

EXHIBIT 1

INTRODUCTION

At all relevant times, Respondent Dean Andal (“Respondent Andal”) was running for the Lincoln Unified School District Board of Trustees. His controlled committees included Respondent Citizens for Andal and Respondent Citizens for Andal-Lincoln Unified.

At all relevant times, Respondent Larry Solari (“Respondent Solari”) was the committee treasurer for Respondent Citizens for Andal and Respondent Citizens for Andal-Lincoln Unified.

Under the Political Reform Act (the “Act”)¹, a mass mailing must include identifying information regarding the sender if the sender is a candidate or committee. Additionally, candidates, their controlled committees, and the treasurers of such committees are required to report, on pre-election and semi-annual campaign statements, certain information regarding expenditures, including accrued expenses. As set forth in the counts below, Respondents violated the Act by sending two mass mailings without including the required sender identification information, and Respondents failed to report certain required information regarding expenditures, including accrued expenses.

For purposes of this Stipulation, the proposed violations of the Act are as follows:

Respondents Dean Andal and Citizens for Andal

COUNT 1: On or about October 12, 2004, Respondents Dean Andal and Citizens for Andal sent a mass mailing, which identified candidate Clarence Chan, who was seeking re-election to the Stockton Unified School District Board of Trustees in the November 2004 election, but the mailing did not expressly advocate Mr. Chan’s election or defeat. This mailing did not display the proper name, address, and city of the candidate and committee that sent the mass mailing, in violation of Section 84305, subdivisions (a) and (c).

COUNT 2: On or about October 15, 2004, Respondents Dean Andal and Citizens for Andal sent a mass mailing, which identified candidate Clarence Chan, who was seeking re-election to the Stockton Unified School District Board of Trustees in the November 2004 election, but the mailing did not expressly advocate Mr. Chan’s election or defeat. This mailing did not display the proper name, address, and city of the candidate and committee

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.

that sent the mass mailing, in violation of Section 84305, subdivisions (a) and (c).

COUNT 3: Respondents Dean Andal and Citizens for Andal failed to report on a pre-election campaign statement for the reporting period of October 1, 2004, through October 16, 2004, accrued expenses for said reporting period totaling approximately \$1,620.57, in violation of Section 84211, subdivisions (b), (i), and (k), and Regulation 18421.6.

Respondents Dean Andal, Citizens for Andal-Lincoln Unified, and Larry Solari

COUNT 4: Respondents Dean Andal, Citizens for Andal-Lincoln Unified, and Larry Solari failed to report on a semi-annual campaign statement for the reporting period of October 17, 2004, through December 31, 2004, required information regarding expenditures of \$100 or more totaling approximately \$7,217.06, in violation of Section 84211, subdivisions (i), (k), and (m).

SUMMARY OF THE LAW

The violations discussed below occurred between approximately October 2004 and February 2005. All statutory references and discussions of law pertain to the Act's provisions as they existed at the time of the violations in 2004 and 2005.

Definition of Controlled Committee

Section 82013, subdivision (a), defines a "committee" to include any person or combination of persons who receive contributions totaling \$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. (Section 82016, subd. (a).)

Mass Mailing Sender Identification

Section 84305, subdivisions (a) and (b), requires candidates and committees to properly identify themselves when sending a mass mailing. Specifically, the statute provides that no single candidate or committee shall send a mass mailing unless the name, street address, and city of the candidate or committee are shown on the outside of each piece of mail in the mass mailing. Additionally, if the sender of a mass mailing is a controlled committee, the name of the person controlling the committee must be included. (Section 84305, subd. (c).)

A "mass mailing" is over 200 substantially similar pieces of mail sent in a calendar month, not including form letters or other mail sent in response to an unsolicited request, letter or other inquiry. (Section 82041.5; Regulation 18435, subd. (a).) The "sender" of a mass mailing

is the candidate or committee who pays for the largest portion of expenditures attributable to the designing, printing or posting of the mailing. (Regulation 18435, subd. (b).) The phrase “pay for” means to make, to promise to make, or to incur an obligation to make, payment. (Regulation 18435, subd. (c).) This provision applies to any mass mailing sent by a candidate or committee even if the mailing does not “expressly advocate” the election or defeat of a candidate or ballot measure.

Duty to File Campaign Statements

At the core of the Act’s campaign reporting system is the requirement set forth in Section 84200, subdivision (a), that a recipient committee file semi-annual campaign statements each year no later than July 31 for the period ending June 30, and no later than January 31 for the period ending December 31.

