

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made and entered into between the Board of Ethics of the City of Philadelphia, Manny Morales for City Council, Emilio Vazquez, the chair of Manny Morales for City Council, Manny Morales, and J. Shane Creamer, Jr., the Executive Director of the Board of Ethics, jointly referred to as “the Parties.”

RECITALS

- A. The Board of Ethics of the City of Philadelphia is an independent, five-member City board established in 2006 through voter approval of an amendment to the Philadelphia Home Rule Charter. Pursuant to Section 4-1100 of the Home Rule Charter, the Board is charged with administering and enforcing the City’s Campaign Finance Law, which is found at Chapter 20-1000 of the Philadelphia Code. Board Regulation No. 1 (Campaign Finance) provides a detailed interpretation of the City’s Campaign Finance Law.
- B. Manny Morales was a candidate for Philadelphia’s 7th City Council District seat in 2015. Mr. Morales designated the political committee Manny Morales for City Council as the one committee which would accept contributions and make expenditures for his 2015 campaign for City Council. Emilio Vazquez is the chair of Manny Morales for City Council.
- C. If a political committee coordinates its expenditures with a candidate’s campaign, such expenditures are in-kind contributions to the candidate and are subject to the contributions limits of the City’s Campaign Finance Law. *See* Board Regulation No. 1, Paragraph 1.38,
- D. Under the City’s Campaign Finance Law, in 2015, a political committee could not make contributions of more than \$11,500 per calendar year to a candidate for City elective office, nor could a candidate for City elective office accept such contributions. An excess contribution violates the City’s Campaign Finance Law and is subject to a civil monetary penalty of three times the amount by which the contribution exceeded the limit, or \$2,000, whichever is less.
- E. Board Regulation No. 1, at Subpart H, sets forth detailed guidance on what constitutes a coordinated expenditure. For example, an expenditure is coordinated if a political committee makes the expenditure in cooperation, consultation or concert with the candidate’s campaign or if the person making the expenditure communicates with the candidate’s campaign about the expenditure before making it.
- F. The candidate’s campaign includes the candidate, the candidate’s candidate political committee, or an agent of either of the preceding. *See* Board Regulation No. 1, Paragraph 1.1(e).
- G. Additionally, the City’s Campaign Finance Law requires a candidate for City office to have no more than one political committee for the City office he or she is seeking and to make all expenditures for that office out of that committee. As such, as explained at Regulation No. 1, Paragraph 1.30, it is a violation of the City’s Campaign Finance Law for a candidate or a candidate’s agent to exercise control over the expenditures of another political committee.

- H. In early November of 2015, Board enforcement staff received a complaint alleging that Mr. Morales' campaign had received excess in-kind contributions from the LUPE PAC and the 7th Ward/Friends of Angel Cruz PAC and that Manny Morales for City Council had made material misstatements and omissions in campaign finance reports it had filed with the Board. Because the complaint stated potential violations of the City's Campaign Finance Law, enforcement staff accepted the complaint and opened an investigation. In the course of the investigation, enforcement staff interviewed witnesses, took sworn statements and affidavits, and obtained documents, including bank records.
- I. LUPE PAC was created in March of 2015. It uses the same name as a larger group created by community leaders in the 7th Councilmanic District. State Representative Angel Cruz and Jose Giral directed LUPE PAC's activities and expenditures.
- J. Mr. Giral was Mr. Morales' campaign manager and an agent of his campaign. Mr. Giral helped run the Morales campaign and placed orders with vendors and consultants, including television advertisers, radio advertisers, printing companies, t-shirt companies, and web consultants.
- K. On May 2, 2016, the Board approved a settlement agreement with LUPE PAC, the 7th Ward/Friends of Angel Cruz PAC, the treasurer of those PACs, and Rep. Cruz and Mr. Giral. In the agreement, the PACs, their treasurer, Rep. Cruz, and Mr. Giral admitted that:
- i. From March through May of 2015, LUPE PAC made expenditures of \$22,000 to influence the 2015 7th Councilmanic District Primary Election. All of those expenditures were coordinated with Manny Morales' City Council campaign because the expenditures were made in cooperation, consultation, and concert with an agent of the campaign, Mr. Giral. As such, in 2015, Manny Morales for City Council accepted \$10,500 in excess in-kind contributions from LUPE PAC.
 - ii. In the first half of 2015, the 7th Ward/Friends of Angel Cruz PAC made expenditures of \$48,325 in coordination with the Morales campaign to influence the 2015 7th Councilmanic District Primary Election. These expenditures were coordinated with Morales' campaign because the expenditures were made in cooperation, consultation, and concert with an agent of the campaign, Mr. Giral. As such, in 2015, Manny Morales for City Council accepted \$36,825 in excess in-kind contributions from the 7th Ward/Friends of Angel Cruz PAC.
- L. Manny Morales for City Council filed a 2015 thirty day post primary election (cycle 3) campaign finance report with the Board. However, Manny Morales for City Council did not disclose any in-kind contributions from LUPE PAC or the 7th Ward/Friends of Angel Cruz PAC.
- M. Pursuant to Philadelphia Code §§ 20-1006(4) and 20-1302, the making of a material misstatement or omission in a report filed with the Board is a violation of the City's Campaign Finance Law and is subject to a civil monetary penalty of \$1,000, which may be increased or decreased depending on the presence of mitigating or aggravating factors.
- N. The Parties desire to enter into this Agreement in order to resolve the matters described herein.

