contract with Mr. Remer detailing the tasks **The Primacy Group** would be expected to perform and the fees to be charged.
6. It was agreed that my campaign would pay **The Primacy Group** a fee of \$4,000 per month from October 1995 through March 1996, of which \$1,000 would be paid monthly and that an additional \$3,000 per month would be held in abeyance as "deferred compensation".
7. At the end of the campaign, I had lost, and six months later all fees and expenses due **The Primacy Group** totaling \$24,506.07 became due. In addition, other campaign debts totaling an additional \$40,511.32 also became due.
8. These debts were all duly listed on FEC Disclosure Form Schedule D.
9. I made a very serious attempt to raise funds to pay off my campaign debt immediately after the campaign, but that effort was met with very little success. Letters were written, phone calls were made, but it proved virtually impossible to raise any further funds. Almost every major Vargas supporter had already contributed the maximum allowed under the law. Despite intense efforts in the months immediately following the election, hardly any funds were raised.
10. Mr. Remer and I have discussed in detail the debt on several occasions. At no time has it ever been suggested that the debt be forgiven, forgotten, or otherwise not be repaid.
11. Mr. Remer and I agreed to carry the debt forward until the "timing" improved and my fundraising viability increased. Mr. Remer informed me that his was a business decision consistent with his past practices with other candidates who ended campaigns with a debt and consistent with the realities of the political consulting business.
12. All of the debts listed for the Congressional campaign are true debts which I fully acknowledge and intend to pay in full as soon as it becomes economically feasible.

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13. Earlier this year, Mr. Remer and I concluded that conditions seemed better. The local economy is strong. I am not facing a tough re-election. As a result, a fundraiser has been hired and efforts are under way to raise funds to pay the Vargas for Congress '96 debt.
14. At no time was any payment, in whole or in part, made to Mr. Remer or **The Primacy Group** for their work in the 1998 City Council Re-election campaign designed to compensate Mr. Remer or **The Primacy Group** for any fees or services from the 1996 Congressional campaign.
15. Good faith and lawful means have been used and continue to be used by both parties in attempting to pay off the debts of the 1996 Congressional campaign committee in a fair and reasonable manner.

I declare under penalty of perjury under the laws of the state of California and the United States that the foregoing is true and correct.

Executed this 24th day of June 1999, at San Diego, CA.



Juan Vargas

21.09.403.1631

Affidavit of Larry Remer:

Sworn under penalty of perjury, I do hereby state that:

1. Juan Vargas is a City Councilman, representing District 8 in the City of San Diego.
2. I am a political consultant and president of **The Primacy Group**, a full service political consulting firm with an office in San Diego. I have been a political consultant for approximately 15 years.
3. Councilman Vargas ran for the 50th Congressional District seat in the March 1996 Democratic primary against the incumbent, Bob Filner.
4. Councilman Vargas hired me and **The Primacy Group** to provide campaign consulting and other services for his Congressional campaign.
5. I signed a contract with Councilman Vargas detailing the tasks **The Primacy Group** would be expected to perform and the fees to be charged.
6. It was agreed that my campaign would pay **The Primacy Group** a fee of \$4,000 per month from October 1995 through March 1996, of which \$1,000 would be paid monthly and that an additional \$3,000 per month would be held in abeyance as "deferred compensation".
7. At the end of the campaign, Councilman Vargas lost, and all fees and expenses due **The Primacy Group** totaling \$24,506.07 became due. In addition, other campaign debts totaling an additional \$40,511.32 also became due.
8. These debts were all duly listed on FEC Disclosure Form Schedule D.
9. I worked with Councilman Vargas to make a very serious attempt to raise funds to pay off his campaign debt immediately after the campaign, but this effort was met with very little success. Letters were written, phone calls were made, but it proved virtually impossible to raise any further funds. Almost every major Vargas supporter had already contributed the maximum allowed under the law. Despite intense efforts in the months immediately following the election, hardly any funds were raised.
10. I have discussed with Councilman Vargas in detail the debt on several occasions. At no time has it ever been suggested that the debt be forgiven, forgotten, or otherwise not be repaid.
11. Councilman Vargas and I have agreed to carry the debt forward until the "timing" improved and Councilman Vargas' fundraising viability increased.
12. This is a business decision consistent with my past practices with other candidates who ended campaigns with a debt and consistent with the realities of the political consulting business. This involved:

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- Helping to keep Councilman Vargas "politically viable" so his fundraising prowess would not disappear. This involved maintaining a professional relationship with the Councilman and assisting his re-election campaign in order to keep him in office. As is well known, it is virtually impossible for out-of-office politicians to raise funds to retire old campaign debts. This was borne out in a recent *NY Times* article (6/13/99, WK 4) where Geraldine Ferraro, a former Congresswoman and Vice Presidential candidate, canceled a fundraiser 48 hours before the event for lack of interest, even though President Clinton and Sens. Moynihan and Schumer were scheduled to attend.
 - Not employing a collection agency, suing, or otherwise pursuing aggressive "collection techniques" which might be employed with commercial clients, in order to not alienate Councilman Vargas and keep him as a client (and, equally importantly, to keep good relationships with other current and potential clients).
13. Councilman Vargas has told me on several occasions that all of the debts listed for the Congressional campaign are true debts which he fully acknowledges and intends to pay in full when it becomes economically possible.
 14. Earlier this year, Councilman Vargas and I concluded that fundraising conditions seemed better. The local economy is strong. Councilman Vargas is not facing a tough re-election. As a result, a fundraiser has been hired and efforts are under way to raise funds to pay the Vargas for Congress '96 debt.
 15. At no time was any payment, in whole or in part, made to myself or **The Primacy Group** for our work in the 1998 Re-election campaign designed to compensate myself or **The Primacy Group** for any fees or services from the 1996 Congressional campaign.
 16. All debts to the 1996 Congressional campaign were honestly earned and the records are accurately kept.
 17. Good faith and lawful means have been used and continue to be used by both parties in attempting to pay off the debts of the 1996 Congressional campaign committee in a fair and reasonable manner.

I declare under penalty of perjury under the laws of the state of California and the United States that the foregoing is true and correct.

Executed this 24th day of June 1999, at San Diego, CA.


Larry Reiner

24 June 99
Date

Response to interrogatories directed to Deanna Liebergot (Vargas for Congress '96):

1. Identify all persons now or at any time employed by Vargas for Congress '96 ("Federal Committee").

1. Ali Lee Cooper
Colin Rice
Dan Maruccia
George Balgos
George Breshnahan
Jamie Taylor
Javier Angula
Joe O'Brien
Larry Cohen
Lee Biddle
Mark Lawrence
Paul O'Sullivan
Richard D'Ascoli
Andrew Lee
Thomas Husted
Willie Manley

2. a. State when Primacy began to provide services to Vargas for Congress '96 ("Federal Committee").

