

3. This stipulation will be submitted to the Commission members for consideration and will be subject to approval by the Commission at the Commission's next meeting.
4. If approved by the Commission members, this stipulation and the accompanying decision and order will resolve all factual and legal issues raised in this matter and will be the final disposition of this matter by the Commission. If the foregoing occurs, the Commission has determined that the matter is settled and stipulates that it will not refer the matter to any other governmental agency.
5. If the Commission refuses to approve the proposed stipulation, it shall become null and void, and Commission staff will return all payments tendered by the Respondents in this matter within ten days of the Commission's rejection of the stipulation.
6. If the Commission rejects the proposed stipulation and a full evidentiary hearing before the Commission becomes necessary, no member of the Commission or its staff shall be disqualified because of prior consideration of the stipulation.
7. Respondent understand and knowingly and voluntarily waive all procedural rights under the law, Oakland City Charter, Oakland Municipal Code, and Public Ethics Commission Complaint Procedures which include but are not limited to receiving a finding of probable cause, having the Commission or independent hearing examiner hear the matter, personally appearing at an administrative hearing, confronting and cross-examining witnesses, and subpoenaing witnesses to testify at a hearing.

DATED: _____

 WHITNEY BARAZOTO, Petitioner

DATED: _____

 Treasurer, *Libby Schaaf for Oakland Mayor 2014*

Print Name: _____

DATED: _____

 Treasurer, *Libby Schaaf for Oakland Mayor 2014*

Print Name: _____

1 DECISION AND ORDER

2 The Public Ethics Commission considered the above STIPULATION at its meeting on
3 _____ . The Commission hereby approves the STIPULATION and
4 orders that, in accordance with the STIPULATION, Respondent pay \$2,100 to the City of
5 Oakland.

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7 DATED: _____

8 _____
9 JENNA WHITMAN, Chairman
10 CITY OF OAKLAND
11 PUBLIC ETHICS COMMISSION
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Exhibit
PEC Case # 14-25b

I. SUMMARY OF COMPLAINT

On October 28, 2014, the Public Ethics Commission (Commission) received a complaint alleging a violation of the Oakland Campaign Reform Act (OCRA) as a result of four contributions to the *Libby Schaaf for Oakland Mayor 2014* committee totaling \$2,800, resulting in \$2,100 in contributions in excess of the \$700 contribution limit, from four entities owned or controlled by the same person(s).

II. FACTUAL SUMMARY

On October 28, 2014, Commission staff received complaint number 14-25, alleging a violation of OCRA as a result of four campaign contributions received by the *Libby Schaaf for Oakland Mayor 2014* committee that, when aggregated, are in excess of the \$700 contribution limit for individuals.

The contributions in dispute are four contributions of \$700 received by the *Libby Schaaf for Oakland Mayor 2014* committee as follows for the January 1, 2014 to June 30, 2014 reporting period:

Contributions to <i>Libby Schaaf for Oakland Mayor 2014</i> Committee			
#	Contributor	Contribution Amount	Date of Contribution
1	PSAI Realty Partners CAC	\$700	6/30/2014
2	PSAI Realty Partners, LLC	\$700	6/30/2014
3	PSAI Realty Partners II, LLC	\$700	6/30/2014
4	Peter Sullivan Associates, Inc.	\$700	6/30/2014

Three of the contributions are from Limited Liability Companies (LLC): PSAI Realty Partners CAC; PSAI Realty Partners, LLC; and PSAI Realty Partners II, LLC. One contribution is from a corporation, Peter Sullivan Associates, Inc.

All four contribution checks list the same business address (155 Montgomery Street, Suite 1600, San Francisco, CA 94104). Two of the contribution checks are signed by Peter Sullivan (PSAI Cost Allocation Center (CAC), LLC and Peter Sullivan Associates, Inc.). H M Feldman signed the contribution check from PSAI Realty Partners, LLC. Erik Foraker signed the contribution check from PSAI Realty Partners II, LLC.

Upon receipt of the Commission's initial notification letter regarding this complaint, Mr. Sullivan contacted Commission staff to resolve the matter. He provided Commission staff with copies of operating agreements and business records as requested by staff.

The records provided by Mr. Sullivan indicate that he maintains an ownership interest in each entity as follows:

Business Entity	Percentage of Ownership
PSAI Realty Partners CAC	84.3%
PSAI Realty Partners, LLC	55.5555%
PSAI Realty Partners II, LLC	54.05%
Peter Sullivan Associates, Inc.	100%

Mr. Sullivan contended that, while he technically maintains more than 50% ownership based on a formula of contributions made to the business entity by each member, decisions are made by majority vote of the three LLC members. He further contends that the four contributions were made based on a mistaken belief that each separate entity could lawfully make the maximum contribution.

