

**A REPORT TO THE PUBLIC**

**Consumer Impostors:  
The Big Business Deception Behind Props 200,201,&202**

**by Jamie Court  
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# THE CONSUMER IMPOSTORS: A REPORT TO THE PUBLIC

*"You need to have credibility. And that means when you pick people to join your coalition make sure they're credible and if they're not credible keep 'em away. In a tort reform battle, if State Farm -- I think they're here, Nationwide -- is the leader of the coalition, you're not gonna pass the bill. It is not credible. Okay?"*

Neil Cohen, Grassroots Consultant to American Tort Reform Association,  
in a speech at Colony Beach Resort Hotel, Sarasota Florida, February 7, 1994<sup>1</sup> (Exhibit 1)

Who is really behind Propositions 200, 201 and 202?

If you believe the proponents, it is a unique combination of businesses and consumer advocates working to improve the economy. But, like so many other political manipulations California voters have come to expect during political campaigns, the truth is that cash-rich special interests are once again seeking to further their own self-interest at the expense of Californians -- only this time masquerading in a "consumer" disguise.

An exhaustive investigation of documents from court proceedings, reports filed with the Fair Political Practices Commission and other confidential sources reveal an elaborate Ponzi scheme. Political mercenaries, whose histories are fraught with misdealings, fraud and hypocrisy in which the interests of consumers are ignored or abused for personal gain, have organized a highly-lucrative campaign guaranteeing themselves hundreds of thousands of dollars in consulting and signature-gathering contracts from big business and the insurance industry -- principally by merchandising the name of "Voter Revolt,"<sup>2</sup> once a non-profit organization and the state's toughest critic of insurance companies and big business.

Only the Silicon Valley and its big money could pioneer the latest in artificial grassroots technology: the "virtual consumer group." The political action committee of the big business interests, the so-called "Alliance to Revitalize California," has done just that by buying the "Voter Revolt" name with \$3 million and putting it at the front of its multi-million dollar campaign to strip consumers of their rights. The Alliance's own internal memo notes that using the name "Voter Revolt" will confuse the public about who the true proponents of their proposals are,<sup>3</sup> and thus give the Alliance a far better chance of success at the ballot box than it would ever stand if the identity of the true sponsors -- insurers, business interests and wealthy individuals who have had more than one brush with the law -- were known to voters.

While the backers of Props 200, 201 and 202 work desperately to project a "consumer" face to the public, the true sponsors are a consortium of Silicon Valley tycoons, millionaire high

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<sup>1</sup>"Coalition and Ally Development," Transcript of Presentation by Neal Cohen, APCO Associates, Grassroots Consultant to the American Tort Reform Association, Public Affairs Council Conference, Colony Beach Resort, Sarasota Florida, February 7, 1994 (Tape available upon request.)

<sup>2</sup>"Voter Revolt to Cut Insurance Rates" operated under the umbrella of Access to Justice Foundation, a non-profit advice group incorporated by Proposition 103 author Harvey Rosenfield in 1986.

<sup>3</sup>The campaign memo is attached as Exhibit 14.

rollers, Wall Street investment firms and the likes of Transamerica Insurance Company, all operating under the misnomer of "the Alliance to Revitalize California." Many of these major donors have engaged in allegedly illegal conduct in the past, for which Propositions 201 and 202 could buy them legal immunity. Proposition 200, the no fault auto insurance, is the Trojan Horse in an elaborate scheme to sneak Props 201 and 202 by the voters.

Thus far, the Alliance to Revitalize California has spent \$10.9 million of big business and insurance company money to re-write the laws to benefit themselves pursuant to a blueprint for subverting the judicial branch born and nurtured in their East Coast think-tanks.

With every public interest and consumer group in the state and nation opposed to Propositions 200, 201, and 202<sup>4</sup>, there are indications that the big business backers themselves have become the targets of a scam by political consultants who promised them that the name "Voter Revolt" would deliver the vote of the California consumer.

The election fraud has extended to ballot arguments in the voter pamphlet in which the proponents of Propositions 200, 201 and 202, according to the Los Angeles Times, "went far to find someone with consumer credentials to tout their measure -- 1,500 miles, in fact, to Spencer, Iowa, and the home of Garry DeLoss." As the Times notes, ballot signer De Loss, an Iowa businessman, was ousted eleven years ago as director of the San Diego-based Utility Consumer Action Network (UCAN), for mismanagement, but signed the ballot argument in favor of the initiatives identifying himself as UCAN's former executive director.<sup>5</sup>

When UCAN, which opposes all three initiatives, learned that the group's name was being misused to mislead voters, the consumer group went to court to ask a Sacramento judge to remove the consumer group's name from the ballot. To stop the litigation, the Alliance changed DeLoss's name to read, "Former Executive Director, California Consumer Organization." As the Los Angeles Times points out, "In fact, no group with that name exists." Because "California Consumer Organization" was printed in the voter pamphlet in capital letters, 12 million voters will be given the fraudulent impression, assiduously cultivated by the initiative proponents, that a California consumer group supports the measure, when none do.

The deception perpetuated against the electorate is designed to win the big business and insurance interests their prize: limiting the right of the consumer to have their day in court. This report details the election deception behind Propositions 200, 201 and 202.

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<sup>4</sup>More than 50 public interest groups oppose the initiatives and none support them. Those in opposition include Consumers Union, Ralph Nader, Consumer Action, NAACP, Congress of California Seniors, California Public Interest Research Group (CALPIRG), Lincoln Bondholders Association, Public Citizen, Sierra Club, Center for Public Interest Law, California Nurses Association, California State Council of Service Employees International Union (SEIU), California Foundation for Independent Living Centers, California League of Conservation Voters, Southern Christian Leadership Conference, and Utility Consumer Action Network (UCAN).

<sup>5</sup>Dan Morain, "Unseen Side of Voter Guide," Los Angeles Times, February 22, 1996, A3. See Exhibit 2.

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## THE DRAFTERS

The proponents of Propositions 200, 201 and 202 claim they wrote the initiatives themselves. That is incorrect. The measures are the product of insurance company lobbying groups and big business-funded East Coast "think tanks" that have for many years advocated restrictions on the rights of consumers and citizens to seek legal redress under state consumer-protective "tort laws." Last year, the work of these organizations leaped to the fore in Washington: Newt Gingrich's "Contract With America" contains a laundry list of their proposals under the misnomer "Common Sense Legal Reforms," the same title occasionally used in the past by the promoters of these initiatives.<sup>6</sup> See **Exhibit 3**.

**The Manhattan Institute.** A primary source of two of the proposed ballot initiatives, the Manhattan Institute is a conservative think tank,<sup>7</sup> and one of the leaders of national and state efforts to restrict tort laws. While the Manhattan Institute purports to be concerned about the protection of consumers against avaricious lawyers,<sup>8</sup> it is funded by a roll call of some of the largest corporations in the world: State Farm Insurance, Aetna, Chase Manhattan Bank, CitiCorp, Bristol-Myers Squibb, Exxon, Pfizer, Phillip Morris, Procter & Gamble, Prudential, RJR Nabisco, Cigna, Dow Chemical, General Electric, Union Carbide, Metropolitan Life, Safeco, and Traveler's. Among the four corporate donors listed at the \$50,000 and above level by the Manhattan Institute two are insurers, State Farm Insurance Company and Aetna. A copy of the donor list is attached as **Exhibit 4**.

The Institute's Judicial Studies Program, created in 1986, brought together Michael Horowitz, Peter Huber and Walter Olsen, a three-some who emerged as the leading critics of the civil justice system and proponents of "tort reform."<sup>9</sup> Horowitz is a long-time

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<sup>6</sup>According to "ABL/Consumer Groups Discuss No Fault," Independent Insurance Agent and Brokers of California Weekly Insider, October 3, 1994: "The Coalition for Common Sense Auto Insurance -- sponsor of a pay-at-the-pump auto insurance proposal-- has joined Voter Revolt--sponsor of Prop 103--with the intent of filing two initiatives ...IIABC's ABL partners, are in the process of reviewing the no-fault draft language and recommending language." Gingrich's Republican Contract With America legislation is titled, "Common Sense Legal Reform Act." It was the ninth of the Contract bills to be brought to the House floor.

<sup>7</sup>One of the Institute's most influential founders was William J. Casey, Ronald Reagan's Director of the Central Intelligence Agency. The Institute views itself as being on the "forefront" of the current "realignment" of business and economic interests over civil rights, boasting that it has published the work of writers such as Charles Murray, author of *The Bell Curve*. In addition to Murray, the Institute has been a principle patron of civil rights critic Dinesh D'Souza (*Illiberal Education*) and tort reform guru, Peter Huber (*Liability: The Legal Revolution and Its Consequences*).

<sup>8</sup>"Rethinking Contingency Fees," (1994, Horowitz, O'Connell, Brinkman) which sets forth the proposal upon which the Alliance attorneys fees initiative is modeled, suggests that limitations on contingency fees will provide plaintiffs with higher net recoveries and speedier payments. Peter Passell, "Contingency Fees in Injury Cases Under Attack by Legal Scholars," *New York Times*, February 11, 1994, p. A1.

<sup>9</sup>Other works by the three-some include *Phantom Risks: Scientific Inference and Law* (Peter Huber, ed. - MIT Press, 1992); *The Liability Maze* (Robert Litan and Peter Huber, eds. - Brookings Institute Press, 1991); *The Litigation Explosion: What Happened When America Unleashed the Lawsuit* (Walter Olsen -- E.P. Dutton, 1991); *Galileo's Revenge: Junk Science in the Courtroom* (Peter Huber - Basic Books, 1991); "Are We Afraid of the Future" (Peter Huber -- Reader's Digest, 1989); *Liability: The Legal Revolution and Its Consequences* (Peter Huber -Basic Books, 1988); *New Directions in Liability Law* (Walter Olson, ed. -- special issue, Journal

advocate of restricting the right of citizens (as opposed to big corporations) to go to court. He served as General Counsel at the Office of Management and Budget and was chief consultant for the Reagan Administration's Tort Policy Working Group, a favorite of Vice President Quayle's. He joined the Institute in the late 1980s. (Horowitz left the Institute in fall of 1994, and now works in the Washington, D.C. office of a similar, corporate-funded think-tank, the Hudson Institute, where he continues his attack on citizens' legal rights).

While the Manhattan Institute has worked hard to adopt a patina of academic respectability, its invidious purpose is laid out in a blunt November 1992 fundraising letter to the Manhattan Institute's corporate and insurance industry sponsors: the abolition of the present civil justice system through a program of judicial and media manipulation.

The Institute sought funds to hire professors to publish scholarly screeds against the tort system and mail them to "several thousand judges on a regular basis" in order to encourage the judiciary's support for tort law restrictions. The press are also important targets for Horowitz, who states that the news media can be manipulated just as easily as judges are:

"Journalists need copy, and it's an established fact that over time they'll 'bend' in the direction in which it flows."<sup>10</sup>

Lest there be any doubt about the interests of corporations in funding the Manhattan Institute's anti-tort agenda, the fundraising solicitation specifies precisely the pay-off:

"We feel that any funds made available to the Judicial Studies Program will yield a tremendous return at this point -- perhaps the highest 'return on investment' available in the philanthropic field today."<sup>11</sup>

The solicitation letter and the Manhattan Institute mission statement are attached as **Exhibit 4**.

**The Manhattan Institute and Proposition 200.** The Institute's fundraising letter previews two proposals which have become Proposition 200 and 202 on the March California ballot. It references, "Mike Horowitz's recent White Paper on auto insurance reform...Co-authored with Jeffrey O'Connell." The Institute's president also touts Horowitz's model for contingency fee limitations, and, foreshadowing its advocacy role, declares there "will be a greater stress on applying the ideas that our fellows and other scholars have developed."

The Manhattan Institute first publicly unveiled Proposition 200 in a March 21, 1993, New York Times op-ed by Horowitz criticizing a "pay at the pump no fault system," bitterly

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of Academy of Political Science) 1988; *Historical Roots of the Liability Crisis* (Walter Olson, ed. -- special issue of *Cardozo Law Review*, 1989.)

<sup>10</sup> The Manhattan Institute, "Judicial Studies Program Mission Statement and Overview," New York, N.Y., November, 1992, pp. 2, 4, 6. Exhibit 4.

<sup>11</sup> William H. Hammett, President of Manhattan Institute, Corporate Solicitation Letter accompanying "Judicial Studies Program Mission Statement and Overview," New York, N.Y., November, 1992

opposed by the insurance industry, that business writer and gadfly Andrew Tobias had begun to promote in a booklet.<sup>12</sup> (For more about Tobias and his proposal, see below).

"Bravo, Andy!" Horowitz exclaimed, for the portion of Tobias' proposal that would "aboli[sh] all pain-and-suffering claims...." But Horowitz expressed his funders' disinterest in a pay-at-the-pump insurance delivery system that would have taken insurance out of the hands of the industry: "Having seen the dreary effects of a judicialized system, Mr. Tobias would substitute a politicized and bureaucratized one."<sup>13</sup>

Horowitz then recommended his own 1992 "plan, co-drafted with **Jeffrey O'Connell**, a University of Virginia Law School professor, co-author of the auto no-fault idea."

O'Connell, another long-time booster of limits on compensation to auto accident victims, is considered the "father of no fault," a proposal for unlimited auto insurance benefits which he first discussed in a legal publication with Robert Keeton in 1965, only to see it become a startling and costly failure in state after state. (Since 1979, five states have repealed their no fault laws, and no state has adopted a no fault system since 1976.) In no fault states, dramatic rate hikes and other problems have caused intense conflicts between insurers and angry consumers who want to repeal no fault. According to National Association of Insurance Commissioners (NAIC) data, in 1994 six of the top ten most expensive auto insurance states (including D.C.) had no fault systems. On average, premiums in mandatory no fault states rose 45.6% between 1989 and 1994, a third higher than the average in liability states (33.7% increase). (By comparison, in California, under insurance reform Proposition 103, auto rates dropped 4.5% between 1989 and 1994.<sup>14</sup>)

Californians first met O'Connell in 1988, when he became one of the insurance industry's leading spokespeople against Proposition 103 and advocate of Proposition 104, the insurance industry-sponsored "no fault" initiative defeated by voters by a three to one margin. Campaign disclosure reports later revealed that O'Connell had received at least \$67,000 from the insurance industry for his assault on Prop 103. The reports are attached as **Exhibit 5**.

With the rejection of no fault by California voters in 1988, and the universal collapse across the nation of the no fault system he had originally espoused, O'Connell was prepared to go to greater lengths to resuscitate no fault, suggesting even more cumbersome and complex alternatives.<sup>15</sup> The "pure" no fault proposal in which the right to sue was eliminated completely, along with pain and suffering, was unthinkable even by O'Connell's standards when he first proposed no fault. It was the antithesis of the humane program of "socialized auto insurance" he had originally articulated. But pure no fault became acceptable when it

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<sup>12</sup> Andrew Tobias, "Auto Insurance Alert!" January, 1993. Tobias widely advertised that the booklet's proceeds were to go to a consumer group, whose leader, Bob Hunter, has since announced his opposition to Prop. 200.

<sup>13</sup> Michael Horowitz, "Let Drivers Tailor Auto Insurance," New York Times, March 21, 1993.

<sup>14</sup> Proposition 103 Enforcement Project, "California's Auto Insurance Premiums Down 4.5% Under 103, Fifth-Slowest Growing in Nation: No Fault States Up 46% Since 1989," news release, Los Angeles, February 15, 1996.

<sup>15</sup> "No-Fault's O'Connell Keeps Trying, Offers A Variation On Choice Plan," Auto Insurance Report. Risk Communications. Laguna, Niguel California, March 13, 1995. Also Peter Passell, "Contingency Fees in Injury Cases Under Attack by Legal Scholars," *New York Times*, February 11, 1994, p. A1.

federal "Contract With America" legislation which could not garner enough votes for passage by the Republican-controlled Congress.<sup>20</sup>

The force behind the federal "Shareholders Limitation Act" and other bills to weaken federal securities laws is a Washington-based, corporate consortium called Coalition to Eliminate Abusive Securities Suits (CEASS). The corporate leaders of CEASS are many of the same Silicon Valley CEOs who have donated to the Alliance and who also have been defendants in shareholder, class action lawsuits. For instance, Gordon Moore, Chairman of Intel Corporation, and Scott G. McNealy, Chairman and CEO of Sun Micro Systems Inc., are featured in CEASS materials as coalition leaders.<sup>21</sup>

Apparently, another low-profile drafter of Proposition 201 is Congressman Christopher Cox (R-Newport Beach), himself the subject of a state securities lawsuit stemming from the failure of First Pension Corp. at the hands of an admitted swindler. Cox is also the author of similar federal legislation limiting the right of swindled investors to sue for fraud.<sup>22</sup> The *Country Almanac* reported that Alliance to Revitalize California Chairman Tom Proulx said:

" Rep. Chris Cox, R-Calif...told him: 'My greatest fear has been that we get this thing passed at the federal level and achieve nothing because we'll simply move the problem into state courts.' Mr. Proulx said Mr. Cox and others convinced him 'it had to be done, and that I could do it.' "<sup>23</sup>

A former corporate lawyer sued for securities in state court, Cox has a very personal interest in closing state courthouse doors to victims of swindles. The Chairperson of the Lincoln Bondholders Association (Victims of Keating), Jeri Mellon, has said Proposition 201 would do just that. According to Mellon, "The Crooks and Swindlers Act requires that victims of swindles, like Keating's, would have to post a bond to pay for Keating's legal expenses before going to state court to recover their losses. None of us, following the financial ruin of Keating's fraud, could have afforded to do that."<sup>24</sup>

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<sup>20</sup> The House Conference Committee Bill of S.240/HR 1058, which succeeded over a presidential veto, in December 1995, did not have a mandatory "loser pays" requirement like Proposition 201, nor any requirement that swindled investors had to post a bond to pay for the loser's legal expenses. Securities Exchange Commission (SEC) Chairman Arthur Levitt vigorously opposed mandatory "loser pays" provisions in the bill, preventing its passage in Congress.

<sup>21</sup> A February 28, 1995 mailing from CEASS to "CEASS Members" includes a photo and quote from both Moore and McNealy endorsing the federal legislation.

<sup>22</sup> Jeff Gerth, "Architect of House Measure to Limit Lawsuits Is Himself the Subject of a Suit," *New York Times*, June 18, 1995.

<sup>23</sup> Tom Friesen, "Taking on the lawyers," *County Almanac*, January 10, 1996.

<sup>24</sup> "Statement of Jeri Mellon, Keating Victim, On So-called 'Securities Litigation Act'," December 21, 1995



## THE MONEY MEN

The core of the political strategy adopted by the proponents of Propositions 200, 201 and 202 is to portray the initiatives as pro-consumer -- or, at worst, the fruits of a so-called "consumer-business alliance."

But "consumers" have nothing to do with the initiatives. According to disclosure statements filed with the California Secretary of State, the money fueling Propositions 200, 201 and 202 comes from a "Who's Who" of Corporate America, ranging from corporate consultant and business writer Andrew Tobias to takeover artist Henry Kravis; from Wall Street investment firms to dozens of Silicon Valley CEOs, including corporate wrongdoers who have had one or more brushes with the civil justice system -- and have been forced by the law to pay people they have ripped-off. (See Exhibit 6 for the full list of contributors.)

The three initiatives represent a new phenomenon in our democracy: wealthy individuals usurping the prerogative of the Legislature to buy changes in laws that they don't like.

### Andrew Tobias

Tobias, a Florida-based business consultant, sits on the Board of the Alliance, and is one of the most active of the proponents of the measures. A software mogul, Tobias understands the concept of franchising a name that has been employed by the proponents in an attempt to portray themselves as pro-consumer: he made a fortune from the use of his name in connection with "Managing Your Money," a home checkbook accounting program.

Tobias has since 1986 made millions from his computer software program, "though neither Mr. Tobias nor MECA [Micro Education Corp. of American, his software distributor] officials will disclose the exact terms of their agreement," according to the Wall Street Journal.<sup>25</sup> The Journal estimated Tobias makes between \$4 and \$8 in royalty on every software program sold. In 1986, Tobias was described by the Wall Street Journal as having a "seven figure net worth and annual income well into six figures."<sup>26</sup>

Tobias is also a prolific financial writer and business consultant who has long championed anti-consumer proposals to restrict civil rights, including a plan to impose a "no fault" system for victims of medical negligence.<sup>27</sup>

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<sup>25</sup>Robert Rose, "Writer Andrew Tobias Gives Personal Finance A Very Personal Slant," Wall Street Journal, June 10, 1986.

<sup>26</sup>Robert Rose, "Writer Andrew Tobias Gives Personal Finance A Very Personal Slant," Wall Street Journal, June 10, 1986.

<sup>27</sup>*Treating Malpractice: Report of the Twentieth Century Fund Task Force on Medical Malpractice Insurance*, Priority Press Publications (1986). In his *Background Paper* for the task force, Tobias argued that the legal system, not unregulated insurance company rates and practices, was responsible for the "malpractice crisis." His argument was subsequently debunked by most independent studies. Consumer Reports concluded, "The malpractice lawsuit crisis is the 'crisis' that isn't...a straw man" ("Malpractice: A Straw Man," Consumer Reports Vol.57, No.7 July, 1992) Co-Author of the Harvard Medical Malpractice Study Paul Weiler said, "Our data makes clear, then, that the focus of legislative concern should be that the malpractice system is too inaccessible, rather than too accessible, to the victims of negligent medical treatment." Paul C. Weiler, et al., *A measure of Malpractice: Medical*

taking on the wrong-headed, Mr. Tobias has chosen to join one of several profit-stake interests in the mix – the insurance industry. That industry unsurprisingly tends to favor high premiums and low claim pay-outs."<sup>29</sup>

### State Farming

While helping to fund the California initiative, Tobias worked hand in hand with the nation's largest insurer, State Farm, to pass a nearly identical no fault proposal in Hawaii, where beleaguered motorists pay the highest premiums in the nation, thanks to no fault.

*TOBIAS: I paid for this trip all by myself - 60,000 frequent flyer miles and I'm paying for the hotel and I'm about three hundred thousand dollars into this project - uh- paying, not getting- uh - in California where we're trying hard to fix the auto insurance system....*

*CALLER: If he wants to see the United States do away with no-fault as a rule, then-then he certainly will be working along the same lines as State Farm....*

*REES: Our guest is Mr. Andrew Tobias...I should tell you in the interest of full disclosure that he was invited to Hawaii by Milton Holt [pro-insurer Hawaiian legislator] ...that he was steered in our direction-uh-by the p.r. company that handles-uh-that State Farm Insurance Company. So it's, it's never simple.*

*TOBIAS: There's always some complexity to it.*

– KGU AM-76 , Honolulu  
"Inside Politics"  
June 26, 1995

A 1995 legislative campaign by insurers in Hawaii for a "pure" no fault auto insurance system revealed that Tobias was working closely with the industry giant State Farm to impose a pure no fault insurance auto system.

Tobias, for instance, teamed with State Farm in a full page June 1995 advertisement in the Honolulu Advertiser for the Hawaiian no fault legislation, which replicates Prop 200 (only with more generous basic benefits – \$250,000 vs. Prop. 200's meager \$50,000).

The State Farm-financed advertisement by Tobias (**Exhibit 7**) identifies Tobias as, "Financial Writer, Software author, and Consumer Advocate." If State Farm's latter descriptor were true, Tobias would be the would be the highest paid consumer advocate in history and the only known multi-millionaire to hold the honor.

### Bullying Letters & Attack Ads

With every consumer group in the state opposed to Propositions 200, 201, and 202, Tobias has orchestrated a bullying letter writing campaign to consumer advocates across California threatening them with retribution for opposing his proposals.

One such letter warned Rosemary Shahan, founder of Consumers for Auto Reliability and Safety, to withdraw her opposition: "Keep in mind that we...will be very aggressive in

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<sup>29</sup>Bob Fellmeth, Children's Advocacy Institute, Letter to Editor, University of San Diego Vista, February 9, 1996 Enclosed in Exhibit 9.

taking on our opponents...we do intend to put the individual signatories on the spot." The letter and a response by Harvey Rosenfield is attached as **Exhibit 8**.

Tobias also spent his money on a full page advertisement in the University of San Diego student newspapers attacking long-time children's advocate and law professor Bob Fellmeth as "anti-child" for opposing Proposition 200.

Fellmeth responded to Tobias's ad in a letter to the editor, "I have declined to support his initiative, joining Ralph Nader and most consumer groups which have studied it, including the largest: Consumers Union of the United States. Nor do other child advocates generally support it. His approach has been to threaten to attack me personally if I did not issue a public statement supporting his position and disavowing various criticisms of him. And he vowed to issue his attack through paid ads in my hometown. Mr. Tobias has the spoiled personae of the rich kid who says: 'you better do as I say, or I'll tell your mother you hit me.' Such an approach is rarely persuasive over the age of ten."

The ad and Professor Fellmeth's response are attached as **Exhibit 9**.

#### Paid Volunteer

While Tobias has talked on end about "volunteering" his time for Propositions 200, 201 202, campaign disclosure reports show that he was paid for his speaking services on behalf of the Alliance by financial services firms. According to campaign disclosure reports, Tobias's "Speaking services donated to ARC, resulting in payment," totaled \$22,500 from two financial services firms. The report is attached as **Exhibit 10**.

What's the stake of these financial planners in the outcome of Propositions 200, 201 and 202? Tobias won't answer. Indeed, Tobias stands to gain handsomely through his association with the high-tech computer executives funding the initiatives. They hold his future personal fortune, millions of dollars in royalties from his computer software, in their hands; and eliminating all lawsuits against such companies, legitimate or not, would certainly be a profitable payoff on a California investment for which Tobias estimates he has "volunteered" \$700,000 of his own money.<sup>30</sup> But this boast is not reflected in campaign spending reports as is required by law. Between December 1994 and December 1995, they show that Tobias donated and loaned \$87,500 to the Alliance campaign.

If Tobias has no qualms about Prop 200 eliminating pain and suffering compensation in all California car accidents and capping benefits paid to all innocent accident victims, crippled or not, at \$50,000, it is probably because Andrew Tobias has known little pain and suffering himself. Tobias, a millionaire, has enough money in the bank to cover such contingencies. The crippled middle class driver would have to go on welfare in such a scenario under Prop 200.

Tobias lives in Florida and would be subject to none of the laws he proposes.

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<sup>30</sup>Louise Witt, "Auto Pilot," Bloomberg Personal, January 1996.

## Thomas Proulx -- Silicon Jet Setter

Joining the company of Ron Unz and Steve Forbes, Tom Proulx is the latest of the Silicon Valley rich whiz kids, or "gold plated nerds," as Time Magazine recently described them, to join the political scene with a sack of money, and no expertise, for the benefit of his millionaire class. As Chair of the Alliance to Revitalize California, Proulx is spearheading the triple-initiative assault on consumer rights.

A resident of Atherton, California, Proulx made his fortune as the writer of "Quicken," a software program that allows users to balance their checkbooks and keep track of their finances. The program, similar to Tobias's Managing Your Money, made Proulx a multi-millionaire in mid-life with the time to launch his campaign to foreclose justice for all but the rich.

The company Proulx co-founded, Intuit, became a \$1.5 billion dollar enterprise. Proulx is no longer with the company, but still holds its stock.

Intuit was in the news in March of 1995 when users discovered that one of its tax preparation programs had a bug in it that led to errors on tax returns. According to the Sacramento Bee, "the bugs in TurboTax and MacIntax -- the industry's best selling tax programs -- have led to wrong entries involving depreciation of cars and real estate, self-employed taxpayers and IRA contributions."<sup>31</sup>

Under Propositions 201 and 202, investors who lost out due a faulty product, even if the company had known about the defect earlier but failed to disclose it for financial reasons, would not be able to pursue redress against the company or any insider traders.

Proulx made the San Jose Mercury's Insider Trading section, "a regular report of stock transactions involving officers, directors, and owners of 10 percent or more of a publicly held company," four times in 1993 -1994, with large trades between March 1993 and mid-February 1994. Proulx sold tens of thousands of his shares in February 1994, when Intuit's stock reached a high during the period of more than \$47 per share, before the stock subsequently plummeted to \$30 per share by early April of 1994.<sup>32</sup>

- Between December 1994 and March 9, 1996, Proulx contributed \$110,000 to the Alliance to Revitalize California initiative campaign.
- Proulx also guaranteed \$1.65 million in loans from J.P. Morgan Services to the Alliance, raising the question of who Proulx expects to repay the loans. The question Proulx has never answered is whether the auto insurance industry, which has a powerful interest in Proposition 200, will repay those loans after the outcome of the initiative campaign.

The Fair Political Practice Commission report is attached as **Exhibit 11**.

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<sup>31</sup>Sacramento Bee, "Intuit Warns of Software Bugs."

<sup>32</sup>"INSIDER TRADING, a regular report of stock transactions involving officers, directors and owners of 10 percent or more of a publicly held company," San Jose Mercury News, April 9, 1994; December 31, 1993; September 23, 1993; April 26, 1993

a lawsuit for "infliction of emotional distress...over a television [campaign] ad that portrays him in a negative light." Shugart told the news service, "I'm not against all lawsuits, I'm only against frivolous lawsuits -- those filed by greedy people."<sup>37</sup>

Shugart and his company have been sued three separate times for violation of securities laws.<sup>38</sup> In the first of the cases against Shugart, shareholders alleged that the CEO, who is paid \$1.9 million annually, artificially inflated stock and then engaged in insider trading before the stock collapsed, leaving Shugart and insiders with a windfall and with other shareholders holding the bag.

#### Frivolous Lawsuit?

One of the allegations in the case is that Seagate, under Shugart's direction, artificially inflated its revenues and earnings at the end of fiscal quarters by shipping disk drives to off-site warehouses or parking lots for storage until they could be shipped to a customer in response to orders in the subsequent quarter. The company, according to allegations, recognized revenue upon shipment, and thus Seagate booked revenue before it should have and artificially drove up the price of stock for that quarter.<sup>39</sup>

Truck drivers George Armour and Peter Page, in declarations, reported that at the fiscal quarters' end they were hired to ship disk drives from the factory to another warehouse, purportedly to record sales that had not yet taken place.<sup>40</sup> The declarations are attached as **Exhibit 13**.

The shareholders allege that before insiders dumped their stock at artificially high prices, Shugart and others "caused or permitted Seagate to issue a series of favorable public statements in annual and quarterly reports to shareholders...which were materially false and misleading and operated to inflated artificially the market price of Seagate common stock."<sup>41</sup>

According to the suit, "during the period that the defendants were issuing the false favorable statements about Seagate," Shugart and others, "owned at artificially inflated market prices as high as \$34.25 per share, reaping huge profits for themselves and obtaining

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<sup>37</sup>Scripps-McIntyre News Service, "Critic of Frivolous Lawsuits Sues Foes over Negative TV Ad," San Francisco Chronicle, February 26, 1996.

<sup>38</sup> In re Seagate Technologies Securities Litigation, United States District Court, Northern District of California, San Jose Division, Master File No. C-84-20756(A)-WAI

<sup>39</sup>, In re Seagate Technologies Securities Litigation, United States District Court, Northern District of California, San Jose Division, Master File No. C-84-20756(A)-WAI Consolidated Amended Complaint For Violations, pp 2-4, 9, declarations of George Armour & Peter Page. Attorney for plaintiffs William Lerach.

<sup>40</sup> In re Seagate Technologies Securities Litigation, United States District Court, Northern District of California, San Jose Division, Master File No. C-84-20756(A)-WAI Declarations of truck drivers George Armour and Peter Page, attached as Exhibit 13.

<sup>41</sup> In re Seagate Technologies Securities Litigation, United States District Court, Northern District of California, San Jose Division, Master File No. C-84-20756(A)-WAI Consolidated Amended Complaint For Violations, p. 2.

For instance, the Cupertino-based Symantec donated \$200,000 to the Alliance's campaign. Symantec and its former chairman Gordon Eubanks were sued for securities fraud when insiders sold \$97 million in their stock before its price collapsed from \$50 to \$7. Investors recovered \$18.6 million in class action suits. (Eubanks was indicted for stealing trade secrets.)

Among the Silicon Valley CEOs and companies who have fueled the Alliance's campaign is Gordon Moore, Chairman of Intel Corporation (\$650,000). During 1993 - 1995, Intel violated SEC rules regarding insider stock trading. Intel has been sued for securities and consumer fraud in class action suits and recently ran into problems with its processing chip, which proved defective.<sup>45</sup>

Mike Markkula, former chairman of Apple Computers donated \$111,562.50 in Apple stock to the Alliance campaign during December of 1995. Markkula stepped down to the post of vice chairman on February 3rd in a suspicious shake up at Apple that removed the company's president. According to the New York Times, because of the company's failure to disclose the changes in a timely way, many Apple investors were left "trading in the dark."<sup>46</sup>

The Times reported, "Many corporate lawyers said ...that they found it surprising and worrisome that Apples's shares changed hands all day in Nasdaq trading without the company's confirming or denying -- or commenting at all on --published reports that the company's chief executive had been dismissed...Nasdaq rules require any listed company to make 'prompt disclosure' of 'any material information that may affect the value of its securities or influence investors' decisions.' But Apple did not release any clarifying information."<sup>47</sup>

Propositions 201 and 202 would relieve Markkula and Apple of their concern for shareholder suits in such instances.

Just a few of the other high-tech companies and CEOs sued for securities fraud who are seeking to rewrite California securities laws include:

- Advanced Micro Devices, which donated \$125,000 to the Alliance, has been sued by shareholders for suspected fraud and settled for \$34 million. The Securities Exchange Commission is investigating the company following disclosures uncovered during the shareholders suit.<sup>48</sup>
- Sun Microsystems Inc. has donated \$50,000 to the Alliance campaign. The company

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<sup>45</sup>Citizens Against Phony Initiatives, January 1996 release. National Association of Securities and Commercial Law Attorneys (NASCAT) 1996 report, "Who is supporting the initiatives to keep ordinary people out of court?"

<sup>46</sup>Diana B. Henriques, "Prompt Disclosure and Apple: Is Silence Golden?" New York Times, February 3, 1996 p.20

<sup>47</sup>Ibid.

<sup>48</sup> Citizens Against Phony Initiatives, January 1996 release. National Association of Securities and Commercial Law Attorneys (NASCAT) 1996 report, "Who is supporting the initiatives to keep ordinary people out of court?" Alliance to Revitalize California campaign disclosure filing with California Secretary of State.

was sued by stockholders for suspected insider trading and paid over \$19 million to alleged victims. The terms of the settlement included forcing Sun to change its internal insider trading policy.<sup>49</sup>

- Informix Software has also contributed \$50,000 to the campaigns for Propositions 200, 201 and 202. The company paid \$10 million to settle a case brought by its shareholders for suspected insider trading.<sup>50</sup>

- Scott Cook, Chairman of Intuit, who has contributed \$50,000 to the Alliance, violated SEC rules regarding reporting of insider stock trading during 1993 - 1995. Intuit has been sued by its shareholders for a suspected breach of duty during merger negotiations that the San Jose Mercury News headlined "a deal [that] leaves consumers out." The company has also been sued by its employees for suspected civil rights violations and sexual harassment, as well as by the Department of Justice, who stated that a proposed merger would have led to "higher prices for consumers."<sup>51</sup>

**Accountants for Charles Keating's Lincoln Savings and Loan, who paid out to swindled victims of Keating's fraud, have also fueled the Alliance campaign.** (23,000 Keating victims recovered a total of \$240 million in class action lawsuits against Keating's accountants and lawyers.) These accountants would effectively escape liability for aiding and abetting swindlers under the draconian burdens placed on swindled, small investors by Propositions 201 and 202.

- Arthur Anderson, one of the Big Six accounting firms and auditors for Charles Keating's savings & loan, contributed \$25,000 to the Alliance campaign. In 1993, Arthur Andersen paid \$17 million to Keating victims for its negligent audits of Keating's Lincoln Savings & Loan Association. Arthur Andersen also paid \$65 million to settle claims for its audits of the failed Benjamin Franklin Savings and Loan.<sup>52</sup>

- Arthur Anderson also agreed to pay between \$22 million and \$30 million to settle class action suits brought by defrauded purchasers of worthless subordinated debentures issued by Charles Keating's American Continental Corporation.<sup>53</sup>

Other Big Six accounting firms, who paid out to defrauded victims in the S&L crisis, have also contributed to the campaigns for Propositions 200, 201 and 202.

- KPMG Peat Marwick of New York contributed \$25,000 to the Alliance. In 1992, federal regulators sued KPMG Peat Marwick for \$100 million in damages resulting from allegedly negligent audits of failed S&Ls. KPMG Peat Marwick also accepted liability for more than half of an \$82 million out-of-court settlement of charges that KPMG and others

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<sup>49</sup> Citizens Against Phony Initiatives, January 1996 release. National Association of Securities and Commercial Law Attorneys (NASCAT) 1996 report, "Who is supporting the initiatives to keep ordinary people out of court?"

<sup>50</sup>Ibid.

<sup>51</sup>Ibid.

<sup>52</sup>New York Times, August 6, 1993.

<sup>53</sup> Wall Street Journal, March 17, 1992. Washington Post, March 17, 1992.

engaged in accounting malpractice and securities fraud. KPMG was the auditor to Crazy Eddie, who defrauded stockholders in an infamous New York scandal.<sup>54</sup>

- Coopers and Lybrand also contributed \$25,000 to the Alliance campaign. Coopers & Lybrand agreed to pay \$20 million to the FDIC to settle charges arising from its allegedly deficient audits of Silverado Banking, one of the more notorious thrift collapses of the 1980's (costing taxpayers over \$100 million).<sup>55</sup>
- Investors pursued class actions against Coopers & Lybrand alleging accounting malpractice in connection with the most visible high-tech scandal ever, the Miniscribe Corp. securities swindle. In the scandal, boxes of bricks were shipped and booked as "sales" of hard drives. An investigation revealed "massive fraud." Payment to settle claims amounted to at least \$140 million.<sup>56</sup>

The average financial contribution to the Alliance, mostly from such interests, was \$22,445.65 during 1995 -- hardly a grassroots consumer effort.

Forbes Inc., run by New Yorker Steve Forbes, an ex-presidential candidate and businessman whose publication has long been associated with efforts to restrict tort laws, also gave \$10,000.

Another New York investor, Bob Wilson, contributed \$100,000. All no-doubt hope that weakened securities laws in California will fuel the high-risk, high-yield gains that were are the very heart of the S&L crisis, for which the taxpayers paid dearly.

What are these insurance and corporate interests expecting in return for the \$10.9 million they contributed between January 1995 and March 9, 1996? Is it to rewrite the laws under which they have been or may be held accountable? Unfortunately, the special interests are never asked this question because of the "consumer" cover the moneyed groups have bought.

### **Where is the Insurance Industry?**

While Propositions 201 and 202 have attracted significant investments from big business, which can expect a payoff in the eradication of legitimate lawsuits against them, Prop 200, the no-fault initiative, has not attracted the kind of insurance company money that would be expected from the industry. No fault is the insurance industry's number one priority; insurers spent over \$60 million in an unsuccessful effort to pass a no fault initiative in 1988 in California and millions more promoting no fault legislation in Sacramento, including a bill this year identical to Prop. 200 in its approach.<sup>57</sup>

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<sup>54</sup>Wall Street Journal September 1, 1992. Wall Street Journal August 12, 1993.

<sup>55</sup>New York Times, July 4, 1994.

<sup>56</sup>Wall Street Journal, May 14, 1992; November 24, 1992; November 3, 1993.

<sup>57</sup>For instance, Assembly Bill 607 (Brulte R-Rancho Cucamonga) is the legislative clone of Prop 200, a "pure" no fault auto insurance system, and is sponsored by the leading insurance industry trade groups, the Personal Insurance Federation (PIF) and the Association of California Insurance Companies (ACIC).



