

STATE OF CALIFORNIA
FAIR POLITICAL PRACTICES COMMISSION

INVESTIGATION REPORT

I CASE NO: 12/784 Report 30 CASE NAME: Americans for Responsible
Leadership

REPORT DATE: 08/16/13

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II REPORT TYPE: Interview

III REPORT PREPARED BY: Perna *Perna* DATE SIGNED: *8/16/13*

IV DISTRIBUTION: File

V INTERVIEW SUMMARY ONLY:

Interview Recorded: Yes

Manner of Interview: In Person

Person(s) Interviewed: Anthony Russo, represented by Thomas Hilachk and
Patrick Hanly.

Work Address:

Telephone(s):

VI NARRATIVE:

On July 17, 2013, an interview of Anthony Russo was conducted by Gary Winuk of the California Fair Political Practices Commission (FPPC), Cliff Zall and Barton Bowers of the California State Attorney General's office, and Robert Perna of the FPPC. Attorneys representing Anthony Russo at the interview were Thomas Hiltachk and Patrick Hanly. The interview primarily focused on the activities of Anthony Russo and Jeff Miller on Express Advocacy and Issue Advocacy relating to California during the years 2011 and 2012. The interview was conducted at the Law Office of Patrick Hanly, 980 Ninth Street, 16th Floor, in Sacramento, California. The interview was recorded on a digital recording device and electronically submitted to Foothill Transcription Company, who prepared a

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transcript of the interview. Robert Perna compared the transcript with the recorded interview and identified some discrepancies, for the most part in the proper identification of the person speaking, and requested that Foothill Transcription make those changes to the original transcript. The corrected transcript of the interview of Anthony Russo is attached to this investigation report.

Transcription of Recorded Interview

of

Tony Russo

Sacramento, California

Interviewed by: Gary Winuk
Bob Perna
Cliff Zall
Barton Bowers

Transcribed by: Carolyn Rodriguez,
Foothill Transcription Company
July 24, 2013
Elk Grove, California

1 Mr. Winuk: Are we good? Good afternoon.

2 Mr. Russo: Good afternoon.

3 Mr. Winuk: I thought maybe we'd go around the room first so
4 you know everybody who's in here.

5 Mr. Russo: Okay.

6 Mr. Winuk: I'm Gary Winuk from the FPPC.

7 Mr. Perna: Bob Perna, the FPPC.

8 Mr. Russo: Hi Bob.

9 Mr. Bowers: Barton Bowers, with the Attorney General's
10 Office.

11 Mr. Russo: Hi.

12 Mr. Zall: Cliff Zall, I'm also with the Attorney General's
13 Office.

14 Mr. Hanly: Patrick Hanly, I'm one of your lawyers.

15 Mr. Hiltachk: Tom Hiltachk, another one of your lawyers.

16 Mr. Russo: And I'm Tony Russo, nice to see you guys.

17 Mr. Winuk: In the morning, we let Bob start and he got
18 about 30 seconds and we --

19 Mr. Hiltachk: Took over.

20 Mr. Winuk: -- took over the entire questioning. And so
21 that's why we're hesitating. But Bob, why don't
22 you go ahead and start before we interrupt you.

23 Mr. Zall: Before all the attorneys start talking.

24 Mr. Perna: Okay, well, I'd like to start you with the
25 California Comeback Plan document that you

1 provided. Can you tell us who developed the
2 plan and when it was developed and how it was
3 developed, please?

4 **Mr. Russo:** Yeah, I take responsibility for developing the
5 presentation. It was a team effort but I think
6 I was the lead on it. And we probably did the
7 first iteration of it sometime end of 2011, like
8 November-ish, I would think.

9 **Mr. Winuk:** To have complete deja vu, I'll ask the same
10 question I asked when we got off the track. Can
11 you tell us, specifically, anyone you consulted
12 with on it, anyone who participated in making
13 it, just anyone who was involved that, to the
14 best of your memory?

15 **Mr. Russo:** Yeah, it was be me, Jeff Miller, we had legal
16 counsel review it. Stephen DeMaura, I'm sure
17 reviewed it. I think that's probably it until
18 we, you know, did the first presentation and
19 then it sort of just evolved over time.

20 **Mr. Winuk:** Yeah. So Sean Noble didn't have a part in
21 developing this part?

22 **Mr. Russo:** No.

23 **Mr. Winuk:** At some point, we understand, he helped do some
24 of the research for the campaign efforts that
25 were being anticipated? At what point did you

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start talking to him about it, before or after the development of this plan?

Mr. Russo: I think the first time I spoke with Sean Noble was October of 2011. And he wasn't involved in preparing this. I might have showed it to him, at some point. But I had met with him in Las Vegas. He invited me to come see focus groups that they were doing. And the next morning, we had a meeting to talk conceptually about what was going on in California. And he had expressed an interest in helping.

Mr. Winuk: Was the focus, I realize they didn't have proposition numbers, at that point, but were they the conceptual ideas that eventually became 30 and 32 or where they more general discussions?

Mr. Russo: At the beginning, it was more general. At the very beginning, it was about hey, there could be taxes but there should be reform. And if there's not going to be reform, then we should be opposing taxes. And then, the 32 all started and it sort of gained momentum and that got added.

Mr. Zall: When you talked to Mr. Noble, I mean, what was your perception of -- I'm trying to think of the

1 right way to say this -- of his role. And why
2 were you interested in talking to him about
3 this, as opposed to some other person?

4 **Mr. Russo:** So we had met with some other people from Koch,
5 through some donors who are part of Koch. And
6 they liked the Koch model, thought it could be
7 helpful because --

8 **Mr. Winuk:** You're talking about the Koch brothers and their
9 national network?

10 **Mr. Russo:** Yeah, the way they have a network of c4's do
11 issue advocacy. And so, I ended up meeting with
12 Sean because he's their outside consultant. And
13 they had said that's who I should be meeting
14 with.

15 **Mr. Winuk:** When, did you Sean Noble before that meeting?

16 **Mr. Russo:** I knew of him but I didn't know him.

17 **Mr. Winuk:** What, did someone introduce you or was it --

18 **Mr. Russo:** It was through these first discussions, that's
19 how I got introduced to him.

20 **Mr. Winuk:** Was there a person in particular that you knew
21 in the Koch Network that introduced you, or --

22 **Mr. Russo:** The introduction came through a donor, to two
23 people in the Koch Network. One of them, I
24 think, was Michael Lanzara. I don't remember
25 the other guy's name.

1 **Mr. Zall:** So you talked to Mr. Noble, I guess, just
2 conceptually about -- would you say it was
3 conceptually about what ultimately became this
4 sort of blueprint here?

5 **Mr. Russo:** Yes. Conceptually, we talked about, would you
6 guys be interested in engaging in this type of a
7 fight in California? We didn't talk about how.
8 So it was more about just, is this something of
9 interest to you? It followed on the steps of
10 Wisconsin.

11 **Mr. Winuk:** So what, generally, was his reaction to that?

12 **Mr. Russo:** Very favorable. He thought they would be
13 interested.

14 **Mr. Zall:** When you say they, I mean, he thought that the
15 Koch Network would be interested in helping, you
16 know, fight a similar effort that was fought in
17 Wisconsin here?

18 **Mr. Russo:** Yeah.

19 **Mr. Zall:** Okay. And this conversation, then, was around
20 the same time that you were putting this plan
21 together, you and Mr. Miller?

22 **Mr. Russo:** Yes.

23 **Mr. Zall:** Okay. And then --

24 **Mr. Russo:** We started putting, you know, this together, you
25 know, late Spring/early Summer.

1 Mr. Zall: Of 2012?

2 Mr. Russo: Of 2011.

3 Mr. Zall: Of 2011.

4 Mr. Russo: Yeah.

5 Mr. Zall: Okay. And then, it -- did you consult, sort of,
6 at the time you were putting this together, with
7 the folks that would have been, I guess, would
8 have formed the express advocacy portion of the
9 plan?

10 Mr. Russo: No, they weren't really in place yet.

11 Mr. Zall: Okay.

12 Mr. Russo: Yeah.

13 Mr. Winuk: What did you view your role is, as going
14 forward? When we talked to Jeff Miller this
15 morning, he said his role was mostly fundraiser.
16 Would you describe yourself as mostly a
17 fundraiser or a strategist, or what words would
18 you use to describe your role?

19 Mr. Russo: Probably more strategist but I did help with
20 fundraising.

21 Mr. Winuk: Tell us what you mean by strategist? What are
22 some of the specific things you consider to be
23 that?

24 Mr. Russo: So looking at polling data, looking at the
25 different elements of the plan. So putting, you

1 know, this proposal together, how to present it
2 to donors, what it all meant. What the budget
3 really needed to be.

4 **Mr. Winuk:** So are you buying strategic to fundraising, the
5 actual expenditure of the funds, or both? And
6 how do you separate those out?

7 **Mr. Russo:** On the, definitely on the fundraising, the
8 strategy on that, the strategy on the issue
9 advocacy side. The campaigns got run by their
10 own teams.

11 **Mr. Winuk:** Okay. So you consider yourself a strategist for
12 the issue advocacy portion of this?

13 **Mr. Russo:** Yeah.

14 **Mr. Winuk:** Did you consult with anyone else to develop the
15 issue advocacy portion of the plan?

16 **Mr. Russo:** Yeah, well, we brought on a team, you know, to
17 help with different elements.

18 **Mr. Winuk:** Okay.

19 **Mr. Russo:** And so Chandra Sharma, from Meridian Pacific,
20 helped with research, you know, like file
21 development, looking at polls, the demographics
22 of it. Sean had paid for and provided access to
23 Frank Luntz, who helped us, did all the issue
24 testing.

25 **Mr. Winuk:** Who does he work for?

1 Mr. Russo: His own company.

2 Mr. Winuk: It's his own?

3 Mr. Russo: Yeah, I forget, I don't know the exact name of
4 the company.

5 Mr. Hiltachk: He's a pollster and businessman.

6 Mr. Russo: He's a pollster.

7 Mr. Winuk: Okay.

8 Mr. Russo: Larry McCarthy did the ad development.

9 Mr. Winuk: So did you discuss the issue ad strategy with
10 Steve DeMemo?

11 Mr. Hiltachk: DeMaura.

12 Mr. Russo: DeMaura? Yes.

13 Mr. Winuk: DeMaura, I'm sorry. I've said DeMemo 15 times
14 now.

15 Mr. Russo: Yeah.

16 Mr. Winuk: I apologize.

17 Mr. Russo: Yes.

18 Mr. Zall: And how did you get connected with DeMaura?

19 Mr. Russo: So I think that came through one of Jeff's
20 contacts. We sort of knew nobody in California
21 would want to do this but, or at least we didn't
22 think they would because of all the risk
23 involved with the unions. So we thought we
24 needed to go out of state. And he had a friend
25 or a business associate, Dave Carney?

