



**State of Washington
PUBLIC DISCLOSURE COMMISSION**

711 Capitol Way Rm. 206, PO Box 40908 • Olympia, Washington 98504-0908
(360) 753-1111 • FAX (360) 753-1112

Toll Free 1-877-601-2828 • E-mail: pdc@pdc.wa.gov • Website: www.pdc.wa.gov

June 3, 2020

Delivered electronically to Loren Culp and Christopher Gergen, Campaign Manager for Loren Culp for Governor Campaign

Subject: Complaint regarding Loren Culp, PDC Case 64331

Dear Chief Culp and Mr. Gergen:

Below is a copy of an electronic letter sent to Madison Evans concerning the two complaint she filed with the Public Disclosure Commission (PDC) against you and the 2020 Campaign for Governor of Washington State. As noted below and in the electronic letter sent to Ms. Evans, while the PDC will not be conducting a more formal investigation into the allegations listed in the complaint or taking further enforcement action in this matter, it is hereby issuing a formal warning.

Staff's review found that the sale of the book *American Cop* was directly related to Loren Culp's campaign for Governor of Washington State, and was part of the campaign fundraising strategy. While the sales price of the books sold to the Campaign were based on the fair market value, due to his ownership interest in American Cop, Mr. Culp nonetheless personally benefitted from the sale of books purchased directly from the publisher at the wholesale price.

Staff found that a potential conflict of interest may exist where, as here, a candidate or his/her business provides goods or services to his/her campaign, and in this case Chief Culp may have benefitted personally from the use of campaign funds to purchase the book *American Cop*. However, there are a number of mitigating factors in this specific instance that renders the allegation as a minor violation of RCW 42.17A that included Chief Culp is a first-time candidate for public office, and the demand for the book *American Cop* existed prior to Mr. Culp declaring his candidacy for Governor.

To resolve this violation, pursuant to WAC 390-37-060(1)(d), we are issuing you a formal written warning concerning the payments made to you through your business, American Cop, based on the sale of books to the Campaign using Campaign funds. The Commission will consider this formal written warning in deciding on further Commission action if there are future violations of PDC laws or rules.

The PDC has dismissed this complaint in accordance with RCW 42.17A.755(1). Thank you both for your cooperation in resolving this matter.

If you have questions, you may contact Kurt Young at (360) 664-8854, toll-free at 1-877-601-2828 or by e-mail at pdc@pdc.wa.gov.

Sincerely,

Endorsed by,

/s/

Electronically Signed Kurt Young
Compliance Officer

/s/

Electronically Signed, Peter Lavalley, Executive Director





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June 3, 2020

Delivered electronically to Madison Evans

Subject: Complaint regarding Loren Culp, a candidate for Washington State Governor, PDC Case 64331

Dear Ms. Evans:

The Public Disclosure Commission (PDC) has completed its review of the complaint you filed on February 5, 2020. The complaint alleged that Loren Culp, the incumbent Police Chief of Republic, and a candidate seeking the office of Governor of Washington State in 2020, may have violated Chapter 42.17A.445 by making expenditures from his 2020 Gubernatorial Campaign to benefit him personally.

PDC staff reviewed: the allegations; the applicable statutes, rules, and reporting requirements for a candidate seeking Statewide Office; the responses provided by Christopher Gergen, Campaign Manager/Senior Advisor for the Culp Campaign; and the Candidate Registration (C-1 reports), Monetary Contributions reports (C-3 reports), Summary Full Campaign Contribution and Expenditure reports (C-4 reports), and Personal Financial Affairs Statement (F-1 report) filed by Committee to Elect Loren Culp, and Chief Culp, to determine whether the record supports a finding of one or more violations. Based on staff's review, we found the following:

- On March 12, 2017, Loren Culp filed a C-1 report with the PDC declaring his candidacy for election to the office of Governor of Washington State in 2020, selecting the Full Reporting Option, and listing Christopher Gergen as Manager/Senior Advisor. Mr. Culp is the Police Chief of City of Republic and a first-time candidate for public office in 2020.
- RCW 42.17A.445 states that contributions received and reported by a candidate for public office, "may only be paid to a candidate, or a treasurer or other individual or expended for such individual's personal use" to reimburse the candidate for lost earnings, for services that were performed for the campaign, or to reimburse the candidate for direct out-of-pocket election campaign related expenses.
- Mr. Gergen stated American Cop is a legal sole proprietorship, and not a fictitious company. He stated that American Cop is a legal entity owned by Mr. Culp and registered with the Department of Revenue as a sole proprietorship and provided UBI #604-404-877. He stated that Mr. Culp decided to write a book to further clarify his decision to oppose I-1639 and provide his understanding of the United States Constitution and the Washington State Constitution.

