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7
8 **BEFORE THE FAIR POLITICAL PRACTICES COMMISSION**
9 **STATE OF CALIFORNIA**

10
11 In the Matter of:

FPPC No. 15/1545

12 DANIEL STEPHENSON, RANCON
13 REAL ESTATE CORPORATION, CP
BUSINESS PARK 12.5, LLC, EUROPA
14 VILLAGE, LLC, EUROPA VINEYARD
ESTATES, LLC, HERITAGE SQUARE,
15 LP, RANCON BRIDGES III, LLC,
RANCON BUNDY CANYON 126, LLC,
16 RANCON CROSSROADS, LLC,
RANCON FRENCH VALLEY 41, LLC,
17 RANCON MEDICAL AND
EDUCATIONAL CENTER, LLC,
18 RANCON MHS 20, LLC, RANCON
REDHAWK VALLEY 44, LLC,
19 RANCON REGIONAL CENTER, LLC,
RANCON SEVILLA 180, LLC,
20 RANCON WINCHESTER VALLEY 63,
LLC, RANCON WINCHESTER
21 VALLEY 85, LLC, RANCON
WINCHESTER VALLEY 155, LLC, and
22 SF 150, LLC,

STIPULATION, DECISION, AND ORDER

23 Respondents.

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26 **STIPULATION**

27 Complainant, the Enforcement Division of the Fair Political Practices Commission, and
28 respondents Daniel Stephenson, Rancon Real Estate Corporation, CP Business Park 12.5, LLC, Europa

1 Village, LLC, Europa Vineyard Estates, LLC, Heritage Square, LP, Rancon Bridges III, LLC, Rancon
2 Bundy Canyon 126, LLC, Rancon Crossroads, LLC, Rancon French Valley 41, LLC, Rancon Medical
3 and Educational Center, LLC, Rancon MHS 20, LLC, Rancon Redhawk Valley 44, LLC, Rancon
4 Regional Center, LLC, Rancon Sevilla 180, LLC, Rancon Winchester Valley 63, LLC, Rancon
5 Winchester Valley 85, LLC, Rancon Winchester Valley 155, LLC, and SF 150, LLC (Respondents)
6 hereby agree that this Stipulation will be submitted for consideration by the Fair Political Practices
7 Commission (Commission) at its next regularly-scheduled meeting.

8 The parties agree to enter into this Stipulation to resolve all factual and legal issues raised by this
9 matter and to reach a final disposition without the necessity of holding an additional administrative
10 hearing to determine the liability of Respondents.

11 Respondents understand, and hereby knowingly and voluntarily waive, any and all procedural
12 rights set forth in Government Code sections 83115.5, 11503 and 11523, and in California Code of
13 Regulations, title 2, sections 18361.1 through 18361.9. This includes, but is not limited to, the right to
14 personally appear at any administrative hearing held in this matter, to be represented by an attorney at
15 Respondents' own expense, to confront and cross-examine all witnesses testifying at the hearing, to
16 subpoena witnesses to testify at the hearing, to have an impartial administrative law judge preside over
17 the hearing as a hearing officer, and to have the matter judicially reviewed.

18 It is further stipulated and agreed that Respondents violated the Political Reform Act by making
19 contributions over the limit in violation of Government Code section 85301, subdivision (a) and
20 California Code of Regulations, title 2, section 18545, subdivision (a)(1), and failing to timely file a
21 major donor campaign statement in violation of Government Code section 84200, subdivision (b), all as
22 described in Exhibit 1. Exhibit 1 is attached hereto and incorporated by reference as though fully set
23 forth herein. Exhibit 1 is a true and accurate summary of the facts in this matter.

24 Respondents agree to the issuance of the Decision and Order, which is attached hereto.
25 Respondents also agree to the Commission imposing an administrative penalty in the total amount of
26 Five Thousand Five Hundred Dollars (\$5,500). Respondents submitted with this Stipulation a cashier's
27 check in said amount, made payable to the "General Fund of the State of California," as full payment of
28 the administrative penalty that shall be held by the State of California until the Commission issues its

1 Decision and Order regarding this matter. The parties agree that in the event the Commission refuses to
2 accept this Stipulation, it shall become null and void, and within fifteen (15) business days after the
3 Commission meeting at which the Stipulation is rejected, all payments tendered by Respondents in
4 connection with this Stipulation shall be reimbursed to Respondents. Respondents further stipulate and
5 agree that in the event the Commission rejects the Stipulation, and a full evidentiary hearing before the
6 Commission becomes necessary, neither any member of the Commission, nor the Executive Director,
7 shall be disqualified because of prior consideration of this Stipulation.

