EXHIBIT 1

INTRODUCTION

Respondent Alliance To Revitalize California, a Committee for Propositions 200, 201 and 202 (the "Committee") was a state ballot measure committee primarily formed to support tort reform initiatives in the March 26, 1996 Primary Election. Respondent Virginia Boyd served as Respondent Committee treasurer, and Michael Johnson, Thomas Proulx, Alan Shugart, Bill Westermeyer, and Bill Zimmerman were the state measure proponents. Respondent Thomas Proulx verified the Committee's campaign statements on behalf of the state measure proponents.

This matter arose from an audit of the Committee conducted by the Franchise Tax Board (the "FTB") for the reporting period January 1, 1995 through December 31, 1996. During the audit period, the Committee received contributions totaling $15,858,269, and made expenditures totaling $16,426,546. For the overall period from January 1 through June 30, 1996, Respondents failed to itemize sub-vendor information on reported expenditures totaling $5,025,000. The payments were to purchase media advertising from approximately 137 sub-vendors in 12 market areas.

For the purposes of this Stipulation, Respondents' violations of the Political Reform Act (the "Act")[1] are stated as follows:

COUNT 1: Respondents failed to report sub-vendor information for a $210,000 payment to Zimmerman & Markman on the campaign statement for the reporting period January 1 through February 10, 1996, that was filed on February 20, 1996, in violation of section 84211, subdivision (j)(6), and section 84303 of the Government Code.

COUNT 2: Respondents failed to report sub-vendor information for a $500,000 payment to Time & Space Media on the campaign statement for the reporting period January 1 through February 20, 1996, that was filed on February 20, 1996, in violation of section 84211, subdivision (j)(6), and section 84303 of the Government Code.

COUNT 3: Respondents failed to report sub-vendor information for a $150,000 payment to Time & Space Media on the campaign statement for the reporting period February 11 through March 9, 1996, that was filed on March 15, 1996, in violation of section 84211, subdivision (j)(6), and section 84303 of the Government Code.

[1]The Political Reform Act is contained in Government Code sections 81000 through 91015. All statutory references to the Government Code unless otherwise indicated. The regulations of the Fair Political Practices Commission appear at California Code of Regulations, Title 2, section 18109, *et seq*. All regulatory references are to Title 2, Division 6 of the California Code of Regulations.

COUNT 4: Respondents failed to report sub-vendor information for a $500,000 payment to Time & Space Media on the campaign statement for the reporting period February 11 through March 9, 1996, that was filed on March 15, 1996, in violation of section 84211, subdivision (j)(6), and section 84303 of the Government Code.

COUNT 5: Respondents failed to report sub-vendor information for a $225,000 payment to Time & Space Media on the campaign statement for the reporting period February 11 through March 9, 1996, that was filed on March 15, 1996, in violation of section 84211, subdivision (j)(6) and section 84303, of the Government Code.

COUNT 6: Respondents failed to report sub-vendor information for a $800,000 payment to Time & Space Media on the campaign statement for the reporting period February 11 through March 9, 1996, that was filed on March 15, 1996, in violation of section 84211, subdivision (j)(6), and section 84303 of the Government Code.

COUNT 7: Respondents failed to report sub-vendor information for a $1,025,000 payment to Time & Space Media on the campaign statement for the reporting period February 11 through March 9, 1996, that was filed on March 15, 1996, in violation of section 84211, subdivision (j)(6), and section 84303 of the Government Code.

COUNT 8: Respondents failed to report sub-vendor information for a $600,000 payment to Time & Space Media on the campaign statement for the reporting period February 11 through March 9, 1996, that was filed on March 15, 1996, in violation of section 84211, subdivision (j)(6), and section 84303 of the Government Code.

COUNT 9: Respondents failed to report sub-vendor information for a $200,000 payment to Time & Space Media on the campaign statement for the reporting period March 10 through June 30, 1996, that was filed on August 5, 1996, in violation of section 84211, subdivision (j)(6), and section 84303 of the Government Code.

COUNT 10: Respondents failed to report sub-vendor information for a $640,000 payment to Time & Space Media on the campaign statement for the reporting period March 10 through June 30, 1996, that was filed on August 5, 1996, in violation of section 84211, subdivision (j)(6), and section 84303 of the Government Code.

COUNT 11: Respondents failed to report sub-vendor information for a $75,000 payment to Time & Space Media on the campaign statement for the

reporting period March 10 through June 30, 1996, that was filed on August 5, 1996, in violation of section 84211, subdivision (j)(6), and section 84303 of the Government Code.

COUNT 12: Respondents failed to report sub-vendor information for a $100,000 payment to Time & Space Media on the campaign statement for the reporting period March 10 through June 30, 1996, that was filed on August 5, 1996, in violation of section 84211, subdivision (j)(6), and section 84303 of the Government Code.

RESPONDENTS: Alliance To Revitalize California, a Committee for Propositions 200, 201 and 202, Virginia Boyd, and Thomas Proulx.

SUMMARY OF THE LAW

Section 81002 provides that campaigns shall fully and completely disclose information regarding receipts and expenditures in election campaigns in order to fully inform the public and inhibit improper practices. In furtherance of this purpose, elected officers, candidates, and committees have certain filing and reporting obligations under the Act.

Section 84211, subdivision (j) requires the disclosure of specific information for all expenditures of $100 or more made during the reporting period covered by a campaign statement. The required information includes the name and address of the person to whom the expenditure was made, the amount of the expenditure, and a brief description of the consideration that was received for the expenditure. Section 84211, subdivision (j)(6) requires campaign statements to additionally include information about each person who provided consideration for an expenditure of $100 or more, if the person providing the consideration was different from the payee.