Transamerica, a California insurer, donated \$50,000 in 1995, confirming the insurance industry's financial backing for these initiatives and disproving claims by proponents that no insurance money has been contributed. Fidelity National Title Insurance Company also contributed \$25,000. However, most insurers have stayed away from the battle so far.

The reason is an example of cynical politics: the industry and the sponsors of the initiatives know that insurance industry support for the initiative would be the kiss of death, not just for Prop. 200, but for all three.

The San Francisco Chronicle quoted one industry source on the matter, "'We learned a bitter lesson in 1988,' said Jerry Davies of the Personal Insurance Federation." The Chronicle points out that, "insurance companies...favor state legislation that is almost identical to Proposition 200."<sup>58</sup>

The business groups supporting the initiatives consider it well worth the cost to put Prop. 200 on the ballot, if by doing so, the more obviously self-interested Propositions 201 and 202 will slip past the voters.

Indeed, advocates of such assaults on the tort law have articulated the strategy employed by the Alliance on many occasions, albeit in private. According to a clandestine tape recording of a conference of tort reform advocates in Sarasota Florida in 1994, the American Tort Reform Association's (ATRA) grassroots consultant, Neil Cohen, gave the same advice:

"You need to have credibility and that means when you pick people to join your coalition, make sure they're credible. And if they're not, keep 'em away. In a tort reform battle, if State Farm...Nationwide, is the leader of the coalition, you're not going to pass the bill. Because it's so self-serving; everybody knows that insurance companies would be one beneficiary. That's why the clients came to me and said we got to pull away from this."<sup>59</sup>

Is the price of auto insurance in California a problem for the billionaires behind the Alliance? Obviously not. The financial community's interest in bankrolling the package is obviously the immunity Proposition 201 would provide against all securities lawsuits from shareholders, legitimate or not.

Wall Street and high-tech executives are backing "no fault" Proposition 200 because keeping the industry out and covering the costs themselves is a pittance for them, but greatly increases the chances that Propositions 201 and 202 will be approved by the voters.

However, the rich didn't get rich by giving away their money, as the cliché goes. **Over \$3.3 million of the money received by the Alliance is in loans -- a staggeringly high percentage of the total receipts.** The financial question hanging over the Alliance to Revitalize California's campaign, which it will not answer, is whether insurance companies will step in just before the election -- when it will be too late to notify the public -- or even

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<sup>58</sup>Reynolds Holding, "A Second-Stab at No-Fault Insurance," San Francisco Chronicle, Tuesday, March 12, 1996.

<sup>59</sup>Coalition and Ally Development," Transcript of Presentation by Neal Cohen, APCO Associates, Grassroots Consultant to the American Tort Reform Association, Public Affairs Council Conference, Colony Beach Resort, Sarasota Florida, February 7, 1994

following the election, to repay the \$3.3 million in loans secured by the campaign's high-tech money men.

Arranging such a back-door bail out by insurers would, of course, be illegal. But, if it occurs, it is unlikely the public will ever know how it was arranged.

## THE FRONT GUYS

Perhaps the most deceptive aspect of the Alliance initiatives is the effort of its backers to cloak themselves in the garb of consumer advocates. This has been accomplished by the Alliance to Revitalize California's hiring of individuals who identify themselves by reference to previous, limited associations with consumer advocates Ralph Nader and Harvey Rosenfield and projects they have initiated.

In fact, the chairman of the Alliance campaign, Tom Proulx, notes in a confidential November 15, 1995 campaign memo that, "If voters believe that consumer groups are affiliated with both sides of the battle, the prospects for adoption of no-fault insurance are very favorable...This observation underscores the critical importance of Voter Revolt being put forward as an equal partner in the fight for no fault and other initiatives." The memo is attached as **Exhibit 14**.

Every legitimate consumer organization in the state opposes the Alliance to Revitalize California initiatives. Then why do the Alliance's political consultants and sponsors so assiduously insist that their initiatives have the support of consumer advocates? Because they believe that the only way to convince voters to vote for Propositions 200, 201 and 202 is to make them believe the initiatives are backed by legitimate consumer groups.

The Alliance is well aware that these special interest initiatives are unlikely to pass if voters understand who is behind them. California voters have rejected very similar initiatives in the past (Proposition 101 – limits on compensation for pain and suffering sponsored by the insurance industry in 1988; Proposition 104 – no fault, sponsored by the insurance industry in 1988; Proposition 106 – limits on plaintiff lawyers' fees sponsored by the insurance and business communities in 1988). Indeed, history shows that initiatives funded by any big business, such as tobacco's Proposition 188 in 1994, do not obtain voter approval. California voters traditionally vote against initiatives sponsored by special interest groups, no matter how well disguised.

This is the motivation for the extraordinary effort by the special interests supporting Props 200, 201, and 202 to seek "consumer cover."

The merchandising of Voter Revolt – the campaign organization Ralph Nader and Harvey Rosenfield formed to sponsor Prop. 103 in 1987<sup>60</sup> – by consultants, fundraisers, and other operatives Rosenfield had hired to assist the campaign was intended to provide the initiative's potential sponsors (including the insurance industry) with a deceptive front for the anti-consumer proposals. They clearly hoped that the group's association with Nader, Rosenfield and the passage of Proposition 103 would legitimize their initiatives in the eyes of the public.

At the head of this deception are Bill Zimmerman and Michael Johnson. Who are they?

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<sup>60</sup> Voter Revolt To Cut Insurance Rates operated under the umbrella of the Access to Justice Foundation, a non-profit advocacy group Rosenfield incorporated in 1986.

## Bill Zimmerman

"I am looking for new partners in politics," is how Bill Zimmerman, a self-described liberal political consultant who previously ran campaigns for many progressive causes, described his current work on behalf of big business and the insurance industry in a meeting with Republicans in the San Gabriel Valley.<sup>61</sup>

Zimmerman refers to himself as the Alliance's campaign manager. **But Zimmerman also attempts to cloak himself in the garb of Voter Revolt. He routinely refers to himself as Voter Revolt's "Political Director."** Once again, however, the use of the Voter Revolt name is a deception. Zimmerman is not employed by Voter Revolt, and has no official tie to it.

In fact, Zimmerman is employed by the Alliance, and well paid for his work. He is retained at his customary fee of \$15,000 per month and 15% commission on all media purchases.<sup>62</sup> **Zimmerman has received \$531,989 directly from the Alliance to Revitalize California between January 1995 and March 9, 1996, according to campaign disclosure reports.** He also has another \$95,000 in "accrued" bills not yet paid and may receive unknown payments from Progressive Campaigns, another political consulting firm which uses the name Voter Revolt for its fund-raising and signature gathering activities (see below).

Political consultants are not hard to find. To understand how Bill Zimmerman snagged his present job requires an understanding of his career as a political operative associated with liberal politicians and causes.

Zimmerman got his start running Tom Hayden's Senate campaign in 1976. He later worked in Hayden's Campaign for Economic Democracy organization. He subsequently helped elect a number of Democratic politicians across the country, including Harold Washington, the mayor of Chicago, and presidential candidate Gary Hart.<sup>63</sup> Zimmerman worked for Rose Bird in her unsuccessful effort to retain the position of Chief Justice. Bird, critical of Zimmerman's contact with the press, fired Zimmerman as her campaign manager but allowed him to remain on board as a consultant. Zimmerman, after the election, sought to absolve himself of blame and attacked Bird in an op-ed piece for the L.A. Times entitled "The Campaign That Couldn't Win: When Rose Bird Ran Her Own Defeat."<sup>64</sup>

Zimmerman was a mid-level political consultant when Harvey Rosenfield interviewed him for the job in 1987 during the process of planning an initiative campaign for insurance reform. Rosenfield retained Zimmerman and his firm, signing his standard consulting contract for \$50,000 in advance, \$15,000 per month, and 15% of the media buy, contingent upon advertising funds being available to pay him. Unfortunately for Zimmerman, Voter

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<sup>61</sup>Mike Sprague, "Tort -reform author explains position," San Gabriel Valley Daily Tribune, November 18, 1995.

<sup>62</sup>Reports last fall suggested he had been displaced in some or all of these responsibilities by Republican consultant Ken Kachigian, the Alliance's campaign director and political consultant.

<sup>63</sup> Cogan, pp. 12,13.

<sup>64</sup>Bill Zimmerman, "The Campaign That Couldn't Win: When Rose Bird Ran Her Own Defeat," Los Angeles Times, November 9, 1986.

Revolt never raised sufficient funds to purchase advertising and Zimmerman received little compensation for his work on the 103 campaign.

"Bill came to us as someone who cared about the values of politicians he elected. He did an excellent job as a political consultant and fund-raiser for us," says Harvey Rosenfield now. "But it quickly became clear that financial concerns drove Bill as much as anything else. Over the years, I tried to give Bill a greater role in Voter Revolt and to permit him to earn some money if there was a way we could pay him. But his financial needs led to a number of serious blunders and ultimately his financial failures bankrupted the organization. In retrospect, it seems clear that had we been able to compensate Bill, he would not have needed to switch sides and join the Alliance."

#### Solicited Trial Lawyers' Anti-No Fault Contract

In 1991, Zimmerman solicited the California Trial Lawyers Association to manage a campaign to defeat the very no fault auto insurance proposals he now sponsors, according to a private October 1991 fundraising proposal written by Zimmerman.

"The defeat of no fault, in the Legislature and on the ballot, requires substantial consumer involvement," Zimmerman wrote. "If consumer involvement in opposition to no-fault is important, I am able to play a unique role in managing it." Zimmerman's pitch, in which he tries to parlay Rosenfield's name as his link to consumers, is attached as **Exhibit 15**.

As always, Zimmerman requested the standard political consulting fees. "As a rough yard stick," Zimmerman wrote to the California Trial Lawyers Association, "if one half of my total time were required, we would bill at \$9,000 to \$14,000 per month (depending on media commissions)...We would also expect to be involved in the paid media (advertising) work done for the campaign...this work entails a 15% commission on air time and print space purchases."

Zimmerman's offer was rejected, but he was hired briefly by the Los Angeles Trial Lawyers Association as a consultant for a No on No-Fault campaign.

#### Proposed Constitutional Amendment Against Regulation of Attorneys' Fees

Zimmerman also proposed to the California Trial Lawyers Association a "Pro-Active Strategy" to beat no-fault.

In an August 19, 1991 fundraising proposal, Zimmerman recommended to the leaders of the California Trial Lawyers Association "a constitutional amendment to protect the tort system...for use against a no-fault initiative...[and] the basis for countering an attempt by the industry to regulate attorney fees." Of course, Zimmerman would head the campaign at his usual take. The proposal is attached in **Exhibit 16**.

Zimmerman now heads the very industry campaigns he proposed preempting by constitutional amendment: Prop 200, the no-fault auto insurance initiative, and Proposition 202, limits on contingency fee attorneys.

## Phone Fraud in Voter Revolt's Name

In 1992, Zimmerman approached Voter Revolt Chair Harvey Rosenfield with a proposed fundraising scheme in which citizens would subscribe to a "Voter Revolt Long Distance Telephone Service," with Zimmerman and Voter Revolt each splitting a percentage of the revenues that resulted. This long distance telephone service marketing scheme became embroiled in litigation, with the long distance carrier claiming that the operation was ridden with consumer fraud -- a practice known as "slamming," the changing of a customers' long distance service without their consent or knowledge. Such questionable judgment on behalf of Zimmerman and his sub-vendors was the subject of bitter battles with Rosenfield, who finally resigned from Voter Revolt as a result.

Rosenfield had insisted that the proposed arrangement be negotiated at arms length between Voter Revolt and Zimmerman's new firm (Phone Funders). Zimmerman also helped set up a separate company to solicit customers to sign up for the long distance service, known as Progressive Campaigns. Under the marketing scheme proposed by Zimmerman, Progressive Campaign canvassers working in Voter Revolt's name approached customers at supermarkets and solicited their support for Voter Revolt's purported work on health reform. According to the Phone Funders' sales brochure, customers could "support Voter Revolt With Every Long Distance Call You Make ...money that now goes to the phone company will go to Voter Revolt," and with the money Voter Revolt "can work even harder to lower the cost of health care in California." <sup>65</sup> See **Exhibit 17**.

## Forged Signatures & Misrepresentations in Voter Revolt's Name

The problem was that Phone Funder's operatives were paid \$5 or more for every "sign-up" they made in Voter Revolt's name. This was apparently too much of a temptation for the solicitors -- individuals recruited off the street from classified ads in newspapers. According to court documents filed by the long distance carrier, Telecare, that Zimmerman had hired to provide the long distance service:

"Many customer authorizations were obtained by Phone Funder's sub-broker Voter Revolt, through misrepresentations or omissions of material fact, which induced Customers to sign LOA's [letters of agreement]. Some LOA's submitted to Telecare by Phone Funders bear forged signatures of the purported customers. Others have been determined to be executed by minors, or persons who did not have authority to order a change in long distance service for Customer's telephone number....Phone Funders knew, or should have known that representatives of Voter Revolt were obtaining Customers through misrepresentations and omissions of material facts."<sup>66</sup>

Indeed, tens of thousands of people were duped into signing agreements to change their telephone service. Unaware that their long distance service had been changed from another carrier to Phone Funders, most of these customers refused to pay the bills Phone Funders

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<sup>65</sup>Phone Funders Brochure, attached as Exhibit 17.

<sup>66</sup>Phone Funders, Inc. Vs. Telecare Inc., United State District Court Central District of California, Case NO. 93-4112-TJH(Sx), Affirmative Defense IV, Factual Allegation 20.

sent to them, and, realizing that their long distance service had been switched over without their knowledge, demanded that their original long distance carrier be reinstated.

This effectively bankrupted Telecare, according to court documents in litigation against Phone Funders (Phone Funders, Inc. Vs. Telecare Inc., United State District Court Central District of California, Case NO. 93-4112-TJH(Sx)). According to Telecare:

"Telecare's Customer base significantly eroded as soon as these Customers began to be billed.... Phone Funders knew, or should have known, of the pattern of fraud perpetuated by representatives of Voter Revolt in its solicitation and canvassing activities; Phone Funders is therefore liable itself for the fraud." <sup>67</sup>

The Judge in the case agreed:

".... customers were lead to believe that they were signing a form merely requesting information. Others signed LOA's after being told by Phone Funders" (sic) agents or sub-brokers that they were contributing money or seeking information that would 'help the environment' or aid in other civic or social causes advanced by a group known as Voter Revolt. Many LOA's were submitted to Telecare by Phone Funders in the names of customers who did not speak English..."<sup>68</sup>

Telecare took a loss of \$234,694.00 in revenue for uncollected bills as service was illegally signed over through fraudulent means. According to the judge's Findings of Fact in the litigation, Phone Funders "provided the names of approximately 30,000 new customers to Telecare." Two months later, "approximately 3,000 of the original 30,000 customers still had accounts with Telecare."

Phone Funders collapsed as well, then initiated a lawsuit against Telecare to get paid commissions for what Telecare considered fraudulent sales.

In his decision in the case, Judge Terry J. Hatter Jr. sided with Telecare. He found that Phone Funders had breached its agreement with Telecare because it failed to stop its salespeople from fraudulent actions like soliciting from minor children and non-native Spanish speakers who could not possibly understand the fine print of their pamphlet. "The significant number...demonstrates a pattern of fraudulent practices by Phone Funders." <sup>69</sup> Court documents are included as **Exhibit 17**.

Although Voter Revolt's contract with Phone Funders, negotiated by a law firm under Rosenfield's direction, protected Voter Revolt from any liability for the catastrophic results

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<sup>67</sup>Ibid, Fourth Counter Claim XXXIV

<sup>68</sup>Ibid. Memorandum of Contention of Facts & Law, #3.

<sup>69</sup>Phone Funders, Inc. Vs. Telecare Inc., United State District Court Central District of California, Case NO. 93-4112-TJH(Sx), Findings of Fact and Conclusions of law, Number 20. In the case, Phone funders is seeking payment from Telecare, which accuses Phone Funders of a loss of \$234,694.00 in revenue for uncollected bills because service was illegally signed over through fraudulent means.

of the scheme, Voter Revolt suffered indirectly. It's door-to-door canvassing arm had in effect gone "private," becoming Progressive Campaigns. Progressive Campaigns supplied the marketers to Zimmerman's Phone Funders scheme (see above), training and supervising the canvassers who are alleged by the long distance carrier Telecare, in court papers, to have "supplied Customers to Telecare who did not expressly approve a change in their long distance telephone service provider. (In the telecommunications industry, this practice is called "slamming".)<sup>70</sup> When the Phone Funders project collapsed, so did Progressive Campaigns, and Voter Revolt was left with no fundraising options.

#### Zimmerman Arranges \$25,000 Loan from Lawyers

Worse, the President of Progressive Campaigns, Angelo Paparella, had spent money withheld from his employees' paychecks for payroll taxes, and was facing serious problems with the IRS. Zimmerman arranged for Paparella to request a loan from several trial attorneys Zimmerman had met through his consulting contract with the Los Angeles Trial Lawyers Association.

In a January 1993 request to the "potential loaners," Paparella did not mention the Phone Funders fiasco. He wrote that he sought a \$25,000 loan "[b]ecause PCI did not conduct a door to door fundraising operation for Voter Revolt during the summer of '92 but instead marketed PF [phone funders] for VR on a cost basis." The letter is attached as **Exhibit 18**. Paparella wrote, "PCI engaged in marketing contract with Phone Funders to sign people up on a long distance affinity program." Six trial lawyers – two of whom are past presidents of the California Trial Lawyers Association – made the \$25,000 loan to Paparella.

In the meantime, the Phone Funders disaster convinced Rosenfield that Zimmerman was neither competent nor successful as a fundraiser, and that Voter Revolt – deeply in debt from previous errors by Zimmerman and Paparella – would either collapse or have to find new fundraising resources in order to meet the organization's commitment as a public interest group to protect consumers' interest in the implementation of Proposition 103.

But Zimmerman and Paparella were intent upon continuing to raise money in Voter Revolt's name, and a bitter dispute between the two and Rosenfield ensued. In a special meeting of the Board of Directors of the organization on June 10, 1993, Rosenfield told the Board that the organization had been irreparably injured by the financial mishaps of Zimmerman and Paparella and that he had decided to resign rather than continue running an organization which consisted of only one policy advocate – himself. **Minutes of Board Meeting** are attached as **Exhibit 19**.

Later that year, Zimmerman also sought a trial lawyer contract to manage the lawyers' campaign against a proposed contingency fee limitation initiative sponsored by Barry Keene and backed by State Farm and Farmers. However, the initiative never made it to the ballot.

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<sup>70</sup>Phone Funders, Inc. Vs. Telecare Inc., United State District Court Central District of California, Case NO. 93-4112-TJH(Sx),



## Profiting From Non-Profits

Zimmerman's relationship to cause-oriented organizations is relatively unusual in the political consulting world; throughout his work, Zimmerman has consistently sought to parlay his association with non-profits into profits for himself.

Zimmerman sought to carve a niche for himself in the non-profit world through his many projects, including Medical Aid for El Salvador, "which provides supplies and funds for medical relief in rural El Salvador." Zimmerman served as President and Chairman of the board of directors. His telemarketing company, Frontline Campaigns, also received a lucrative telemarketing contract during 1993 - 1994 equal to one quarter of Medical Aid For El Salvador's gross receipts that year. Zimmerman's for-profit Frontline Campaigns Inc. received a \$188,313.75 contract from the Medical Aid For El Salvador Board to do their telemarketing during 1993 - 1994. <sup>71</sup> See **Exhibit 20**.

But the year after Zimmerman received this telemarketing contract, in 1995, the Medical Aid for El Salvador Board voted to dissolve the non-profit corporation. According to the resolution of the board of directors to wind up and dissolve, "The corporation holds as of April 30, 1995, \$18,063 in cash." <sup>72</sup>

Most recently, Zimmerman was a political consultant to the Proposition 186 "single-payer" health care initiative. Activists for Prop 186 have speculated that Zimmerman's relationship with his opponent in that campaign, the insurance industry, began during the failed effort, for which some blame Zimmerman.

### The Big Switch

Paparella never repaid the loan from the lawyer and it went into default when it came due on October 25, 1993, according to court papers filed against Paparella by the lawyers. In that case, the lawyers who had co-signed the loans to Paparella from First Los Angeles Bank declared that, "Defendant never had any source of funds to pay back the loan upon maturity, and the promises he gave to plaintiffs were based on untruths and unsubstantiated facts, which he knew were false."

Paparella escaped liability for the loan by entering into bankruptcy. The bankruptcy documents are attached as **Exhibit 21**.

Shortly thereafter, Bill Zimmerman approached the insurance industry with the proposal that it hire Zimmerman to run a no fault initiative campaign – using Voter Revolt's name.

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<sup>71</sup>Medical Aid for El Salvador, Periodic Report to Attorney General's Registry of Charitable Trusts, IRS filing for May 1, 1993 - April 20, 1994. Form 990, Schedule A, Part III, Line 2(d) PAYMENT FOR SERVICES. "Dissolution and Disposition of Assets of Medical Aid for El Salvador."

<sup>72</sup> "Dissolution and Disposition of Assets of Medical Aid for El Salvador." Attached in Exhibit 20.

According to a October 3, 1994 report in the Insurance Agents and Brokers Council (IABC) newsletter:

"The Coalition for Common Sense Auto Insurance -- sponsor of a pay-at-the-pump auto insurance proposal-- has joined Voter Revolt--sponsor of Prop 103--with the intent of filing two initiatives ...IABC's ABL partners are in the process of reviewing the no-fault draft language and recommending language." See Exhibit 3.

### The Merchandising of the "Voter Revolt" Name

The story of how the organization which, under Rosenfield and Nader, was the insurance industry's greatest nemesis in the nation, became its greatest ally is itself a revolting example of campaign fraud.

Zimmerman's public relations company, Zimmerman and Markman, is one of two profiting on the elaborate Ponzi scheme using the name of "Voter Revolt," the non-profit organization founded by Harvey Rosenfield to sponsor his Proposition 103 in 1987, in order to further the purposes of Voter Revolt's former adversary, the insurance industry. The other is Progressive Campaigns.

State campaign disclosure reports reveal that Voter Revolt itself is merely a pawn in a political deception operated by Zimmerman and Progressive Campaigns. **Progressive Campaigns has received \$3.18 million in contributions from the Alliance to Revitalize California between January 1, 1995 and March 9, 1996** (with another \$76,775 in "accrued" bills not yet paid). Employees of Progressive Campaigns -- recruited off the street by classified ads -- were paid to collect the signatures needed to place the three initiatives on the ballot, using the name Voter Revolt and often describing Voter Revolt as the organization founded by Ralph Nader and Harvey Rosenfield.

Subsequently, in an effort to describe their initiatives as grassroots-funded, the Alliance has stated that Voter Revolt obtained \$120,652 in donations from the general public.<sup>73</sup> But **campaign records reveal that Progressive Campaigns employees are the ones soliciting donations in Voter Revolt's name.** And, the records show, Progressive has been paid \$546,895 by the Alliance since last October -- well after the signature gathering period ended.

In effect, the Alliance has paid Progressive \$4.53 for every \$1 it has collected from members of the public who are deceived to believe that the initiatives are pro-consumer because the organization supporting it is a consumer group. A chart detailing the scheme and the payments are attached as **Exhibit 22.**

And Progressive Campaigns employees -- who work on a commission of 50% of what they collect from the public -- are the "Voter Revolt activists" who appear at Alliance press conferences and who stage demonstrations in an effort to give the campaign a grassroots appearance.

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<sup>73</sup>"Financial reports Show Broad Grassroots Support for Legal Reform," Alliance to Revitalize California press release, January 31, 1996.

Bill Zimmerman promotes Progressive Campaigns' work, and apparently has a financial interest in the company. In a November 1, 1995 solicitation letter, Zimmerman (under Zimmerman and Markman letterhead) wrote a potential client, "A spin-off of Voter Revolt, Progressive Campaigns, is now the largest and most efficient signature operation in California... Our price is the same as everyone else's, 70 cents per signature." The letter is attached as Exhibit 23.

Zimmerman is also a proponent of the three initiatives -- giving himself extraordinary control of the package, including the marketing of the Voter Revolt name.

Unfortunately, Voter Revolt itself is a shell, records show. **Since Rosenfield left Voter Revolt in 1993, the organization has had no professional advocates, no public policy experts, no policy presence, and has issued no reports or studies.** It is a public relations cover for the big business and insurance backers of the Alliance. Zimmerman and Paparella have effectively merchandised the name of the organization for their own personal enrichment.

In addition, the Alliance campaign reports show that Zimmerman paid Gary Horowitz, a businessman on the board of Voter Revolt, \$2,500 for services in conjunction with the campaign that are not described in the report.

The purchase of Voter Revolt may prove cost-effective for insurance companies and other supporters of anti-consumer tort law restrictions. Recently, testifying before Congress in support of Newt Gingrich's "tort reform" measures, Michael Horowitz invoked Voter Revolt's "support" of the contingency fee initiative as evidence that consumer groups back such measures. (No legitimate consumer group supported any of the Gingrich/business-backed tort proposals). Horowitz told the congressional panel that Voter Revolt was a "Nader" organization. Ralph Nader responded in a letter disavowing the characterization and describing Zimmerman and Johnson as "turncoats who now provide their services for anti-consumer initiatives."<sup>74</sup> See Exhibit 24.

#### Allied With Republican Attackers of 103

Perhaps the most telling indication of the misuse of Voter Revolt's name is that the proponents of Propositions 200, 201 and 202 have allied themselves with Republican legislators in Sacramento who have sponsored and supported insurer-backed legislation to repeal provisions of Proposition 103, the very initiative which is Voter Revolt's claim to fame.

At a recent Sacramento press conference, Zimmerman, Mike Johnson and others identified as "Voter Revolt" staff joined with Assembly member David Knowles, author of legislation to repeal Proposition 103's territorial rating reform and good driver discounts (AB 341), in attacking the Proposition 103 Enforcement Project and 103 author Harvey Rosenfield for accepting contributions from attorneys to fund its watchdog operation.

The Proposition 103 Enforcement Project is the chief opponent of Knowles's Assembly Bill 341, a two year bill backed by the Personal Insurance Federation, Zenith Insurance

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<sup>74</sup>Letter by Ralph Nader to Rep. Carlos J. Moorhead, Chairman, House Subcommittee on Courts and Intellectual Property, House Judiciary Committee, February 20, 1995. See Exhibit 24.

Company and Mercury Insurance to repeal the provision of Proposition 103 that requires driving safety record, not ZIP-code, be the primary determinant of auto insurance rates. It has been opposed by every major consumer group and editorial board in the state, but Voter Revolt has not weighed in regarding the legislation.

### Bill Replicating 200 Sponsored by Insurers

Knowles, in fact, reiterated Voter Revolt's attack on the Project at hearings in the Assembly Insurance Committee on January 16, 1995, in which the insurer-backed legislative version of the Alliance's Prop 200, AB 607 (Brulte), was unveiled.

The bill, sponsored by Personal Insurance Federation and supported by the Association of California Insurance Companies (both giant industry trade groups), would impose the same pure no fault system as Proposition 200.

Interestingly enough AB 607 goes farther than Proposition 200 because it promises that if rates are not rolled back by 25% then the system will be nullified. Proposition 200 offers no rollback.

Sponsorship of AB 607 by the Personal Insurance Federation and Association of California Insurance Companies leaves little doubt that the insurance industry is Voter Revolt's silent partner on Proposition 200. The bill's sponsor, Jim Brulte, also supported Knowles's bill attacking Prop 103, AB 341.

### Name Dropping

Michael Johnson, who is paid directly by the Alliance to Revitalize California, has become the campaign's most consistent name-dropper. The proponent of Propositions 200, 201 and 202 routinely describes himself as a "consumer advocate," "former public policy analyst for Ralph Nader," and, most recently, "Voter Revolt Policy Director."

However, as with the rest of the campaign for the three propositions, Johnson has no tie to Voter Revolt. He is not employed by Voter Revolt, but rather the Alliance, a political campaign committee.

Johnson tried to drop the names of Ralph Nader and Public Citizen in the ballot pamphlet, but last December, a Sacramento Superior Court judge, acting in response to a legal petition by Nader and Claybrook, struck Johnson's claim that Prop 202 is "no different from the consumer protection policies I fought for while working for Public Citizen, the consumer group founded by Ralph Nader."<sup>75</sup>

In fact, Johnson applied for a job with Nader in the mid-1980s, but was turned away. In 1987, Johnson secured a staff position at Public Citizen, a group which Nader founded 15 years earlier but had not run since 1981. Johnson was a low-level researcher whose job was to draft policy papers for the organization.

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<sup>75</sup> Associated Press, "Changes Ordered In Ballot Argument," Los Angeles Times, December 28, 1995.

Johnson subsequently came to California in 1989, one year after the passage of Prop 103, and was hired by Harvey Rosenfield, the author of Proposition 103 and founder of Voter Revolt, the group that sponsored the initiative. Johnson has also stated that he worked on the Prop. 103 campaign. He was, in fact, assigned to monitor legislation in Sacramento to prevent the insurance industry from repealing provisions of Proposition 103. Johnson proved unsuited for that activity and Rosenfield brought him back to the Los Angeles office, where he helped draft legislation.

After Voter Revolt ran into financial difficulties in late 1990, Johnson was laid off. According to Joan Claybrook, the President of Public Citizen, Johnson offered to open up a California office for Public Citizen, to raise money for the organization and work on policy issues. Calling himself "California Director," Johnson operated the office out of his home. Johnson was not successful in his fundraising activities during this brief period. However, he worked on several issues, including the subject of no fault auto insurance, which he opposed.

### No Fault Critic Turned Champion

When employed by Public Citizen, Johnson was an ardent opponent of the no-fault system he now advocates. In an April 1991 letter to state Senator Bill Lockyer signed by Johnson as field director, Johnson wrote in vociferous opposition to very concept of no-fault:

"No-fault deprives victims of their rights:[emphasis in original]...we are deeply disturbed by the fact that no-fault curtails the right of innocent victims to seek full compensation for their injuries. We think it would be a tragic mistake for California to limit this right in the false hope that doing so will lower insurance premiums. "

" No-Fault is not the ticket to cheaper insurance: ...Even though the personal injury protection (PIP) policy proposed in SB 941 [no fault bill] would not pay any compensation for pain and suffering the resulting savings would not offset the higher costs of paying benefits to policyholders every time they are injured in an accident...."

**Ironically, Johnson himself articulated in 1991 the anti-consumer impact of the very no fault proposal he now promotes.** Prop 202 contains the insurer-backed features Johnson opposed in his letter on SB 941 and, just like the insurer-backed bill, no promise of lower rates. Opposing provisions in the 1991 legislation that he replicated in his Prop 200, for instance, Johnson wrote:

"SB 941 would redistribute, not lower, insurance costs: ...The principal effect of SB 941 would not be to lower overall insurance costs, but rather to redistribute them more heavily on to middle and upper-income drivers....

...shift accident costs on to health insurance policyholders, workers and employers...

...allow auto insurers to deduct from the benefits that they are required to pay injured policyholders the amounts that the policyholder is eligible to receive in workers' compensation, social security disability and state disability benefits....

...offer extremely limited wage loss benefits. "

A copy of the letter is attached as Exhibit 25.

### No Premium Reductions?

In May, 1991, Johnson wrote an op-ed for the Sacramento Bee opposing no fault entitled the "Illusion of savings from shifted costs," in which he reiterated his objection to no fault claiming:

"Under no fault, a certain degree of justice (i.e. full compensation for innocent victims) is sacrificed in the interest of providing a minimal level of compensation to all parties, innocent or not, injured in auto accidents...it is a matter of fact that this trade-off is not a recipe for huge premium reductions."<sup>76</sup>

Claybrook terminated Johnson in 1991, and he went to work as a librarian for a law firm. At the same time, newly elected insurance commissioner John Garamendi decided to preempt Governor Wilson's possible support for a no fault initiative by endorsing no fault himself.<sup>77</sup> Johnson applied for a job with Garamendi and agreed to work on no fault as a spokesperson. Johnson's first action in the job was to send the news media a letter, addressed to Ralph Nader, announcing that he had decided "he felt a deep, personal need now to support current efforts to establish a no-fault system in California." See Exhibit 26.

Garamendi's interest in no fault evaporated once it became clear that Wilson would not risk pursuing the proposal himself, and Johnson was once again unemployed. Johnson's work on behalf of no fault had brought him into contact with Andrew Tobias the financial consultant and software writer. Tobias hired Johnson, who set up what was called the "Coalition for Common Sense Auto Insurance," a one-organization group. Johnson, with Tobias's funding, sponsored the "pay at the pump" legislative proposal and subsequent initiative proposal.

**Conclusion:** In recent years, corporate lobbies have developed their own systems for simulating "grassroots" constituencies to effectuate legislative change, relying on computer systems and telephone banks. The development of the "virtual consumer group" by the Alliance poses the danger of elevating this cynical process to a new threshold: instead of trying to orchestrate the appearance of grassroots support for their proposals, special interests will simply do what the Alliance has here: purchase the name of a onetime, grassroots group or hire those who claim to be activists to front for them.

While the Alliance's strategy of portraying its employees as consumer advocates has largely failed, the grave danger here is that if they achieve any measure of success at the ballot box with \$10.9 million from big business interests, legitimate citizen groups will soon face a plethora of "virtual" consumer groups. Consumer advocates must zealously guard the label "consumer advocate," if it is to mean anything to the public, and to prevent tobacco, insurance, utility and other corporate lobbies from attempting to buy credibility for their self-serving interests in this way.

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<sup>76</sup>Mike Johnson, "Illusion of savings from shifted costs," Sacramento Bee, May 28, 1991. See Exhibit 25.

<sup>77</sup>"Garamendi Hits Back: Blame Put on Wilson, Lethargic Lawmakers," Richard Rambeck, Insurance Week, March 7, 1994. Garamendi targeted Wilson in a letter made public, partially quoted in the article. Garamendi then came out against no-fault in testimony before a special session of Assembly Committee on Finance, Insurance & Public Investment on May 10, 1993.

## EXHIBIT LIST

- EXHIBIT 1: Partial Transcript of Presentation By Grassroots Consultant to the American Tort Reform Association On "Credibility"
- EXHIBIT 2: "Unseen Side of Voter Guide," LA Times, February 22, 1996 Dan Morain
- EXHIBIT 3: Independent Insurance Agents and Brokers "Weekly Insider" October 3, 1994
- EXHIBIT 4: Manhattan Institute Fundraising Letter, Mission Statement and Corporate Donor List
- EXHIBIT 5: Campaign Disclosure Reports For Jeffrey O'Connell
- EXHIBIT 6: List of Contributors To Propositions 200, 201 and 202
- EXHIBIT 7: State Farm-Financed Andrew Tobias "No Fault" Advertisement In Honolulu Advertiser
- EXHIBIT 8: Alliance Letter to Consumer Advocate Rosemary Shahan and Response by Harvey Rosenfield
- EXHIBIT 9: Tobias Advertisement Attacking Consumer Advocate Bob Fellmeth and Fellmeth's Letter In Response
- EXHIBIT 10: Campaign Disclosure on Andy Tobias's Paid Speeches
- EXHIBIT 11: \$1.65 Million in Campaign Loans Guaranteed By Tom Proulx
- EXHIBIT 12: Tom Proulx's Private Jet & Limousine Rental Charged To Campaign
- EXHIBIT 13: Declarations from Truck Drivers In Seagate Lawsuit
- EXHIBIT 14: Confidential Alliance To Revitalize California Campaign Memo Detailing Need for "Consumer" Cover
- EXHIBIT 15: Bill Zimmerman's Solicitation to California Trial Lawyers Association For "No on No Fault" Contract
- EXHIBIT 16: Zimmerman Memo To Trial Lawyers Proposing Constitutional Amendment Protecting Attorney Fees

- EXHIBIT 17:** Phone Funders Brochure & Court Documents
- EXHIBIT 18:** Progressive Campaigns Fundraising Letter
- EXHIBIT 19:** Minutes of Voter Revolt Board Meeting Where Harvey Rosenfield Resigns As Chairman
- EXHIBIT 20:** Medical Aid To El Salvador's Telemarketing Contract To Zimmerman and Group's Dissolution of Assets
- EXHIBIT 21:** Bankruptcy Documents & Court Papers on Trial Lawyer Loan to Progressive Campaigns' President Angelo Paparella
- EXHIBIT 22:** Chart Detailing Political Operatives' Payments and Disclosure Reports Showing Payments to Zimmerman, Progressive Campaigns and Voter Revolt Board Member Gary Horowitz
- EXHIBIT 23:** Solicitation Letter By Zimmerman on Behalf of Voter Revolt and Progressive Campaigns
- EXHIBIT 24:** Letter from Ralph Nader re: "Voter Revolt" as "turncoats"
- EXHIBIT 25:** Mike Johnson Letter & Oped Supporting No-Fault
- EXHIBIT 26:** Johnson Letter to Nader Changing Position & Nader Letter to Editor Saying Johnson Was Not His Aide



EXHIBIT 1

## **"Coalitions and Ally Development"**

Partial Transcript of Presentation by Neal Cohen, APCO Associates,  
Grassroots Consultant to the American Tort Reform Association

at conference sponsored by the Public Affairs Council  
Monday, February 7, 1994  
10:00 a.m.  
Colony Beach Resort  
Sarasota, Florida

1 Note: Original of tape was on two sides, and the first portion of the speech was recorded onto  
2 the end of the body of the speech. Transcript picks up near the end of recorded portion of side  
3 A, and then shifts back to the beginning.)  
4

5 . . . lost over time. And they tend to get lost when there are too many people at the  
6 table trying to decide what the message should be quite frankly. I was on a conference call on  
7 Friday that had 20 people on it -- all trying to decide how we run a grassroots campaign in  
8 some state. And I'm thinking whoa, this is not what I want to do for a living any more,  
9 because everybody has their own idea. And there are so many easier ways to figure out what  
10 the message is and then you got to stick to it -- then have a debate among 15 lawyers in all  
11 their corporate offices who've never been to the state and are only thinking about what's  
12 going on in their corporation. What goes around in their corporation is not what the average  
13 person is thinking about at their home.

14 You gotta have backbone. Uhm, I have run some campaigns, where as soon as the  
15 opposition fired back uhm the contributors to the coalition said "bye. I'll see ya. We can't  
16 take the heat." Ah, as, again going back to this is a war uhm when you get involved in these  
17 public battles and if you are not ready to take heat and have a plan prepared ahead of time as  
18 to what you're going to do when they fire at you, then you shouldn't be in the game. It'll fall  
19 apart.

20 You need to have credibility. And that means when you pick people to join your  
21 coalition make sure they're credible and if they're not credible keep 'em away. In a tort  
22 reform battle, if State Farm -- I think they're here, Nationwide -- is the leader of the  
23 coalition, you're not gonna to pass the bill. It is not credible. Okay?

24 Because it's so self-serving. Everybody knows that the insurance companies would be

1 one beneficiary of it. ~~That's why~~ the clients came to me and said we've got to pull away  
2 from this. It wasn't an insurance company in this case, but you gotta make sure the leaders  
3 of the coalition are credible. And the core group of the coalition and the spokespeople. And  
4 when that doesn't happen again the thing falls apart.

5 Broad-based membership. In Mississippi we started on December 15th by, in four  
6 weeks we had 1200 members of our coalition across the state. We targeted, by district,  
7 according to what the lobbyist told us which districts were most important. We used every  
8 campaign tactic we had in order to bring in as many people. And we made sure that it was  
9 typical people mixed in with large employers and political contributors -- and I'll walk you  
10 through that in a second.