III. LEGAL SUMMARY

For the 2014 election, Oakland Campaign Reform Act (OCRA) imposes campaign contribution limits of \$100 from an individual “person” and \$400 from a broad-based political committee for candidate committees who do not agree to limit campaign spending. OCRA allows candidate controlled committees who accept a “voluntary expenditure ceiling” of a specified amount – \$405,000 in the 2014 election’s Mayoral race – to then be eligible to receive contributions of up to \$700 from an individual and \$1,400 from a broad-based political committee (O.M.C. 3.12.050, 3.12.060). In order to be eligible to receive a contribution at the higher limit, a candidate must first file the OCRA Form 301 with the City Clerk specifying acceptance of the expenditure ceilings (O.M.C. 3.12.190). Libby Schaaf accepted the expenditure ceiling for the Mayor’s race when she filed the OCRA Form 301 on December 2, 2013 with the Office of the City Clerk.

For candidates who accept the expenditure ceilings, OCRA states, “No person shall make to a candidate for city office and the controlled committee of such candidate, and no such candidate for city office and the controlled committee of such candidate shall accept contributions totaling more than [the contribution limit of \$700] from any person for each election” (O.M.C. 3.12.050(A)).¹ OCRA defines “person” as “an individual, proprietorship, firm, partnership, joint venture, syndicate, business, trust, company, corporation, association, committee, and any other organization or group of persons acting in concert” (O.M.C. 3.12.040).

OCRA contains provisions defining and regulating the aggregation of contributions from business entities. O.M.C. 3.12.080(B)(3) states that for purposes of the contribution limitations enumerated in OCRA, two or more entities shall be treated as one person when “the entities are owned or controlled by the same majority shareholder or shareholders.”

The Public Ethics Commission is the sole body for civil enforcement of OCRA (O.M.C.

¹ Voluntary expenditure ceilings and contribution limits are adjusted once annually on a calendar basis by the Office of the City Clerk to reflect any increase in the cost of living in the San Francisco Bay Area as provided by the Consumer Price Index (O.M.C. 3.12.060(G)). As adjusted, the 2014 limit is \$700.

3.12.260). A person who intentionally or negligently violates the provisions of OCRA is subject to enforcement proceedings before the Commission pursuant to the Commission's Complaint Procedures.

If the Commission determines a violation has occurred, the Commission is authorized to administer appropriate penalties and fines against the committee for an amount not to exceed three times the amount of the unlawful contribution (O.M.C. 3.12.280(E)).

IV. ANALYSIS

Because PSAI Realty Partners CAC, LLC; PSAI Realty Partners, LLC; PSAI Realty Partners II, LLC; and Peter Sullivan Associates, Inc. all are owned and controlled by Mr. Sullivan, all of the four contributions to Respondent, the *Libby Schaaf for Oakland Mayor 2014* committee, are aggregated under OCRA.

According to business records provided by Mr. Sullivan, his ownership interest in each entity is as follows: 1) Mr. Sullivan owns 84.3% of the units of PSAI Realty Partners CAC, LLC; 2) Mr. Sullivan is the Majority Member in the PSAI Realty Partners, LLC with an Interest Percentage of 55.5555%; 3) Mr. Sullivan is the Majority Member in the PSAI Realty Partners II, LLC with an Interest Percentage of 54.05%; and 4) Mr. Sullivan is the sole incorporator of Peter Sullivan Associates, Inc. and serves as the owner, president, and sole shareholder of 10,000 shares.

Therefore, PSAI CAC, LLC; PSAI Realty Partners, LLC; PSAI Realty Partners II, LLC; and Peter Sullivan Associate, Inc. are each owned and controlled by the same majority shareholder, Mr. Sullivan, and all four contributions made by these entities are aggregated for purposes of OCRA contribution limits. This amounts to a total contribution amount of \$2,800, resulting in an average of \$2,100 in contributions above the \$700 limit made by entities controlled by Mr. Sullivan and received by the *Libby Schaaf for Oakland Mayor 2014* committee in violation of OCRA.

Commission staff notes that the *Libby Schaaf for Oakland Mayor 2014* committee responded immediately to all of the Commission staff's inquiries on this matter and assisted in providing staff with information related to the complaint. The committee treasurer, Steve Berley, stated that he questioned the initial contributions given by Peter Sullivan but was assured that Mr. Sullivan only had partial voting control of the companies. He accepted the contributions on that basis. There is no evidence that the *Libby Schaaf for Oakland Mayor 2014* committee knowingly, willfully, or intentionally violated the law, or that they had any intent to violate the contribution limit.

V. RECOMENDATION

To resolve this matter, staff recommends the Respondent *Libby Schaaf for Oakland Mayor 2014* committee pay \$2,100 to the City of Oakland.