



STATE OF CALIFORNIA
FAIR POLITICAL PRACTICES COMMISSION
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To: Chair Remke, Commissioners Audero, Cardenas, Hatch, and Hayward

From: Erin V. Peth, Executive Director
Galena West, Chief of Enforcement
Angela J. Brereton, Senior Commission Counsel

Subject: Assignment of Hearing to Administrative Law Judge (“ALJ”)
In the Matter of Kevork N. “George” Ashkharian (FPPC Case No. 14/876)

Date: April 9, 2018

I. INTRODUCTION

Respondent Kevork N. “George” Ashkharian was employed by the State Compensation Insurance Fund (SCIF) from February 5, 2001 to April 13, 2014, as a Workers’ Compensation Insurance Supervisor II, commonly referred to as an Assistant Claims Manager (ACM), at SCIF’s Los Angeles Claims Services. The Political Reform Act (the “Act”)¹ prohibits a public official from making, participating in making, or attempting to use his official position to influence a governmental decision in which the official knows or has reason to know he has a financial interest. And the Act requires designated employees to file periodic statements of economic interests (“SEIs”) disclosing the economic interests that they held during applicable reporting periods. Ashkharian violated the Act by negotiating and settling 25 lien claims with Global Holdings, a source of income to him of \$500 or more in the 12 months preceding each settlement because Global Holdings was his wife’s employer. Ashkharian also failed to disclose Global Holdings as a source of income in his 2012 Annual SEI, and failed to file a leaving office SEI.

Ashkharian has requested an administrative hearing on the Accusation attached hereto as Exhibit A. The Accusation alleges 27 violations of the Act.

II. COMMISSION ACTION IS ONLY REQUIRED IF THE COMMISSION DESIRES TO PARTICIPATE IN THE ADMINISTRATIVE HEARING

The Executive Director and the Chief of Enforcement are recommending that the hearing should be conducted before an Administrative Law Judge (“ALJ”) pursuant to Section 11512, subdivision (a). The ALJ will then make a recommendation to the Commission on the findings of fact, law and penalty, if applicable, in the matter. The Commission will then have the opportunity to make the final determination on the case.

¹ The Political Reform Act is contained in Government Code §§ 81000 through 91014, and all statutory references are to this code. The regulations of the Fair Political Practices Commission are contained in §§ 18110 through 18997 of Title 2 of the California Code of Regulations, and all regulatory references are to this source.

This memorandum is submitted to each member of the Commission pursuant to Regulation 18361.5, subdivision (b), which provides:

If the Executive Director determines that a hearing on the merits should be conducted before an administrative law judge alone pursuant to Government Code section 11512(a), he or she shall provide a copy of the accusation as well as a memorandum describing the issues involved to each member of the Commission. If, at the next regularly scheduled meeting, two or more Commissioners indicate a desire to participate in the hearing, the matter will be scheduled for a hearing before the Commission when an administrative law judge is available.

Thus, no Commission Action is required if the Commission approves of the recommendation that the administrative hearing in this matter should be conducted before an ALJ. However, two or more Commissioners may vote to keep the matter with the Commission if so desired.

III. PROCEDURAL HISTORY

A probable cause report (“Report”) was served on Ashkharian on or about August 12, 2016. Ashkharian did not submit a response to the Report or request a probable cause conference. On or about September 22, 2016, the Hearing Officer issued an Order Re: Probable Cause (“Order”). The Order included a finding that there is probable cause to believe that Ashkharian violated the Act, as set forth in the attached Accusation.

On or about April 27, 2017, the Enforcement Division provided the Accusation and accompanying documents to a process server for personal service. On or about May 1, 2017, the Accusation was personally served on Ashkharian. On or about May 8, 2017, Ashkharian served a Notice of Defense, requesting a hearing.

IV. PROCEDURAL ISSUES

Every hearing in a contested case must be presided over by an ALJ. The agency itself shall determine whether the ALJ is to hear the case alone or whether the agency itself is to hear the case with the ALJ.²

When the agency itself hears the case, the ALJ shall preside at the hearing, rule on the admission and exclusion of evidence, and advise the agency on matters of law; the agency itself shall exercise all other powers relating to the conduct of the hearing but may delegate any or all of them to the ALJ. When the ALJ alone hears a case, he or she shall exercise all powers relating to the conduct of the hearing. A ruling of the ALJ admitting or excluding evidence is subject to review in the same manner and to the same extent as the ALJ’s proposed decision in the proceeding.³

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² See § 11512, subd. (a).

³ See § 11512, subd. (b).

V. SUMMARY OF THE ACCUSATION

Ashkarian violated the Act as listed below. The Accusation consists of 27 counts:

Counts 1 – 25: Conflict of Interest

In May through September 2013, as an Assistant Claims Manager for SCIF, Ashkarian made governmental decisions when he negotiated and settled 25 lien claims with Global Holdings, and those settlements would have had a reasonably foreseeable material financial effect on Global Holdings, which was a source of income to him as his wife's employer, violating Government Code section 87100.

Count 26: Failure to Disclose Source of Income in Annual Statement of Economic Interests

Ashkarian, as a designated employee of SCIF, failed to disclose his wife's salary from Global Holdings in his 2012 Annual SEI, in violation of Government Code Section 87207, subdivision (a).

Count 27: Failure to File Leaving Office Statement of Economic Interests

Ashkarian failed to file a leaving office SEI by the due date of May 13, 2014, in violation of Government Code sections 87300 and 87302, subdivision (b).

VI. CONCLUSION

If, at the next regularly scheduled meeting, two or more Commissioners indicate a desire to participate in the hearing, the matter will be scheduled for a hearing before the Commission when an ALJ is available. (Regulation 18361.5, subd. (b).) Otherwise, hearing of this matter will be conducted before an ALJ alone pursuant to Section 11512, subdivision (a).

ATTORNEY OR PARTY WITHOUT ATTORNEY: GALENA WEST FAIR POLITICAL PRACTICES COMMISSION 428 J. STREET STE 620 SACRAMENTO, CA 95814 TELEPHONE NO.: (916) 322-5660 FAX NO.: (916) 322-1932 ATTORNEY FOR:	FOR COURT USE ONLY
FAIR POLITICAL PRACTICES COMMISSION, COUNTY OF SACRAMENTO STREET ADDRESS: 428 J STREET, SUITE 620 MAILING ADDRESS: 428 J STREET, SUITE 620 CITY AND ZIP CODE: SACRAMENTO, 95814 BRANCH NAME:	
RE FPPC CAUSE 14/876: FAIR POLITICAL PRACTICES COMMISSION RESPONDENT: KEVORK N. "GEORGE" ASHKARIAN	CASE NUMBER: FPPC CAUSE #14/876
<p style="text-align: center;">PROOF OF SERVICE</p>	Ref. No. or File No.:

1. I am over 18 years of age and not a party to this action.
2. Received by C.A. PROCESS SERVICE on 4/27/2017 at 5:23 pm to be served on KEVORK N. "GEORGE" ASHKARIAN, 1161 SPAZIER AVE., #1, GLENDALE, CA 91201.
3. **INDIVIDUALLY/PERSONALLY** served by delivering a true copy of the **ACCUSATION; REPORT IN SUPPORT OF A FINDING OF PROBABLE CAUSE; EXHIBITS; FINDING OF PROBABLE CAUSE AND ORDER TO PREPARE AND SERVE AN ACCUSATION; NOTICE OF DEFENSE; GROUNDS FOR NOTICE OF DEFENSE; CALIFORNIA GOVERNMENT CODE SECTIONS 11506 THROUGH 11508** with the date and hour of service endorsed thereon by me, to: KEVORK N. "GEORGE" ASHKARIAN at the address of: 1161 SPAZIER AVE., #1, GLENDALE, CA 91201, and informed said person of the contents therein, in compliance with state statutes.
4. Date and Time of service: 5/1/2017 at 8:00 pm
5. I am a registered California process server.
6. My name, address, telephone number, and, if applicable, county of registration and number are:
 Name: Carlos Abrego
 Firm: C.A. PROCESS SERVICE
 Address: 14800 Rinaldi St #24, Mission Hills, CA 91345
 Telephone number: (800) 331-1072
 Registration Number: 6456
 County: Los Angeles
 The fee for the service was: \$53.25
7. I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Date: 5/1/17

Carlos Abrego

(TYPE OR PRINT NAME OF PERSON WHO SERVED THE PAPERS)

(SIGNATURE OF PERSON WHO SERVED THE PAPERS)

PROOF OF SERVICE

At the time of service, I was over 18 years of age and not a party to this action. My business address is Fair Political Practices Commission, 428 J Street, Suite 620, Sacramento, California 95814. On April 27, 2017, I served the following document(s):

1. Statement to Respondent;
2. FPPC Case No. 14/876: Accusation;
3. Notice of Defense (Two Copies);
4. Selected Sections of the California Government Code, Administrative Procedure Act.

☐ By Personal Delivery. I personally delivered the document(s) listed above to the person(s) at the address(es) as shown on the service list below.

☒ By personal service. At 2:15 a.m./p.m.:

☐ I personally delivered the document(s) listed above to the person(s) at the address(es) as shown on the service list below.

☒ By providing the document(s) listed above with instructions for registered process server to personally deliver the envelope(s) to the person(s) at the address(es) set forth on the service list below. **The signed proof of service by the registered process server will be attached as soon as it is available.**

I am a resident or employed in the county where the mailing occurred. The envelope or package was placed in the mail in Sacramento County, California.

SERVICE LIST

Personal Service

Kevork N. "George" Ashkharian
1161 Spazier Avenue, Unit 1
Glendale, CA 91201

I declare under penalty of perjury under the laws of the State of California that the above is true and correct. Executed on April 27, 2017.



Roone Peterson



STATE OF CALIFORNIA
FAIR POLITICAL PRACTICES COMMISSION
428 J Street • Suite 620 • Sacramento, CA 95814-2329

STATEMENT TO RESPONDENT

[Government Code Section 11505, subdivision (b)]

KEVORK N. "GEORGE" ASHKHARIAN

FPPC Case No. 14/876

Enclosed is an Accusation, which was filed with the Fair Political Practices Commission (the "FPPC") and which is hereby served upon you, along with two copies of a Notice of Defense and Government Code Sections 11506 through 11508.

Unless a written request for a hearing signed by you or on your behalf is delivered or mailed to the FPPC within 15 days after the Accusation was served on you, the FPPC may proceed upon the Accusation without a hearing. The request for a hearing may be made by delivering or mailing the enclosed form entitled Notice of Defense, or by delivering or mailing a notice of defense as provided by Section 11506 of the Government Code to the Commission Assistant at the FPPC.

You may, but need not, be represented by counsel at any or all stages of these proceedings.

If you desire a list of the names and addresses of witnesses against you, or an opportunity to inspect and copy the items mentioned in Section 11507.6 of the Government Code that are in the possession, custody, or control of this agency, or if you wish to discuss the possibility of resolving this matter without a formal hearing, you may contact Angela J. Brereton, Senior Commission Counsel, FPPC Enforcement Division.

The hearing may be postponed for good cause. If you have good cause, you are obliged to notify the FPPC or, if an administrative law judge has been assigned to the hearing, the Office of Administrative Hearings, within 10 working days after you discover the good cause. Failure to give notice within 10 days will deprive you of a postponement.

After a hearing, the FPPC will consider the following factors in determining whether to assess a penalty (Title 2, California Code of Regulations, Section 18361.5, subdivision (d).):

1. The seriousness of the violation;
2. The presence or absence of any intention to conceal, deceive, or mislead;
3. Whether the violation was deliberate, negligent, or inadvertent;
4. Whether the violator demonstrated good faith by consulting Commission staff or any other government agency in a manner not constituting a complete defense under Government Code Section 83114, subdivision (b);
5. Whether the violation was isolated or part of a pattern;
6. Whether the violator has a prior record of violations of the Political Reform Act or similar laws; and
7. Whether the violator, upon learning of a reporting violation, voluntarily filed amendments to provide full disclosure.

GALENA WEST
Chief of Enforcement
ANGELA J. BRERETON
Senior Commission Counsel
FAIR POLITICAL PRACTICES COMMISSION
428 J Street, Suite 620
Sacramento, CA 95814
Telephone: (916) 322-5771
Email: abreron@fppc.ca.gov

Attorneys for Complainant
Enforcement Division of the Fair Political Practices Commission

BEFORE THE FAIR POLITICAL PRACTICES COMMISSION

STATE OF CALIFORNIA

In the Matter of	) FPPC No. 14/876
)
)
KEVORK N. "GEORGE"	) ACCUSATION
ASHKHARIAN,)
)
	) (Gov. Code §11503)
Respondent.)