1 Mr. Zall: David Carney.

2 Mr. Russo: Yeah, David Carney. And I believe David Carney
3 got us connected with Stephen DeMaura.

4 Mr. Zall: And then what, I guess at the time that you
5 connected with DeMaura and it looks like,
6 obviously, DeMaura agreed to use his
7 organization to handle the issue advocacy as
8 part of your plan. How much of that, if any,
9 was discussed with Sean Noble?

10 Mr. Russo: Sean knew that we were using Stephen for issue
11 advocacy.

12 Mr. Zall: Okay.

13 Mr. Russo: Yeah.

14 Mr. Zall: Okay. And Mr. Miller told us, and I guess you
15 would confirm this, that this pitch, this, you
16 know, this pitch, along with, in many cases, ads
17 themselves, was presented to your high-end
18 California donor base?

19 Mr. Russo: That's correct.

20 Mr. Zall: And that this was your plan. The plan was to,
21 you know, raise some money for express advocacy
22 and then do a large-scale issue advocacy
23 campaign through AJS?

24 Mr. Russo: Yeah, we, our plan was to start with issue
25 advocacy.

1 Mr. Zall: Right.

2 Mr. Russo: You know, and hopefully start in the summer,
3 which was weren't able to do. And then, let the
4 campaigns finish with express advocacy.

5 Mr. Zall: Right. And were you involved -- how involved
6 were you in making the pitch to the donors?

7 Mr. Russo: Some donors I made the pitch myself, one-on-one.
8 Other donors, I was in a group meeting where
9 Jeff and I did it together. And then, Jeff did
10 a number of stuff without me.

11 Mr. Zall: And based on your recollection or what you were
12 involved in, what sort of specific commitments,
13 if any, were made to the donors about how this
14 money would be used?

15 Mr. Russo: So we tried to be extremely clear with donors
16 that there were different kinds of money that
17 could do different kinds of things. So you have
18 issue advocacy money that could go to this or an
19 effort like it. Oh, and you could have express
20 advocacy money, which is reportable, and you can
21 specifically say, I want it to be Yes On 32 or
22 No On 30, or whatever. But you have to either,
23 you know, put it into those committees and be
24 reported, or put it into a general purpose PAC
25 that says that's its mission. But you're going

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to be reported anyways.

Mr. Zall: Okay. What about -- let's talk, specifically, about the issue advocacy. What sorts of -- I understand that distinction and I accept that you guys made those, explained those things to the, to these donors. But, as far as the donors that said, okay, I don't want my name associated with it so I want to give you money for issue advocacy. What, if any, sorts of commitments were made to those folks about, that the money would, specifically, go to issue advocacy in California, that it would be used for, you know, TV ads. What sorts of things were told, if any, to the donors --

Mr. Russo: Well, I don't think --

Mr. Zall: -- about the issue advocacy?

Mr. Russo: Well, I don't think we ever told the donor, your money will go to this ad. Because we weren't even sure what ads that would be. But we did say AJS is interested in doing this. If you want to support it, you have to write a check to AJS. I think AJS made it clear that the money was not earmarked to any particular purpose, even on the issue advocacy side. I just think that was their practice.

1 **Mr. Winuk:** How important did you think the issue ad portion
2 of the campaign was to the overall campaign
3 strategy?

4 **Mr. Russo:** Well, initially, we thought the issue advocacy
5 ads were the bridge, you know, that it's
6 expensive to sustain anything in California.
7 We thought it would set a foundation that would
8 be helpful. But issues ads are never as
9 effective as, you know, as express advocacy ads.

10 **Mr. Zall:** Oh, go ahead.

11 **Mr. Winuk:** So you developed a plan, you had your initial
12 conversation with Sean in October, the plan
13 starts to take shape during the Spring/early
14 Summer. What, if any, contact are you having
15 with Sean Noble over that period of time?

16 **Mr. Russo:** So Sean would get, you know, whatever research
17 was done, surveys, focus groups, whatever, he
18 would get those. I think he got them all from
19 Luntz. I periodically would send him stuff just
20 to make sure he saw what we were doing. I think
21 we maybe had dinner once, in Washington, on one
22 of my trips to Washington. But just general
23 updates, nothing specific.

24 **Mr. Winuk:** So would you say it's on a weekly basis, a daily
25 basis, once every couple weeks?

1 **Mr. Russo:** Gosh, I would say probably less than that. I
2 think over the year and, maybe year and a half,
3 maybe 18 times, he and I either talked or saw
4 each other.

5 **Mr. Winuk:** Did you keep him apprised of the fundraising
6 efforts that were going on?

7 **Mr. Russo:** Not particularly, no.

8 **Mr. Zall:** Let's see, so one of the documents that Jeff
9 Miller provided has an email -- I don't know,
10 Tom, if you want to pull it for Mr. Russo, it's
11 285.

12 **Mr. Russo:** So this is Jeff's.

13 **Mr. Hiltachk:** There's a bunch like this.

14 **Mr. Zall:** Do you have that?

15 **Mr. Russo:** Yeah, 285

16 **Mr. Zall:** Yeah. So it looks like, in the email, Jeff
17 Miller is saying that AJS is going to launch an
18 issue advocacy effort. It implies, I guess,
19 that the issue advocacy effort is going to be in
20 California. Was that, again, was that the pitch
21 to contributors was that this is going to be not
22 just for issue advocacy but it's going to be for
23 issue advocacy here in California?

24 **Mr. Russo:** Yeah, I --

25 **Mr. Zall:** Okay.

1 Mr. Russo: I think that's true.

2 Mr. Zall: Okay.

3 Mr. Russo: I mean --

4 Mr. Zall: Go ahead.

5 Mr. Russo: You know, I think we made it clear, the money is
6 unearmarked so DeMaura, there is the risk he
7 could do whatever he wanted to do with the
8 money. But, yes, we did raise money for this
9 and we had legal counsel review the membership
10 form or contribution form, whatever you want to
11 call it.

12 Mr. Zall: But were contributors, I mean, were the
13 contributors told, for example, were they told
14 well, we'd like DeMaura to use this money, we'd
15 like AJS to use this money in California, to
16 educate Californians on these issues. The
17 problem with the labor unions and higher taxes
18 and pensions, and all that. But it's up to
19 them. Or were the contributors told, you know,
20 the intent is that this money will be used for
21 issue advocacy in California? You know, that
22 that's what it's going to be used for? I guess
23 what I'm trying to get at, were commitments made
24 that it was going to be used in California?

25 Mr. Russo: I think they had that belief that it would be

1 used in California.

2 **Mr. Zall:** Okay.

3 **Mr. Russo:** Yeah, I don't think we specifically ever said,
4 guaranteed it will be used in California or
5 won't be.

6 **Mr. Zall:** Do you, do you recall, I mean, this is kind of
7 along the same lines, but do you recall Gene
8 Haas -- and again, we had an agreement with your
9 attorneys that I'm sure you're aware of that
10 there were, there are two donors that we became
11 aware of on our own and so we all agreed that we
12 could, you know, talk specifically about those
13 individuals.

14 **Mr. Hiltachk:** He's aware.

15 **Mr. Russo:** Right?

16 **Mr. Hiltachk:** Yeah.

17 **Mr. Zall:** So Mr. Haas, we have some emails where it's
18 obvious that Mr. Haas and his, one of his aides,
19 are pressing you about the use of the money in
20 California. Do you recall --

21 **Mr. Russo:** Yes.

22 **Mr. Zall:** -- that exchange? And what, I mean, tell us,
23 you know, what was that about and how did you
24 deal with that, I guess?

25 **Mr. Russo:** So yeah, Gene wanted, right, we never met Gene.

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But his people, who we met with, wanted not only a general recognition that the money would be spent on issue advocacy in California. He had some specific demands that I guess are quite common to the way he gives money, both charitable and political. I don't know about political, I don't know if he gives other political money. And so he wanted to know, specifically, that the money would go to television and he wanted to see the buys and he wanted verification, in fact, that that was the case. And we told him we didn't think we could do that. But I left that between Stephen -- at that point, I let Stephen DeMaura and him work that out. And but I believe we made the representation that we couldn't go that far.

Mr. Zall: Okay, now, did you ever talk, specifically, with Stephen about what he provided Gene Haas? Were you ever made aware of exactly what was provided to Gene?

Mr. Russo: I think Stephen considered doing a letter. I don't remember if he did a letter or not. I think it was modeled on another letter that another group had done, Howard Jarvis, you know, was in the same meeting. And so, but our other

1 legal counsel didn't think it was appropriate
2 that that be done. And so I notified them that
3 legal counsel didn't think that that was
4 appropriate and if the letter existed, it should
5 be ignored. If the letter never got delivered,
6 it shouldn't, it won't be.

7 **Mr. Zall:** Okay. And then, you can see that, well, you
8 know, we got emails that were provided by others
9 that I think, you know, cc'd you or they were --
10 so they weren't provided by you or your lawyers.
11 They were provided by others earlier in this
12 litigation. And then, it looks like even into
13 October -- so after the donation. So that I
14 understand, you know, Mr. Haas was asking for
15 some assurances prior to the, giving the funds.
16 And after he gave the funds, his, Mr. Starr, it
17 looks like, continued to sort of press you guys
18 for information. Hey, you know, where are the
19 issue ads, you know, when are they going,
20 etcetera, etcetera? Do you recall that --

21 **Mr. Russo:** I do.

22 **Mr. Zall:** -- exchange? And how, what kind of happened
23 there, I guess?

24 **Mr. Russo:** Well, I told Aaron at the time, I said, I can't
25 give you the type of information you're asking

1 for. I said I don't know -- because at that
2 point, I wasn't sure what AJS was going to do or
3 not do. I said, I'm not sure what AJS is going
4 to do and the money might be spent elsewhere.
5 And other groups might come in and help
6 California. But I don't know what that looks
7 like so I can't really tell you anything. And I
8 said I'm sorry but that's the best I can do. He
9 wasn't happy with that answer.

10 **Mr. Zall:** Okay.

11 **Mr. Winuk:** Going back a little bit. Prior to May of 2012,
12 can you tell us any interaction you had with --
13 do you know anybody else at SBAC, I guess?

14 **Mr. Russo:** Yeah.

15 **Mr. Winuk:** I'm presuming you do? I apologize for acronyms.
16 Jim Lacy or anyone associated with it? Or did
17 you have a relationship with them, did you know
18 them, and what kind of --

19 **Mr. Russo:** Yeah, I've known them for years.

20 **Mr. Winuk:** Yeah.

21 **Mr. Russo:** I've been a supporter of SBAC. I've been on
22 their Board of Governors. So yeah, I'm quite
23 familiar with them.

24 **Mr. Winuk:** Okay. So prior to May of 2012, sort of
25 separating for the first fundraising and after,

1 the line raising, what conversations or contact
2 did you have with them about your plan for issue
3 advocacy?