2. a. October 1, 1995.

b. List and describe with as much specificity as possible what services Primacy provided to the Federal Committee from the date identified in 3.a. above to March 26, 1996. Such description should include, but not be limited to: the types of services provided; the beginning date and duration of each service; how Primacy calculated each amount billed; and how much Primacy billed the Federal Committee for each service.

b. **The Primacy Group** provided a full array of consulting services including:

- Strategic analysis;
- Message development;
- Hiring and/or conducting polls, focus groups and other measurements of public opinion;
- Policy analysis;
- Development of a Campaign Plan and Budget;
- Development of a Fundraising Plan;
- Advice on press strategy;
- Creation and production of any materials for public communication, including speeches, press releases, flyers, leaflets, mailers, telephone scripts, radio and TV spots, etc.;
- Political advice;

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102

- Hiring and retention of campaign staff and vendors -- and oversight to insure implementation of the Campaign Plan;
- Campaign Treasurer services;
- Use of **Primacy** offices for the campaign;
- Other advice and services as may be required during the course of the campaign.

Under the agreement, which has been requested by and will be provided to the FEC, **The Primacy Group** charged Vargas for Congress '96 a retainer of \$4,000 per month, plus reimbursement for any out-of-pocket or vendor expenses. The campaign was to pay \$1,000 per month, with the remainder held as 'deferred compensation', to be paid at the end of the campaign. The retainer included **Primacy's** charges for all consulting services, the Treasurer's services, and the use of a portion of the **Primacy** office for the campaign.

Enclosed are all copies of all **Primacy** bills for services and costs incurred by Vargas for Congress '96.

- c. List and describe with as much specificity as possible what services Primacy provided to the Federal Committee from March 26, 1996 to the present. Such description should include, but not be limited to: the types of services provided; the beginning date and duration of each service; how Primacy calculated each amount billed; and how much Primacy billed the Federal Committee for each service.**
- c. Since March 26, 1996, **The Primacy Group** has provided Vargas for Congress '96 with bookkeeping and campaign treasury services, as agreed to in the original contract which included all such services until the campaign committee is closed. These services have been very minimal, since there has been virtual no reportable activity by the campaign.
- 3. a. List and describe each occasion between the date identified in response 2.a. above to the present on which the Federal Committee incurred a "debt" to Primacy, as defined on page 4 of this Order. Such description should include, but not be limited to: how and why the debt was incurred; how much of each debt was paid and when such payment was made.**
3. a. On March 26, 1996, the election occurred and Vargas lost. At that point, all unpaid bills to **Primacy** became debts of the campaign and were subsequently reported as such as required under the law. Attached copies of **Primacy** invoices and the payment record should be a sufficient response as to the amount of the debt and when it was incurred.

All decisions regarding how to repay the debt, raise said funds, etc. are made by Councilman Vargas. I am a **Primacy** employee and my work as Treasurer is solely under his direction. **Primacy** decisions are made solely by Larry Remer.

- b. For each occasion given in response to 3.a. above, state whether the Federal Committee asked Primacy to totally or partially forgive, or delay**

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collection of, the debt, and state whether Primacy agreed to the Federal Committee's request. Describe any agreement arising out of such request. Such description should include, but not be limited to the terms of the agreement. List all date(s) and repayment amount(s) for each debt.

- b. To the best of my knowledge, **The Primacy Group** has never agreed to any reduction -- in whole or in part -- in the outstanding debt.

4. **State whether the Federal Committee intends to pay the debt owed to Primacy as reported on Schedule D of the Federal Committee's January 22, 1999 filing with the Federal Election Commission. Describe what actions the Federal Committee has made, if any, to raise funds to pay the debt.**

4. To the best of my knowledge, Vargas for Congress '96 is currently engaged in efforts to raise funds to pay off all outstanding campaign debts.

5. **Describe how the debt to "Acme Graphix", as reported on Schedule D of the Federal Committee's January 22, 1999 filing with the Federal Election Commission, was incurred, what agreement the Federal Committee reached, if any, with the vendor in connection with paying this debt, and what actions the Federal Committee has taken or plans the Federal Committee has made to raise funds to pay this debt.**

5. Acme Graphix provided printing and graphic services for Vargas for Congress '96. Partial payment was made for those services and, upon presentation of invoices, the balance due has been listed as a campaign debt. It is my understanding that the campaign intends to repay this debt along with all outstanding debts.

6. **State whether the Federal Committee and the Committee to Re-Elect Vargas ("State Committee") agreed at any point that the State Committee would assume responsibility for or pay down the Federal Committee's debt to Primacy.**

6. At no point, to my knowledge, did the federal committee and the state committee agree that the state committee would assume responsibility for paying down the federal committee's debt to **Primacy**.

7. **a. List and describe what services Deanna Liebergot provided to the Federal Committee from the date identified in response to 2.a. above to March 26, 1996.**

7. a. I served as campaign treasurer, which involves keeping the campaign books and filing all necessary election reports.

b. State how much time, on average per week, Ms. Liebergot spent providing services to the Federal Committee during this period.

- b. My "fees" for services were included in **The Primacy Group's** retainer. It is impossible to calculate how much time I spent each week providing services to Vargas for Congress '96. These duties were interspersed with my other duties at **The Primacy Group**.

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8 a. List and describe what services Deanna Liebergot provided to the Federal Committee from March 26, 1996 to the present.

8. a. I have continued to serve as campaign treasurer, which involves keeping the campaign books and filing all necessary election reports.

b. State how much time, on average per week, Ms. Liebergot spent providing services to the Federal Committee during this period.

b. It is impossible to calculate how much time I spent each week providing services to Vargas for Congress '96. These duties are interspersed with my other duties at **The Primacy Group**. I continue to be compensated as an employee of **The Primacy Group** and any services provided to Vargas for Congress '96 since March 26, 1996 have been in that capacity.

9. Describe what compensation, if any, Ms. Liebergot received directly from the Federal Committee from the date identified in response to 2.a. above to the present. If Ms. Liebergot was not paid directly by the Federal Committee during this period, describe how Ms. Liebergot was paid for her services. Such description should include, but not be limited to: how much Ms. Liebergot was paid and by whom; the basis upon which she was paid (e.g. hourly, weekly); how the rate of pay was determined; and any agreement that the Federal Committee had with any entity or individual about compensating Ms. Liebergot for her services to the Federal Committee.