Complainant, the Enforcement Division of the Fair Political Practices Commission, after a finding of probable cause pursuant to Government Code Section 83115.5, alleges the following:

JURISDICTION

1. Complainant is the Enforcement Division of the Fair Political Practices Commission and makes this Accusation pursuant to the Political Reform Act (the "Act"),¹ in its official capacity and in the public interest.²

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¹ The Political Reform Act is contained in Government Code §§ 81000 through 91014, and all statutory references are to this code. The regulations of the Fair Political Practices Commission are contained in §§ 18110 through 18997 of Title 2 of the California Code of Regulations, and all regulatory references are to this source.

² §§ 83111, 83116, and 91000.5; Reg. 18361 and 18361.4, subd. (e).

1 2. In 1974, California voters found and declared that previous laws regulating political
2 practices had suffered from inadequate enforcement, and they intended that the Act be vigorously
3 enforced.³ To that end, the Act must be liberally construed to achieve its purposes.⁴

4 3. The Act is intended to ensure that the assets and income of public officials be disclosed
5 and public officials are disqualified from certain matters in order that conflicts of interest may be avoided.⁵

6 **RESPONDENT**

7 4. Respondent Kevork N. "George" Ashkharian was employed by the State Compensation
8 Insurance Fund (SCIF) from February 5, 2001 to April 13, 2014, as a Workers' Compensation Insurance
9 Supervisor II, commonly referred to as an Assistant Claims Manager (ACM), at SCIF's Los Angeles
10 Claims Services.

11 5. The actions of Ashkharian – making 25 governmental decisions in which he had a financial
12 interest, failing to disclose income in an annual statement of economic interests and failing to file a leaving
13 office statement of economic interests – are in violation of the law and public policies of the State of
14 California.

15 **APPLICABLE LAW**

16 6. All applicable law in this Accusation is the law as it existed at the time of the applicable
17 violations.

18 **Conflicts of Interest**

19 7. A public official may not make, participate in making or attempt to use his official position
20 to influence a governmental decision in which he knows, or has reason to know, he has a financial interest.⁶
21 A public official has a financial interest in a decision if it is reasonably foreseeable that the decision will
22 have a material financial effect on any source of income aggregating \$500 or more in value provided or
23 promised to, received by, the public official within 12 months prior to the time when the decision is made.⁷

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26 ³ §§ 81001, subd. (h), and 81002, subd. (f).

27 ⁴ § 81003.

28 ⁵ § 81002, subd. (c).

⁶ § 87100.

⁷ § 87103, subd. (a).

1 8. In 2013, there were six steps to determine whether an individual had a conflict of interest
2 in a governmental decision.⁸

3 9. First, the individual must have been a public official.⁹ An employee of a state government
4 agency was a public official.¹⁰

5 10. Second, the public official must have made, participated in making, or attempted to use his
6 or her official position to influence a governmental decision.¹¹ A public official made a governmental
7 decision when the official, acting within the authority of his office or position, obligated or committed his
8 agency to any course of action, or entered into any contractual agreement on behalf of his agency.¹²

9 11. Third, the public official must have had an economic interest.¹³ Such interests included any
10 person from whom the official has received income, including commission income and incentive
11 compensation, aggregating \$500 or more within 12 months prior to the time when the relevant
12 governmental decision was made.¹⁴ A public official's income included any community property interest
13 in the income of his spouse.¹⁵ And a public official has an economic interest in a business entity which is
14 a subsidiary of, or is otherwise related to, a business entity which is a source of income to the public
15 official.¹⁶

16 12. Fourth, it must be determined whether the economic interest of the public official was
17 directly or indirectly involved in the governmental decision.¹⁷ A source of income was directly involved
18 in a governmental decision when the source of income was a named party in the decision.¹⁸

19 13. Fifth, the applicable materiality standard must be determined.¹⁹ When the source of income
20 was a business entity, and the business entity was directly involved in the governmental decision, the
21 financial effect was presumed to be material.²⁰

22 ⁸ Reg. 18700, subd. (b).

23 ⁹ Reg. 18700, subd. (b)(1).

24 ¹⁰ § 82048, subd. (a).

25 ¹¹ Reg. 18700, subd. (b)(2).

26 ¹² Reg. 18702.1, subd. (a).

27 ¹³ Reg. 18700, subd. (b)(3).

28 ¹⁴ § 87103, subd. (c), and Reg. 18703.1, subd. (a).

¹⁵ § 82030, subd. (a).

¹⁶ Regs. 18703.1, subd. (d); 18703.3, subd. (a)(2).

¹⁷ Reg. 18700, subd. (b)(4).

¹⁸ Reg. 18704.1, subd. (a)(2).

¹⁹ Reg. 18700, subd. (b)(5).

²⁰ Reg. 18705.1, subd. (b)(1).

1 14. Sixth, at the time of the governmental decision, it must have been reasonably foreseeable
2 that the decision would have a material financial effect.²¹ A material financial effect on an economic
3 interest was reasonably foreseeable if it was substantially likely that one or more of the materiality
4 standards applicable to the economic interest would have been met as a result of the governmental
5 decision.²² Whether the financial consequences of a decision are “reasonably foreseeable” at the time of
6 a governmental decision depends upon the facts of each particular case.²³

7 Duty to File Statements of Economic Interests and Disclose Economic Interests

8 15. The Act requires every agency to adopt and promulgate a conflict of interest code.²⁴ An
9 agency’s conflict of interest code must specifically designate the positions within the agency, “designated
10 employees,” that make governmental decisions that may impact financial interests and are required to file
11 statements of economic interests (SEIs) disclosing reportable investments, business positions, interests in
12 real property, and sources of income and gifts.²⁵ An agency’s conflict of interest code must require each
13 designated employee to file assuming, annual and leaving office SEIs.²⁶

14 16. The requirements of an agency’s Conflict of Interest Code have the force of law, and any
15 violation of those requirements is deemed a violation of the Act.²⁷

16 17. The SCIF conflict of interest code designated Workers’ Compensation Insurance
17 Supervisor II as a position required to file statements of economic interests. Workers’ Compensation
18 Insurance Supervisor IIs were required to disclose, among other interests, sources of income from entities
19 that provide health care services, insurance related services, and financial services including collection
20 agencies.

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25 ²¹ Reg. 18700, subd. (b)(6).

26 ²² Reg. 18706, subd. (a).

27 ²³ Reg. 18706, subd. (b).

28 ²⁴ § 87300.

²⁵ §§ 82019, subd. (a), and 87302, subd. (a)

²⁶ § 87302, subd. (b)

²⁷ § 87300.

1 18. SEI's must include certain information about sources of income of \$500 or more during
2 the period covered by the statement, such as the name and address of each source of income, information
3 about the amount of income, and a description of the consideration (if any) for which the income was
4 received.²⁸

5 GENERAL FACTS

6 19. Complainant incorporates paragraph 4 of this Accusation, as though completely set forth
7 herein.

8 20. At all relevant times, Radstar, Inc., had unpaid medical liens related to workers'
9 compensation claims with SCIF. SCIF referred to Radstar as a "lien claimant." Radstar was 100% owned
10 by Global Holdings, Inc., also known as Global Holdings, LLC. The evidence obtained during the
11 Enforcement Division's investigation showed that Global Holdings employees negotiated, settled and
12 collected Radstar's unpaid medical liens with SCIF. And Global Holdings employees earned commission
13 income related to each Radstar lien they settled with SCIF.

14 21. Global Holdings' records show that Ashkharian's wife, Sonia Ashkharian ("Mrs.
15 Ashkharian"), was employed as a medical lien representative/bill collector by Global Holdings from
16 August 15, 2011 through September 9, 2013. In April 2013, Mrs. Ashkharian signed a "Global Holdings,
17 Inc. 2013 Commission Plan," which detailed the structure for her to receive commission income for
18 settlements she made for unpaid medical liens. Her supervisor at Global Holdings, Kristine Kadzhbalian,
19 also signed Mrs. Ashkharian's Commission Plan. In calendar year 2012, Mrs. Ashkharian earned
20 \$35,110.45, which included \$2,400 in bonuses and \$2,000 in commission income. In calendar year 2013,
21 Mrs. Ashkharian earned \$55,298.88, which included \$4,750 in bonuses and \$23,970.71 in commission
22 income.

23 22. The evidence shows that in 2013, SCIF settled most claims for unpaid medical liens. When
24 a SCIF claims adjuster reached a settlement agreement with a lien claimant such as Radstar, the parties
25 used a Confirmation of Settlement form to memorialize the settlement agreement. After reaching an
26 agreement verbally, the Radstar/Global Holdings employee generated the settlement form, included the
27 settlement amount, signed the form and sent it electronically to the SCIF claims adjuster for his/her

28 ²⁸ §§ 87200 and 87207.

signature. The signature of the SCIF claims adjuster verified that SCIF would pay the agreed amount to settle the lien.

23. SCIF's records show that in February 2013, Ashkharian sought advice from his manager regarding his wife's employment with Global Holdings. Ashkharian's manager checked with SCIF's Ethics and Labor Relations Division to determine what action Ashkharian needed to take. Ashkharian was told that he could not participate in any negotiations with Mrs. Ashkharian's employer pursuant to the SCIF code of conduct and the conflicts of interests provisions of the Act, and he needed to disclose Mrs. Ashkharian's salary on his applicable SEIs. Ashkharian told his supervisor that he did not participate in any negotiations with Mrs. Ashkharian's employer, and that his wife started working at Global Holdings in January 2013, so he did not need to amend his SEIs for previous years. Ashkharian filed his 2012 Annual SEI on March 4, 2013, disclosing no reportable interests.

24. As an Assistant Claims Manager for SCIF, Ashkharian did not negotiate and settle unpaid medical liens as part of his regular duties – that task was assigned to claims adjusters. But SCIF's records show that between May 13, 2013 and September 9, 2013, Ashkharian directly negotiated and settled 25 unpaid medical liens with Radstar/Global Holdings employees, as confirmed by 25 Confirmation of Settlement forms. SCIF investigators found that the 25 liens Ashkharian settled were not assigned to him or to any adjusters in his unit, and no documentation existed explaining why Ashkharian negotiated and settled these liens. Additionally, evidence shows that Mrs. Ashkharian received commission income directly related to 24 of the 25 lien settlements, as follows:

Count	Date Signed by Ashkharian	Settlement Amount	Radstar/ Global Holdings Employee Signature	Mrs. Ashkharian's Income within 12 months of Decisions	Ashkharian's Community Property Share of Mrs. Ashkharian's Income	Mrs. Ashkharian's Commission Income
1	05/13/2013	\$5,360.00	Kristina Stepanyan	\$38,102.74	\$19,051.37	
2	06/04/2013	\$6,200.00	Edward Halfon	\$41,562.34	\$20,781.17	\$310.00
3	07/15/2013	\$2,650.00	Kristine Kadzhabalian	\$50,896.41	\$25,448.21	\$132.50
4	08/23/2013	\$1,700.00	Kristine Kadzhabalian	\$53,125.68	\$26,562.84	\$119.00
5	08/23/2013	\$2,950.00	Kristine Kadzhabalian	\$53,125.68	\$26,562.84	\$206.50
6	08/23/2013	\$635.00	Erica Mayweather	\$53,125.68	\$26,562.84	\$44.45
7	08/23/2013	\$824.00	Erica Mayweather	\$53,125.68	\$26,562.84	\$57.68

Count	Date Signed by Ashkharian	Settlement Amount	Radstar/ Global Holdings Employee Signature	Mrs. Ashkharian's Income within 12 months of Decisions	Ashkharian's Community Property Share of Mrs. Ashkharian's Income	Mrs. Ashkharian's Commission Income
8	08/26/2013	\$825.00	Kristine Kadzhbalian	\$53,125.68	\$26,562.84	\$57.75
9	08/26/2013	\$465.00	Kristine Kadzhbalian	\$53,125.68	\$26,562.84	\$32.55
10	08/27/2013	\$4,725.00	Kristine Kadzhbalian	\$53,125.68	\$26,562.84	\$330.75
11	08/27/2013	\$190.00	Kristine Kadzhbalian	\$53,125.68	\$26,562.84	\$13.30
12	08/27/2013	\$1,300.00	Kristine Kadzhbalian	\$53,125.68	\$26,562.84	\$91.00
13	08/28/2013	\$1,810.00	Kristine Kadzhbalian	\$53,125.68	\$26,562.84	\$126.70
14	08/28/2013	\$750.00	Kristine Kadzhbalian	\$53,125.68	\$26,562.84	\$52.50
15	09/03/2013	\$1,650.00	Kristine Kadzhbalian	\$53,689.96	\$26,844.98	\$115.00
16	09/03/2013	\$395.00	Kristine Kadzhbalian	\$53,689.96	\$26,844.98	\$27.65
17	09/03/2013	\$405.00	Kristine Kadzhbalian	\$53,689.96	\$26,844.98	\$28.35
18	09/03/2013	\$1,980.00	Kristine Kadzhbalian	\$53,689.96	\$26,844.98	\$138.60
19	09/05/2013	\$525.00	Kristine Kadzhbalian	\$53,689.96	\$26,844.98	\$35.07
20	09/05/2013	\$825.00	Kristine Kadzhbalian	\$53,689.96	\$26,844.98	\$94.50
21	09/05/2013	\$445.00	Kristine Kadzhbalian	\$53,689.96	\$26,844.98	\$31.15
22	09/05/2013	\$1,120.00	Kristine Kadzhbalian	\$53,689.96	\$26,844.98	\$78.40
23	09/05/2013	\$3,750.00	Kristine Kadzhbalian	\$53,689.96	\$26,844.98	\$262.50
24	09/09/2013	\$3,725.00	Kristine Kadzhbalian	\$53,689.96	\$26,844.98	\$260.75
25	09/09/2013	\$390.00	Kristine Kadzhbalian	\$53,689.96	\$26,844.98	\$27.30
Mrs. Ashkharian's Total Commission Income						\$2,673.95

As stated previously, Kristine Kadzhbalian was Mrs. Ashkharian's manager at Global Holdings.