4 **Mr. Russo:** They knew that there would be issue advocacy, or
5 that we hoped that there would be issue
6 advocacy.

7 **Mr. Winuk:** I apologize for interrupting.

8 **Mr. Russo:** Oh, yeah.

9 **Mr. Winuk:** When you say -- I'm going to ask annoying
10 questions.

11 **Mr. Russo:** Oh, yeah, no, that's fine.

12 **Mr. Winuk:** Like who, who do you mean when you say we?

13 **Mr. Russo:** If I'm not clear enough, please, yeah.

14 **Mr. Winuk:** It's a natural --

15 **Mr. Russo:** So yeah.

16 **Mr. Winuk:** -- human habit.

17 **Mr. Russo:** I might, yeah.

18 **Mr. Winuk:** But every time, the more specificity you can you
19 use about who you, specifically, talked to, I
20 already said that.

21 **Mr. Russo:** Yeah, I spoke with Joel.

22 **Mr. Winuk:** Okay, so you talked to Joel. And Joel, and you
23 informed him of what?

24 **Mr. Russo:** I told him that there would be issue advocacy.
25 I don't know if I asked him if he'd be

1 interested or not because I just assumed he
2 wouldn't be. But I did ask him and encourage
3 him, if he thought he could help lead the
4 express advocacy side of things? And --
5 **Mr. Winuk:** Did he inform you of their plans for the
6 campaign, as well?
7 **Mr. Hiltachk:** Before May?
8 **Mr. Winuk:** I'm asking before May, yeah.
9 **Mr. Russo:** Okay.
10 **Mr. Winuk:** Obviously, later down the road we'll ask --
11 **Mr. Russo:** No, I don't think that there were plans before
12 May.
13 **Mr. Winuk:** Okay.
14 **Mr. Zall:** So really, there were --
15 **Mr. Winuk:** Can I spend a little bit more --
16 **Mr. Zall:** Yeah.
17 **Mr. Winuk:** Okay, so aside from Joel Fox, is there anyone
18 else from SBAC prior to May, basically, prior to
19 when you started actually receiving checks, in,
20 that you talked to about the campaign?
21 **Mr. Russo:** About the express --
22 **Mr. Winuk:** Well, I'm going to use it broadly, I'm sorry,
23 and you're right to ask that question. I guess
24 when I'm referring to the campaign, I'm talking
25 about your, the combined campaign. So the issue

1 advocacy and the express advocacy?

2 **Mr. Russo:** Yeah, I think we had talked to a lot of people
3 by May, May of 2012?

4 **Mr. Winuk:** No, I'm talking, specifically, about SBAC?

5 **Mr. Russo:** Oh, no, we pretty much -- Joel was my contact.
6 I did go to an SBAC Board Meeting and spoke
7 there. That was at a barbecue place in South
8 Pasadena, I forget the name.

9 **Mr. Winuk:** And was that to lay out this plan, specifically,
10 or just to talk about all of it?

11 **Mr. Russo:** No, it was just talk about and Joel had me
12 present -- I talked to them about doing
13 fundraising to raise express advocacy money for
14 them. And that I thought there was a chance we
15 could raise a lot of money. I did lay out that
16 I thought there would be express advocacy first
17 and then, hopefully -- or issue advocacy first -
18 -

19 **Mr. Winuk:** Right.

20 **Mr. Russo:** -- then express advocacy later.

21 **Mr. Winuk:** Okay. Same question for CPPR, I'm presuming you
22 know what I mean, for that acronym?

23 **Mr. Russo:** I do. I never knew anybody at CPPR. That's
24 where Sean had told me we could send money. And
25 but that's the first I had ever heard of CPPR.

1 **Mr. Winuk:** Okay. And that same question for ARL, prior to
2 May?

3 **Mr. Russo:** I never knew ARL until they made the
4 contribution.

5 **Mr. Winuk:** Okay. Sorry, I took --

6 **Mr. Zall:** Oh, it's all right. So this, this California
7 Comeback Plan, and I mean the genesis of this
8 was, was just you and Jeff Miller sort of
9 sitting around ruminating about what had
10 happened in Wisconsin? Or that there was nobody
11 else really sort of involved in the genesis of
12 this thing?

13 **Mr. Russo:** The genesis of it started with a representative
14 of one of our donors in early 2011. Not even
15 specific to any of these issues but with the
16 belief that we had had two bad election cycles
17 in California. That there were, we weren't
18 getting any reforms, we were getting threats of
19 higher taxes and we needed to organize in a
20 smarter way. That the party wasn't particularly
21 effective or even an opposition any more, and
22 that we should look at other models to see if we
23 could create pressure for reform.

24 **Mr. Zall:** So this is really even before 32 and 30 --

25 **Mr. Russo:** Right.

1 Mr. Zall: -- became the --

2 Mr. Russo: Yeah, I mean --

3 Mr. Zall: -- centerpiece of this thing.

4 Mr. Russo: Yeah, but I mean, we never had that, like in
5 February or March or April of 2011. That was
6 the genesis of lots of talking, you know, in the
7 Fall, when there was more focus. But it started
8 with just the kernel of, hey, we should be
9 trying to figure out how we create a voice in
10 California. And the Koch model was the model
11 that they were encouraging.

12 Mr. Zall: I guess what I'm getting at is that this looks
13 like a pretty, you know, aggressive and well
14 thought out, an important plan for, you know,
15 right-of-center, you know, sympathizers here in
16 California. So, I mean, at what point did you
17 bring in all the sort of the main players into
18 sort of that this plan and sort of get them in
19 the loop. Because it seems to me you can't do
20 something this large if, just sort of on your
21 own. This is, you're coordinating express
22 advocacy. If you got issue advocacy going, and
23 then you're going to do some -- you also want to
24 do express advocacy. The express advocacy's
25 going to have to be done by, you know, certain

1 folks and use lining up AJS to do the issue
2 advocacy. I mean, who else sort of gets brought
3 in the loop on this plan in the beginning?

4 **Mr. Russo:** So, you know, we started with the one donor,
5 reached out to a handful of other donors. On
6 the donor side, it's a small universe. But
7 those who are engaged are engaged pretty well.
8 So it was just a series of small meetings with
9 some of them to see if this made sense. And it
10 did. And then we just kept refining it from
11 that point forward.

12 **Mr. Zall:** I guess I'm not so interested in the donors.
13 I'm more interested in sort of the strategy
14 people, the consultants, the people like Joel
15 Fox, Jon Coupal and, you know, and other, you
16 know, people in the media buying side of things
17 and the people that produce the ad, who helped
18 produce the ads. I mean, when did they all sort
19 of, if at all? Do they, do the California
20 people that do this sort of thing, do they get
21 brought in or is it really just kind of your
22 guys' thing?

23 **Mr. Russo:** Well, early on, it was pretty much Jeff and me,
24 and then DeMaura.

25 **Mr. Zall:** Right.

1 **Mr. Russo:** And then, then you, we brought in Larry
2 McCarthy. And then we brought in Luntz. And
3 then, after that, I started bringing in Coupal
4 and Joel. And invited them to some focus groups
5 so they could see, you know, how people
6 responded to just the concepts. Because this
7 was before there was even initiatives or if the
8 tax -- we didn't know what that was. But I had
9 had lots of discussions, over the course of
10 2011, with some of them, just about the concept
11 of hey, can we support it? Can the business
12 community, can the donor community support tax
13 hikes, which the Governor and others wanted, if
14 we can get reform. I mean, we did have unions
15 and democrats that wanted to clear the way for a
16 tax hike. And so we were involved in some of
17 those discussions, or at least I was. Because
18 they viewed that I knew the high net worth
19 donors because I'd been Team Cal Chair in 2008.
20 And so, I thought there was a path. You know,
21 if we could get some reforms, I think people
22 would have stood down on the taxes. But we got
23 no reforms and so, I guess, I'm trying to say it
24 sort of evolved over time. It was a little bit
25 of people wanting to be reasonable and then

1 people wanting to oppose the taxes. And then 32
2 sort of like was the hammer that some people
3 cared more about but it was also a hammer. Hey,
4 this systems broken, we got to do something.

5 **Mr. Winuk:** So in your mind, who was responsible for
6 developing the detail expenditure plan for the
7 issue effort?

8 **Mr. Russo:** For the issue effort, that would be me.

9 **Mr. Winuk:** So was your plan to do TV and multi-media mixed,
10 or what, how was the break of which you --

11 **Mr. Russo:** We really wanted to do TV and Stephen DeMaura
12 wanted us to use Crossroads Media, which I had
13 never used before, but that was fine. And I met
14 with them. And we wanted to do social media. I
15 don't think, on the issue advocacy side, we
16 contemplated mail or phones or anything like
17 that. The idea was to start in the summer and
18 layer in television and social media.

19 **Mr. Winuk:** Is it fair to say you've worked with consultants
20 in the past to purchase TV ads and that type of
21 before?

22 **Mr. Russo:** Uh-huh.

23 **Mr. Winuk:** What's your understanding of the amount of time,
24 out of the actual ad, that you need to sort of
25 reserve space with a TV station?

1 **Mr. Russo:** It varies, at the course of a campaign. If
2 you're in October of an election year, you
3 better be doing it a couple months in advance, I
4 think, or if not longer. If you're looking to
5 buy time, you know, like right after a primary
6 election, you can probably do it within a week.

7 **Mr. Winuk:** So what was your plan for --

8 **Mr. Russo:** Maybe faster.

9 **Mr. Winuk:** -- the purchase of the time? You have a pretty
10 broad stretch from July to October. What was
11 your understanding of when you, specifically,
12 wanted to spend it? Was it going to be
13 throughout or did you have different peaks and
14 valleys, if you will? And then, what was your
15 plan for reserving time for those different
16 areas?

17 **Mr. Russo:** So we had, Luntz had done a lot of research for
18 us. We had given some of that research to
19 Crossroads Media so they could look at sort of
20 who the targets should be. And, really, our
21 goal was to be up in July and never come down.
22 But we never raised the money fast enough to do
23 that. We had lots of interest but not the
24 resources. So we didn't go up.

25 **Mr. Winuk:** So, at any point, did you try to reserve time

1 for any slots, July through October, you know,
2 as money started to come in?