9. I have never been paid directly from Vargas for Congress '96. I am an employee of **The Primacy Group**. My work for Vargas for Congress '96 was simply an additional duty I was assigned as part of my overall work for **The Primacy Group**. I am paid a salary from **The Primacy Group**. My salary is confidential, but it was not contingent on any work I performed for Vargas for Congress '96. I received no additional compensation for serving as Treasurer to Vargas for Congress '96, nor would I have had my compensation lowered if I had not acted as the campaign's Treasurer.

During the end of the campaign, I was informed that Councilman Vargas was pleased with my work – especially the extra time he saw I was putting in to process his checks, balance his books, and make payments in a timely manner over and above my normal work day. He told me he wanted to pay me a bonus. After the campaign, he stated again he wanted to pay me a bonus and wanted to list my bonus as part of his debt. This was wholly unexpected and was not contingent upon, in exchange for, or in any way related to the work I have performed for him. I would have performed the same work whether I receive this bonus or not.

10. Describe how the Federal Committee's debt to Ms. Liebergot as reported on Schedule D of the Federal Committee's January 22, 1999 filing with the Federal Election Commission, was incurred. State whether the Federal Committee intended to pay this debt, and describe what plans the Federal Committee has made, if any, to raise funds to pay the debt.

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10. During the end of the campaign, I was informed that Councilman Vargas was pleased with my work – especially the extra time he saw I was putting in to process his checks, balance his books, and make payments in a timely manner over and above my normal work day. He told me he wanted to pay me a bonus. After the campaign, he stated again he wanted to pay me a bonus and wanted to list my bonus as part of his debt. The debt to Deanna Liebergot, listed on Schedule D of the Vargas for Congress '96 filing, is for that bonus. I understand that this debt will be paid in full by Vargas for Congress as part of the overall effort to raise funds to pay off any and all outstanding campaign debts.

11. **Describe your document retention and destruction policies and identify the person(s) responsible for ensuring that documents are properly retained and/or destroyed. If such policies are reflected in documents, identify and produce the documents. If any documents that would have been responsive to this subpoena were transferred to any third party, identify all such documents and the persons who are currently in possession, custody or control of the requested materials.**

11. **The Primacy Group** routinely keeps invoices, back-up materials, books and appropriate records for several years. We have no policy regarding destruction of materials and have not transferred any documents to a third party.

I declare under penalty of perjury under the laws of the state of California and the United States that the foregoing is true and correct.

Executed this 29th day of June 1999, at San Diego, CA.



Deanna Liebergot

21:04:403 1618

Response to interrogatories directed to Deanna Liebergot (Committee to Re-Elect Vargas):

1. Identify all persons now or at any time employed by the Committee to Re-Elect Vargas ("State Committee").

1. Jamie Taylor

2. List and describe with as much specificity as possible what services The Primacy Group ("Primacy") performed for the State Committee from the date on which Primacy began to provide services to the State Committee to June 2, 1998. Such description should include, but not be limited to: the types of services rendered; the beginning date and duration of each service; how Primacy calculated each amount billed; and how much the State Committee paid Primacy for each service.

2. **The Primacy Group** began providing services approximately December 1, 1997. **The Primacy Group** provided a full array of consulting services including:

- Strategic analysis;
- Message development;
- Hiring and/or conducting polls, focus groups and other measurements of public opinion;
- Policy analysis;
- Development of a Campaign Plan and Budget;
- Development of a Fundraising Plan;
- Advice on press strategy;
- Creation and production of any materials for public communication, including speeches, press releases, flyers, leaflets, mailers, telephone scripts, radio and TV spots, etc.;
- Political advice;
- Hiring and retention of campaign staff and vendors -- and oversight to insure implementation of the Campaign Plan;
- Campaign Treasurer services;
- Use of **Primacy** offices for the campaign;
- Other advice and services as may be required in the course of the campaign.

The Primacy Group charged The Committee to Re-elect Vargas a retainer of \$3,000 per month, plus reimbursement for any out-of-pocket or vendor expenses, a "win bonus" of \$15,000, an additional \$200 for Treasurer services because of unexpected complexities with reporting requirements, and \$3,000 for post election consulting services. The retainer included **Primacy's** charges for all consulting services (services performed between June 30, 1998 and December 31, 1998), the Treasurer's services, and the use of a portion of the **Primacy** office for the campaign. (Note: A "win bonus" is a common feature of **Primacy/Vargas** contracts. The Congressional campaign contract - which is enclosed - included a large win bonus has Councilman Vargas won that race.)

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Enclosed are all copies of all **Primacy** bills for services, payments and costs incurred by The Committee to Re-Elect Vargas.

The '98 re-election campaign looked, at its beginning, like a difficult race. Mr. Vargas drew as an opponent one David Gomez, a well known community activist who had founded a well known group to stop sewage from Tijuana from being dumped across the border into communities in the District. In addition, Mr. Gomez had supported Rep. Bob Filner over Councilman Vargas in 1996, a hotly contested race that Filner ultimately won -- and it appeared as if Filner was supporting Gomez in an effort to get rid of Vargas to prevent him from running against Filner again in the future.

(Note: The FEC is undoubtedly aware of how serious "bad blood" feuds can run in politics. The Vargas-Filner feud is one of them. For Councilman Vargas to look at an election challenge from a Filner-linked candidate and not take it very seriously would have been irresponsible.)

In December of 1997, **The Primacy Group** began to assist Councilman Vargas in organizing his re-election campaign. The campaign fundraiser, Mr. James Taylor, was installed in **The Primacy Group** office to work under his supervision. Mr. Remer worked with Councilman Vargas and his staff on a full court press of campaign strategies:

- Securing endorsements;
- Development and implementation of various political strategies;
- Developing position papers;
- Preparing press releases;
- Walking precincts;
- Producing literature;
- Direct Mail and Phone Banks;

Your *Factual and Legal Analysis* makes a point that Anthony Millican reported in the local newspapers that Councilman Vargas had tremendously out raised and overpowered Mr. Gomez. Attached please find more news articles from the **Union-Tribune** and the press release from Mr Gomez' campaign announcement which document, in part, some of the issues in that part of Councilman Vargas' District and Mr. Gomez' level of prominence. We would like to note that:

- Mr. Gomez is an elected official. He has been elected to the Tia Juana County Water Authority.
- Mr. Gomez has been consistently critical of Councilman Vargas ever since the Councilman was first elected in a race wherein Mr. Gomez supported a rival candidate.
- Mr. Gomez has been widely quoted in the local press, including page 1 articles, and is seen as a legitimate political figure in the community.
- Mr. Gomez has a lengthy list of community service: President of *Citizens Revolting Against Pollution*, membership on the *San Diego Housing Appeals Board*, the *Otay Mesa-Nestor Planning Group*, and the *City of San Diego Oversight Committee Clean Water Act*, and an appointment from the Mayor to the *Voter Rights Task Force*.