11 The problem with broad based membership is don't confuse that with broad based  
12 leadership. Okay? For a coa-- if you join a coalition and you contribute significant money to  
13 a coalition you better be at the table when the decisions are made and there only oughta be --  
14 it oughta be a, ah, card table and not a corporate table, a corporate board room table. Broad  
15 based membership is: What does the public see? What do the legislators see? Decision  
16 making is you need a core group -- three or so people who have similar interests and are  
17 gonna get the job done and not veer off -- and when those two items, those two issues are  
18 confused, again a coalition tends to fall apart because there's too much infighting. And there  
19 are not clear legislative goals.

20 The final thing is funding. Uhm, the last speaker said that you always have to think  
21 about the cost-benefit and he said usually grass root wins. Uhm, I, I was very surprised by  
22 that because I have been in situations where I explained how much something is going to cost

1 and I've had corporate people say to me that is so much money. And I look at 'em and say  
2 now wait a second. Take tort reform. I've been in meetings where I've said this campaign is  
3 going to cost \$200,000 to win. \$300,000. And they say, "no way -- we can't afford that."  
4 And I say now you got \$40 million outstanding in lawsuits in this state alone and if I can  
5 help wipe out even a 100 of those cases or . . . \*

6 (End of side A of tape. Remarks continue at beginning of side A with the  
7 following text.)

8 Or 5 million of that. Isn't that worth the cost benefit analysis? Isn't that worth it? A  
9 lot of corporations are afraid, particularly general counsels, are very afraid of the political  
10 process and they think, in fact, we're going to screw it up more than we're gonna help them.  
11 And that cost benefit analysis when you're addressing that is a very hard thing to explain to  
12 people, sometimes. And it's worth thinking through. Not just what the costs are immediate,  
13 but what the costs are if you don't do something. And what they're spending on litigators  
14 and all of that in the case of ah tort reform. So when we did this --

15  
16 [Portion of Remarks Missing]

17  
18 One of the things we always think about on coalitions is knowing who your audience  
19 is because coalitions -- just to have a broad based coalition doesn't do squat. You gotta make  
20 sure that every time you do this -- you focus in on who your targets are and you pull back  
21 from your targets and the people you want in your coalition is not just the guy at the corner  
22 grocery store unless the guy at the corner grocery store happens to be also among his inner

## EXHIBIT 2

# Unseen Side of Voter Guide

■ **Initiatives:** Pro and con arguments on ballot measures in official pamphlet may come from surprising sources.

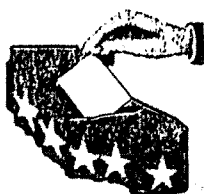
By DAN MORAIN  
TIMES STAFF WRITER

SACRAMENTO—Backers of a March ballot initiative to limit lawyers' fees went far to find someone with consumer credentials to tout their measure—1,500 miles, in fact, to Spencer, Iowa, and the home of Garry DeLoss.

In California's official voter pamphlet, DeLoss signed the ballot argument endorsing Proposition 202, one of three anti-lawyer initiatives headed for a vote March 26. He is identified as "Former Executive Director, California Consumer Organization."

In fact, no group with that name exists. DeLoss lived in California when he was director of a San Diego consumer group in 1984 and 1985, but he returned to his hometown in Iowa a decade ago.

Please see PAMPHLET, A20



THE CALIFORNIA VOTE

The People and Politics of Campaign '96

## PAMPHLET

Continued from A3

Although DeLoss says he remains a consumer advocate, he also says he has spent most of the past 10 years working for a family construction and rental business.

Nothing in California law precludes people who are not registered to vote in California from signing ballot arguments affecting the laws of this state, said secretary of state spokeswoman Beth Miller. And other signers of ballot arguments for and against the initiatives live outside the state.

But the story of how DeLoss came to sign the ballot argument says much about the proponents' campaign, and something about the initiative process itself.

Supporters of Propositions 200, 201 and 202 hope to convince Californians that all three measures have at least some consumer support. To this end, they need people with credentials as consumer advocates to endorse them. For the most part, however, organized consumer groups, along with trial lawyers, are against all three propositions.

Enter DeLoss. When he saw an article about the California measures in the Wall Street Journal last year, he called the campaign offering help. Michael Johnson, who is involved in the campaign, said DeLoss "virtually echoed our

message," that liberal consumer groups' "knee-jerk anti-business attitudes hurt consumers."

"Could we have found other people if we had searched around? I'm sure we could," Johnson said. "But here's a guy who's more for-real than most professionals. Here's an ex-[Ralph] Naderite who felt exactly the way I do."

In his younger days, DeLoss, 53, a Democrat, worked for a consumer group founded by Nader, the well-known consumer advocate. Now, DeLoss said, he is an "ex-liberal" who believes that the interests of business and consumers often coincide.

"[Proposition backers] have plenty of people on the business side," DeLoss said. "They wanted diversity, somebody who had a background in the consumer activist community."

"This is a large issue with political implications for the nation and for the state. We might see the California model replicated in other states."

When he agreed to lend his name to the ballot argument, DeLoss used the more accurate title, "Former Director, Utility Consumers' Action Network." From June 1984 until he was ousted in September 1985, DeLoss ran the group in San Diego.

But after learning that the proponents were using their name, the current leaders of Utility Consumers' Action Network, which op-

poses the measures, sued Johnson, hoping to settle the matter, suggested a compromise: DeLoss would be called simply "former executive director, California Consumer Organization."

Michael Shames, director of the San Diego group, agreed, but asked that the generic name not be written in capital letters, lest people think such an organization exists. Johnson consented.

However, in the process of faxing the agreement back and forth, multiple copies circulated. As it turned out, Shames' lawyer sent the agreement, with the name written in capital letters, to Sacramento Superior Court Judge James T. Ford.

Ford, assuming the parties had agreed to the designation, signed it, and sent it to the secretary of state's office, which printed 12 million voter pamphlets designating DeLoss as former director of the nonexistent California Consumer Organization.

But DeLoss is not an aberration. One signer of the ballot argument against Proposition 202, former Californian Candace Lightner, founder of Mothers Against Drunk Driving, now lives in Virginia, where she is a lobbyist for various groups including trial lawyers.

Author Andrew Tobias, who signed the ballot argument supporting Proposition 200, to create a no-fault auto insurance system, lives in Florida and New York.

# Utility Consumers' Action Network

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UCAN  
1717 Kettner Blvd., Suite 105  
San Diego, CA 92101-2532  
619-696-6966

November 30, 1995

Cathy Mitchell  
Initiative Coordinator  
Office of Secretary of State  
1500 11th St. 6th Fl.  
Sacramento, CA 95814

RE: Protest of Ballot Argument in Favor of Proposition 202

Dear Ms. Mitchell:

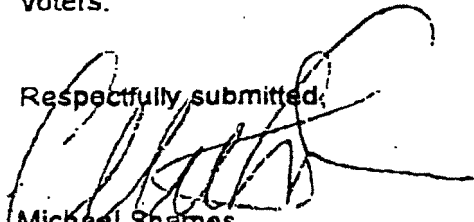
I am writing to protest the affiliation description for Garry DeLoss, who is signing on behalf of the argument in favor of Proposition 202. On the ballot argument submitted to the Secretary of State, Mr. DeLoss represents himself as "former Executive Director of Utility Consumer (sic) Action Network". We believe that this description is grossly misleading to the public who will read the ballot initiative. We ask that the affiliation should be struck from the argument.

The important facts underlying our assertion are:

1. Utility Consumers Action Network (UCAN), a non-profit corporation, is formally opposed to Proposition 202.
2. Mr. DeLoss served as executive director of the corporation over 10 years ago and was fired in September 1985.
3. To UCAN's knowledge, Mr. DeLoss left the state of California shortly after his termination and has not returned as a resident.
4. UCAN has not and would not permit Mr. DeLoss to identify himself with the corporation on this or any other matter.

Pursuant to Election Code Section 3564.1, Mr. DeLoss is not allowed to deploy the title of a corporation without that corporation's consent. I hereby officially represent that UCAN does not consent to the use of its name. Moreover, as UCAN may be a signator to the opposition of Proposition 202, the use of UCAN's name creates needless confusion in the minds of the voters.

Respectfully submitted,

  
Michael Shames  
Executive Director



# EXHIBIT 3



IIABC

# Weekly Insider

Vol. 7, No. 38

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October 3, 1994

## ABL/Consumer Groups Discuss No-Fault, Lawyer Limitation Initiatives

SAN FRANCISCO—ABL members last month met with representatives from the Coalition for Common Sense Auto Insurance and Voter Revolt to discuss sponsoring 1996 primary initiatives to limit lawyer fees and to enact no-fault auto insurance.

The Coalition for Common Sense Auto Insurance—sponsor of a pay-at-the-pump auto insurance proposal in California—has joined Voter Revolt—sponsor of Prop 103—with the intent of filing two initiatives with the secretary of state for title and summary later this year. Signature gathering to qualify the initiative for the ballot is expected to get underway in January.

Mike Johnson of Common Sense Auto asked ABL to join an initiative campaign coalition of organizations representing consumers and small business. This will be an initiative campaign run

by voters, not insurance companies.

Insurance company money will not be accepted, Johnson said, but agents and brokers could play an important role gathering signatures needed to qualify each initiative.

Johnson told ABL that he convinced Andrew Tobias, the man behind the pay-at-the-pump effort in California, to drop his proposal in favor of the no-fault and legal fee limitation initiatives.

The Technical Committee and Auto Insurance Advisory Panel, along with IIABC's ABL partners, are in the process of reviewing the no-fault draft proposal and recommending language. For a copy of the no-fault proposal and an opportunity to comment on the features and language, call Membership Services at (800) 772-8998.

"This might be the best chance to get

...continued on page 2

...continued from page 1

## No-Fault

no-fault insurance enacted in California and improve the business climate for our members," said Vice President Jim Armitage, CPCU. "We certainly had no success in the Legislature in passing no-fault.

"It's encouraging to see these two groups embrace the no-fault concept and recognize the powerful influence the California trial lawyers have had in the past in stopping good public policy from becoming law," Armitage said. "We're moving in the right direction. We will give these proposals a good hard look."

## Agents Review Draft

Under the draft no-fault proposal, each owner of a motor vehicle would be required to carry personal injury protection insurance and a minimum of \$5,000 in property damage liability coverage.

PIP would cover losses suffered by an occupant of the covered vehicle or by any pedestrian or bicyclist struck by the vehicle, regardless of who was at fault.

Insurers would be required to make available to any good driver optional "pain and suffering" coverage, which would make scheduled payments to accident victims who sustain verifiable injuries. At their option, insurers could also sell coverage that makes payments without regard to a schedule—similar to the way UM coverage works.

As for the legal fee limitation initiative, it is still in the concept stage. The group is working from "Rethinking Contingency Fees," a model proposed by the Manhattan Institute.

The Board of Directors will consider the two initiatives at an October 12 workshop. □

# EXHIBIT 4

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# Manhattan Institute

Manhattan Institute  
1200 Avenue of the Americas  
New York, NY 10020  
212 691-1000

Nov 1992

I am writing to provide a review of the Manhattan Institute's Judicial Studies Program for the past year and to request . . . . . Legal reform has begun to resonate as a national issue, and the Manhattan Institute has provided much of the intellectual leadership for its emergence. This is evidenced, we think, by the attached five-year overview of our efforts, which reveals a record of consistent quality and steadily growing influence -- not to mention cost-effectiveness -- in pursuing a public policy goal.

The need to reform the nation's civil justice system is becoming increasingly apparent to observers both in and outside the legal system. As issues like employment, investment and national living standards become more central to public debate, America's costly and erratic judicial system will be under increased pressure to adapt. For these and other reasons, the next several years will be critical. We believe strongly that this issue must be approached deliberately and systematically, and that the temptation to settle for "quick fixes" or easy victories must be resisted. The accompanying six-page Mission Statement outlines such an approach. The emphasis, as you will see, is on broadening the constituencies for liability reform while simultaneously laying the necessary intellectual groundwork. The Manhattan Institute has demonstrated capacity in the latter category, and, with the staff additions planned for the coming year, should be able to effect the former, as well.

Our books have been extremely influential; no less an authority than *The Washington Post* hailed them as the driving force behind the reform movement (and dubbed their authors -- Peter Huber and Walter Olson -- the "gurus" of tort reform). Peter Huber continues to write a regular column on law and society for *Forbes*, and Olson has become a contributor to *The Wall Street Journal's* "Rule of Law" column. Later this fall another of our books will appear -- Huber's edited volume, Phantom Risks: Scientific Inference and the Law, which the MIT Press is bringing out. It will complement an already impressive backlist, which includes Huber's Liability and Galileo's Revenge, Olson's The Litigation Explosion, and several academic volumes. We were all elated when the Supreme Court on October 14th agreed to hear its first "junk science" case -- the very one in which Ninth Circuit Judge Alex Kozinski cites Huber's Galileo's Revenge.

Providing our authors with additional staff support -- in both research and outreach -- is our chief goal for 1993. We have relocated the Judicial Studies Program to Washington, D. C., where, for the first time, it will have dedicated support and managerial backup. Michael Horowitz, former General Counsel at the OMB and head of the Reagan Administration's Tort Policy Working Group, has joined as acting director and Senior Fellow. We are close to recruiting an executive director whose responsibilities will include commissioning books and papers, overseeing marketing and promotion, and dealing with the media, government, and legal community. The time to put the program on such a professional footing is clearly at hand, and, we feel, a justifiable move in light of our track record.

Another shift in emphasis that you will be seeing over the coming year will be a greater stress on applying the ideas that our fellows and other scholars have developed. Mike Horowitz's recent White Paper on auto insurance reform is a case in point. Co-authored with Jeffrey O'Connell, it takes Huber's arguments for a revival of contract (developed in his 1988 book Liability) and applies them to the biggest litigation market of all - automobile accidents. The proposal has generated significant press attention, and on October 16th the President formally endorsed it in a speech in Edison, New Jersey. The \$30+ billion savings that would result from the proposal's enactment would come primarily from auto-tort contingency fees, one of the prime sources of "venture capital" for the plaintiff's bar.

Horowitz's next project, which he is developing in collaboration with some of the leading scholars in the field, is a plan that offers consumers the choice to opt out of the contingency fee system. The importance of these proposals goes beyond their potential payoff as policy initiatives, as the discussion they generate (both pro and con) energizes public debate and moves it in the direction of reform. At the same time, their enabling concepts - choice, voluntarism, incentives, trade-offs - offer reformers the chance to take the high road for a change.

We're encouraged by these developments, and heartened, now that the battle has been engaged, that we've built a sound intellectual foundation from which to carry on from here. I hope you and your colleagues share our sense of accomplishment and that you will help provide us with the resources needed to finish the job. Our entire effort depends on voluntary contributions from corporations and foundations, and we're at an important crossroads in terms of the direction of the program. We feel confident that any funds made available to the Judicial Studies Program will yield a tremendous return at this point - perhaps the highest "return on investment" available in the philanthropic field today.

Our supporters should share our pride in the enclosed five-year summary - if the next five years are as eventful and productive as the last five have been, we might be able to close up shop! That would signal that a victory had been won in the battle to restore America's civil justice system - a goal I'm sure you share with us and the Institute's other supporters. I look forward to your participation in our Judicial Studies Program, and send along our warmest wishes.

Sincerely,



William M. H. Hammett  
President

Enclosures

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Angeles T. Arredondo Foundation	F. M. Kirby Foundation	RGK Foundation
J. M. R. Barker Foundation	Esther & Joseph Klingenstein Fund	Rockerieller Foundation
Lynde & Harry Bradley Foundation	Liberty Fund	Sarah Scaufe Foundation
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## Corporations

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### \$50,000 and above

✓Aetna  
The Chase Manhattan Bank  
Citicorp  
State Farm Insurance

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### \$15,000 and above

Bristol-Myers Squibb • Exxon • ✓Pfizer • Philip Morris  
Procter & Gamble • Prudential • RJR Nabisco • UPS

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### \$5,000 and above

✓Abbott Laboratories • Alcoa • ✓American Home Products • Amoco  
✓Boeing • Chrysler • Chubb • ✓Cigna • CNA • Continental Corporation  
✓Dow Chemical • Dupont • ✓FMC • ✓Ford • ✓General Electric  
General Reinsurance • Hill & Knowlton • ✓Household International  
✓Johnson & Johnson • ✓Merck • Milliken & Co. • Reliance Group  
Royal Insurance • ✓Sears, Roebuck • J & W Seligman  
SmithKline Beecham • U.S. Trust • ✓Union Carbide • Xerox

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### \$1,000 and above

Alexander and Alexander • Alexander Hamilton Life • Allied-Lyons  
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W. R. Berkley • Chesebrough-Ponds • Chevron • CIBA-GEIGY  
Citizens Insurance • ✓Coca-Cola • Colgate Palmolive  
✓Cooper Industries • ✓Crum & Forster • Dover Corporation  
✓Emerson Electric • Employers Mutual • Erie Insurance • ✓Foxboro  
General Dynamics • General Mills • Halliburton • Hanover Insurance  
IBM • Illinois Tool Works • IMC • Jim Walter • Johnson & Higgins  
✓Kemper Group • ✓Eli Lilly • ✓Litton Industries • Lorillard • ✓3M  
R.H. Macy • Marriott • Material Service • Metropolitan Life  
✓Monsanto • Morgan Stanley • North American Re • Orion Capital  
Paccar • Pacific Telesis • Panel Processing • PepsiCo • Raytheon  
Reckitt & Colman • Rockwell • Ryder Systems • SAFECO  
Santa Fe Pacific • Sea-Land • Selective Insurance • Simpson Investment  
Springs Industries • Stanley Works • ✓Sturm, Ruger • ✓Sun Company  
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United Industrial • ✓Upjohn • Watkins-Johnson • Weyerhaeuser  
The Williams Companies • Windway Capital

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# Judicial Studies Program

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## Mission Statement and Overview

November 1992

A number of favorable developments have occurred in the civil justice arena in recent months. It may not be an overstatement, in fact, to say that debate – and sentiment – have reached a new plateau; in contrast to just one or two years ago, when liability reform hovered on the fringes of mainstream discussion, liability reform now vies with more traditional issues such as welfare, education and environmental policy in the debate about the nation's future. Having thus emerged as a topic of public policy, civil justice reform must now be sustained by a systematic effort which:

[a] insures that the terms of debate remain favorable,

[b] expands the constituencies working for reform.

### SETTING THE TERMS OF THE DEBATE:

An essential element of successful policy advocacy is taking the initiative: the side proposing change most often ends up setting the agenda, while the side opposing it finds itself in the unenviable position of defending the status quo. Moreover, those initiating debate have an easier time introducing fresh concepts and rephrasing old ones, while exploring new ground and opening fissures in the ranks of the opposition. Such an effort puts a premium on creativity and imagination, so the side favoring change generally has an easier time attracting the brightest and most creative young minds. The "founders" of the modern school of expanded liability, as Peter Huber pointed out in his 1988 book capitalized on that advantage over a period of several decades; the time has come to turn the tables.

The rhetoric of liability reform must incorporate transcending concepts, like consumer choice, fairness, and equity, while simultaneously pointing out the opposition's indifference or opposition to these values. Across a wide cultural horizon today powerful new ideas, like choice, empowerment, and voluntarism are capturing the public imagination; they can and should be brought into the debate about legal reform. At the same time, it is vital that defenders of the current system – the plaintiff's bar, in particular – not be allowed to divert attention from these issues, or skirt the question of costs. The present system is not only coercive, capricious, and regressive, it encourages fraud and deception on a massive scale, and seriously hinders the engines of industrial renewal and economic growth; the ultimate cost of expanded liability is loss of competitiveness and lower standards of living, a point that must continuously be driven home.



The field on which this must be played out is the media – in all its varied forms – ranging from elite organs like *The Economist* and *The New Republic*, to the broadcasting and entertainment industry. Until fairly recently, even legal affairs writers at the major dailies paid scant attention to developments in liability law. That's gradually changing, albeit not always for the better (the plaintiff's bar has, over the years, made allies in the press, through a combination of appealing to the adversarial natures of many reporters as well as by providing them with news leaks). Nevertheless, a growing number of writers, columnists and news producers are open, if not altogether sympathetic, to the reform perspective. Not surprisingly, this group comprises many of the rising stars of the profession: John Stossel of ABC, Peter Brimelow and Leslie Spencer of *Forbes*, John Taylor and Chris Byron of *New York*, Michael Kinsley and Fred Barnes of *The New Republic*, Gordon Crovitz of *The Wall Street Journal*, and a handful of others.

Journalists need copy, and it's an established fact that over time they'll "bend" in the direction in which it flows. For that reason it is imperative that a steady stream of *understandable* research, analysis and commentary supporting the need for liability reform be produced. If, sometime during the present decade, a consensus emerges in favor of serious judicial reform, it will be because millions of minds have been changed, and only one institution is powerful enough to bring that about: the combined force of the nation's print and broadcast media, the most potent instrument for public education – or miseducation – in existence.

#### EXPANDING THE CONSTITUENCIES FOR REFORM:

For tort reform to maintain its rightful place as an issue of national interest and debate, it must broaden its appeal and move beyond its confrontational demeanor (e.g., lawyer-bashing). First and foremost, liability reform must be tied to the wider cause of legal reform, and to the thinking public's growing concerns about "litigiousness" in general. In the broader context, the crisis in the courts is no different from the crisis occurring in many other fields of public life – from education to medical care – where institutional confidence has given way to doubt and skepticism. This probably explains the increasingly chaotic tenor of modern politics and the confused state of the electorate, torn between allegiance to institutions while at the same time recognizing their failed mission.

The courts are no exception: a consensus is growing that the American civil justice system is fundamentally flawed; for reform advocates to lay the blame for this breakdown on "greedy lawyers" is as simplistic – and wrong-headed – as blaming the crisis in social policy on "welfare queens." An uninformed public might embrace such notions over the short term, but these tactics are a diversion – not a substitute – for the kind of serious debate and discussion necessary to build a true consensus.

Advocates of liability reform must link their arguments to a broader *agenda for the nineties*, by showing how consumers and taxpayers are, ultimately, in the same boat with manufacturers, service providers and insurers. Without such broad-based

cultural support, the superior forces of the special interests arrayed on the other side will simply outlast the efforts to dislodge them. Such a "linkage" strategy would engage the following elements:

√ The Financial Community - Until very recently this group ignored developments taking place in the courts, largely because they imagined themselves immune. That has been changing, as accountants, bankers and other fiduciaries are beginning to feel the effects of the liability spiral. Wall Street is a potent political force, as is the financial sector in general, and a potential ally in the drive for serious legal reform.

√ The Political Community - Most government is local, and the costs of liability are borne particularly heavily by cities and other local entities. The trade-off between lawsuits and higher taxes, fewer services, and less safety must be driven home. At the same time, it is possible to widen the cadre of national lawmakers, judges and other public officials who understand the implications of today's tort system and its influence on political society.

√ The Medical/Scientific Community - One of the biggest societal questions, with vast quality of life implications, is the extent that modern science and medicine will be market or court-driven. Similarly, America's high-tech industry is at a crossroads: it can move towards a greater reliance on litigation and confrontation, and its attendant risk-averseness, or evolve entrepreneurially. This large and amorphous -- yet tremendously important -- sector needs to have its concerns channeled in productive ways.

√ The Research/Academic Community - In addition to law schools, other academic disciplines should be encouraged to investigate and analyze the costs of litigation. Private foundations supporting social science research need to become involved, as well, since their funding lends prestige to a research field.

√ Professional Organizations - Membership organizations (the Association of American Trial Lawyers excepted) have to be made aware of the harm done to their members by runaway litigation. Even the A.B.A. is recognizing the problem: their new president has met with Michael Horowitz on two occasions to discuss reform ideas.

√ Civil Libertarians - A group that often identifies with the plaintiff's side, they must be shown that civil liberties and civil justice go hand in hand, and that the present regime is hardly sympathetic to the rights of the individual.

√ The Grass Roots - Consumer groups must be put in a position of choosing between the welfare of their members and the dictates of Ralph Nader where product liability is concerned, especially in areas like auto

insurance and health provision. Middle-class jobs will remain the number one economic issue for the foreseeable future, thus offering opportunities to tie liability reform in with issues like innovation, capital formation and employment. The linkage in the public's mind between bad law and a bad economy must be established.

### THE JUDICIAL STUDIES PROGRAM:

The attached summary highlighting the accomplishments of the Manhattan Institute's Judicial Studies Program over the past five years shows how a systematic long-term effort can pay off. That the Program is capable of moving the agenda forward from here and implementing the strategic plan outlined above is supported by the following elements:

#### [1] Visibility:

- ✓ Manhattan Institute Fellows are among the leading authorities in the field and Institute books are reviewed and cited in hundreds of popular outlets across the country. Institute-sponsored events attract influential members of the national media and opinion leaders from other fields. Peter Huber is a regular *Forbes* columnist; Walter Olson and Michael Horowitz are contributors to *The Wall Street Journal's* "Rule of Law" column.
- ✓ The Institute's numerous contacts with leaders of the political, business, academic, scientific and foundation communities amplifies its work to the widest circle of opinion leaders possible.
- ✓ By relocating to Washington, D.C., the Judicial Studies Program benefits from closer contact with the policy making establishment, the federal courts and the Washington bureaus of the national news organizations.
- ✓ The Judicial Studies Program's ongoing mailings to several thousand judges on a regular basis has accustomed them to receiving material under the Manhattan Institute masthead.

#### [2] Credibility:

- ✓ The Judicial Studies Program has never abandoned its scholarly roots, even when it meant sacrificing popular appeal. Senior Fellows are encouraged to write for law reviews and academic journals, and regularly defend their ideas before law school audiences. (e.g., the *Michigan Law Review's* "1992 Survey of Books Relating To The Law" reviewed three books on tort law - Olson's The Litigation Explosion, Huber's Galileo's Revenge; the third book argued against radical reform, but Olson and Huber's works were cited throughout the review).

√ The Program has successfully charted a non-partisan course, and has avoided being drawn into the partisan battles surrounding tort reform.

√ The Manhattan Institute's reputation as a public interest forum, as opposed to a single-purpose advocacy group, is buttressed by its successful programs in education, urban policy, international trade, etc., as well as its broad and diversified funding base, which includes a growing number of private foundations.

### [3] Management:

√ The Institute's position on civil justice reform is fully supported by its governing Board of Trustees; there are no demands for "balance" – only sound scholarship.

√ The Institute's streamlined operating structure (one layer of management) means that funds flow directly into programs, not overhead.

√ The hiring of a capable manager to oversee day-to-day operations of the program are progressing, and once achieved will correct what has been the Program's greatest weakness to date: less than optimal follow-through on public outreach.

### LOOKING TO THE FUTURE:

The greatest challenge to this point has been finding audiences who consider liability reform a meaningful and relevant issue. This situation is gradually improving, as the arguments linking litigation and living standards become more persuasive. Accordingly, the Program's outreach efforts will continue, with appearances before law schools, civic groups, professional organizations and governmental bodies increasing in frequency.

Walter Olson's fellowship has been renewed, and he is extending his writing and research to the areas of employment, contract and commercial law. His next book, already begun, is scheduled for release in early 1994. Olson is probably the leading source for quotes and commentary about the litigation explosion, and his book of that title is cited with increasing frequency whenever the subject is covered. His speaking engagements continue to grow in number: he has addressed over fifty law school audiences since his book appeared, and dozens of civic and professional groups.

Peter Huber's fellowship has also been renewed for 1993, and his Phantom Risks: Scientific Inference and the Law will be published by MIT Press in April. Coming a year after his widely acclaimed Galileo's Revenge: Junk Science in the Courtroom, this volume should further establish his credentials as the leading thinker working in the interface of science, technology and the law. On October 14th of this year the

Supreme Court agreed to hear its first "junk science case": *Daubert v. Merrell Dow Pharmaceuticals*; writing for the Ninth Circuit Appeals Court in the decision, Judge Alex Kozinski cited Galileo's Revenge. Huber's next book will be on the subject of environmental law.

Michael Horowitz has been appointed a Senior Fellow and acting director of the Judicial Studies Program. He is working out of the newly opened Washington office, where he will commission papers, organize conferences, and carry out an active writing and speaking schedule. His recently completed White Paper, co-authored with University of Virginia law professor Jeffrey O'Connell, was endorsed by the President in a speech in Edison, New Jersey on October 16th. A Washington-based executive director, capable of managing the program and carrying out functions like editing, fund raising and liaison with media and government, is being sought.

Books by other scholars and writers are planned, as well, on topics that include the criminalization of business law, the expansion of contract and environmental law. A book aimed at a general audience which graphically details the direct and indirect costs of the present tort system is also being pursued. Prospective authors – including two writers with national reputations in legal affairs – are being interviewed.

The successful "Civil Justice Memo" series, mailed to several thousand judges between 1987 to 1991, has been replaced by a series of lengthier "Civil Justice White Papers," dealing with specific reform proposals. They will be commissioned and edited by Mr. Horowitz, who will also organize a series of "Civil Justice Workshops" to be held in the Washington office. In addition, two major conferences are planned for the coming year, one dealing with the subject of "retroactive liability" and another (to be held in New York) on the abuses of due process. An ongoing series of regional workshops with government and community leaders will be continued, with previous meetings in Atlanta, Portland and Kansas City followed by ones in San Antonio, Indianapolis and other regional centers. Finally, the Institute's quarterly on urban affairs, *The City Journal*, will soon feature a regular column by Walter Olson linking civil justice reform with quality of life concerns for urban dwellers.

In summary, the Manhattan Institute's commitment to judicial reform, begun in 1986 with the formation of the Judicial Studies Program, remains a high priority today and for the future.

# Judicial Studies Program

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## Five Year Overview

### 1988

*New Directions in Liability Law* (Walter Olson, ed. - special issue, Journal of the Academy of Political Science) published.

Conference on Historical Roots of the Liability Crisis, Charleston, S.C.

*Liability: The Legal Revolution and Its Consequences* (Peter Huber - Basic Books) published.

Peter Huber testifies before Senate Commerce Committee.

### 1989

"Are We Afraid of the Future" (Peter Huber - Reader's Digest).

Paperback edition of *Liability* released.

*Historical Roots of the Liability Crisis* (Walter Olson, ed.- special issue of Cardozo Law Review).

Crime & Punishment in Business Law Conference - New York University Law School.

Judicial Outreach Dinners initiated.

### 1990

White Paper on Product Liability Statistics (Arthur Haverner) released.

Peter Huber named *Forbes* columnist, appears on ABC 20/20, debates Ralph Nader.

### 1991

*The Litigation Explosion: What Happened When America Unleashed the Lawsuit* (Walter Olson - E.P. Dutton) and *Galileo's Revenge: Junk Science in the Courtroom* (Peter Huber - Basic Books) published.

*The Liability Maze* (Robert Litan and Peter Huber, eds.- Brookings Institute Press) released.

Forbes cover feature by Peter Huber on junk science in the courts.

Walter Olson appears on "Oprah Winfrey," "Larry King Live."

Huber and Olson advise White House and Justice Department task forces on legal reform.

Vice President Quayle's speech to A.B.A. cites both authors' work and raises issue to national agenda.

### 1992

Paperback editions of *The Litigation Explosion* and *Galileo's Revenge* published.

*Liability: Injustice For All* (Walter Cronkite, announcer) released.

White Paper on "T. J. Hooper Revisited" (Richard Epstein - published in Journal of Legal Studies).

"Make The Loser Pay" (Walter Olson - Reader's Digest).

Walter Olson testifies before Senate Judiciary Committee; Peter Huber on "Larry King Live."

Michael Horowitz appointed Senior Fellow; Judicial Studies Program relocated to Washington, D.C.

Auto tort proposal by Jeffrey O'Connell and Michael Horowitz endorsed by President.

Supreme Court agrees to hear Junk Science case from 9th Circuit citing Huber's *Galileo's Revenge*.

*Phantom Risks: Scientific Inference and the Law* (Peter Huber, ed. - MIT Press) published.

EXHIBIT 5

Payments and Contributions (Other than Loans) Made  
FORM 420 or 490

Covers Period  
From: Through:  
07/23/88 09/30/88

ID Number: 871208

Citizens for No-Fault, sponsored by California Insurers

Name and Address of Payee | Code/Description | Amt Paid | Cum. Amt

Internal Revenue Service	G	3,877.82	
<del>Order</del> UT Internal Revenue Service	G	969.29	
Internal Revenue Service	G	3,830.99	
Internal Revenue Service	G	940.08	
Internal Revenue Service	G	3,818.85	
Internal Revenue Service	G	910.38	
J P Marketing Company 160 Spear Street, Ste 1210 San Francisco CA 94105	P	500.00	
J P Marketing Company	G	140.58	
J P Marketing Company	P	500.00	
J P Marketing Company	P	500.00	
J W Marriott 2151 Avenue of The Stars Los Angeles CA 90067	T	500.00	
J W Marriott	T	920.00	
Jackson/Barish & Associates 770 L Street, Suite 960 Sacramento CA 95814	P	2,000.00	
Jackson/Barish & Associates	P	30,000.00	
Jackson/Barish & Associates	G	200.00	
Jackson/Barish & Associates	P	2,000.00	
Jackson/Barish & Associates	G	200.00	
James McKinney 157 Seventh Avenue San Francisco CA 94110	G	750.00	
James McKinney	Y	86.25	
James McKinney	G	750.00	
James McKinney	G	750.00	
Jeffrey O'Connell University of Virginia Charlottesville VA 22901	P	10,000.00	

Sub-Total:

64,144.24



SCHEDULE E  
 Payments and Contributions (Other than Loans) Made  
 FORM 420 or 490

Covers Period  
 From: Through:  
 10/01/88 10/22/88

ID Number: 871208

Citizens for No-Fault, sponsored by California Insurers Yes on Prop 104

Name and Address of Payee	Code/Description	Amt Paid	Cum. Amt
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Hyatt Regency San Francisco 5 Embarcadero Center San Francisco CA 94111	T	183.00	
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Internal Revenue Service Ogden UT Internal Revenue Service	G	3,436.61	
	G	815.30	

J P Marketing Company 160 Spear Street, Ste 1210 San Francisco CA 94105	P	500.00	
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Jackson/Barish & Associates 770 L Street, Suite 960 Sacramento CA 95814	P	2,000.00	
Jackson/Barish & Associates	G	200.00	

Jeffrey O'Connell University of Virginia Charlottesville VA	P	6,300.38	
Jeffrey O'Connell	T	7,205.01	
Jeffrey O'Connell	See attached E-1		
Jeffrey O'Connell	P	43,633.32	

Jeremy Thorn 525 Shrader Street, #6 San Francisco CA 94117	G	900.00	
Jeremy Thorn	T	120.31	

Jerry Simpson 704 Sansome Street San Francisco CA 94111	G	1,500.00	
Jerry Simpson	T	1,451.30	
	See attached E-1		

John Crosby 704 Montgomery Street San Francisco CA 94111	T	1,661.62	
	See attached E-1		

Sub-Total: 69,906.85

EXHIBIT 6

## WHO'S REALLY BEHIND PROPOSITIONS 200, 201 and 202..

Source: Statements filed with the California Secretary of State by the Alliance to Revitalize California

Periods covering January 1, 1995 to March 9, 1996

(LF - indicates the amount of loans forgiven)

Date(s)	Contributor	Occupation/Employer (as listed on filing with California Secretary of State)	Monetary Contributions (Schedule A)	Loans (Schedule B)	Non-monetary contributions (Schedule C)	Total
3/7/95	Davidow, Bill	Mohr, Davidow Ventures (Menlo Park)	1,000			1,000
12/6/95	Cotella, Samuel D.	General Partner Institutional Venture Partners (Menlo Park)	1,000			1,000
3/7/95	Forbes, Inc.	(New York, NY)	10,000			10,000
3/7/95	Pinkerton	(Encino)	1,000			1,000
3/13/95	Baccarat Development Partnership	(Cupertino)	50,000			50,000
5/26/95	Baccarat Electronics, Inc.	(Cupertino)		150,000		150,000
3/13/95	DHL Express	(Redwood City)	2,500			17,500
1/12/96			5,000			
2/28/96			10,000			
3/13/95	Shugart, Al	CEO/President, Seagate Technology	5,000			255,801.62
7/20/95		(Scotts Valley)	131,805.60			
2/8/96			118,996.02			
3/21/95	Fidelity Investment	(Boston, MA)	10,000			10,000
2/8/96	Fidelity National Title Insurance Co.	(Irvine)	25,000			25,000
3/21/95	Sipl, Roger	Visigenic Software (San Mateo)	2,000			2,000
2/17/95	Boyd, Virginia L.	Self-Employed Consultant		7,800		7,800
3/21/95	Wilson, Bob	Retired, Investor		100,000		100,000
2/5/96 - LF		(New York, NY)		(100,000)		
2/5/96			100,000			
2/17/95	McMurty, Burt	Technology, Ventures Investors		25,000		297,750
3/16/95		(Menlo Park)		75,000		
3/5/96				197,750		

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Date(s)	Contributor	Occupation/Employer (as listed on filing with California Secretary of State)	Monetary Contributions (Schedule A)	Loans (Schedule B)	Non-monetary conitrbutions (Schedule C)	Total	
12/8/94	Proulx, Tom	Self-Employed Consultant (Atherton)		14,000		110,000	
12/15/94				14,000			
12/21/94					14,000		
12/29/94					21,500		
1/4/95					19,000		
1/18/95					14,000		
3/1/95					10,000		
6/30/95				3,500			
1/24/95	Tobias, Andrew	Self-Employed Writer (Miami, FL)		28,000		87,500	
5/1/95				10,000			
5/11/95				12,500			
7/28/95				10,000			
7/28/95					22,000		
8/25/95			5,000				
1/31/95	Zimmerman & Markman	(Santa Monica)			3,750	18,750	
2/28/95					7,500		
3/31/95					7,500		
4/18/95	Arrow Trust, c/o Price Waterhouse	(Los Angeles)	25,000			25,000	
4/18/95	Joost, Robert	Attorney, U.S. Dept. of Transportation (Washington, DC)	2,000			2,000	
4/18/95	Profiles in History	(Beverly Hills)	5,000			5,000	
4/28/95	Moore, Gordon	Chairman, Intel Corporation (Woodside)	100,000			100,000	
5/1/95	Cruttenden & Co.	(Irvine)	1,000			1,000	
5/1/95	Leach, Howard	Chairman, Leach Capital (San Francisco)	5,000			5,000	
5/11/95	XILINX, Inc.	(San Jose)	25,000			25,000	
5/11/95	Montgomery Securities	(San Francisco)	25,000			25,000	
5/16/95	Boich, Mike	President/CEO, Rendition	1,000			1,000	

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5/23/95	Adaptec, Inc.	(Milpitas)	25,000			100,000
6/30/95			25,000			
2/7/96			50,000			
5/23/95	Cadence Design Systems, Inc.	(San Jose & Milpitas)	25,000			75,000
2/9/96			50,000			
5/23/95	Hobbs, IV, Franklin	President, Dillion Read & Co. (New York, NY)	5,000			5,000
5/23/95	Stonewall Community Foundation	(New York, NY)	5,000			20,000
7/28/95			15,000			
5/26/95	Volckmann, John	Principal, J. Volckmann & Associates (Atherton)	500			500
6/5/95	Shultz, George	Hoover Institution, Stanford University (Stanford)	1,000			1,000
6/9/95	Howard, Rice Law Offices	(San Francisco)	250			250
6/20/95	Ford Land Co.	(Menlo Park)	5,000			5,000
12/20/95	Ford, Thomas	President, Ford Land Co. (Menlo Park)	10,000			10,000
6/20/95	Poole, Jr., Robert	President, Reason Foundation	500			500
6/20/95	High Level Design Systems	(Santa Clara)	1,000			1,000
6/27/95	Unz, Ron	President, Wall Street Analytics, Inc. (Palo Alto)	5,000			5,000
6/27/95	Johnson, H. R.	President, Watkins-Johnson Corporation (Palo Alto)	500			500
6/28/95	Watkins-Johnson Corporation	(Palo Alto)	10,000			10,000
6/27/95	Nissley, Harold	President, Acorn Capital (Los Altos)	100			100