Also, all candidates for local office and their controlled committees are required to file two pre-election campaign statements before an election in which the candidate is being voted upon. (Sections 84200.5 and 84200.7.) For elections held on the first Tuesday after the first Monday in November, pre-election statements must be filed as follows: (1) for the period ending September 30, a statement must be filed no later than October 5; and (2) for the period ending 17 days before the election, a statement must be filed no later than 12 days before the election. (Section 84200.7, subd. (b).)

Duty to Report Expenditures, Including Accrued Expenses

Section 82025 defines “expenditure” as a payment, forgiveness of a loan, payment of a loan by a third party, or an enforceable promise to make a payment, unless it is clear from the surrounding circumstances that it is not made for political purposes. “An expenditure is made on the date the payment is made or on the date consideration, if any, is received, whichever is earlier.” (Section 82025.)

Section 84211, subdivisions (b) and (i), require candidates and their controlled committees to disclose on each campaign statement: (1) the total amount of expenditures made during the period covered by the campaign statement; and (2) the total amount of expenditures made during the period covered by the campaign statement to persons who have received \$100 or more.

Pursuant to Section 84211, subdivision (k), for each person to whom an expenditure of \$100 or more has been made during the period covered by the campaign statement, the following information must be disclosed on the campaign statement: (1) the recipient’s full name; (2) the recipient’s street address; (3) the amount of each expenditure; and (4) the description of the consideration for which each expenditure was made.

In the case of an expenditure which is a contribution to a candidate, elected officer, or committee, or in the case of an independent expenditure, the following additional information must be disclosed: (1) the date of the contribution or independent expenditure; (2) the cumulative amount of contributions made to a candidate, elected officer, or committee, or the cumulative amount of independent expenditures made relative to a candidate or measure; (3) the

full name of the candidate; (4) the office and district for which he or she seeks nomination or election, or the number or letter of the measure; (5) the jurisdiction in which the measure or candidate is voted upon; and (6) if a committee is listed pursuant to the foregoing requirements, the number assigned to the committee by the Secretary of State shall be listed, or if no number has been assigned, the full name and street address of the treasurer of the committee. (Section 84211, subs. (k)(5) and (m).)

Additionally, accrued expenses (excluding loans) owed by a recipient committee which remain outstanding shall be reported on each campaign statement until extinguished. (Regulation 18421.6, subd. (a).) Such accrued expenses must be reported as of the date on which the goods or services are received, except that any obligation incurred for a regularly recurring administrative overhead expense (e.g., rent, utilities, phones, campaign workers' salary) need not be reported as an accrued expense before the payment due date. (Regulation 18421.6, subd. (b).)

Treasurer and Candidate Liability

Under Sections 81004, subdivision (b), 84100, and 84213, and Regulation 18427, subdivisions (a), (b) and (c), it is the duty of a candidate and the treasurer of his or her controlled committee to ensure that the committee complies with all of the requirements of the Act concerning the receipt and expenditure of funds, and the reporting of such funds. A committee's treasurer and candidate may be held jointly and severally liable, along with the committee, for any reporting violations committed by the committee under Sections 83116.5 and 91006.

SUMMARY OF THE FACTS

At all relevant times, Respondent Andal was running for the Lincoln Unified School District Board of Trustees. His controlled committees included Respondent Citizens for Andal and Respondent Citizens for Andal-Lincoln Unified.

Respondent Citizens for Andal qualified as a committee under the Act about January 2003. It was formed for the candidacy of Respondent Andal for the San Joaquin County Board of Education for the 2008 election year. The committee filed a termination statement in approximately February 2006.

Respondent Citizens for Andal-Lincoln Unified qualified as a committee under the Act about July 2004. It was formed for the candidacy of Respondent Andal for the Lincoln Unified School District Board of Trustees for the 2004 election year. The committee filed a termination statement in approximately February 2005.

At all relevant times, Respondent Solari was the committee treasurer for Respondent Citizens for Andal and Respondent Citizens for Andal-Lincoln Unified.

Counts 1 and 2: Failure to Identify Sender of Mass Mailings

In 2004, incumbent Clarence Chan was seeking re-election to the Stockton Unified School District Board of Trustees for Area 4. His opponent was Sarah Bowden. The election

was held on November 2, 2004. Ms. Bowden won the election with 4,840 votes, and Mr. Chan lost with 3,782 votes.

The month before the election, Respondent Citizens for Andal sent two mass mailings using precanceled stamps. The mass mailings did not rise to the level of express advocacy, but they cast Clarence Chan in a negative light. Each mass mailing was sent to approximately 4,000 recipients.