25. During an interview with SCIF investigators in 2013, Ashkharian admitted that Mrs. Ashkharian was his wife. He also admitted that he knew that Mrs. Ashkharian worked for Global Holdings as a lien collector, Global Holdings owned Radstar, and Kristine Kadzhbalian was a manager at Radstar.

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26. During an interview with the Enforcement Division, Ashkharian admitted that he knew Ms. Kadzhabalian was his wife's supervisor during the time when his wife worked as a medical lien representative/bill collector for Global Holdings.

27. Ashkharian also admitted that he negotiated and settled the 25 lien claims identified above.

28. The evidence shows that Ashkharian negotiated and settled the 25 lien claims identified above either with Mrs. Ashkharian, with Ms. Kadzhbalian or with other Global Holdings employees.

29. Ashkharian's employment with SCIF ended on April 13, 2014, and he did not file a leaving office SEI.

30. On May 17, 2014, Ashkharian amended his 2012 Annual SEI to include Mrs. Ashkharian's income from Global Holdings.

PROCEDURAL HISTORY

31. The Enforcement Division initiated the administrative action against Ashkharian in this matter by serving him with a packet containing a cover letter, a Report in Support of a Finding of Probable Cause (Report), a fact sheet regarding probable cause proceedings, selected sections of the California Government Code regarding probable cause proceedings for the Fair Political Practices Commission, and selected regulations of the Fair Political Practices Commission regarding probable cause proceedings.²⁹

32. The packet, which was sent by certified mail, return receipt requested, was returned unclaimed to the Enforcement Division on August 12, 2016. Ashkharian was deemed served on August 12, 2016 by certified mail, return receipt requested.³⁰ So the administrative action commenced on August 12, 2016, the date the packet was returned to the Enforcement Division, and the five-year statute of limitations was effectively tolled on that date.

33. The information contained in the packet advised Ashkharian that he had 21 days in which to request a probable cause conference and/or to file a written response to the Report.

34. Ashkharian did not submit a written response, nor did he request a probable cause conference.

²⁹ §§ 83115.5 and 91000.5. See attached Exhibit A and Exhibit B.

³⁰ §§ 8311(Mailing by Certified Mail) and 83115.5. See attached Exhibit C.

35. The Hearing Officer issued an Order re: Probable Cause, which was served on September 22, 2016, finding that probable cause exists to believe Ashkharian violated the Act as stated in the Report.³¹

VIOLATIONS

36. Complainant incorporates paragraphs 1 – 34 of this Accusation, as though completely set forth herein.

37. Ashkharian committed 27 violations of the Act, as follows:

Counts 1 – 25: Conflict of Interest

38. In 2013, as an Assistant Claims Manager for SCIF, Ashkharian directly negotiated and settled 25 unpaid medical liens with Radstar, a subsidiary of Global Holdings, for which he signed 25 Confirmation of Settlement forms at a time when Global Holdings was a source of income to him as his wife's employer.

39. As an Assistant Claims Manager for SCIF, Ashkharian was a public official. By negotiating and settling liens and signing the Confirmation of Settlement forms, Ashkharian made governmental decisions because he obligated or committed his agency to pay Radstar, and entered into 25 contractual agreements on behalf of his agency. On the date of each of the 25 decisions, Ashkharian had an economic interest in Radstar because Radstar was a subsidiary of Global Holdings, which was a source of income to him as his wife's employer. Mrs. Ashkharian received more than \$1,000 from Global Holdings within 12 months of the 25 decisions, so Ashkharian's community property share in her income from Global Holdings was more than \$500 within 12 months of the 25 decisions. Global Holdings and/or Radstar was directly involved in the 25 governmental decisions because Radstar, a Global Holdings' subsidiary, was the lien claimant for each of the 25 settled liens. Since Global Holdings and/or Radstar was directly involved in the 25 governmental decisions, the financial effect of the governmental decisions was presumed to be material. And it was reasonably foreseeable that the governmental decisions would have a material financial effect on Global Holdings and/or Radstar because SCIF was obligated to pay Radstar, a Global Holdings' subsidiary, the amounts stated in the 25 Confirmation of Settlement forms Ashkharian signed.

³¹ See attached Exhibit D.

1 40. Therefore, in 2013 Ashkharian made 25 governmental decisions, as detailed in the chart
2 above (pp. 6-7), in which he had a financial interest, violating Government Code section 87100.

3 Count 26: Failure to Disclose Source of Income in Annual Statement of Economic Interests

4 41. Ashkharian, as a designated employee of SCIF, failed to disclose his wife's salary from
5 Global Holdings in his 2012 Annual SEI, in violation of Government Code Section 87207,
6 subdivision (a).

7 Count 27: Failure to File Leaving Office Statement of Economic Interests

8 42. Ashkharian failed to file a leaving office SEI by the due date of May 13, 2014, in violation
9 of Government Code sections 87300 and 87302, subdivision (b).

10 **EXCULPATORY AND MITIGATING INFORMATION**

11 43. Complainant incorporates paragraphs 1 – 42 of this Accusation, as though completely set
12 forth herein.

13 44. In mitigation, Ashkharian has no prior violations of the Act. He amended his 2012 Annual
14 SEI to disclose Global Holdings, but only after his employment with SCIF ended and more than one year
15 after he filed the original.

16 **AGGRAVATING FACTORS AND OTHER RELEVANT MATERIALS**

17 45. Complainant incorporates paragraphs 1 – 44 of this Accusation, as though completely set
18 forth herein.

19 46. In this case, Ashkharian negotiated and settled 25 unpaid medical liens with Radstar/Global
20 Holdings as confirmed by his signature on 25 Confirmation of Settlement forms. During this time,
21 Ashkharian knew or should have known that Global Holdings was affiliated with Radstar and that Global
22 Holdings employed his wife, Mrs. Ashkharian, as a bill collector for unpaid medical liens. The evidence
23 shows that Mrs. Ashkharian received commission income for any liens she settled as a Global Holdings
24 employee. Mrs. Ashkharian's supervisor signed all but four of the 25 settlements Ashkharian negotiated,
25 and Mrs. Ashkharian received commission income directly related to 24 of the 25 Radstar lien settlements
26 Ashkharian negotiated and settled. And Ashkharian did not settle any Radstar/Global Holdings liens after
27 Mrs. Ashkharian's last day of employment with Global Holdings.

47. Ashkharian concealed his economic interest in Global Holdings by failing to disclose his interest in his 2012 Annual SEI. And Ashkharian failed to file a leaving office SEI within 30 days of his employment with SCIF ending.

48. Additionally, Ashkharian knew or should have known that his conduct was prohibited because he previously asked for and was given advice from SCIF's Ethics and Labor Relations Division that he could not participate in any negotiations with Mrs. Ashkharian's employer pursuant to the SCIF code of conduct and the conflicts of interests provisions of the Act, and that he needed to disclose Mrs. Ashkharian's income on all applicable SEIs.

49. Ashkharian did not cooperate with the investigation of this case, refusing to return calls or to accept written correspondence from Enforcement Division staff.

50. Ashkharian engaged in a pattern of violations over a period of four months in which he repeatedly made governmental decisions involving Radstar/Global Holdings, a significant source of income to him as his wife's employer. And it appears that Ashkharian purposefully chose these 25 liens, which were not assigned to him or to his unit, because of his ties to Radstar/Global Holdings through Mrs. Ashkharian. To make things worse, Ashkharian received his community property share of his wife's commission income as a direct result of these governmental decisions. In conjunction, Ashkharian failed to timely disclose Global Holdings as a source of income. As a whole, the evidence shows that Ashkharian engaged in deliberate conduct with the intent to deceive the public.

PRAAYER

WHEREFORE, Complainant prays as follows:

51. That the Fair Political Practices Commission hold a hearing pursuant to Government Code Section 83116 and Title 2, California Code of Regulations, Section 18361.5, and at such hearing find that Ashkharian violated the Act as alleged herein;

52. That the Commission, pursuant to Government Code Section 83116, subdivision (c), order Ashkharian to pay a monetary penalty of at least Four Thousand Five Hundred Dollars (\$4,500) and at most Five Thousand Dollars (\$5,000) per count for the violations of the Political Reform Act alleged herein in Counts 1 – 27;

1 53. That the Commission, pursuant to Title 2, California Code of Regulations,
2 Section 18361.5, subdivision (d), consider the following factors in framing a proposed order following a
3 finding of a violation pursuant to Government Code Section 83116: (1) the seriousness of the violation;
4 (2) the presence or absence of any intention to conceal, deceive or mislead; (3) whether the violation was
5 deliberate, negligent or inadvertent; (4) whether the violator demonstrated good faith by consulting the
6 Commission staff or any other government agency in a manner not constituting a complete defense under
7 Government Code Section 83114(b); (5) whether the violation was isolated or part of a pattern and whether
8 the violator has a prior record of violations of the Political Reform Act or similar laws; and (6) whether
9 the violator, upon learning of a reporting violation, voluntarily filed amendments to provide full
10 disclosure.

11 54. That the Commission grant such other and further relief as it deems just and proper.

12
13 Dated: 26 April 17


Galena West
Chief of Enforcement
Fair Political Practices Commission

EXHIBIT A

GALENA WEST
Chief of Enforcement
ANGELA J. BRERETON
Senior Commission Counsel
FAIR POLITICAL PRACTICES COMMISSION
428 J Street, Suite 620
Sacramento, CA 95814
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Attorneys for Complainant
Enforcement Division of the Fair Political Practices Commission

BEFORE THE FAIR POLITICAL PRACTICES COMMISSION

STATE OF CALIFORNIA

In the Matter of	) FPPC No. 14/876
)
)
)
KEVORK N. "GEORGE"	) REPORT IN SUPPORT OF A FINDING OF
ASHKHARIAN,	) PROBABLE CAUSE
)
	) Conference Date: TBA
	) Conference Time: TBA
Respondent.	) Conference Location: Commission Offices
	) 428 J Street, Suite 620
	) Sacramento, CA 95814

INTRODUCTION

Respondent Kevork N. "George" Ashkharian was employed by the State Compensation Insurance Fund (SCIF) from February 5, 2001 to April 13, 2014, as a Workers' Compensation Insurance Supervisor II, commonly referred to as an Assistant Claims Manager (ACM), at SCIF's Los Angeles Claims Services. The Political Reform Act (the "Act")¹ prohibits a public official from making, participating in making, or attempting to use his official position to influence a governmental decision in which the official knows or has reason to know he has a financial interest. And the Act requires designated employees to file periodic statements of economic interests ("SEIs") disclosing the economic

¹ The Political Reform Act is contained in Government Code §§ 81000 through 91014, and all statutory references are to this code. The regulations of the Fair Political Practices Commission are contained in §§ 18110 through 18997 of Title 2 of the California Code of Regulations, and all regulatory references are to this source.

