



**State of Washington
PUBLIC DISCLOSURE COMMISSION**

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BEFORE THE PUBLIC DISCLOSURE COMMISSION
OF THE STATE OF WASHINGTON

In RE COMPLIANCE WITH
RCW 42.17A

Loren Culp for Governor Campaign
(2020)

Respondent.

PDC Case 64331

Report of Investigation

I.

Background, Complaint and Allegations

- On July 19, 2019, Loren Culp filed a C-1 report with the Public Disclosure Commission (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.
- On February 5, 2020, Madison Evans filed a complaint with the PDC alleging that Loren Culp, the current Police Chief for the City 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.
- Specifically, the complaint alleged that American Cop, an entity involving Mr. Culp was not registered with the Washington Secretary of State's Office as a corporation, or other type of similar entity. The complainant indicated that according to Personal Financial Affairs Statement (F-1 report) filed by Chief Culp, the report disclosed that he has a sole proprietorship registered under the name American Cop, and further alleged that Chief Culp *"is using campaign funds to transfer a substantial amount of his campaign's money provided by his donors to himself personally."*
- On April 29, 2020, after PDC staff conducted a preliminary review and assessment of the facts, PDC staff opened a formal investigation against Loren Culp for Governor Campaign and held an Initial Hearing (Case Status Review Hearing) on April 29, 2020, pursuant to RCW 42.17A.755, and WACs 390-37-060 and 390-37-071.

II.

Findings

- 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 as a result of campaigning, for services performed for the campaign, or for direct out-of-pocket election campaign related expenses made by the individual; and to repay candidate loans made to the campaign and disclosed in accordance with RCW 42.17A.240.
- WAC 390-16-238 defines the standard concerning personal use of campaign and states in subsection (1) “any expenditure of a candidate's campaign funds that is not directly related to the candidate's election campaign is a personal use of campaign funds prohibited under RCW 42.17A.445. The rule also states that “If an activity or expenditure is both personal and campaign related, the campaign may pay no more than the fair market value of its share of the activity or expenditure. For example, if a candidate incurs costs for childcare, the campaign may reimburse the candidate only for any portion of the expense that occurred directly as a result of the candidate's campaign activities.
- WAC 390-05-235 defines "Fair market value" as “*the amount of money which a purchaser willing, but not obliged, to buy would pay a seller willing, but not obligated, to sell, for property, goods, or services.*”
- Mr. Gergen stated that American Cop is a legal entity registered with the Department of Revenue as a sole proprietorship with the following UBI # 604-404- 877. He explained the “*Secretary of State’s website only discloses Corporations and LLC’s*” and that Chief Culp “*has a proper reseller certificate as a wholesaler of books and has filed all combined excise tax reports and remits its sales tax in a timely manner.*”
- Mr. Gergen stated, “*American Cop operates as a direct sales business*” and added that the books are sold to a variety of customers with the campaign only being one of the many customers for the business. He stated American Cop files returns with the Department of Revenue (DOR), and that the autographed books sold to the Culp campaign were sold at the fair market value. He stated American Cop has filed tax reports with DOR reporting book sales, that the campaign properly reported the purchase of the books, and campaigns frequently purchase books, and this was “*not a unique transaction.*” He added that campaigns “*routinely purchase merchandise from vendors to give away or sell to supporters.*”
- Mr. Gergen stated American Cop is a legal sole proprietorship, and not a fictitious company, and have reported all activity, and added that the books were purchased by the Campaign to assist in providing information concerning “*the candidate’s biography, his values, and his accomplishments so that voters will be more informed when they make their decision.*” He stated the Campaign distributed the books to supporters “*in exchange for a suggested donation cost of \$20*”, that the books were not included as part of any online sales, and none of the books have been given away for free.
- Mr. Gergen stated that the Campaign received some donations for the books that were reported as a “*small fundraiser, especially when placed on the table with other items such as shirts and hats.*”