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6/28/95	Newport Diversified, Inc.	(Irvine)	500			500
6/29/95	Cypress Semiconductor	(San Jose)	35,000			200,000
6/29/95				65,000		
1/18/96			100,000			
6/30/95	Varian Associates, Inc.	(Palo Alto)	2,500			2,500
6/30/95	Altera Corporation	(San Jose)	5,000			115,000
11/8/95			10,000			
1/24/96			100,000			
4/11/95	Caine, Dan	President, Legal Knowledge		5,000		5,000
2/9/96 - LF		Systems		(5,000)		
2/9/96		(Newton, MA)	5,000			
4/18/95	Palevsky, Max	Self-Employed Investor (Los Angeles) <i>Palevsky is on the Board of Directors of Intel Corporation</i>		50,000		50,000
5/2/95	Symantec	(Cupertino)		200,000		200,000
2/6/96 - LF				(200,000)		
2/6/96			200,000			
6/28/95	Integrated Device	(Santa Clara)		100,000		200,000
1/26/96	Technology, Inc.		100,000			
2/8/96 - LF				(100,000)		
2/8/96			100,000			
6/30/95	KPCB VII Associates	(Menlo Park)	100,000	100,000		200,000
2/29/96						
4/10/95	Fenwick & West	(Palo Alto)			10,000	19,000
12/1/95					9,000	
7/18/95	Linear Technology	(Milpitas)	5,000			50,000
2/5/96	Corporation		45,000			
7/20/95	GAP	(San Francisco)	15,000			50,000
2/13/96			35,000			
2/8/96	Fisher, Donald G.	Chairman, The Gap (San Francisco)	250,000			250,000

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7/25/95	Emerson, Lee	Outside Director of Oregon Steel Mills (retired) (Piedmont)	100			100
7/25/95	M.E. Fox & Co., Inc.	(San Jose)	100			100
7/25/95	Gherini, Tom	Self-Employed Consultant, Gherini Consulting Service (San Mateo)	100			100
7/25/95	Riordan, Michael	CEO, Gilead (Palo Alto)	100			400
3/4/96			300			
7/25/95	Rock, Arthur	Arthur Rock and Co. (San Francisco)	1,000			2,000
3/8/96			1,000			
7/25/95	Simon, William	Executive Director, William E. Simon & Sons Merchant Banker (Pacific Palisades)	1,000			1,000
7/25/95	Taube Investments, Inc.	(Belmont)	500			500
7/28/95	Technical Film Systems, Inc.	(Chatsworth)	100			1,100
2/20/96			1,000			
7/28/95	Bowles, George	(retired) (San Francisco)	300			300
8/1/95	Alden, Ellis	Hotel Owner, Western Lodging (Redwood City)	500			500
8/1/95	David D. Bohannon Organization	(San Mateo)	1,000			1,000
8/1/95	Ehlers, L. W.	(retired)	100			100
8/1/95	Kenninger, Steven	(Redondo Beach)	1,000			1,000
8/1/95	Tooley, William	CEO, Tooley & Co. (Los Angeles)	250			250
8/4/95	Edwards, William C.	Self-Employed Investor (Atherton)	250			10,250
2/29/96			10,000			
8/4/95	Foothill Beverage Co.	(Pomona)	1,000			1,000

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8/4/95	Van Kasper & Co.	(San Francisco)	100			1,350
1/9/96			250			
2/27/96			1,000			
8/4/95	Flextronics International	(San Jose)	3,000			3,000
8/4/95	Peterson Investment Co.	(San Leandro)	100			100
8/4/95	CalMat Co.	(Los Angeles)	1,000			1,000
8/7/95	Newman, Ellen	President, Ellen Newman Associates (San Francisco)	100			100
8/7/95	Oracle Corporation	(Redwood Shores)	5,000			100,000
2/9/96			95,000			
12/15/95	Lawrence Ellison	Chairman & CEO, Oracle	5,000			5,000
8/11/95	Napa Valley Wine Train	(Napa)	100			100
8/11/95	Watson Land Co.	(Carson)	2,000			7,000
12/29/95			3,000			
1/9/96			2,000			
8/11/95	Advanced Micro Devices	(Sunnyvale)	25,000			125,000
12/15/95			50,000			
2/16/96			50,000			
8/11/95	Weekley, Robert M.	President of Residential Development Lowe Enterprises (Los Angeles)	300			300
8/16/95	CARGO PAC, California Trucking Association	(West Sacramento)	10,000			31,850
10/2/95			10,000			
12/21/95			10,000			
1/19/96			1,850			
8/16/95	Gomory, Paul L., Jr.	Self-Employed, GA Partners Executive Search Consultants (San Francisco)	200			200
8/17/95	Schwetz, Jason	(Westlake Village)	100			100
8/17/95	Baum, Dwight C.	(retired) (Pasadena)	100			100



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8/24/95	Measurex Corporation	(Cupertino)	5,000			5,000
8/24/95	Marquardt, David A.	Venture Capitalist, Technology Venture Investors (Hillsborough)	1,000			1,000
8/25/95	Intel Corporation	(Folsom)	100,000			550,000
8/25/95				150,000		
3/7/96			300,000			
8/26/95	Web Service Co., Inc.	(Redondo Beach)	1,000			10,800
1/15/96					4,800	
3/7/96			5,000			
8/28/95	Boyd, Katherine E.	Self-Employed, Katherine E. Boyd Interior Decoration (Hillsborough)	1,000			1,000
8/28/95	Amgen Inc.	(Thousand Oaks)	20,000			20,000
9/1/95	Sunrise Medical	(Carlsbad)	2,500			2,500
9/1/95	Rexhall Industries, Inc.	(Saugas)	2,500			2,500
9/1/95	Wishon, Keith	CPA, Price Waterhouse (Los Angeles)	200			200
9/5/95	American President Companies Foundation	(Oakland)	1,000			1,000
9/5/95	Kjos, Neil, Jr.	(La Jolla)	5,000			5,000
9/5/95	Home Savings of America FSB	(Irwindale)	2,500			2,500
9/8/95	Baxter, Frank	CEO, Jeffries & Co. (Los Angeles)	500			1,000
10/11/95			500			
9/8/95	Actel Corporation	(Sunnyvale)	5,000			15,000
2/13/96			10,000			
9/8/95	McKenna, Regis	CEO, Regis McKenna Inc. (Sunnyvale)	1,000			1,000
9/8/95	Walton, John	Self-Employed, JCL Corporation (National City)	10,000			110,000
2/21/96			50,000			
3/4/96			50,000			

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9/20/95 12/23/95	Rockwell International Corporation	(Seal Beach)	2,500 27,500			30,000
9/20/95	The Immune Response Corporation	(Carlsbad)	1,000			1,000
9/20/95	Kristovich, Baldo M.	Lawyer, Baldo Kristovich Attorney at Law (Los Angeles)	100			100
9/27/95	Collins, Francis D.	Self-Employed, Dream Builders, Contractor Building Developer (Emeryville)	100			100
9/20/95	Greene, James H., Jr.	Partner, Kohlberg Kravis Roberts & Co. (Hillsborough)		7,500		7,500
9/20/95	Kravis, Henry R.	Partner, Kohlberg Kravis Roberts & Co. (New York)		10,000		10,000
9/20/95	MacDonnell, Robert I.	Partner, Kohlberg Kravis Roberts & Co. (Hillsborough)		10,000		10,000
9/20/95	Michelson, Michael W., Trustee of Michelson Family	Partner, Kohlberg Kravis Roberts & Co. (Atherton)		10,000		10,000
9/20/95	Raether, Paul E.	Partner, Kohlberg Kravis Roberts & Co. (Greenwich, CT)		9,999		9,999
9/20/95	Robbins, Clifton S.	Partner, Kohlberg Kravis Roberts & Co. (New York, NY)		5,000		5,000
9/20/95	Roberts, George R.	Partner, Kohlberg Kravis Roberts & Co. (Atherton)		10,000		10,000

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9/20/95	Stuart, Scott M.	Partner, Kohlberg Kravis Roberts & Co. (Greenwich, CT)		5,000		5,000
9/20/95	Tokarz, Michael T.	Partner, Kohlberg Kravis Roberts & Co. (Purchase, NY)		7,500		7,500
8/8/95	J.P. Morgan Services Inc.	loans guarenteed by Tom Proulx (Wilmington, DE)		120,000		1,655,000
10/20/95				60,000		
1/16/96				75,000		
2/29/96				800,000		
3/7/96				600,000		
8/15/95	Allergan	(Irvine)		100,000		100,000
8/17/95	Sigma Mangement II, L.P.	(Menlo Park)		100,000		100,000
8/17/95	Macromedia, Inc.	(San Francisco)		50,000		50,000
8/26/95	Rogers, T. Gary	CEO, Dreyers Grand Ice Cream (Oakland)		100,000		115,000
2/5/96 - LF				(10,000)		
2/5/96			10,000			
3/1/96			15,000			
9/12/95	National Semiconductor	(Santa Clara)		50,000		50,000
2/5/96 - LF				(50,000)		
2/5/96			50,000			
9/20/95	Fox, Saul A.	Partner, Kohlberg Kravis Roberts & Co. (Atherton)		15,000		15,000
9/20/95	Gihuly, Edward A.	Partner, Kohlberg Kravis Roberts & Co. (Woodside)		5,000		5,000
9/20/95	Golkin, Perry & Donna	Partner, Kohlberg Kravis Roberts & Co. (New York, NY)		5,000		5,000

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10/2/95	Newhall Land and Farming Co.	(Valencia)	1,000			21,000
12/27/95			10,000			
2/20/96			10,000			
10/11/95	Pioneer Electronics (USA) Inc.	(Long Beach)	1,000			1,000
10/11/95	Harb, Levy & Weiland, CPA	(San Francisco)	200			200
10/19/95	Maxim Integrated Products	(Sunnyvale)	20,000			100,000
11/22/95			80,000			
10/23/95	Sun Microsystems, Inc.	(Mountain View)	50,000			50,000
10/23/95	O'Connell Landscape Maintenance	(Rancho Santa Margarita)	200			200
10/23/95	Dura Pharmaceuticals	(San Diego)	1,000			6,000
2/14/96			5,000			
10/27/95	Transamerica	(San Francisco)	25,000			50,000
12/27/95			25,000			
11/7/95	Hewlett Packard	(Palo Alto)	15,000			121,900
12/1/95					7,300	
2/2/96			85,000			
1/1/96					14,600	
11/29/95	Packard, David	Chairman Emeritus, Hewlett Packard Co. (Sierra Madre)	100,000			600,000
2/23/96			500,000			
11/22/95	Seaver, R. Carlton	Partner, Seaver & Co. (Sierra Madre)	250			250
12/1/95	Roth, Cruttenden	(Irvine)	1,000			1,000
12/1/95	Merriman, Ronald & Kathryn	Partner, CPA (Newport Beach)	100			100
12/1/95	FileNet Corporation	(Costa Mesa)	3,000			153,000
3/5/96			150,000			
12/6/95	W.A.H. Consulting, Inc./ Sight & Sound Distributing	(Burlingame)	500			500

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12/6/95	Merrill, Steven L.	Partner; Merrill, Pickard, Anderson & Eyre (Menlo Park)	11,831.58			11,831.58
12/7/95	Hughes Electronics	(Los Angeles)	30,000			30,000
12/13/95	Alexander, Santosh	CEO, Telops Management, Inc. (Santa Monica)	100			100
12/13/95	Herbert, Gavin	Chairman, Allegan, Inc. , (Irvine)	2,000			2,000
12/13/95	Morgridge, John P.	Chairman, Cisco Systems (San Jose)	176.52			176.52
12/15/95	Allmond, Dr. Bayard W., Jr.	(Berkeley)	25			25
12/15/95	Bernstein, Jerry	Jerebe Co. (Powell, OH)	50			50
12/15/95	SunAmerica	(Century City)	5,000			25,000
2/12/96			20,000			
12/15/95	Dolby, Ray	CEO, Dolby Sound Inc. (San Francisco)	1,000			4,000
2/27/96			1,000			
3/1/96			2,000			
12/15/95	Stern, Robert	(San Luis Obispo)	500			500
12/18/95	Airtouch	(San Francisco)	25,000			25,000
12/19/95	Arnel, George Argyros Biz Account	(Costa Mesa)	10,000			10,000
12/20/95	Applied Materials	(Santa Clara)	100,000			100,000
12/21/95	Howley, Peter A.	Chairman, President, CEO, AirPower Communications, Inc. (San Francisco)	100			100
12/21/95	Maxfield, Robert R.	Self-Employed Consultant (Saratoga)	10,000			10,000
12/21/95	Serafini Associates, Inc.	(Santa Clara)	100			100

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12/21/95	Shackleton, Robert J.	Partner, KPMG Peat Marwick LLP (Newport Beach)	100			100
2/9/96	KPMG Peat Marwick	(New York, NY)	25,000			25,000
12/22/95	Stupski, Lawrence J.	Vice Chairman, Charles Schwab & Co. (Tiburon)	5,000			5,000
12/29/95	Charles Schwab & Company	(San Francisco)	20,000			20,000
1/12/96	Charles R. Schwab	Chairman and CEO, Charles Schwab (San Francisco)	20,000			20,000
12/22/95	Cook, Scott D.	Chairman, Intuit Inc. (Woodside)	50,000			50,000
12/22/95	Informix Software Inc.	(Menlo Park)	50,000			50,000
12/27/95	Whittaker Corporation	(Simi Valley)	10,000			10,000
12/27/95	First Interstate Bank	(Sacramento)	5,000			5,000
12/27/95	Coast Federal Bank	(Los Angeles)	5,000			5,000
12/27/95	Trimble Navigation Ltd.	(Sunnyvale)	10,000			25,000
2/27/96			15,000			
12/29/95	Northrop Grumman	(Los Angeles)	2,500			5,000
3/7/96			2,500			
12/29/95	Oakley	(Irvine)	5,000			5,000
12/29/95	Pacific Enterprises	(Los Angeles)	5,000			5,000
11/10/95	Collabra	(Mountain View)			2,090	2,090
12/22/95	Markkula, Mike	Chairman, Apple Computer, Inc. (Woodside)			111,562.50	111,562.50
12/26/95	Kramlich, C. Richard	Managing General Partner, New Enterprise Associates (San Francisco)			11,025	11,025

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12/31/95	Networkers	(Palo Alto)			5,000	5,000
12/31/95	VIVID Business Systems	(Mountain View)			9,000	9,000
1/4/96	Pacific Corrugated Truck Lines, Inc.	(Pomona)	300			300
1/4/96	Glenborough Corporation	(San Mateo)	20,000			20,000
1/9/96	Potlach Corporation	(San Francisco)	5000			5000
1/9/96	Jacobs Engineering Group, Inc.	(Pasadena)	10,000			10,000
1/18/96	Western Mutual Insurance Co.	(Santa Monica)	125			125
1/18/96	Glynn Capital Management	(Menlo Park)	1,000			1,000
1/18/96	WSJ Properties	(Palo Alto)	3,000			3,000
1/18/96	Residence Mutual Insurance Co.	(Santa Monica)	125			125
1/23/96	Gaplin Motors, Inc.	(North Hills)	10,000			10,000
1/23/96	C-Cube Microsystems	(Milpitas)	50,000			50,000
1/26/96	Stanley, David H.	Vice President, Legal and Corporate Services, Informix Software Inc. (San Mateo)	1,000			1,000
1/26/96	Salquist, Roger H.	Chairman and CEO, Calgene (El Maceo)	500			500
1/26/96	Adept Technology, Inc.	(San Jose)	5,000			5,000
1/31/96	Stratacom	(San Jose)	7,500			7,500
2/2/96	Chevron Corporation	(San Francisco)	50,000			50,000
2/2/96	BankAmerica Corporation	(San Francisco)	50,000			50,000
2/2/96	Superior Industries International, Inc.	(Van Nuys)	5,000			5,000
2/5/96	SyQuest	(Fremont)	10,000			10,000
2/5/96	Molecular Biosystems, Inc.	(San Diego)	5,000			5,000
2/7/96	Caers Corporation	(Los Gatos)	5,000			5,000

## WHO'S REALLY BEHIND PROPOSITIONS 200, 201 and 202 ..

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 (LF - indicates the amount of loans forgiven)

Date(s)	Contributor	Occupation/Employer (as listed on filing with California Secretary of State)	Monetary Contributions (Schedule A)	Loans (Schedule B)	Non-monetary conitributions (Schedule C)	Total
2/7/96	California Microwave, Inc.	(Sunnyvale)	25,000			25,000
2/7/96	ParcPlace-Digitalk, Inc.	(Sunnyvale)	25,000			25,000
2/7/96	Chance, Douglas C.	(Portola Valley)	250			250
2/7/96	General Atomics	(San Diego)	500			500
2/8/96	Ackerman, Peter	Private Investor, Rockport Capital, Inc. (Washington, DC)	20,000			20,000
2/8/96	Franklin Resources, Inc.	(San Mateo)	10,000			10,000
2/8/96	Dionex Corporation	(Sunnyvale)	50,000			50,000
2/8/96	Mayfield Fund	(San Mateo)	25,000			50,000
3/5/96			25,000			
2/9/96	Avery Construction Co.	(Mountain View)	1,000			1,000
2/9/96	Alliance Pharmaceutical Corporation	(San Diego)	10,000			10,000
2/9/96	LSI Logic Corporation	(Milpitas)	25,000			25,000
2/9/96	De Dominic, Patty	President and CEO, PDQ Personnel Service Inc. (Los Angeles)	100			100
2/9/96	Sequana Therapeutics, Inc.	(La Jolla)	5,000			5,000
2/9/96	Curris Logic, Inc.	(Fremont)	100,000			100,000
2/10/96	Tuttle-Click Ford	(Irvine)	16,667			16,667
2/10/96	Tuttle-Click, Inc.	(Irvine)	16,667			16,667
2/10/96	Tustin Dodge	(Tustin)	16,667			16,667
2/10/96	Biomagnetic Technologies	(San Diego)	3,000			3,000
2/10/96	Robertson Stephens & Co.	(San Francisco)	25,000			25,000
2/10/96	Basic American, Inc.	(San Francisco)	50,000			50,000
2/10/96	Mark Feldberg Sep Prot Ti	(Carmel)	200			200
1/1/96	Con Xion Corporation	(San Jose)			495	495
2/12./96	Genetronics, Inc.	(Century City)	100			100
2/12./96	ISIS Pharmaceuticals	(Carlsbad)	5,000			5,000
2/12./96	Gensia, Inc.	(San Diego)	10,000			10,000



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2/12./96	Sybase	(Emeryville)	50,000			50,000
2/12./96	Fabless Semiconductor Association	(Dallas)	20,000			20,000
2/13/96	Amylin Pharmaceuticals	(San Diego)	10,000			10,000
2/14/96	Rexball Industries, Inc.	(Lancaster)	1,000			1,000
2/14/96	Amdahl Corporation	(Sunnyvale)	50,000			50,000
2/14/96	Bowers, Ann S.	Trustee, Noyce Foundation (Palo Alto)	1,000			1,000
2/14/96	TRW, Inc.	(Cleveland)	5,000			5,000
2/14/96	Huston, William T.	President, Watson Land Company (Los Angeles)	5,000			5,000
2/15/96	Vivra Incorporated	(Aliso Viejo)	5,000			5,000
2/15/96	Prizm Pharmaceuticals, Inc.	(San Diego)	500			500
2/15/96	Price Waterhouse	(Washington D.C.)	25,000			25,000
2/16/96	Leonard H. Straus	Chairman, Store of Knowledge (Los Angeles)	1,000			1,000
2/20/96	Overland Data, Inc.	(San Diego)	1,000			1,000
2/20/96	Giant Group, Ltd.	(Beverly Hills)	17,500			17,500
2/20/96	Mycogea	(San Diego)	10,000			10,000
2/20/96	Cytel Corporation	(San Diego)	10,000			10,000
2/20/96	Jefferies & Company, Inc.	(Los Angeles)	20,000			20,000
2/20/96	Lidak Pharmaceuticals	(La Jolla)	5,000			5,000
2/20/96	Brody, David	Assistant to General Counsel, Fremont General (Malibu)	100			100
2/20/96	Jamison, J. Burgess	Partner, Sigma Management II, L.P., (Menlo Park)	138,160			138,160
2/21/96	Software Technologies Corp	(Arcadia)	1,000			1,000
2/21/96	Aspect Telecommunications	(San Jose)	50,000			50,000

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2/22/96	Bowes, William K. Jr.	General Partner, U.S. Venture Partners	40,000			40,000
2/22/96	La Jolla Pharmaceutical Co.	(San Diego)	1,000			1,000
2/22/96	Advanced Tissue Sciences	(La Jolla)	10,000			10,000
2/22/96	S3, Incorporated	(Santa Clarita)	50,000			50,000
2/22/96	Pulizzi Engineering, Inc.	(Santa Ana)	200			200
2/22/96	Corvas International	(San Diego)	10,000			10,000
2/22/96	Arthur Andersen L.L.P.	(San Francisco)	25,000			25,000
2/23/96	E.M.C. Corporation	(Hopkinton)	10,000			10,000
2/23/96	3Com	(Santa Clara)	50,000			50,000
2/23/96	Autodesk, Inc.	(San Rafael)	50,000			50,000
2/23/96	Houghten Pharmaceuticals, Inc.	(San Diego)	10,000			10,000
2/23/96	KLA Instruments Corporation	(Santa Clara)	5,000			5,000
2/23/96	Fluegel, Frederick K.	Managing Partner, Matrix Partner (Atherton)	5,000			5,000
2/23/96	Bingham, W. Richard	Parner, American Industrial Partners (San Francisco)	1,000			1,000
2/26/96	VeriFone, Inc.	(Redwood City)	25,000			25,000
2/26/96	Pacific Tetesis	(San Francisco)	50,000			50,000
2/26/96	Cisco Systems, Inc.	(San Jose)	50,000			50,000
2/26/96	Coopers & Lybrand	(San Francisco)	25,000			25,000
2/26/96	Kurtzig, Sandra	Founder, Retired Chairman & CEO, The ASK Group (Menlo Park)	10,000			10,000
2/26/96	Schlater, James M.	Chairman, Molecular Dynamics (Mountain View)	1,000			1,000
2/26/96	Carreker	(Saratoga)	1,000			1,000
2/26/96	American Electronics Association PAC	(Sacramento)	7,500			23,000
3/7/96			15,500			

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Date(s)	Contributor	Occupation/Employer (as listed on filing with California Secretary of State)	Monetary Contributions (Schedule A)	Loans (Schedule B)	Non-monetary contributions (Schedule C)	Total
2/26/96	Futrell, Dr. Michael	Physician, The Cardiology Clinic (Shreveport)	200			200
2/26/96	Lucas Dealership Group, Inc.	(Cupertino)	10,000			10,000
2/26/96	Contractors Wardrobe	(Valencia)	200			200
2/26/96	Alpha Transform, Inc.	(Long Beach)	100			100
2/27/96	Irvin, Robert G.	Chairman, ATI systems, Inc. (Pacific Palisades)	200			200
2/27/96	Katell, Gerald L.	President, Katell Properties (Pacific Palisades)	200			200
2/27/96	Elliott, Sam	Managing Director, Alexander & Alexander (Manhattan Beach)	200			200
2/27/96	Leegin	(City of Industry)	1,000			1,000
2/27/96	Graham, Howard H.	CFO, Informix Software (Monte Sereno)	1,000			1,000
2/27/96	Conner, Donn B.	President, Reed, Conner & Birdwell (Los Angeles)	200			200
2/27/96	Alvarez, Ron	VP., Americas Informix Software (San Francisco)	1,000			1,000
2/27/96	McConnell, Thomas C.	General Partner, New Enterprises Associates (San Francisco)	1,000			1,000
2/27/96	Tai, William P.	Partner, Walden (San Francisco)	1,000			1,000
2/28/96	Sunkist Growers, Inc.	(Sherman Oaks)	5,000			5,000
2/28/96	Russell, Christine A.	Chief Financial Officer, Sygnus Support (Los Gatos)	150			150
2/28/96	Haas, Cliff	Partner, Sigma Management II, L.P. (Menlo Park)	23,287			23,287

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Date(s)	Contributor	Occupation/Employer (as listed on filing with California Secretary of State)	Monetary Contributions (Schedule A)	Loans (Schedule B)	Non-monetary conitributions (Schedule C)	Total
2/28/96	Woodson, Wade	Partner, Sigma Management II, L.P. (Menlo Park)	26,750			26,750
2/28/96	C.J. Segerstrom & Sons	(Costa Mesa)	15,000			15,000
2/28/96	DHL Airways, Inc.	(Redwood City)	10,000			10,000
2/28/96	Allied Telesyn International	(Sunnyvale)	1,000			1,000
2/28/96	Union Oil Company of California dba Unocal	(El Segundo)	75,000			75,000
2/29/96	Adobe Systems Incorporated	(Mountain View)	200,000			200,000
2/29/96	Atlantic Richfield Company	(Los Angeles)	25,000			25,000
2/29/96	Sherman, Steven E.	Partner, Sherman & Sterling	500			500
2/29/96	Lauder, Laura	Partner, Lauder Partners	5,000			5,000
2/29/96	Halprin, Stephen E.	General Partner, Oscoo Ventures (Portola Valley)	1,000			1,000
2/29/96	Auspex Systems, Inc.	(Santa Clara)	5,000			5,000
2/29/96	Hambrecht & Quist	Partner, Bryam & Edwards	10,000			10,000
2/29/96	Hichcock, F.E. Jr.	Chair/CEO, Hitchcock Automotive Resources (Industry)	1,500			1,500
2/29/96	Insync Systems, Inc.	(Milpitas)	5,000			5,000
3/1/96	Warner Development	(Huntington Park)	5,000			5,000
3/1/96	Crane, Christopher A.	Self employed (La Jolla)	100			100
3/1/96	Rosenthal, Leon E.	retired (Hillsborough)	100			100
3/1/96	Van Ness, W. Denman	Partner, Olympic Venture Partners	1,000			1,000
3/1/96	Messmer, Harold M, Jr.	CEO, Robert Half International, (Menlo Park)	1,000			1,000
3/1/96	NEA Development Corp.	(Baltimore)	25,000			25,000
3/1/96	National Venture Capital Association	(Arlington)	10,000			10,000
3/1/96	Tencor	(Mountain View)	25,000			25,000

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3/1/96	Goldman, Richard N.	Chairman & CEO, Goldman Insurance (San Francisco)	10,000			10,000
3/1/96	StorMedia, Inc.	(Santa Clara)	25,000			25,000
3/1/96	Conceptus, Inc.	(San Carlos)	5,000			5,000
3/1/96	Penederm, Inc.	(Foster City)	2,000			2,000
3/1/96	Johnson Machinery Co.	(Riverside)	10,000			10,000
3/4/96	Whiting, Douglas L.	V.P., Stac Storage & Communications (Carlsbad)	2,500			2,500
3/4/96	Applied Digital Access	(San Diego)	10,000			10,000
3/4/96	Wathen, Thomas W.	Chairman, Pinkerton's, Inc. (Encino)	1,000			1,000
3/4/96	Sippi, Roger	retired, Visigeaic Software (Woodside)	10,000			10,000
3/4/96	Public Storage, PSCC, Inc.	(Glendale)	100,000			100,000
3/4/96	Bush, James E.	Physician (San Diego)	100			100
3/4/96	Southern California Edison Company	(Rosemead)	25,000			25,000
3/4/96	Morgan Stanley & Co., Inc.	(New York)	50,000			50,000
3/4/96	Farr Company	(El Segundo)	1,000			1,000
3/4/96	Dolby Laboratories, Inc.	(San Francisco)	1,000			1,000
3/4/96	The Lurie Company	(San Francisco)	5,000			5,000
3/4/96	XOMA Corporation	(Berkeley)	10,000			10,000
3/4/96	Ash, C. William	self employed (Half Moon Bay)	500			500
3/4/96	Paine, F. Ward	Partner, Oscco Ventures	1,000			1,000
3/4/96	Alza Corporation	(Palo Alto)	2,500			2,500
3/4/96	Landec Corporation	(Menlo Park)	1,000			1,000
3/5/96	Draper International	(San Francisco)	500			500
3/5/96	Volz, William J.	(Saratoga)	100			100
3/5/96	Ammirati Regulatory Consulting	(Los Altos)	100			100
3/5/96	Dickman, John D.	Chair & CEO, Affymetrix	250			250

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Date(s)	Contributor	Occupation/Employer (as listed on filing with California Secretary of State)	Monetary Contributions (Schedule A)	Loans (Schedule B)	Non-monetary conitributions (Schedule C)	Total
3/5/96	Sutter Hill Management Company	(Palo Alto)	10,000			10,000
3/5/96	Silicon Valley Bank	(Santa Clara)	2,500			2,500
3/5/96	Orbit Semiconductor, Inc.	(Sunnyvale)	5,000			5,000
3/5/96	Kvamme, E. Floyd	Partner, Kleiner Perkins Caufield & Byers (Menlo Park)	51,040.38			51,040.38
3/6/96	Heidrich, A. Grant, III	Partner, Mayfield (Menlo Park)	10,000			10,000
3/6/96	Genentech, Inc.	(South San Francisco)	25,000			25,000
3/6/96	Sevin Rosen Bayless Management Company	(Dallas)	20,000			20,000
3/6/96	Sevin Rosen V Management Company	(Dallas)	15,000			15,000
3/6/96	Sevin Rosen Management Company	(Dallas)	15,000			15,000
3/6/96	Northwest Venture Services Corporation	(Kirkland)	3,000			3,000
3/6/96	Verity, Inc.	(Mountain View)	2,500			2,500
3/6/96	Schock, John	Partner, Asset Mangement Co. (Woodside)	1,000			1,000
3/6/96	Asset Management Co.	(Palo Alto)	1,000			1,000
3/6/96	Mouri, Richard	self-employed landlord (South Pasadena)	500			500
3/6/96	Euphonix, Inc.	(Palo Alto)	1,000			1,000
3/6/96	Jones, Robert Trent, II	(Palo Alto)	250			250
3/6/96	Jarve, John W.	General Partners, Menlo Ventures (Atherton)	1,000			1,000
3/6/96	John H. Kautz Farms	(Lodi)	200			200
3/7/96	Centigram Communications Corporation	(San Jose)	10,000			10,000

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3/7/96	Grossman, Allan I.	Attorney at Law, O'Melveny & Myers (Los Angeles)	500			500
3/7/96	Institutional Venture Management IV	(Menlo Park)	10,000			10,000
3/7/96	Exxon Corporation	(Irving)	25,000			25,000
3/7/96	Ultratech Stepper, Inc.	(San Jose)	5,000			5,000
3/7/96	Interwest Management Partners III	(Menlo Park)	5,000			5,000
3/7/96	Western Atlas, Inc.	(Beverly Hills)	25,000			25,000
3/7/96	Kalb, Jeffrey C.	President and CEO, California Micro Devices (Saratoga)	1,000			1,000
3/7/96	Yellow Cab Co-Operative, Inc.	(San Francisco)	500			500
3/7/96	Insignia Solutions, Inc.	(Mountain View)	1,000			1,000
3/7/96	Hausman, Warren H.	Professor, Stanford University, Dept. Engineering (Stanford)	100			100
3/7/96	Acuson Corporation	(Mountain View)	25,000			25,000
3/7/96	Cowart, Jim C.	Chairman and CEO, Auroa Electronics, Inc. (Irvine)	5,000			5,000
3/8/96	The Contrarian Group, Inc.	(Newport Beach)	1,000			1,000
3/8/96	COHU, Inc.	(San Diego)	2,000			2,000
3/8/96	Integral Capital Management II	(Palo Alto)	4,670			4,670
3/8/96	Network Appliance	(Mountain View)	25,000			25,000
3/8/96	Young, Eric A.	General Partner, Canaan Partners (Palo Alto)	1,000			1,000
3/8/96	Mumford, John B.	Partner Crosspoint Venture Partners (Los Altos)	1,000			1,000
3/8/96	Franz, Inc.	(Berkeley)	250			250
3/8/96	Pyramid Technology Corporation	(San Jose)	35,000			35,000

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3/8/96	Integral Capital Management II	(Menlo Park)	5,330			5,330
3/8/96	Novell, Inc.	(Orem)	25,000			25,000
3/8/96	Pyxis Corporation	(San Diego)	9,950			9,950
3/8/96	TriQuint Semiconductor	(Beaverton)	10,000			10,000
3/8/96	Carlisle, Doug	Partner, Menlo Ventures (Menlo Park)	8,880			8,880
3/8/96	Doerr, John	Partner, Kleine Perkins Caufield & Byers (Menlo Park)	46,295.50			46,295.50
3/9/96	Tunney, Frances R, Jr.	Corporate Vice President, Allergan, Inc. (Newport Beach)	100			100
3/9/96	Network General Corporation	(Menlo Park)	10,000			10,000
3/9/96	Sierra Semiconductor	(San Jose)	50,000			50,000
3/9/96	Synopsys, Inc.	(Mountain View)	10,000			10,000
3/9/96	Wind River Systems, Inc.	(Alameda)	2,000			2,000
3/9/96	Coherent, Inc.	(Santa Clara)	5,000			5,000
3/9/96	Horowitz, Joseph H.	Venture Capitalist (Atherton)	1,000			1,000
3/9/96	Bartsch, Russell & Moeller Ltd.	(San Diego)	100			100
3/7/96	Berg, Carl	President, Berg & Berg (Cupertino)		250,000		250,000
<b>TOTAL</b>			<b>7,427,748.60</b>	<b>3,325,549.00</b>	<b>203,622.50</b>	<b>10,956,920.10</b>



EXHIBIT 7

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**"IS AUTO INSURANCE  
REFORM BILL 1762 PERFECT?  
NO, IT IS NOT."**

**"IS IT A TREMENDOUS  
IMPROVEMENT OVER  
TODAY'S SYSTEM?  
YES, IT IS!"**

— Andrew Tobias,  
Financial Writer, Software Author,  
and Consumer Advocate

**F**ollowing literally years of discussion, the 1995 Hawaii State Legislature passed Auto Insurance Reform Bill 1762, which will save Hawaii consumers **HUNDREDS OF MILLIONS OF DOLLARS** annually, by cutting auto insurance rates by an average 45%. Bill 1762 achieves this by taking the "no-fault" concept literally, so that each policyholder's family will be protected by their own insurance coverage. If you're in an accident, you're covered. No lawsuits, no delays, no huge legal bills.

And by reducing lawsuits, lowering legal expenses, removing incentives to inflate claims, and cutting administrative costs, Bill 1762 helps reduce premiums even while increasing coverage.

But certain special interest groups are pressuring for a veto. They claim "losing the right to sue" isn't worth the savings to all of us...though they fail to mention that the "right to sue" is worthless if you're injured by an uninsured driver with no assets to go after. They also say we should go back next year and start all over again...meanwhile, they're happy to profit from the current system.

**SUPPORT  
AUTO  
INSURANCE  
REFORM**

A message presented in the public interest  
by State Farm Insurance.

The simple fact is that consumers will see **SIGNIFICANT** savings of money, time, and hassle under the new system. Hawaii can go from one of the highest insurance rates in the country, to among the lowest.

If you'd like to see Auto Insurance Reform Bill 1762 signed into law now, please call, fax, or write your state legislators today, and **CALL THE GOVERNOR'S OFFICE AT 586-0034**, or fax 586-0006.

EXHIBIT 8

ALLIANCE  
REVITALIZE  
CALIFORNIA

July 31, 1995

Ms. Rosemary Shahan  
Motor Voters  
1500 W. El Camino Ave., Suite 1419  
Sacramento, CA 95833

Dear Rosemary:

I can appreciate your desire not to get bogged down in a debate over issues that are of little importance to your organization, so I'd like to propose a very modest step you could take to insure that more of your time and energy is not wasted on this. Just send Harvey Rosenfield a letter instructing him not to cite you or your group as opponents of our initiatives, and send us a copy.

I realize that you would prefer simply to do nothing. But keep in mind that we feel very strongly about the causes we are fighting for and will be very aggressive in taking on our opponents. So unless you are prepared to defend your position (and we do intend to put the individual signatories to the statement on the spot), you need to do something to stop Harvey from citing you as an opponent.

I am sorry that you didn't call me or anyone else at Voter Revolt or the Alliance before you signed the statement. I could have explained to you that in addition to the other good things no-fault would do for consumers, it would help promote safer cars. Under no-fault, insurers pay benefits to cover injuries suffered by their own policy holders. That makes it possible for your insurer to offer you a bigger discount for airbags and other safety devices since your use of them saves it money. Under the present liability system, your insurer covers you primarily for harm you cause to others, so your use of an airbag saves it very little (or nothing if you only have liability insurance). As a result, there's no reason for your insurer to offer you much of a discount for an airbag.

Please, take the time to at least speak with us and consider all of the arguments on both sides of this debate...or remove yourself from the campaign against us.

Sincerely,



Michael Johnson

P.O. Box 1980  
Santa Monica, CA 90406

February 11, 1996

Mr. Andrew Tobias  
787 N.E. 71st Street  
Miami, Florida 33138

Mr. Tobias:

For eight months, you have been arrogantly hectoring consumer advocates across California with telephone calls, faxes, rambling letters and e-mail, threatening to publicly punish them if they do not withdraw their opposition to your insurance industry, Wall Street and Silicon Valley big business initiatives, Propositions 200, 201 and 202.

You and your minions warned Rosemary Shahan, founder of Consumers for Auto Reliability and Safety, to "keep in mind that we feel very strongly about the causes we are fighting for and will be very aggressive in taking on our opponents. So unless you are prepared to defend your position (and we do intend to put the individual signatories on the spot), you need to do something to stop Harvey from citing you as an opponent [of the initiatives]." (July 31, 1995 Alliance letter).

You have privately threatened to hold a news conference denouncing Consumers Union, publisher of Consumer Reports magazine, for its opposition to your measures.

Last Friday, you made good on your threat to disparage those who oppose you by publishing a petulant, false (not to mention wildly egocentric) full page advertisement attacking University of San Diego law professor and children's rights advocate Robert Fellmeth in the USD student newspaper, for "opposing universal auto-injury insurance for children," and suggesting that he had "put the interests of lawyers...ahead of the interests of injured children." (Vista, February 8, 1996).

Finally, yesterday, you attacked Ralph Nader at a hearing in the state legislature on Proposition 200, claiming that his opposition to Prop. 200 is based on financial support from attorneys.

All this mud-slinging is from someone who is neck deep in insurance industry and corporate muck (and money) -- from Hawaii, where State Farm paraded you around the state's news media in support of no fault auto insurance legislation and paid for your advertising, to California, where insurance companies and big businesses are funding your campaign to screw consumers and big Wall Street investment firms actually paid you to promote the initiatives in California.

Your clumsy, brash efforts to intimidate reputable citizen advocates have, of course, been a failure (even the one person who you claim has changed his mind as a result of your calls, Reverend Cornelius Taylor, told us he still opposes the initiatives but told you he didn't just to get you off his back. In any case, the California NAACP is opposed). While the coalition opposing Propositions 200, 201 and 202 is a uniquely diverse group of civic leaders, we have one thing in common: most of us have spent our lives fighting powerful, wealthy special interests like your political bedfellows.

However, while your targets may have chosen not to bother to respond to your remarks, I believe the record needs to be set straight.

In contrast to what you told Rosemary Shahan, no fault will not prevent injuries or deaths or safer cars. In fact, the absence of personal responsibility which is the hallmark of no fault leads to increased recklessness and drunk driving -- as studies have suggested.