AGREEMENT

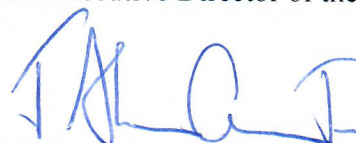
The Parties agree that:

1. By accepting excess in-kind contributions from LUPE PAC, Manny Morales for City Council violated Philadelphia Code § 20-1002(12), for which the committee is liable for a civil monetary penalty of \$2,000.
2. By accepting excess in-kind contributions from the 7th Ward/Friends of Angel Cruz PAC, Manny Morales for City Council violated Philadelphia Code § 20-1002(12), for which the committee is liable for a civil monetary penalty of \$2,000.
3. Because the 2015 cycle 3 Manny Morales for City Council campaign finance report filed with the Board failed to disclose in-kind contributions from LUPE PAC and 7th Ward/Friends of Angel Cruz PAC, Manny Morales for City Council violated Philadelphia Code § 20-1006(4), for which the committee is subject to a civil monetary penalty of \$2,000.
4. Manny Morales for City Council shall pay the aggregate civil monetary penalty of \$6,000 for the violations described in Paragraphs 1 through 3 within 90 days of the effective date of the Agreement. Payment shall be by check or money order made payable to the City of Philadelphia and delivered to the offices of the Board of Ethics.
5. Within 30 days of the effective date of the Agreement, Manny Morales for City Council will file an amended cycle 3 campaign finance report with the Board to correct the reporting failures described in this Agreement.
6. Because an agent of Manny Morales for City Council, Jose Giral, directed expenditures made by LUPE PAC and the 7th Ward/Friends of Angel Cruz PAC, Mr. Morales violated Philadelphia Code Section 20-1003, for which he is liable for a civil monetary penalty of \$750, which he shall pay on the following schedule:
 - 6.1 \$150 within 30 days of the effective date of the Agreement;
 - 6.2 \$200 within 4 months of the effective date of the Agreement;
 - 6.3 \$200 within 8 months of the effective date of the Agreement; and
 - 6.4 \$200 within 12 months of the effective date of the Agreement.Payment shall be by check or money order made payable to the City of Philadelphia and delivered to the offices of the Board of Ethics.
7. Manny Morales for City Council, Mr. Vazquez, and Mr. Morales release and hold harmless the Board and its staff from any potential claims, liabilities, and causes of action arising from the Board's investigation, enforcement, and settlement of the violations described in the Agreement.
8. In consideration of the above and in exchange for the compliance of Manny Morales for City Council, Mr. Vazquez, and Mr. Morales with all of the terms of the Agreement, the Board waives any further penalties or fines against them for the conduct described in this Agreement.
9. The Parties will not make any public statements that are inconsistent with the terms of the Agreement.

10. If the Board or the City is forced to seek judicial enforcement of the Agreement, and prevails, the party responsible under the terms of the Agreement for the payment or filing shall be liable for attorneys' fees and costs reasonably expended in enforcing compliance with the Agreement. Fees for time spent by City attorneys shall be calculated based upon standard and customary billing rates in Philadelphia for attorneys with similar experience.
11. This Agreement contains the entire agreement between the Parties.
12. The Executive Director, or his designee, will submit a signed copy of the Agreement to the Board for approval.
13. The Agreement shall become effective upon approval by the Board.

By the Executive Director of the Board of Ethics:

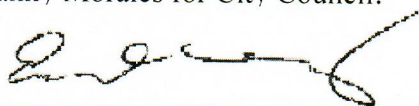
Dated: 5/19/17



J. Shane Creamer, Jr.
Executive Director

By Manny Morales for City Council:

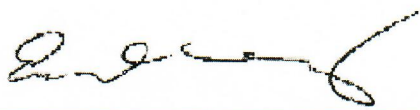
Dated: 5/18/17



Emilio Vazquez, Chair

By Emilio Vazquez:

Dated: 5/18/17




By Manny Morales:

Dated: 5/12/17



Approved by the Board of Ethics on 5/24/2017



Michael H. Reed, Esquire
Chair