- Mr. Gergen stated the Campaign has received some contributions for the book sales that *“may have been reported as a straight donation on the PDC reports. Some of the \$20 amounts may have been listed under small contributors.”*
- PDC staff’s review found that the Campaign made a five expenditures to American Cop totaling \$10,230 that included: (1) three \$1,500 expenditures totaling \$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 the price change which resulted in the Campaign paying more for the book was due to the publishing of a Second Edition with extra content. When asked to clarify the information, he stated that in August/September of 2019, \$10 was the wholesale price of the book. The \$10 per book wholesale price was noted in the invoices provided, and the Campaign made one expenditure purchasing 150 books for a total cost to the campaign of \$1,500.
- Mr. Gergen stated that on October 1, 2019, a second edition of the book was printed and available that *“included an additional chapter to the book and corrected minor editorial errors in the first edition. This additional content warranted an increase in the wholesale and retail prices of the book, which is common in the book industry. This price adjustment was made by Mr. Culp’s publisher. The updated wholesale price from October 2019 and beyond was \$15 per book.”*
- Mr. Gergen stated the additional invoices provided indicates the campaign made four expenditures to American Cop between October 2019 through February 2020 purchasing 582 books at a cost of \$15 per book for a total cost of \$8,730. He 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. Therefore, 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 stated the Culp for Governor campaign has no books in inventory and that *“all wholesale orders of the item have ceased at the time of the initiation of this inquiry.”*
- Staff researched a Small Business support website that included “How to Figure Keystone Mark-up” which stated the following: *“In retail, the mark-up for a product equals the amount added to the item’s cost to figure the selling price. A keystone mark-up is when the mark-up equals the cost of the item you are selling. Essentially, you’re selling the product for twice what you paid for it. While this may sound like you are over-pricing your items, your cost of the item doesn’t include your overhead or selling costs. Depending on your industry, you may need to adjust the keystone mark-up higher to account for higher costs or lower it to keep your prices competitive.”*
- In a May 3, 2020 email to PDC staff, Mr. Gergen stated that in November 2018, Mr. Culp refused to enforce I-1639 that had recently passed in Washington State *“on the grounds that it was unconstitutional. This personal stand led to massive attention online and in the media.”*

- Mr. Gergen stated that Mr. Culp made appearances and gave interviews on more than 100 radio, television and print media outlets in the months following the I-1639 issue, that included the Tucker Carlson Show, Fox and Friends, and The Graham Ledger Show. He stated that sometime in December of 2018, *“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. Once the manuscript for what became the book American Cop was complete, it went to the editor for publication.”*
- 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 stated following the book release, Mr. Culp embarked on a speaking tour in support of *American Cop* and that *“the publication of the book, and the cost of all the books for these events were covered by Mr. Culp, with all of the proceeds going to him as well. It was at these events, calls for him to run for Governor first began. After several months of being asked to run for Governor at his speaking engagements, Mr. Culp decided to declare his candidacy for Washington State Governor.”*
- Mr. Gergen stated the sales of *American Cop* were strong and that at campaign events held during the early days of his campaign for Governor, there were *“individuals who wanted a copy of his book to further understand his beliefs and understanding of citizen rights—the very foundations of his platform. Rather than keep all the proceeds of these books as he did prior to declaring his candidacy, he decided to offer the books on behalf of the campaign at live events as a tool to raise campaign funding.”*
- 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 at campaign-related events *“attendees were told that books were available through the campaign at campaign events because the proceeds went to support campaign activities. All campaign sales and non-campaign sales were always kept separate for the purpose of NOT enriching Mr. Culp.”*
- Mr. Gergen stated that as he mentioned in prior email correspondence, *“there was never any intent of using the campaign to further book sales; rather, due to the already high demand for his book, his intent was to aid his campaign. Instead of Mr. Culp covering the cost of the books to sell at speaking events as he did before, he asked the campaign to cover the cost of the books in exchange for all the proceeds (profit) going to the campaign. These were the circumstances that led to his decisions regarding book sales and ultimately to the situation we find ourselves in now. As mentioned on our call last week, all book sales have ceased until we receive guidance on how to move forward.”*
- Mr. Gergen provided the information included in the chart below as part of an emailed response he sent to PDC staff, and staff edited and copied into this report of investigation:

Month/Year	# of Books Bought	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

- Staff's review of the reports filed by the Campaign confirmed that 732 copies of *American Cop* were purchased by the Campaign. The sales of the book were used by the Campaign as a fundraiser which resulted in the receipt of \$10,230 in net contributions and \$20,460 in gross receipt as a result of the book sales, which represented. Based on the April 2020 C-4 report filed by the Culp Campaign on May 11, 2020, the Campaign disclosed receiving a total of \$278,991, which means the \$20,460 in gross receipts from the sale of the book *American Cop* represented less than 10% of total contributions received by the Campaign.