Section 84303 provides that no expenditure shall be made, other than for overhead and normal operating expenses, by an agent or independent contractor, including, but not limited to, an advertising agency, on behalf of, or for the benefit of any candidate or committee, unless the expenditure is reported by the candidate or committee as if the expenditure was made directly by the candidate or committee. These are commonly referred to as “sub-vendor” expenditures. Requiring committees to report sub-vendor information is necessary to prevent campaigns from being able to avoid having to disclose required information about their expenditures simply by making those expenditures through an agent.

Under Section 84213, it is the duty of a state measure proponent to verify the campaign statements of each committee subject to his or her control. The verification shall state that to the best of his or her knowledge the treasurer of each controlled committee used all reasonable diligence in the preparation of the committee’s statement. This section does not relieve the treasurer of any committee from the obligation to verify each campaign statement filed by the committee pursuant to Section 81004.

Under Section 84100 and Regulation 18427, subdivision (a), it is the duty of a treasurer of a committee to ensure compliance with all requirements of the Act concerning the receipt and expenditure of funds, and the reporting of such funds. Section 81004 requires a committee treasurer to verify, to the best of his or her knowledge, that the committee's campaign statements are true and complete, and that he or she used all reasonable diligence in the preparation of such statements.

A committee's treasurer and a committee's state measure proponent may be held jointly and severally liable, along with the committee, for any reporting violations committed by the committee. (Sections 83116.5 and 91006.)

SUMMARY OF THE FACTS

Proponents Michael Johnson, Thomas Proulx, Alan Shugart, Bill Westermeyer, and Bill Zimmerman formed Respondent Committee on or about December 8, 1994 to support the qualification, and later the passage, of tort reform initiatives for the March 26, 1996 Primary Election.[2] The initiatives were Proposition 200, the No-Fault Motor Vehicle initiative; Proposition 201, the Shareholders Action and Attorneys Fee initiative; and Proposition 202, the Attorney's Contingency Fee Limits initiative. Respondent Committee also supported the Frivolous Lawsuits Attorneys' Contingent Fees Limit Initiative Statute, which failed to qualify for the 1996 General Election, and opposed Propositions 207 and 211, in the 1996 General Election. Respondent Proulx verified Respondent Committee's campaign statements on behalf of the state measure proponents. His sister, Virginia Boyd, served as Respondent Committee's treasurer.

The FTB conducted an audit of Respondent Committee for the reporting period January 1, 1995 through December 31, 1996. During the audit period, Respondents received contributions totaling $15,858,269, and made expenditures totaling $16,426,546.

Based on the FTB audit findings and the Commission's own review, it was determined that Respondents failed to report sub-vendor information for reported expenditures totaling $5,025,000. The payments were to purchase media advertising from approximately 137 sub-vendors in 12 market areas. Despite a multi-million dollar campaign that incorporated the use of television, radio, and newspaper advertising, all three initiatives were unsuccessful.

Respondents failed to report the required sub-vendor information for each of the following campaign expenditures made in the chart below:

Count	Reporting Period	Name of Vendor	Amt of Expenditure
1	1/1/96-2/10/96	Zimmerman & Markman	$210,000
2	1/1/96-2/10/96	Time & Space Media	$500,000
3	2/11/96-3/9/96	Time & Space Media	$150,000

[2] In February 1998, Respondent Committee changed its name to California Technology Alliance.

4	2/11/96-3/9/96	Time & Space Media	$500,000
5	2/11/96-3/9/96	Time & Space Media	$225,000
6	2/11/96-3/9/96	Time & Space Media	$800,000
7	2/11/96-3/9/96	Time & Space Media	$1,025,000
8	2/11/96-3/9/96	Time & Space Media	$600,000
9	3/10/96-6/30/96	Time & Space Media	$200,000
10	3/10/96-6/30/96	Time & Space Media	$640,000
11	3/10/96-6/30/96	Time & Space Media	$75,000
12	3/10/96-6/30/96	Time & Space Media	$100,000
	Total	Time & Space Media	$5,025,000

By failing to report sub-vendor information for the foregoing payments, Respondents violated Section 84211, subdivision (j)(6), and Section 84303.

CONCLUSION

From January through June 1996, Respondents failed to report about Five Million Dollars in sub-vendor information. In absolute dollars, the amount of sub-vendor nondisclosure was very large. Respondents were negligent in failing to report the omitted information, inasmuch as the information regarding the various sub-vendors was available to Respondents, or could have been obtained by them prior to filing the campaign statements.

Respondents have a prior enforcement history, and were penalized by the Commission in 1997, for failing to include proper sender identification on a mass mailing during the same election period as is the subject of this case.

In mitigation, this was an extremely large campaign, in that the total contributions and expenditures for the audit period exceeded Sixteen Million Dollars. The FTB found that Respondents were in substantial compliance with their reporting obligations, and properly reported the expenditures to the vendors as broadcast communications and independent expenditures. The violations were unintentional. Respondent Boyd was inexperienced, never before having served as a treasurer.

This matter consists of 12 counts, which carry a maximum possible administrative penalty of Twenty-four Thousand Dollars ($24,000). While this case is aggravated by the fact that the Commission previously penalized Respondents for another campaign reporting violation during the same election period, it is mitigated by several factors, including the less serious nature of the violations. The omitted sub-vendor information was limited to media advertising. The penalty also takes into account the fact that Respondents properly reported the expenditures to the vendor, further lessening the degree of public harm. Accordingly, while the facts of this case do not justify a maximum penalty, the large dollar amount of the expenditures for which sub-vendor information was not reported merits a penalty at the higher end of the penalty range. As such, the agreed upon penalty of Eighteen Thousand Dollars ($18,000) is justified.