The first mass mailing, which was mailed on approximately October 12, 2004, took the form of a two page letter from Ronni Wukasinovich, President of an organization called Parents Against Waste in Schools. The letter was mailed with a one page enclosure entitled:

Clarence Chan:
Stockton Unified, Area 4
A Record of Failure

The second mass mailing, which was mailed on approximately October 15, 2004, took the form of a two page letter from a man named Don Blythe. The letter was mailed with a one page enclosure that was virtually identical to the enclosure that was mailed with the Wukasinovich mass mailing.

Respondent Andal's controlled committee, Citizens for Andal, paid for the largest portion of expenditures attributable to the mass mailings within the meaning of Regulation 18435. Thus, the mass mailings were required to display the names of Respondents Andal and Citizens for Andal, as well as the address and city of Respondent Citizens for Andal. (Section 84305, subs. (a) and (c).) However, the mass mailings in question did not display this sender identification information.

By sending two mass mailings without including the required sender identification information, Respondents Andal and Citizens for Andal committed two violations of Section 84305, subdivisions (a) and (c).

Count 3: Failure to Report Accrued Expenses

On approximately October 1, 2004, Business Printing Service invoiced Respondent Citizens for Andal in the amount of \$1,620.57 for printing and copying charges attributable to the mass mailings described above. Ultimately, these charges were paid in December 2004. However, in the meantime, Respondents Andal and Citizens for Andal failed to report the charges as accrued expenses on a pre-election campaign statement for the reporting period of October 1, 2004, through October 16, 2004, in violation of Section 84211, subdivisions (b), (i), and (k), and Regulation 18421.6.

There is no evidence that the committee treasurer, Respondent Solari, knew about the accrued expenses when the pre-election campaign statement was filed. The printing and copying charges were invoiced to Respondent Citizens for Andal at Respondent Andal's home address, rather than the address of the committee.

Count 4: Failure to Properly Report Expenditures

In November and December 2004, Respondent Citizens for Andal-Lincoln Unified made three expenditures of \$100 or more, as follows:

Payee	Check No.	Amount
Bank of Stockton	1022	\$223.05
Lincoln Unified School District	1023	\$2,400.00
Business Printing Service	1024	\$4,594.01
Total:		\$7,217.06

The foregoing expenditures should have been reported on Respondent Citizens for Andal-Lincoln Unified's semi-annual campaign statement for the reporting period of October 17, 2004, through December 31, 2004. Although Respondent Citizens for Andal-Lincoln Unified filed a semi-annual campaign statement for that reporting period, and although page 3 of the statement disclosed that expenditures for the reporting period totaled \$7,217.06, the statement was missing the required Schedule E, which would have contained information about the expenditures required by Section 84211, subdivisions (i), (k), and (m), such as the total amount of expenditures made to persons receiving \$100 or more, the names and addresses of the payees, the amounts that they received, and the description of the consideration for which the payments were made. Respondents maintain that the Lincoln Unified School District expenditure was for charitable purposes.

By failing to properly report the above-described expenditures on a semi-annual campaign statement for the reporting period of October 17, 2004, through December 31, 2004, Respondents Dean Andal, Citizens for Andal-Lincoln Unified, and Larry Solari violated Section 84211, subdivisions (i), (k), and (m).

DETERMINATION OF PENALTY AMOUNT

This matter consists of four counts of violating the Act, which carry a maximum administrative penalty of \$5,000 per count, for a total maximum penalty of \$20,000 for Respondent Andal (Counts 1-4), \$15,000 for Respondent Citizens for Andal (Counts 1-3), \$5,000 for Respondent Solari (Count 4), and \$5,000 for Respondent Citizens for Andal-Lincoln Unified (Count 4).

This case involves campaign reporting violations and the failure to identify the sender of two mass mailings. The public harm inherent in campaign reporting violations, especially where pertinent information is not disclosed before an election, is that the public is deprived of important information such as the sources and amounts of contributions to a campaign and the amounts expended by the campaign. Additionally, the failure to provide proper sender identification for a mass mailing is a serious violation of the Act because it deprives the public of important information regarding the sponsor of the mailing.

In determining the appropriate penalty for a particular violation of the Act, the Commission 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. This requires consideration of aggravating and mitigating factors, as follows:

Aggravating Factors Applicable to All Counts

An aggravating factor applicable to all counts is the fact that Respondent Andal had a great deal of prior experience with the Act. He previously served as a member of the California State Assembly and the California Board of Equalization (not including other public offices he has run for/held), and he was previously involved with numerous mass mailings.