III. **Scope**

1) PDC staff reviewed the following:

- The February 20, 2020 complaint filed by Madison Evans against the 2020 Loren Culp for Governor Campaign.
- The Summary Full Campaign Contributions and Expenditures reports (C-4 reports) filed by the 2020 Loren Culp for Governor Campaign.
- The emailed responses and telephone conversations being PDC and Christopher Gergen on behalf of the Campaign.

2) PDC staff queried the PDC expenditure database for the 2020 Loren Culp for Governor Campaign expenditure information.

IV. **Statutes and Rules**

- 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 under the following circumstances:" (1) To reimburse the candidate for lost earnings incurred as a result of campaigning or for services that were performed for the campaign; (2) To reimburse the candidate for direct out-of-pocket election campaign and postelection campaign related expenses made by the individual; and (3) To repay loans made by the individual to the campaign that were disclosed in accordance with RCW 42.17A.240.

- WAC 390-16-238 defines the standard concerning personal use of campaign and states in subsection (1) “any expenditure of a candidate's campaign funds that is not directly related to the candidate's election campaign is a personal use of campaign funds prohibited under RCW 42.17A.445.
- WAC 390-05-235 defines "Fair market value" as “*the amount of money which a purchaser willing, but not obliged, to buy would pay a seller willing, but not obligated, to sell, for property, goods, or services.*”

Respectfully submitted this 28 day of May 2020.

Electronically Signed Kurt Young
PDC Compliance Officer

List of Exhibits

Exhibit: Email correspondence string from Christopher Gergen, Campaign Manager for Loren Culp for Governor Campaign to PDC staff.

PDC Exhibit
Email responses from the 2020 Loren Culp for Governor Campaign
PDC Case 64331

February 25, 2020

Public Disclosure Officer: We are writing in response to the complaint dated February 5, 2020, regarding alleged violations of RCW 42.17A.445 for the Culp for Governor Campaign. The accusations are based on a premise that there was personal use of campaign contributions because expenditures were made to a business that the accuser felt was fictitious.

The following information will show that Loren Culp has followed all proper laws and regulations in conducting his personal business and the operations of his campaign. “American Cop” is a legal entity.

The Secretary of State’s website only discloses Corporations and LLC’s. Had the Department of Revenue website been checked, the accuser would have discovered that “American Cop” is properly registered as a sole proprietorship, UBI # 604-404- 877 (Exhibit A). He has a proper reseller certificate as a wholesaler of books and has filed all combined excise tax reports and remits its sales tax in a timely manner.

“American Cop” operates as a direct sales business www.chiefculp.com and to a variety of customers. The campaign is only one of many customers for this business. “American Cop” files tax returns with the Department of Revenue.

“American Cop” legally and properly sold its autographed books to the Culp campaign at fair market value. The campaign properly reported the purchase of the books. Book purchases are not a unique transaction. Campaigns routinely purchase merchandise from vendors to give away or sell to supporters.

Because “American Cop” is a legal sole proprietorship, is not a fictitious company, reported all activity and did not violate the public’s trust, we respectfully request these false accusations be dismissed.

Sincerely,

Culp for Governor Campaign

March 2, 2020

Public Disclosure Officer:

We are writing in response to the complaint dated February 5, 2020, regarding alleged violations of RCW 42.17A.445 for the Culp for Governor Campaign. The accusations are based on a premise that there was personal use of campaign contributions because expenditures were made to a business that *the accuser felt is fictitious*.

The following information will show that Loren Culp has followed all proper laws and regulations in conducting his personal business and the operations of his campaign.