Consumers Union, which supports some form of no fault, opposes your Prop. 200 (and the other initiatives) because they are grossly unfair and arbitrary and give insurance companies and other institutional wrongdoers too much control over consumers. (Bob Hunter, the founder of the National Insurance Consumer Organization and presently Insurance Director for the Consumer Federation of America consumer advocate, shares the same view of Prop. 200).

And, contradicting your effort to bully Bob Fellmeth, Prop. 200 is demonstrably disastrous for children, whose death in a car accident caused by a reckless

driver is worth little more under no fault than the car they were driving in. Should a child be left permanently disabled, Prop. 200 offers only a pittance in medical benefits, no wage loss and no compensation for a child's lost potential as a productive member of society. By the way, as California's State Bar monitor, Robert Fellmeth did more to protect consumers against errant lawyers than anyone else in California. His work is in marked contrast to your initiatives, which would remove consumer protections and leave consumers vulnerable to lawyers for insurance companies, swindlers and toxic polluters.

Finally, as for yesterday's cowardly attack on Ralph Nader's credibility: Nader has been America's public citizen for the consumer's health, safety and economic well-being for thirty-five years. Nader advocates highway and auto safety, and he has worked to encourage the insurance industry to do the same. When it comes to defending and advancing the civil justice system to protect Americans who are injured by the misbehavior of others, Nader leads the way, and has welcomed the rest of the nation, including attorneys and insurance companies, to recognize the consumer protection issues at stake and join the cause.

When lawyers undercut consumers' interests, as they did in Texas recently and in California in 1988, or when lawyers propose settlements in airline or automobile class action lawsuits that give consumer too little, Nader has intervened in strong opposition. When insurance companies jack up rates without justification or sponsor proposals to enrich themselves at the expense of injured motorists, from Hawaii to Rhode Island, Nader can be counted on to stand up for the average person.

Nader has never benefited personally in any way from any of his work. He has never accepted one dollar for his efforts on behalf of consumers. And, contrary to your false statements -- standard fare from the insurance industry republished by a magazine that is funding your initiatives -- the many non-profit groups Ralph has launched have probably received more donations from insurance companies than from lawyers.

That an abusive booster for insurance companies and corporate America like yourself has been masquerading

as a consumer advocate is pitiful enough. As far as we can tell, the only evidence you offer for that proposition is a "media service" award you once received from the Consumer Federation of America. Your effort to associate yourself with CFA has since been repudiated by the CFA's affiliate, the Consumer Federation of California, both of which oppose your initiatives. If you are a consumer advocate, so is Charles Keating, State Farm, Kohlberg Kravis and Al Shugart.

But to try to discredit your opposition by going after legitimate consumer advocates is something we simply will not tolerate.

Under our democracy, people like yourself are free to use your wealth to access the legislative process -- even to advocate the denial of access to the judicial branch to everyone else but you and your rich buddies. California has a tradition of welcoming newcomers to participate in our lively political culture. But you, your big money and your big mouth have worn out your welcome in California. Why not peddle your proposals in Florida, where you would have to live with them yourself?

Harvey Rosenfield



EXHIBIT 9

On November 21, this letter was faxed and soon certified mail, and subsequently signed by me. Having been completely unsuccessful in getting you to respond to my letter, read the cover note. It now lists the prospect of publishing the following open letter. Please call if anything that follows is unclear or incorrect. The only thing I do hope is that more than a handful of you actually publish it. We urge you to ask Professor Fellmeth why he is so opposed to our initiative, but he won't even discuss his position.

*An open letter to Professor Robert Fellmeth*

Dear Professor Fellmeth:

You call yourself a "children's advocate," yet you signed an unfair, inaccurate statement vilifying three initiatives that will be on the March ballot. In so doing, among other things, *you are opposing universal auto-injury insurance for children.*

Right now, if a child is hit by a car, the great likelihood, as you surely must know or should at least give me an opportunity to explain, is that today's lawsuit auto insurance system will provide little or nothing. Prop 200 would automatically provide up to \$1 million for actual damages and up to \$250,000 for pain and suffering. *And that would apply to every child in the state under 18 without exception.* Even with a hit and run. Even if hit by an uninsured motorist. Even if it was the child's fault.

Right now, if a child is badly injured while riding in a car, today's lawsuit auto insurance system will ordinarily provide far less than Prop 200. *Every child would be covered*— even the children of uninsured motorists.

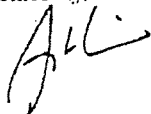
Furthermore, unlike today, if an insurer dragged its feet in making payment, our initiative would impose a 2%-a-month (24% annual) interest penalty. And unlike today, our initiative would guarantee that child the right to sue the recalcitrant insurer for bad faith.

Forget RAND's estimate that drivers will save an average of 48% on auto injury insurance when they buy Prop 200's million-dollar standard policy— a savings middle class families could use to better care for and educate their children. We would like your support simply on the basis of Prop 200's universal coverage for kids.

Is it possible you would put the interests of lawyers, who stand to lose \$2.5 billion a year if Prop 200 passes, ahead of the interests of injured children? I can't imagine you would, and yet at present that's exactly what you are doing.

You have never answered any of my faxes (except the very first one, when you didn't realize who I was); never taken or returned my phone calls; never responded to my repeated dinner invitations. Others, like Reverend Taylor of the NAACP, have disassociated themselves from the June 29 statement you signed, yet you won't even discuss it. Is this the standard of intellectual debate at your Law School?

Sincerely,



Andrew Tobias



Children's Advocacy Institute

February 9, 1995  
Vista Editor

Dear Editor,

On February 8, Vista ran a full page paid ad by an "Andrew Tobias" accusing me personally of forsaking children because I have failed to support publicly an initiative backed by the insurance industry. The ad is not entirely accurate.

Mr. Tobias did contact me and asked us to disavow some comments made about him, and for our support for his initiative. I was well aware of his identity, since he formulated a "Managing Your Money" software system for personal finances that I use. It is an excellent product. And, judging from his initiative, Mr. Tobias should focus on software.

Contrary to his statements, I did respond to him and have correspondence between us in my file. I have declined to support his initiative, joining Ralph Nader and most consumer groups which have studied it, including the largest: Consumers Union of the United States. Nor do other child advocates generally support it. His approach has been to threaten to attack me personally if I did not issue a public statement supporting his position and disavowing various criticisms of him. And he vowed to issue his attack through paid ads in my hometown. Mr. Tobias has the spoiled personae of the rich kid who says: "you better do as I say, or I'll tell your mother you hit me." Such an approach is rarely persuasive over the age of ten.

The *ad hominem* characterizations of Mr. Tobias should not distract from the problems with Proposition 200. Parts of it have merit and we agree with Consumers Union that a strong case can be made for no-fault insurance for minor accidents. Contrary to the traditional position of the trial lawyers, a great deal is wasted in litigating issues of fault in close cases with little injury. The public court and attorney costs can often exceed the amount at issue.

But this measure is poorly drafted for many reasons, and on balance children will not benefit from it. For example, if an irresponsible driver seriously injures a child, medical payment is limited to policy limits, which can (and will) be commonly set at \$50,000. That amount will not meet the needs of children who suffer serious, permanent disability. Even if the driver is egregiously at fault and is fully and easily

Executive Director  
Robert C. Fellmeth

Council for Children

- Thomas Papageorge
- Council Chair
- Bert D. Frandzel
- Harvey, M.D.
- Theodore P. Hurwitz
- Leon Kaplan
- Harvey Levine
- John O'Connor, D.D.S.
- Bill Peterson
- Robert Praxley
- Gary Richwald, M.D.,
- M.P.H.
- John Sadler
- Anna Perez Samson
- John Shumacher, M.D.
- Steven Smith

University of San Diego  
79K Alcalá Park  
San Diego, CA 92110  
(619) 260-4806  
(619) 260-4753 (Fax)

16 J Street  
San Diego, CA 95814  
(415) 444-3875  
(415) 444-6611 (Fax)

Grand Avenue  
San Diego, CA 94610  
(415) 444-7994  
(415) 444-7995 (Fax)

San Diego  
Sacramento  
Oakland

capable of paying for the injury he has caused, he cannot be sued. He is immunized categorically.

The measure has an escape valve to lift recompense higher - but only if the driver is "escaping a felony," hauling hazardous wastes, or is convicted of drunk driving. Only the last happens with any frequency. Thus, it would allow full medical cost recovery where the offending driver is drunk, but not where he is mentally deranged or driving totally irresponsibly for a hundred other reasons.

The needs of the child are not taken into account, and children particularly suffer since they often have the greatest need for assistance above the \$50,000 mark. The lines of this initiative are drawn so the measure can be sold as "hard" on unpopular drunk drivers. We believe that the criminal conviction will address that issue - not arbitrarily limiting medical recompense in tort to the victims of convicted drunk drivers and immunizing virtually everyone else from any civil liability for their carelessness.

Mr. Tobias some years ago proposed a "pay at the pump" auto insurance plan. It assessed a small gas tax add-on to make sure everyone would be covered in a reasonable system. We backed his model when it was introduced in California. But it ran into heavy special interest opposition. Rather than courageously taking on the wrong-headed, Mr. Tobias has chosen to join one of several profit-stake interests in the mix - the insurance industry. That industry unsurprisingly tends to favor high premiums and low claim pay-outs. The utopian benefits Mr. Tobias cites are achievable only if there is a source of funding such as his previous proposal would provide. In contrast, Proposition 200 will finance its promises substantially through the denial of benefits to many who are wrongly injured.

I regret that Vista chose not to let me know about this full-page ad attacking me personally. I learned of it only after its publication. Allowing me to respond in the same issue would be consistent with journalistic standards, and would facilitate first amendment debate - particularly where the publication is a monthly. Whatever the comments of Mr. Tobias may be worth, I hope and trust that my campus newspaper Vista received full and substantial payment for them.

Very sincerely,

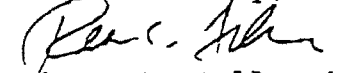
  
Robert C. Fellmeth

EXHIBIT 10

Date	Name and Address	Occupation/Employer	Amount This Period	Cumulative
4/18/95	Arrow Trust, c/o Price Waterhouse 1880 Century Park East, Suite 1600 Los Angeles, CA 90067		\$25,000.00	\$25,000.00
4/18/95	Robert Joost 1208 Geranium Street NW Washington, DC 20012-1734	attorney US Department of Transportation	\$2,000.00	\$2,000.00
4/18/95	Profiles in History 345 N. Maple Drive, Suite 202 Beverly Hills, CA 90210		\$5,000.00	\$5,000.00
4/28/95	Gordon Moore 100 Canada Road Woodside, CA 94026	Chairman, Intel Corporation	\$100,000.00	\$100,000.00
5/1/95	Crittenden & Company 18301 Von Karman, Suite 100 Irvine, CA 92715		\$1,000.00	\$1,000.00
5/1/95	Howard Leach 101 California Street, Suite 4310 San Francisco, CA 94111	Chairman, Leach Capital	\$5,000.00	\$5,000.00
5/1/95	Andrew Tobias 787 N.E. 71st Street Miami, FL 33138	Self-Employed Writer Speaking services donated to ARC, resulting in payment from Keppler Associates, Inc. 4350 N. Fairfax Dr., Suite 700 Arlington, VA 22203	\$10,000.00	\$10,000.00
5/11/95	XILINX, Inc. 2100 Logic Drive San Jose, CA 95124		\$25,000.00	\$25,000.00
5/11/95	Montgomery Securities 600 Montgomery Street San Francisco, CA 94111		\$25,000.00	\$25,000.00
5/11/95	Andrew Tobias 787 N.E. 71st Street Miami, FL 33138	Self-Employed Writer Speaking services donated to ARC, resulting in payment from Towers Perrin, Centre Square East 1500 Market St, Philadelphia, PA 19102-4790	\$12,500.00	\$22,500.00
SUBTOTAL			\$210,500.00	

Continued on Next Page

EXHIBIT II

Loans Received

Statement covers period from February 11, 1996 through March 9, 1996

Alliance to Revitalize California, A Committee for Propositions 200, 201 and 202  
 DW950300

Date	Name and Address (L/G)	Occupation/Employer	Lender Information			Guarantor Information	
			Due Date/ Interest Rate	Amount of Loan	Cumulative to Date Calendar Year	Amount Guaranteed	Cumulative to Date Calendar Year
2/29/96	J.P. Morgan Services Inc. 902 Market Street Wilmington, DE 19801-3015 Tom Proulx 539 Fletcher Drive Atherton, CA 94027	L  G Self-Employed Consultant	Due: 3/26/96 Interest Rate: 8.75%	\$800,000.00	\$1,055,000.00	\$800,000.00	\$1,055,000.00
3/7/96	J.P. Morgan Services Inc. 902 Market Street Wilmington, DE 19801-3015 Tom Proulx 539 Fletcher Drive Atherton, CA 94027	L  G Self-Employed Consultant	Due: 3/26/96 Interest Rate: 8.75%	\$600,000.00	\$1,655,000.00	\$600,000.00	\$1,655,000.00
3/7/96	Carl Berg 10050 Bandlely Drive Cupertino, CA 95014-2188	L President Berg & Berg	Due: 3/26/96 Interest Rate: 8.75%	\$250,000.00	\$250,000.00		
<b>SUBTOTAL</b>				<b>\$1,650,000.00</b>	<b>SUBTOTAL</b>	<b>\$1,400,000.00</b>	

Loans Received - Part I Summary

1. Amount received of \$100 or more this period.
2. Amount received under \$100 this period.
3. Total loans received this period.

	<b>\$1,650,000.00</b>
	<b>\$0.00</b>
<b>TOTAL</b>	<b>\$1,650,000.00</b>

Loans Received - Part II Summary

4. Loans of \$100 or more repaid.
5. Loans under \$100 repaid.
6. Total loans repaid.
7. Net Change this period.

	<b>\$581,300.00</b>
	<b>\$0.00</b>
<b>TOTAL</b>	<b>\$581,300.00</b>
<b>NET</b>	<b>\$1,068,700.00</b>



Schedule B - Part I:  
Loans Received

California 1994 Form 419

Statement covers period from October 1, 1995 through December 31, 1995

ance to Revitalize California ID#950300

Page # 9 of 36

Date	Name and Address (L/G)	Occupation/Employer	Lender Information			Guarantor Information	
			Due Date/ Interest Rate	Amount of Loan	Cumulative to Date Calendar Year	Amount Guaranteed	Cumulative to Date Calendar Year
1/95	J.P. Morgan Services Inc. 902 Market Street Wilmington, DE 19801-3015 Tom Proulx 539 Fletcher Drive Atherton, CA 94027		Due: 3/26/96 Interest Rate: 8.75%	\$60,000.00	\$180,000.00		
		L					
		G	Self-Employed Consultant			\$60,000.00	\$180,000.00
5/96	J.P. Morgan Services Inc. 902 Market Street Wilmington, DE 19801-3015 Tom Proulx 539 Fletcher Drive Atherton, CA 94027		Due: 3/26/96 Interest Rate: 8.75%	\$75,000.00	\$255,000.00		
		L					
		G	Self-Employed Consultant			\$75,000.00	\$255,000.00
			<b>SUBTOTAL</b>	<b>\$135,000.00</b>	<b>SUBTOTAL</b>	<b>\$135,000.00</b>	

Loans Received - Part I Summary

Amount received of \$100 or more this period.  
Amount received under \$100 this period.  
Total loans received this period.

	\$135,000.00
	\$0.00
<b>TOTAL</b>	<b>\$135,000.00</b>

Loans Received - Part II Summary

Loans of \$100 or more repaid.  
Loans under \$100 repaid.  
Total loans repaid.  
Net Change this period.

	\$22,400.00
	\$0.00
<b>TOTAL</b>	<b>\$22,400.00</b>
<b>NET</b>	<b>\$112,600.00</b>

EXHIBIT 12

Schedule G:

Payments Made by an Agent or Independent Contractor

California 1994 Form 419

Statement covers period from October 1, 1995 through December 31, 1995

Page #

30 of 36

ance to Revitalize California ID#950300

Name: Pellstar Communications

8476 Whispering Oak Lane

Orangvale, CA 95662

Name and Address of Payee, Creditor, or Recipient	Code	or Description of Payment	Amount Paid
Egghead Discount Software 7129 Greenback Lane Citrus Heights, CA 95610	G		\$504.60
<b>TOTAL</b>			<b>\$504.60</b>

Name: Thomas A. Proulx

539 Fletcher Drive

Atherton, CA 94027

Name and Address of Payee, Creditor, or Recipient	Code	or Description of Payment	Amount Paid
Reno Air P.O. Box 30059 Reno, NV 89520-3029	T	8/30/95 RA SJC-SNA 9/25/95 RA SFO-LAX-SFO 10/11/95 RA SJC-LAX 10/11/95 RA LAX-SJC	\$63.30 \$328.00 \$164.00 \$184.00
Southwest Airlines Co. P.O. Box 36611 Love Field, Dallas, TX 75235-1611	T	10/4/95 SJC-LAX 10/13/95 SJC-LAX 10/13/95 LAX-SJC	\$161.00 \$144.00 \$72.00
United Airlines P.O. Box 6064 Dearborn, MI 48121	T	9/13/95 SFO-LAX-SFO 9/20/95 SFO-SD-SFO 11/3/95 SFO-LAX-SFO	\$201.00 \$158.00 \$201.00
Alaska Air P.O. Box 68900 Seattle, WA 98168	T	9/30/1995 SJC-Palm Springs 10/1/95 Palm Springs-SJC	\$433.00 \$178.00
Executive Jet Aviation, Inc. P.O. Box 369009 Columbus, OH 43236-9099	T	10/11/95 SJC-SNA-SJC	\$2,964.50
Desert Springs Marriot 74-855 Country Club Drive Palm Desert, CA 92260	T	10/1/95 Desert Palm Springs Marriot	\$306.93
Chic Limousine 641 E. Arques Avenue Sunnyvale, CA 94086	F	9/27/95	\$380.00
National Conference of Christians and Jews 965 Mission Street, Suite 430 San Francisco, CA 94103-2921	F		\$500.00
<b>Proulx Subtotal</b>			<b>\$2,287.30</b>

Continued on Next Page

EXHIBIT 13

*[Handwritten signature]*

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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN JOSE DIVISION

In re SEAGATE TECHNOLOGY )  
SECURITIES LITIGATION )  
\_\_\_\_\_ )

MASTER FILE NO.  
C-84-20756(A)-WAI

This Document Relates To: )  
ALL ACTIONS )  
\_\_\_\_\_ )

DECLARATION OF  
PETER PAGE

1. I am a resident of Mountain View, California.
2. During calendar years 1983 and 1984 I was Terminal Manager for FST Transportation, Inc., a freight forwarder based in San Jose. As Terminal Manager I was in charge of FST's operations. During this time one of FST's major customers was Seagate Technology ("Seagate").

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3. At the end of quarters in calendar years 1983 and 1984, Seagate cleared out its warehouses. FST was directed to make pick-ups on weekends, holidays and late at night, as were other truckers such as North American Van Lines. On these occasions, many of FST's pick-ups were brought to FST's warehouses in Santa Clara or San Jose.

4. I remember particularly one quarter end, either in December 1983 or June 1984, when trailer truck loads of disc drives arrived all night, until well past midnight, at FST's warehouse from Seagate. In all, Seagate stored in FST's warehouse on that occasion 250 pallets of disc drives, at 96 disc drives per pallet. These 250 pallets were kept in the warehouse until at least into the following month.

5. Generally, in at least 85% of the cases, Seagate prepaid all of FST's charges, including any charges for warehousing drives.

I declare under penalty and perjury that the foregoing is true and correct to the best of my knowledge. Executed this 5th day of December, 1989, in Sunnyvale, California.

  
PETER PAGE

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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN JOSE DIVISION

In re SEAGATE TECHNOLOGY )  
SECURITIES LITIGATION )  
\_\_\_\_\_)  
This Document Relates To: )  
ALL ACTIONS )  
\_\_\_\_\_)

MASTER FILE NO.  
C-84-20756(A)-WAI

DECLARATION OF  
GEORGE ARMOUR.

1. I am a resident of San Jose, California.
2. During calendar years 1983 and 1984, I worked as an independent contractor with FST Transportation, Inc. ("FST"). During this time FST performed trucking services for Seagate Technology ("Seagate"). I personally trucked materials among various Seagate facilities in Scotts Valley. I also trucked raw materials and parts to Seagate in Scotts Valley and drove finished goods, which consisted of disc drives, from Seagate's Scotts Valley facilities to other locations. Among these locations to which I would truck finished

2 goods from Seagate were the San Jose Airport, the San Francisco  
3 Airport, PST's warehouses in Santa Clara or San Jose, and a parking  
4 lot in Scotts Valley.

5 3. The parking lot in Scotts Valley which I referred to in  
6 the preceding paragraph used to be at or next to the location of an  
7 amusement park called Santa's Village. (I believe this parking lot  
8 is now used as a parking lot for ridesharers.) In this parking lot  
9 PST, acting for Seagate, parked large tractor trailers filled with  
10 finished goods from Seagate's Scotts Valley facilities. These tractor  
11 trailers were backed up, rear door to rear door, and locked, and there  
12 were security guards patrolling the premises. In addition to finished  
13 goods from Seagate's Scotts Valley facilities, there were also  
14 contained in tractor trailers parked in this lot raw materials or  
16 parts. I understood that these raw materials or parts were stored in  
16 this lot so that Seagate would not have to record them in Seagate's  
17 inventory for particular periods.

18 4. At one time there were up to six full tractor trailers  
19 parked in this parking lot at Santa's Village. These tractor trailers  
20 stayed at the Santa's Village parking lot for four to eight months on  
21 at least some occasions. The tractor trailers were leased by PST from  
22 AJF, a truck leasing business based in St. Louis with offices in San  
23 Jose. On at least two occasions I picked up trucks from AJF's  
24 facilities in San Jose, drove these tractor trailers to the Santa's  
25 Village lot, and then returned those same trailers to AJF six months  
26 later. As far as I know, on these two occasions the tractor trailers  
27 that I picked up at AJF and subsequently returned to AJF had at all  
28 times remained in the Santa's Village parking lot filled with Seagate  
finished goods, raw materials, or parts.



2 5. The trucking that I did for Seagate was especially hectic  
3 at the close of quarters. It was at this time in particular that I  
4 and other truckers picked up finished goods or disc drives from  
5 Seagate's Scotts Valley facilities and drove them to the Santa's  
6 Village parking lot for storage or else to FST's warehouses for  
7 storage. I understand that sometimes disc drives were stored in FST's  
8 warehouses for some amount of time. In addition, sometimes tractor  
9 trailers filled with finished goods would stay on FST's premises for  
10 at least two or three days. Generally, at the end of the quarters  
11 during calendar years 1983 and 1984, I and other FST truck drivers  
12 assigned to Seagate business would work sixteen or eighteen hour days.  
13 I believe that other Seagate truckers, apart from FST, generally  
14 worked very long hours at quarter end, including North American Van  
15 Lines.

16 I declare under penalty and perjury that the foregoing is true  
17 and correct to the best of my knowledge. Executed this 5th day of  
18 December, 1989, in San Jose, California.

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22 George Abour  
23 GEORGE ABOUR  
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EXHIBIT 14

ALLIANCE  
REVITALIZE  
CALIFORNIA

A CONSUMER BUSINESS  
PARTNERSHIP FOR TORT REFORM

MEMORANDUM

BOARD OF DIRECTORS

THOMAS A. PROULX

*Chairman*

*Author, Question, Consumer's Bill of*

MICHAEL S. JOHNSON

*Executive Director*

*Consumer Advocate*

MANE J. STEUBERT

*Chairman of CEO Support Initiative*

ANDREW TORRES

*Author, Winner of Consumer Education*

*of America Media Service Award*

BILL WESTERMEYER

*Executive Director, Voter Action*

BOARD OF SPONSORS

*Partial Listing*

ELL BRODY

*Chairman, San Antonio*

ROBERT GILLES

*President, Builders-Construction*

CHRISTOPHER COX

*U.S. Representative*

GARRY GILLES

*Former Executive Director*

*Utility Consumer Action Network*

DAVID F. FAUSTMAN

*Chairman, California DeSoto Foundation*

DOE FOSTER

*Chairman, CEO, The Gap*

STEVE FORRES

*Publisher, Forbes Magazine*

JOHN S. HERRINGTON

*Chairman, California Republican Party*

PHILIP K. HOWARD

*Author, The Death of Common Sense*

ROBERT H. JOOST

*Author, Auto Insurance and No-Fault Law '84*

ED McCracken

*Chairman of CEO, Johnson Controls*

GORDON T. MOORE

*Chairman, Intel Corporation*

CHRI PRINCE

*Member, Republican Party*

T. GARY ROGERS

*Chairman of CEO, Director, Grand Jury Council*

GEORGE F. SHULTZ

*Former Secretary of State*

TOM STODDARD

*Former Executive Director*

*United Legal Defense Fund*

PHYLLIS BERROTH

*President, Consumer Group*

DATE: November 15, 1995  
TO: Tom Proulx  
FROM: ARC Campaign Senior Staff  
RE: Steinberg polling data; no-fault

Arnold Steinberg recently conducted an exhaustive public opinion survey on all three of our proposed initiatives. His results reveal a great deal about the probability of our success and the strategy most appropriate for our campaign.

Steinberg polled an unusually large sample of likely California primary voters. A total of 1800 interviews were conducted between August 16 and August 31. The sample was divided into three parts. Each of the 600-person subsamples were asked detailed questions about one of our three initiatives. Additionally, all 1800 respondents were asked numerous questions that applied to all three initiatives. Thus Steinberg's sophisticated methodology permits us to make reliable assumptions about the three initiatives individually and as a package.

Main Conclusions:

Given 1800 respondents and 102 different questions asked of some or all of them, the data collected is voluminous. However two very salient points emerge that are of particular interest to us.

1) The data clearly indicate that no-fault auto insurance has a better than 50-50 chance of passage...if it is perceived to be part of an overall tort reform package.

2) If voters believe that consumer groups are affiliated with both sides of the battle, the prospects for adoption of no-fault insurance are very favorable. Voter attitudes about lawyer and legal abuse:

3303 FIGUEROA STREET  
SANTA MONICA, CA 90405

TELEPHONE (310) 264-3444

The following questions were asked of all 1800 respondents. No interpretation is necessary to understand their meaning or importance.

Which is closer to your view about lawyers and lawsuits?

- a) Lawyers stir up litigation, like boasting in TV ads about how much money they can get you for accident injuries? 75%
- b) Lawyers do not stir up litigation, they simply represent people who need help. 18%

Which is closer to your view about the fees that lawyers are paid from lawsuits?

- a) These fees are too high; they encourage lawyers to file unnecessary or frivolous lawsuits. 80%
- b) These fees are not too high; they encourage lawyers to fight hard for their clients' rights. 13%

Which is closer to your view about the amount of litigation we have?

- a) We have too much litigation, because many lawsuits should never have been filed or should have been settled out of court. 87%
- b) We do not have too much litigation, because most lawsuits are necessary to protect people's rights. 8%

Which is closer to your view about how litigation affects the economy?

- a) Litigation hurts our economy, because lawsuits burden businesses with unnecessary costs, raising prices and eliminating jobs. 68%
- b) Litigation helps our economy work, because lawsuits protect consumers against dishonest businesses and unsafe products. 21%

Which is closer to your view about the number of lawyers we have?

- a) We have too many lawyers, and, as a result, too many lawsuits. 78%
- b) We do not have too many lawyers, because they are needed to get people their day in court. 15%

Which is closer to your view about how our legal system works?

- a) It works unfairly like a lottery, resulting in some injured people getting far more than they deserve, and others getting little or nothing. 64%
- b) It works fairly in most cases, allowing injured people to get pretty much what they deserve. 29%

The order in which these questions were presented was randomly rotated, as was the order of the two alternative responses presented in each question.

These numbers speak for themselves. They are a powerful indication that if we can frame the debate around these issues, we can win. The Voter Revolt people among us point out that the polling numbers in support of auto insurance reform in 1987 were on the same order as these numbers in support of legal reform. That is, before Proposition 103 even got on the ballot, voters started out in favor of a generic auto insurance reform initiative by margins in the neighborhood of 85% to 15%. It was this lopsided margin that convinced them that Proposition 103 could win, even without an advertising budget. Our campaign begins with comparable numbers on legal reform, and will have an advertising budget.

**Voter attitudes about the three-initiative package:**

After the series of questions above, Steinberg asked all 1800 respondents the following question:

Let me ask you about some ideas to deal with the issues we just discussed. No-fault auto insurance eliminates lawsuits for auto accident injuries, because each driver collects from his own insurance company. Attorney fee limits would limit to 15% the contingency fees that lawyers could charge for cases that settle quickly but would allow clients to pay more for lawsuits that take longer. Loser pays in shareholder lawsuits means if a group of shareholders sues their own corporation, the losing party pays the winning party's legal fees. Generally speaking, do these ideas seem to you to be mainly:

- |                      |     |
|----------------------|-----|
| 1) Good ideas        | 62% |
| 2) Bad ideas         | 17% |
| 3) Unsure/don't know | 21% |

The order of presenting the three ideas was randomly varied and appeared to have little impact on the outcome.

**Voter attitudes about each of the three initiatives:**

Steinberg then asked all 1800 respondents about each of our initiatives separately. Given the publicity and advertising likely to result from the campaigns for and against these initiatives, which will lead to unusually high levels of public awareness, he used the same brief descriptions above rather than the cumbersome and difficult ballot language. The descriptions were recast as ballot initiatives and once again the order was randomly varied.

**Vote on no-fault auto insurance initiative:**

Yes:	63%
No:	25%
Undec.	12%

**Vote on attorney fee limits initiative:**

Yes	70%
No	21%
Undec.	9%

**Vote on shareholder litigation initiative:**

Yes	52%
No	31%
Undec.	17%

**Voter attitudes on each initiative after "push" questions:**

At this point in the survey, Steinberg divided his sample of 1800 respondents into three groups of 600 each. Each group was assigned to one of our three initiatives and was asked a long series of questions in which numerous pro and con arguments were presented about that particular initiative. Thus the "push" was in both directions. Steinberg tried to mimic the campaign scenario by presenting strong arguments for and against the initiative in question. At the end of this series of questions, the respondents were once again asked about their vote on the initiatives. Breaking out the three groups separately, the results were as follows:

Of the 600 presented with pro and con arguments on the no-fault initiative: there was a 7.5% increase in their support as compared to their initial vote.

Of the 600 presented with pro and con arguments on the fee limits initiative: there was a 2.2% increase in their support as compared to their initial vote.

Of the 600 presented with pro and con arguments on the shareholder litigation initiative: there was a 2.8% decrease in their support as compared to their initial vote.

Steinberg's before-and-after vote results indicate that if we can frame these issues around lawyer and legal reform, 1) we will be able to prevent much of the erosion of support for no fault that usually occurs during the course of a campaign, and 2) the no fault and contingency fee limits initiatives have a better than average chance of winning.

In addition to the general conclusion above, Steinberg's results on the impact of individual pro and con arguments on each of the three initiatives provides a road map for us with respect to our own message strategy and the counter arguments we will need to most effectively meet the lawyers' campaign.

**Voter attitudes: lawyers vs. insurance companies:**

Steinberg asked all respondents the following question:

Thinking about any plan to deal with the way in which lawyers and insurance companies function in our society, would you more likely look for guidance from:

He then divided the sample into three randomly selected subsamples of 600 each, and presented each sub-sample with a different pair of alternative answers to this question. Each pair of alternative answers were also randomly varied with respect to which was presented first or second. The results follow:

- |  |     |
|--|-----|
| 1) A coalition of insurance companies.                     | 28% |
| 2) A coalition of lawyers.                                 | 33% |
| 1) A coalition of consumer groups and insurance companies. | 42% |
| 2) A coalition of consumer groups and lawyers.             | 33% |
| 1) A coalition of insurance companies.                     | 15% |
| 2) A coalition of consumer groups and lawyers.             | 60% |

These pairings reveal a great deal about how we can change the usual dynamics in a no fault initiative battle. The difficulty of passing a no fault initiative under the usual circumstances is revealed in the last pairing. When voters perceive the battle to be between insurance companies on the one hand and a coalition of consumer groups and lawyers on the other, they are overwhelmingly inclined to side with the lawyers. However, when consumer groups are perceived to be on both sides of the issue (the second pairing above), the lawyers drop from 60% support to 33% support, and the insurers rise from 15% support to 42% support, thus giving the insurer side of the battle a 42% to 33% edge.

Looking at this data from another angle, in a straight-up contest between insurers and lawyers (the first pairing above), lawyers prevail 33% to 28%. However, when consumers are added to both sides of the equation (the second pairing above), the lawyers realize no benefit and remain exactly where they were before at 33%, but the insurers move up 14% to 42%, a 9% advantage over the lawyers. This observation underscores the critical importance of Voter Revolt being put forward as an equal partner in the fight for no fault and the other initiatives.

**Other data: lawyers vs. insurance companies:**

Before any questions were asked about the initiatives or about tort reform issues, Steinberg asked a series of questions that began with the query:

Thinking about different groups in society, please give me your opinion of each group I mention. Please use a 1-to-6 scale, with 1 meaning not favorable at all and 6 meaning very favorable. Remember, 1-2-3-4-5-6, the higher the number, the higher your opinion of the group I mention.

Summarizing the results and collapsing variations used within each category on subsamples of the total 1800 respondents, these are the results:

Businesses, pro-business organizations, and corporations	4.0
Consumer groups	3.9
Insurance companies, mutual insurance companies	3.0
Elected officials, politicians	2.6
Car dealers, used car dealers	2.5
Lawyers, trial lawyers, personal injury lawyers	2.4

Given the extremely large sample size from which these numbers are derived, the differences, especially between insurance companies and lawyers, are highly significant statistically. It is also important to observe the esteem that these high propensity primary voters have for businesses, especially given that we are likely to be cast as the pro-business side in the coming battle. The label is not likely to hurt us with these voters. In fact, it is clear that the opposite will be the case.

#### Conclusion:

Steinberg came to the following conclusion in his study:

"Our key finding is that when tort reform issues are presented to the electorate, a coalition that includes consumer groups and insurance companies would be more than competitive with a coalition of consumer groups and lawyers. The opportunity for reform is especially propitious given the type of electorate surveyed here, an attempt to simulate a March, 1996, electorate.

"The research convinces me that no fault auto insurance has a better than 50-50 chance as part of an overall tort reform package. This very substantial study indicates that once people see no fault within the context of an overall reform package, its chances of passage are enhanced. Indeed, when voters understand that the battle is not insurance companies against lawyers, or insurance companies against both lawyers and consumer groups, but that consumer groups are divided on the issue, with some consumer groups affiliated with either side, then the prospects for adoption of no fault insurance are very favorable."



EXHIBIT 15



Zimmerman, Markman & Hunter  
Political Consulting and Communications

1230 Sixth Street, #200, Santa Monica, CA 90401  
Telephone (213) 451-2522

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**CALIFORNIA TRIAL LAWYERS ASSOCIATION  
LAS VEGAS  
OCTOBER 18, 1991**

**PROPOSAL**

**Submitted by Bill Zimmerman**

**PREAMBLE**

I hope this will be one of the shorter proposals you receive today. If you are looking for multi-colored charts and pages of boilerplate stuck between slick plastic covers, we're the wrong people for you. Our firm is small, and intentionally so. We don't take over campaigns. We build them. To suit. Out of existing resources, with expertise and talent specifically assembled to get the specific job done. We choose not to bring the same bloated staff to every candidate we work with, or every state we work in, or every issue we work for. We think that is a better way to run our own company, a better way to spend our client's money, and, ultimately, a better way to win on Election Day.

**EXPERIENCE**

Since 1975, I have managed, or produced paid media (advertising) for, more political campaigns than I can count. Actually, I stopped counting at 143. These campaigns included candidates running for President, Senator, Governor, Congressperson, Mayor, City Council, State Assembly, and more. Much of this work took place in California, the rest in 15 other states across the country. Among these campaigns were numerous local and statewide ballot initiatives, primarily in California.



## FAMILIARITY WITH THE ISSUE

In 1987, I assisted in the drafting of Proposition 103, and was responsible for several of its provisions. Following its submission, I managed the signature gathering effort on its behalf, and later all aspects of its ultimately successful campaign.

Since the passage of 103, I have served as the Political Director of Voter Revolt, and have worked side by side with Harvey Rosenfield in the effort to enforce the Proposition. In 1989-90, I was the campaign manager in Conway Collis' unsuccessful race for Insurance Commissioner. During the past four years, I have had occasional contact with CTLA staff and officers, especially in recent months when we worked together to develop strategy in opposition to a possible 1992 no-fault initiative.

## NATURE OF THE COMING CAMPAIGN

The defeat of no-fault, in the Legislature and on the ballot, requires substantial consumer involvement. Public distrust of lawyers means that CTLA cannot be the only voice of opposition. A delicate balance must be struck that enables trial lawyers and consumers to work together to achieve a common goal.

It remains for focus group and polling research to show us the best way to structure this collaboration. For example, separate organizations, one consumer and the other trial lawyer, may be best. Or, alternatively, we might avoid distracting side issues, like campaign sponsorship, by overtly combining consumers and trial lawyers into a single effort. The answer to this question can and should be determined empirically through research.

Regardless of the investment made in paid advertising to oppose a no-fault initiative, substantial free media (press) work will be required. This press work must be creative, in order to get attention, and credible, to move opinion once attention is focused on the issue. Advertising alone is not enough to win this battle, as was amply demonstrated by our victory with Proposition 103 while record expenditures on behalf of Propositions 100 and 104 did not prevent their resounding defeat.

If consumer involvement in opposition to no-fault is important, I am able to play a unique role in managing it. I am now, and always have been, part of the leadership of Voter Revolt. I am a personal friend of Ira Arlook, the National Director of Citizen Action, and am currently a consultant to his organization. I have a longstanding involvement in consumer activism, and am well known to, and trusted by, other leaders of consumer activist groups who might play an important role in the

≡

coming campaign. I am a friend and occasional collaborator of Ralph Nader's, who, more than anyone, could have a decisive role to play in the coming year.

Perhaps most crucial, and most delicate, will be the involvement of Harvey Rosenfield in the effort to defeat no-fault. Harvey's celebrity and credibility, once very high with respect to the insurance issue, have now waned. But a creative campaign could easily resurrect them, leaving him in position to play a powerful role in opposition to no-fault. But Harvey's effectiveness can only be maintained if he remains independent; thus the delicacy of the relationship, and the need for careful management of it.

### OUR FIRM AND ITS RELATIONSHIP WITH CTLA

I will turn now to the specific questions raised in your October 8, 1991, letter to prospective political consultants.

My partner, Pacy Markman, and I manage political campaigns, create political communications strategies, and produce political advertising. Formerly, Mr. Markman had a distinguished, 25-year, career in commercial advertising as a copywriter and creative director, at the end of which he was Executive Vice President and a member of the Board of Directors of DDB Needham, one of the largest ad agencies in the world. Pacy has won virtually every copywriting award there is, including 15 CLIO's, more than anyone I know. He left advertising to devote himself to politics, after moonlighting as a political media person for many years.

If you were to hire our company to manage, or co-manage, the campaign against no-fault, you would get Pacy and me. No one else. I would build the campaign by combining hired specialists with CTLA staff and CTLA's current consultants, and then integrate them with the consumer organizations that could be involved. As manager, I would supervise and coordinate the work of them all. The nature of the specialists, and the extent of reliance on existing CTLA staff and consultants, would be determined by research and the campaign strategy and plan that emerges from it.

CTLA has built a strong staff operation, now well-seasoned in the intricacies of statewide initiative campaigns. It also receives highly capable press assistance from the Metzger firm. It would be pointless and wasteful to ignore this experience, rather than to integrate it, to the maximum extent possible, into the campaign against no-fault. There are no jobs or responsibilities that I would categorically exclude CTLA staff or consultants from performing for the campaign without a specific strategic reason for doing so.