1 interests that they held during applicable reporting periods. Ashkharian violated the Act by settling 25
2 Confirmation of Settlement forms for lien claims with Radstar/Global Holdings, a source of income to
3 him of \$500 or more in the 12 months preceding each settlement because Radstar/Global Holdings was
4 his wife's employer. Ashkharian also failed to disclose Radstar/Global Holdings as a source of income
5 in his 2012 Annual SEI, and failed to file a leaving office SEI.

6 SUMMARY OF THE LAW

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

9 Jurisdiction

10 The Fair Political Practices Commission (the "Commission") has administrative jurisdiction to
11 enforce the provisions of the Act.²

12 Probable Cause Proceedings

13 Prior to the Enforcement Division commencing an administrative action, the General Counsel of
14 the Commission or her designee (the "hearing officer"), must make a finding that there is probable cause
15 to believe the respondent has violated the Act.³ After a finding of probable cause, the Commission may
16 hold a noticed hearing in accordance with the Administrative Procedure Act⁴ to determine whether
17 violations occurred, and levy an administrative penalty of up to \$5,000 for each violation.⁵

18 Standard for Finding Probable Cause

19 To make a finding of probable cause, the hearing officer must be presented with sufficient
20 evidence to lead a person of ordinary caution and prudence to believe, or entertain a strong suspicion,
21 that a respondent committed or caused a violation.⁶

22
23
24 ///

25 ² § 83116.

26 ³ § 83115.5, and Reg. 18361 and 18361.4.

27 ⁴ § 11500, et seq.

⁵ § 83116, and Reg. 18361.4, subd. (e).

⁶ Reg. 18361.4, subd. (e).

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

2 When enacting the Political Reform Act, the people of the state of California found and declared
3 that previous laws regulating political practices suffered from inadequate enforcement by state and local
4 authorities.⁷ To that end, the Act must be liberally construed to achieve its purposes.⁸

5 There are many purposes of the Act. One purpose is to ensure that the assets and income of
6 public officials be disclosed and public officials are disqualified from certain matters in order that
7 conflicts of interest may be avoided.⁹ Another is to provide adequate enforcement mechanisms so that
8 the Act will be "vigorously enforced."¹⁰

9 Conflicts of Interest

10 A public official may not make, participate in making or attempt to use his official position to
11 influence a governmental decision in which he knows, or has reason to know, he has a financial
12 interest.¹¹ A public official has a financial interest in a decision if it is reasonably foreseeable that the
13 decision will have a material financial effect on any source of income aggregating \$500 or more in value
14 provided or promised to, received by, the public official within 12 months prior to the time when the
15 decision is made.¹²

16 In 2013, there were six steps to determine whether an individual had a conflict of interest in a
17 governmental decision.¹³

18 First, the individual must have been a public official.¹⁴ An employee of a state government
19 agency was a public official.¹⁵

20 Second, the public official must have made, participated in making, or attempted to use his or
21 her official position to influence a governmental decision.¹⁶ A public official made a governmental
22

23 ⁷ § 81001, subd. (h).

⁸ § 81003.

24 ⁹ § 81002, subd. (c).

¹⁰ § 81002, subd. (f).

25 ¹¹ § 87100.

¹² § 87103, subd. (a).

26 ¹³ Reg. 18700, subd. (b).

¹⁴ Reg. 18700, subd. (b)(1).

27 ¹⁵ § 82048, subd. (a).

¹⁶ Reg. 18700, subd. (b)(2).

1 decision when the official, acting within the authority of his office or position, obligated or committed
2 his agency to any course of action, or entered into any contractual agreement on behalf of his agency.¹⁷

3 Third, the public official must have had an economic interest.¹⁸ Such interests included any
4 person from whom the official has received income, including commission income and incentive
5 compensation, aggregating \$500 or more within 12 months prior to the time when the relevant
6 governmental decision was made.¹⁹ A public official's income included any community property
7 interest in the income of his spouse.²⁰ And a public official has an economic interest in a business entity
8 which is a subsidiary of, or is otherwise related to, a business entity which is a source of income to the
9 public official.²¹

10 Fourth, it must be determined whether the economic interest of the public official was directly
11 or indirectly involved in the governmental decision.²² A source of income was directly involved in a
12 governmental decision when the source of income was a named party in the decision.²³

13 Fifth, the applicable materiality standard must be determined.²⁴ When the source of income was
14 a business entity, and the business entity was directly involved in the governmental decision, the
15 financial effect was presumed to be material.²⁵

16 Sixth, at the time of the governmental decision, it must have been reasonably foreseeable that
17 the decision would have a material financial effect.²⁶ A material financial effect on an economic interest
18 was reasonably foreseeable if it was substantially likely that one or more of the materiality standards
19 applicable to the economic interest would have been met as a result of the governmental decision.²⁷

20
21 ///

22 ¹⁷ Reg. 18702.1, subd. (a).

23 ¹⁸ Reg. 18700, subd. (b)(3).

24 ¹⁹ § 87103, subd. (c), and Reg. 18703.1, subd. (a).

25 ²⁰ § 82030, subd. (a).

26 ²¹ Regs. 18703.1, subd. (d); 18703.3, subd. (a)(2).

27 ²² Reg. 18700, subd. (b)(4).

28 ²³ Reg. 18704.1, subd. (a)(2).

²⁴ Reg. 18700, subd. (b)(5).

²⁵ Reg. 18705.1, subd. (b)(1).

²⁶ Reg. 18700, subd. (b)(6).

²⁷ Reg. 18706, subd. (a).

Whether the financial consequences of a decision are “reasonably foreseeable” at the time of a governmental decision depends upon the facts of each particular case.²⁸

Duty to File Statements of Economic Interests and Disclose Economic Interests

The Act requires every agency to adopt and promulgate a conflict of interest code.²⁹ An agency’s conflict of interest code must specifically designate the positions within the agency, “designated employees,” that make governmental decisions that may impact financial interests and are required to file statements of economic interests (SEIs) disclosing reportable investments, business positions, interests in real property, and sources of income and gifts.³⁰ An agency’s conflict of interest code must require each designated employee to file assuming, annual and leaving office SEIs.³¹

The requirements of an agency’s Conflict of Interest Code have the force of law, and any violation of those requirements is deemed a violation of the Act.³²

The SCIF conflict of interest code designated Workers’ Compensation Insurance Supervisor II as a position required to file statements of economic interests. Workers’ Compensation Insurance Supervisor IIs were required to disclose, among other interests, sources of income from entities that provide health care services, insurance related services, and financial services including collection agencies.

SEI’s must include certain information about sources of income of \$500 or more during the period covered by the statement, such as the name and address of each source of income, information about the amount of income, and a description of the consideration (if any) for which the income was received.³³

SUMMARY OF THE EVIDENCE

At all relevant times, Radstar, Inc., had unpaid medical liens related to workers’ compensation claims with SCIF. SCIF referred to Radstar as a “lien claimant.” Radstar was 100% owned by Global

²⁸ Reg. 18706, subd. (b).

²⁹ § 87300.

³⁰ §§ 82019, subd. (a), and 87302, subd. (a)

³¹ § 87302, subd. (b)

³² § 87300.

³³ §§ 87200 and 87207.

1 Holdings, Inc., also known as Global Holdings, LLC. The evidence obtained during the Enforcement
2 Division's investigation showed that Global Holdings employees negotiated, settled and collected
3 Radstar's unpaid medical liens with SCIF. And Global Holdings employees earned commission income
4 related to each Radstar lien they settled with SCIF.

5 Global Holdings' records show that Ashkharian's wife, Sonia Ashkharian ("Mrs. Ashkharian"),
6 was employed as a medical lien representative/bill collector by Global Holdings from August 15, 2011
7 through September 9, 2013. In April 2013, Mrs. Ashkharian signed a "Global Holdings, Inc. 2013
8 Commission Plan," which detailed the structure for her to receive commission income for settlements
9 she made for unpaid medical liens. Her supervisor at Global Holdings, Kristine Kadzhabalian, also signed
10 Mrs. Ashkharian's Commission Plan. In calendar year 2012, Mrs. Ashkharian earned \$35,110.45, which
11 included \$2,400 in bonuses and \$2,000 in commission income. In calendar year 2013, Mrs. Ashkharian
12 earned \$55,298.88, which included \$4,750 in bonuses and \$23,970.71 in commission income.

13 The evidence shows that in 2013, SCIF settled most claims for unpaid medical liens. When a
14 SCIF claims adjuster reached a settlement agreement with a lien claimant such as Radstar, the parties
15 used a Confirmation of Settlement form to memorialize the settlement agreement. After reaching an
16 agreement verbally, the Radstar/Global Holdings employee generated the settlement form, included the
17 settlement amount, signed the form and sent it electronically to the SCIF claims adjuster for his/her
18 signature. The signature of the SCIF claims adjuster verified that SCIF would pay the agreed amount to
19 settle the lien.

20 SCIF's records show that in February 2013, Ashkharian sought advice from his manager
21 regarding his wife's employment with Global Holdings. Ashkharian's manager checked with SCIF's
22 Ethics and Labor Relations division to determine what action Ashkharian needed to take. Ashkharian
23 was told that he could not participate in any negotiations with Mrs. Ashkharian's employer pursuant to
24 the SCIF code of conduct and the conflicts of interests provisions of the Act, and he needed to disclose
25 Mrs. Ashkharian's salary on his applicable SEIs. Ashkharian told his supervisor that he did not
26 participate in any negotiations with Mrs. Ashkharian's employer, and that his wife started working at
27

Global Holdings in January 2013, so he did not need to amend his SEIs for previous years. Ashkharian filed his 2012 Annual SEI on March 4, 2013, disclosing no reportable interests.

As an Assistant Claims Manager for SCIF, Ashkharian did not typically negotiate and settle unpaid medical liens – that task was assigned to the claims adjusters he supervised. But SCIF's records show that between May 13, 2013 and September 9, 2013, Ashkharian directly negotiated and settled 25 unpaid medical liens with Radstar/Global Holdings employees, as confirmed by 25 Confirmation of Settlement forms. SCIF investigators found that the 25 liens Ashkharian settled were not assigned to him or to any adjusters in his unit, and no documentation existed explaining why Ashkharian negotiated and settled these liens. Although no evidence was obtained showing that Ashkharian directly negotiated with Mrs. Ashkharian to settle these liens, Mrs. Ashkharian received commission income directly related to 24 of the 25 lien settlements, as follows:

Count	Date Signed by Ashkharian	Settlement Amount	Radstar/ Global Holdings Employee Signature	Mrs. Ashkharian's Income within 12 months of Decisions	Ashkharian's Community Property Share of Mrs. Ashkharian's Income	Mrs. Ashkharian's Commission Income
1	05/13/2013	\$5,360.00	Kristina Stepanyan	\$38,102.74	\$19,051.37	
2	06/04/2013	\$6,200.00	Edward Halfon	\$41,562.34	\$20,781.17	\$310.00
3	07/15/2013	\$2,650.00	Kristine Kadzhbalian	\$50,896.41	\$25,448.21	\$132.50
4	08/23/2013	\$1,700.00	Kristine Kadzhbalian	\$53,125.68	\$26,562.84	\$119.00
5	08/23/2013	\$2,950.00	Kristine Kadzhbalian	\$53,125.68	\$26,562.84	\$206.50
6	08/23/2013	\$635.00	Erica Mayweather	\$53,125.68	\$26,562.84	\$44.45
7	08/23/2013	\$824.00	Erica Mayweather	\$53,125.68	\$26,562.84	\$57.68
8	08/26/2013	\$825.00	Kristine Kadzhbalian	\$53,125.68	\$26,562.84	\$57.75
9	08/26/2013	\$465.00	Kristine Kadzhbalian	\$53,125.68	\$26,562.84	\$32.55
10	08/27/2013	\$4,725.00	Kristine Kadzhbalian	\$53,125.68	\$26,562.84	\$330.75
11	08/27/2013	\$190.00	Kristine Kadzhbalian	\$53,125.68	\$26,562.84	\$13.30
12	08/27/2013	\$1,300.00	Kristine Kadzhbalian	\$53,125.68	\$26,562.84	\$91.00
13	08/28/2013	\$1,810.00	Kristine Kadzhbalian	\$53,125.68	\$26,562.84	\$126.70

Count	Date Signed by Ashkharian	Settlement Amount	Radstar/ Global Holdings Employee Signature	Mrs. Ashkharian's Income within 12 months of Decisions	Ashkharian's Community Property Share of Mrs. Ashkharian's Income	Mrs. Ashkharian's Commission Income
14	08/28/2013	\$750.00	Kristine Kadzhbalian	\$53,125.68	\$26,562.84	\$52.50
15	09/03/2013	\$1,650.00	Kristine Kadzhbalian	\$53,689.96	\$26,844.98	\$115.00
16	09/03/2013	\$395.00	Kristine Kadzhbalian	\$53,689.96	\$26,844.98	\$27.65
17	09/03/2013	\$405.00	Kristine Kadzhbalian	\$53,689.96	\$26,844.98	\$28.35
18	09/03/2013	\$1,980.00	Kristine Kadzhbalian	\$53,689.96	\$26,844.98	\$138.60
19	09/05/2013	\$525.00	Kristine Kadzhbalian	\$53,689.96	\$26,844.98	\$35.07
20	09/05/2013	\$825.00	Kristine Kadzhbalian	\$53,689.96	\$26,844.98	\$94.50
21	09/05/2013	\$445.00	Kristine Kadzhbalian	\$53,689.96	\$26,844.98	\$31.15
22	09/05/2013	\$1,120.00	Kristine Kadzhbalian	\$53,689.96	\$26,844.98	\$78.40
23	09/05/2013	\$3,750.00	Kristine Kadzhbalian	\$53,689.96	\$26,844.98	\$262.50
24	09/09/2013	\$3,725.00	Kristine Kadzhbalian	\$53,689.96	\$26,844.98	\$260.75
25	09/09/2013	\$390.00	Kristine Kadzhbalian	\$53,689.96	\$26,844.98	\$27.30
Total Commission Income						\$2,673.95

As stated previously, Kristine Kadzhbalian was Mrs. Ashkharian's manager at Global Holdings.