“American Cop” is a legal entity. The Secretary of State’s website only discloses Corporations and LLC’s. Had the Department of Revenue website been checked, the accuser would have discovered that “American Cop” is properly registered as a sole proprietorship, UBI # 604-404-877 (Exhibit A). He has a proper reseller certificate as a wholesaler of books and has filed all combined excise tax reports and remits its sales tax in a timely manner. “American Cop” operates as a direct sales business www.chiefculp.com and to a variety of customers. The campaign is only one of many customers for this business.

“American Cop” files tax returns with the Department of Revenue. “American Cop” legally and properly sold its autographed books to the Culp campaign at fair market value.

The campaign properly reported the purchase of the books. Book purchases are not a unique transaction. Campaigns routinely purchase merchandise from vendors to give away or sell to supporters--to include books.

Additionally, we are providing the requested information regarding the sale of books from the publisher to the vendor “American Cop” to the campaign.

During the period August through the end of the year, the campaign purchased 450 books from the “American Cop” bookseller. The \$15.00 per book payment included a sales tax of 7.7%; therefore, the campaign purchased books at a price of \$13.93 per book (sales tax \$1.07) for a total purchase price of \$6,268.50. This represents the Gross Revenue to “American Cop”.

“American Cop” purchased the books from O’Leary Publishing, LLC at a cost of \$5.50 per book for a total purchase price of \$2,475.00. Attached are the invoices to the publisher.

Our position is the Culp for Governor campaign properly disclosed "American Cop" on the initial Financial Disclosure forms for Mr. Culp's campaign, "American Cop" is a properly registered legal entity with the State of Washington, is not a fictitious company, has a properly registered reseller number, and "American Cop" pays taxes to the State of Washington in compliance with all state regulations.

There never has been any impropriety or violation of the public trust or violation of any PDC or Washington State regulations regarding either the Culp for Governor campaign or the American Cop entity. It is for these reasons that we respectfully request these false accusations to be dismissed.

Sincerely,

Culp for Governor Campaign

March 12, 2020

PDC Compliance Officer,

Here are the answers to the requested questions:

1. The books are a way to explain the candidate’s biography, his values, and his accomplishments so that voters will be more informed when they make their decision. The books were distributed in exchange for a suggested donation cost of \$20.00.
2. Books were not provided as online sales.
3. No books have been given away for free.

4. Some of the donations for the books were reported as the small fundraiser, especially when placed on the table with other items such as shirts and hats. At times some payments, such as checks, may have been reported as a straight donation on the PDC reports. Some of the \$20 amounts may have been listed under small contributors.
5. As of February 29th, it appears that all the books have been disbursed.
6. Each book was exchanged for a \$20.00 donation, therefore, the estimated proceeds for 450 books would be \$9,000.00.
7. The price change was due to the publishing of the Second Edition of the book with extra content.

We look forward to a speedy conclusion to this inquiry. Thank you for your diligence.

Kind regards.

Culp for Governor Campaign

April 19, 2020

Mr. Young,

Thank you for the kind extension of our deadline. This extra time has allowed me to obtain the proper documentation. Please accept our apologies for forwarding incomplete data—this was unintentional and an honest oversight by our counsel. Attached, you will find the five invoices in question—August 2019, October’s first 2019 order, October’s second 2019 order, December 2019, and February 2020.

In reviewing our statements regarding the suggested donation pricing and the wholesale pricing, the information forwarded prior to this correspondence was accurate to the best of our knowledge but incomplete. In this correspondence, I will clearly outline the amounts and clear the confusion.

Questions 1, 2, 3:

August and September 2019 the wholesale price of the book was \$10 per book. As you can see from the invoices, the campaign made one purchase during these months of 150 books at a price of \$10 per book for a total cost to the campaign of \$1,500.