With regard to some of the questions you raised about CTLA leadership and staff involvement in contracting, strategy, and day-to-day operations, my approach is quite simple. If CTLA is paying for the effort, CTLA should be in control of it -- at all levels. Naturally, I would make recommendations in all three of these areas, and would probably have a strong point of view every time. If CTLA lost confidence in my recommendations and judgments, there would be little point in my forcing the issue through contractual obligations. We would simply part company.

I think the campaign against no-fault, as well as CTLA as an ongoing organization, would be significantly strengthened if every aspect of the operation required understanding and approval from a small group of well-informed CTLA officers and staff. Obviously such approval requires effort on the part of the individuals involved to stay well-informed. I would be happy to manage the campaign subject to such an approval process, especially if week-to-week decisions required oversight from only one or two people, while a larger group was responsible for month-to-month decisions.

#### COMPENSATION

Compensation is negotiable. Since our firm is merely providing you with a portion of my time, and to a lesser extent Mr. Markman's time, the fee we would charge would be determined by the portion we agreed would be appropriate at the various stages of the campaign. As a rough yardstick, if one-half of my total time were required, we would bill at \$9,000 to \$12,000 per month (depending on media commissions) to cover my salary and our limited office overhead.

We would also expect to be involved in the paid media (advertising) work done for the campaign. As you know, this work entails a 15% commission on air time and print space purchases. Along with Mr. Markman, I have the capacity, and the experience, to handle every aspect of paid advertising, from writing the scripts to taping the spots to buying the time. We are willing to share the 15% commission with others, if necessary, or rebate a portion of it back to the campaign. The exact formula for doing this, however, will depend on the nature and extent of the work involved, something we cannot know until much later in the effort. We would be happy to leave such a determination to future negotiations.

With respect to contracts with other vendors, we would anticipate a situation in which all line items in the campaign budget were subject to CTLA approval. Similarly with all contracts for consultants and vendors.

Since the actual campaign headquarters might conceivably be in any of several locations, I have one additional requirement. If the campaign is

headquartered outside my office, I want one full-time administrative assistant who could be paid directly by the campaign or through my company.

#### MISCELLANEOUS

Two issues remain. Yes, I would be available to attend other meetings, for example, with local trial lawyer groups around the state. And, no, I am not able to tell you about other 1992 campaigns in which we will be working. We are in negotiations with several. However, I am willing to fully inform you of these relationships as they develop, and I am willing to accept limitations in the number of other campaigns we take on, once we know how much of my time will be required by CTLA.

EXHIBIT 16



**Zimmerman, Markman & Hunter**  
Political Consulting and Communications

1210 Sixth Street, #200, Santa Monica, CA 90401  
Telephone (310) 491-2522

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**MEMORANDUM**

**DATE:** August 19, 1991  
**TO:** Buddy Herzog  
Wayne McClean  
Lenny Esquina  
**FROM:** Bill Zimmerman  
**RE:** Pro-active strategy

I have not yet seen the focus group report, but regardless of how many "silver bullets" the focus groups have revealed for use against a no-fault initiative, we still lack a pro-active strategy and an effective counter initiative. Here are some ideas that might be the basis for further discussion to fill that void.

I know CTIA members are not big fans of initiative campaigns, and I hesitate to recommend one as part of a strategy in the present context, but I believe CTIA would have much to gain by sponsoring a constitutional amendment initiative to protect the tort system.

I have an ~~idea~~ ~~in mind~~ an ultra-simple, three- or four-sentence statement, for example, "No law shall limit any citizen's right to seek just compensation for damage or injury suffered because of negligence or malice by another party. Nor shall any law prevent decisions in such matters from being made by a jury. Nor shall any government entity attempt to regulate the right of a client to enter into a relationship with an attorney hired to represent him in such matters." The wording isn't very elegant, but you get the idea.

An initiative like this could be the basis for countering an attempt by the industry to regulate attorney fees, as well as a long-term pro-active project



for CTIA in which the organization is positioned as providing a public service through a campaign that emphasizes the heroic role of the crusading attorney winning justice for victims of corporate abuse.

The campaign on behalf of an initiative like this would have a great deal of intuitive appeal to voters. We saw in the focus groups how committed people are to the idea that wrongdoers should be held responsible for their actions, and, if given the right kind of hypothetical situation, the idea that justice sometimes requires high levels of compensation. While people are predisposed to dislike attorneys, they are also predisposed to favor the kind of justice delivered by the tort system.

The campaign to win such an initiative would also face serious opposition. The insurers would claim that the initiative was tantamount to a job protection act for lawyers. Nonetheless, I doubt they would prevail. We would respond by inviting voters to read our very simple initiative themselves and see that it is written entirely from the standpoint of protecting their rights. The insurers would counter that the lawyers were paying for it, and we would say that the insurers were paying to defeat it. In the end, faced with a large scale, contradictory, campaign of this nature, I believe the voters would read the initiative themselves and make up their minds in our favor -- if it were brief, easy to understand, and clearly written with their perceived self-interest in mind.

I know it is easy to dismiss this idea by saying that once lawyer sponsorship is revealed, we are goners. But I do not think that is the case. For example, one could run a 60-second spot that opens by reminding viewers of the controversy surrounding the initiative, continues by asking them to make up their own minds by listening to the full text of the initiative (it could be that short!), and then concludes, where the sponsorship line usually appears, with something like, "This message was brought to you, proudly, by the Lawyers Committee for the Public Interest," or some such committee name. If we took that posture during the campaign -- that this was an issue clearly in the public interest, and that lawyers everywhere were proud to stand behind it -- we could both inoculate the public against opposition arguments, and also begin the long-term image-building so necessary for CTIA.

There are other reasons for making a move like this, and at this time. If such an amendment were added to the constitution, it would probably mean the end of the MICRA law. A good deal of support might be available, beyond CTIA's usual resources, for a campaign that would have this outcome.

Finally, you need to consider the fact that your closest friends in the Legislature might not be long for their positions. Given term limits, you must face the real possibility that the current legislative leadership may not survive much longer, and even Democratic control may be lost. It might be an appropriate time to take manageable risks in the present to avoid being put into unwinnable situations in the future.

So much for the first initiative. Let me now further violate your disinclination toward initiatives by suggesting another. The second initiative does not represent a pre-active move, but rather a defensive play to back the industry off plans to sponsor a no-fault initiative. This initiative would force mutual insurance companies to divide surplus income among their shareholders and policyholders instead of squirreling it away in reserves. An initiative like this would also have intuitive appeal to voters, and would be seen as a way to get at least some of the insurance companies to act responsibly toward their policyholders. Given perceptions that the companies are doing very well financially, most people would probably see it as only fair that they divide their wealth among those entitled to share in it.

Obviously this initiative would not serve as an effective counter initiative if the industry went to the ballot with a no-fault law. But it might be used to back them off such a plan, if we could demonstrate through focus groups and polling that it had a decent chance to win on election day.

EXHIBIT 17

**A PHONE BILL YOU COULD LEARN TO LOVE.**

**PHONE FUNDERS**  
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 CARMEL IN 46032-123

**PHONE FUNDERS**  
 LONG DISTANCE  
 VOTER REVOLT

PAGE 2  
 DATE PRINTED 3/23/92  
 ACCOUNT 1234567

JOHN WILLIAMS  
 4318 8TH ST  
 SANTA MONICA CA 90409

DATE TIME	CITY STATE	NUMBER DIALED	MIN	CHARGE
2/27 09:59 AM D	NEW YORK NY	212-555-1892	18	.44
2/28 02:05 PM D	CHICAGO IL	312-980-1424	44	1.07
3/6 11:14 PM N	ORLANDO FL	407-442-0646	2.1	2.32
3/8 09:41 PM D	SAN JOSE CA	408-556-9672	1.33	.51
3/12 09:25 PM E	SAN FRANCISCO CA	415-447-7677	7.4	1.70
3/13 08:13 PM E	SANTA FE CA	505-876-1243	32.4	4.85
3/15 09:00 PM E	BOSTON MA	617-964-1167	15.6	2.33
3/18 08:43 PM E	CLEVELAND OH	216-555-4242	5.4	.81
3/18 08:43 PM E	AUSTIN TX	512-867-4692	8.1	1.45
3/19 02:31 PM D	SAN DIEGO CA	619-887-1245	104.6	18.81

10 CALLS  
 FEDERAL TAX  
 STATE AND LOCAL TAX

SUBTOTAL FOR JOHN WILLIAMS 18.59

**ACCOUNT SUMMARY**

CURRENT CHARGES	18.81	LONG DISTANCE CALLS	18.59
FEDERAL EXCISE TAX	.46	FEDERAL EXCISE TAX	
STATE AND LOCAL TAXES	1.32	STATE AND LOCAL TAXES	
SUBTOTAL CURRENT CHARGES	20.59	SUBTOTAL CURRENT CHARGES	
PREVIOUS BALANCE	00	PREVIOUS BALANCE	
PART DUE NOW	18.59	PART DUE NOW	

**TOTAL DUE NOW: \$18.59**

Tens of thousands of people are already happy with this long distance service.

AT&T would charge you for three minutes for this call. Phone Funders bills you for the time you use in six-second increments. That means big savings.

This will be up to 15% less than you are paying now.

Ten percent\*\* of this total will go to Voter Revolt. Giving to a good cause was never easier.

Call this number for questions about your bill.  
 Call this number for easy credit if you misdial.

**AN EASY WAY TO PUT YOUR MONEY WHERE YOUR MOUTH IS...**

Here's a long-distance company that will give Voter Revolt, 10%\*\* of your phone bill every month. And your phone bill will be up to 15% less than AT&T, MCI and Sprint.\* That's what Phone Funders long-distance is all about.

When you switch to Phone Funders, you won't notice any difference. And that's great. Your calls will still be carried over the finest, 100% fiber-optic lines. You dial \*1\* and your number, just as you do now. There are 24-hour operators, just like AT&T, MCI, and Sprint.\* You can call anywhere in the world, any time of day or night.

But, when you open your long-distance bill every month, you'll see a difference. A big difference. Because Phone Funders offers you a money-saving service that was once only available to business.

AT&T, Sprint and MCI\* all bill their residential customers by the minute. Say you make a call that lasts 2 minutes, 5 seconds. They will bill you for a full 3 minutes. But Phone Funders, which bills in six-second increments, would only charge you for 2 minutes and 6 seconds. A minute here, a dollar there, it can really add up. Even premium programs, like Reach Out America and Friends and Family don't save you as much.

You save up to 15%, Voter Revolt gets 10%\*\* of your bill. It's that easy. It's that terrific.

**FOR MORE INFORMATION, CALL PHONE FUNDERS AT: 800-466-5859**

\*Registered trademarks of these companies.  
 \*\*The actual percentage varies slightly depending on time of day calls are made.

**YES, SIGN ME UP!**

I want lower rates, and I want Voter Revolt to get about 10% of my long distance bill every month. If I am not fully satisfied with this service, I can end it at any time with no obligation.

I hereby authorize Phone Funders, Inc., on behalf of Voter Revolt to act on my agent in choosing my primary interexchange long distance carrier. I understand that I can have only one long distance carrier for a given phone number. I understand that my local telephone company may impose a small one-time charge (the national average is \$2.80) for the switch. I also understand that I will receive a separate bill for long distance service. I request my local telephone company to inform me prior to any future change in my interexchange carrier. If for any reason Phone Funders, Inc., on behalf of Voter Revolt, needs to change my primary interexchange carrier, I hereby authorize them to do so.

Signature: \_\_\_\_\_ Must be person named on current phone bill

Name (Print): \_\_\_\_\_ Must be person named on current phone bill

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Indicate phone number(s) to be switched: \_\_\_\_\_

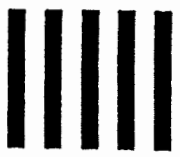
Check if you want calling cards for lower long distance rates away from home.

How many? \_\_\_\_\_

Voter Revolt is a non-profit organization, but contributions to it are not tax deductible because Voter Revolt does grass-roots lobbying.

**PHONE FUNDERS**

Postage  
Necessary  
If Mailed  
in the  
United States

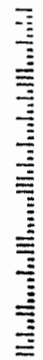


**BUSINESS REPLY CARD**

FIRST CLASS MAIL PERMIT NO. 537 SANTA MONICA CA

Postage will be paid by addressee

PHONE FUNDERS  
1250 6TH STREET, SUITE 200  
SANTA MONICA CA 90401-9720



**HOW CAN SOMETHING SO GOOD BE SO EASY?**

Because Phone Funders is part of a group that buys long distance time at wholesale rates. No money is spent on TV advertising. The savings, and the low rates are passed on to Voter Revolt - and you.

**HOW DO I MAKE CALLS?**

Just like you do now. Dial "1" + the number. For international calls, you just follow the instructions in your local phone book.

**WHAT ABOUT OPERATORS?**

You have 24-hour-a-day access to operators. If you need it, credit is easily available.

**HOW WILL I BE BILLED?**

As with MCI and Sprint, you get a separate long-distance bill every month. Every call will be itemized.

**IS THERE A MONTHLY FEE OR SERVICE CHARGE?**

Absolutely not. You can call as little or as much as you like. There is no minimum.

**WHAT ABOUT CALLING CARDS?**

Tell us how many you want. You'll be able to save money on calls from any phone in the country.

**IS THERE A SWITCH-OVER CHARGE?**

Yes. Your local phone company has a one-time only charge to switch your long-distance service. In California, the charge is \$5.26.

**HOW DO I SIGN UP?**

Easy. Tear off the attached form, fill it out and send it in. We'll do the rest.

**VOTER REVOLT AND YOU**

Voter Revolt is a California consumer organization with over 350,000 supporters, people just like you.

In 1988, Voter Revolt wrote Proposition 103, the insurance reform initiative that won despite massive opposition funded by the insurance companies. While they spent tens of millions on deceptive TV ads, Voter Revolt knocked on 1,000,000 doors to bring the truth directly to California voters.

Since the passage of Proposition 103 in 1988, Voter Revolt has fought for its full and fair enforcement. The insurance companies have used the courts, the regulatory agencies, and the state legislature to stall us. But the fight goes on. Meanwhile, according to the Board of Equalization, 103 is already saving consumers \$2 billion per year.

In 1990, Voter Revolt joined with other California public interest groups to begin an important campaign for health insurance reform. Health care costs are far too high. We need effective cost controls, or health care will bankrupt us all.

Voter Revolt beat the auto insurance industry in 1988. Now, with the extra money Voter Revolt will get from Phone Funders, we can work even harder to lower the cost of health care in California.

Everybody wins. You get lower long distance bills. And, money that now goes to the phone company will go to Voter Revolt.

For more information about Voter Revolt you can call or write:

Voter Revolt  
3325 Wilshire Blvd #550  
Los Angeles CA 90010  
(213) 383-9618

**Support  
Voter Revolt  
With Every  
Long Distance  
Call You Make.**

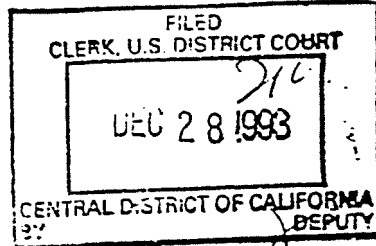
**And Save Money,  
Too!**

**PHONE  
FUNDERS**



1 BRIAN SHEAR, ESQ. BAR NO. 126332  
2 SPOLIN & SILVERMAN  
3 100 Wilshire Boulevard, Suite 940  
4 Santa Monica, California 90401  
5 (310) 576-1221

6 KEVIN MCSHANE, Indiana Bar No. 9861-49  
7 MCSHANE & GORDON  
8 156 East Market Street, Suite 300  
9 Indianapolis, Indiana 46204  
10 (317) 684-0674



11 Attorneys for Defendant  
12 TELECARE, INC.

13 UNITED STATES DISTRICT COURT  
14 CENTRAL DISTRICT OF CALIFORNIA

15	PHONE FUNDERS, INC.,	)	CASE NO. 93-4112-TJH (Sx)
16		)	
17	Plaintiff,	)	
18		)	ANSWER AND AFFIRMATIVE
19	v.	)	DEFENSES
20		)	
21	TELECARE, INC.,	)	
22		)	
23	Defendant.	)	
24		)	
25		)	

26 ANSWER AND AFFIRMATIVE DEFENSES

27 Defendant Telecare, Inc. ("Telecare"), by counsel, and pursuant to the provisions of Rules  
28 7, 8, and 14, Federal Rules of Civil Procedure, hereby submits his Answer and Affirmative  
Defenses to Plaintiff Phone Funders', Inc. ("Phone Funders'") Verified Complaint and Demand for  
Jury Trial, as follows:

29 ANSWER

30 JURISDICTIONAL ALLEGATIONS

31 1. Telecare ADMITS that Phone Funders is a California corporation duly authorized to  
32 transact business in the state of California with its principal place of business in California, as set

33 (10)

1 customer had actually signed the LOA, or that the customer had signed based on  
2 a material misrepresentation or omission of material facts by Phone Funders'  
3 salespeople.

4 19. From its own internal communications, as well as other evidence, it  
5 is apparent that Phone Funders was aware of the problems caused by its staff's  
6 failure to obtain and submit valid LOAs, and to perform follow-up telephone  
7 confirmation calls. Phone Funders knew that its new customers were canceling  
8 their Telecare service because of misrepresentations made by its salespeople, and  
9 their failure to obtain authorized signatures on LOAs.

10 20. The significant number, by Phone Funders' own count, of customers  
11 who canceled due to misrepresentations, demonstrates a pattern of fraudulent  
12 practices by Phone Funders salespeople, as well as Phone Funders' failure to  
13 supervise the sales and telephone staffs.

14 21. Phone Funders provided Telecare with several thousand wrong  
15 addresses, which necessitated costly attempts to obtain correct billing information.

16 22. The above facts constitute a breach of the Broker's Agreement by  
17 Phone Funders.

18 23. Telecare sent monthly commission statements to Phone Funders  
19 beginning in October, 1992, and continued until the time of trial. Each  
20 commission statement contained a negative credit, which represented the amount  
21 of uncollected bills from new customers which were ninety (90) days or more in  
22 arrears and had no current usage. Telecare considered those customers to have  
23 been defrauded or signed up without authorization, since they terminated the  
24 service after receiving their first bill. Because of the negative credits, Phone  
25 Funders has never received a commission payment.

26 \ \ \

AFFIRMATIVE DEFENSES

## I.

FACTUAL ALLEGATIONS

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1. Phone Funders has failed to provide to Telecare written or recorded Letters of Authorization ("LOA's") for many of the Customer's identified and supplied by Phone Funders to Telecare, in violation of the Broker Agreement.

2. Pursuant to the terms of the Broker Agreement, Phone Funders obtained and utilized the services of a certain "sub-broker", Voter's Revolt, for the purpose of soliciting prospective Customers to be supplied to Telecare.

Under the terms of the Broker Agreement, Phone Funders owed a duty to Telecare to supervise all sub-brokers engaged by Phone Funders to assist in fulfilling the terms of the Broker Agreement. Phone Funders breached this duty by failing to adequately supervise Voter Revolt's solicitation and canvassing activities. As a result of Phone Funder's negligent supervision, Customers were provided to Telecare whom had not executed LOA's, whom were not authorized to change long distance phone service carriers for the telephone numbers provided by Phone Funders to Telecare, or whom were misinformed or not informed by representatives of Voter Revolt as to the true nature of the transaction.

3. Phone Funders has failed to employ sufficient capital and personnel necessary to promote and effectuate the Broker Agreement, in breach of its express warranty to do so, as set forth in the Broker Agreement.

4. Phone Funders has failed to provide to Telecare monthly reports concerning existing and prospective Customers, follow-up inquires, and or price quotations, in breach of its express warranty to do so, as set forth in the Broker Agreement.

5. Phone Funders has failed to communicate on a consistent basis with each Customer who has executed an Institutional Agreement to determine the satisfaction or dissatisfaction of the Customer with the services provided and any other matter incidental to the relationship of customer, Phone Funders, and Telecare, in breach of Phone Funders express warranty to do so, as set forth in the Broker Agreement.



1           6. Phone Funders has failed to notify Telecare immediately of all complaints or problems  
2 with respect to any facet of the services provided to the Customers, in breach of its express  
3 warranty to do so, as set forth in the Broker Agreement.

4           7. Phone Funders has failed to assist Telecare in the timely and orderly processing of all  
5 Institutional Agreements and applications for service transmitted to Telecare, in breach of its  
6 express warranty to do so, as set forth in the Broker Agreement.

7           8. Phone Funders has failed to strictly observe and act in compliance with the Broker  
8 Agreement, in breach of its express warranty to do so, as set forth in the Broker Agreement.

9           9. Phone Funders has failed to timely produce valid LOA's to Telecare following  
10 requests by Allnet, Telecare's service provider, to Telecare, to provide such documentation.  
11 Phone Funder's failure to provide valid LOA's to Telecare in express breach of its warranty to do  
12 so, as provided in the Broker Agreement.

13           10. Phone Funders supplied Customers to Telecare who did not expressly approve a  
14 change in their long distance telephone service provider. In the telecommunications industry, this  
15 practice is called "slamming". As a result, numerous Customers have had their long distance  
16 telephone service changed without their knowledge or consent. Under the Broker Agreement,  
17 Phone Funders is liable for any sanctions imposed by any service provider, regulatory body, or  
18 governmental agency, upon Telecare; Telecare reserved the right to assess Phone Funders for any  
19 such sanction, and to hold Phone Funders liable for any unpaid long distance telephone charges  
20 that are not paid by "slammed" customers.

21           11. From time to time since the inception of the Broker Agreement on February 6, 1992,  
22 Phone Funders has caused to be transmitted to Telecare, via wire in interstate commerce,  
23 Customer lists, billing statements, correspondence, and other documents, pertaining to Customers  
24 that it has solicited, obtained, and supplied to Telecare. Many of these wire - transmittals contain  
25 names of purported Customers who had not executed valid LOA's, or from whom LOA's were  
26 obtained by misrepresentation or omission of material facts by Phone Funders sub-broker, Voter  
27 Revolt.

28           12. As a direct result of the receipt by Telecare from Phone Funders of unauthorized, or

1 "slammed" customers, Telecare took the necessary steps to change those Customer's long  
2 distance telephone service from their existing carrier to Allnet, a carrier whose services were  
3 provided through Telecare.

4 13. Numerous unauthorized or "slammed" customers have terminated their service  
5 agreements with Telecare, and refused to pay their long distance bills, due to the fact that they  
6 never gave Voter Revolt and Phone Funders express authority to change their long distance  
7 telephone service provider, or that their purported authorization was obtained by  
8 misrepresentation or omission of material facts by Voter Revolt representatives, acting under the  
9 supervision of Phone Funders.

10 14. As a direct result of Phone Funders submission of "slammed" or otherwise  
11 unauthorized Customers to Telecare, Telecare has incurred uncollected long distance service  
12 charges totaling at least \$234,694.00 In addition, Telecare has incurred additional expenses in  
13 responding to Customer complaints, regulatory inquiries, account collections, and attorney fees,  
14 as a result of Phone Funders' submission to Telecare of unauthorized, or "slammed" customers.  
15 The true and total amount of these additional expenses continues to grow, and is yet to be  
16 determined.

17 II.

18 AFFIRMATIVE DEFENSE - Waiver

19 15. Telecare adopts by reference and repleads all averments set forth in paragraphs  
20 (1-14).

21 16. Phone Funders has WAIVED its averments of breach of contract, by virtue of its own  
22 breach of contract, breach of express warranties, negligent supervision of Voter Revolt, and  
23 submission of unauthorized, or "slammed" customers to Telecare.

24 III.

25 AFFIRMATIVE DEFENSE - Estopped

26 17. Telecare hereby adopts by reference and repleads the averments set forth in  
27 paragraphs (1-16).

28 18. Phone Funders is ESTOPPED to assert any breach of contract against Telecare, by

1 virtue of its own breach of contract, breach of express warranties, negligent supervision of Voter  
2 Revolt, and submission of unauthorized or "slammed" customers to Telecare.

3 IV.

4 AFFIRMATIVE DEFENSE - Fraud

5 19. Telecare hereby adopts by reference, and repleads the averments set forth in  
6 paragraphs (1-18).

7 20. Many customer authorizations were obtained by Phone Funder's sub-broker Voter  
8 Revolt, through misrepresentations or omissions of material fact, which induced Customers to  
9 sign LOA's. Some LOA's submitted to Telecare by Phone Funders bear forged signatures of the  
10 purported customers. Others have been determined to have been executed by minors, or persons  
11 who did not have authority to order a change in long distance service for the Customer's  
12 telephone number.

13 Phone Funders knew, or should have known, that representatives of Voter Revolt were  
14 obtaining Customers through misrepresentations and omissions of material facts.

15 V.

16 AFFIRMATIVE DEFENSE - Payment

17 21. Telecare adopts by reference and repleads the allegations set forth in paragraphs  
18 (1-20).

19 22. Telecare has sent regular billing statements to Phone Funders since the inception of  
20 the Broker Agreement on February 6, 1992. Telecare has credited Phone Funders with  
21 commissions due and owing Phone Funders from Customers that Telecare has determined made  
22 valid authorizations to Phone Funders to have their long distance service provider changed. After  
23 crediting these commissions, a negative commission balance remains, exceeding \$234,000.00.  
24 This sum represents the uncollected long distance phone charges owed by customers from whom  
25 Phone Funders did not obtain valid LOA's.

26  
27  
28

1 total amount of these additional expenses continues to grow, and is yet to be determined.

2 FIRST COUNTERCLAIM

3 Breach of Contract

4 XXII.

5 Telecare adopts by reference and repleads the averments set forth in paragraphs (I-XXII).

6 XXIII.

7 Pursuant to the Broker Agreement, Phone Funders agreed to provide Telecare with  
8 Customers who had executed written or recorded LOA's. Phone Funders submitted Customers to  
9 Telecare without obtaining the requisite LOA's. Phone Funders submitted LOA's to Telecare  
10 which contained forged signatures by purported Customers. Phone Funders submitted LOA's to  
11 Telecare bearing purported authorizations from persons, such as minors and non-telephone  
12 subscribers, who did not have authority to change the long distance service provider designated  
13 on the applications and authorizations. This conduct establishes Phone Funders' breach of the  
14 Broker Agreement. By virtue of this breach, Telecare has suffered damages in the form of  
15 uncollected long distance charges and expenses associated with account collections, customer  
16 complaints, regulatory inquiries, and attorney fees, in an amount in excess of \$234,694.00. The  
17 precise amount of damage continues to grow, and shall be fixed during discovery and trial.

18 SECOND COUNTERCLAIM

19 Breach of Express Warranties

20 XXIV.

21 Telecare adopts by reference and repleads the averments set forth in paragraphs (I-XXIII).

22 XXV.

23 Phone Funders expressly warranted in the Broker Agreement that all Customers supplied  
24 to Telecare would be confirmed by written or recorded LOA's. Customers were supplied to  
25 Telecare who did not execute LOA's. Customers were supplied whose LOA's were forged.  
26 Customers were supplied who did not have the authority to execute LOA's.

27 XXVI.

28 Phone Funders expressly warranted in the Broker Agreement that it would supervise all

## XXX.

As a consequence of the foregoing breach of express warranties, Telecare suffered a significant erosion of its Customer base, and has been damaged in the amount of at least \$234,694.00. The damages are continuing, and shall be determined in discovery and at trial.

THIRD COUNTERCLAIMFailure to Supervise

## XXXI.

Telecare adopts by reference and repleads the averments set forth in paragraphs (I-XXX).

## XXXII.

Phone Funders failed to supervise its sub-broker Voter Revolt in Voter Revolt's solicitation and canvassing of Customers, thereby breaching its express promise to do so set forth in the Broker Agreement. As a result, Customers were supplied to Telecare by Phone Funders who had not executed LOA's, whose LOA's were forged, or whose LOA's were not executed with their authority. Phone Funders' failure to supervise Voter Revolt resulted in damage to Telecare in the amount of at least \$234,694.00. The damages are continuing, and shall be determined in discovery and at trial.

FOURTH COUNTERCLAIMFraud

## XXXIII.

Telecare adopts by reference and repleads the averments set forth in paragraphs (I-XXXII).

## XXXIV.

Phone Funders' sub-broker, Voter Revolt, obtained LOA's and Customer authorizations to change their long distance telephone service provider, by engaging in misrepresentations and omissions of material facts, which induced prospective Customers to subscribe to the services ultimately provided by Telecare. Customers have reported that they were not told that there was a fee associated with the change of long distance service providers, that they thought they were signing up to "help the environment", and that they never signed any authorization at all. Telecare

1 has determined that some LOA's provided by Voter Revolt to Phone Funders, and then forwarded  
2 to Telecare for the commencement of long distance service, bore forged signatures. Telecare's  
3 Customer base significantly eroded as soon as these Customers began to be billed. Customers  
4 either terminated the service, or refused to pay.

5 Phone Funders knew, or should have known, of the pattern of fraud perpetrated by  
6 representatives of Voter Revolt in its solicitation and canvassing activities; Phone Funders is  
7 therefore liable itself for the fraud.

8 As a result of this fraud, Telecare has suffered damages in the amount of at least  
9 \$234,694.00. The damages are continuing, and shall be determined during the course of  
10 discovery and at trial.

11 WHEREFORE, Telecare prays for judgment against Phone Funders, as follows:

- 12 1. Compensatory damages for breach of contract, breach of express warranty, failure to
- 13 supervise, and fraud, in the amount of at least \$234,694.00;
- 14 2. Other damages deemed lawful and appropriate under the circumstances;
- 15 3. Costs and expenses of litigation, including reasonable attorney fees, and for all other
- 16 appropriate relief.

17 Respectfully submitted,

18 

19 \_\_\_\_\_  
20 KEVIN MCSHANE  
21 MCSHANE & GORDON  
22 Attorneys for Defendant  
23 TELECARE, INC.

24 

25 \_\_\_\_\_  
26 BRIAN E. SHEAR  
27 SPOLIN & SILVERMAN  
28 Attorneys for Defendant  
TELECARE, INC.

1 referred to in the telecommunications industry as  
2 "slamming." The Broker Agreement provided for a \$200.00  
3 "fine" per customer to be assessed against Phone Funders  
4 if it "slammed" customers to Telecare. Any sanctions  
5 imposed, and attorney fees and costs associated with  
6 "slammed" customers imposed against Telecare were to be  
7 "passed" to Phone Funders, ¶10(O).

8 Telecare relied on Phone Funders not only to obtain  
9 LOA's from all customers submitted to it by Phone  
10 Funders, but also to submit valid LOA's.

11 During the course of the contractual relationship  
12 between Phone Funders and Telecare, Phone Funders  
13 submitted approximately Thirty Thousand (30,000)  
14 customers to Telecare. Of these, as many as 28,000 were  
15 obtained by Phone Funders and forwarded to Telecare  
16 without the benefit of valid authorization from the  
17 customers. The featured marketing technique used by  
18 Phone Funders was to dispatch its agents or sub-brokers  
19 to public areas, where personal approaches and sales  
20 pitches were used to induce customers to sign up. As a  
21 hook, customers were shown or provided with a brochure  
22 produced by Phone Funders, which indicated that a  
23 customer could both save on their long distance bill, and  
24 have a percentage of their monthly bill donated to Voter  
25 Revolt, a well known California Public interest group. A  
26 tear-off page of the brochure, signed by the customer,

1 was to constitute the LOA.

2 Phone Funders' marketing effort commenced in  
3 approximately May, 1992, and wound down in approximately  
4 December, 1992. Almost immediately upon receiving the  
5 first group of customers, both Telecare and Phone Funders  
6 began to receive an extremely high volume of complaints  
7 from the customers. The type of complaints varied, but  
8 can be generally categorized as follows:

- 9 a) Customers who denied ever signing any  
10 document provided by Phone Funders.
- 11 b) Customers who admitted signing the LOA  
12 forms, but who thought they were signing  
13 a form to obtain more information about  
14 Voter Revolt.
- 15 c) Spanish speaking customers who did not  
16 know that they had signed a form authorizing  
17 the switch of their long distance service.
- 18 d) Customers who believed that when they signed  
19 the form, were agreeing to become involved  
20 in "helping the environment" or aiding in  
21 some other public cause.

22 In addition, after requesting and receive LOA's from  
23 Phone Funders, the Customer Service staff at Phone  
24 Funders discovered that many LOA's were not signed by the  
25 purported customer. Some were signed by minor children,  
26 and groups of LOA's appeared to all have been signed by



1           3.   Telecare claims that Phone Funders engaged in  
2 fraud in obtaining customers for Telecare by inducing  
3 customers to agree to switching their long distance  
4 telephone service to Telecare, through misrepresentation  
5 or omission of facts material to the switching decision.  
6 Customers signed Letters of Authorization (LOA's) which  
7 granted Telecare permission to become their long distance  
8 service provider. Many of these customers were lead to  
9 believe that they were signing a form merely requesting  
10 information. Others signed LOA's after being told by  
11 Phone Funders' agents or sub-brokers that they were  
12 contributing money or seeking information that would  
13 "help the environment" or aid in other civic or social  
14 causes advanced by group known as Voter Revolt. Many  
15 LOA's were submitted to Telecare by Phone Funders in the  
16 names of customers who did not speak English. These  
17 customers were primarily Spanish speakers. Phone Funders  
18 did not engage Spanish-speaking agents or sub-brokers,  
19 nor did it provide prospective Spanish speaking customers  
20 with written materials explaining the proposed switch in  
21 long distance service to Telecare.

22           In addition, Phone Funders forwarded to Telecare  
23 purported LOA's which were not signed by the normal  
24 customers, or which were signed by individuals obviously  
25 lacking the authority to order a switch in long distance  
26 services, e.g., minor children and persons without  
27  
28

1 telephone services subscribed to in their name. A number  
2 of apparently forged LOA's were also submitted by Phone  
3 Funders to Telecare. In the telecommunications industry,  
4 the practice of switching the long distance service of a  
5 customer without their authority is called "slamming" and  
6 amounts to fraud.

7 4. Telecare has asserted the affirmative defenses  
8 of waiver and estoppel. Telecare contends that Phone  
9 Funders has waived any claim against it of breach of  
10 contract for failing to pay commissions, by virtue of its  
11 own breach of express warranty as described in ¶(2),  
12 supra. Telecare further contends that Phone Funders has  
13 waived its breach of contract claims by virtue of fraud,  
14 as set forth in ¶(3), supra. Telecare's estoppel defense  
15 is similarly grounded upon Phone Funders' breach of  
16 express warrant and fraud, as set forth in ¶(2) and (3),  
17 respectively.

18 5. There is no oral contract between the parties.

19 6. The specific terms of the Broken Agreement which  
20 Telecare contends that Phone Funders breached, are as  
21 follows:

22 ¶10(F) Broker shall at all times:

23 (i) maintain accurate and complete records  
24 concerning all current and prospective Customers which  
25 have either executed an Institutional Agreement or  
26 expressed interest in the Network; (ii) furnish to  
27 Legacy, on a monthly or more frequent basis if requested  
28 to do so at the option of Legacy, reports concerning  
existing or prospective Customers, follow up inquiries  
and/or price quotations;...(IV) communicate on a

**FILED**  
 DEC 13 1995  
 CLERK, U.S. DISTRICT COURT  
 CENTRAL DISTRICT OF CALIFORNIA  
 BY DEPUTY

**United States District Court  
 Central District of California  
 Western Division**

PHONE FUNDERS, INC.,  
 Plaintiff,  
 v.  
 TELECARE. INC.,  
 Defendant.

CV 93-4112 TJH (Sx)  
 FINDINGS OF FACT  
 AND  
 CONCLUSIONS OF LAW

This cause came on for trial before the Court sitting without a jury. The Court heard the testimony and examined the evidence offered by the parties. The case having been submitted for decision, the Court makes the following findings of fact and conclusions of law:

**FINDINGS OF FACT**

1. Plaintiff Phone Funders, Inc. ("Phone Funders") was engaged in the business of obtaining and brokering new telephone subscribers ("customers") for companies who provided long distance telephone service ("carriers").

*52*

1           2.     If a customer agreed to switch carriers, the decision was memorialized  
2 in a written Letter of Authorization ("LOA").

3           3.     Defendant Telecare, Inc. ("Telecare") provided long distance  
4 telephone services to its customers by subcontracting with carriers.

5           4.     On February 6, 1992, Phone Funders entered into an Agreement with  
6 The Legacy Group, Inc. ("Legacy"). Under the terms of the Agreement, Phone  
7 Funders was to provide Legacy with the names, addresses, and telephone numbers  
8 of the customers contacted by Phone Funders who agreed to switch their long  
9 distance telephone services to Legacy. Legacy, in turn, was to pay Phone Funders  
10 a commission, based on "net revenues," which included the money paid by  
11 customers, less applicable taxes and surcharges.

12           5.     Before the effective date of the Agreement, Telecare became Legacy's  
13 successor in interest. Telecare agreed to perform all of Legacy's obligations under  
14 the Agreement, and Phone Funders agreed that its obligations to Legacy would  
15 become obligations to Telecare.

16           6.     The Agreement required Telecare to be the intermediary between  
17 customers supplied by Phone Funders and the carriers. Telecare was required to  
18 perform all billing and collection functions and provide customer service.  
19 Telecare, in turn, was to pay the carriers for the long distance services used by the  
20 customers, regardless of whether the customers paid Telecare.

21           7.     The Agreement provided that Phone Funders could delegate its  
22 obligations to sub-brokers. The Agreement required Phone Funder to supervise  
23 all of its sub-brokers as well as obtain Telecare's approval for each sub-broker.

24     \   \   \

25     \   \   \

26     \   \   \

1           8.     As part of its marketing effort for Telecare's carriers, Phone Funders  
2 contracted with Voter Revolt, a public interest group, to use Voter Revolt's name  
3 in promotional materials in exchange for Phone Funders' agreement to contribute  
4 ten percent of each customer's long distance telephone bill to Voter Revolt.

5           9.     In its effort to further market Telecare's carriers, Phone Funders  
6 engaged the services of Progressive Campaigns, Inc. ("Progressive"). However,  
7 contrary to the express provisions of the Agreement, ~~Phone Funders did not~~  
8 execute a sub-broker's agreement with Progressive prior to using its services.  
9 Telecare's approval of Progressive's involvement was neither sought nor given.

10          10.    Phone Funders' marketing campaign for Telecare began in earnest in  
11 approximately June, 1992. Phone Funders, through its subcontractors, recruited  
12 salespeople primarily through newspaper advertisements. The salespeople were  
13 trained to approach prospective customers at public areas, present a brochure, and  
14 persuade the customer to sign a tear-off sheet attached to the brochure. The tear-  
15 off sheet authorized Phone Funders to select a new carrier for the customer.  
16 These tear-off sheets were intended to constitute the written Letter of Authorization  
17 required by law and the Agreement prior to effectuating a carrier switch.

18          11.    At the end of each shift, Phone Funders' salespeople were to turn in  
19 the signed LOAs to their supervisors who, in turn, took them to Phone Funders'  
20 office in Santa Monica, California.

21          12.    Prior to the forwarding of the customers' names and addresses to  
22 Telecare, Phone Funders was to obtain a telephone confirmation of each  
23 customer's desire to switch carriers. However, telephone confirmations were not  
24 always obtained.

25         \ \ \

26         \ \ \

EXHIBIT 18

**PROGRESSIVE  
CAMPAIGNS  
INCORPORATED**

January 15, 1992

MEMO

TO: Potential Loaners

FROM: Angelo Paparella, President - Progressive Campaigns

RE: Loan Request - \$25,000

Background

Progressive Campaigns, Inc. (PCI) is a political fundraising and consulting company which began operating in May of 1992. Its purpose is to raise money and/or market for political organizations. Currently, PCI is primarily engaged in a fundraising contract with Voter Revolt (VR).