During an interview with SCIF investigators in 2013, Ashkharian admitted that Mrs. Ashkharian was his wife. He also admitted that he knew that Mrs. Ashkharian worked for Global Holdings as a lien collector, Global Holdings owned Radstar, and Kristine Kadzhbalian was the manager at Radstar.

Ashkharian's employment with SCIF ended on April 13, 2014, and he did not file a leaving office SEI. On May 17, 2014, Ashkharian amended his 2012 Annual SEI to include Mrs. Ashkharian's income from Global Holdings.

///

VIOLATIONS

Counts 1 – 25: Conflict of Interest

In 2013, as an Assistant Claims Manager for SCIF, Ashkharian directly negotiated and settled 25 unpaid medical liens with Radstar, a subsidiary of Global Holdings, for which he signed 25 Confirmation of Settlement forms at a time when Global Holdings was a source of income to him as his wife's employer.

As an Assistant Claims Manager for SCIF, Ashkharian was a public official. By negotiating and settling liens and signing the Confirmation of Settlement forms, Ashkharian made governmental decisions because he obligated or committed his agency to pay Radstar, and entered into 25 contractual agreements on behalf of his agency. On the date of each of the 25 decisions, Ashkharian had an economic interest in Radstar because Radstar was a subsidiary of Global Holdings, which was a source of income to him as his wife's employer. Mrs. Ashkharian received more than \$1,000 from Global Holdings within 12 months of the 25 decisions, so Ashkharian's community property share in her income from Global Holdings was more than \$500 within 12 months of the 25 decisions. Radstar was directly involved in the 25 governmental decisions because Radstar was the lien claimant for each of the 25 settled liens. Since Radstar was directly involved in the 25 governmental decisions, the financial effect of the governmental decisions was presumed to be material. And it was reasonably foreseeable that the governmental decisions would have a material financial effect on Radstar because SCIF was obligated to pay Radstar the amounts stated in the 25 Confirmation of Settlement forms Ashkharian signed.

Therefore, in 2013 Ashkharian made 25 governmental decisions, as detailed in the chart above, in which he had a financial interest, violating Government Code section 87100.

Count 26: Failure to Disclose Source of Income in Annual Statement of Economic Interests

Ashkharian, as a designated employee of SCIF, failed to disclose his wife's salary from Global Holdings in his 2012 Annual SEI, in violation of Government Code Section 87207, subdivision (a).

Count 27: Failure to File Leaving Office Statement of Economic Interests

Ashkharian failed to file a leaving office SEI by the due date of May 13, 2014, in violation of Government Code sections 87300 and 87302, subdivision (b).

1 **OTHER RELEVANT MATERIAL AND ARGUMENTS**

2 In this case, Ashkharian negotiated and settled 25 unpaid medical liens with Radstar/Global
3 Holdings as confirmed by his signature on 25 Confirmation of Settlement forms. During this time,
4 Ashkharian knew that Global Holdings owned Radstar and that Global Holdings employed his wife,
5 Mrs. Ashkharian, as a bill collector for unpaid medical liens. The evidence shows that Mrs. Ashkharian
6 received commission income for any liens she settled as a Global Holdings employee. Mrs. Ashkharian's
7 supervisor signed all but three of the 25 settlements Ashkharian negotiated, and Mrs. Ashkharian
8 received commission income directly related to 24 of the 25 Radstar lien settlements Ashkharian
9 negotiated and settled. And Ashkharian did not settle any Radstar liens after Mrs. Ashkharian's last day
10 of employment with Global Holdings.

11 Ashkharian concealed his economic interest in Global Holdings by failing to disclose his interest
12 in his 2012 Annual SEI. And Ashkharian failed to file a leaving office SEI within 30 days of his
13 employment with SCIF ending.

14 Additionally, Ashkharian knew or should have known that his conduct was prohibited because
15 he previously asked for and was given advice from SCIF's Ethics and Labor Relations division that he
16 could not participate in any negotiations with Mrs. Ashkharian's employer pursuant to the SCIF code of
17 conduct and the conflicts of interests provisions of the Act, and that he needed to disclose
18 Mrs. Ashkharian's salary on all applicable SEIs.

19 Ashkharian did not cooperate with the investigation of this case, refusing to return calls or to
20 accept written correspondence from Enforcement Division staff.

21 Ashkharian's actions created the appearance that he made the 25 governmental decisions at issue
22 on the basis of his financial interest. Ashkharian engaged in a pattern of violations over a period of four
23 months in which he repeatedly made governmental decisions involving Radstar/Global Holdings, a
24 significant source of income to him as his wife's employer. And it appears that Ashkharian purposefully
25 chose these 25 liens, which were not assigned to him or to his unit, because of his ties to Radstar/Global
26 Holdings through Mrs. Ashkharian. To make things worse, Ashkharian received his community property
27 share of his wife's commission income as a direct result of these governmental decisions. In conjunction,

1 Ashkharian failed to timely disclose Global Holdings as a source of income. As a whole, the evidence
2 shows that Ashkharian engaged in deliberate conduct with the intent to deceive the public.

3 **EXCULPATORY AND MITIGATING INFORMATION**

4 Ashkharian has no prior violations of the Act. He amended his 2012 Annual SEI to disclose
5 Global Holdings, but only after his employment with SCIF ended and more than one year after he filed
6 the original.

7 **CONCLUSION**

8 Probable cause exists to believe that Respondent Kevork N. "George" Ashkharian committed 27
9 violations of the Act, as set forth above. The Enforcement Division respectfully requests an order finding
10 probable cause pursuant to Section 83115.5 and Regulation 18361.4.

11 Dated: July 11, 2016

Respectfully Submitted,

12 **FAIR POLITICAL PRACTICES COMMISSION**

13 By: Galena West
Chief of Enforcement

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15 Angela L. Brereton
16 Senior Commission Counsel
17 Enforcement Division
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EXHIBIT B



FAIR POLITICAL PRACTICES COMMISSION

428 J Street • Suite 620 • Sacramento, CA 95814-2329

(916) 322-5660 • Fax (916) 322-0886

July 11, 2016

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Kevork N. "George" Ashkharian
1161 Spazier Avenue, Unit 1
Glendale, CA 91201

In the Matter of Kevork N. "George" Ashkharian; FPPC No. 14/876

Dear Mr. Ashkharian:

The Enforcement Division of the Fair Political Practices Commission (the "Commission") is proceeding with an administrative action against you for your failure to comply with the conflicts of interests and disclosure provisions of the Political Reform Act (the "Act"). The enclosed Report in Support of a Finding of Probable Cause (the "Report") contains a summary of the alleged violations and the relevant law and evidence.

You have the right to file a written response to the Report. That response may contain any information you think is relevant and that you wish to bring to the attention of the Commission's General Counsel or her designee (the "Hearing Officer"). In your response, please indicate whether you would like the Hearing Officer to make a determination of probable cause based on the written materials alone (the Report and your response) or request a conference, during which you may orally present your case to the Hearing Officer. Probable cause conferences are held in our office which is located at 428 J Street, Ste. 620, Sacramento, CA 95814. You may appear at the conference in person or by telephone and you are entitled to be represented by counsel. *If you wish to submit a written response or request a probable cause conference, it must be filed with the Commission Assistant, Sheva Tabatabaiejad, at the address listed above within 21 days from the date of service of this letter.* You can reach Ms. Tabatabaiejad at (916) 327-8269.

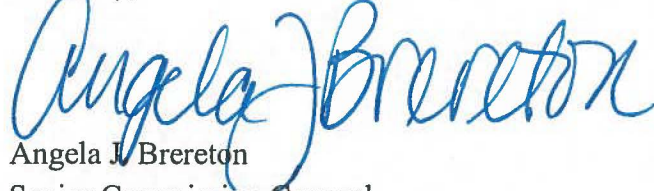
Please note that probable cause conferences are not settlement conferences. The sole purpose of a probable cause conference is to determine whether there is probable cause to believe that the Act was violated. However, settlement discussions are encouraged by the Commission and may take place at any time except during a probable cause conference. *If you are interested in reaching a settlement in this matter, please contact Angela Brereton at (916) 322-5771 or abrereton@fppc.ca.gov.*

Finally, you have the right to request discovery of the evidence in possession of, and relied upon by, the Enforcement Division. ***This request must also be filed with Ms. Tabatabaiejad within 21 days from the date of service of this letter.*** Should you request discovery, the Enforcement Division will provide the evidence by service of process or certified mail. From the date you are served with the evidence, you would have an additional 21 days to file a written response to the Report, just as described above.

Should you take no action within 21 days from the date of service of this letter, your rights to respond and to request a conference are automatically waived and the Enforcement Division will independently pursue the issuance of an accusation.

For your convenience, I have enclosed a fact sheet on probable cause proceedings and copies of the most relevant statutes and regulations.

Sincerely,



Angela J. Brereton
Senior Commission Counsel
Enforcement Division

Enclosures

PROBABLE CAUSE FACT SHEET

INTRODUCTION

The Fair Political Practices Commission is required by law to determine whether probable cause exists to believe that the Political Reform Act (the "Act") was violated before a public administrative accusation may be issued.

The probable cause proceedings before the Fair Political Practices Commission are unique, and most respondents and their attorneys are unfamiliar with them. Therefore, we have prepared this summary to acquaint you with the process.

THE LAW

Government Code sections 83115.5 and 83116 set forth the basic requirement that a finding of probable cause be made in a "private" proceeding before a public accusation is issued and a public hearing conducted in accordance with the Administrative Procedure Act.

The Commission has promulgated regulations further defining the probable cause procedure and delegating to the General Counsel (the "Hearing Officer" for purposes of these proceedings) the authority to preside over such proceedings and decide probable cause. A copy of these statutes and regulations are attached for your convenience.

In summary, the statutes and regulations entitle you to the following:

- a) A written probable cause report containing a summary of the law alleged to have been violated, and a summary of the evidence, including any exculpatory and mitigating information and any other relevant material and arguments;
- b) The opportunity to request discovery, respond in writing, and to request a probable cause conference within 21 days of service of the probable cause report;
- c) If the Commission met to consider whether a civil lawsuit should be filed in this matter, a copy of any staff memoranda submitted to the Commission and a transcript of staff discussions with the Commission at any such meeting; and
- d) If a timely request was made, a non-public conference with the General Counsel and the Enforcement Division staff to consider whether or not probable cause exists to believe the Act was violated.

THE PROCEDURE

Probable Cause Report

Administrative enforcement proceedings are commenced with the service, by registered or certified mail or in person, of a probable cause report. The report will contain a summary of the law and the evidence, including any exculpatory and mitigating information of which the staff has knowledge and any other relevant material and arguments. It is filed with the Hearing Officer.

Discovery

Within 21 calendar days following the service of the probable cause report, you may request discovery of the evidence in the possession of the Enforcement Division. This is not a right to full discovery of the Enforcement Division file, but to the evidence relied upon by the Division along with any exculpatory or mitigating evidence¹.

This request must be sent by registered or certified mail to the Commission Assistant.