On October 1, 2019, the second edition of the book became available. This second edition included an additional chapter to the book and corrected minor editorial errors in the first edition. This additional content warranted an increase in the wholesale and retail prices of the book, which is common in the book industry. This price adjustment was made by Mr. Culp’s publisher. The updated wholesale price from October 2019 and beyond was \$15 per book. As you can see from the invoices, the campaign made four purchases during the months between October 2019 and February 2020 (two in October for \$3,000, one in December for \$2,250 and one in January 2020 for \$3,480—this purchase was reported and paid by the campaign in February) of 582 books at \$15 per book for a total cost to the campaign of \$8,730.

For purposes of fundraising, 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. Therefore, 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.

Currently, the Culp for Governor campaign has zero inventory and all wholesale orders of the item have ceased at the time of the initiation of this inquiry. Therefore, our balance sheet for these books is as follows:

Month	Number of Books	Cost per Book	Cost to the Campaign	Suggested Donation	Number of Books Sold	Gross Receipts	Margin to the Campaign
August	150	\$10	\$1,500	\$20	150	\$3,000	\$1,500
October 1	100	\$15	\$1,500	\$30	100	\$3,000	\$1,500
October 2	100	\$15	\$1,500	\$30	100	\$3,000	\$1,500
December	150	\$15	\$2,250	\$30	150	\$4,500	\$2,250
February	232	\$15	\$3,480	\$30	232	\$6,960	\$3,480
Total	732	N/A	\$10,230	N/A	732	\$20,240	\$10,230

Thank you again for your latitude to allow us the opportunity to gather the required information and to clear the misunderstanding regarding our numbers and our invoices. If you have any additional questions, please reach out to us. We hope that you are well and look forward to a resolution to this matter.

With kind regards,

Culp for Governor Campaign

May 3, 2020

Mr. Young,

As requested, I am respectfully submitting further information to provide the context that led to the decision to offer Mr. Culp's books to the general public as a fundraising tool. In November 2018, Mr. Culp (who is the Republic Chief of Police) refused to enforce the I-1639 law that was passed on the grounds that it was unconstitutional. This personal stand led to massive attention online and in the media. Mr. Culp provided over a hundred radio, television and print interviews in the months following—to include appearances on the Tucker Carlson Show, Fox and Friends, and The Graham Ledger Show. His exposure regarding this story was international—reaching as far as the United Kingdom and Australia.

During the month of December 2018, 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. Once the manuscript for what became the book *American Cop* was complete, it went to the editor for publication. On President's Day 2019, *American Cop* was released and immediately became an Amazon Number One Bestselling book in three different categories for several weeks. Following the release of the book, Mr. Culp engaged in a speaking tour to support the publication of the book, and the cost of all the books for these events were covered by Mr. Culp, with all of the proceeds going to him as well. It was at these events, calls for him to run for Governor first began.

After several months of being asked to run for Governor at his speaking engagements, Mr. Culp decided to declare his candidacy for Washington State Governor. Sales of his book were still strong. Every campaign event held during the initial days of the campaign had individuals who wanted a copy of his book to further understand his beliefs and understanding of citizen rights—the very foundations of his platform. Rather than keep all the proceeds of these books as he did prior to declaring his candidacy, he decided to offer the books on behalf of the campaign at live events as a tool to raise campaign funding. Copies of the book were (and are) 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. Campaign event attendees were told that books were available through the campaign at campaign events because the proceeds went to support campaign activities. All campaign sales and non-campaign sales were always kept separate for the purpose of NOT enriching Mr. Culp

As mentioned in prior correspondence, there was never any intent of using the campaign to further book sales; rather, due to the already high demand for his book, his intent was to aid his campaign. Instead of Mr. Culp covering the cost of the books to sell at speaking events as he did before, he asked the campaign to cover the cost of the books in exchange for all the proceeds (profit) going to the campaign. These were the circumstances that led to his decisions regarding book sales and ultimately to the situation we find ourselves in now. As mentioned on our call last week, all book sales have ceased until we receive guidance on how to move forward.

I hope this information helps provide a clearer picture of the events that led up to the initial complaint in February. We appreciate your professional approach to this matter and look forward to coming to a resolution in the coming weeks. Thank you for your consideration of this information. If you need further clarification, please contact me at 541.870.3000 or via email at cgergen@culpforgovernor.com.

With kindest regards,

Culp for Governor Campaign