Mitigating Factors Applicable to All Counts

A mitigating factor applicable to all counts is the fact that Respondents Andal, Citizens for Andal, Citizens for Andal-Lincoln Unified, and Larry Solari cooperated with the Enforcement Division of the Fair Political Practices Commission in all phases of the investigation of this matter and by agreeing to an early settlement of this matter well in advance of the Probable Cause Conference that otherwise would have been held.

Determination of Penalty Amount as to Counts 1 and 2

Failure to Identify Sender of Mass Mailings, Involving
Respondents Dean Andal and Citizens for Andal

The typical administrative penalty for failing to identify the sender of a mass mailing has varied depending upon the unique facts of each case. In this case, the following specific aggravating and mitigating factors are applicable to Counts 1 and 2:

Additional Aggravating Factors Applicable to Counts 1 and 2

The sender identification provided on the mass mailings was misleading in that the mass mailings purported to be letters sent by Ronni Wukasinovich and Don Blythe, but the mass mailings actually were sent by Respondents Andal and Citizens for Andal.

Additionally, Respondents Andal and Citizens for Andal failed to file any campaign statements disclosing any connection with the mass mailings.

Also, each mass mailing was sent to approximately 4,000 addressees, and Clarence Chan lost the election by approximately 1,058 votes.

Additional Mitigating Factors Applicable to Counts 1 and 2

Respondent Andal contends that he mistakenly believed that no “sender identification” was required on “non-express advocacy” mailings. However, the sender identification requirement applies to all mass mailings for which a candidate or committee is the sender.

Appropriate Penalty as to Counts 1 and 2

The foregoing factors, including the factors applicable to all counts, justify an administrative penalty in the amount of \$2,500 per count for Counts 1 and 2.

Determination of Penalty Amount as to Count 3

Failure to Report Accrued Expenses, Involving
Respondents Dean Andal and Citizens for Andal

The typical administrative penalty for expenditure reporting violations (not involving contributions) has varied depending upon the unique facts of each case, including the relative size of the expenditures in question and whether the expenditures should have been reported before or after the pertinent election. In this case, the following aggravating and mitigating factors are present, in addition to the factors applicable to all counts:

Additional Aggravating Factors Applicable to Count 3

The accrued expenses in question related to the mass mailings described in Counts 1 and 2. The mass mailings involved an election for the Stockton Unified School District Board of Trustees. The accrued expenses should have been reported before that election. Nondisclosure harmed the public by depriving it of information about the monetary source of the mass mailings before the election.

Additional Mitigating Factors Applicable to Count 3

The accrued expenses in question (\$1,620.57 attributable to three invoices) were not a substantial amount in that they comprised less than three percent of the total expenditures that Respondent Citizens for Andal reported making in the last half of 2004.

Appropriate Penalty as to Count 3

The foregoing factors, including the factors applicable to all counts, justify an administrative penalty in the amount of \$2,000 for Count 3.

Determination of Penalty Amount as to Count 4

Failure to Properly Report Expenditures of \$100 or More, Involving
Respondents Andal, Citizens for Andal-Lincoln Unified and Larry Solari

The typical administrative penalty for expenditure reporting violations has varied depending upon the unique facts of each case, including the relative size of the expenditures in question and whether the expenditures should have been reported before or after the pertinent election. In this case, the following aggravating and mitigating factors are present, in addition to the factors applicable to all counts:

Additional Aggravating Factors Applicable to Count 4

The relative size of the expenditures in question (\$7,217.06) is significant in that it comprises 100% of the expenditures made during the reporting period (October 17, 2004, through December 31, 2004).²

Additional Mitigating Factors Applicable to Count 4

The total expenditures reported by Respondent Citizens for Andal-Lincoln Unified in its semi-annual campaign statement for the reporting period of October 17, 2004, through December 31, 2004, included the expenditures in question (even though Schedule E was not attached to provide the other information required by statute).

The semi-annual campaign statement that should have included the missing information was not required to be filed until after the pertinent election.

Appropriate Penalty as to Count 4

The foregoing factors, including the factors applicable to all counts, justify an administrative penalty in the amount of \$2,500 for Count 4.

CONCLUSION

Based upon the foregoing facts and circumstances, a penalty in the agreed upon amount of \$9,500 is justified, of which:

1. Respondent Dean Andal is jointly and severally liable for the full amount of \$9,500 (Counts 1-4);
2. Respondent Citizens for Andal is jointly and severally liable for \$7,000 (Counts 1-3);
3. Respondent Larry Solari is jointly and severally liable for \$2,500 (Count 4); and
4. Respondent Citizens for Andal-Lincoln Unified is jointly and severally liable for \$2,500 (Count 4).

² Of this amount, Respondents contend that \$2,400 was for a charitable purpose.