3 Mr. Russo: I don't believe we did.

4 Mr. Winuk: Okay.

5 Mr. Russo: Yeah.

6 Mr. Winuk: And then, how was your -- you were telling
7 donors that there was a degree of --

8 Mr. Russo: I think they made a buy, like a sample buy, for
9 us.

10 Mr. Winuk: Yeah.

11 Mr. Russo: But I don't, I don't remember placing a buy. We
12 might have and had to cancel it.

13 Mr. Winuk: Yeah.

14 Mr. Russo: But I don't remember, for sure.

15 Mr. Winuk: You had been telling donors that, you know, AJS
16 had a certain degree of independence with the
17 money, due to the nature of the fundraising.
18 What was your relationship with Steve DeMemo, in
19 terms of --

20 Mr. Zall: DeMaura.

21 Mr. Winuk: DeMaura, am I saying that again?

22 Mr. Zall: Yeah.

23 Mr. Winuk: I have a real -- I'm sorry, DeMaura.

24 Mr. Hiltachk: You say DeMaura, I say DeMemo.

25 Mr. Winuk: Well, you know what my problem is, I know a

1 Steve DeMemo, that's what my problem is. With
2 Steve DeMaura, what was your relationship with
3 him, in terms of getting together the plan for
4 the issue advocacy spending? And then, how is
5 their independence that you were telling donors
6 factor into your relationship with him, you
7 know?

8 **Mr. Russo:** Well, DeMaura had to approve everything. So we
9 couldn't spend his money without him approving
10 it. So that was sort of the first layer. The
11 second was, you know, we made recommendations to
12 him. And to was some he did, some he didn't. I
13 mean, in the end, ultimately he decided he
14 didn't want to do issue advocacy.

15 **Mr. Perna:** Your presentation, though, it included issue
16 ads, right?

17 **Mr. Russo:** Yes.

18 **Mr. Perna:** That when you would not do them? And he was
19 aware that your presentation included these
20 issue ads that you were representing as ads that
21 were going to be used for issue advocacy.
22 Correct?

23 **Mr. Russo:** That's correct.

24 **Mr. Zall:** So --

25 **Mr. Winuk:** Go ahead.

1 **Mr. Zall:** I'm sorry. So you said, in response to one of
2 Gary's questions, that DeMaura decided not to do
3 issue ads? Do you have a recollection as to,
4 you know, when he made that decision?

5 **Mr. Russo:** Yeah, it would have been early, early September,
6 after Labor Day, I think, right around there.
7 Maybe end of August, early September.

8 **Mr. Zall:** And was this a shock to you?

9 **Mr. Russo:** It was a shock, in that, you know, well, you
10 guys probably know this better than anybody. We
11 got into the 60-day window period and so we
12 were, we had tested ads, we had ads we liked, we
13 were ready, I think, to go on the air. And
14 we're looking at placing a buy. And we had
15 scheduled another call, just to sort of walk
16 through everything with legal counsel. And one
17 of us, and I'm not sure who, if it was me, I
18 don't know if it was legal counsel, brought up
19 the 60-day rule about, we, magic words, and
20 there's a risk that this could be considered
21 express advocacy. And so that started sort of a
22 reconsideration of, do we really want to put
23 issue advocacy ads up right now? And do we want
24 to run the risk of having them declared express
25 advocacy and have to take a first bite?

1 **Mr. Zall:** And who would have been sort of a party to that
2 decision-making, or that discussion, or this
3 reconsideration?

4 **Mr. Russo:** With DeMaura, it would have been me, Stephen,
5 and legal counsel, for sure. I don't know if
6 Stephen had his Washington DC legal counsel
7 involved in that or not. I don't remember. But
8 I know his California legal counsel was
9 involved.

10 **Mr. Zall:** And, as I understand it, Sean Noble is playing
11 some peripheral role, at this point, with your
12 effort, doing some research and things?

13 **Mr. Russo:** Yeah, at this point, all Sean had been doing was
14 paying for the ad development, the ad testing,
15 surveys and focus groups.

16 **Mr. Zall:** So this decision, or this sort of change in
17 plans that came about as a result of some
18 reconsideration, would he have been privy to
19 that?

20 **Mr. Russo:** Not at that time.

21 **Mr. Zall:** Okay.

22 **Mr. Russo:** No.

23 **Mr. Perna:** You had already developed the ads because you
24 were using them in your presentation. So and
25 you had already had legal counsel look at them.

1 They were, they considered them to be issue
2 advocacy. So where did the concern come in as
3 far as -- you said that you were concerned that
4 someone would -- they would be interpreted as
5 express advocacy? Why?

6 **Mr. Russo:** So --

7 **Mr. Hiltachk:** So read your dumb new reg.

8 **Mr. Winuk:** Exactly, other than timing.

9 **Mr. Russo:** Yeah, what happened was, our California counsel,
10 who's very good, said over the Summer he was
11 totally comfortable with those ads. He was not
12 as comfortable -- no offense to lawyers -- but,
13 you know, he wasn't as comfortable after Labor
14 Day and the 60-day window period. And so,
15 dutifully, he raised the idea that we could get
16 that FPPC saying the intent of these are express
17 advocacy, they are express advocacy, you have to
18 take your first bite. And Stephen had not done
19 a first bite but I don't think he wanted to do
20 his first bite then. If he was going to do a
21 first bite, it would come later, which we always
22 wanted to preserve that option.

23 **Mr. Winuk:** So at some point, obviously, the decision got
24 made that the money would go to CPPR? We'll
25 probably have a million questions but maybe we

1 should just let you tell -- we're interested in
2 as much detail, obviously, about that as
3 possible, who was involved, the timing of it,
4 the rationale. So maybe you can just tell us,
5 kind of like that.

6 **Mr. Russo:** Yeah, so we went through what I just described,
7 which was pretty agonizing, as you might expect.
8 Because we had invested a lot of time and energy
9 to get the ads that we were ready to put on
10 television. And so we had a hiccup. And so
11 then, we started the discussion, well, can
12 somebody else do this? So --

13 **Mr. Winuk:** And I'm sorry to interrupt. Whenever you say
14 we --

15 **Mr. Russo:** Oh, yeah.

16 **Mr. Winuk:** -- I'm always just going to want to know who
17 we're talking about.

18 **Mr. Russo:** So at this point, it's pretty much me and
19 California legal counsel, and Stephen DeMaura.
20 And there were many conversations I had with
21 California counsel without DeMaura, just trying
22 to flush out ideas. And so we considered, well,
23 should be send some AJS issue advocacy money to
24 another group that might do issue advocacy? So
25 we played through that scenario for about a

1 week. And came to the same conclusion that that
2 didn't solve any problems because if AJS gave
3 somebody issue advocacy money and that group did
4 the same issue ads, and the FPPC said that's a
5 first bite, California counsel said that that
6 bite would go all the way back to AJS. I don't
7 know if that's true or not but that was the
8 impression we had.

9 **Mr. Winuk:** It's the lawyer's answer, it depends.

10 **Mr. Russo:** Right, which is always scary when you're
11 spending other people's money. So we then, so
12 then legal counsel said -- well, here, let me do
13 this. Legal counsel said to us, the only idea
14 that made sense that he thought passed legal
15 test was, AJS has this money here. It was
16 raised from California, people thinking it would
17 be spent in California, on a California effort.
18 This money can't go back to California. That
19 was what we were told. So can you find a group
20 or a network that's big enough that you could
21 take your, let's say it's over here, take your
22 California money and put it over here. And but
23 no, it's going to national efforts. And do they
24 have enough other pots of money that then they
25 could free up money to come to California?

1 That's, so that's what we went to Sean Noble
2 with.

3 **Mr. Zall:** And you guys went to Noble --

4 **Mr. Russo:** I went to Noble, to be specific, I went to
5 Noble.

6 **Mr. Zall:** And you, after you and DeMaura came up with this
7 idea, then you went and pitched it to Noble? Is
8 that fair?

9 **Mr. Russo:** Yeah.

10 **Mr. Winuk:** Can we back up for a minute, I want to pull
11 apart a little bit what he said?

12 **Mr. Perna:** Yeah.

13 **Mr. Winuk:** So the idea was to free up money to come back to
14 California? What was your understanding of that
15 expectation, in terms of dollar amount, the
16 timing, and the vehicle of doing that?

17 **Mr. Russo:** Well, we didn't know a vehicle. I mean, when,
18 at this point, all we knew was we had money.
19 That if Stephen didn't want to do issue advocacy
20 and if he wanted to preserve his first bite for
21 later that, you know, we couldn't send it,
22 couldn't be, the same money couldn't come back.
23 So it was, look for networks. Well, there's
24 only a couple big networks that I'm familiar
25 with. I don't work at the national level but

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there's Koch and Crossroads, sort of on the Republican side. I don't think Crossroads has a network, as much as they have, you know, a PAC or whatever they're called at the federal level. But Koch, our understanding was, had a pretty significant network of groups. So that's why we went to Sean.

Mr. Winuk:

You had given up \$29 million dollars, as you said. It's kind of heartbreaking, in a way, to raise all that money and then sort of turn it over. What was your expectation, in terms of what was going to come back when you formulated the plan, in terms of dollar amount?

Mr. Russo:

Well, when we, first we went to Sean -- well, first, legal counsel said look, you can't have any guarantees in any of this. Which made sense from a legal perspective. So you have to have some trust. So but we didn't have any other options either. So our expectation was that Sean was supportive, that he had already spent, I assume, hundreds of thousands of dollars on research. That we had had conversations for over a year, that they agreed with the agenda. And so we were, we believed he would be responsive.

1 Mr. Winuk: Was this done by telephone or in person or by
2 email, or how this --

3 Mr. Russo: These discussions, at this point, were
4 telephone.

5 Mr. Winuk: And who was participating in them?

6 Mr. Russo: Just me, I was the only one to talk to Sean.

7 Mr. Winuk: You were the one that talked to Sean directly?
8 Okay, so what, using as specific words as you
9 can recall, was the agreement you made with
10 Sean?

11 Mr. Russo: So I called Sean after we had gone through what
12 I just described and I said Sean, you know, I
13 have a big hiccup in California. We have money
14 raised in AJS but I don't think we can spend it
15 in California. Do you have -- can we support
16 some of your national efforts and, in turn, do
17 you have groups that can help us in California?
18 That was pretty much as simple as it was.

19 Mr. Winuk: And what was his response?

20 Mr. Russo: His response was he thought he did.

21 Mr. Winuk: Was there any specific dollar amount discussed?

22 Mr. Russo: At that point in time -- let me think back to
23 that discussion. I, at that point in time, I
24 said, in California we had to need for about
25 \$4 million. I think I specifically said

1 \$4.2 million.

2 **Mr. Winuk:** Did you talk about whether that money coming

3 back was going to be for issue or express

4 advocacy?

5 **Mr. Russo:** We didn't.

6 **Mr. Winuk:** You're putting in \$29 -- what was he \$4 million

7 dollars? Where did that come from?

8 **Mr. Russo:** That was first couple week buy that needed to

9 happen.

10 **Mr. Perna:** Who was going to make the buy?

11 **Mr. Zall:** Was that the CFF?

12 **Mr. Perna:** Yeah.

13 **Mr. Russo:** Yes.

14 **Mr. Zall:** Okay. So when you -- so you had this discussion

15 with Sean. Did it break into -- well, I guess

16 once you had this sort of, okay, you know, can

17 you do what we're asking you? Could you help?