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10 Dated: _____ Galena West, Chief of the Enforcement Division,
11 Fair Political Practices Commission

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13 Dated: _____ Daniel Stephenson, individually, and on behalf of
14 Rancon Real Estate Corporation, CP Business Park
15 12.5, LLC, Europa Village, LLC, Europa Vineyard
16 Estates, LLC, Heritage Square, LP, Rancon Bridges III,
17 LLC, Rancon Bundy Canyon 126, LLC, Rancon
18 Crossroads, LLC, Rancon French Valley 41, LLC,
19 Rancon Medical and Educational Center, LLC, Rancon
20 MHS 20, LLC, Rancon Redhawk Valley 44, LLC,
21 Rancon Regional Center, LLC, Rancon Sevilla 180,
22 LLC, Rancon Winchester Valley 63, LLC, Rancon
23 Winchester Valley 85, LLC, Rancon Winchester Valley
24 155, LLC, and SF 150, LLC.
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1 **DECISION AND ORDER**

2 The foregoing Stipulation of the parties “In the Matter of Daniel Stephenson, Rancon Real Estate
3 Corporation, CP Business Park 12.5, LLC, Europa Village, LLC, Europa Vineyard Estates, LLC,
4 Heritage Square, LP, Rancon Bridges III, LLC, Rancon Bundy Canyon 126, LLC, Rancon Crossroads,
5 LLC, Rancon French Valley 41, LLC, Rancon Medical and Educational Center, LLC, Rancon MHS 20,
6 LLC, Rancon Redhawk Valley 44, LLC, Rancon Regional Center, LLC, Rancon Sevilla 180, LLC,
7 Rancon Winchester Valley 63, LLC, Rancon Winchester Valley 85, LLC, Rancon Winchester Valley
8 155, LLC, and SF 150, LLC” FPPC No. 15/1545, including all attached exhibits, is hereby accepted as
9 the final decision and order of the Fair Political Practices Commission, effective upon execution below
10 by the Chair.

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12 IT IS SO ORDERED.

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14 Dated: _____

Joann Remke, Chair
Fair Political Practices Commission

EXHIBIT 1

INTRODUCTION

Respondent Daniel Stephenson owns an interest in respondents Rancon Real Estate Corporation, CP Business Park 12.5, LLC, Europa Village, LLC, Europa Vineyard Estates, LLC, Heritage Square, LP, Rancon Bridges III, LLC, Rancon Bundy Canyon 126, LLC, Rancon Crossroads, LLC, Rancon French Valley 41, LLC, Rancon Medical and Educational Center, LLC, Rancon MHS 20, LLC, Rancon Redhawk Valley 44, LLC, Rancon Regional Center, LLC, Rancon Sevilla 180, LLC, Rancon Winchester Valley 63, LLC, Rancon Winchester Valley 85, LLC, Rancon Winchester Valley 155, LLC, and SF 150, LLC (collectively referred to as “Stephenson Entities”). The Stephenson Entities each made campaign contributions to the Jeff Stone for State Senate 2014 candidate-controlled committee (“Stone Committee”). The contributions were directed and controlled by Stephenson.

The Political Reform Act (the “Act”)¹ provides that when an individual directs and controls the making of contributions by multiple entities to a state candidate, all of the contributions by those entities should be aggregated for contribution limit purposes. Also, if the aggregated contributions total \$10,000 or more in a calendar year, the individual and entities qualify as a major donor committee, and must file campaign statements. Stephenson and the Stephenson Entities violated the Act because the aggregated contributions to the Stone Committee by the Stephenson Entities exceeded the contribution limit, and Stephenson and the Stephenson Entities failed to timely file a campaign statement as a major donor committee.

SUMMARY OF THE LAW

Contribution Limits

For the 2014 primary and general elections, a person could not make to any candidate for elective state office cumulative contributions totaling more than \$4,100 per election.² For purposes of contribution limits, contributions to a state candidate by an entity whose contributions are directed and controlled by any individual are aggregated with any other entity whose contributions are directed and controlled by that individual.³

Major Donor Committees

A person who makes contributions totaling \$10,000 or more in a calendar year qualifies as a major donor committee.⁴ A major donor committee must file semi-annual campaign statements disclosing the contributions it makes by January 31st of the subsequent year for the statement period ending on December 31st.⁵ For purposes of determining whether a person qualifies as a major donor committee, contributions by an entity whose contributions are directed

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

² Section 85301, subd. (a) and Regulation 18545, subd. (a)(1).

