FAIR POLITICAL PRACTICES COMMISSION
428 J Street • Suite 620 • Sacramento, CA 95814-2329
(916) 322-5660 • Fax (916) 322-0886

October 29, 2009

Steven G. Churchwell, Treasurer
Californians For A Better Government, A Coalition of Firefighters, Police, Deputy Sheriffs, Teachers, Home Builders And Developers

REDACTED

Re: Warning Letter
FPPC No. 06/0316; Californians For A Better Government, A Coalition of Firefighters, Police, Deputy Sheriffs, Teachers, Home Builders And Developers

Dear Mr. Churchwell:

The Fair Political Practices Commission (the "Commission") enforces the provisions of the Political Reform Act (the "Act").[1] The results of a Franchise Tax Board audit, mandated by the Act, were referred to us. A copy of that audit report is enclosed for your information. In addition, as you know, the Commission received a complaint against Californians for a Better Government ("CBG") with regard to the 2006 Primary Election. This letter is being sent to you as the treasurer of this committee. The allegations concern whether CBG coordinated its activity with Phil Angelides and his Angelides 2006 committee.

The Commission has completed its investigation of the facts in this case. Specifically, with regard to the FTB audit, we found that subvendor information totaling $1,951,511 was not timely disclosed for the semi-annual reporting period ending June 30, 2006. This information was required to be reported by July 31, 2006, but was not reported until January 31, 2007.

The Act provides in Section 84211 and Regulation 18431, subdivision (c), that payments made by an agent of a committee for advertising time must be reported by the committee at the same time and in the same manner and detail as expenditures made directly

[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.

by the committee. It appears that your actions violated the Act because you failed to report the above mentioned subvendor information until January 31, 2007, six months after the July 31, 2006, due date.

As to the allegations concerning CBG and Angelides 2006, the investigation found insufficient evidence of coordination between the two committees to support an enforcement action. However, during the course of our investigation, we determined that even though CBG was disclosed as a committee sponsored by the California Firefighters, the Peace Officers Research Association of California, and the Sacramento County Deputy Sheriffs' Association, it was also sponsored by AKT Investments, Inc. Therefore, AKT Investments, Inc. should have been disclosed through an amendment to CBG's Statement of Organization (Form 410).

Section 84103, subdivision (a), requires that an amendment be filed within 10 days to reflect any change in any of the information contained in a statement of organization. Section 84102, subdivision (b), requires that a statement of organization include, among other things, the name, street address, and telephone number of each sponsor. On May 18, 2006, AKT Investments, Inc. made a $700,000 contribution to CBG which, when combined with the contributions of AKT Investments, Inc.'s owners and affiliates, met the 80% threshold of funding required by Section 82048.7, subdivision (b)(1), to qualify as a sponsor.[2] Therefore, CBG was required to amend its Statement of Organization to reflect this additional sponsor by May 28, 2006, but it did not.

This letter serves as a written warning. The information in this matter will be retained and may be considered should an enforcement action become necessary based on newly discovered information or future conduct. Failure to comply with the provisions of the Act in the future will result in monetary penalties of up to $5,000 for each violation.

A warning letter is an FPPC case resolution without administrative prosecution or fine. However, the warning letter resolution does not provide you with the opportunity for a probable cause hearing or hearing before an Administrative Law Judge or the Fair Political Practices Commission. If you wish to avail yourself of these proceedings by requesting that your case proceed with prosecution rather than a warning, please notify us within ten (10) days from the date of this letter. Upon this notification, the FPPC will rescind this warning letter and proceed with administrative prosecution of this case. If we do not receive such notification, this warning letter will be posted on the FPPC's website ten (10) days from the date of this letter.

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[2] Regulation 18419, subdivision (a)(2), states that a "'Sponsor' of a committee means any person (except a candidate, proponent or other individual) to whom any of the following applies: ... (A) The committee receives 80 percent or more of its contributions either from the person or from the person's members, officers, employees or shareholders."

Please feel free to contact me at (916) 322-5660 with any questions you may have regarding this letter.

Sincerely

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Galena West
Senior Commission Counsel
Enforcement Division