18 And you sort of have this understanding. Is

19 there any discussion about, you know, okay,

20 well, first thing we're going to do is were

21 going to send you X-dollars. And then we're

22 going to send you some more, and then we're

23 going to -- in other words, we know that it was

24 broken up into three transfers. Was that all

25 discussed with him?

1 **Mr. Russo:** No, not at that point. I think, at that point,
2 and I don't know if it was at that point or a
3 later point, I said you know, I think we'll be
4 looking for our capacity of \$10 to \$20 million,
5 I thought was what our void would be. And then
6 he said he thought that was possible. But
7 that's sort of just where it started.

8 **Mr. Bowers:** And that discussion with Mr. Noble, do you
9 recall approximately when that was?

10 **Mr. Russo:** Yeah, it was in September.

11 **Mr. Bowers:** Early?

12 **Mr. Russo:** Early, early September. I can't give you the
13 exact date. I mean, I might be able to find it
14 for you but it's definitely after Labor Day.

15 **Mr. Zall:** What about the, I guess, the mechanics of it
16 all? So we, obviously, we know now that in
17 beginning of September, I guess September 10th,
18 \$4,050,000 was transferred to CPPR. When that
19 was made, did you have a specific discussion
20 with Sean about hey, I'm sending you, or we're
21 sending you \$4,050,000?

22 **Mr. Russo:** Yes.

23 **Mr. Zall:** Okay. And was there any sort of -- whatever
24 words you want to use -- hope, understanding
25 that, well --

1 **Mr. Winuk:** Can I just follow up on the --

2 **Mr. Zall:** Okay.

3 **Mr. Winuk:** That specific point. So he mentioned to you
4 that the money was going, the first \$4 million
5 dollars was coming. What, specifically, did he
6 say, whether it as going to AFF, CFF, both, or
7 what? What was he talking about?

8 **Mr. Russo:** So, you know, when I had this discussion with
9 him, he -- I asked him where can we send you
10 money for your national efforts? He said CPPR.
11 So I said fine. And then, I told him that I
12 thought AFF would be willing to help. And he
13 said that he was already sending a big check to
14 AFF and that was good. He said, you know, get
15 me your money. And I said well, I -- I didn't
16 say anything about it because I just assumed it
17 was like, well, make sure you get me your money
18 so I see it's real. And so that's what we did.

19 **Mr. Winuk:** And then, was there any discussion about the
20 creation of CFF or the moving of the money from
21 AFF to CFF?

22 **Mr. Russo:** With Sean?

23 **Mr. Winuk:** Yes.

24 **Mr. Russo:** No.

25 **Mr. Winuk:** Did you have a discussion with anyone else about

1 that particular transfer?

2 **Mr. Russo:** I did, yeah, with a guy at AFF, I forget his
3 name right now. I can get that for you or it
4 might come to me as we're talking.

5 **Mr. Winuk:** Let's get back.

6 **Mr. Zall:** Well, what was the discussion that you had?

7 **Mr. Winuk:** Yeah, I mean, we'll get the name later but tell
8 us kind of what --

9 **Mr. Russo:** So with AFF, I had talked to Nick, Nick Ryan,
10 that's who it is. And so I had originally
11 called Nick -- when AJS wasn't going to do issue
12 advocacy -- and asked him if he would be
13 interested in doing issue advocacy in
14 California? He said yes. And then, I believe,
15 through legal counsel, he sort of got to the
16 same place, well, if I'm going to do issue
17 advocacy and it could be a first bite, why don't
18 we just take a first bite out of our resources?
19 And I think that's what they decided to do.

20 **Mr. Winuk:** Why did he do it through CFF, though, did he
21 mention that?

22 **Mr. Russo:** I think legal counsel told them how to take a
23 first bite and so I believe that their advice
24 was, you have to form a PAC or something.

25 **Mr. Winuk:** Was it your understanding, though, that the AFF

1 money, when it was given to CFF, was to be spent
2 on issue ads or express advocacy in California?
3 **Mr. Russo:** CFF was AFF's PAC, right, if I remember
4 correctly?
5 **Mr. Winuk:** Yeah.
6 **Mr. Russo:** I assumed so, I don't know. I wasn't in the
7 middle of their legal counsel discussions. But
8 I know they had legal counsel to talk about how
9 to execute a first bite.
10 **Mr. Winuk:** They said they wanted to, sort of deal with the
11 first bite issue. Did he specifically say that
12 the way to deal with that was CFF? Did he
13 mention CFF to you at all or just mention the
14 issue in general?
15 **Mr. Russo:** No, I think legal counsel told them, you could
16 either do like a first bite and just use AFF or
17 you could set up your own PAC and do it through
18 that. And so I think they decided to set up
19 their PAC.
20 **Mr. Zall:** And did you, did you know, I guess --
21 **Mr. Russo:** I'm not sure there's an important distinction
22 between the two but, that's --
23 **Mr. Zall:** Did you know that this was the money that you
24 had sent -- sorry, that's not fair. Did you
25 know that this was money that was coming from

1 CPPR?

2 **Mr. Russo:** No, I did not know. I never knew, and still to
3 this day, I don't really know, where Sean's
4 money moved from. But the letters he signed say
5 they came from CPPR. When he made those letters
6 public is the first time we ever heard that this
7 money was from CPPR.

8 **Mr. Zall:** So, in other words, you knew, you knew about the
9 transfer on September --

10 **Mr. Winuk:** Sorry, which one are we talking about when we
11 say this money?

12 **Mr. Hiltachk:** Yeah, I think you might have confused ARL with
13 AFF.

14 **Mr. Russo:** Oh, I'm sorry, yeah. I thought we were going
15 back to Sean. But if we were --

16 **Mr. Winuk:** No, I just want to make sure, you know.

17 **Mr. Zall:** Yeah.

18 **Mr. Winuk:** It's just the lawyer thing because we have --

19 **Mr. Hitlachk:** Yeah.

20 **Mr. Zall:** So let's --

21 **Mr. Winuk:** -- we have to be clear we're talking about the
22 same thing.

23 **Mr. Russo:** Yeah, no, that's okay.

24 **Mr. Hiltachk:** Yeah, we have no idea if CPPR gave money to AFF.

25 **Mr. Russo:** All I know is that Sean said he was sending a

1 lot of money to AFF but I don't know what the
2 source of the money was.

3 Mr. Zall: Okay, so you do know that on 9/10, AJS sent
4 \$4,050,000 to CPPR?

5 Mr. Russo: I do know that, yes.

6 Mr. Zall: Because you -- and I don't want to say that you
7 authorized it -- but you knew that you approved
8 or you --

9 Mr. Russo: We asked Steven to send it.

10 Mr. Zall: Did you? Okay. And then, when did you find out
11 that three days later, you know, was it, was it
12 the 13th --

13 Mr. Perna: The 13th.

14 Mr. Zall: -- that CFF spent --

15 Mr. Perna: AFF gave the money to CFF.

16 Mr. Zall: Right. So CFF winds up with \$4,080,000. When
17 did you learn about that?

18 Mr. Russo: Well, I knew that they were going to take a
19 first bite with some of their own money.

20 Mr. Zall: Okay.

21 Mr. Russo: But I never -- I mean, so probably the act of
22 them doing it, I probably learned about it a day
23 after they did it.

24 Mr. Zall: Okay.

25 Mr. Russo: But I understood they were going to take a first

1 bite, that's what they had said they were going
2 to do.

3 **Mr. Zall:** But to clarify, then, you did not know that that
4 was, that AFF's money and then CFF, the money
5 goes from AFF to CFF, you didn't know that that
6 was the vehicle that Sean was using to assist
7 you guys?

8 **Mr. Russo:** I don't think Sean did anything with CFF, as far
9 as I know. But I don't know that for a fact. I
10 thought CFF was created by AFF. I don't think
11 Sean was involved in that.

12 **Mr. Winuk:** Right. CPPR gave money to AFF.

13 **Mr. Zall:** That's what I mean.

14 **Mr. Winuk:** AFF gave money to CFF.

15 **Mr. Zall:** Okay, that's what I mean. And so that, but in
16 terms of Sean --

17 **Mr. Hiltachk:** We don't know the fact that you just stated, by
18 the way.

19 **Mr. Zall:** Did you know that Sean was giving money to AFF?

20 **Mr. Hiltachk:** I don't know if you knew that. If you do.

21 **Mr. Russo:** I knew Sean was, I knew Sean was giving money to
22 AFF because he told me he was going to give them
23 a lot of money. He never said how much money.

24 **Mr. Zall:** Okay.

25 **Mr. Russo:** And but he never said from where he was going to

1 give it to them.

2 Mr. Zall: Okay.

3 Mr. Russo: I assumed it wasn't CPPR because that's where he
4 asked me to send money and it was in the same
5 discussion where I said this money can't go to
6 California.

7 Mr. Zall: Okay.

8 Mr. Russo: So --

9 Mr. Zall: Was this, was this prior to when you learned,
10 when Sean told you that he was going to -- had
11 been or was going to send money to AFF? Was
12 this prior to or after the transfer on September
13 10th?

14 Mr. Russo: The transfer on September 10th was the transfer
15 of funds from --

16 Mr. Zall: From AJS to CPPR.

17 Mr. Russo: -- AJS to CPPR. He told me he was going to send
18 a lot of money to AFF before that transfer.

19 Mr. Zall: Okay.

20 Mr. Perna: Just because of the timing.

21 Mr. Zall: Did you hear, did you hear that?

22 Mr. Winuk: Sort of.

23 Mr. Zall: Okay, so he said that prior to the September
24 10th transfer from AJS to CPPR, Noble told Mr.
25 Russo that he was going to be sending a lot of

1 money to AFF. Is that fair?

2 **Mr. Russo:** That's right.

3 **Mr. Zall:** Okay.

4 **Mr. Russo:** I don't know for what purpose but --

5 **Mr. Perna:** And you are the one who originally talked to Mr.
6 Noble about AFF possibly being someone who's
7 interested in --

8 **Mr. Russo:** Yes.

9 **Mr. Perna:** -- California issue?

10 **Mr. Russo:** Yeah.

11 **Mr. Winuk:** You never had a -- well, did you ever have a
12 conversation before that time with Sean about
13 potentially getting extra money into the State
14 for these --

15 **Mr. Russo:** I had always asked him for more money. I mean,
16 they were on our -- we had hoped that that
17 network would deliver a lot of money to
18 California.

19 **Mr. Bowers:** What's your best recollection of what Mr. Noble
20 told you that he intended to do, as a result of
21 your discussions?

22 **Mr. Russo:** With or --

23 **Mr. Bowers:** These discussions about money, Mr. Noble
24 indicated to you he would do something?

25 **Mr. Russo:** Yeah, he indicated that he would ask (inaudible)

1 or find groups that could do first bites that
2 had money.