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- It is also interesting to note that Derrick Roach, your complainant, is also mentioned in the enclosed articles because his worm farm sits in the same valley where Mr. Gomez has been so active fighting to reduce sewage.

Additionally, the Commission is likely not aware of the fact that a challenge to Councilman Vargas' eligibility to run for re-election in 1998 surfaced at the beginning of the campaign. The rules governing both the length of Council terms and "term limits" have changed several times during Councilman Vargas' tenure on the Council, which began in February of 1993. San Diego City Councilmembers are limited to "two terms", though there was a great deal of confusion over what length of service constituted a "full term." An attorney named Marvin Hendrix filed a formal challenge with the City Clerk on March 4, 1998, which the City Attorney and the Clerk reviewed and determined to be invalid. Ultimately, Mr. Hendrix sought relief in the courts, who ruled twice in favor of Councilman Vargas. A copy of Mr. Hendrix original letter and reply from the City Clerk is enclosed for your edification. This challenge from Mr. Hendrix posed a critical political challenge for the Vargas campaign, which required a tremendous amount of work from **The Primacy Group** on the Councilman's behalf to prepare the campaign to cope with any public repercussions of this issue if it became public before the campaign ended.

If, in the final analysis, Mr. Gomez made an anemic showing at the polls, this is only true because of the tremendous effort from all concerned. The Commission may not be aware of the fact that Councilman Vargas himself was first elected to the Council in February of 1993 on a budget of less than \$25,000 against an opponent who spent more than \$250,000.

District 8 (Councilman Vargas' Council district) is very small and compact. It is "walkable" and, as Councilman Vargas himself proved, it can be won by a low budget candidate with a concerted, hard fought door-to-door campaign. In fact, in Councilman Vargas' 1993 successful race, that same community newspaper dismissed his candidacy as not having a chance. **Again, it would have been irresponsible to not take the Gomez challenge seriously.** That Mr. Vargas won handily only shows the effectiveness of his campaign.

Enclosed are all copies of all **Primacy** bills for services and costs incurred by The Committee to Re-Elect Vargas.

3. **List and describe with as much specificity as possible what services Primacy performed for the State Committee from June 2, 1998 to January 26, 1999. Such description should include, but not be limited to: the types of services rendered; the beginning date and duration of each service; how Primacy calculated each amount billed; and how much the State Committee paid Primacy for each service.**

3. From June 2, 1998 through January 26, 1999, **The Primacy Group** provided The Committee to Re-elect Vargas with any necessary bookkeeping and campaign treasurer services and political advice related to re-election and policies and priorities for his new term on the Council. During this period, the Hendrix challenge to Councilman Vargas' right to run for Council was filed in court and

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became a public issue, which required **Primacy** to give the Councilman advice. A fee of \$3,000 was charged and paid.

4. **a. List and describe what services Deanna Liebergot provided to the State Committee from the date on which Primacy began providing services to the State Committee to June 2, 1998. State how much time per week, on average, Ms. Liebergot spent providing services to the State Committee during this period.**

4.a. I served as campaign treasurer, which involves keeping the campaign books and filing all necessary election reports. It is impossible to calculate how much time I spent each week providing services to the Committee to Re-Elect Vargas. These duties were interspersed with my other duties at **The Primacy Group**.

b. List and describe what services Deanna Liebergot provided to the State Committee from June 2, 1998 to January 26, 1999. State how much time per week, on average, Ms. Liebergot spent providing services to the State Committee during this period.

b. I continued to serve as campaign treasurer, which involves keeping the campaign books and filing all necessary election reports.

c. Describe what compensation, if any, Ms. Liebergot received directly from the State Committee for her services. If the State Committee paid Primacy for Ms. Liebergot's services, describe what compensation the State Committee paid to Primacy for Ms. Liebergot's services.

c. The fee for my services were included in **The Primacy Group's** retainer. It is impossible to calculate how much time I spent each week providing these services. These duties were interspersed other duties at **The Primacy Group**.

d. List and describe each occasion on which the State Committee did not pay Ms. Liebergot directly or indirectly at the time an obligation to pay her arose., In addition, for each such occasion explain why the State Committee owed her money, how much was owed, when the obligation was paid and whether it was paid in full.

d. No such occasion ever arose.

5. Describe your document retention and destruction policies and identify the person(s) responsible for ensuring that documents are properly retained and/or destroyed. If such policies are reflected in documents, identify and produce the documents. If any documents that would have been responsive to this subpoena were transferred to any third party, identify all such documents and the persons who are currently in possession, custody or control of the requested materials.

5. **The Primacy Group** routinely keeps invoices, back-up materials, books and appropriate records for several years. We have no policy regarding destruction of materials and have not transferred any documents to a third party.

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I declare under penalty of perjury under the laws of the state of California and the United States that the foregoing is true and correct.

Executed this 29th day of June 1999, at San Diego, CA.


Deanna Liebergot

21.04.43.163

Response to interrogatories directed to Larry Remer:

1. a. **Identify all persons employed by The Primacy Group ("Primacy") who have worked on or assisted with any campaign for elected office in which Juan Vargas was the candidate.**

1. a. Larry Remer
Deanna Liebergot
John Chilson
Fran Hosier
April Cressler

b. **Identify all persons who have an ownership interest in Primacy.**

b. Larry Remer

2. **List what services Primacy provides to its clients. Describe with as much specificity as possible how Primacy calculates how much to bill for each service Primacy provides. If any such calculations are memorialized in (a) document(s), identify and produce the document(s).**

2. **The Primacy Group** is a political consulting firm. **Primacy** provides strategic consultation advice and assistance to candidates and ballot measures. Such advice may include, but is not limited to:

- Strategic analysis;
- Message development;
- Hiring and/or conducting polls, focus groups and other measurements of public opinion;
- Policy analysis;
- Development of a Campaign Plan and Budget;
- Development of a Fundraising Plan;
- Advice on press strategy;
- Creation and production of any materials for public communication, including speeches, press releases, flyers, leaflets, mailers, telephone scripts, radio and TV spots, etc.;
- Political advice;
- Hiring and retention of campaign staff and vendors -- and oversight to insure implementation of the Campaign Plan;
- Campaign Treasurer services;
- Use of **Primacy** offices for the campaign;
- Other advice and services as may be required during the course of the campaign.

The Primacy Group charges its clients a retainer, based upon an agreed upon scope of work, and reimbursement for approved out-of-pocket expenses. Retainers have ranged from _____ In most, but not all, instances **Primacy** signs a contract with its clients delineating the services to be provided.

21-04-403-1624

In the past several years, **Primacy** has worked for dozens of candidates and ballot measures. Because of privacy concerns, I am not willing to provide copies of every individual contract. A sample contract and client list are attached.