Response to Probable Cause Report

Within 21 calendar days following the service of the probable cause report (or, if you timely requested discovery, within 21 calendar days from the service of the evidence) you may submit a response to the Report. By regulation, the written response may contain, "... a summary of evidence, legal arguments, and any mitigating or exculpatory information." (Cal. Code Regs., tit. 2, § 18361.4, subd. (c).)

You must file your response with the Commission Assistant and provide a copy, by service of process or registered or certified mail with return receipt requested, to all other proposed respondents listed in the probable cause report.

Staff Reply

Within 10 calendar days following the date the response was filed with the Commission Assistant, Commission staff may submit any evidence or argument in rebuttal. You will be served with a copy of any such reply.

Probable Cause Conference

Probable cause conferences are held at the offices of the Fair Political Practices Commission, which is located at 428 J Street, Ste. 620, Sacramento, CA 95814. You may appear at the conference in person or by telephone. The proceedings are not public unless all proposed respondents agree to open the conference to the public. Otherwise, the probable cause report, any written responses, and the probable cause conference itself are confidential.

Unless the probable cause conference is public, the only persons who may attend are the staff of the Commission, any proposed respondent and his or her attorney or representative, and, at the discretion of the Hearing Officer, witnesses.

The Hearing Officer may, but need not, permit testimony from witnesses. Probable cause conferences are less formal than court proceedings. The rules of evidence do not apply. The conferences will be recorded and a copy of the recording will be provided upon request.

Since it has the burden of proof, the Enforcement Division is permitted to open and close the conference presentations. The Hearing Officer may also hold the record open to receive additional evidence or arguments.

Probable cause conferences are not settlement conferences. The sole purpose of a probable cause conference is to determine whether or not there is probable cause to believe that the

¹ But see Title 2, California Code of Regulations, Section 18362, which states that the Commission provides access to complaints, responses to complaints, and investigative files and information in accordance with the requirements of the Public Records Act. (Govt. Code § 6250, et seq.)

Political Reform Act was violated. Anyone who wishes to discuss settlement with the Enforcement Division may do so before or after the probable cause conference but not during the conference.

Pursuant to Title 2, California Code of Regulations, Section 18361.4, subdivision (e), the Hearing Officer will find probable cause "if the evidence is sufficient to lead a person of ordinary caution and prudence to believe or entertain a strong suspicion that a proposed respondent committed or caused a violation."

Ordinarily, probable cause determinations are made based upon the written probable cause report, any written response by the respondent, any written reply by the Enforcement Division, and the oral arguments presented at the conference. Timely written presentations are strongly recommended.

Probable Cause Order and Accusation

Once the matter is submitted to the Hearing Officer, the probable cause decision will normally be made within ten days. If the Hearing Officer finds probable cause, he will issue a Finding of Probable Cause, which will be publicly announced at the next Commission Meeting. An accusation will be issued soon after the Finding of Probable Cause is publicly announced.

Continuances

Every reasonable effort is made to accommodate the schedules of parties and counsel. However, once a date has been set it is assumed to be firm and will not be continued except upon the order of the Hearing Officer after a showing of good cause. Settlement negotiations will be considered good cause only if the Hearing Officer is presented with a fully executed settlement, or is convinced that settlement is imminent.

Settlements

Settlement discussions may take place at any time except during the probable cause conference. In order to open settlement discussions, a proposed respondent or his or her counsel or representative should present a written offer to settle stating, where appropriate, the violations to be admitted, and the monetary penalty or other remedy to be tendered.

The Enforcement Division attorney assigned to the case will negotiate any potential settlement on behalf of the Fair Political Practices Commission, and will draft the language of the settlement agreement. The Hearing Officer will not directly participate in the negotiations, but will be represented by Enforcement Division attorneys. Staff attorneys will present settlement offers to the Hearing Officer for his/her approval.

CONCLUSION

This fact sheet was intended to give you a brief summary of the probable cause process at the Fair Political Practices Commission. Such a summary cannot answer every question that might arise in such proceedings. Therefore, if you have any questions that are not addressed by this fact sheet or the copies of the law and regulations we have attached, feel free to contact the attorney whose name appears on the probable cause report.

Attachments: Relevant Sections of (1) California Government Code , and (2) Regulations of the Fair Political Practices Commission, Title 2, Division 6 of the California Code of Regulations.

CALIFORNIA GOVERNMENT CODE

Probable Cause Statutes

§ 83115.5. Probable cause; violation of title; notice of violation; summary of evidence; notice of rights; private proceedings

No finding of probable cause to believe this title has been violated shall be made by the commission unless, at least 21 days prior to the commission's consideration of the alleged violation, the person alleged to have violated this title is notified of the violation by service of process or registered mail with return receipt requested, provided with a summary of the evidence, and informed of his right to be present in person and represented by counsel at any proceeding of the commission held for the purpose of considering whether probable cause exists for believing the person violated this title. Notice to the alleged violator shall be deemed made on the date of service, the date the registered mail receipt is signed, or if the registered mail receipt is not signed, the date returned by the post office. A proceeding held for the purpose of considering probable cause shall be private unless the alleged violator files with the commission a written request that the proceeding be public.

§ 83116. Violation of title; probable cause; hearing; order

When the Commission determines there is probable cause for believing this title has been violated, it may hold a hearing to determine if a violation has occurred. Notice shall be given and the hearing conducted in accordance with the Administrative Procedure Act (Chapter 5 (commencing with Section 11500), Part 1, Division 3, Title 2, Government Code). The Commission shall have all the powers granted by that chapter. When the Commission determines on the basis of the hearing that a violation has occurred, it shall issue an order that may require the violator to do all or any of the following:

- (a) Cease and desist violation of this title.
- (b) File any reports, statements, or other documents or information required by this title.
- (c) Pay a monetary penalty of up to five thousand dollars (\$5,000) per violation to the General Fund of the state. When the Commission determines that no violation has occurred, it shall publish a declaration so stating.

**REGULATIONS OF THE FAIR POLITICAL PRACTICES COMMISSION
TITLE 2, DIVISION 6 OF THE CALIFORNIA CODE OF REGULATIONS**

Probable Cause Regulations

§ 18361 (b). Delegation by the Executive Director Pertaining to Enforcement Proceedings and Authority to Hear Probable Cause Proceedings.

Probable cause proceedings under Regulation 18361.4 shall be heard by the General Counsel or an attorney from the Legal Division. The General Counsel may delegate the authority to hear probable cause proceedings, in writing, to an administrative law judge.

§ 18361.4. Probable Cause Proceedings

(a) Probable Cause Report. If the Chief of the Enforcement Division decides to commence probable cause proceedings pursuant to Sections 83115.5 and 83116, he or she shall direct the Enforcement Division staff to prepare a written report, hereafter referred to as "the probable cause report." The probable cause report shall contain a summary of the law and evidence gathered in connection with the investigation, including any exculpatory and mitigating information of which the staff has knowledge and any other relevant material and arguments. The evidence recited in the probable cause report may include hearsay, including declarations of investigators or others relating the statements of witnesses or concerning the examination of physical evidence.

(b) No probable cause hearing will take place until at least 21 calendar days after the Enforcement Division staff provides the following, by service of process or registered or certified mail with return receipt requested, to all proposed respondents:

- (1) A copy of the probable cause report;
- (2) Notification that the proposed respondents have the right to respond in writing to the probable cause report and to request a probable cause conference at which the proposed respondent may be present in person and represented by counsel, and;
- (3) If the Commission met in executive session on this matter pursuant to Regulation 18361.2, a copy of any staff memoranda submitted to the Commission at that time along with the recording of any discussion between the Commission and the staff at the executive session as required in subdivision (b) of Regulation 18361.2.

(c) Response to Probable Cause Report.

- (1) Each proposed respondent may submit a written response to the probable cause report. The response may contain a summary of evidence, legal arguments, and any mitigating or exculpatory information. A proposed respondent who submits a response must file it with the Commission Assistant who will forward the response to the General Counsel or an attorney in the Legal Division (the "hearing officer") and provide a copy, by service of process or registered or certified mail with return receipt requested, to all other proposed respondents listed in the probable cause report not later than 21 days following service of the probable cause report.
- (2) Within 21 calendar days following the service of the probable cause report, a proposed

respondent may request discovery of evidence in the possession of the Enforcement Division. This request must be sent by registered or certified mail to the Commission Assistant. Upon receipt of the request, the Enforcement Division shall provide discovery of evidence relied upon by the Enforcement Division sufficient to lead a person of ordinary caution and prudence to believe or entertain a strong suspicion that a proposed respondent committed or caused a violation, along with any exculpatory or mitigating evidence. This is not a right to full discovery of the Enforcement Division file. The Enforcement Division shall provide access to documents for copying by the Respondent, or upon agreement among the parties, the Enforcement Division will provide copies of the requested documents upon payment of a fee for direct costs of duplication. The Enforcement Division shall provide such evidence by service of process or registered or certified mail with return receipt requested to all respondents, with a copy to the Commission Assistant. A respondent may submit a written response to the probable cause report described in subsection (1) no later than 21 calendar days after service of discovery.

- (3) The Commission staff may submit any evidence or argument in rebuttal to the response. When the Commission staff submits evidence or argument in rebuttal to the response, it shall provide a copy, by service of process or registered or certified mail with return receipt requested, to all proposed respondents listed in the probable cause report not later than 10 calendar days following the date the response was filed with the Commission Assistant. The hearing officer may extend the time limitations in this section for good cause. At any time prior to a determination of probable cause, the hearing officer may allow additional material to be submitted as part of the initial response or rebuttal.

(d) Probable Cause Conference. Any proposed respondent may request a probable cause conference. The request shall be served upon the Commission Assistant and all other proposed respondents not later than 21 days after service of the probable cause report unless the hearing officer extends the time for good cause. The Commission Assistant shall fix a time for the probable cause conference and the hearing officer shall conduct the conference informally. The conference shall be closed to the public unless a proposed respondent requests and all other proposed respondents agree to a public conference. If the conference is not public, only members of the Commission staff, any proposed respondent and his or her legal counsel or representative shall have the right to be present and participate. The hearing officer may allow witnesses to attend and participate in part or all of the probable cause conference. In making this determination, the hearing officer shall consider the relevancy of the witness' proposed testimony, whether the witness has a substantial interest in the proceedings, and whether fairness requires that the witness be allowed to participate. Representatives of any civil or criminal prosecutor with jurisdiction may attend the conference at the discretion of the hearing officer if they agree to respect the confidential nature of the proceedings. If the conference is not open to the public and none of the parties and the presiding officer object, the conference may be conducted in whole or in part by telephone. The probable cause conference shall be recorded. The hearing officer may determine whether there is probable cause based solely on the probable cause report, any responses or rebuttals filed and any arguments presented at the probable cause conference by the interested parties. If the hearing officer requires additional information before determining whether there is probable cause, he or she may permit any party to submit additional evidence at the probable cause conference.

(e) Finding of Probable Cause. The hearing officer may find there is probable cause to believe a violation has occurred if the evidence is sufficient to lead a person of ordinary caution and prudence to believe or entertain a strong suspicion that a proposed respondent committed or caused a violation. A finding of probable cause by the hearing officer does not constitute a finding that a violation has actually occurred. The hearing officer shall not make a finding of probable cause if he or she is presented with clear and convincing evidence that, at a time prior to the alleged violation, the violator consulted with the staff of the Commission in good faith, disclosed truthfully all the material facts, and committed the acts complained of either in reliance on the advice of the staff or because of the staff's failure to provide advice. If the hearing officer makes a finding of probable cause, the Enforcement Division shall prepare an Accusation pursuant to Section 11503 and have it served upon the person or persons who are subjects of the probable cause finding. The hearing officer shall publicly announce the finding of probable cause. The announcement shall contain a summary of the allegations and a cautionary statement that the respondent is presumed to be innocent of any violation of the Act unless a violation is proved in a subsequent proceeding. The Chief of the Enforcement Division shall be responsible for the presentation of the case in support of the Accusation at an administrative hearing held pursuant to Section 83116.

§ 18362. Access to Complaint Files

(a) Access to complaints, responses thereto, and investigative files and information shall be granted in accordance with the requirements of the Public Records Act (Government Code Section 6250, et seq.).

(b) When release of material is requested pursuant to subdivision (a), the Executive Director, or his or her designee, shall review the material prior to its release or prior to a claim of exemption to determine that the requirements of the Public Records Act have been satisfied.

