

LEEANN M. PELHAM
Executive Director
LOS ANGELES CITY ETHICS COMMISSION
200 N. Spring Street
City Hall – 24th Floor
Los Angeles, CA 90012
(213) 978-1960

BEFORE THE CITY ETHICS COMMISSION
CITY OF LOS ANGELES

_____)	CEC Case No. 2004-20
In the Matter of:)	
MARTIN G. LUDLOW and)	STIPULATION, DECISION
MARTIN LUDLOW FOR CITY COUNCIL,)	AND ORDER
)	
Respondents.)	
)	

The Complainant LeeAnn M. Pelham, Executive Director of the City Ethics Commission (“Commission”), and Respondents Martin G. Ludlow (“Ludlow”) and Martin Ludlow for City Council (“Committee”) hereby agree that this Stipulation will be submitted for consideration by the Commission at a regularly scheduled meeting and that the agreements herein are contingent upon the approval of this Stipulation and the accompanying Decision and Order by the Commission.

The parties agree to enter into this Stipulation to resolve all factual and legal issues related to the violations delineated in Counts 1 through 9 of Exhibit 1, attached hereto and incorporated herein by reference, and to reach a final disposition without the necessity of holding an administrative hearing to determine the liability of Respondents. Respondents stipulate that Exhibit 1 is a true and accurate summary of the facts in this matter.

Respondents understand, and hereby knowingly and voluntarily waive, any and all procedural rights under Los Angeles City Charter (“Charter”) §706 and Los Angeles Administrative Code

1 §§24.1.2(d) and (e), including but not limited to a determination of probable cause, the issuance and
2 receipt of an accusation, the right to personally appear at any administrative hearing held in this matter,
3 to confront and cross-examine all witnesses testifying at the hearing, to subpoena witnesses to testify at
4 the hearing, and to have the Commission or an impartial administrative law judge hear the matter.


5 Respondents stipulate they have violated the Charter as described in Exhibit 1 and agree to the
6 issuance of the attached Decision and Order and imposition by the Commission of administrative
7 penalties totaling \$105,271.05. The penalties are to be paid in the form of cashier's check, payable to
8 the "General Fund of the City of Los Angeles," prior to the Commission's consideration of this
9 Stipulation. Any payments submitted by Respondents are to be held by the Commission until the Board
10 issues its Decision and Order in this matter.

11 Respondents further agree that if they are unable to provide full payment of the proposed penalty
12 prior to the Commission's consideration of this stipulation and the Commission is otherwise willing to
13 accept the terms of the Stipulation, then the Commission will immediately find the Respondents liable
14 for the Charter violations set forth in Exhibit 1 and order the Respondents to pay the agreed upon fine of
15 \$105,271.05, which is the maximum penalty allowed under City law. The penalty will be paid no later
16 than July 1, 2006 and will thereafter be immediately subject to collection against Ludlow. Respondents
17 knowingly and voluntarily waive any right to challenge the Commission's Decision and Order, as
18 delineated above.

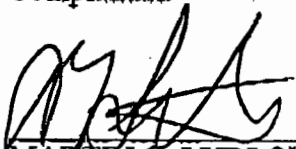
19 In the event the Commission refuses to accept this Stipulation, the parties agree that it shall
20 become null and void. The parties further agree that within 10 business days after the Commission
21 meeting at which the Stipulation is rejected, all payments tendered by Respondents in connection with
22 this Stipulation shall be returned to Respondents. Respondents also stipulate and agree that in the event
23 the Commission rejects the Stipulation and a full evidentiary hearing before the Commission becomes
24 necessary, no members of the Commission Board or staff, nor the Executive Director, shall be
25 disqualified solely because of prior consideration of this Stipulation.