I am the founder and President of Progressive Campaigns, Inc. I have been in the political fundraising business since 1982 and my past accomplishments include:

1982: Directed a door-to-door fundraising operation for the Ralph Nader backed PIRG organization in San Diego. The office raised \$125,000 in 13 weeks and placed second in the nation out of 25 offices.

1983 - 87: Promoted to Regional Director of fundraising for the PIRG network with primary responsibilities in California. Directed fundraising operations over a five year period that raised:

1983	\$600,000	(\$400,000 during summer mths)
1984	\$700,000	(\$500,000 during summer mths)
1985	\$700,000	(\$500,000 during summer mths)
1986	\$800,000	(\$600,000 during summer mths)
1987	\$1,100,000	(\$850,000 during summer mths)

*\*Note: The amount of money raised increases dramatically over the summer months since college students enter the job market and can be hired as commissioned fundraisers.*

In addition to the above dollars raised through the door-to-door operation, a phone bank solicitation effort raised over \$250,000 in each of the last 3 years indicated.

1987: One of the founders of Voter Revolt to Cut Insurance Rates. Responsible for all grassroots operations including signature

gathering for the initiative, fundraising and public education and get out the vote efforts. Raised over \$650,000 during the 1988 Prop 103 campaign.

1989 - 91: Directed fundraising operations for VR. Door-to-door operations raised the following dollars:

1989	\$935,000	(\$620,000 during summer mths)
1990	\$1,300,000	(\$815,000 during summer mths)
1991	\$413,000	(*\$164,000 during summer mths)

\*Note: Petition campaign dropped that year so the organization ceased operations for 5 months.

1992: Left VR to form PCI. During its first summer of existence (last summer), PCI had a limited fundraising contract with VR that resulted in \$108,000 raised. PCI also engaged in marketing contract with Phone Funders (PF) to sign people up on a long distance affinity program. This resulted in over 25,000 sign ups.

PCI is now engaged in a door-to-door and phone bank fundraising campaign for VR. In addition, PCI has been continuing to market for PF on a limited basis for the past three months. This contract is currently on hold pending an analysis of the entire program.

PCI is currently receiving a fee of 7% of all money raised for VR, plus the overhead costs of running the fundraising operation.

#### The Need

Because PCI did not conduct a door to door fundraising operation for VR during the summer of '92 but instead marketed PF for VR on a cost basis, the company was not able to bankroll money to be used to run its door-to-door operation over the winter and spring months (September '92 to May '93). These months are the toughest for fundraising on a door-to-door basis because of the lack of a large recruitment pool (college students off for the summer) and the slow down during the holiday season.

In addition, our staff during the summer of '92 was not on the street fundraising but rather marketing Phone Funders. We have had a particularly rough winter because of the transition from the door-to-door canvass to a totally different activity that has resulted in the loss of some staff and money.



50% of pledge's donate: 5,250  
 Average donation \$22: \$115,500

PCI bills at 7% of all dollars raised hence a net of \$8,085 will be reached. This money will start coming in right away, but the bulk of it will come in during June and July.

## 2. Summer Canvass '93

The main source of collateral is next summer's door-to-door fundraising operation.

The experience highlighted above with summer canvasses from 1983-1991 has been an average of \$550,000 raised. Counting VR since 1988 only, the average has been \$533,000 including the year the organization temporarily shut down.

With these results in mind, the following are projections for next summer's contract with VR:

	<u>Very Conservative</u>	<u>Conservative</u>	<u>Probable</u>	<u>Goal</u>
Total \$ Rai:	\$300,000	\$400,000	\$500,000	\$750,000
PCI Fee:	\$21,000	\$28,000	\$35,000	\$52,500

Since the fee for PCI is net after costs, it is 100% available for loan repayment.

PCI will earn between \$21,000 on a worst case basis from the summer proceeds and more likely somewhere between \$35,000 - \$52,500 from next summer's canvass. The phone bank net of \$8,000 is in addition to the canvass net, so we are looking at \$29,000 - \$60,000 of net dollars to PCI; more than enough to pay back a \$25,000 capitalization loan.

Finally, next summer's canvass success does not rely on one individual, but several who have been involved in these campaigns and have worked as an experienced team before:

Angelo Paparella: Since 1982 involved in similar drives resulting in an average of \$556,000 raised per summer.

Jennifer Frank: Since 1986 with VR; directs overall field operation.

Bill Westermeyer: Since 1988 with VR; assistant director of overall field operation.

Mikel Clayhold: Since 1987 with VR; field office director.

Steve Stoddard: Since 1989 with VR; field-office  
director.

Joe De Vries: Since 1988 with VR; field office  
director.

All are committed to PCI and the necessary work for a long term  
future. Our confidence level for paying back the loan is very  
high. Ten years of experience and results back up this request  
for capitalization.

EXHIBIT 19

---

Minutes of a Meeting  
of the Board of Directors  
of  
The Access to Justice Foundation

A meeting of the Directors was held on Thursday, June 10, 1993 at 10:00 AM by telephone conference call. The meeting was called by Harvey Rosenfield.

There were present by telephone, representing the directors:

Harvey Rosenfield, Executive Director  
Chuck Blitz  
Gary Horowitz  
Martha Kowalick

It was agreed that Philip Roberto would take the minutes of the meeting.

Harvey Rosenfield:

There is one vacancy on the Board of Directors due to Jay Angoff's resignation.

About two weeks ago, the Executive Committee of Voter Revolt (Bill Zimmerman, Angelo Paparella, Carmen Gonzalez, Jennifer Frank, and myself) met to discuss disputes on how to operate Voter Revolt.

I'll discuss the exact details in a minute. But to understand this meeting, the other members of the Executive Committee proposed a plan which I didn't think was the best way to proceed to spend resources, was not in the best interests of Voter Revolt.

They asked me to step aside as Executive Director, and I refused because I disagreed with their plan and because I did not agree that the Executive Committee had the authority to take such action. I insisted that the dispute be brought to the Board.

As is probably clear, I have no intention of fighting about this, for reasons that will become clear, But it is important to you, the organization and the people who have supported it that you all understand the situation.

There are two problems, present for some time, which led to this, and have to do with how money is spent and which direction the organization takes.

(1) What has happened financially to Voter Revolt since the passage of Proposition 103.

In the Fall of 1990, we spent money we didn't have and basically collapsed. We ended up with \$60,000 in debt to outside vendors. This does not include \$150,000 or so we

owed to Chuck Blitz, Bill Zimmerman (one of our largest debts, about \$80,000) and Stanley Sheinbaum.

So, we added to that debt. There were lawsuits everywhere. Some of the debt was even put in my name on credit cards.

I went out and raised money to keep VR going, for two reasons: one, pay off all the debts, two, continue vigilance on Prop 103.

We've tried to raise a lot of money since. 1992 -- Bill Zimmerman developed at what the time seemed like a great idea, Phone Funders, which had the potential to bring in about \$60,000 per month within one year.

One of the requirements was to forgo the canvass operation -- for IRS purposes. Bill Zimmerman would then hire canvassers to market phone subscriptions.

Progressive Campaigns Incorporated (PCI) was set up. In the contract, it was specified that all expenses would be incurred by PCI. All costs would be advanced to PCI by Phone Funders. Voter Revolt was to have no risk, nor additional debt. That was the overriding concern, made sure very clear to PCI.

Not in writing, regretfully, was that Phone Funders would help raise \$40,000 to cover Voter Revolt's previous (1990) debts (since the canvass was to be eliminated that summer, we would have no source of funds to pay the debts).

Since, the following has happened.

- (a) Phone Funders proved to be a disaster.
- (b) The oral agreement (about the debt) fell through the cracks.
- (c) PCI incurred expenses in Voter Revolt's name. Additional debt of about \$10,000 was not covered in 1992.
- (d) To cap it off, PCI was unable to pay the IRS about \$25,000 in employee taxes. So, we had to allow PCI to recoup in fees enough money to pay the taxes, or we'd have no grassroots operation.

Thus, the project actually cost about money, including more debts.

What occurred in 1992 demoralized me. Tension between me and Angelo, and to a lesser extent, Bill Zimmerman, increased. From that point on, I wrote contracts with PCI always trying to protect Voter Revolt from more debts, and pay off the old debt. Angelo and others considered this an atmosphere of distrust. They were offended. It was my fiscal responsibility -- fiscal prudence to protect VR.

**(2) What do you do when you're in debt, how do you get out of debt. This led directly to this situation.**

For two years I've been raising money for program work, as well as to pay off debts. It was very tiring. It was just Phil and myself doing the program work. But, I felt if we did more program work, we could raise more money as well.

Last winter, it became clear we would have to scale back because of decreasing resources. After talking to Angelo, I decided to hire Jennifer Frank, (who was paid to interface with canvass), as a program person. She would work on program and also do some financial work. She agreed to spend most of her time on issue work.

About three weeks ago, the Executive Committee wanted to change this agreement. They wanted Jenny to work on the summer canvass. There would have been no money to hire anyone else to replace her on the program work she was doing.

Two weeks ago, the meeting was called due to this disagreement. Since funds were not available, Bill Zimmerman suggested we shut down the program work and use the money to build up the canvass.

I disagreed. I feel without issue work the organization loses its purpose.

Anyway, that's the dispute. The Executive Committee said that's what they wanted done and if I didn't agree, then they said I should resign. To fix the situation now -- we'd have to stop PCI, VR would still have the debt with no way to pay it -- you can see why I'm not fighting for that outcome.

These two issues have created this situation and have led me to resign.

Any questions?

Gary Horowitz:

You said that Phone Funders authorized \$10,000 in expenses in Voter Revolt's name. Who authorized it?

Harvey Rosenfield:

The contract with PCI specified that offices (leases) could be in Voter Revolt's name, but they were to be paid right away. But not all were paid. Also, not all accounts (such as rental cars, phone lines, etc.) were changed over from Voter Revolt's name, either. So, \$10,000 in debt in VR's name wasn't covered.

*Discussion of the resolutions.*

Gary Horowitz:

So, we are now simply voting on your resignation.

Harvey Rosenfield:

Right.

The second resolution is most critical. Hall and Phillips wants to continue to represent Voter Revolt. I would also like to see them continue to do so. If Voter Revolt pulls out, it would be a disaster.

*Bill Zimmerman, Angelo Paparella, and Jennifer Frank join conference call at this time.*

Harvey Rosenfield:

Bill, I have briefed the Board members.

Bill Zimmerman:

All resolutions are agreeable.

Harvey Rosenfield:

When a firm represents two different parties, the conflict can be over the tactic of how to argue the case.

I'm assuming you would be comfortable with it as I would take the hard line.

Gary Horowitz:

But that's the point. It's not appropriate to give a general waiver.

Harvey Rosenfield:

How about "and reserves the right to object to such representation should the Board of Directors determine that there is a conflict of interest between Voter Revolt and Harvey Rosenfield and/or such other organization he designates in such proceedings. Voter Revolt acknowledges that at this time there is no such conflict."

Martha Kowalick:

The Board of Directors will be able to object if there is?

Harvey Rosenfield:

Yes.

Resolution as amended:

**Resolution #2:** *Hall and Phillips will continue to represent Voter Revolt in Proposition 103 proceedings in which such representation is presently underway. There are: (a) the 20th Century Rollback Decision of the DOI and the Superior Court, and the appeal thereof to the California Supreme Court; (b) the administrative challenge to the California Casualty rollback settlement; (c) proceedings to develop regulations for intervenor funding by DOI; (d) the legal challenge to the exemption of surety from Proposition 103; (e) proceedings to develop regulations for the determination of "fault" in accident cases. Voter Revolt agrees that Hall and Phillips may also represent Harvey Rosenfield and/or such other organization(s) he designates in such proceedings, and reserves the right to object to such representation should the Board of Directors determine that there is a conflict of interest between Voter Revolt and Harvey Rosenfield and/or such other organization(s) he designates in such proceedings. Voter Revolt acknowledges that at this time there is no such conflict.*

Ayes-- Chuck Blitz, Gary Horowitz, Martha Kowalick

Nays-- None

Absent-- None

Motion carried.



Harvey Rosenfield:  
Resolution #3.

The proposed resolution was read.

Gary Horowitz:  
Why the copier and fax machine?

Harvey Rosenfield:  
It's a matter of corporate charity. These were the two items that Access to Justice had when I started it.

Angelo Paparella:  
We have a (another) fax and copier now. We can get along for now.

Chuck Blitz:  
You and Bill Zimmerman are recommending this?

Angelo Paparella:  
Yes.

Gary Horowitz:  
Why the files?

Harvey Rosenfield:  
It includes things I'll be using to continue 103 stuff.

Gary Horowitz:  
You'll be using this?

Harvey Rosenfield:  
Yes. The financial stuff goes to Voter Revolt.

Bill Zimmerman:  
Gary, we see Harvey as carrying most of the weight (in fighting for the implementation of Proposition 103).

Gary Horowitz:  
I suggest we add "in a timely manner" pertaining to files being made available.

Harvey Rosenfield:  
O.K.

**Resolution #3:** To facilitate Harvey Rosenfield's future efforts to effectuate the implementation of Proposition 103 and other matters, the following items will be donated to a non-profit organization designated by Harvey.

- (a) Minolta copier.
- (b) Ricoh fax machine.

Resolution #6: *The new Secretary-Treasurer shall be William Westermeyer. His salary shall be up to \$30,000 per year, plus any health insurance benefits set up by the corporation.*

Motion-- Bill Zimmerman

Ayes-- Chuck Blitz, Gary Horowitz, Martha Kowalick

Nays-- None

Absent-- None

Motion carried.

Resolution #7: *Jennifer Frank is hereby designated to be charged with making any financial decisions necessary regarding the transition of Harvey Rosenfield out of Access to Justice. This includes, but is not limited to, decisions on vendor accounts to be closed, expense reimbursement decisions to be made, any logistical decisions regarding the office located at Hall and Phillips in Los Angeles under the supervision of the Board of Directors.*

Motion-- Bill Zimmerman

Ayes-- Chuck Blitz, Gary Horowitz, Martha Kowalick

Nays-- None

Absent-- None

Motion carried.

Resolution #8: *The composition of the Access to Justice Board of Directors shall be reduced from five to four, and Jennifer Frank shall be the new fourth member.*

Motion-- Bill Zimmerman

Ayes-- Chuck Blitz, Gary Horowitz, Martha Kowalick

Nays-- None

Absent-- None

Motion carried.

Gary Horowitz:

I motion that the meeting be adjourned if there are no objections.

There were no objections, so the meeting was adjourned.

RESOLUTIONS ADOPTED BY THE BOARD OF DIRECTORS OF THE  
ACCESS TO JUSTICE FOUNDATION  
ON  
JUNE 10, 1993

The following resolutions were lawfully adopted by the Board of Directors of the Corporation on June 10, 1993:

**Resolution #1:** The resignation of Harvey Rosenfield from the positions of Executive Director of The Access to Justice Foundation and Chair of Voter Revolt is accepted as of this date. Harvey shall not be responsible for any administrative or other duties of those offices as of this date. However, to effectuate the transition, Harvey will continue to represent Voter Revolt on policy matters until July 1, 1993. Further, Harvey will be available to assist Voter Revolt in completing legal requirements such as tax returns, etc.

**Resolution #2:** Hall and Phillips will continue to represent Voter Revolt in Proposition 103 proceedings in which such representation is presently underway. There are: (a) the 20th Century Rollback Decision of the DOI and the Superior Court, and the appeal thereof to the California Supreme Court; (b) the administrative challenge to the California Casualty rollback settlement; (c) proceedings to develop regulations for intervenor funding by DOI; (d) the legal challenge to the exemption of surety from Proposition 103; (e) proceedings to develop regulations for the determination of "fault" in accident cases. Voter Revolt agrees that Hall and Phillips may also represent Harvey Rosenfield and/or such other organization(s) he designates in such proceedings, and reserves the right to object to such representation should the Board of Directors determine that there is a conflict of interest between Voter Revolt and Harvey Rosenfield and/or such other organization(s) he designates in such proceedings. Voter Revolt acknowledges that at this time there is no such conflict.

**Resolution #3:** To facilitate Harvey Rosenfield's future efforts to effectuate the implementation of Proposition 103 and other matters, the following items will be donated to a non-profit organization designated by Harvey.

(a) Minolta copier.

(b) Ricoh fax machine.

Further, Voter Revolt files pertaining to Proposition 103, insurance and other policy matters shall also be transferred to such organization, with the understanding that such files shall be made available in a timely manner to Voter Revolt for copying upon request by the staff of Voter Revolt.

**Resolution #4:** Harvey Rosenfield, former Executive Director of Access to Justice and former Chair of Voter Revolt, is hereby instructed to transfer all bank accounts in his name to Access to Justice and/or Voter Revolt.

**Resolution #5:** The new Executive Director shall be Jennifer Frank, who upon acceptance by the Board of Directors will immediately resign her position as Secretary-Treasurer. The compensation shall be up to \$45,000 per year, plus any health insurance benefits set up by the corporation.

**Resolution #6:** The new Secretary-Treasurer shall be William Westermeyer. His salary shall be up to \$30,000 per year, plus any health insurance benefits set up by the corporation.

**Resolution #7:** Jennifer Frank is hereby designated to be charged with making any financial decisions necessary regarding the transition of Harvey Rosenfield out of Access to Justice. This includes, but is not limited to, decisions on vendor accounts to be closed, expense reimbursement decisions to be made, any logistical decisions regarding the office located at Hall and Phillips in Los Angeles under the supervision of the Board of Directors.

**Resolution #8:** The composition of the Access to Justice Board of Directors shall be reduced from five to four, and Jennifer Frank shall be the new fourth member.

EXHIBIT 20

# PERIODIC REPORT

Exhibit 20

TO ATTORNEY GENERAL OF CALIFORNIA  
 Section 12586 California Government Code

By the  
 after  
 period  
 or last  
 of a  
 year or other period.

ACCOUNTING PERIOD — For the Year Beginning MAY 01 19 93 and Ending APRIL 30 19 94

If address changed check here  and show changes below

State Charity registration number CT 4 | 4 | 8 | 7 | 4

File Form with label Other - 10 or 11 or type	Name of organization <b>MEDICAL AID FOR EL SALVADOR</b>
	Address number and street <b>6030 WILSHIRE BLVD., SUITE 400</b>
	City or town State and ZIP code <b>LOS ANGELES, CA 90036</b>

Corporate or Organization No. D-1043254

A. Is the organization exempt from federal income tax?	Yes	No
	X	
B. If "no", is this entity a split-interest trust? If "no", attach explanation; see instructions.		

**PART I FILING REQUIREMENTS: CHECK ONE BOX AND ATTACH THE REQUIRED IRS FORMS**

- This entity is not a private foundation. We have attached a completed copy of IRS Form 990 or 990EZ, and Schedule A (Form 990) and related attachments (even though we may not be required to file these uniform forms with the IRS). Omit Part III below.
- This entity is a private foundation. We have attached a completed copy of IRS Form 990-PF and related attachments. Complete all Parts below.

**PART IA ACTIVITIES**

Gross receipts \$ 727,494.99 Total assets \$ 16,653.26  
 Are the program activities of this entity limited solely to grantmaking?  Yes  No

**PART II STATEMENTS REGARDING THIS ORGANIZATION DURING THE PERIOD OF THIS REPORT**

	Yes	No
1 Was 50% or more of your total revenue from government agencies? (See line 1 instructions). If "yes", attach a schedule showing the agency(s) name, address, purpose of the grant or payments and the amounts. List only two different government agencies that provide the largest amounts.		X
2 Were you audited by any government agency which resulted in audit exceptions in excess of \$50,000 being taken? If "yes", attach a copy of the audit report(s), and enter here the total amount involved. 2a \$ _____		X
3 Did or will an independent public accountant issue a report on your financial statements? If "yes", enter here: Accountant's Name _____ Telephone ( ) _____		X
4 Is any of your property held in the name of or commingled with the property of any other organization or person, other than pooled investment funds? If "yes", attach justification, including value of assets commingled.		X
**5 Were there any contracts, loans, leases or other financial transactions between the organization and any officer, director or trustee thereof either directly or with an entity in which any such officer, director or trustee had any financial interest? If "yes", attach a detailed explanation and enter here the total amount involved (TELEMARKETING) 5a \$ <u>189,313.75</u>	X	
6 Did you donate anything to an organization that is not tax-exempt under Section 501 (c) (3) or 501 (c) (4) of the IRC? If "yes", attach explanation and enter here the fair market value of the donation 6a \$ <u>159,794.06</u>	X	
7 Did this organization regularly solicit salvage, sell salvage in a thrift store, or involving the solicitation or sale of salvage? If "yes", include amounts and contract		Y
8 Were you or any of your officers, directors or trustees a party to any or an alleged breach of trust? If "yes", attach explanation.		X
9 Were any organization funds used to pay any penalty, fine or interest? If "yes", attach an explanation and enter here the total amount \$ _____		Y

\*\*QUESTION #5: DETAILED EXPLANATION INCLUDED IN SCHEDULE A, PART III, LINE 2

ATTACHED,

Under penalties of perjury, I declare that I have examined this report, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

Under penalties of perjury, I declare that I have examined this report, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

*Nowell Karten* Nowell Karten Asst. Treasurer 3/15/95  
 Signature of authorized officer (See instructions) Printed Name Title Date



MEDICAL AID FOR EL SALVADOR

95-36-3046

04/30/94

FORM 990, SCHEDULE A, PART III, LINE 2(e): PAYMENT FOR SERVICES:

MEDICAL AID FOR EL SALVADOR HAS A CONTRACT WITH FRONTLINE CAMPAIGNS, INC. TO DO THEIR TELEMARKETING FUNDRAISING. BILL ZIMMERMAN, AN OFFICER AND DIRECTOR OF MEDICAL AID FOR EL SALVADOR, IS ALSO ON THE BOARD OF DIRECTORS OF FRONTLINE CAMPAIGNS, INC. IT SHOULD BE NOTED THAT MR. ZIMMERMAN LEAVES THE MEDICAL AID FOR EL SALVADOR BOARD MEETINGS WHEN ANY FRONTLINE ISSUES ARE DISCUSSED OR VOTED ON. HE DID NOT VOTE ON THE ORIGINAL CONTRACT, NOR DISCUSS WITH THE BOARD OR STAFF ANY FRONTLINE CAMPAIGN ACTIVITIES.



LAW OFFICES  
GOODSON AND WACHTEL  
A PROFESSIONAL CORPORATION

10940 WILSHIRE BOULEVARD  
SUITE 1400  
LOS ANGELES, CALIFORNIA 90024-3941

TELEPHONE (310) 208-8282  
FAX (310) 208-8582

OF COUNSEL

DE CASTRO LAW CORPORATION  
HAL KATEN  
LANCE JON KIMMEL

November 22, 1995

Office of the Attorney General  
Charitable Trusts Section  
300 S. Spring Street  
Los Angeles, CA 90013

Re: Dissolution and Disposition of Assets of  
Medical Aid for El Salvador

Dear Sirs:

In accordance with Section 6716(c) of the California Corporations Code, this is to request a written waiver of objections to the disposition of the remaining assets in connection with the dissolution of the above-named California corporation.

Medical Aid for El Salvador (M.A.E.S.) was incorporated on May 5, 1981, as a nonprofit corporation (copies of the original Articles of Incorporation are enclosed) and was granted exemptions from both federal income and state franchise taxes. Up to the cessation of operations effective April 30, 1995, M.A.E.S. was governed by a Board of Directors, consisting of nine persons (the authorized number of directors was ten), and had no corporate members.

Enclosed is a copy of M.A.E.S.' election to wind up and dissolve, together with a certified copy of the Resolution of the Board of Directors of M.A.E.S. by which the election to wind up and dissolve was made. This Resolution includes a plan of complete liquidation and the proposed disposition of M.A.E.S.' remaining assets. The proposed distributee is FUEDSOR, a corporation organized and operated for charitable purposes selected by the Board of Directors in office at the time of dissolution, as required in Article V of M.A.E.S.' Articles of Incorporation.

LAW OFFICES  
GOODSON AND WACHTEL  
A PROFESSIONAL CORPORATION

Office of the Attorney General  
Charitable Trusts Section  
November 22, 1995  
Page 2

FUDESOR is an organization located in El Salvador which has been the recipient of significant amounts of M.A.E.S.' funds in recent years, in implementation of M.A.E.S.' charitable purpose. Documentation regarding FUDESOR's organization and charitable purpose is enclosed. Please contact me in the event you require additional documentation.

The assets of M.A.E.S. on April 31, 1995, the date of cessation of operations, were \$18,063. Officers of M.A.E.S. have informed us that none of its assets were (or were purchased with) proceeds of restricted funds or gifts, nor did they consist of the proceeds of fundraising campaigns through which special representations concerning the use of such proceeds were made to donors. \$8,063 of that amount was set aside for the payment of estimated expenses, taxes, unascertained or contingent liabilities, and expenses of winding-up, distribution of assets, and dissolution. The remaining \$10,000, plus any funds remaining after all liabilities have been ascertained and satisfied, will hopefully be paid to FUDESOR, to be used for charitable purposes by which to continue to reflect the mission undertaken by M.A.E.S. during its existence.

Also enclosed for your information is a copy of M.A.E.S.' Form CT-2 for the fiscal year ended April 30, 1994. If you need further information or have any questions, please call us at your earliest convenience. Thank you for your assistance in this matter.

Very truly yours,



Hal Katzen

HK/je  
Encl.  
VEL/103.F1

EXHIBIT 21

LAW OFFICES OF WAYNE McCLEAN (818) 394-0075  
22120 Clarendon Street, Suite 200  
Woodland Hills, Ca 91367  
SBN: 66764

Exhibit 21

ATTORNEY FOR (NAME): Plaintiffs In Pro Per

Insert name of court, judicial district or branch court, if any, and post office and street address:

SUPERIOR COURT OF THE STATE OF CALIFORNIA  
COUNTY OF LOS ANGELES, CENTRAL BRANCH  
111 No. Hill Street  
Los Angeles, CA 90012

ORIGINAL FILED  
NOV 30 1983  
LOS ANGELES  
SUPERIOR COURT

PLAINTIFF:  
WAYNE McCLEAN; IAN HERZOG; ROBERT B. STEINBERG;  
CYNTHIA R. CHIHAR; RAUTH; LUKE ELLIS; GARY PAUL

DEFENDANT:  
ANGELO PAPARELLA

DOES 1 TO 100

RECEIVED 1030

CONTRACT

COMPLAINT  CROSS-COMPLAINT

1. This pleading, including attachments and exhibits, consists of the following number of pages: 7

2. a. Each plaintiff named above is a competent adult

Except plaintiff (name):

- a corporation qualified to do business in California
- an unincorporated entity (describe):
- other (specify):

b.  Plaintiff (name):

- has complied with the fictitious business name laws and is doing business under the fictitious name of (specify):
- has complied with all licensing requirements as a licensed (specify):

c.  Information about additional plaintiffs who are not competent adults is shown in Complaint--Attachment 2c.

3. a. Each defendant named above is a natural person

Except defendant (name):

Except defendant (name):

Does 1-100

- a business organization, form unknown
- a corporation
- an unincorporated entity (describe):

- a business organization, form unknown
- a corporation
- an unincorporated entity (describe):

a public entity (describe):

a public entity (describe):

other (specify):

other (specify):

b. The true names and capacities of defendants sued as Does are unknown to plaintiff.

c.  Information about additional defendants who are not natural persons is contained in Complaint--Attachment 3c.

d.  Defendants who are joined pursuant to Code of Civil Procedure section 382 are (names):

(Continued)

If this form is used as a cross-complaint, plaintiff means cross-complainant and defendant means cross-defendant.  
Form Approved by the  
Judicial Council of California  
Effective January 1, 1982  
Rule 982.1(20)

COMPLAINT--Contract

CCP 425.12

SHORT TITLE:

MCCLEAN V. PAPARELLA

CASE NUMBER

Exhibit 21

FIRST  
(Number)

CAUSE OF ACTION—Breach of Contract

Page

3

ATTACHMENT TO  Complaint  Cross-Complaint

(Use a separate cause of action form for each cause of action.)

BC-1. Plaintiff (name): Wayne McClean; Robert B. Steinberg; Cynthia R. Chihak-Rauth; Luke Ellis; Gary Paul; Ian Herzog

alleges that on or about (date): April 23, 1993

is  written  oral  other (specify):

agreement was made between (name parties to agreement): Defendant ANGELO PAPARELLA, Plaintiffs as guarantors and FIRST LOS ANGELES BANK as lender

A copy of the agreement is attached as Exhibit A, or

The essential terms of the agreement  are stated in Attachment BC-1  are as follows (specify):

That defendant PAPARELLA, in exchange for receipt of a \$25,000 loan through FIRST LOS ANGELES BANK, guaranteed by plaintiffs, would make accrued interest payments monthly beginning May 25, 1993, with the principal balance along with remaining accrued interest due on or before October 25, 1993.

BC-2. On or about (date): October 25, 1993

defendant breached the agreement by  the acts specified in Attachment BC-2  the following acts (specify):

Failing to pay the loan when it became due, along with no principal payments made during the entire time of the loan. As a result, FIRST LOS ANGELES BANK has made demand for full payment on the plaintiff-guarantors.

BC-3. Plaintiff has performed all obligations to defendant except those obligations plaintiff was prevented or excused from performing.

BC-4. Plaintiff suffered damages legally (proximately) caused by defendant's breach of the agreement

as stated in Attachment BC-4  as follows (specify):

Plaintiffs have been held responsible for full payment of the aforementioned loan by the lender, FIRST LOS ANGELES BANK, which not only institutes possible collection action against them, but also brings the possibility of damaging their credit.

BC-5.  Plaintiff is entitled to attorney fees by an agreement or a statute

of \$

according to proof.

BC-6.  Other:

THIRD CAUSE OF ACTION—Fraud

(number)

ATTACHMENT TO  Complaint  Cross-Complaint

(Use a separate cause of action form for each cause of action.)

FR-1. Plaintiff (name): WAYNE McCLEAN; IAN KERZOG; ROBERT B. STEINBERG; CYNTHIA CHIAR-RAUTH; LUKE ELLIS; GARY PAUL  
 alleges that defendant (name): ANGELO PAPARELLA

on or about (date): April 23, 1993 defrauded plaintiff as follows:

FR-2.  Intentional or Negligent Misrepresentation

a. Defendant made representations of material fact  as stated in Attachment FR-2.a  as follows:

Defendant, in writing, promised the plaintiffs that he would and could repay the loan in full at the specified date of the loan's maturity, namely October 25, 1993.

b. These representations were in fact false. The truth was  as stated in Attachment FR-2.b  as follows:

Defendant did not have the funds nor did he have the ability to repay the loan as promised.

c. When defendant made the representations,

- defendant knew they were false, or
- defendant had no reasonable ground for believing the representations were true.

d. Defendant made the representations with the intent to defraud and induce plaintiff to act as described in item FR-5. At the time plaintiff acted, plaintiff did not know the representations were false and believed they were true. Plaintiff acted in justifiable reliance upon the truth of the representations.

FR-3.  Concealment

a. Defendant concealed or suppressed material facts  as stated in Attachment FR-3.a  as follows:

Defendant never had any source of funds to pay back the loan upon maturity, and the promises he gave to plaintiffs were based on untruths and unsubstantiated facts, which he knew were false.

b. Defendant concealed or suppressed material facts

- defendant was bound to disclose.
- by telling plaintiff other facts to mislead plaintiff and prevent plaintiff from discovering the concealed or suppressed facts.

c. Defendant concealed or suppressed these facts with the intent to defraud and induce plaintiff to act as described in item FR-5. At the time plaintiff acted, plaintiff was unaware of the concealed or suppressed facts and would not have taken the action if plaintiff had known the facts.

(Continued)

Exemplary Damages Attachment

Exhibit 21

ATTACHMENT TO  Complaint  Cross-Complaint

EX-1. As additional damages against defendant (name): ANGELO PAPARELLA

Plaintiff alleges defendant was guilty of

- malice
- fraud
- oppression

as defined in Civil Code section 3294, and plaintiff should recover, in addition to actual damages, damages to make an example of and to punish defendant.

EX-2. The facts supporting plaintiff's claim are as follows:

Plaintiffs were given written assurance by defendant that he had the sources and would timely pay back the loan to FIRST LOS ANGELES BANK that they had guaranteed. Defendant knew at the time of the agreement that he would not have such sources or any funds at the time of the maturity of the loan that could pay it off in a timely fashion. Plaintiffs relied, to their detriment, upon defendant's promises, which were false representations, with the sole intent of obtaining free money, leaving plaintiffs credit status in jeopardy.

EX-3. The amount of exemplary damages sought is

- a.  not shown, pursuant to Code of Civil Procedure section 425.10.
- b.  \$

COPY

----- United States Bankruptcy Court ~~LA 93-55233~~ VOLUNTARY PETITION -----  
CENTRAL DISTRICT OF CALIFORNIA

Debtor: ANGELO I. PAPARELLA  
IN RE ----- JUDGE: Hon. I. March - 476 NAME OF JOINT DEBTOR  
ANGELO A. PAPARELLA TRUSTEE: BT33  
ALL OTHER NAMES ----- CHAPTER: 07 (COMPLETE) NO JOINT DEBTOR

SCC. SEC./TAX I.D. NO. ----- (IDENTIFY DATE - ANALYZING CONFIRMATION)  
114-54-1722

STREET ADDRESS OF DEBTOR ----- \*\*\* FILED \*\*\*  
1071 SOUTH MANSFIELD AVENUE 12/28/93 11:06  
LOS ANGELES, CA. 90019 CLERK, U.S. BANKRUPTCY COURT  
COUNTY OF RESIDENCE ----- CENTRAL DISTRICT OF CALIF.  
LOS ANGELES DEPUTY: #11

MAILING ADDRESS OF DEBTOR ----- RECEIPT NO: LAI-074241 : 160.00  
1071 SOUTH MANSFIELD AVENUE  
LOS ANGELES, CA. 90019

VENUE ----- LA 93-55233-KM -----

Debtor has had a residence in this District for 180 days immediately preceding the date of this petition.

----- INFORMATION REGARDING DEBTOR -----

TYPE OF DEBTOR Individual CHAPTER OF BANKRUPTCY CODE UNDER WHICH THE PETITION IS FILED  
NATURE OF DEBT Non-Business/Consumer 7  
A. TYPE OF BUSINESS N/A FILING FEE Attached

B. BRIEFLY DESCRIBE NATURE OF BUSINESS N/A

STATISTICAL/ADMINISTRATIVE INFORMATION-- Debtor estimates that, after any exempt property is excluded and administrative expenses paid, there will be no funds available for distribution to unsecured creditors. ATTORNEY NAME AND ADDRESS-- CHERYL L. CHRISTOPHER, ESQ.  
5225 WILSHIRE BLVD.  
SUITE 804  
LOS ANGELES, CA. 90038  
STATE BAR NO. 92872  
(213) 933-9375

NO. OF CREDITORS range (sard code)  
1-15 (1)

ASSETS (thousands) Under 50 (1)

LIABIL. (thousands) 50-99 (2)

NO. OF EMPLOYEES N/A

EQUIP SEC. HOLDERS N/A

ATTORNEYS DESIGNATED TO REPRESENT DEBTOR  
CHERYL L. CHRISTOPHER, ESQ.  
AND ROBERT EUBANKS, ESQ.

----- THIS SPACE FOR COURT USE ONLY -----



EXHIBIT 22

# THE \$STRING\$?

(All amounts from all campaign disclosure reports filed with Fair Political Practices Commission 1/1/95 through 3/9/96)

**Revitalize California**  
\$10.94 million

Transamerica Ins. Co. \$50,000  
Al Shugart \$255,801  
David Packard/HP \$721,900  
Cypress Semiconductor \$200,000  
Symantec \$200,000  
J. P. Morgan \$1.65 M (loans)  
Kohlberg, Kravis (partners) \$99,000  
Integrated Device Technology \$100,000  
Burt McMurty Venture Investors \$100,000  
Intel Corporation \$550,000

For more information, contact:  
**Citizens Against Phony Initiatives**  
310-475-0424

**\$53,186,895**

**\$531,989**

**Progressive Campaigns**  
*Signature Gathering and Door to Door Fundraising*

**Zimmerman and Markman**  
*Political Consultants and PR*

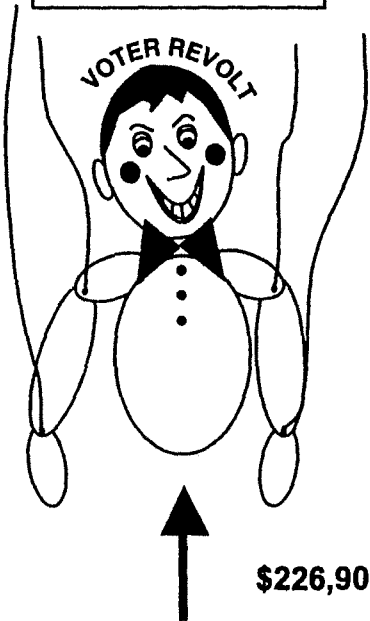
**\$ Commissions Amount Unknown**

Campaign disclosure reports show that high-tech billionaires, big businesses, Wall Street investment firms and at least one insurer have paid two private firms over \$3 million to campaign for Props 200, 201 and 202, using the name "Voter Revolt" to convince voters that these initiatives are grassroots based.

The Alliance has apparently spent \$4.53 for every \$1 in contributions it has collected in its effort to show "grassroots" support for these special interest initiatives.

**\$85,454 PAID TO PROGRESSIVE** (from 3/1/95)

**Progressive Campaigns employees tell citizens they work for "Voter Revolt"**



**\$226,902**

**PROGRESSIVE CAMPAIGN EMPLOYEES SOLICIT \$ FROM PUBLIC IN NAME OF VOTER REVOLT, KEEPING 50% OF AMOUNT THEY COLLECT**

**CODES FOR CLASSIFYING EXPENDITURES**

- C Contributions: Monetary and In-Kind
- I Independent Expenditures
- L Literature
- B Broadcast Advertising
- N Newspaper and Periodical Advertising
- O Outside Advertising
- S Surveys, Signature Gathering, Door-To-Door Solicitations
- F Fundraising Events
- G General Operations and Overhead
- T Travel, Accommodations and Meals (Must be Described)
- P Professional Management and Consulting Services

\* Do not itemize accrued expenses on Schedule E. Report only the lump sum of such payments on Line 4 in the summary.

Name and Address of Payee, Creditor, or Recipient	Code	or Description of Payment	Amount Accrued
Zimmerman & Markman 1250 Sixth Street, #202 Santa Monica, CA 90401	P		\$18,750.00
Progressive Campaigns 3435 Ocean Park Blvd., Suite 206-116 Santa Monica, CA 90405	S		\$2,095.75
Michael Johnson 339 North Orange Drive Los Angeles, CA 90036	G		\$14,400.00
Munger, Tollos & Olson 355 S. Grand Avenue Los Angeles, CA 90071	G		\$11,693.60
<b>SUBTOTAL</b>			<b>\$46,939.35</b>

*Accrued Expenses Summary*

1. Accrued expenses this period of \$100 or more.
2. Accrued expenses this period of under \$100 (do not itemize).
3. Total accrued expenses incurred this period.
4. Total accrued expenses paid this period.
5. Net change this period.

\$46,939.35
\$0.00
\$46,939.35
\$0.00
\$46,939.35

Form 419 Schedule E - Payments and Contributions (Other Than Loans) Made  
 Alliance to Revitalize California ID# 950300  
 January 1, 1995 - March 31, 1995

**CODES FOR CLASSIFYING EXPENDITURES**

**C** Contributions: Monetary and In-Kind

**I** Independent Expenditures

**L** Literature

**B** Broadcast Advertising

**N** Newspaper and Periodical Advertising

**O** Outside Advertising

**S** Surveys, Signatures Gathering, Door-To-Door Solicitations

**F** Fundraising Events

**G** General Operations and Overhead

**T** Travel, Accommodations and Meals (Must be Described)

**P** Professional Management and Consulting Services

• Do not itemize accrued expenses on Schedule E. Report only the lump sum of such payments on Line 4 in the summary.