3 **Mr. Zall:** Was your expectation that there would be a
4 similar amount of money coming back into
5 California that you, you know, compared to what
6 you provided to Mr. Noble.

7 **Mr. Russo:** We had always hoped we would get more. So, I
8 mean, I know he spent and like, I'm guessing how
9 much he spent on issue ads because I don't --
10 you know, on the issue development, the surveys
11 and all that stuff. But just knowing what the
12 cost of that stuff is, we figured he spent
13 \$600,000, \$700,000, \$800,000 on that. Se we
14 figured they were committed and that they, you
15 know, we had hoped that we would get more, not
16 less.

17 **Mr. Zall:** I mean, it was substantially less, I mean,
18 ultimately. Is that fair?

19 **Mr. Russo:** Yeah.

20 **Mr. Zall:** And was there any sort of --

21 **Mr. Russo:** What we, yeah.

22 **Mr. Zall:** And, all right, at some point, you guys must
23 have realized that you sent, you know, \$24
24 million and somehow, ten of that didn't, you
25 know, less, or \$10 million less made its way in

1 to assist the effort. Did you ever --

2 **Mr. Winuk:** Let's break that out to the contribution -- you
3 had the conversation with Sean Noble to, for him
4 to try and get money to California. We know now
5 that money went to ARL, to SBAC for that. Tell
6 us when you learned about that transaction and
7 any conversations you had, and with who --

8 **Mr. Russo:** So I've never heard or know exactly how money
9 got to ARL. I mean, we've heard from the
10 letters but that's the first I had ever heard
11 that. I learned of the ARL contribution to SBAC
12 the day it happened. So they got a wire, I was
13 expecting it. Not from them but I was expecting
14 funds, you know, because he said he would get us
15 money. I had asked him for \$11 million dollars
16 because that's what the campaign needed.

17 **Mr. Winuk:** So was that part of the conversations you've
18 already talked about is it a subsequent?

19 **Mr. Russo:** No, this was another, a conversation.

20 **Mr. Winuk:** And when was that?

21 **Mr. Russo:** I think I texted him and asked him if he could
22 get us \$11 million dollars for California.

23 **Mr. Winuk:** Do you still have access to the text?

24 **Mr. Russo:** I don't.

25 **Mr. Perna:** About what date was that?

1 Mr. Russo: Again, I can probably get you the exact date but
2 early October.

3 Mr. Winuk: October 15, if I'm not mistaken --

4 Mr. Perna: October 15th.

5 Mr. Winuk: -- was the day the money moved from CPPR to
6 them. I'll just give you a point of reference.

7 Mr. Russo: So probably a week before or right around there,
8 within a week, I would think.

9 Mr. Winuk: So was it --

10 Mr. Russo: Give or take a little.

11 Mr. Winuk: -- out of the blue that you texted him for
12 \$11 million or was, a, why \$11 million then b,
13 maybe the context around why you initiated the
14 call to him or the text to him, rather.

15 Mr. Russo: Yeah. We were trying to monitor, sort of, cash
16 flow needs on a weekly basis, and ---

17 Mr. Winuk: For your efforts, SBAC's efforts, or for the
18 campaign efforts?

19 Mr. Russo: At this point, it was for SBAC.

20 Mr. Winuk: Okay.

21 Mr. Russo: And so I had asked him for the \$11 million and I
22 think when I asked him, he said it would come
23 from, you know, three or four different
24 entities.

25 Mr. Winuk: So sorry. So you're in communication with SBAC,

1 again, your contact --

2 **Mr. Hiltachk:** Joel Fox.

3 **Mr. Winuk:** -- was Joel Fox. So it is within communication

4 with him that they saw a need, \$11 million need?

5 **Mr. Russo:** Right, yeah, I think between Joel and Rick

6 Claussen's team, that was, I think, managing the

7 effort for Joel.

8 **Mr. Winuk:** Okay. Between the time that you had the

9 conversation with Sean, where he told you about

10 the \$4 million to the text of \$11 what, if any,

11 conversation did you have with him in the

12 intervening period?

13 **Mr. Russo:** I don't think too many. I do know I contacted

14 him to send him more money from AJS so we felt

15 like we were filling up his one pot.

16 **Mr. Winuk:** Yeah. Did you eventually start to grow

17 concerned that you weren't seeing stuff coming

18 back?

19 **Mr. Russo:** No, because, again, we were just monitoring cash

20 flow. And so we believed, you know, he was

21 supportive and would be helpful and had the

22 network to do it so we really weren't too

23 worried. Like I said, I asked him, you know,

24 for the \$11 and he said it would likely come

25 from two or three different, or three or four

1 different groups.

2 **Mr. Winuk:** Was the money going to be used for -- I'm sorry,
3 the money I'm talking about is the money you
4 anticipated coming back. So you said you
5 expected maybe \$10 to \$20 million total, as a
6 target. You wanted more --

7 **Mr. Russo:** Right.

8 **Mr. Winuk:** -- but maybe in that ballpark? Was it your
9 expectation that money would be used for
10 television?

11 **Mr. Russo:** It was my expectation that the money would go to
12 SBAC and it would get spent the way, probably
13 Rick Claussen wanted it to be spent.

14 **Mr. Winuk:** Okay.

15 **Mr. Russo:** You know, he runs, he was running the campaign.

16 **Mr. Winuk:** When you were talking with SBAC about the
17 \$11 million, did you discuss what that
18 \$11 million was going to pay for?

19 **Mr. Russo:** No. I just knew that's what the shortfall in
20 the budget was.

21 **Mr. Winuk:** Was a lot of their expenditures spent on TV?

22 **Mr. Russo:** Yes.

23 **Mr. Winuk:** It's the big ticket item, right?

24 **Mr. Russo:** Yeah, yeah.

25 **Mr. Winuk:** Do you know how much of SBAC's expenditures

1 wound up being on TV, approximately?

2 **Mr. Russo:** I don't.

3 **Mr. Winuk:** When did --

4 **Mr. Russo:** I know it's the vast majority of the money but I
5 know there was mail and phones and like --

6 **Mr. Winuk:** So for that \$11 million, did you have any belief
7 that that would be spent on TV or not?

8 **Mr. Russo:** Yeah.

9 **Mr. Winuk:** Okay. So if a lot of the money, obviously in a
10 campaign, is being spent on TV, you said before,
11 you know, when you get down to crunch time in
12 the election, you have to reserve time?

13 **Mr. Russo:** Uh-huh.

14 **Mr. Winuk:** Were you getting worried as you got about four
15 weeks out, which is the 7th or the 8th, were you
16 getting concerned that if money wasn't coming in
17 soon that the space, literally, wouldn't be
18 available, just because we're getting so close
19 to the election?

20 **Mr. Russo:** At this point, I wasn't really executing so, you
21 know, we weren't doing issue advocacy, I wasn't
22 placing the buys or anything like that. So I
23 wasn't worried about that. I was more acting on
24 the fundraising side, at this point. So Rick
25 Claussen's shop, laid down, they ran the

1 campaigns for both Joel and No On 30. And so I
2 believe they laid down the buys, then they might
3 have laid down on, you know, they might have
4 reserved time but not paid for it, I don't quite
5 know --

6 **Mr. Winuk:** Were you their primary fundraiser --

7 **Mr. Russo:** -- exactly how that happened.

8 **Mr. Winuk:** -- or did they have other fundraisers?

9 **Mr. Russo:** I was one of their fundraisers. Michael Berg, I
10 mean, they didn't -- Joel paid me. Michael Berg
11 was a fundraiser.

12 **Mr. Winuk:** Were they exerting pressure on you to go out and
13 get more funds?

14 **Mr. Russo:** They would just tell me what their needs were
15 and then I -- you know, we had a number of
16 people who wrote express -- Jeff and I found
17 people who would give express advocacy checks.
18 And then Sean.

19 **Mr. Winuk:** When you raised money for AJS you got a
20 commission off of that, whatever percentage was
21 raised.

22 **Mr. Russo:** Right.

23 **Mr. Winuk:** How about money coming into SBAC. Would you
24 have got a commission off of that?

25 **Mr. Russo:** We had talked about a commission and, initially,

1 we agreed to that. And then, Munger was writing
2 such big checks, it just didn't seem right. And
3 I didn't think I could look Munger in the eye
4 and say I took three percent or five percent,
5 and have any credibility with him. So if we had
6 raised all that money from a lot of donors, I
7 think it would have been justified. But I don't
8 think it was. So then I, I didn't take a
9 commission and they paid me \$20,000 dollars
10 combined, I guess, or for all the stuff I had
11 done for them.

12 **Mr. Winuk:** But the decision to switch from a commission to
13 \$20,000 dollars, what, and I know there's a
14 series of emails, now I forget the timeframe.
15 What timeframe was that made in?

16 **Mr. Russo:** I don't know when we wrote emails on that.
17 October, end of October, I would think.

18 **Mr. Winuk:** At the time you texted Sean for the \$11 million
19 dollars, would you have expected a commission
20 off of money coming into SBAC through that
21 route?

22 **Mr. Russo:** No.

23 **Mr. Winuk:** So you said you had very little contact, if --
24 or did you say you had any or no contact with
25 him between the \$4 million conversation and the

1 \$11 million dollar text?

2 **Mr. Russo:** I'm sorry?

3 **Mr. Winuk:** No, no problem.

4 **Mr. Russo:** Yeah.

5 **Mr. Winuk:** You initially talked to him when you called him

6 to say hey, we're going to expect money, the

7 initial conversation --

8 **Mr. Russo:** Right

9 **Mr. Winuk:** -- to say hey, we're going to send you some,

10 moving the cups around.

11 **Mr. Russo:** Right.

12 **Mr. Winuk:** Some may come back. Then, that was September

13 15th or so. A few weeks later you said you sent

14 him a text for \$11 million dollars October 7th

15 or 8th. So between those periods -- and if you

16 answered it already, I apologize. Were there

17 any communications between you and Sean --

18 **Mr. Russo:** Yeah, there probably were a few. Like I said,

19 over the course of a year or a year and --

20 **Mr. Winuk:** Sure.

21 **Mr. Russo:** -- a couple months.

22 **Mr. Winuk:** But there's specific ones. What do you remember

23 about them, either the nature and the time and

24 what was discussed?

25 **Mr. Russo:** Yeah, I'm pretty sure we talked, you know, about

1 the initial problem. We talked about me moving
2 him some more money. Oh, my request for money.
3 We moved him some more money.

4 **Mr. Winuk:** So when you said your request for money, you
5 asked for \$11 million on October 7th or 8th?

6 **Mr. Russo:** Uh-huh.

7 **Mr. Winuk:** These are separate requests for money in the
8 intervening period? Between, I guess, the 10th
9 or 15th of October.

10 **Mr. Russo:** Yeah, I think I made three requests for money to
11 him.

