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10 BEFORE THE FAIR POLITICAL PRACTICES COMMISSION  
11 STATE OF CALIFORNIA  
12

13 In the Matter of:

14 Heineken USA

15 Respondent.

FPPC No. 13/0823

STIPULATION, DECISION, and ORDER

16 **STIPULATION**

17 Complainant, the Fair Political Practices Commission, and Respondent, Heineken USA,  
18 hereby agree that this Stipulation will be submitted for consideration by the Fair Political Practices  
19 Commission at its next regularly scheduled meeting.

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

23 Respondent understands, and hereby knowingly and voluntarily waives, any and all procedural  
24 rights set forth in Government Code sections 83115.5, 11503 and 11523, and in California Code of  
25 Regulations, title 2, sections 18361.1 through 18361.9. This includes, but is not limited to the right to  
26 personally appear at any administrative hearing held in this matter, to be represented by an attorney at  
27 Respondent's own expense, to confront and cross-examine all witnesses testifying at the hearing, to  
28 subpoena witnesses to testify at the hearing, to have an impartial administrative law judge preside over

1 the hearing as a hearing officer, and to have the matter judicially reviewed.

2 It is further stipulated and agreed that Respondent violated the Political Reform Act by failing to  
3 timely and electronically file required Lobbyist Employer Reports, in violation of Sections 86115,  
4 86116, 86117, and 84605 of the Government Code (4 counts) as described in Exhibit 1. Exhibit 1 is  
5 attached hereto and incorporated by reference as though fully set forth herein. Exhibit 1 is a true and  
6 accurate summary of the facts in this matter.

7 Respondent agrees to the issuance of the Decision and Order, which is attached hereto.  
8 Respondent also agrees to the Commission imposing an administrative penalty in the total amount of  
9 four thousand dollars (\$4,000). A cashier's check from Respondent in said amount, made payable to the  
10 "General Fund of the State of California," is submitted with this Stipulation as full payment of the  
11 administrative penalty, and shall be held by the State of California until the Commission issues its  
12 Decision and Order regarding this matter. The parties agree that in the event the Commission refuses to  
13 accept this Stipulation, it shall become null and void, and within fifteen (15) business days after the  
14 Commission meeting at which the Stipulation is rejected, all payments tendered by Respondent in  
15 connection with this Stipulation shall be reimbursed to Respondent. Respondent further stipulates and  
16 agrees that in the event the Commission rejects the Stipulation, and a full evidentiary hearing before the  
17 Commission becomes necessary, neither any member of the Commission, nor the Executive Director,  
18 shall be disqualified because of prior consideration of this Stipulation.

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20 Dated: \_\_\_\_\_ Gary S. Winuk, on Behalf of the Enforcement Division  
21 Fair Political Practices Commission

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23 Dated: \_\_\_\_\_ Stacey Tank, on behalf of Heineken USA  
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1 **DECISION AND ORDER**

2 The foregoing Stipulation of the parties “In the Matter of Heineken USA,” FPPC No. 13/0823,  
3 including all attached exhibits, is hereby accepted as the final decision and order of the Fair Political  
4 Practices Commission, effective upon execution below by the Chair.

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6 IT IS SO ORDERED.

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8 Dated: \_\_\_\_\_ Sean Eskovitz, Vice Chair  
9 Fair Political Practices Commission

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## EXHIBIT 1

### INTRODUCTION

Respondent is Heineken USA which regularly registers as a California Lobbyist Employer to lobby the State Legislature regarding beverage regulation. Respondent failed to timely and electronically file Reports of Lobbyist Employer (Form 635) for Quarters 4, 6, 7, and 8 of the 2011-2012 legislative session. The reports were an average of 341 days late and reported \$49,000 over the four quarters.

For the purposes of this Stipulation, Respondents' violations of the Political Reform Act (the "Act")<sup>1</sup> are as follows:

COUNT 1: Respondent failed to timely and electronically file a Report of Lobbyist Employer (Form 635) for October 1, 2011 through December 31, 2011 (Due January 31, 2012), in violation of Government Code Sections 86115, 86117, and 84605.

COUNT 2: Respondent failed to timely and electronically file a Report of Lobbyist Employer (Form 635) for April 1, 2012 through June 30, 2012 (Due July 31, 2012), in violation of Government Code Sections 86115, 86117, and 84605.

COUNT 3: Respondent failed to timely and electronically file a Report of Lobbyist Employer (Form 635) for July 1, 2012 through September 30, 2012 (Due October 31, 2012), in violation of Government Code Sections 86115, 86117, and 84605.