(c) Any person requesting copies of material pursuant to subdivision (a) shall reimburse the Commission \$0.10 per page for each page copied or supply copying equipment and make copies in the offices of the Commission. Documents may not be removed from the offices of the Commission. If the request is for copies totaling ten pages or less, the copies shall be provided without charge for copying since the administrative costs do not warrant collection of \$1.00 or less. If the request is for copies totaling more than ten pages, reimbursements of copying costs shall include the cost for the first ten pages. Charges imposed pursuant to this subdivision are for the purpose of recovering the cost of copying.

(d) Requests for access and copies pursuant to subdivision (a) shall be made in writing and shall specifically identify the documents sought.

§ 18361.2. Memorandum Respecting Civil Litigation.

(a) If the Executive Director concludes civil litigation should be initiated, he or she shall submit to the Commission a written memorandum, which shall be first reviewed by the General Counsel, or an attorney from the Legal Division, summarizing the facts and the applicable law of the case and recommending the initiation of a lawsuit. The memorandum shall include all exculpatory and mitigating information known to the staff.

(b) The Commission shall review the memorandum at an executive session. The General Counsel, or an attorney from the Legal Division, and the Commission Assistant shall be in attendance. No other member of the staff may be present unless the Commission meets with a member of the staff for that person to answer questions. The Commission may not resume its deliberations until the person is no longer present. Any communication between the Commission and the person during the executive session shall be recorded. After review of the memorandum, the Commission may direct the Executive Director to do any of the following:

- (1) Initiate civil litigation.
- (2) Decide whether probable cause proceedings should be commenced pursuant to 2 Cal. Code of Regulations Section 18361.4.
- (3) Return the matter to the staff for further investigation.
- (4) Take no further action on the matter or take any other action it deems appropriate.

(c) If the Commission decides to initiate civil litigation, the Commission may then permit other members of the staff to attend the executive session.

(d) If the Executive Director deems it necessary, he or she may call a special meeting of the Commission to review a staff memorandum recommending the initiation of civil litigation.

(e) It is the intent of the Commission in adopting this section to preserve for the members of the Commission the authority to decide whether alleged violations should be adjudicated in administrative hearings or in civil litigation, while at the same time avoiding the possibility that discussions with members of the staff might cause members of the Commission to prejudge a case that might be heard by the Commission under Government Code Section 83116.

EXHIBIT C

PROOF OF SERVICE

At the time of service, I was over 18 years of age and not a party to this action. My business address is Fair Political Practices Commission, 428 J Street, Suite 620, Sacramento, California 95814. On July 11, 2016, I served the following document(s):

1. Letter dated July 11, 2016 from Angela J. Brereton;
2. FPPC Case No. 14/876: Report in Support of a Finding of Probable Cause;
3. Fact Sheet regarding Probable Cause Proceedings with selected Sections of the California Government Code and selected Regulations of the Fair Political Practices Commission regarding Probable Cause Proceedings for the Fair Political Practices Commission.

☒ By United States Postal Service. I enclosed the document(s) in a sealed envelope or package addressed to the person(s) at the addresses listed below and placed the envelope or package for collection and mailing by certified mail, return receipt requested, following my company's ordinary business practices. I am readily familiar with this business' practice for collection and processing correspondence for mailing with the United States Postal Service. On the same day that correspondence is placed for collection and mailing, it is deposited in the ordinary course of business with the United States Postal Service, in a sealed envelope with postage fully prepaid.

I am a resident or employed in the county where the mailing occurred. The envelope or package was placed in the mail in Sacramento County, California.

SERVICE LIST

Certified Mail, Return Receipt Requested

Kevork N. "George" Ashkharian
1161 Spazier Avenue, Unit 1
Glendale, CA 91201

I declare under penalty of perjury under the laws of the State of California that the above is true and correct. Executed on July 11, 2016


Linda Studer

7016 1370 0000 0354 4221

U.S. Postal Service™
CERTIFIED MAIL® RECEIPT
Domestic Mail Only

For delivery information, visit our website at www.usps.com.

OFFICIAL USE

Certified Mail Fee

\$

Extra Services & Fees (check box, add fee as appropriate)

<input type="checkbox"/> Return Receipt (hardcopy)	\$	
<input type="checkbox"/> Return Receipt (electronic)	\$	
<input type="checkbox"/> Certified Mail Restricted Delivery	\$	
<input type="checkbox"/> Adult Signature Required	\$	
<input type="checkbox"/> Adult Signature Restricted Delivery	\$	

Postmark
Here

Postage

\$

Total Postage and Fees

\$

Sent To

Kevork N. "George" Ashkharian

Street and Apt. No.

1161 Spazier Avenue, Unit 1

City, State, ZIP+4®

Glendale, CA 91201

PS Form 3800, April 2015 PSN 7530-02-000-9047

See Reverse for Instructions



FAIR POLITICAL PRACTICES COMMISSION
428 J STREET, SUITE 620
SACRAMENTO, CALIFORNIA 95814-2329

UNCLAIMED
RETURN TO SENDER

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to

Kevork N. "George" Ashkharian
1161 Spazler Avenue Unit 1
Glendale, CA 91201



9590 9403 0234 5146 5243 68

2. Article Number (Transfer from service label)

7016 1370 0000 0354 4221

PS Form 3811, April 2015 PSN 7530-02-000-9053

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

- ☐ Agent
- ☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

- D. Is delivery address different from item 1? ☐ Yes
- If YES, enter delivery address below: ☐ No

3. Service Type

- ☐ Adult Signature
- ☐ Adult Signature Restricted Delivery
- ☐ Certified Mail®
- ☐ Certified Mail Restricted Delivery
- ☐ Collect on Delivery
- ☐ Collect on Delivery Restricted Delivery
- ☐ Insured Mail
- ☐ Insured Mail Restricted Delivery (over \$500)
- ☐ Priority Mail Express®
- ☐ Registered Mail™
- ☐ Registered Mail Restricted Delivery
- ☐ Return Receipt for Merchandise
- ☐ Signature Confirmation™
- ☐ Signature Confirmation Restricted Delivery

Domestic Return Receipt

Kevork N. "George" Ashkharian
1161 Spazler Avenue Unit 1
Glendale, CA 91201

UNCLAIMED
RETURN TO SENDER

7/16/16
Rt 8/15

7/16/16



7016 1370 0000 0354 4221



16 AUG 12 PM 5:15

EXHIBIT D

PROOF OF SERVICE

At the time of service, I was over 18 years of age and not a party to this action. My business address is Fair Political Practices Commission, 428 J Street, Suite 620, Sacramento, CA 95814. On the date below, I served the following document:

FINDING OF PROBABLE CAUSE AND ORDER TO PREPARE AND SERVE AN ACCUSATION

MANNER OF SERVICE

(U.S. Mail) By causing a true copy thereof to be served on the parties in this action through the U.S. Mail and addressed as listed below. I am familiar with the procedure of the Fair Political Practices Commission for collection and processing of correspondence for mailing with the United States Postal Service, and the fact that the correspondence would be deposited with the United States Postal Service that same day in the ordinary course of business.

SERVICE LIST

Mr. Kevork N. "George" Ashkarian
1161 Spazier Avenue, Unit 1
Glendale, CA 91201

(By Personal Service) On Thursday, September 22, 2016, at approximately 3:15 p.m., I personally served:

Galena West, Chief of Enforcement, at 428 J Street, Suite 700, Sacramento, CA 95814.
Angela J. Brereton, Senior Commission Counsel, at 428 J Street, Suite 700, Sacramento, CA 95814.

I declare under penalty of perjury under the laws of the State of California that the above is true and correct and that this document is executed at Sacramento, California, on September 22, 2016.


Sheva Tabatabaiejad

BEFORE THE FAIR POLITICAL PRACTICES COMMISSION
STATE OF CALIFORNIA

In the Matter of) FPPC No. 14/876
)
)
 KEVORK N. "GEORGE" ASHKHARIAN,) FINDING OF PROBABLE CAUSE AND
) ORDER TO PREPARE AND SERVE AN
) ACCUSATION
 Respondent.)
) Gov. Code § 83115.5
)
)

By means of an Ex Parte Request for an Order Finding Probable Cause and an Order that an Accusation be Prepared and Served, dated September 12, 2016, the Enforcement Division submitted the above-entitled matter to the Hearing Officer for a determination of Probable Cause. As set forth in the Ex Parte Request, the Enforcement Division served a Report in Support of a Finding of Probable Cause (the Report) to Respondent Kevork N. "George" Ashkharian, concerning this matter on July 11, 2016. Service was made by certified mail. Accompanying the Report was a packet of materials that informed Ashkharian of his right to file a written response to the Report within 21 days following service of the Report, and to request a probable cause conference. During the 21 days that followed service of the Report, Ashkharian did not file a response to the Report or request a probable cause conference. Pursuant to California Code of Regulations Title 2, Section 18361.4, determination of probable cause may be made solely on papers submitted when the respondent does not request that a probable cause conference be held.¹

In making a probable cause determination, it is the duty of the Hearing Officer of the Fair Political Practices Commission to determine whether probable cause exists for believing that a respondent has violated the Political Reform Act as alleged by the Enforcement Division in the probable cause report served on the respondent.

///

¹ The Political Reform Act is contained in Government Code §§ 81000 through 91014, and all statutory references are to this code. The regulations of the Fair Political Practices Commission are contained in §§ 18110 through 18997 of Title 2 of the California Code of Regulations, and all regulatory references are to this source.

1 Probable cause to believe a violation has occurred can be found to exist when “the evidence is
2 sufficient to lead a person of ordinary caution and prudence to believe or entertain a strong suspicion that
3 the proposed respondent(s) committed or caused a violation.”²

4 The Probable Cause Report served on Ashkharian and the subsequent Ex Parte Request for an
5 Order Finding Probable Cause and an Order that an Accusation be Prepared and Served in this matter
6 allege 27 violations of the Political Reform Act were committed, as follows:

7 Counts 1 – 25: Conflict of Interest

8 In 2013, as an Assistant Claims Manager for SCIF, Ashkharian directly negotiated and settled 25
9 unpaid medical liens with Radstar, a subsidiary of Global Holdings, for which he signed 25 Confirmation
10 of Settlement forms at a time when Global Holdings was a source of income to him as his wife’s
11 employer.

12 As an Assistant Claims Manager for SCIF, Ashkharian was a public official. By negotiating and
13 settling liens and signing the Confirmation of Settlement forms, Ashkharian made governmental
14 decisions because he obligated or committed his agency to pay Radstar, and entered into 25 contractual
15 agreements on behalf of his agency. On the date of each of the 25 decisions, Ashkharian had an economic
16 interest in Radstar because Radstar was a subsidiary of Global Holdings, which was a source of income
17 to him as his wife’s employer. Mrs. Ashkharian received more than \$1,000 from Global Holdings within
18 12 months of the 25 decisions, so Ashkharian’s community property share in her income from Global
19 Holdings was more than \$500 within 12 months of the 25 decisions. Radstar was directly involved in the
20 25 governmental decisions because Radstar was the lien claimant for each of the 25 settled liens. Since
21 Radstar was directly involved in the 25 governmental decisions, the financial effect of the governmental
22 decisions was presumed to be material. And it was reasonably foreseeable that the governmental
23 decisions would have a material financial effect on Radstar because SCIF was obligated to pay Radstar
24 the amounts stated in the 25 Confirmation of Settlement forms Ashkharian signed.

25 Therefore, in 2013 Ashkharian made 25 governmental decisions, as detailed in the chart above,
26 in which he had a financial interest, violating Government Code section 87100.

27 ///

28 _____
² Reg. 18361.4, subd. (e).

1 Count 26: Failure to Disclose Source of Income in Annual Statement of Economic Interests

2 Ashkharian, as a designated employee of SCIF, failed to disclose his wife's salary from Global
3 Holdings in his 2012 Annual SEI, in violation of Government Code Section 87207, subdivision (a).

4 Count 27: Failure to File Leaving Office Statement of Economic Interests

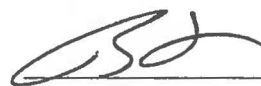
5 Ashkharian failed to file a leaving office SEI by the due date of May 13, 2014, in violation of
6 Government Code sections 87300 and 87302, subdivision (b).

7 Based on the Ex Parte Request for a Finding of Probable Cause and an Order that an Accusation
8 be Prepared and Served given to me, I find that notice has been given to Ashkharian.³ I further find, based
9 on the Report in Support of a Finding of Probable Cause and the Ex Parte Request for a Finding of
10 Probable Cause and an Order that an Accusation be Prepared and Served, that there is probable cause to
11 believe Ashkharian violated the Political Reform Act as alleged in Counts 1 through 27, above.