12 **Mr. Winuk:** Is the \$11 million dollars the third or the
13 first?

14 **Mr. Russo:** It's the second.

15 **Mr. Winuk:** The second, okay. So the first was when?

16 **Mr. Russo:** The first was, like, September 10th or right
17 around there, first couple weeks.

18 **Mr. Zall:** Is that the \$4 million?

19 **Mr. Russo:** That's the \$4 million.

20 **Mr. Winuk:** Okay. So this was the second?

21 **Mr. Russo:** Right.

22 **Mr. Winuk:** Okay. So what is, in as much as detail as you
23 remember, was the context in how you asked him
24 for the \$11 million, which you -- what was
25 asked?

1 Mr. Russo: It was just --

2 Mr. Winuk: Probably 140 characters or less.

3 Mr. Russo: It was, I think I said, you know, we have a need
4 for \$11 million. Can you find us \$11 million?
5 I mean, it was that simple.

6 Mr. Winuk: Okay. And what was his response?

7 Mr. Russo: Yes. And at the time, I'm pretty sure he told
8 me that it would likely come from three or four
9 groups.

10 Mr. Zall: Okay, can I, just one second?

11 Mr. Winuk: Yeah.

12 Mr. Zall: Can I go back to the \$4 million because you said
13 something. You said that this was the second
14 time that you had asked Noble for money? So did
15 you actually, you asked him for the \$4 million,
16 back in September?

17 Mr. Russo: I asked him to send \$4.2 million to AFF.

18 Mr. Zall: Okay, okay, got you, okay. Okay, so this was,
19 and this was before or after the \$4,050,000 was
20 sent to CPPR?

21 Mr. Russo: Probably right around the same time. I can't
22 tell you the exact order.

23 Mr. Zall: Okay. Go ahead.

24 Mr. Winuk: Okay, so Sean comes back and says it's likely to
25 come from three or four groups? Did he name any

1 of the groups? Did you ask what groups it might
2 be coming from?

3 **Mr. Russo:** No, at that point, I didn't Later, I did but I
4 didn't then.

5 **Mr. Winuk:** Okay. We'll do a (inaudible).

6 **Mr. Russo:** Yeah.

7 **Mr. Winuk:** And then, did he talk about timing or anything
8 like that in the text?

9 **Mr. Russo:** Huh-uh.

10 **Mr. Winuk:** Anything else about the text that you can
11 recall?

12 **Mr. Russo:** Not, it's very simple.

13 **Mr. Winuk:** Okay. So then, you mentioned that he talked
14 further about, well, you said there was a third
15 request?

16 **Mr. Russo:** Right.

17 **Mr. Winuk:** So why don't we talk about that? What was the
18 timing of that request?

19 **Mr. Russo:** So, again, I'm --

20 **Mr. Hiltachk:** Chronologically, the ARL money came in, but he
21 didn't know who ARL was. That's spurted action.
22 You might want to ask him about that.

23 **Mr. Winuk:** I'm getting there, Tom.

24 **Mr. Russo:** Okay.

25 **Mr. Winuk:** Want to switch chairs, is that --

1 Mr. Hiltachk: No, just saying.

2 Mr. Russo: So, where -- are we going back to the ARL money,
3 when that came in or --

4 Mr. Winuk: Let's do it Tom's way.

5 Mr. Russo: Okay, that's fine, I don't care.

6 Mr. Winuk: I always trust in Tom. Tom's a brilliant
7 lawyer.

8 Mr. Russo: So we, so the ARL, that's where we started like
9 a half hour ago, actually, so. The ARL money
10 came in. I didn't -- I was looking or expecting
11 three or four different checks. But a wire goes
12 into SBAC for --

13 Mr. Winuk: Because of that text or because of anything --

14 Mr. Russo: Yeah, just because of that. So \$11 million
15 shows up, Jim Lacy and Joel, you know, flag it.
16 And I think they came to me and legal counsel
17 and said, you know, we can't accept this until
18 we verify it. So I went back to Sean and said,
19 you know, I --

20 Mr. Winuk: Did you, sorry, did you make Jim and Joel aware
21 of the context of it, where you had sent a text
22 request? Did you inform them both?

23 Mr. Russo: Yeah, they were aware that I was expecting some
24 money to come from national groups.

25 Mr. Winuk: Do they know the dollar amount?

1 **Mr. Russo:** No, or maybe, I don't know because I didn't
2 expect one \$11 million so I think all I told
3 them is there could be \$11 million coming but
4 it's going to come from three or four different
5 groups.

6 **Mr. Zall:** Did they know that, did they know about Mr.
7 Noble, at this point? Do they know that you've
8 been texting Mr. Noble, and asked him for money?

9 **Mr. Russo:** I don't know. I don't think I ever said it was
10 Noble. I think I just said it was outside
11 groups, but I might have.

12 **Mr. Zall:** Okay.

13 **Mr. Winuk:** Did you have meetings with SBAC to talk about
14 sort of the hiccup that you had? That you had
15 raised money for issue ads but then had that.
16 Did you ever have a meeting with anyone from
17 there to talk about that?

18 **Mr. Russo:** I don't think I did.

19 **Mr. Winuk:** Okay.

20 **Mr. Zall:** So they didn't know the context, at this point,
21 when this \$11 million comes in? Nobody at SBAC
22 knows the context of, you know, we raised money
23 for issue ads, we had it sent to AJS, and then
24 we made a change in plans. We shipped it off to
25 Noble with the hope that they would aid us and

1 now here's some money coming in from the Koch/
2 Noble group. Nobody as SBAC, prior to receiving
3 this \$11 million, knew any of that context?

4 **Mr. Russo:** I think Joel knew we wanted to do issue ads but
5 we never got them up. But I don't think I
6 shared with Joel any of this nuance that we're
7 going through here.

8 **Mr. Zall:** Okay.

9 **Mr. Russo:** So Joel and Jim said look, we can't accept this
10 money, we got to make sure it's legitimate. So
11 I think it was Jim Lacy said, or our other
12 counsel said, you need to have a tax ID number,
13 IRS certification, we need to know who is on the
14 Board. So I went back to Sean and said look,
15 they're not going to accept the money until I
16 have these answers. And at that point, he maybe
17 gave me one of the pieces, I don't remember.
18 But that's when he introduced me to his lawyer,
19 Jason Torchinsky, and said Jason can probably
20 help you.

21 **Mr. Winuk:** He being Sean Noble?

22 **Mr. Russo:** Sean Noble's, or CPPR's lawyer. I'm not quite
23 sure who Jason represents but --

24 **Mr. Winuk:** And what do you mean, he was going to give you
25 the pieces. What does that mean?

1 **Mr. Russo:** Well, like I needed the IRS certification
2 letter, I needed their tax ID number, and I was
3 told I needed to know who's on the board. So I
4 got all that information to legal counsel and
5 Jim and Joel and that's when they accepted the
6 money. And then Joel said --

7 **Mr. Winuk:** Did you have communications with Sean after the
8 \$11 million came in from ARL?

9 **Mr. Russo:** Yeah, Joel said if we're going to get any other
10 or more national money, he said I don't want to
11 go through this fire drill again. I want to
12 know the groups in advance. So that's when I
13 called Sean back and I said if you're going to
14 send us any more money, we need to know the
15 group so we can do the due diligence in advance.
16 And that's when he had -- he said, at that
17 point, there's a couple groups -- and I don't
18 remember their names here. I can get them for
19 you if you need them. And he had me talk to
20 Jason Torchinsky again. And then, with Jason,
21 he gave me a few more groups. And he said are,
22 do these work for you? And I said well, the
23 criteria is simple for us. It's got to have a,
24 you know, tax certification letter, one did, one
25 didn't. It's got to have a tax ID number. It's

1 got to have an independent board. And then I
2 said, and the most important thing, it's got to
3 have its own money. So you tell me who has what
4 money and we'll be fine.

5 **Mr. Winuk:** So did you talk to Sean by phone, by email, by
6 text or --

7 **Mr. Russo:** A couple times I talked to him by phone, some
8 text. We met once in Washington, DC.

9 **Mr. Winuk:** This is, well, sorry.

10 **Mr. Russo:** Yeah.

11 **Mr. Winuk:** Let me narrow the time frame. Talking
12 specifically about the \$11 million from ARL.
13 Did you talk to him, how did you talk to him
14 about that particular one?

15 **Mr. Russo:** So AFF, we talked by phone. I believe the other
16 one, we texted.

17 **Mr. Winuk:** Okay. So did you ask him who ARL was?

18 **Mr. Russo:** No, yeah, well, at that point, I said I didn't
19 really know ARL. But I said I need to do the
20 due diligence. And so, that's when he gave me
21 everything, or Torchinsky did.

22 **Mr. Winuk:** Right. They send you \$11 million dollars from a
23 group you haven't heard of. So when you called
24 them up, let's try and remember as much as we
25 can --

1 Mr. Russo: Oh, yeah.

2 Mr. Winuk: -- details of that conversation. Did you say
3 hey, where did you dig this group up or did you
4 have any kind, a more casual conversation about
5 it or what was the nature of --

6 Mr. Russo: No, all I said was, you know, they're not going
7 to accept the money until we verify it's a
8 bonafide group. I mean, my knowledge of the
9 Koch Network is there's all kinds of groups all
10 over the country that I wouldn't even know. So
11 I didn't really think it wouldn't be credible.
12 And they're well-lawyered, they sort of, I
13 assume, do things, you know, the right way. So
14 I didn't have a real question, was the group
15 legitimate or did it have money? I assumed all
16 of that. But I didn't have any of the pieces to
17 verify it and that's what I asked for.

18 Mr. Winuk: Okay.

19 Mr. Russo: And I believe our legal counsel, you know, did
20 some internet Googling or searching and found
21 information on ARL and everybody was satisfied.

22 Mr. Perna: There's some questions. Is it, at that point,
23 some emails.

24 Mr. Winuk: Just one more, just, sorry -- every word you can
25 remember that he said about that.

1 Mr. Russo: About ARL?

2 Mr. Winuk: About that specific conversation, just whatever
3 you can give us --

4 Mr. Russo: I know --

5 Mr. Winuk: Big, small, little --

6 Mr. Russo: -- we didn't talk long, I mean, I have to --
7 because Sean's a busy guy. I mean, we just
8 didn't have long conversations.

9 Mr. Winuk: That's fine, if that's it, that's it. I just
10 want to make sure --

11 Mr. Russo: Yeah, and he said, you know, I'll get you --

12 Mr. Winuk: You're giving us anything you remember.

13 Mr. Russo: -- I'll get you something and he got me one of
14 the pieces. It was either the tax certification
15 letter or the tax ID number, I believe he
16 emailed it to me. But that wasn't enough. And
17 then, when I said I need more, that's when he
18 had me work with Torchinsky. So I really didn't
19 talk to him anymore about it. I think I
20 probably talked to Torchinsky more than I talked
21 to Sean about it.