COUNT 4: Respondent failed to timely and electronically file a Report of Lobbyist Employer (Form 635) for October 1, 2012 through December 31, 2012 (Due January 1, 2013), in violation of Government Code Sections 86115, 86117, and 84605.

### SUMMARY OF THE LAW

An express purpose of the Act, as set forth in Section 81002, subdivision (b), is to regulate the activities of lobbyists and for their finances to be disclosed so improper influences will not be directed at public officials. The Act, therefore, establishes a lobbyist employer, lobbying firm, and lobbyist reporting system designed to accomplish this purpose of disclosure.

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<sup>1</sup> The Political Reform Act is contained in Government Code Sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in Sections 18109 through 18997 of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

## **Lobbyist Employer**

“Lobbyist employer” means any person, other than a lobbying firm, who: (a) Employs one or more lobbyists for economic consideration, other than reimbursement for reasonable travel expenses, for the purpose of influencing legislative or administrative action, or (b) Contracts for the services of a lobbying firm for economic consideration, other than reimbursement for reasonable travel expense, for the purpose of influencing legislative or administrative action. Government Code Section 82039.5.

## **Duty to File Report of Lobbyist Employer**

A lobbyist employer and anyone who directly or indirectly makes payments to influence legislative or administrative action of five thousand dollars (\$5,000) or more in any calendar quarter must file quarterly statements. Government Code Section 86115.

The quarterly statements should contain: the name, business address, and telephone number of the lobbyist employer or other person filing the report; the total amount of payments to each lobbying firm; the total amount of all payments to lobbyists employed by the filer; a description of the specific lobbying interests of the filer; a periodic report completed and verified by each lobbyist employed by a lobbyist employer pursuant to Section 86113; each activity expense of the file; the date, amount, and the name of the recipient of any contribution of one hundred dollars (\$100) or more made by the filer to an elected state officer, a state candidate, or a committee controlled by an elected state officer or state candidate, or a committee primarily formed to support the officer or candidate; the total of all other payments to influence legislative or administrative action including overhead expenses and all payments to employees who spend 10 percent or more of their compensated time in any one month in activities related to influencing legislative or administrative action; any other information required by the commission consistent with the purposes and provisions of this chapter. Government Code Section 86116.

Reporting requirements begin on the first day of the calendar quarter in which the filer registered. Reports must be filed during the month following each calendar quarter.<sup>2</sup> Government Code Section 86117.

## **Liability of Responsible Officers**

Any persons with filing or reporting obligations under the Political Reform Act who violate the Act, purposely or negligently cause any other person to violate the Act, or aid and abet any other person in violation of the Act may be held liable under its provisions. If two or

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<sup>2</sup> The filing deadlines are as follows: April 30 for the January, February and March reporting period; July 31 for the April, May and June reporting period; October 31 for the July, August and September reporting period; January 31 for the October, November and December reporting periods. In the event the filing deadline falls on a Saturday, Sunday, or official state holiday, the filing deadline for such a statement or report shall be extended to the next regular business day. California Code of Regulations Section 18116 (a).

more persons are responsible for any violation, they shall be jointly and severally liable. Government Code Section 83116.5, 91006.

**SUMMARY OF THE FACTS**

This case was referred to the Fair Political Practices Commission Enforcement Division (FPPC) by the California Secretary of State Political Reform Division (SOS) for failure to electronically file Form 635 Report of Lobbyist Employer, covering October 1, 2012 through December 31, 2012. On March 19, 2013 and May 9, 2013, SOS sent written notice to Heineken that it was in violation of the Political Reform Act because of failure to timely and electronically file. No action has been taken by the FPPC.

Heineken failed to electronically file its Form 635 for Quarter 3 and was late in electronically filing its Form 635 for Quarters 4, 5, 6, 7, and 8, in violation of Government Code Section 84605, 86115, and 86117. No lobbying payments in Quarter 3 were reported by either of the Lobbying Firms hired by Heineken. The failure to file in Quarter 3 was likely an administrative error due to the fact that Heineken terminated its relationship with one Lobbyist Firm and hired another during this time.

However, Quarters 4, 5, 6, 7, and 8 were not filed until after the end of the 2011-2012 legislative session and revealed \$49,000 of lobbying activity over Quarters 4, 6, 7, and 8. The FPPC is pursuing the four counts of violating the act for these four quarters. The amount reported is substantial and Heineken is a sophisticated filer with the resources to determine its filing responsibilities under the Political Reform Act.