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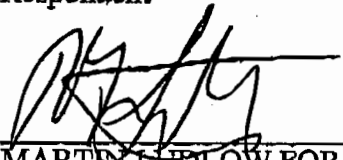
DATED: 3/3/06


LEEANN M. PELHAM
Executive Director
CITY ETHICS COMMISSION
Complainant


DATED: 3/3/06


MARTIN G. LUDLOW
Respondent

DATED: 3/3/06


MARTIN LUDLOW FOR CITY COUNCIL
Respondent

DATED: 3/3/06


STEPHEN J. KAUFMAN
Attorney for Respondents

DECISION AND ORDER

The City Ethics Commission has considered the above Stipulation and the attached exhibit at its meeting on _____. The City Ethics Commission hereby approves the Stipulation and orders that, in accordance with the Stipulation, Respondents Martin G. Ludlow and Martin Ludlow for City Council shall pay a total in fines of \$105,271.05 to the "General Fund of the City of Los Angeles."

DATED: _____

**GIL GARCETTI, President
CITY ETHICS COMMISSION**

EXHIBIT 1

SUMMARY OF FACTS AND EVIDENCE

Respondent Martin G. Ludlow ("Ludlow") was a candidate for City Council District Ten ("CD 10") in the March 4, 2003 Los Angeles primary election. Respondent Martin Ludlow for City Council committee ("Committee") was Ludlow's candidate-controlled committee for that election.

The Commission has determined and Ludlow is informed and believes that, from 1992 to May 2004, Janett L. Humphries ("Humphries") served as president of Service Employees International Union ("SEIU") Local 99 ("Local 99"), a labor union representing approximately 40,000 workers consisting mostly of non-teaching employees from various Southern California school districts. The Commission has determined and Ludlow is informed and believes that Humphries became president after SEIU's international leadership put Local 99 into trusteeship following allegations that its management had misused union funds. The Commission has determined and Ludlow is informed and believes that during the CD 10 primary campaign period, Local 99 had a political action committee called the Local 99 Council on Political Education ("COPE"), which was directed by a sub-group of the Local 99 Board of Trustees. In September 2002, Local 99 gave a \$500 political contribution to Respondents, which is the maximum allowable amount under City law.

Ludlow had been acquainted with Humphries for several years before he became a candidate for the Los Angeles City Council. Prior to his candidacy, Ludlow worked as a political field representative for the SEIU International and as political director of the Los Angeles County Federation of Labor. During that time, Ludlow had extensive contact with Humphries, who was heavily involved in labor issues and politics in Southern California. Humphries remained politically involved during and as a supporter of Ludlow's City Council campaign. After Ludlow was elected to the City Council, he recommended Humphries' appointment to the City's Central Area Planning Commission. She served in that position from

1 November 2003 until December 2004. The Commission has determined and Ludlow is informed
2 and believes that, in May 2004, SEIU International President Andrew L. Stern, with the
3 ratification of the Board of Trustees of Local 99, removed Humphries from the Local 99
4 presidency position in the wake of internal allegations and evidence that she had used union
5 funds for personal and political purposes without the approval of the Local 99 Board of Trustees
6 or the Local 99 COPE board, and representatives of SEIU International contacted City Ethics
7 Commission ("Commission") enforcement staff regarding the evidence that Local 99 funds and
8 resources had been misused for political purposes.

9 An extensive investigation conducted by the Commission's Enforcement Division, in
10 cooperation with the investigations of the Los Angeles District Attorney's Office, the United
11 State's Attorney's Office, and the United States Department of Labor's Office of the Inspector
12 General subsequently revealed evidence that, between approximately October 2002 and March
13 2003, Respondents conspired with then-Local 99 President Humphries to circumvent the
14 contribution limits of the Los Angeles City Charter ("Charter") by accepting in-kind campaign
15 contributions from Local 99 in the form of salaries and benefits for campaign staff, trucks and
16 sound equipment rented for the campaign's use, and cellular telephone service and airtime.
17 Respondents further conspired with Humphries to conceal these contributions as routine union
18 expenditures or other expenditures made for the Local's benefit. The in-kind contributions
19 included:

- 20 • **\$27,895** in salaries and benefits paid by Local 99 to six "phantom" union employees who
21 in fact worked directly and exclusively for Ludlow's campaign committee after being
22 placed on the union payroll per direction by Humphries. Ludlow provided job
23 descriptions for each "phantom" employee and determined the amount of salary and
24 benefits to be paid by Local 99 to those individuals. As a result of communications
25 between Respondents and Humphries, Local 99 paid:

- 1 ○ \$1,820.90 for medical and dental benefits for campaign staffer AV between
- 2 December 2002 and March 2003;
- 3 ○ \$6,493.90 in gross wages to campaign staffer GA in January 2003;
- 4 ○ \$9,030.20 in gross wages to campaign staffer MP between February and March
- 5 2003;
- 6 ○ \$4,000 in gross wages to campaign staffer GL between February and March 2003;
- 7 ○ \$4,550 in gross wages to campaign staffer KS between January and February
- 8 2003; and
- 9 ○ \$2,000 in gross wages to campaign staffer CT between February and March 2003.

10 Four of the six individuals identified above as “phantom” union employees previously
11 worked with Ludlow.

- 12 ● **\$1,197.62** paid by Local 99 for the rental of trucks and sound equipment used by Ludlow
13 and the Committee for a voter communication “caravan” during the weekend prior the
14 March 4, 2003 primary election. Agents of the Committee organized the caravan of
15 trucks with sound systems to parade through District 10 that weekend urging people to
16 vote for Ludlow. Local 99 COPE reported the rental costs to the Commission as an
17 independent expenditure, but coordination of this expenditure of Local 99 funds with
18 Respondents negates its characterization as “independent” and requires it to be treated as
19 an in-kind contribution.
- 20 ● **\$3,397.73** in airtime charges paid for by Local 99 for phone calls made by Ludlow during
21 his primary campaign using a Local 99 cell phone assigned to Humphries. Humphries
22 provided Ludlow with the cell phone in December 2002, and he used it throughout his
23 primary campaign for election-related phone calls. Local 99 paid for all of the phone
24 charges incurred on that line from December 2002 through March 2003.

1 In addition to Respondents' acceptance of the above-detailed in-kind contributions, the
2 joint investigation found evidence that Ludlow also made approximately \$2,600 in cash salary
3 payments to campaign staffer KS between December 2002 and January 2003. He did not
4 disburse these funds from the campaign checking account, nor were they reported to the
5 Commission.

6 APPLICABLE LAW

7 Article IV of the Charter, the Los Angeles Campaign Finance Ordinance (LAMC §
8 49.7.1 *et seq.*), LAAC § 24.5, and the California Political Reform Act ("PRA"), Cal. Gov. Code
9 §§ 81000 – 91014,¹ govern campaign finance and disclosure requirements for Los Angeles City
10 elections. Provisions of particular relevance to the instant case are discussed in greater detail
11 below with reference to specific violations.

12 VIOLATIONS

13 COUNTS 1-8: Accepting Excess Contributions

14 In Violation of Charter §470(c)(3)

15 Charter §470(c)(3) states: "...A candidate for City Council and his or her controlled committee
16 shall not accept any contribution or contributions totaling more than five hundred dollars (\$500) from
17 any person for a single election..."

18 The definition of "contribution" includes payments made at the behest of a committee or
19 candidate for campaign-related purposes unless full and adequate compensation is received from
20 the committee or candidate, Cal. Gov. Code §§ 82015(a) and (b), including "...the payment of
21 compensation by any person for the personal services or expenses of any other person if the
22 services are rendered or expenses incurred on behalf of a candidate or committee without
23 payment of full and adequate consideration." Cal. Gov. Code § 82015(c).

24 _____
25 ¹ Under Charter § 470(b)(1), definitions of terms set forth in the PRA, Cal. Gov. Code § 81000 *et seq.*, and its regulations, Cal. Code of Reg. § 18109 *et seq.*, apply to Los Angeles City campaign finance, campaign disclosure, and government ethics provisions unless the terms are otherwise defined.