12 I therefore direct that the Enforcement Division issue an Accusation against Ashkharian in
13 accordance with this Finding.

14 IT IS SO ORDERED.

15 Dated: 9/20/16



16 Brian Lau, Hearing Officer
17 Fair Political Practices Commission
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³ § 83115.5 and Reg. 18361.4, subd. (b).



Before the Fair Political Practices Commission

State of California

In the Matter of

KEVORK N. "GEORGE"
ASHKHARIAN,

Respondent.

) NOTICE OF DEFENSE
) (Pursuant to Gov. Code § 11506)
)
) FPPC Case No. 14/876
)
)
)
)

KEVORK N. "GEORGE" ASHKHARIAN, a Respondent named in the above entitled proceeding, hereby acknowledges receipt of the Accusation, a copy of the Statement to Respondent, a copy of Government Code Sections 11506 through 11508, and two copies of a *NOTICE OF DEFENSE*.

Pursuant to Government Code Section 11506, subdivision (a), you may file this *NOTICE OF DEFENSE* requesting a hearing on the grounds listed below. Failure to file this *NOTICE OF DEFENSE* shall constitute a waiver of your right to a hearing. If you waive your right to a hearing, you may file a statement of mitigation by separate letter that will be considered by the Commission in assessing any penalties for the violations alleged in the Accusation.

If you wish to file a *NOTICE OF DEFENSE*, please check all applicable grounds for the *NOTICE OF DEFENSE*, complete the remainder of the form, and mail to the Commission within fifteen (15) days of receipt of the Accusation.

GROUND FOR NOTICE OF DEFENSE

- ☐ 1) I request a hearing;
- ☐ 2) I object to the Accusation upon the ground that it does not state acts or omissions upon which the agency may proceed;
- ☐ 3) I object to the form of the Accusation on the ground that it is so indefinite or uncertain that I cannot identify the transaction that is the subject of the Accusation or prepare my defense;
- ☐ 4) I admit the Accusation in whole or in part (check box "a" or "b");
- ☐ a) I admit the Accusation in whole.
- ☐ b) I admit the Accusation in part as indicated below:

- ☐ 5) I wish to present new matter by way of defense;
- ☐ 6) I object to the accusation upon the ground that, under the circumstances, compliance with the requirements of a regulation of the Fair Political Practices Commission would result in a material violation of another regulation enacted by another department affecting substantive rights.

Dated: _____

Respondent

Print Name

Mailing Address

City, State, Zip



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- ☐ a) I admit the Accusation in whole.
- ☐ b) I admit the Accusation in part as indicated below:
- _____
- _____
- _____
- _____
- _____
- _____
- ☐ 5) I wish to present new matter by way of defense;
- ☐ 6) I object to the accusation upon the ground that, under the circumstances, compliance with the requirements of a regulation of the Fair Political Practices Commission would result in a material violation of another regulation enacted by another department affecting substantive rights.

Dated: _____

Respondent

Print Name

Mailing Address

City, State, Zip

California Government Code sections 11506 through 11508

§ 11506. Filing of notice of defense or notice of participation; Contents; Right to hearing on the merits

(a) Within 15 days after service of the accusation or District Statement of Reduction in Force the respondent may file with the agency a notice of defense, or, as applicable, notice of participation, in which the respondent may:

(1) Request a hearing.

(2) Object to the accusation or District Statement of Reduction in Force upon the ground that it does not state acts or omissions upon which the agency may proceed.

(3) Object to the form of the accusation or District Statement of Reduction in Force on the ground that it is so indefinite or uncertain that the respondent cannot identify the transaction or prepare a defense.

(4) Admit the accusation or District Statement of Reduction in Force in whole or in part.

(5) Present new matter by way of defense.

(6) Object to the accusation or District Statement of Reduction in Force upon the ground that, under the circumstances, compliance with the requirements of a regulation would result in a material violation of another regulation enacted by another department affecting substantive rights.

(b) Within the time specified the respondent may file one or more notices of defense, or, as applicable, notices of participation, upon any or all of these grounds but all of these notices shall be filed within that period unless the agency in its discretion authorizes the filing of a later notice.

(c) The respondent shall be entitled to a hearing on the merits if the respondent files a notice of defense or notice of participation, and the notice shall be deemed a specific denial of all parts of the accusation or District Statement of Reduction in Force not expressly admitted. Failure to file a notice of defense or notice of participation shall constitute a waiver of respondent's right to a hearing, but the agency in its discretion may nevertheless grant a hearing. Unless objection is taken as provided in paragraph (3) of subdivision (a), all objections to the form of the accusation or District Statement of Reduction in Force shall be deemed waived.

(d) The notice of defense or notice of participation shall be in writing signed by or on behalf of the respondent and shall state the respondent's mailing address. It need not be verified or follow any particular form.

(e) As used in this section, "file," "files," "filed," or "filing" means "delivered or mailed" to the agency as provided in Section 11505.

HISTORY: Added Stats 1945 ch 867 § 1. Amended Stats 1963 ch 931 § 1; Stats 1982 ch 606 § 1; Stats 1986 ch 951 § 20; Stats 1995 ch 938 § 29 (SB 523), operative July 1, 1997; Stats 2013 ch 90 § 5 (SB 546), effective January 1, 2014.

§ 11507. Amended or supplemental accusation or District Statement of Reduction in Force; Objections

At any time before the matter is submitted for decision, the agency may file, or permit the filing of, an amended or supplemental accusation or District Statement of Reduction in Force. All parties shall be notified of the filing. If the amended or supplemental accusation or District Statement of Reduction in Force presents new charges, the agency shall afford the respondent a reasonable opportunity to prepare his or her defense to the new charges, but he or she shall not be entitled to file a further pleading unless the agency in its discretion so orders. Any new charges shall be deemed controverted, and any objections to the amended or supplemental accusation or District Statement of Reduction in Force may be made orally and shall be noted in the record.

HISTORY: Added Stats 1945 ch 867 § 1. Amended Stats 2013 ch 90 § 6 (SB 546), effective January 1, 2014; Stats 2014 ch 71 § 69 (SB 1304), effective January 1, 2015.

§ 11507.3. Consolidated proceedings; Separate hearings

(a) When proceedings that involve a common question of law or fact are pending, the administrative law judge on the judge's own motion or on motion of a party may order a joint hearing of any or all the matters at issue in the proceedings. The administrative law judge may order all the proceedings consolidated and may make orders concerning the procedure that may tend to avoid unnecessary costs or delay.

(b) The administrative law judge on the judge's own motion or on motion of a party, in furtherance of convenience or to avoid prejudice or when separate hearings will be conducive to expedition and economy, may order a separate hearing of any issue, including an issue raised in the notice of defense or notice of participation, or of any number of issues.

HISTORY: Added Stats 1995 ch 938 § 30 (SB 523), operative July 1, 1997. Amended Stats 2013 ch 90 § 7 (SB 546), effective January 1, 2014.

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§ 11507.5. Exclusivity of discovery provisions

The provisions of Section 11507.6 provide the exclusive right to and method of discovery as to any proceeding governed by this chapter.

HISTORY: Added Stats 1968 ch 808 § 3.

§ 11507.6. Request for discovery

After initiation of a proceeding in which a respondent or other party is entitled to a hearing on the merits, a party, upon written request made to another party, prior to the hearing and within 30 days after service by the agency of the initial pleading or within 15 days after the service of an additional pleading, is entitled to (1) obtain the names and addresses of witnesses to the extent known to the other party, including, but not limited to, those intended to be called to testify at the hearing, and (2) inspect and make a copy of any of the following in the possession or custody or under the control of the other party:

- (a) A statement of a person, other than the respondent, named in the initial administrative pleading, or in any additional pleading, when it is claimed that the act or omission of the respondent as to this person is the basis for the administrative proceeding;
- (b) A statement pertaining to the subject matter of the proceeding made by any party to another party or person;
- (c) Statements of witnesses then proposed to be called by the party and of other persons having personal knowledge of the acts, omissions or events which are the basis for the proceeding, not included in (a) or (b) above;
- (d) All writings, including, but not limited to, reports of mental, physical and blood examinations and things which the party then proposes to offer in evidence;
- (e) Any other writing or thing which is relevant and which would be admissible in evidence;
- (f) Investigative reports made by or on behalf of the agency or other party pertaining to the subject matter of the proceeding, to the extent that these reports (1) contain the names and addresses of witnesses or of persons having personal knowledge of the acts, omissions or events which are the basis for the proceeding, or (2) reflect matters perceived by the investigator in the course of his or her investigation, or (3) contain or include by attachment any statement or writing described in (a) to (e), inclusive, or summary thereof.

For the purpose of this section, "statements" include written statements by the person signed or otherwise authenticated by him or her, stenographic, mechanical, electrical or other recordings, or transcripts thereof, of oral statements by the person, and written reports or summaries of these oral statements.

Nothing in this section shall authorize the inspection or copying of any writing or thing which is privileged from disclosure by law or otherwise made confidential or protected as the attorney's work product.

HISTORY: Added Stats 1968 ch 808 § 4. Amended Stats 1985 ch 1328 § 5; Stats 1995 ch 938 § 31 (SB 523), operative July 1, 1997.

§ 11507.7. Motion to compel discovery; Order

(a) Any party claiming the party's request for discovery pursuant to Section 11507.6 has not been complied with may serve and file with the administrative law judge a motion to compel discovery, naming as respondent the party refusing or failing to comply with Section 11507.6. The motion shall state facts showing the respondent party failed or refused to comply with Section 11507.6, a description of the matters sought to be discovered, the reason or reasons why the matter is discoverable under that section, that a reasonable and good faith attempt to contact the respondent for an informal resolution of the issue has been made, and the ground or grounds of respondent's refusal so far as known to the moving party.

(b) The motion shall be served upon respondent party and filed within 15 days after the respondent party first evidenced failure or refusal to comply with Section 11507.6 or within 30 days after request was made and the party has failed to reply to the request, or within another time provided by stipulation, whichever period is longer.

(c) The hearing on the motion to compel discovery shall be held within 15 days after the motion is made, or a later time that the administrative law judge may on the judge's own motion for good cause determine. The respondent party shall have the right to serve and file a written answer or other response to the motion before or at the time of the hearing.

(d) Where the matter sought to be discovered is under the custody or control of the respondent party and the respondent party asserts that the matter is not a discoverable matter under the provisions of Section 11507.6, or is privileged against disclosure under those provisions, the administrative law judge may order lodged with it matters provided in subdivision (b) of *Section 915 of the Evidence Code* and examine the matters in accordance with its provisions.

(e) The administrative law judge shall decide the case on the matters examined in camera, the papers filed by the parties, and such oral argument and additional evidence as the administrative law judge may allow.

(f) Unless otherwise stipulated by the parties, the administrative law judge shall no later than 15 days after the hearing make its order denying or granting the motion. The order shall be in writing setting forth the matters the moving party is entitled to discover under Section 11507.6. A copy of the order shall forthwith be served by mail by the administrative law judge upon the parties. Where the order grants the motion in whole or in part, the order shall not become

effective until 10 days after the date the order is served. Where the order denies relief to the moving party, the order shall be effective on the date it is served.

HISTORY: Added Stats 1968 ch 808 § 5. Amended Stats 1971 ch 1303 § 8; Stats 1980 ch 548 § 2; Stats 1995 ch 938 § 32 (SB 523), operative July 1, 1997.

§ 11508. Time and place of hearing

(a) The agency shall consult the office, and subject to the availability of its staff, shall determine the time and place of the hearing. The hearing shall be held at a hearing facility maintained by the office in Sacramento, Oakland, Los Angeles, or San Diego and shall be held at the facility that is closest to the location where the transaction occurred or the respondent resides.

(b) Notwithstanding subdivision (a), the hearing may be held at either of the following places:

(1) A place selected by the agency that is closer to the location where the transaction occurred or the respondent resides.

(2) A place within the state selected by agreement of the parties.

(c) The respondent may move for, and the administrative law judge has discretion to grant or deny, a change in the place of the hearing. A motion for a change in the place of the hearing shall be made within 10 days after service of the notice of hearing on the respondent.

Unless good cause is identified in writing by the administrative law judge, hearings shall be held in a facility maintained by the office.

HISTORY: Added Stats 1945 ch 867 § 1. Amended Stats 1963 ch 710 § 1; Stats 1967 ch 17 § 39; Stats 1987 ch 50 § 1; Stats 1995 ch 938 § 33 (SB 523), operative July 1, 1997; Stats 2005 ch 674 § 22 (SB 231), effective January 1, 2006.