<b>Qtr.</b>	<b>Dates</b>	<b>Due Date</b>	<b>Date Filed</b>	<b>Amount Reported</b>	<b>Days Late</b>
4	October 1, 2011-December 31, 2011	1/31/2012	7/31/2013	\$ 9,000	546
6	April 1, 2012 - June 30, 2012	7/31/2012	7/31/2013	\$ 10,000	365
7	July 1, 2012-September 30, 2012	10/31/2012	7/31/2013	\$ 15,000	273
8	October 1, 2012-December 31, 2012	1/31/2013	7/31/2013	\$ 15,000	181
Average Days Late					341

COUNTS 1-4

**Failure to Timely File Required Lobbyist Employer Reports**

Respondents failed to timely and electronically file four Reports of Lobbyist Employer (Form 635), covering from October 1, 2011 through December 31, 2011 and April 1, 2012 through December 31, 2012. The required reports were filed on average 341 days late, reporting a total of \$49,000 for the periods.

## CONCLUSION

This matter consists of four counts of violating the Act, which carry a maximum administrative penalty of five thousand dollars (\$5,000) per count for a total of twenty thousand dollars (\$20,000).

In determining the appropriate penalty for a particular violation of the Act, the 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 deceive the voting public; whether the violation was deliberate, negligent, or inadvertent; whether the Respondent demonstrated good faith in consulting with Commission staff; and whether there was a pattern of violations.

The Enforcement Division has considered failure to properly report lobbying activity to be a serious violation of the Act as it violates one of its central purposes: that the activities of lobbyists should be regulated and their finances disclosed in order that improper influences will not be directed at public officials. The public harm inherent in these violations is that the public is deprived of important and timely information from Respondent regarding the amounts and nature of lobbying activity.

Other similar cases regarding a violation of Section 86115, 86117, and 84605 that have recently been approved by the Commission include:

- *In the Matter of Wildlife Center and Lindy O'Leary*, FPPC No.10/367 (Default Decision). Respondent Wildlife Center, a California lobbyist employer, and Respondent O'Leary, Wildlife Center's Responsible Officer, failed to timely file five Lobbyist Employer Reports (Form 635) between October 1, 2009 and December 31, 2010, failing to disclose total payments made for lobbying services in the amount of \$65,910.76, in violation of Government Code Section 86115, 86117, and 84605 (5 counts). **Total Proposed Penalty: \$5,000**
- *In the Matter of Deloitte Consulting LLP*, FPPC No. 10/0506. Respondent Deloitte Consulting LLP, a California lobbyist employer, failed to timely file eight Lobbyist Employer Reports (Form 635) between January 1, 2008 and December 31, 2009, failing to disclose total payments made for lobbying services in the amount of \$122,500, in violation of Government Code Sections 86115 and 86117 (eight counts). **Total Proposed Penalty: \$8,000**
- *In the Matter of Brencourt Advisors, LLC*, FPPC No. 13/0122. Respondent Brencourt Advisors, LLC, a California lobbyist employer failed to timely file two Lobbyist Employer Reports between July 1, 2011 and December 31, 2011, disclosing \$125,000 of payments for lobbying services an average of 57 days late, in violation of Government Code Sections 86115, 86117, and 84605 (two counts). **Total Proposed Penalty: \$2,000**



In this case, Respondent failed to timely file five quarterly reports, which disclosed \$49,000 over four quarters in payments to lobby the State Legislature, depriving the public of important information regarding Respondents' amount and nature of lobbying activity.

### **Aggravating Factors**

Heineken USA is a large corporation, registered as a Lobbyist Employer and as a Major Donor in California for many years. Heineken has experience with the Political Reform Act and has the resources to determine its responsibilities and ensure compliance with the Act.

The amount and nature of lobbying activity to influence the California Legislature was not revealed until after the legislative session had ended, depriving opposing interests of important information.

### **Mitigating Factors**

Heineken does not have a history of violations of the Act and the failure to disclose does not appear deliberate or willful.

Beginning in late 2011 the Heineken USA Corporate Relations team, which oversees Heineken USA's engagement with the Government, began a period of transition that started with the retirement of the Senior Vice President of Corporate Relations at the end of 2011. During 2012, the entire nine person team turned over and was replaced with new personnel. This turnover led directly to Heineken's failure to timely file. Upon learning of its failure to file in July of 2013, Heineken immediately filed the reports and is now up to date with its filings. There was no intentional failure to comply by either the former or current staff of Heineken, and the inadvertent error was corrected immediately upon discovery.

### **Recommendation**

Accordingly, the facts of this case justify imposition of a total administrative penalty of \$4,000. Payment of the sum of \$4,000.00 to the State of California will be considered a settlement of any and all claims and potential claims regarding Heineken USA's failure to file Reports of Lobbyist Employer for 2011 and 2012.

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