3. a. **State when Primacy began to provide services to Vargas for Congress '96 ("Federal Committee").**

3. a. October 1, 1995.

b. **List and describe with as much specificity as possible what services Primacy provided to the Federal Committee from the date identified in 3.a. above to March 26, 1996. Such description should include, but not be limited to: the types of services provided; the beginning date and duration of each service; how Primacy calculated each amount billed; and how much Primacy billed the Federal Committee for each service.**

b. **The Primacy Group** provided a full array of services, including:

- Strategic analysis;
- Message development;
- Hiring and/or conducting polls, focus groups and other measurements of public opinion;
- Policy analysis;
- Development of a Campaign Plan and Budget;
- Development of a Fundraising Plan;
- Advice on press strategy;
- Creation and production of any materials for public communication, including speeches, press releases, flyers, leaflets, mailers, telephone scripts, radio and TV spots, etc.;
- Political advice;
- Hiring and retention of campaign staff and vendors -- and oversight to insure implementation of the Campaign Plan;
- Campaign Treasurer services;
- Use of **Primacy** offices for the campaign;
- Other advice and services as may be required during the course of the campaign.

Under the agreement, which has been requested by and will be provided to the FEC, **The Primacy Group** charged Vargas for Congress '96 a retainer of \$4,000 per month, plus reimbursement for any out-of-pocket or vendor expenses. The campaign was to pay \$1,000 per month, with the remainder held as 'deferred compensation', to be paid at the end of the campaign. The retainer included **Primacy's** charges for all consulting services, the Treasurer's services, and the use of a portion of the **Primacy** office for the campaign.

Enclosed are all copies of all **Primacy** bills for services, payment record and costs incurred by Vargas for Congress '96.

c. **List and describe with as much specificity as possible what services Primacy provided to the Federal Committee from March 26, 1996 to the**



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present. Such description should include, but not be limited to: the types of services provided; the beginning date and duration of each service; how Primacy calculated each amount billed; and how much Primacy billed the Federal Committee for each service.

c. Since March 26, 1996, **The Primacy Group** has provided Vargas for Congress '96 with bookkeeping and campaign treasury services, as agreed to in the original contract which included all such services until the campaign committee is closed. These services have been very minimal, since there has been virtual no reportable activity by the campaign.

4. **List and describe each occasion between the date identified in response 3.a. above to the present on which the Federal Committee incurred a "debt" to Primacy, as defined on page 4 of this Order. Such description should include, but not be limited to: the amount of the debt; how the debt was incurred; and efforts made by Primacy to collect the debt; and a listing of all date(s) and repayment amount(s) for each debt.**

4. On March 26, 1996, the election occurred and Vargas lost. At that point, all unpaid bills to **Primacy** became debts of the campaign and were subsequently reported as such as required under the law. Attached are copies of **Primacy** bills for services, payment record and costs incurred by Vargas for Congress '96.

The debt to **Primacy** was (and is) but one piece of a larger campaign debt. Councilman Vargas has made numerous efforts to raise funds to pay his debts -- with mixed results. Immediately after the campaign, his political 'capital' was exhausted to the point where it was not possible to raise funds to pay off the debt.

Some salient facts:

- It was agreed at the outset of the Vargas for Congress '96 campaign, as detailed in the contract between Councilman Vargas and **The Primacy Group** (a copy is enclosed with the documents requested by your subpoena), that the campaign would pay a monthly retainer of \$4,000 - \$1,000 in cash every month and the remainder to be held as "deferred compensation". **I wish to point out this fact to demonstrate that, from the outset, Primacy agreed that its consulting services would be paid "as the campaign's finances permitted."**
- It has always been **The Primacy Group's** intention to collect this debt and it has always been Councilman Vargas' intention to pay it - even though both parties knew that consulting services could be legally volunteered. Mr. Remer and Councilman Vargas have discussed the Vargas for Congress '96 debt to **Primacy** on numerous occasions. Both have agreed that it is a valid outstanding debt; that it needs to be carried on any FEC reports as such; and that it will be repaid when conditions improve.
- For **The Primacy Group** the "business" decision regarding collection of the debt involved:



21-04-403-1627

- Helping to keep Councilman Vargas "politically viable" so his fundraising prowess would not disappear. This involved maintaining a professional relationship with the Councilman and assisting his re-election campaign in order to keep him in office. As is well known, it is virtually impossible for out of office politicians to raise funds to retire old campaign debts. This was borne out in a recent **NY Times** article (6/13/99, WK 4) where Geraldine Ferraro, a former Congresswoman and Vice Presidential candidate, canceled a fundraiser 48 hours before the event for lack of interest, even though President Clinton and Sens. Moynihan and Schumer was scheduled to attend. (article enclosed)
- Not employing a collection agency, suing, or otherwise pursuing aggressive "collection techniques" which might be employed with commercial clients, in order to not alienate Councilman Vargas and keep him as a client (and, equally importantly, to keep good relationships with other current and potential clients).
- Timing is a critical element in politics. After the '96 Congressional race, Councilman Vargas felt, and I agreed, that he had "tapped out" his supporters. In addition, the local economy was still experiencing a recession. Efforts were made to raise funds to pay off the debt and some debts were paid, but raising sufficient funds to make substantial payments on the Congressional debt proved to be impossible.
- Earlier this year, conditions seemed better. The local economy is strong. Councilman Vargas is not facing a tough re-election. As a result, a fundraiser has been hired and efforts are under way to raise funds to pay the Vargas for Congress '96 debt.

We have enclosed two affidavits, signed under penalty of perjury that details the discussions and arrangements between Councilman Vargas and **The Primacy Group** over repayment of the debt. It was agreed by Councilman Vargas and **The Primacy Group** that the debt would remain "open" until the fundraising climate improved and Councilman Vargas was able to raise funds to pay down the debt. Eighteen months after the Congressional campaign ended, it became clear that Councilman Vargas was going to face potentially tough opposition in his race for re-election to the Council -- opposition supported and financed by many of the same political and economic forces who opposed the Councilman's Congressional campaign. Councilman Vargas was thus forced to focus his political and fundraising efforts on this campaign, which he won because of diligence and hard work. All efforts were focused on raising funds and winning re-election. This was accomplished; but, after that election, it was again felt that it was not the right time to start fundraising to pay off the Congressional debt.

During this time, **The Primacy Group** has continued to serve as the Treasurer for Vargas for Congress '96, handling all banking transactions, filing all necessary federal reports and performing any other required duties. From time to time, contributions have been solicited and made to Vargas for Congress, and have been disbursed in consultation with the Councilman.