Name and Address of Payee, Creditor, or Recipient	Code	or Description of Payment	Amount Paid
Robert Kaplan 12021 Wilshire Blvd., Suite 542 Los Angeles, CA 90025	P P P T	See Schedule G	\$7,000.00 \$1,145.42 \$2,500.00 \$290.06
Zimmerman & Markman 1250 Sixth Street, #202 Santa Monica, CA 90401	P T	See Schedule G	\$3,750.00 \$337.54
Steinberg and Associates Inc. 335 Sunn Road Calabasas, CA 91302	P		\$5,000.00
Niland Design 942 South Van Ness Avenue San Francisco, CA 94110	L L		\$2,993.27 \$2,993.27
FedEx P.O. Box 1140 Memphis, TN 38101-1140	L L L L		\$138.10 \$133.50 \$49.35 \$119.20
Accuprint 846 S. Robertson Blvd. Los Angeles, CA	L		\$3,500.00

Continued on Next Page

## Payments and Contributions (Other Than Loans) Made

Alliance to Revitalize California ID#950300

Page # 12 of 25

## CODES FOR CLASSIFYING EXPENDITURES

C Contributions: Monetary and In-Kind

I Independent Expenditures

L Literature

B Broadcast Advertising

N Newspaper and Periodical Advertising

O Outside Advertising

S Surveys, Signature Gathering, Door-To-Door Solicitations

F Fundraising Events

G General Operations and Overhead

T Travel, Accommodations and Meals (Must be Described)

P Professional Management and Consulting Services

\* Do not itemize accrued expenses on Schedule E. Report only the lump sum of such payments on Line 4 in the summary.

Name and Address of Payee, Creditor, or Recipient	Code	or Description of Payment	Amount Paid
Zimmerman & Markman 1250 Sixth Street, #202 Santa Monica, CA 90401	P T N	See Schedule G See Schedule G	\$10,000.00 \$1,167.00 \$7,403.28
Steinberg and Associates Inc. 335 Stunt Road Calabasas, CA 91302	P P G	See Schedule G	\$10,000.00 \$10,000.00 \$572.00
Niland Design 942 South Van Ness Avenue San Francisco, CA 94110	L L		\$601.34 \$389.91
FedEx P.O. Box 1140 Memphis, TN 38101-1140	L		\$203.45
Acuprint 846 S. Robertson Blvd. Los Angeles, CA		printing petitions printing petitions printing petitions printing petitions	\$5,663.64 \$3,420.10 \$4,104.00 \$5,939.40
		SUBTOTAL	\$59,464.12

Continued on Next Page

## Accrued Expenses (Unpaid Bills)

Page #

18 of

25

*Alliance to Revitalize California ID#950300*

## CODES FOR CLASSIFYING EXPENDITURES

- C Contributions: Monetary and In-Kind
- I Independent Expenditures
- L Literature
- B Broadcast Advertising
- N Newspaper and Periodical Advertising
- O Outside Advertising
- S Surveys, Signature Gathering, Door-To-Door Solicitations
- F Fundraising Events
- G General Operations and Overhead
- T Travel, Accommodations and Meals (Must be Described)
- P Professional Management and Consulting Services

\* Do not itemize accrued expenses on Schedule E. Report only the lump sum of such payments on Line 4 in the summary.

Name and Address of Payee, Creditor, or Recipient	Code	or Description of Payment	Amount Accrued
Progressive Campaigns 3435 Ocean Park Blvd., Suite 206-116 Santa Monica, CA 90405	S		\$3,528.60
Zimmerman & Markman 1250 Sixth Street, #202 Santa Monica, CA 90401	P P		\$15,000.00 \$5,000.00
Tom Proutx 539 Fletcher Drive Atherton, CA 94027	G		\$30,000.00
Acuprint 846 S. Robertson Blvd. Los Angeles, CA		printing petitions printing petitions	\$338.58 \$2,370.68
Virginia L. Boyd 181 Mimosa Way Portola Valley, CA 94028	P		\$3,000.00
MCI P.O. Box 805010 Louisville, KY 40285-5010	G		\$122.83
Howard, Rice Three Embarcadero Center, Seventh Floor San Francisco, CA 94111-6065	G		\$1,367.68
Internal Revenue Service Fresno, CA 93888	G		\$192.80
<b>SUBTOTAL</b>			<b>\$60,921.17</b>

Schedule F:  
Accrued Expenses (Unpaid Bills)

Alliance to Revitalize California ID#950300

CODES FOR CLASSIFYING EXPENDITURES

- C Contributions: Monetary and In-Kind
- I Independent Expenditures
- L Literature
- B Broadcast Advertising
- N Newspaper and Periodical Advertising
- O Outside Advertising
- S Surveys, Signature Gathering, Door-To-Door Solicitations
- F Fundraising Events
- G General Operations and Overhead
- T Travel, Accommodations and Meals (Must be Described)
- P Professional Management and Consulting Services

Do not itemize accrued expenses on Schedule E. Report only the lump sum of such payments on Line 4 in the summary.

Name and Address of Payee, Creditor, or Recipient	Code	or Description of Payment	Amount Accrued
Progressive Campaigns 3435 Ocean Park Blvd., Suite 206-116 Santa Monica, CA 90405	S S		\$66,614.75 \$64,800.00
Zimmerman & Markman 1250 Sixth Street, #202 Santa Monica, CA 90401	P G T		\$15,000.00 \$456.05 \$369.99
Tom Proulx 539 Fletcher Drive Atherton, CA 94027	G		\$15,000.00
Faustman, Carlton, DiSante & Freudenberger 18881 Von Karman Avenue, Suite #1450 Irvine, CA 92715	T G		\$347.64 \$935.48
Stephanie Castor 445 Roosevelt Avenue, Apartment B Sunnyvale, CA 94086	G		\$1,441.86
Steinberg and Associates 335 Stunt Road Calabasas, CA 91302	P		\$50,000.00
Harold Marsh P.O. Box 251739 Los Angeles, CA 90025	P		\$10,000.00
<b>SUBTOTAL</b>			<b>\$224,965.77</b>

Continued on Next Page

EXHIBIT 22

Schedule E:  
 Payments and Contributions (Other Than Loans) Made

Alliance to Revitalize California ID#950300

CODES FOR CLASSIFYING EXPENDITURES

- C Contributions: Monetary and In-Kind
- I Independent Expenditures
- L Literature
- B Broadcast Advertising
- N Newspaper and Periodical Advertising
- O Outside Advertising
- S Surveys, Signature Gathering, Door-To-Door Solicitations
- F Fundraising Events
- G General Operations and Overhead
- T Travel, Accommodations and Meals (Must be Described)
- P Professional Management and Consulting Services

• Do not itemize accrued expenses on Schedule E. Report only the lump sum of such payments on Line 4 in the summary.

Name and Address of Payee, Creditor, or Recipient	Code	Description of Payment	Amount Paid
Zimmerman & Markman 1250 Sixth Street, #202 Santa Monica, CA 90401	P G N	See Schedule G See Schedule G	\$45,000.00 \$500.21 (\$810.00)
Niland Design 942 South Van Ness Avenue San Francisco, CA 94110	P		\$408.50
FedEx P.O. Box 1140 Memphis, TN 38101-1140	G G G		\$243.45 \$137.05 \$1,517.95
Cort Furniture 2925 Mead Avenue Santa Clara, CA 95051	G G G		\$124.69 \$124.69 \$124.69
Acuprint 846 S. Robertson Blvd. Los Angeles, CA		printing petitions printing petitions printing petitions printing petitions printing petitions printing petitions printing petitions printing petitions	\$2,554.70 \$2,554.70 \$3,927.66 \$1,415.91 \$1,732.00 \$1,732.00 \$3,464.00 \$3,464.00
<b>SUBTOTAL</b>			<b>\$68,216.20</b>

Continued on Next Page



Payments and Contributions (Other Than Loans) Made

Statement covers period from October 1, 1995 through December 31, 1995

Plance to Revitalize California ID#950300

Vandenberg & Associates 5532 Woodruff Avenue #303 Lakewood, CA 90713	P P T Q	See Schedule G See Schedule G	\$11,000.00 \$15,000.00 \$1,721.63 \$3,283.77
VIVID Business Systems 800 El Camino Real, Suite 180 Mountain View, CA 94040-2567	G G G G G G		\$202.50 \$701.31 \$2,081.42 \$606.65 \$360.00 \$292.50 \$506.25
Wells Fargo Bank 735 Santa Cruz Avenue Menlo Park, CA 94025	G	Bank Fees	\$221.27
William Westermeyer Voter Revolt, 1814 I Street Sacramento, CA 95816	T	SW 9/29 SAC-LAX-SAC	\$144.00
Zimmerman & Markman 1250 Slath Street, #202 Santa Monica, CA 90401	P P G T	See Schedule G See Schedule G	\$15,000.00 \$15,000.00 \$681.50 \$949.81
<b>SUBTOTAL</b>			<b>\$67,752.61</b>

Payments and Contributions Made Summary

1. Payments made this period of \$100 or more.
2. Payments made this period of under \$100 (do not itemize).
3. Total interest paid this period on outstanding loans.
4. Total accrued expenses paid this period.
5. Total payments made this period.

\$680,985.00
\$153.81
\$4,418.67
\$117,971.38
\$803,529.06

EXHIBIT 22  
 FROM -CAOC  
 FEB 05 96 14:53  
 10-YOU KNOW WHO  
 1-538 P. 24/37 F-394

Received Time Feb. 5. 2:43PM  
 Print Time Feb. 5. 2:55PM

Schedule E:  
 Payments and Contributions (Other Than Loans) Made

California 1994 Form 419  
 Statement covers period from January 1, 1996 through February 10, 1996

*Alliance to Revitalize California, A Committee for Propositions 200, 201 and 202*  
 ID#950300

Wells Fargo Bank	O		\$10.00
735 Santa Cruz Avenue	G		\$140.00
Menlo Park, CA 94025	G		\$22.00
	G		\$1.50
Zimmerman & Markman	P, I		\$15,000.00
1250 Sixth Street, #202	G, I	See Schedule O	\$518.87
Santa Monica, CA 90401	T, I	See Schedule O	\$1,047.61
	D, I		\$210,000.00
<b>SUBTOTAL</b>			<b>\$226,739.98</b>

*Payments and Contributions Made Summary*

1. Payments made this period of \$100 or more.
2. Payments made this period of under \$100 (do not itemize):
3. Total interest paid this period on outstanding loans.
4. Total accrued expenses paid this period.
5. Total payments made this period.

\$643,893.80
\$0.00
\$1,655.48
\$238,036.17
\$887,585.45

Schedule F:  
Accrued Expenses (Unpaid Bills)

California 1994 Form 419  
Statement covers period from February 11, 1996 through March 9, 1996

Alliance to Revitalize California, A Committee for Propositions 200, 201 and 202  
ID#950300

Page # 33 of 44

Name and Address of Payee, Creditor, or Recipient	Code	Description of Payment	Amount Accrued
Voter Education Project 4041 MacArthur Blvd., Suite 190 Newport Beach, CA 92660	L, I	Slate Mailer	\$25,000.00
National Tax Limitation Committee PAC State 1817 Capitol Avenue, Suite A Sacramento, CA 95814	L, I	Slate Mailer	\$7,000.00
Aristotle 205 Pennsylvania Avenue, SE Washington D.C. 20003	L, I	Slate Mailer	\$11,935.00
Your Ballot Guide 15233 Ventura Blvd., Suite 230 Sherman Oaks, CA 91403	L, I	Slate Mailer	\$10,000.00
Steinberg and Associates, Inc. 335 Siunt Road Calabasas, CA 91302	P		\$18,225.00
Zimmorman & Markman 1250 Sixth Street, #202 Santa Monica, CA 90401	D, I B, I		\$60,000.00 \$35,000.00
<b>SUBTOTAL</b>			<b>\$95,000.00</b>

**Accrued Expenses Summary**

1. Accrued expenses this period of \$100 or more.
2. Accrued expenses this period of under \$100 (do not itemize).
3. Total accrued expenses incurred this period.
4. Total accrued expenses paid this period.
5. Net change this period.

\$332,697.75
\$0.00
\$332,697.75
\$61,386.30
\$271,311.45

EXHIBIT 22

87  
mc

# Late Independent Expenditure Report

California 1994 Form 496

## Name of Filer

Alliance to Revitalize California, A Committee for Propositions 200, 201, and 202

## Main Office Address and Phone Number

3303 Pico Blvd., Suite C  
Santa Monica, CA 90405  
310-264-5433  
ID# 950300

## Northern California Office and Phone Number

887 Oak Grove  
Menlo Park, CA 94025  
415-614-1900

RECEIVED AND FILED  
in the office of the Secretary of State  
of the State of California

MAR 12 1996

## Late Independent Expenditures

Name of Ballot Measure Supported or Opposed			
Attorney's Fees, Shareholders Actions, Class Actions, Initiative Statute.			
Ballot Number/Letter	Jurisdiction	Support	Oppose
Proposition 201	State of California	X	

PULL JONES, Secretary of State

## Late Independent Expenditures Made

Date	Description of Expenditure	Amount
03/12/96	Voter Education Project 4041 MacArthur Boulevard, Suite 190 Newport Beach, CA 92660 State Mailers for March 1996 Primary Election <i>Note: Total was \$25,000.00 for Propositions 200, 201 and 202</i>	\$8,333.33
03/12/96	National Tax Limitation Committee PAC State 1817 Capitol Avenue, Suite A Sacramento, CA 95814 State Mailers for March 1996 Primary Election <i>Note: Total was \$2,000.00 for Propositions 200, 201 and 202</i>	\$2,333.33
03/12/96	Zimmerman and Markman, Inc. 1250 Sixth Street, #202 Santa Monica, CA 90401 TV Production Advance <i>Note: Total was \$20,000.00 for Propositions 200, 201 and 202</i>	\$20,000.00

Prepared 3/12/96 by Virginia L. Boyd, Treasurer

Mar. 19. 11:03AM

Print Time

Mar. 19. 10:53AM

Received Time

Exhibit 22

DATE: 3/17/96 10:53 AM

FROM: VAUGHAN, WAYNE

Progressive Campaigns 3435 Ocean Park Blvd., Suite 206-116 Santa Monica, CA 90405	S		\$14,000.00
	S		\$14,000.00
	S		\$14,000.00
	S		\$14,000.00
	S		\$14,000.00
	S		\$14,000.00
	S		\$6,150.00
	S		\$7,000.00
	S		\$4,500.00
	S		\$9,150.00
	S		\$7,800.00
	S		\$6,150.00
	S		\$6,150.00
	S		\$15,000.00
S		\$30,000.00	
G	See Schedule G	\$8,170.00	
L	See Schedule G	\$2,229.49	
		\$132.41	
MCI	G		\$347.17
P.O. Box 85053	G		\$330.07
Louisville, KY 40285			
Penwick and West	G		\$519.06
Two Palo Alto Square			
Palo Alto, CA 94306			
Howard, Rice	G		\$5,000.00
Three Embarcadero Center, Seventh Floor	G		\$15,000.00
San Francisco, CA 94111-6065			
Harold Marsh	G		\$5,000.00
P.O. Box 251739	G		\$5,000.00
Los Angeles, CA 90025	G		\$5,000.00
Pacific Bell	G		\$215.85
Payment Center			
Sacramento, CA 91388-0001			
State Compensation Insurance Fund	G		\$259.79
P.O. Box 7980			
San Francisco, CA 94120-7980			
State of California, Attorney General	G		\$200.00
1515 K Street			
Sacramento, CA			



Continued on Next Page

**Alliance to Revitalize California ID#950300**

EXHIBIT 22

<b>Progressive Campaigns</b>	S		\$32,904.25
3435 Ocean Park Blvd., Suite 206-116	S		\$28,000.00
Santa Monica, CA 90405	S		\$30,000.00
	S		\$359.55
	S		\$1,125.85
	S		\$15,000.00
	S		\$302.20
	S		\$29,000.00
	S		\$13,557.50
	S		\$30,500.00
	S		\$40,000.00
	S		\$671.15
	S		\$41,000.00
	S		\$42,000.00
	S		\$1,177.10
	S		\$57,000.00
	S		\$3,703.50
	S		\$65,000.00
	S		\$62,000.00
	S		\$1,481.15
	S		\$81,000.00
	S		\$363.35
	S		\$2,867.36
<b>Vendors receiving \$100 or more:</b>			
GTE California, Payment Center \$480.26			
Inglewood, CA 90313-0001			
Tele-Communications International \$900.00			
8383 Wilshire Blvd., #1000			
Beverly Hills, CA 90211			
Konica Business Machines, File #53138 \$367.90			
Los Angeles, CA 90074-3138			
City of Hope, Property Mgmt Dept \$1,200.00			
208 W. 8th Street			
Los Angeles, CA 90014			
Postage by Phone System, Box 7900071 \$600.00	L		\$982.15
St. Louis, MO 63179-0071			
Office Depot \$104.39			
2231 S. Barrington Avenue			
Los Angeles, CA 90064			
<b>SUBTOTAL</b>			<b>\$579,995.11</b>



Continued on Next Page

Schedule E:  
Payments and Contributions (Other Than Loans) Made

California 1994 Form 419  
Statement covers period from July 1, 1995 through September 30, 1995

Alfonse to Retiree California ID#950309

Progressive Campaigns  
3435 Ocean Park Blvd., Suite 206-116  
Santa Monica, CA 90405

5	\$943.55	\$943.55
5	\$80,000.00	\$80,000.00
5	\$80,000.00	\$80,000.00
5	\$100,000.00	\$100,000.00
5	\$526.25	\$526.25
5	\$889.10	\$889.10
5	\$118,000.00	\$118,000.00
5	\$2,686.50	\$2,686.50
5	\$129,000.00	\$129,000.00
5	\$6,204.10	\$6,204.10
5	\$1,974.50	\$1,974.50
5	\$2,000.00	\$2,000.00
5	\$41.10	\$41.10
5	\$104,000.00	\$104,000.00
5	\$3,309.58	\$3,309.58
5	\$110,000.00	\$110,000.00
5	\$4,072.90	\$4,072.90
5	\$1,483.35	\$1,483.35
5	\$103,000.00	\$103,000.00
5	\$17,697.65	\$17,697.65
5	\$140,000.00	\$140,000.00
5	\$5,029.40	\$5,029.40
5	\$10,000.00	\$10,000.00
5	\$118,143.50	\$118,143.50
5	\$32,400.00	\$32,400.00
5	\$7,214.86	\$7,214.86

Q

Vendors receiving \$100 or more:

Cable & Wireless, Inc., P.O. Box 371968  
Pittsburgh, PA 15230-1968

GTE California, Payment Center  
Inglewood, CA 90313-0001

Konica, P.O. Box 64065, St Paul, MN 55164-0065  
Konica, Title #53138, LA, CA 90074-3138

City of Hager, Property Mgmt Dept, 208 W. 8th St  
Los Angeles, CA 90014

Primey Bowers Credit Corp, P.O. Box 85460  
Louisville, KY 40285-5468

Scaptes, 2052 Bimby Drive  
Los Angeles, CA 90025

\$540.00 Telephone

\$810.00 Telephone

\$101.75 Equipment

\$513.39 Equipment

\$1,800.00 Rent

\$125.57 Postage

\$124.93 Office Supplies

SUBTOTAL

\$1,169,125.34

Schedule B:  
 Payments and Contributions (Other Than Loans) Made

California 1994 Form 419  
 Statement covers period from October 1, 1995 through December 31, 1995

ALLIANCE TO REVITALIZE CALIFORNIA ID#950300

-645 P. 23/37 F-394

EXHIBIT 22

FROM-CADC

ID-KHR

FEB 05 06 15:30

Progressive Campaigns 3435 Ocean Park Blvd., Suite 206-116 Santa Monica, CA 90405	S S		\$31,143.00
			\$24,457.00
			\$22,299.00
			\$28,184.00
			\$32,400.00
			\$20,164.00
			\$23,081.00
			\$34,027.00
			\$30,285.00
			\$31,842.00
			\$32,811.00
<b>Vendors receiving \$100 or more:</b>			\$850.00
Cable & Wireless, Inc., P.O. Box 371968 Pittsburgh, PA 15250-1968			\$625.00
GTE California, Payment Center Inglewood, CA 90313-0001			\$1,865.03
A.A.A. Rees Telecom 2180 Westwood Blvd., #2-N, LA, CA 90025			
Konica, P.O. Box 64065, St Paul, MN 55164-0065			\$901.06
Konica, File #53138, LA, CA 90074-3138			
City of Hope, Property Mgmt Dept, 208 W. 8th St. Los Angeles, CA 90014		3 months \$3,000/mth Rent	\$9,000.00
Pitney Bowes Credit Corp., P.O. Box 85460 Louisville, KY 40285-5460			
US Postal Service Postage by Phone System P.O. Box 7900071, St. Louis, MO 63179-0071		\$300.00	\$1,050.20
Trader Boys 11535 W. Pico Blvd., Los Angeles, CA 90067		\$1,481.89	\$4,000.00
Home Depot, 12975 W. Jefferson, LA, CA 90066		\$4,143.77	
Orchard Supply Hdwr, 2020 S. Bundy, LA, CA 90025		\$177.70	
Fisher/Malibu, 23419 W. PCI, Malibu, CA 90265		\$153.96	
Royal Lighting, 2050 S. Bundy, LA, CA 90025		\$378.99	
Staples, 2052 Bundy Drive Los Angeles, CA 90025		\$69.24	\$249.22
Michelle Jose 3756 Cardiff, #113, Los Angeles, CA 90034			\$4,290.00
		<b>SUBTOTAL</b>	<b>\$333,527.51</b>



Continued on Next Page



Schedule E:  
 Payments and Contributions (Other Than Loans) Made

California 1994 Form 419  
 Statement covers period from February 11, 1996 through March 9, 1996

Alliance to Revitalize California, A Committee for Propositions 200, 201 and 202  
 ID#950300

Page # 30 of 44

EXHIBIT 22

Name and Address of Payee, Creditor, or Recipient	Code	or Description of Payment	Amount Paid
State Compensation Insurance Fund P.O. Box 7980 San Francisco, CA 94120-7980	G		\$329.61
S&G Marketing 1891 G. Wollner Street Fairfield, CA 94533	L, I L, I	postage for mass mailing postage for mass mailing	\$75,000.00 \$120,000.00
Steinberg and Associates Inc. 335 Stunt Road Calabasas, CA 91302	P P P		\$10,500.00 \$8,375.00 \$8,375.00
Stewart Title 2044 Gateway Place, Suite 150 San Jose, CA 95110	G		\$3,690.00
Progressive Campaigns 3435 Ocean Park Blvd., Suite 206-116 Santa Monica, CA 90405	S, I S, I S, I S, I S, I S, I	November Signatures November Signatures November Signatures	\$9,974.50 \$32,527.00 \$19,100.70 \$28,895.00 \$31,842.00 \$29,832.60
<i>Vendors receiving \$100 or more:</i> AT&T P.O. Box 10103, Van Nuys, CA 91410-0103	G	copying office supplies telephone	\$91.60 \$229.87 \$850.00
GTE California, Payment Center Inglewood, CA 90313-0001		rent	\$3,000.00
City of Hope, Property Mgmt Dept, 208 W. 8th St. Los Angeles, CA 90014		postage	\$500.00
Postage by Phone System P.O. Box 7900071, St. Louis, MO 63179-0071			\$284.00
Staples, 2052 Bundy Drive Los Angeles, CA 90025		staff	\$1,430.00
Michelle Jose 3756 Cardiff, #113, Los Angeles, CA 90034			\$2,000.00
Vandenberg & Associates 5532 Woodruff Avenue #303 Lakewood, CA 90713	P, I P, I P, I		\$7,000.00 \$2,000.00
	T	See Schedule G	\$765.94
	G	See Schedule G	\$880.14
<b>SUBTOTAL</b>			<b>\$397,188.96</b>

Continued on Next Page

Schedule F:  
Accrued Expenses (Unpaid Bills)

Alliance to Revitalize California, A Committee for Propositions 200, 201 and 202  
ID#950300

CODES FOR CLASSIFYING EXPENDITURES

- C Contributions: Monetary and In-Kind
- I Independent Expenditures
- L Literature
- B Broadcast Advertising
- N Newspaper and Periodical Advertising
- O Outside Advertising
- S Surveys, Signature Gathering, Door-To-Door Solicitations
- F Fundraising Events
- G General Operations and Overhead
- T Travel, Accommodations and Meals (Must be Described)
- P Professional Management and Consulting Services

\* Do not itemize accrued expenses on Schedule E. Report only the lump sum of such payments on Line 4 in the summary.

Name and Address of Payee, Creditor, or Recipient	Code	or Description of Payment	Amount Accrued
Linda Kasen & Associates 980 Ninth Street, Suite 2200 Sacramento, CA 95814-2742	P		\$8,750.00
Anthony Bell 13111 Ventura Blvd., Suite 202 Studio City, CA 91607	P		\$284.00
California Republican Party 1903 West Magnolia Blvd. Burbank, CA 91506	L, I	Slate Mailer	\$98,236.00
Campaign Performance Group The Watergate, 2600 Virginia Avenue NW #303 Washington D.C. 20037-1905	G		\$63.39
	P		\$911.63
Kenneth L. Khachigian 209 Avenida Del Mar, Suite 203 San Clemente, CA 92672	P		\$25,000.00
	G		\$192.86
	T		\$553.29
Vandenberg & Associates 5532 Woodruff Avenue #303 Lakewood, CA 90713	P		\$2,000.00
Progressive Campaigns 3435 Ocean Park Blvd., Suite 206-116 Santa Monica, CA 90405	S, I	November	\$46,355.40
	S, I	March	\$30,420.00
Thomas A. Proulx 539 Fletcher Drive Atherton, CA 94027	G		\$30,000.00
	G		\$1,747.61
	T		\$1,933.57

Exhibit 22

## Schedule G:

## Payments Made by an Agent or Independent Contractor

California 1994 Form 419

Statement covers period from February 11, 1996 through March 9, 1996

Alliance to Revitalize California, A Committee for Propositions 200, 201 and 202

Page #

40 of 44

ID#950300

Name: Zimmerman &amp; Markman

1250 Sixth Street, #202

Santa Monica, CA 90401

Name and Address of Payee, Creditor, or Recipient	Code	Description of Payment	Amount Paid
Hands On Productions 2709 Brightwood Avenue Nashville, TN 37212	B, I		\$163,525.00 \$174.00
Robert Starr 8418 Willoughby Avenue Los Angeles, CA 90069	B, I		\$7,500.00
Lon Davis 2814 Beach Avenue Venice, CA 90291	B, I		\$900.00
Gary Horowitz 13032 Sky Valley Road Los Angeles, CA 94049	B, I		\$2,500.00
Time and Space Media 1888 Century Park East, Suite 1900 Los Angeles, CA 90067	B, I		\$5,574.38
AirTouch Cellular P.O. Box 19651 Irvine, CA 92713	G		\$122.17
GTE P.O. Box 1098 Huntington Beach, CA 92647	G		\$121.40
FedEx P.O. Box 1140 Memphis, TN 38101-1140	G		\$141.25
<b>TOTAL</b>			<b>\$180,558.20</b>

Exhibit 22



EXHIBIT 23



**FAX COMMUNICATION**

(One page only)

**DATE:** November 1, 1995  
**TO:** [REDACTED]  
**FAX #:** 916-[REDACTED]  
**FROM:** Bill Zimmerman  
**RE:** Initiative signatures

This memo is not about the three tort reform initiatives. I know you're on the other side, and you have every right to your position.

I hear you're planning an initiative for the November ballot [REDACTED].  
[REDACTED] Bravo! How are you going to get the signatures? A spin-off of Voter Revolt, Progressive Campaigns, is now the largest and most efficient signature operation in California. They got the signatures for the tort reform initiatives. On September 11, we turned in 2.2 million signatures to qualify all three. It was the largest signature drive in US history, even surpassing Perot's effort, nationwide, in 1992.

At the same time we were doing that, the trial lawyers hired Kelly to get the signatures for a counter initiative. In fact, they got their title and summary back on exactly the same day as we did for one of our three initiatives. All three of ours have now been certified for the March ballot. The trial lawyers were unable to get sufficient signatures to qualify their one measure while we got enough to qualify all three of ours. The reason was probably a very low validity rate. We got a 74.5% validity rate statewide combining all three, a very high validity rate, which also saved us money on the absolute number of signatures we had to collect.

Our price is the same as everyone else's, 70 cents per signature. If you want to talk about our getting all or any part of your signatures, give me a call.

EXHIBIT 24

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Feb. 20, 1995

Rep. Carlos J. Moorhead, Chairman  
House Subcommittee on Courts and Intellectual Property  
House Judiciary Committee  
House of Representatives  
Washington, D.C.

Dear Chairman Moorhead:

On February 10, 1995, Michael Horowitz of the Hudson Institute testified before your Subcommittee on H.R. 10. Among his numerous misjudgements was a false statement on page 7 of his testimony, to wit: "The alliance is led by Silicon Valley entrepreneur Thomas Proulx, insurance critic and consumer author Andrew Tobias and, remarkably, Voter Revolt, the Nader-affiliated consumer group which sponsored California Proposition 103 mandating sharp automobile insurance rate reduction." (his emphasis).

~~Voter Revolt has been taken over by terrorists who now provide their services for anti-consumer initiatives. They are NOT affiliated with me or any of our organizations. Although in 1988 I worked with Voter Revolt, there was no affiliation in the proper dictionary sense of that word. To in any way indicate, as Mr. Horowitz did in his testimony that Voter Revolt is now permitted to use my name or be described as "Nader-affiliated" is untrue. I request that the hearing record be corrected by placing this letter in the printed hearing volume, along with my submitted testimony that your staff permitted earlier this month.~~

Sincerely,  
  
Ralph Nader

PO Box 19312  
Washington, D.C., 20036

Enc. attached testimony

P.S. Please confirm your acceptance of the above request.  
Thank you.

EXHIBIT 25



1) Shift accident costs on to health insurance policyholders, workers and employers.

Under SB 941, auto insurers can require that an injured policyholder first collect available benefits under his or her health insurance policy. This would spare auto insurers considerable expense, but would place an added burden on health insurers that would result in higher health insurance premiums. In addition, SB 941 would allow auto insurers to deduct from the benefits that they are required to pay injured policyholders the amounts that the policyholder is eligible to receive in workers' compensation, social security disability and state disability benefits. Again, this reduces the cost burden on auto insurance policies, but increases costs for the workers and employers who fund these other benefit programs.

2) Drop property damage coverage from the mandatory policy:

Even though the bill would leave in place the current fault-based legal system for assessing responsibility for property damage, liability insurance that covers property damage would not be included in the PIP policy, nor would drivers be required to buy it separately. This cost-saving feature of the bill would benefit a particular class of drivers -- those people who would not buy property damage liability insurance if the law did not require them to. Generally, these are people who own no significant assets and thus would not likely be sued over an auto accident anyway. For them, money not spent on liability insurance is money saved. Yet the money thereby saved by this group is money that other, insured, drivers must spend to cover the damage that these uninsured drivers cause.

3) Charge the same price statewide for the mandatory policy:

Since insurance costs are higher in denser urban areas than in rural and suburban parts of the state, flat-rating the policy would effectively force rural and suburban residents to subsidize urban residents. While this would tend to benefit low-income drivers, many of whom live in the inner-cities, it would also give residents of Beverly Hills a break on their premiums at the expense of less well-off rural policyholders.

4) Offer extremely limited wage loss benefits:

Under the proposed PIP policy, wage loss benefits are ~~capped~~ at \$1000 per month. This means that a motorist who earns more than \$12,000 a year and is injured through no fault of his own would be deprived of a portion of his income if rendered unable to work. In order to match the coverage provided under the present liability system, drivers earning more than \$1000 per month -- the majority of motorists -- would have to purchase supplemental wage-loss insurance.

SB 941 is a clumsy way to lower costs for low-income drivers.

The redistribution of insurance costs that SB 941 would effect is designed to lower premiums for low-income drivers. While making insurance more affordable to low-income drivers is clearly a pressing social need, the method employed by the bill -- redistributing the cost burden under the guise of a general reform of the insurance system -- is deceitful and, ultimately, self-defeating.

Employing such an indirect approach makes for messy public policy. For starters, the subsidies contained in the bill cannot be directed exclusively to those who need them because they are not acknowledged to be such. Secondly, the bill would visit massive chaos on the insurance system just when the new insurance commissioner is on the verge of putting Prop. 103's major provisions into effect. And last but not least, the bill would give insurers what they want from no-fault -- greater control over benefit payments.

There is a better way:

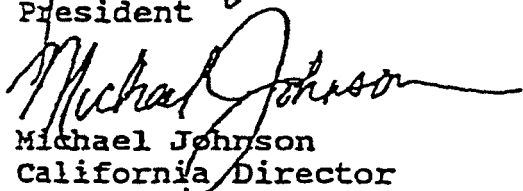
Legislation sponsored by Speaker Willie Brown provides a more honest and efficient way of making insurance affordable to low-income drivers. His bill would dramatically toughen enforcement of the mandatory insurance law and use the savings from the resulting reduction in uninsured motorist premiums to offer insurance subsidies to qualifying low-income drivers. Because the subsidy in Brown's bill is explicit, it can be targeted and its cost minimized. And that, after all, is the goal.

Thank you for your attention.

Sincerely,



Joan Claybrook  
President



Michael Johnson  
California Director

# MUSION OF SAVINGS from shifted costs

Exhibit 2

Sacramento Bee

May 28, 1991

Michael Johnson is the California director of Public Citizen, the national consumer-advocacy group founded by Ralph Nader in 1971. p-82

By Michael Johnson

**O**N ITS face, it's incredible. State Sen. Patrick Johnston says he has a plan to reduce the premium for basic auto insurance coverage to a mere \$220 a year. In Los Angeles, where rates for the minimum coverage required by law hover around \$1,000, that would be a nearly 80 percent reduction, making Proposition 103's mandated rollbacks look stingy by comparison.

The sure-fire solution to high premiums, according to Johnston, is no-fault auto insurance, which he contends would drastically lower costs by curtailing auto-accident litigation and eliminating frivolous claims. While the insurance industry has been making the same arguments in support of no-fault for years, Johnston's proposal is getting serious attention because it is supported not only by insurers, but also by groups representing low-income consumers.

Yet despite the support of these more respectable groups, the bill is no more an honest effort at insurance reform than was the insurance industry's defeated and discredited 1988 no-fault initiative. The primary intent of the bill, SB 941, is not to reduce overall insurance costs, but rather to shift those costs around in order to create the illusion of cost reduction, and in the process, benefit a certain class of drivers.

Johnston and the other proponents of the bill claim that the miracle premium reductions promised by SB 941 can be had simply by banning lawsuits over pain and suffering resulting from whiplash and other "minor" injuries. Instituting such a ban, which is a cornerstone of no-fault, would lower premiums by reducing legal costs and eliminating "windfall" awards to undeserving claimants — so the argument goes.

But that's not all no-fault would do. The no-fault insurance coverage proposed in Johnston's bill would entitle policyholders to collect medical and wage-loss benefits whenever they are injured in an accident, regardless of who caused the accident. Compared to the present mandatory liability policy, which pays benefits only when the policyholder is at fault, Johnston's no-fault policy would pay out twice as frequently. The tremendous increase in cost that this represents probably would at least offset the savings achieved by curtailing lawsuits for pain and suffering.

Indeed, the limits placed on pain and suffering benefits by no-fault are designed to be a trade-off, not for lower premiums, but for the broader compensation provided under no-fault. Under no-fault, a certain degree of justice (i.e., full compensation for innocent victims) is sacrificed in the interests

of providing a minimal level of compensation to all parties, innocent or not, injured in auto accidents. Whether this trade-off is desirable social policy is certainly subject to debate. But it is a matter of fact that this trade-off is not a recipe for huge premium reductions.

**A**ND NOT by any stretch of the imagination can no-fault begin to account for the incredible premium reduction promised by SB 941. Indeed, the bill's sponsors have a much simpler, if less-publicized, strategy for reducing premiums: Shift the costs of auto accidents outside the auto-insurance system and reduce the coverage motorists are required to purchase.

For example, one provision of the bill that would have a tremendous impact on costs, but is never mentioned by the proponents, would allow auto insurers to require that injured policyholders first collect benefits available under their private health-insurance policies. Another provision would entitle auto insurers to deduct from the benefits owed a policyholder whatever amount the policyholder is eligible to receive from workers' compensation and Social Security disability and state-disability insurance programs.

Both of these provisions would relieve much of the cost pressure on auto-insurance policies. But they would do so at the expense of the health-insurance policyholders, workers and employers who must fund the insurance programs that Johnston's bill proposes to raid.

The simplest premium-reduction device Johnston employs is to repeal the requirement that drivers carry liability insurance to cover the damage they cause to other motorists' cars. That's great if you don't own any assets and can't be held financially responsible for the damage you cause anyway. But if you've got assets, the property-damage liability coverage would hardly be optional for you. Instead, you would simply see a huge increase in your rates for collision insurance, which covers the damage caused to your car by uninsured motorists, who would become even more common under Johnston's bill.

**W**HILE THE massive cost shifts proposed by the bill can hardly be termed insurance reform, they are intended to achieve one important goal — providing special cost relief for low-income policyholders. Unfortunately, the smoke and mirrors approach adopted by Johnston in an effort to make the measure more palatable politically has made a costly mess of the bill. The honest approach — providing direct insurance subsidies to low-income drivers with good records — would be a more sensible and far less costly way of making insurance affordable to everyone.

Special to The Bee

EXHIBIT 26

**PERSONAL**

October 1, 1991

Mr. Ralph Nader  
Washington, DC

Dear Raich:

I am writing to explain my decision to leave Public Citizen and assist in the effort to enact a no-fault auto insurance law in California.

As you know, I have devoted much of my time and energy as a consumer advocate over the last five years working for insurance reform. I was attracted to this issue, despite the mundane subject matter, because I believed that it presented us with a golden opportunity to demonstrate to people that the kind of work we do can make a tangible difference in their lives. Recently, however, I have come to the conclusion that our rigid opposition to no-fault runs counter to honest insurance reform and citizen empowerment.

Having played a role in lifting voter expectations with Prop. 103 and then frustrating them by aiding the opposition to no-fault, I feel a deep personal need now to support current efforts to establish a no-fault system in California. More is at stake than mere insurance reform. The voters' faith in government and their ability to influence it is being steadily eroded as 103's promise of lower rates continues to go unfulfilled. The only way to reverse this erosion and transform Prop. 103 into a true victory is to deliver the lower insurance rates promised -- and that simply cannot be done without imposing some reasonable restrictions on general damages.

I know well your fear that imposing general damages with respect to auto torts will start us down a slippery slope towards the erosion of basic individual rights in the tort system in general. You and Public Citizen have impressed upon me, deeply, how necessary a strong tort system is to a fair and democratic society. I remain today just as committed as always to ensuring that injured citizens not be undermined in their ability to seek justice from powerful wrongdoers.

However, I do not believe that it serves the cause of preserving a strong tort system for us to uphold as inviolable the "right" of slightly injured auto accident victims to collect compensation for pain and suffering -- even though this "right" imposes enormous costs on all policyholders. Indeed, the fraud, legal costs, and lottery-like windfall awards that are associated with general damage claims arising out of auto accidents are eroding, not affirming, the public's respect for the tort system. I am sure that you have seen those all-too-popular bumper stickers that read, "Hit me, I need the money." It could not be more

Received Time

Jan. 24. 9:38AM

Print Time

Jan. 24. 9:42AM, 100