EXHIBIT 1

INTRODUCTION

Respondent AFL-CIO No On 226 Education Fund (hereinafter "Respondent Committee") was formed on March 18, 1998, as a primarily formed committee opposing Proposition 226 in the 1998 primary election. Respondent Committee was sponsored by the AFL-CIO. At all times relevant to this matter, Respondent Frances Arlene Holt-Baker[1] was the treasurer for Respondent Committee.

Under the authority of the Political Reform Act (the "Act"),[2] the Franchise Tax Board (the "FTB") audited Respondent Committee's finances for the period of January 1, 1998 through June 30, 1998. During this audit period, Respondent Committee received contributions totaling $2,612,796 and made expenditures totaling $2,574,400. The findings of the FTB audit were reviewed by an auditor with the Enforcement Division of the Fair Political Practices Commission, and it was determined that Respondents committed violations of the campaign provisions of the Act pertaining to limitations on cash expenditures and information to be contained in campaign statements.

For the purposes of this Stipulation, Respondents' violations of the Act are stated as follows:

COUNT 1: Respondents failed to report an accrued expense of twenty-one thousand eight hundred dollars ($21,800) on a pre-election campaign statement filed on or about May 21, 1998, for the reporting period January 1, 1998 through May 16, 1998, in violation of section 84211, subdivisions (j)(1)-(4), and (7).[3]

COUNT 2: Respondents failed to report an accrued expense of one hundred six thousand two hundred forty-two dollars $106,242 on the pre-election campaign statement filed on or about May 21, 1998, for the reporting period January 1, 1998 through May 16, 1998, in violation of section 84211, subdivisions (j)(1)-(4), and (7).

COUNT 3: Respondents failed to report required information describing 69

[1] During the reporting periods cover by the stipulation, Respondent Holt-Baker went by the name of Frances Arlene Holt.

[2] The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code unless otherwise indicated. Commission regulations appear at 2 California Code of Regulations, section 18000, *et seq*. All references to regulations are to Title 2, Division 6 of the California Code of Regulations.

[3] At the time of the subject violations in 1998, this subdivision was lettered as subdivision (j). It was amended in 2000, and it is now subdivision (k). As a convention herein, all references to section 84211 are based upon its subdivision lettering and numbering at the time of the alleged violations.

expenditures of $100 or more totaling $118,797, on the campaign statement filed on or about July 31, 1998, for the reporting period May 17, 1998 through June 30, 1998, in violation of section 84211, subdivisions (j)(1)-(4).

COUNT 4: Respondents made 20 separate cash expenditures of $100 or more to campaign "walkers," totaling $3,195, during the campaign reporting period May 17, 1998 through June 30, 1998, in violation of section 84300, subdivision (b).

COUNT 5: Respondents made 13 separate cash expenditures of $100 or more to campaign phone bank workers, totaling $3,299, during the campaign reporting period May 17, 1998 through June 30, 1998, in violation of section 84300, subdivision (b).

COUNT 6: Respondents made 9 separate cash expenditures of $100 or more to vendors, totaling $4,451, during the campaign reporting period May 17, 1998 through June 30, 1998, in violation of section 84300, subdivision (b).

RESPONDENTS: AFL-CIO No On 226 Education Fund and Frances Arlene Holt-Baker, treasurer.

SUMMARY OF THE LAW

An express purpose of the Act, as set forth in section 81002, subdivision (a), is to ensure that all contributions and expenditures affecting election campaigns are fully and truthfully disclosed to the public, so that voters may be better informed, and so that improper practices will be inhibited. The Act therefore establishes a campaign reporting system designed to accomplish this purpose.

Section 82013, subdivision (a) defines a "committee" to include any person or combination of persons that receives contributions totaling one thousand dollars ($1,000) or more in a calendar year. Section 84200, subdivision (a) requires committees to file semi-annual campaign statements each year, no later than July 31 for the reporting period ending June 30, and no later than January 31 for the reporting period ending December 31. Section 84200.5 of the Act mandates that committees file pre-election campaign statements. Section 84200.7 sets forth when pre-election statements shall be filed for elections held in June or November of an even numbered year. Section 84200.7 states that a first pre-election statement shall be filed no later than March 22, for the reporting period ending on March 17, and a second pre-election statement shall be filed no later than 12 days before the election for the reporting period ending 17 days before the election.

Section 84211, subdivisions (j)(1)-(4) requires the disclosure of specific information for

each person to whom expenditures of $100 or more have been made during the period covered by a campaign statement, including the person's name and street address, the amount of each expenditure made to the person, and a brief description of the consideration that was received. For the purposes of the disclosure requirements in section 84211, subdivisions (h) and (j), the term "expenditures" includes "accrued expenses," also referred to as unpaid bills. (Section 84211, subd. (j)(7).) An "accrued expense" must be reported as of the date the corresponding goods or services are received by a candidate or committee. (Regulation 18421.6.)

Section 84300, subdivision (b) prohibits any candidate or committee from making cash expenditures of $100 or more.

Under 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 reporting violations.