This year, Vargas for Congress '96 decided to hire a fundraiser and is conducting an effort to pay off its entire campaign debt. With an improving local economy and sufficient time having past (almost 2 years) since his last fundraising effort, the Councilman and **The Primacy Group** agreed that the timing was now propitious to raise funds to pay off the debt.

5. **a. State when Primacy began to provide services to the Committee to Re-elect Vargas ("State Committee").**

5. a. Approximately December 1, 1997.

b. List and describe with as much specificity as possible what services Primacy provided to the State Committee from the date identified in 5.a. above to June 2, 1998. Such description should include, but not be limited to: the types of services provided; the beginning date and duration of each service; how Primacy calculated each amount billed; and how much Primacy billed the State Committee for each service.

b. **The Primacy Group** provided a full array of services, including:

- Strategic analysis;
- Message development;
- Hiring and/or conducting polls, focus groups and other measurements of public opinion;
- Policy analysis;
- Development of a Campaign Plan and Budget;
- Development of a Fundraising Plan;
- Advice on press strategy;
- Creation and production of any materials for public communication, including speeches, press releases, flyers, leaflets, mailers, telephone scripts, radio and TV spots, etc.;
- Political advice;
- Hiring and retention of campaign staff and vendors -- and oversight to insure implementation of the Campaign Plan;
- Campaign Treasurer services;
- Use of **Primacy** offices for the campaign;
- Other advice and services as may be required during the course of the campaign.

The Primacy Group charged The Committee to Re-elect Vargas a retainer of \$3,000 per month, plus reimbursement for any out-of-pocket or vendor expenses, a "win bonus" of \$15,000, an additional \$200 for Treasurer services because of unexpected complexities with reporting requirements, and \$3,000 for post election consulting services. The retainer included **Primacy's** charges for all consulting services (services performed between June 30, 1998 and December 31, 1998), the Treasurer's services, and the use of a portion of the **Primacy** office for the campaign. (Note: A "win bonus" is a common feature of **Primacy/Vargas** contracts. The Congressional campaign contract - which is enclosed - included a large win bonus has Councilman Vargas won that race.)



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Enclosed are all copies of all **Primacy** bills for services, payments and costs incurred by The Committee to Re-Elect Vargas.

Your *Factual and Legal Analysis* makes a point that Anthony Millican reported in the local newspapers that Councilman Vargas had tremendously out raised and overpowered Mr. Gomez. Attached please find more news articles from the **Union-Tribune** and the press release from Mr Gomez' campaign announcement which document, in part, some of the issues in that part of Councilman Vargas' District and Mr. Gomez' level of prominence. We would like to note that:

- Mr. Gomez is an elected official – an elected member of the Tijuana Valley County Water Authority.
- Mr. Gomez has been consistently critical of Councilman Vargas ever since the Councilman was first elected in a race wherein Mr. Gomez supported a rival candidate.
- Mr. Gomez has been widely quoted in the local press, including page 1 articles, and is seen as a legitimate political figure in the community.
- Mr. Gomez has a lengthy list of community service: President of *Citizens Revolting Against Pollution*, membership on the *San Diego Housing Appeals Board*, the *Otay Mesa-Nestor Planning Group*, and the *City of San Diego Oversight Committee Clean Water Act*, and an appointment from the Mayor to the *Voter Rights Task Force*.
- It is also interesting to note that Derrick Roach, your complainant, is also mentioned in the enclosed articles because his worm farm sits in the same valley where Mr. Gomez has been so active fighting to reduce sewage.

Additionally, the Commission is likely not aware of the fact that a challenge to Councilman Vargas' eligibility to run for re-election in 1998 surfaced at the beginning of the campaign. The rules governing both the length of Council terms and "term limits" have changed several times during Councilman Vargas' tenure on the Council, which began in February of 1993. San Diego City Councilmembers are limited to "two terms", though there was a great deal of confusion over what length of service constituted a "full term." An attorney named Marvin Hendrix filed a formal challenge with the City Clerk on March 4, 1998, which the City Attorney and the Clerk reviewed and determined to be invalid. Ultimately, Mr. Hendrix sought relief in the courts, who ruled twice in favor of Councilman Vargas. I have enclosed a copy of Mr. Hendrix original letter and reply from the City Clerk for your edification. This challenge from Mr. Hendrix posed a critical political challenge for the Vargas campaign, which required a tremendous amount of work from **The Primacy Group** on the Councilman's behalf to prepare ourselves to cope with any public repercussions of this issue if it became public before the campaign ended.

If, in the final analysis, Mr. Gomez made an anemic showing at the polls, this is only true because of the tremendous effort from all concerned. The Commission may not be aware of the fact that Councilman Vargas himself was first elected to the Council in February of 1993 on a budget of less than \$25,000 against an opponent who spent more than \$250,000.



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District 8 (Councilman Vargas' Council district) is very small and compact. It is "walkable" and, as Councilman Vargas himself proved, it can be won by a low budget candidate with a concerted, hard fought door-to-door campaign. In fact, in Councilman Vargas' 1993 successful race, that same community newspaper dismissed his candidacy as not having a chance. **Again, it would have been irresponsible to not take the Gomez challenge seriously.** That Mr. Vargas won handily only shows the effectiveness of his campaign. **In addition, the Hendrix lawsuit further highlights the need for political consulting to assist in the analysis and strategy of a potentially politically difficult situation.**

c. **List and describe with as much specificity as possible what services Primacy provided to the State Committee from June 2, 1998 to January 26, 1999. Such description should include, but not be limited to: the types of services provided; the beginning date and duration of each service; how Primacy calculated each amount billed; and how much Primacy billed the State Committee for each service.**

c. From June 2, 1998 through January 26, 1999, **The Primacy Group** provided The Committee to Re-elect Vargas with any necessary bookkeeping and campaign treasurer services and any political advice related to re-election and related policies and priorities for his new term on the Council and to the Hendrix challenge to Councilman Vargas' right to sit on the Council, which was filed in court and became a public issue during this time. An agreed upon fee of \$3,000 was charged and paid for this purpose.

d. **State whether Primacy has provided any services to the State Committee, whether paid or unpaid, since January 26, 1999. If so, describe such services.**

d. Since January 26, 1999, The Committee to Re-elect Vargas has been defunct and **The Primacy Group** has provided it with no services.