³ Section 85311.

⁴ Section 82013, subd. (c).

⁵ Sections 84200, subd. (b) and 84211, subd. (b), (i), and (k).

and controlled by any individual are aggregated with contributions made by any other entity whose contributions are directed and controlled by that same individual.⁶

Non-monetary contributions

A “contribution” means a payment, a forgiveness of a loan, a payment of a loan by a third party, or an enforceable promise to make a payment for which full and adequate consideration is not received by the giver.⁷ The definition of “contribution” includes any goods or services received by a candidate or committee at no charge, or at a discount from fair market value.⁸ This type of contribution is commonly referred to as a “non-monetary” contribution.

SUMMARY OF THE FACTS

Stephenson is in the business of real estate and land development in Riverside County. He is the managing member of approximately 80 single-purpose limited liability companies that each own real property. The collection of LLCs is known as the Rancon Group. Stephenson also owns an interest in, and controls, Rancon Real Estate Corporation, a real estate sales company.

In November of 2013, Stephenson hosted two fundraisers to benefit State Senator Jeff Stone, who was a candidate in the 2014 election for the State Senate in the 28th district, which encompassed Riverside County. The fundraisers were held in a luxury box at a Los Angeles Lakers basketball game and at a Los Angeles Kings hockey game. Stephenson invited a number of guests to each game. The guests received a seat in the luxury box and food and drink in exchange for making campaign contributions to the Stone Committee. Stone attended both events.

The total cost to rent the luxury box for both games, plus food and drinks, was \$7,808.58. Rancon Real Estate Corporation paid all of these costs for the two fundraisers.

In conjunction with the fundraisers, Stephenson provided campaign contribution checks to Stone from each of the Stephenson Entities. The contributions consisted of the following:

Name of Entity	Amount of Contribution
CP Business Park 12.5, LLC	\$500
Europa Village, LLC	\$500
Europa Vineyard Estates, LLC	\$500
Heritage Square, LP	\$500
Rancon Bridges III, LLC	\$500
Rancon Bundy Canyon 126, LLC	\$500
Rancon Crossroads, LLC	\$500
Rancon French Valley 41, LLC	\$500
Rancon Medical and Educational Center, LLC	\$500
Rancon MHS 20, LLC	\$500
Rancon Redhawk Valley 44, LLC	\$500

⁶ Regulation 18215.1, subd. (b).

⁷ Section 82015.

⁸ Regulation 18215, subdivision (b)(3).

Rancon Regional Center, LLC	\$200
Rancon Sevilla 180, LLC	\$500
Rancon Winchester Valley 63, LLC	\$500
Rancon Winchester Valley 85, LLC	\$500
Rancon Winchester Valley 155, LLC	\$500
SF 150, LLC	\$500
Total	\$8,200

The other attendees also made contributions to the Stone Committee at the fundraisers that totaled approximately \$40,600. In total, the two fundraisers generated approximately \$48,800 in contributions to the Stone Committee.

Stephenson and the Stephenson Entities did not file a major donor statement in 2013 despite qualifying as a major donor as a result of their contributions to the Stone Committee. They subsequently filed in conjunction with this settlement. Stephenson asserts that he was not aware at the time that hosting the fundraisers would result in non-monetary contributions to the Stone Committee.

VIOLATIONS

Count 1 – Making Contributions Over the Limit

Stephenson directed and controlled the monetary contributions made by the Stephenson Entities to the Stone Committee, as well as the non-monetary contribution made by Rancon Real Estate Corporation for all the costs associated with the fundraisers at the Lakers and Kings games. When aggregated, Stephenson and the Stephenson Entities made contributions to the Stone Committee totaling \$16,008.58. These contributions exceeded the contribution limit of \$8,200 for the 2014 primary and general elections in violation of Section 85301, subdivision (a) and Regulation 18545, subdivision (a)(1).

Count 2 – Failure to Timely File Major Donor Campaign Statement

The aggregated contributions made to the Stone Committee in 2013 by the Stephenson Entities totaled \$16,008.58. Since Stephenson directed and controlled each of these contributions, Stephenson and the Stephenson Entities qualified as a major donor committee and were required to file a campaign statement for the period ending December 31, 2013 by January 21, 2014. By failing to timely file a major donor statement for 2013, Stephenson and the Stephenson Entities violated Section 84200, subdivision (b).

