

# State of California



## Fair Political Practices Commission

P.O. BOX 807 • SACRAMENTO, 95804 • • • 1100 K STREET BUILDING, SACRAMENTO, 95814

Technical Assistance • • • Administrative • • • Executive/Legal • • • Enforcement • • • Conflict of Interest  
(916) 322-5662                      322-5660                      322-5901                      322-6441                      322-6444

September 29, 1978

78-09-091

L. R. Hubbard, Jr.  
L. R. Hubbard, Jr.  
Construction Company  
7922 Dagget Street  
San Diego, CA 92111

Dear Mr. Hubbard:

Thank you for your letter of August 25, 1978 requesting advice with respect to the disclosure provisions of the Political Reform Act. You have asked whether loans received by your sole proprietorship are reportable on your Statement of Economic Interest.

The Political Reform Act provides that loans are income as that term is defined in Government Code Section 82030<sup>1/</sup>. Section 87207(b) sets forth the circumstances under which an official must report income received by a business entity in which he has a 10% or greater interest:

- (b) When income of a business entity, including income of a sole proprietorship, is required to be reported under this article, the statement shall contain:
  - (1) The name, address, and a general description of the business activity of the business entity;
  - (2) In the case of a business entity which provides legal or brokerage services,

<sup>1/</sup> All statutory references are to the Government Code unless otherwise noted.

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the name of every person who paid fees to the business entity if the filer's pro rata share of fees from such person was equal to or greater than one thousand dollars (\$1,000);

- (3) In the case of a business entity not covered by paragraph (2), the name of every person from whom the business entity received payments if the filer's pro rata share of gross receipts from such person was equal to or greater than ten thousand dollars (\$10,000) during a calendar year.

2 Cal. Adm. Code Section 87207(b)

It is my understanding that your proprietorship does not provide legal or brokerage services. Therefore, subsection (b)(3) is the applicable provision. We have interpreted the term "gross receipts" to mean the gross payments received in return for the sale of goods or services. Accordingly, bona fide loans received by your construction business do not constitute gross receipts and, therefore, need not be reported by you on your Statement of Economic Interest.

If you have any further questions, please do not hesitate to contact me.

Sincerely,

*Ted Prim*  
Ted Prim, Chief  
Conflicts of Interest Division

TP:nw



**L.R. HUBBARD, JR.**  
Construction Company

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August 25, 1978

Fair Political Practices Commission  
107 So. Broadway #7007  
Los Angeles, California 90042

Dear Sirs:

As a candidate and City Councilman, I have complied with State laws regarding full disclosure most willingly. Recently I was apprised of a part of the law which I was unaware of, and I would like to review the situation with your office.

I am a licensed contractor (since 1956) and involved in all types of construction, primarily concrete work. I am self-employed and a sole proprietor. My business usually grosses over five million dollars per year.

In the course of dealing with cash flow problems, we have utilized a line of credit for at least twelve years with the United California Bank. The amount often fluctuates around the hundred thousand dollar level. These are 90 day and 120 day notes and are deducted from the net worth of the business as reported. We also have the United California Bank provide our pay checks and computer read-out statistics on personnel costs.

I left office (term was up) in December 1977. It appears, my disclosure statements did not include that business loan in the normal reports. We obviously saw no relationship to the office, but I see under the law that there may be.

Your comments would be welcome.

Sincerely,

L. R. Hubbard, Jr.