SUMMARY OF FACTS

Respondent Committee was a primarily formed statewide ballot measure committee organized to oppose the passage of Proposition 226 in the June 2, 1998 Primary Election. Respondent Committee qualified as a committee on March 18, 1998, based upon its having received more than $1,000 in staff services from Respondent Committee's sponsor, as shown on its pre-election campaign statement filed on or about May 21, 1998, for the reporting period ending on May 16, 1998. (Section 82013, subd. (a).) Having legally qualified as a committee, Respondent Committee had an obligation to timely file complete and accurate semi-annual and pre-election campaign statements under sections 84200 and 84200.5.

COUNT 1

On April 23, 1998, Respondent Committee accrued an expense of $21,800.00 to David Binder Research. Respondents did not report this accrued expense on Respondent Committee's pre-election campaign statement that they filed on or about May 21, 1998, for the reporting period ending on May 16, 1998. By failing to disclose a $21,800.00 accrued expense on the pre-election campaign statement that they filed on or about May 21, 1998, Respondents violated section 84211, subdivisions (h) and (j).

Respondents subsequently disclosed the $21,800.00 accrued expense to David Binder Research after the 1998 primary election, on or about July 31,1998. Respondents disclosed the accrued expense as having been paid in June of 1998.

COUNT 2

On April 26, 1998, Respondent Committee accrued an expense of $106,241.80 to the Bynum Consulting Group. Respondents did not report this accrued expense on Respondent Committee's pre-election campaign statement that they filed on or about May 21, 1998, for the reporting period ending on May 16, 1998. By failing to disclose a $106,241.80 accrued expense on the pre-election campaign statement that they filed on or about May 21, 1998, Respondents violated section 84211, subdivisions (h) and (j).

Respondents subsequently disclosed the $106,241.80 accrued expense to the Bynum Consulting Group after the 1998 primary election, on or about July 31,1998. Respondents disclosed the accrued expense as having been paid in June of 1998.

COUNT 3

Respondents made 69 expenditures of $100 or more during the semi-annual campaign reporting period May 17, 1998 through June 30, 1998, for which Respondents did not provide required information on the semi-annual campaign statement that they filed on or about July 31, 1998, for that period. The total amount of these expenditures was $118,797. For each of these expenditures, Respondents failed to disclose the full name of the person to whom the expenditure was made, his or her street address, the amount of the expenditure, and a brief description of the consideration for which the expenditure was made. By failing to disclose required information regarding 69 expenditures of $100 or more on the semi-annual campaign that they filed on or about July 31,1998, for the reporting period May 17,1998 through June 30, 1998, Respondents violated section 84211, subdivision (j)(1)-(4).

COUNT 4

Respondents made 20 separate cash payments of more than $100 to campaign "walkers" totaling $3,195, as follows:

Name	Amount
Cameron Brazile	$144.00
Patricia Brown	$168.00
Elnora Brown	$168.00
Ronald Champion	$168.00
Mallory Coleman	$168.00
Teddy Davis	$144.00
Detwan Eagland	$168.00
Chris Ellison	$120.00
Tony Ellison	$162.00
William Ellis	$144.00
Willie Headley	$159.00
Ryan Jackson	$168.00
Chris Meza	$168.00
Ronald Pinkhard	$168.00
Shontee Smith	$168.00

Name	**Amount**
Tesha Stein	$168.00
Jerry Tillman	$168.00
Roy Tilmon	$144.00
Scott Todd	$168.00
Eric Thomas	$162.00
Total	$3,195.00

By making twenty cash expenditures of $100 or more to campaign "walkers," Respondents violated section 84300, subdivision (b).

COUNT 5

Respondents made 13 separate cash payments of more than $100 to campaign phone bank workers totaling $3299, as follows:

Name	Amount
Krishadia Lennen	$240.00
Robert Good	$240.00
Jesse Barnes	$506.00
Michael Turner	$252.00
Bob Jordan	$396.00
Henry Ibise	$510.00
Marchell Scott	$234.00
Paul Ingersoll	$264.00
Dawn Modkins	$120.00
Tyren McEiwee	$162.00
Colleen Hogan	$117.00
William Jackson	$132.00
Robert Hayes	$126.00
Total	$3,299.00

By making thirteen cash expenditures of $100 or more to campaign phone bank workers, Respondents violated section 84300, subdivision (b).

COUNT 6

From May 20, 1998, through June 2,1998, Respondents made 9 separate cash payments of more than $100 to miscellaneous vendors, totaling $4,451, as follows:

Vendor	Amount
Unknown (Pizza)	113.25
Star Quality Services	$1,500.00
Church Chicken	$235.02
Smart & Final	$159.14
Smart & Final	$586.43
U-haul	$120.00
LA Focus on World	$600.00
Enterprise Rent-a-Car	$1004.67
Costco	$132.96
Total	$4,451.47

By making nine cash expenditures of $100 or more to miscellaneous vendors, Respondents violated section 84300, subdivision (b).

CONCLUSION

This matter consists of six counts, which carry a maximum possible administrative penalty of Twelve Thousand Dollars ($12,000). The charges are serious, in that they involve a widespread use of unlawful cash payments, which led to Respondents not having detailed information about their expenditures, and therefore committing an additional non-reporting violation. Also, the late reported accrued expenditures were quite substantial. However, the unreported cash expenditures that are the subject of the charges were comparatively small, and adequate records were maintained to determine the lawful campaign purposes of all of the expenditures. Considering all of the factors in this case, an appropriate administrative penalty is Eight Thousand Dollars ($8,000).