CONCLUSION

This matter consists of two counts of violating the Act, which carry a maximum administrative penalty of \$5,000 per count, and \$10,000 total.

In determining the appropriate penalty for a particular violation of the Act, the Fair Political Practices Commission (“Commission”) considers the typical treatment of a violation in the overall statutory scheme of the Act, with an emphasis on serving the purposes and intent of the Act. Additionally, the Commission considers the facts and circumstances of the violation in context of the factors set forth in Regulation 18361.5, subdivision (d)(1)-(6): the seriousness of the violations; the presence or lack of intent to conceal, deceive or mislead; whether the violation

was deliberate, negligent, or inadvertent; whether the respondents demonstrated good faith in consulting with Commission staff; whether there was a pattern of violations; and whether the violator, upon learning of the violations, voluntarily filed amendments.

Contribution limits exist to prevent persons from exerting disproportionate influence over elected officials. The contribution aggregation rules exist to ensure that an individual does not use multiple entities to skirt contribution limits. Similarly, the Act's campaign reporting requirements ensure full and truthful disclosure of campaign activities so that voters may be fully informed and to inhibit improper practices. In light of the important purposes served by contribution limits and major donor committee disclosure, Stephenson and the Stephenson Entities committed serious violations of the Act. However, the Enforcement Division found no evidence that Stephenson intended to conceal his contributions, or his connection to the Stephenson Entities.

The Commission also considers penalties in prior cases involving similar violations in determining the appropriate penalty for a violation. Comparable cases involving the making of contributions over the limit include:

- *In the Matter of Badru Valani*, FPPC No. 12/430. The respondent directed and controlled campaign contributions from two different corporations to a State Assembly candidate's committee for the 2010 general election. The two contributions, when aggregated, totaled \$5,500, which exceeded the \$3,900 contribution limit by \$1,600. The Enforcement Division determined that the violation was not intentional. On December 13, 2012, the Commission approved a stipulated settlement imposing a penalty of \$2,000 for the violation.
- *In the Matter of Yocha Dehe Wintun Nation*, FPPC No. 14/528. The respondent made a \$3,000 monetary contribution and \$6,325 non-monetary contribution to a State Senate candidate's committee for the 2010 primary and general elections. The respondent's contributions exceeded the contribution limit of \$3,900 per election by \$1,525. The respondent did not intend to violate the law but rather failed to account for the non-monetary contribution. On August 21, 2014, the Commission approved a stipulated settlement imposing a penalty of \$3,000 for the contribution limit violation.

The *Valani* case is similar to the case at issue here because it involves aggregation of contributions from multiple entities controlled by one person. But the Stephenson Entities' contributions exceeded the contribution limit by about \$7,800 while Valani only exceeded the contribution limit by \$1,600. The *Yocha Dehe Wintun Nation* case was similar to this case in that the contributor failed to account for a non-monetary contribution resulting in cumulative contributions over the limit. But the cumulative contributions only exceeded the limit by \$1,525.

With regard to Count 2, similar cases include:

- *In the Matter of Michael Gallagher, Oak Valley Management, Inc., Gallagher Management Company, and GMC Oak Hills 66, LP*, FPPC No. 09/030. Respondent Michael Gallagher directed and controlled contributions made by various entities such that he qualified as a major donor committee. He failed to timely file campaign statements for six statement periods. The amount of contributions he failed to timely

disclose on those statements were \$15,000, \$13,300, \$16,000, \$215,000, \$29,395 and \$250. On April 16, 2009, the Commission approved a stipulated settlement imposing a penalty of \$2,000 per statement that respondent filed late, for a total penalty of \$12,000 for those violations.

- *In the Matter of John C. Torjesen and John C. Torjesen & Associates, PC*, FPPC No. 06/1160. Respondent John C. Torjesen directed and controlled political contributions from respondent John C. Torjesen & Associates, PC that totaled \$24,000 during one campaign statement period, and \$16,000 in another statement period. The respondents did not file major donor statements for the two statement periods. On December 10, 2009, the Commission approved a stipulated settlement imposing a penalty of \$2,500 per statement period, for a total penalty of \$5,000.

These two cases are similar to the present case because they involve individuals who triggered major donor filing requirements due to aggregation of contributions made by entities they controlled. Also, the amounts of the contributions at issue in these cases are similar to the amount in the present case.

PROPOSED PENALTY

After considering the factors of Regulation 18361.5, and the penalties imposed in prior cases, we propose a penalty of \$3,500 for Count 1, and \$2,000 for Count 2, for a total penalty of \$5,500.