6. **List and describe with as much specificity as possible what services Primacy provided to the political committee formed in connection with Mr. Vargas' candidacy for City Council in 1995 ("State Committee 1995). Such description should include, but not be limited to: the types of services provided; the beginning date and duration of each service; how Primacy calculated each amount billed; and how much Primacy billed the State Committee 1995 for each service.**

6. **The Primacy Group** provided a full array of services, including:

- Strategic analysis;
- Message development;
- Hiring and/or conducting polls, focus groups and other measurements of public opinion;
- Policy analysis;
- Development of a Campaign Plan and Budget;
- Development of a Fundraising Plan;



21 04 403 1630

- Advice on press strategy;
- Creation and production of any materials for public communication, including speeches, press releases, flyers, leaflets, mailers, telephone scripts, radio and TV spots, etc.;
- Political advice;
- Hiring and retention of campaign staff and vendors -- and oversight to insure implementation of the Campaign Plan;
- Campaign Treasurer services;
- Use of **Primacy** offices for the campaign;
- Other advice and services as may be required during the course of the campaign.

The Primacy Group charged Vargas for Council '95 a total retainer plus reimbursement for any out-of-pocket or vendor expenses. The retainer included Primacy's charges for all consulting services, the Treasurer's services, and the use of a portion of the Primacy office for the campaign.

Enclosed are all copies of all **Primacy** bills for services and costs incurred by Vargas for Council '95.

7. a. **List the beginning and end dates of any period when Deanna Liebergot has not been an employee of Primacy or has taken leave from active employment with Primacy. For each such period, state what other work, if any, Ms. Liebergot was performing.**
7. a. Ms. Liebergot has been an employee continually of **The Primacy Group** for more than 15 years without interruption.
- b. **State all functions Ms. Liebergot performs or performed in connection with her employment by Primacy and the periods of time she has performed these functions.**
- b. Ms. Liebergot is the chief financial officer for **The Primacy Group**. She keeps the books, handles the billings, make deposits, prepares bills, prepares employee paychecks, works with the accountant, and performs any other tasks necessary for the proper financial conduct of the company. In addition, for several of our clients, Ms. Liebergot serves as campaign treasurer, which involves keeping their campaign books and filing all necessary election reports.
8. a. **List and describe what services Ms. Liebergot provided to the Federal Committee as an employee of Primacy from the date identified in response to 3.a. above to March 26, 1996. State how much time Ms. Liebergot spent providing services to the Federal Committee, on average per week, during this period.**
8. a. Ms. Liebergot served as campaign treasurer, which involves keeping the campaign books and filing all necessary election reports.

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b. Describe the amount and method by which Ms. Liebergot was compensated for her services to the Federal Committee from the date identified in response to 3.a. above to March 26, 1996. If she was compensated by the Federal Committee's paying Primacy for her services, describe the method that Primacy used to determine the amount which the Federal Committee was billed for her services.

b. The fee for Ms. Liebergot's services were included in *The Primacy Group's* retainer. It is impossible to calculate how much time she spent each week providing services to Vargas for Congress '96. These duties were interspersed with her other duties at *The Primacy Group*.

9. a. List and describe what services Ms. Liebergot provided to the Federal Committee as an employee of Primacy from March 26, 1996 to the present. State how much time Ms. Liebergot spent providing services to the Federal Committee, on average per week, during this period.

9. a. Ms. Liebergot has continued to serve as campaign treasurer, which involves keeping the campaign books and filing all necessary election reports. It is impossible to calculate how much time she spent each week providing services to Vargas for Congress '96. These duties were interspersed with her other duties at *The Primacy Group*.

b. Describe the amount and method by which Ms. Liebergot was compensated for her services to the Federal Committee from March 26, 1996 to the present. If she was compensated by the Federal Committee's paying Primacy for her services, describe the method that Primacy used to determine the amount which the Federal Committee was billed for her services.

b. Ms. Liebergot continues to be compensated as an employee of *The Primacy Group* and any services she has provided to Vargas for Congress '96 since March 26, 1996 have been in that capacity.

10. Describe any agreement -- written or oral -- Primacy had with any entity or individual in connection with any entity or individual other than the Federal Committee compensating Ms. Liebergot for her services to the Federal Committee. If such an agreement was memorialized in a document, identify and produce the document.

10. There is no such agreement -- written or oral.

11. a. List and describe what services Ms. Liebergot provided to the State Committee as an employee of Primacy from the date identified in 5.a. above until June 2, 1998. State how much time Ms. Liebergot spent providing services to the State Committee, on average per week, during this period.

11.a. Ms. Liebergot served as campaign treasurer, which involves keeping the campaign books and filing all necessary election reports.



21 04 403 1632

b. Describe the amount and method by which Ms. Liebergot was compensated for her services to the Federal Committee from the date identified in 5.a. above until June 2, 1998. If she was compensated by the Federal Committee's paying Primacy for her services, describe the method that Primacy used to determine the amount which the State Committee was billed for her services.

b. The fee for Ms. Liebergot's services were included in **The Primacy Group's** retainer, with the exception of an additional \$200 charge, paid in July of 1998, to compensate Ms. Liebergot for some unexpected complexities with regard to her duties as treasurer. It is impossible to calculate how much time she spent each week providing services to the Committee to Re-Elect Vargas. These duties were interspersed with her other duties at **The Primacy Group**.

12. a. List and describe what services Ms. Liebergot provided to the State Committee as an employee of Primacy from June 2, 1998 to January 26, 1999. State how much time Ms. Liebergot spent providing services to the Federal Committee, on average per week, during this period.

a. Ms. Liebergot served as campaign treasurer, which involves keeping the campaign books and filing all necessary election reports.

b. Describe the amount and method by which Ms. Liebergot was compensated for her services to the Federal Committee from June 2, 1998 to January 26, 1999. If she was compensated by the Federal Committee's paying Primacy for her services, describe the method that Primacy used to determine the amount which the Federal Committee was billed for her services.

b. The fee for Ms. Liebergot's services were included in **The Primacy Group's** retainer. It is impossible to calculate how much time she spent each week providing services to Committee to Re-Elect Vargas. These duties were interspersed with her other duties at **The Primacy Group**.

13. a. State whether any of Primacy's current or former employees have volunteer for any political entity or candidate since October, 1995. If so, state for whom these employees have volunteers, and for how long. If any employees have volunteered during working hours state whether such volunteer work was authorized. If such authorization was memorialized, identify and produce the document.

13.a. I know of no instance wherein any of **Primacy's** current or former employees volunteered for any candidate or political entity since 1995.

b. State whether Primacy is aware of any occasion on which Ms. Liebergot has used Primacy's resources in connection with her volunteer work for any political entity or candidate committee. If so, describe how Primacy's resources were used, and state whether such use was authorized. If such authorization was memorialized, identify and produce the document.



21.04.403.1633

- b. I have no awareness of any **Primacy** resources being used in connection with any volunteer work by Ms. Liebergot.

14. State whether Primcay owes or has owed any money to Ms. Liebergot since the date identified in response to 3.a. above. If so, state how much was owed or is owing, and how such obligation was incurred.

14. **The Primacy Group** owes no money to Ms. Liebergot and has owed her no money at any point during her employment, other than her regular pay.