- Mr. Gergen stated that *American Cop* was released in February of 2019 and became a number one bestselling book on Amazon for several weeks. He also stated that following the book release, Mr. Culp embarked on a speaking tour in support of *American Cop*, and he later decided to declare his candidacy for Washington State Governor. He stated that the Campaign distributed the book *American Cop* to supporters in exchange for a suggested donation cost of \$20, that the books purchased by the Campaign were not included as part of any online sales, and that none of the books had been given away for free.
- The Campaign made a total of five expenditures to *American Cop* for the books, totaling \$10,230, including: (1) three \$1,500 expenditures (for a total of \$4,500)—one on August 16, 2019, and two on October 26, 2019; (2) a \$2,250 expenditure made on December 15, 2019; and (3) a \$3,480 expenditure made on February 3, 2020.
- Mr. Gergen stated that *American Cop* is “still available online through *chiefculp.com*, Amazon, and other book retailers; however, none of these proceeds go to the campaign and the campaign does not pay for any of the inventory—it is completely separate. At no time did Mr. Culp advocate for attendees at campaign events to purchase their books online or through another retailer—this would have personally enriched Mr. Culp by leveraging campaign resources to sell books that did not benefit the campaign.”
- Mr. Gergen stated that for fundraising purposes, “the campaign chose to use the common retail pricing method of ‘keystone.’ The keystone method takes the wholesale price of an item and multiplies the cost by two.” He added that, based on that calculation, “the suggested donation amount for our books in our August order was \$20 per book (\$10 wholesale cost multiplied by 2 equals \$20). On the order of books that included the second edition, the suggested donation amount was \$30 per book.” He also stated the Culp for Governor campaign has no books in inventory and that all wholesale orders of the item by the Campaign had ceased.
- Mr. Gergen stated that prior to selling them to the Campaign, *American Cop* purchased books from O’Leary Publishing, LLC at a cost of \$5.50 per book, and he provided the following chart in an email that staff has copied into this letter:

Month/Year	# of Books Purchased	Cost per Book	Total Cost to the Campaign	Suggested Contribution Amount	# of Books Sold	Gross Receipts	Net Contributions
August 2019	150	\$10	\$1,500	\$20	150	\$3,000	\$1,500
October 1, 2019	100	\$15	\$1,500	\$30	100	\$3,000	\$1,500
October 2, 2019	100	\$15	\$1,500	\$30	100	\$3,000	\$1,500
December 2019	150	\$15	\$2,250	\$30	150	\$4,500	\$2,250
February 2020	232	\$15	\$3,480	\$30	232	\$3,480	\$3,480
Total	732		\$10,230		732	\$20,460	\$10,230

As a result of the investigation, staff found that the Campaign purchased 732 copies of *American Cop* and used the books as a fundraiser. That resulted in the Campaign receiving a total of \$10,230 in net contributions. The sale of the book *American Cop* was directly related to Loren Culp’s campaign for Governor of Washington State, and was part of the campaign fundraising strategy.

While the sales price of the books sold to the Campaign were based on the fair market value, due to his ownership interest in American Cop, Mr. Culp nonetheless personally benefitted from the sale of the books purchased directly from the publisher at the wholesale price. Staff finds that a potential conflict of interest exists where, as here, a candidate or his/her business provides goods or services to his/her campaign, and may profit from that sale, in this case of the book *American Cop*.

However, there are a number of mitigating factors in this specific instance that renders the allegation as a minor violation of RCW 42.17A, including that: (1) Mr. Culp is a first-time candidate for public office; (2) a demand for the book *American Cop* existed prior to Mr. Culp declaring his candidacy for Governor; and (3) the Culp for Governor Campaign disclosed receiving \$278,991 in total contributions received through April 30, 2020, so the \$10,230 paid by the Campaign for the books, and the \$10,230 netted for the Campaign, each represents a small percentage of total Campaign funds.

To resolve this violation, pursuant to WAC 390-37-060(1)(d), Mr. Culp will receive a formal written warning concerning the payments made to him through his business, American Cop, based on the sale of books to the Campaign using Campaign funds. Mr. Culp will be informed that the Commission will consider the formal written warning in deciding on further Commission action if there are future violations of PDC laws or rules.

If you have questions, you may contact Kurt Young at (360) 664-8854, toll-free at 1-877-601-2828 or by e-mail at pdc@pdc.wa.gov.

Sincerely,

Endorsed by,

/s
Electronically Signed Kurt Young
Compliance Officer

/s
Electronically Signed, Peter Lavalley, Executive Director

cc: Christopher Gergen