1 Respondents admit to eight counts of violating Charter § 470(c)(3) as detailed below:

2 COUNT 1: By failing to compensate Local 99 for \$1,820.90 in medical and dental benefits
3 provided by Local 99 in coordination with or at Respondents' behest to Committee
4 employee AV between December 2002 and March 2003, Respondents accepted an
5 excess in-kind contribution and thereby violated Charter § 470(c)(3).

6 COUNT 2: By failing to compensate Local 99 for \$6,493.90 in gross wages paid by Local 99 in
7 coordination with or at Respondents' behest to Committee employee GA in January
8 2003, Respondents accepted an excess in-kind contribution and thereby violated
9 Charter § 470(c)(3).

10 COUNT 3: By failing to compensate Local 99 for \$9,030.20 in gross wages paid by Local 99 in
11 coordination with or at Respondents' behest to Committee employee MP between
12 February and March 2003, Respondents accepted an excess in-kind contribution and
13 thereby violated Charter § 470(c)(3).

14 COUNT 4: By failing to compensate Local 99 for \$4,000 in gross wages paid by Local 99 in
15 coordination with or at Respondents' behest to Committee employee GL between
16 February and March 2003, Respondents accepted an excess in-kind contribution and
17 thereby violated Charter § 470(c)(3).

18 COUNT 5: By failing to compensate Local 99 for \$4,550 in gross wages paid by Local 99 in
19 coordination with or at Respondents' behest to Committee employee KS between
20 January and February 2003, Respondents accepted an excess in-kind contribution
21 and thereby violated Charter § 470(c)(3).

22 COUNT 6: By failing to compensate Local 99 for \$2,000 in gross wages paid by Local 99 in
23 coordination with or at Respondents' behest to Committee employee CT between
24 February and March 2003, Respondents accepted an excess in-kind contribution and
25 thereby violated Charter § 470(c)(3).

1 COUNT 7: By failing to compensate Local 99 for \$3,397.73 in campaign-related cellular
2 telephone airtime charges incurred by Respondents on a Local 99 cell phone
3 account between December 2002 and March 2003, Respondents accepted an excess
4 in-kind contribution and thereby violated Charter § 470(c)(3).

5 COUNT 8: By failing to compensate Local 99 for \$1,197.62 in rental costs paid by Local 99 in
6 coordination with or at Respondents' behest for three flatbed trucks and sound
7 equipment used during a "get-out-the-vote" caravan on or about March 1, 2003 to
8 support the Ludlow campaign for City Council, Respondents accepted an excess in-
9 kind contribution and thereby violated Charter § 470(c)(3).

10 **COUNT 9: Cash Payment of Campaign Expenditure**

11 **In Violation of Charter §470(g)**

12 Charter § 470(g) states: "No more than one campaign contribution checking account shall be
13 established by each candidate for elected City office, and by each committee supporting or opposing
14 such candidate...A candidate, treasurer or designated agent of the treasurer shall pay all campaign
15 expenditures for a City election with monies from this campaign checking account."

16 Respondents admit to one count of violating Charter § 470(g) as detailed below:

17 COUNT 9: By paying Committee employee KS \$2,600 in cash between December 2002 and
18 January 2003 for campaign work and by failing to disburse these funds from the
19 campaign checking account, Respondents violated Charter § 470(g).

20 **MITIGATING AND AGGRAVATING FACTORS**

21 Respondents took deliberate action to circumvent City contribution limits and attempted
22 to conceal that illegal activity. Such violations are extremely serious because they deprive the
23 public of information about the true source of campaign funds and may allow the excess
24 contributor an inordinate amount of influence over the outcome of a City campaign. In
25 mitigation, Respondents had no prior enforcement history with the Commission and cooperated

1 throughout the investigation of this matter. Further, Respondent Ludlow accepted responsibility
2 for his actions without the necessity of lengthy proceedings, and has agreed to fully cooperate
3 with any other prosecutions arising out of his association with Humphries and Local 99.

