EXHIBIT 1

INTRODUCTION

On or about February 26, 2009, Ben Hueso for State Assembly 2010 ("Respondent Committee") was established as a committee controlled by Respondent Ben Hueso ("Respondent Hueso") who, at the time, was a candidate for California's 79th District State Assembly seat. Respondent Nancy Haley ("Respondent Haley") was the treasurer for Respondent Committee during all relevant times.

On or about October 7, 2010, Respondent Committee made a Twenty Five Thousand Dollar ($25,000) contribution to San Diegans for Healthy Neighborhoods and a Strong Economy to Support Felipe Hueso for City Council - 2010 Sponsored by San Diego-Imperial Counties Labor Council AFL-CIO ("San Diegans"), a recipient committee primarily formed to support Felipe Hueso, for the purpose of making an independent expenditure to support Felipe Hueso, in violation of Section 85501 of the Political Reform Act (the "Act").[1]

On or about October 28, 2010, upon learning that the contribution his committee made violated Section 85501, Respondent Hueso immediately contacted the San Diego-Imperial Counties Labor Council AFL-CIO ("Labor Council") and requested a refund of the contribution, and Labor Council's sponsored committee, San Diegans, promptly returned the Twenty Five Thousand Dollar ($25,000) contribution to Respondent Committee.

On or about November 6, 2010, Respondent Hueso self-reported the violation to the Fair Political Practices Commission (the "Commission").

For the purposes of this Stipulation, Respondent Hueso, Respondent Committee, and Respondent Haley's violation of the Act is stated as follows:

> COUNT 1: On or about October 7, 2010, Respondents contributed Twenty Five Thousand Dollars ($25,000) from Ben Hueso for State Assembly 2010 to San Diegans for Healthy Neighborhoods and a Strong Economy to Support Felipe Hueso for City Council - 2010 Sponsored by San Diego-Imperial Counties Labor Council AFL-CIO, for the purpose of making independent expenditures to support another candidate, a violation of Government Code Section 85501.

SUMMARY OF THE LAW

All statutory references and discussions of law pertain to the Act's provisions as they existed at the time of the violations.

[1] The Political Reform Act is contained in Government Code Sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in Sections 18110 through 18997 of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

Need for Liberal Construction and Vigorous Enforcement of the Political Reform Act

When the Political Reform Act was enacted, the people of the state of California found and declared that previous laws regulating political practices suffered from inadequate enforcement by state and local authorities. (Government Code Section 81001, subd. (h)) To that end, Section 81003 requires that the Act be liberally construed to achieve its purposes.

One of the purposes of the Act is to ensure that receipts and expenditures in election campaigns are fully and truthfully disclosed so that voters are fully informed and improper practices are inhibited. (Government Code Section 81002, subd. (a)) Another purpose of the Act is to provide adequate enforcement mechanisms so that the Act will be "vigorously enforced." (Government Code Section 81002, subd. (f))

Candidate Controlled Committees and Independent Expenditures

The Act prohibits controlled committees of a candidate from contributing funds to another committee for the purpose of making independent expenditures to support or oppose other candidates. (Government Code Section 85501)

Section 82013, subdivision (a), defines a "committee" to include any person or combination of persons who receives contributions totaling One Thousand Dollars ($1,000) or more in a calendar year. This type of committee is commonly referred to as a "recipient committee." Under Section 82016, a recipient committee which is controlled directly or indirectly by a candidate, or which acts jointly with a candidate in connection with the making of expenditures, is a "controlled committee." A candidate controls a committee if he or she, his or her agent, or any other committee he or she controls has a significant influence on the actions or decisions of the committee. (Government Code Section 82016, subd. (a))

A contribution is defined as any payment except to the extent that full and adequate consideration is received, unless it is clear from the surrounding circumstances that it is not made for political purposes. (Government Code Section 82015, subd. (a))

An independent expenditure is defined as an expenditure by any person in connection with a communication which expressly advocates the election or defeat of a clearly identified candidate, or taken as a whole and in context, unambiguously urges a particular result in an election but which is not made to or at the behest of the affected candidate or committee. (Government Code Section 82031)

Treasurer Liability

Under Section 81004, subdivision (b), Section 84100 and Regulation 18427, subdivision (a), a committee's treasurer has the duty to ensure compliance with all requirements of the Act concerning the receipt and expenditure of funds, and the reporting of such funds. Pursuant to Sections 83116.5 and 91006, the treasurer of a committee may be held jointly and severally liable, along with the committee, for the committee's violations.