15. a. Describe with as much specificity as possible Primacy's polic(y)(ies) with regard to extending credit to Primacy's clients. State whether Primacy maintains different policies for political and non-political clients with regard to extensions of credit, or treats political and non-political clients differently under a single policy. If applicable, describe the differences between the policies or the differences within the policy. If such polic(y)(ies) were memorialized in (a) document(s), identify and produce the document(s).

15. a. **The Primacy Group** attempts to conduct its business on a cash-and-carry basis. Every **Primacy** client agrees, in writing, at the time of signing their initial contract, to be personally responsible for any bills incurred by their campaign.

There are no differences between political and non-political clients because **Primacy** is a political consulting firm and 95% of our client base are political clients.

Credit has been extended to clients when, in my judgement, they are good credit personal risks. These assessments are made on a case-by-case basis.

When credit is extended, **The Primacy Group** works with the client to assist and facilitate repayment. In the case of Vargas for Congress '96, **The Primacy Group** has had numerous conversations with Councilman Vargas about repayment of the debt. Essentially, we have agreed to "wait until the timing is right". **The Primacy Group** has employed similar policies with other clients.

In Councilman Vargas' case, it has always been **The Primacy Group's** intention to collect this debt and it has always been Councilman Vargas' intention to pay it - even though both parties knew that consulting services could be legally volunteered. Mr. Remer and Councilman Vargas have discussed the Vargas for Congress '96 debt to **Primacy** on numerous occasions. Both have agreed that it is a valid outstanding debt; that it needs to be carried on any FEC reports as such; and that it will be repaid when conditions improve.

For **The Primacy Group** the "business" decision regarding collection of the debt involved:

- Helping to keep Councilman Vargas "politically viable" so his fundraising prowess would not disappear. This involved maintaining a professional

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21.04.403.1633

relationship with the Councilman and assisting his re-election campaign in order to keep him in office. As is well known, it is virtually impossible for out of office politicians to raise funds to retire old campaign debts. This was borne out in a recent **NY Times** article (6/13/99, WK 4) where Geraldine Ferraro, a former Congresswoman and Vice Presidential candidate, canceled a fundraiser 48 hours before the event for lack of interest, even though President Clinton and Sens. Moynihan and Schumer was scheduled to attend. (article enclosed)

- Not employing a collection agency, suing, or otherwise pursuing aggressive "collection techniques" which might be employed with commercial clients, in order to not alienate Councilman Vargas and keep him as a client (and, equally importantly, to keep good relationships with other current and potential clients).

Timing is critical element in politics. After the '96 Congressional race, Councilman Vargas felt, and Larry Remer agreed, that he had "tapped out" his supporters. In addition, the local economy was still experiencing a recession. Efforts were made to raise funds to pay off the debt and some debts were paid, but raising sufficient funds to make substantial payments on the Congressional debt proved to be impossible.

Less than 18 months later, Councilman Vargas was facing what he thought would be a difficult re-election battle. All efforts were focused on raising funds and winning re-election. This was accomplished; but, after that election, it was again felt that it was not the right time to start fundraising to pay off the Congressional debt.

Earlier this year, conditions seemed better. The local economy is strong. Councilman Vargas is not facing a tough re-election. As a result, a fundraiser has been hired and efforts are under way to raise funds to pay the Vargas for Congress '96 debt.

We have enclosed two affidavits, signed under penalty of perjury that details the discussions and arrangements between Councilman Vargas and **The Primacy Group** over repayment of the debt.

b. With regard to the answers supplied to 15.a. above, state whether this/these polic(y)(ies) is/are communicated to clients or potential clients before services to the client are begun.

b. Yes.

c. List all clients to which Primacy has extended credit since October, 1995. For each such client state whether Primacy adhered to the polic(y)(ies) described in response to 15.a. above in connection with extending the credit.

c. The Primacy Group has, since October 1995, extended credit to the following clients:



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16. a. Describe with as much specificity as possible Primacy's polic(y)(ies) with regard to collection of, or partial or total forgiveness of, "debts" (as defined on page 4 of this Order) owed to Primacy by clients. State whether Primacy maintains different policies for political and non-political clients with regard to debts, or treats political and non-political clients differently under a single policy. If applicable, describe the differences within the policy.

16. a. **The Primacy Group** does not forgive -- partially or in whole -- any legitimate debt.

There are no differences between political and non-political clients because **Primacy** is a political consulting firm and 95% of our client base are political clients.

b. With regard to the answers supplied to 16.a. above, state whether this/these polic(y)(ies) is/are communicated to clients or potential clients before services to the client are begun.

b. Yes.

c. List each client who has incurred a "debt", as defined on page 4 of this Order, to Primacy since October, 1995. For each such client state whether Primacy adhered to the polic(y)(ies) described in response to 16.a. above in connection with the debt.

c. **The Primacy Group** has, since October 1995, extended credit to the following clients:

17. Describe Primacy's document retention and destruction policies and identify the person(s) responsible for ensuring that documents are properly retained and/or destroyed. If such policies are reflected in documents, identify and produce the documents. If any documents that would have



been responsive to this subpoena were transferred to any third party, identify all such documents and the persons who are currently in possession, custody or control of the requested materials.

17. **The Primacy Group** routinely keeps invoices, back-up materials, books and appropriate records for several years.

I declare under penalty of perjury under the laws of the state of California and the United States that the foregoing is true and correct.

Executed this 29th day of June 1999, at San Diego, CA.



Larry Remer

21.04.403.1637

Response to "Document Request" directed to Deanna Liebergot (Vargas for Congress):

Items 1 - 4 are provided.

Items 5:

There are no such documents.

PI 04 403 1639

Response to "Document Request" directed to Deanna Liebergot (Committee to Re-Elect Vargas '98):

Item 1:

There are no such documents.

Item 2 - 3 are provided.

Items 4:

There are no such documents.

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Response to "Document Request" directed to Larry Remer:

Item 1. Provided

Item 2. There is no document or contract between **The Primacy Group** and Re-Elect Vargas '98.

Item 3 - 6. Provided.

Items 7 & 8:

Deanna Liebergot is the chief financial officer for **The Primacy Group**. She keeps the books, handles the billings, make deposits, prepares bills, prepares employee paychecks, works with the accountant, and performs any other tasks necessary for the proper financial conduct of the company. In addition, for several of our clients, Ms. Liebergot serves as campaign treasurer, which involves keeping their campaign books and filing all necessary election reports.

She has no 'official' job description, beyond the above.

She has no list of 'official duties' for the "Federal Committee" or the "State Committee", beyond the above.

Her duties are performed as part of her overall work for **The Primacy Group**. As such, there are no independent "billing records" for her work for either committee.

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