4 CONCLUSION

5 Respondents agree to enter into a global settlement with the Commission, the Los Angeles
6 County District Attorney's Office, and the United States Attorney's Office.

7 A maximum administrative penalty assessed by the Commission for the nine counts in this
8 matter could result in a penalty of up to \$5,000 per count, or three times the amount unlawfully
9 contributed, accepted, or reported, whichever is greater, in the instant case \$105,271.05. The facts of
10 this case justify the imposition of the maximum available administrative penalty against Respondents.
11 The \$105,271.05 agreed upon penalty amount is equivalent to three times the amount of excess
12 contributions received (3 x \$32,490.35), \$97,471.05; plus three times the amount of unreported cash
13 campaign expenditures (3 x \$2,600), \$7,800.

14 In addition to the above-described penalty, Respondent Ludlow has also agreed, as part of a
15 global settlement agreement with the Commission, the United States Attorney's Office, and the Los
16 Angeles County District Attorney's Office, to enter guilty pleas in the cases entitled People of the State
17 of California v. Martin Ludlow and United States of America v. Martin Gregory Ludlow, and to
18 cooperate fully with related investigations and proceedings by the United States Attorney's Office, the
19 Los Angeles County District Attorney's Office, the United States Department of Labor – Office of
20 Labor Racketeering and Fraud Investigations, the United States Department of Labor – Office of Labor
21 Management Standards, the Federal Bureau of Investigation, the Metropolitan Transit Authority, Office
22 of Inspector General and, as directed by the settling agencies, any other federal, state, or local law
23 enforcement proceeding. Respondent Ludlow's federal conviction will disqualify him from employment
24 with labor organizations, such as the Los Angeles County Federation of Labor, or employee benefit
25 plans; service as a labor relations consultant to a labor organization, employer, or employer

1 organization; or service as a consultant or adviser to a labor organization or to an employee benefit plan
2 for 13 years. Ludlow agrees not to contest or seek relief from these employment disabilities for five
3 years, at which time he may seek a reduction in the length of the disability. His state conviction will
4 disqualify him from holding elective office for four years and will prohibit him from participating in
5 political fundraising for the period of his probation, except to the extent permitted in connection with a
6 legal defense fund established to pay for penalties and legal costs associated with these related actions.

7 In exchange for Respondent Ludlow's agreement to these terms the United States Attorney's
8 Office agrees 1) to recommend a two-level reduction in the applicable sentencing guidelines offense
9 level and to recommend an additional one-level reduction, if available, under the pertinent section of the
10 sentencing guidelines; 2) to recommend that Ludlow be sentenced at the low end of the applicable
11 sentencing guidelines range provided that the total offense level as calculated by the Court is 10 or
12 higher; 3) except for criminal tax violations and civil proceedings, not to further prosecute Ludlow for
13 violations of 28 U.S.C. § 501(c) arising out of his conduct described herein and his conspiracy to
14 embezzle money and property from Local 99; 4) not to offer as evidence in its case-in-chief or any other
15 prosecution that may be brought against Ludlow, or in connection with any sentencing proceeding
16 against Ludlow, any statements made by Ludlow or documents, records, or tangible evidence provided
17 by Ludlow as a result of his cooperation; 5) in connection with Ludlow's sentencing, to bring to the
18 Court's attention the nature and extent of his cooperation; (6) to recommend a non-custodial sentence if
19 Ludlow fulfills his obligations; and 7) to recommend to the Court that any sentence imposed run
20 concurrently with any sentence imposed in the pending Los Angeles Superior Court case entitled People
21 of the State of California v. Martin Ludlow, and that Ludlow be permitted to serve any sentence in
22 federal custody.

23 In exchange for Ludlow's agreement to the terms discussed above, the Los Angeles County
24 District Attorney's Office has agreed to recommend three years probation and a fine of \$15,000 (\$5,000
25

1 per count of violation, where those counts include one felony and two misdemeanors), plus penalties
2 and assessments.

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