SUMMARY OF THE FACTS

Felipe Hueso is Respondent Hueso's brother, and at all relevant times was a candidate for a San Diego City Council seat. On October 1, 2010, San Diegans had a cash balance of Fifteen Thousand Dollars ($15,000). On or about October 7, 2010, San Diegans received a contribution of Twenty Five Thousand Dollars ($25,000) from Respondent Committee. On October 11, 2010, San Diegans received a Five Hundred Dollar ($500) contribution from Tony Mendoza for Assembly 2010. On October 12, 2010, San Diegans made an independent expenditure of Eighteen Thousand Seven Hundred Ninety Three Dollars and Fifty Five Cents ($18,793.55) on a mail piece in support of Felipe Hueso for City Council. When San Diegans made the independent expenditure, they had only a Fifteen Thousand Dollar ($15,000) cash balance, the Five Hundred Dollar ($500) contribution from Tony Mendoza for Assembly 2010, and Respondent Committee's Twenty Five Thousand Dollar ($25,000) contribution. Therefore, Three Thousand Two Hundred Ninety Three Dollars and Fifty Five Cents ($3,293.55) of the independent expenditure made by San Diegans on October 12, 2010, was funded by Respondent Committee's contribution.

On October 28, 2010, after the mail piece had been sent, a reporter brought to Respondent Hueso's attention the provision of the Act that prohibits a candidate-controlled committee from contributing funds to another committee for the purpose of making independent expenditures to support or oppose other candidates. After Respondent Hueso was informed by the reporter of the violation, Respondent Hueso requested that Labor Council, San Diegans' sponsor, return the Twenty Five Thousand Dollars ($25,000) to Respondent Committee, which San Diegans promptly did. On November 6, 2010, Respondent Hueso self-reported the violation to the Commission.

CONCLUSION

This matter involves one count of violating the Act which carries a maximum administrative penalty of Five Thousand Dollars ($5,000).

In determining the appropriate penalty for a particular violation of the Act, the Enforcement Division considers the typical treatment of a violation in the overall statutory scheme of the Act, with an emphasis on serving the purposes and intent of the Act. Additionally, the Enforcement Division considers the facts and circumstances of the violation in context of the factors set forth in Regulation 18361.5, subdivision (d)(1)-(6): the seriousness of the violations; the presence or lack of intent to deceive the voting public; whether the violation was deliberate, negligent, or inadvertent; whether the respondent(s) demonstrated good faith in consulting with Commission staff; whether there was a pattern of violations; and whether upon learning of the violation the respondent voluntarily filed amendments to provide full disclosure. The facts are required to be considered by the Commission under Regulation 18361.5.

Section 85501 functions to prevent a candidate-controlled committee from making independent expenditures to support or oppose other candidates. At the state level and in many local jurisdictions, there is a limit on the amount that persons may contribute to a candidate and a limit on the amount that a candidate or officeholder may contribute or transfer to another candidate's campaign. (Sections 85303 and 85305.) Absent Section 85501, limits on the

amount that a person may give a candidate or that an officeholder may contribute or transfer to another candidate would be rendered ineffective if a candidate-controlled committee could make an unlimited amount of independent expenditures to support or oppose another candidate.

There are no comparable cases for a violation of Section 85501. In this matter, Respondent Hueso, at the time of the violation, was the San Diego City Council President, and a candidate for the California State Assembly, with previous campaign experience and knowledge of the Act's provisions. Further, the contribution was not returned to Respondent Committee until after Respondent Hueso was informed of the violation by the media.

The contribution made in violation of the Act was in the amount of Twenty Five Thousand Dollars ($25,000), a large sum of money. Furthermore, Respondent Hueso has a history of violating the Act. He committed two violations of the Act in 2004 for using personal funds to pay for campaign expenses without first depositing them into his campaign account, and for not properly reporting those payments on his campaign statements. As a result, the Enforcement Division issued a warning letter to him on April 17, 2009. Neither of the other respondents were parties to that matter.

However, Respondent Hueso did self-report the violation of Section 85501 to the Enforcement Division. Additionally, the contribution made in violation of Section 85501 was returned to Respondent Committee before the election, and Respondents worked diligently and cooperatively with the Commission to obtain a speedy resolution of this matter.

RECOMMENDED PENALTY

After consideration of the factors of Regulation 18361.5 and the facts of this case, including the aggravating and mitigating factors discussed above, the Enforcement Division recommends the agreed upon penalty of Two Thousand Dollars ($2,000) for one count.