22 Mr. Zall: Did you guys or did anybody at SBAC do any due
23 diligence to see if this ARL, if they had their
24 own money? I mean, I know you made that point
25 in your conversation with Torchinsky that the

1 only criteria is that these groups have their
2 own money so that, presumably so nobody can say,
3 you know, it's our money being laundered. Did
4 you, did you have any conversations to, or did
5 you guys do anything to confirm that ARL was an
6 entity that had its own money?

7 **Mr. Russo:** Not that I know of. Maybe legal counsel looked
8 up 990's if they existed but I don't know that
9 for a fact.

10 **Mr. Zall:** Okay.

11 **Mr. Russo:** I know legal counsel did some of their own
12 exploring. But I specifically, was asked to get
13 certain things, which I got.

14 **Mr. Winuk:** So did you ever, or have you ever had a
15 conversation with anyone from ARL at all?

16 **Mr. Russo:** Huh-uh.

17 **Mr. Zall:** You mentioned that there was a third, told Gary
18 that there was a third time that you texted or
19 asked Noble specifically for some additional
20 cash?

21 **Mr. Russo:** Uh-huh.

22 **Mr. Zall:** When was that? So we got that \$4.2 and then the
23 \$11. When was the third time?

24 **Mr. Russo:** So after the second, probably, I don't know, a
25 week or ten days later. I mean, going into the

1 last couple weeks of the campaign, I think,
2 right around there. I, again, I could probably
3 come back to you with an exact date but right
4 around there. I asked him for another \$9 or
5 \$9.5 or \$10, right around there.

6 **Mr. Zall:** And what, what was his response?

7 **Mr. Russo:** He said that would be fine. That's when he had
8 me working with Torchinsky. And so, this is
9 when I told Torchinsky -- on ARL I didn't even
10 think about mentioning it has to be its own
11 money. I just assumed it was. But when I was
12 working with Torchinsky -- because Joel had said
13 he didn't want more money to just show up and
14 then have us be in a mad scramble to meet his
15 24-hour reporting deadline and do due
16 diligence -- he wanted to note the groups and
17 tax ID number, all that stuff. It was then, I
18 spoke to Torchinsky and so did legal counsel
19 spoke to Torchinsky and, you know, talked
20 through what different groups was in their
21 network that had money. And so that's when I
22 said look, it has to have a tax ID number, it
23 has to be certified, it has to have their own
24 board, and I said, and the most important thing,
25 it has to have its own money.

1 Mr. Winuk: So the three of those --

2 Mr. Zall: Did that happen? Did, was there another
3 infusion of money?

4 Mr. Russo: There wasn't another infusion. After that,
5 although, I don't think that was a reason
6 because he said that's not a problem. There
7 wasn't another infusion, I think, because all
8 the litigation started in California.

9 Mr. Winuk: So if you roughly add up the numbers of the
10 three requests, it comes out to \$24 million,
11 which is also the amount that AJS gave to CPPR.
12 Is that a coincidence or --

13 Mr. Russo: Well, we always thought we were going to get
14 more.

15 Mr. Winuk: Right, but your ask wound up being almost for
16 the exact amount that basically went into the
17 water glass.

18 Mr. Russo: Right.

19 Mr. Winuk: So is that an accident or how did that wind up
20 being that exact same number?

21 Mr. Russo: Well, we figured we could ask for at least that
22 much and hopefully more.

23 Mr. Winuk: So when you do the \$9 to \$10 million third
24 request, did you have in your mind that that
25 will sort of make you whole from what initially

1 got put in?

2 **Mr. Russo:** No, we never really looked back at that. We
3 were always looking at the budgets on how to
4 finish. So it was like Claussen had put budgets
5 together and it was did we need to finish? And
6 it was always a combination of, well, how much
7 express advocacy money is coming in and what's
8 the hole each week to fill?

9 **Mr. Winuk:** Did you and Sean ever have any conversation
10 about sort of being made whole from the original
11 amount?

12 **Mr. Russo:** We did have a discussion and he offered to send
13 money back to AJS. And I said we couldn't take
14 money back to AJS.

15 **Mr. Winuk:** When was that discussion?

16 **Mr. Russo:** It was during the, after the second transfer and
17 all the litigation that was going on in
18 California. And he believed he was going to
19 send more money and he said, you know, I can get
20 you the money but, you know, I can just send the
21 money back to AJS, if you want. And I said no.

22 **Mr. Winuk:** So you now know my love for detail. Add as much
23 detail as you can tell us about that
24 conversation, also, I'd appreciate that.

25 **Mr. Russo:** I, there really wasn't any more to it than that.

1 **Mr. Bowers:** But what --

2 **Mr. Winuk:** Well, but that conversation seems a little
3 disjointed just for that. So the call was hey,
4 Sean, you know, we still need more money. This
5 is our anticipated need. And he said well --

6 **Mr. Russo:** Okay, yeah, so --

7 **Mr. Winuk:** -- rather than jump through all these hoops,
8 I'll just give it back to AJS to make you whole
9 or kind of -- what was the context of it?

10 **Mr. Russo:** Well, no, it was, first we had the one
11 discussion when I asked for more money and he
12 said fine. And I said, but I would really like
13 to know -- what I've already said -- that we
14 would like to know the groups before, we like to
15 do our due diligence. That's when he had me
16 work with Jason. So that was sort of the first
17 discussion. Then, all the litigation started
18 happening and so I called them and said, you
19 know, are you still going to be able to find
20 groups to send us money or not? Because I
21 thought this would spook people. And he said
22 no, we have groups that would do it. It's not a
23 problem. And then, I called him back, again, a
24 couple days later and I said, you know, because
25 I'm trying to balance cash flow and he said,

1 well, yeah, I think we have groups. But, you
2 know, if you just want the money back you can
3 just have the money go back to AJS. And I said,
4 well, no, we don't want -- AJS can't take the
5 money back.

6 **Mr. Zall:** So ultimately, then, Noble made a decision not
7 to send you this final \$10 million dollars?

8 **Mr. Russo:** That's correct.

9 **Mr. Zall:** Are you with -- and when did you find out that
10 you weren't going to even get -- you were
11 expecting more, hoping for more than you gave to
12 this, you know, mass organization that has tons
13 and tons of millions of dollars --

14 **Mr. Winuk:** I think to be clear, though, what he said was --
15 and please correct if I'm misstating what you're
16 saying -- that he made a request for \$9 to
17 \$10 million. Sean said he could do it but they
18 need to verify the groups. And that that's what
19 became the problem. Not so much they said they
20 wouldn't give it. Is that --

21 **Mr. Russo:** Well, that's sort of it, you know. But I --

22 **Mr. Zall:** But, ultimately --

23 **Mr. Russo:** -- I don't think, in the end --

24 **Mr. Zall:** -- they didn't get the money.

25 **Mr. Russo:** -- yeah.

1 Mr. Winuk: Right, yeah.

2 Mr. Zall: Did they request, unlike the first two requests,
3 the second, the third request did not get
4 filled, ultimately.

5 Mr. Russo: Right.

6 Mr. Zall: Did -- when did you find out about that and how
7 did that conversation go? Or did it just, was
8 there no conversation?

9 Mr. Russo: He, basically, said I don't think we can, we can
10 help you now, right now.

11 Mr. Zall: And when did, when did that, when was that?

12 Mr. Russo: That was probably about a week and a half out
13 from the election.

14 Mr. Zall: And what --

15 Mr. Russo: I would say right about there.

16 Mr. Zall: And how --

17 Mr. Winuk: That's different from the, we can give the money
18 back to AJS conversation?

19 Mr. Russo: He offered to send the money back to AJS twice.
20 So there was --

21 Mr. Winuk: Okay.

22 Mr. Russo: -- probably three or four discussions in the
23 course of this ten days.

24 Mr. Zall: And what was his explanation, at this point, you
25 know, ten days out, as to why. So I'm assuming

1 the need for the money is still there?

2 Mr. Russo: Yeah.

3 Mr. Zall: Yeah, and --

4 Mr. Russo: The explanation was, your regulatory guys are
5 going crazy and I just don't think we can do it.

6 Mr. Winuk: Sorry about that.

7 Mr. Russo: No.

8 Mr. Zall: I don't think it would have made a difference.

9 Mr. Winuk: It appears to me, if they understood anything
10 about our law, we could have avoided all of this
11 but --

12 Mr. Hiltachk: Exactly.

13 Mr. Russo: Right. Well we agree with you.

14 Mr. Winuk: If someone knew, knew what they were doing.

15 Mr. Zall: And what --

16 Mr. Hiltachk: We've been going like 2-1/2 hours. You want to
17 take a break?

18 Mr. Zall: Yeah, yeah, no, we haven't been going two, we've
19 been going an hour an --

20 Mr. Hiltachk: An hour and a half. It seems like 2-1/2 hours.

21 Mr. Zall: Yes.

22 Mr. Hiltachk: I'm ready for a break.

23 Mr. Zall: Yeah, I'm just going to say this, yeah,
24 everybody need a break?

25 Mr. Winuk: Yeah, no, it's good timing.

1 Mr. Russo: I could go to the restroom, real quick.

2 Mr. Zall: Okay, yeah.

3 Mr. Perna: I'm going to put this on pause.

4 (Pause in Proceedings.)

5 Mr. Winuk: Somebody else can go.

6 Mr. Hiltachk: Done?

7 Mr. Zall: No.

8 Mr. Winuk: I just always feel like I can rely on Cliff to
9 fill the void.

10 Mr. Zall: I'm a void filler.

11 Mr. Bowers: Mr. Russo --

12 Mr. Russo: Yeah.

13 Mr. Bowers: -- we received an email from Joel Fox -- and I'm
14 sorry I can't show it to you. I don't have it
15 here. It was on October 13th, right before the
16 money, \$11 million came in. And in that email,
17 he said that you had told him that SBAC would be
18 getting about \$10 million dollars from three
19 groups on Monday, which would have been the
20 15th, and another \$10 million the following
21 week. So how -- first of all, would you agree
22 with that?

23 Mr. Russo: Yeah, I thought we were going to get close to
24 \$20 million over the course of the balance of,
25 before November. I didn't know exactly how it

1 was going to come. Sean had said, you know,
2 three or four or five groups. So I was
3 expecting it. But I didn't know what the groups
4 were.

5 **Mr. Bowers:** But before the \$11 million came down, you were
6 expecting, basically, two money drops?

7 **Mr. Russo:** Uh-huh.

8 **Mr. Bowers:** All right. And that was --

9 **Mr. Russo:** Well, I knew, I had asked for the one. And I
10 knew I was going to ask for another one. I
11 just -- and I assumed it was going to be about
12 \$20 million, looking at the campaign budgets,
13 that that's what I would ask for. Although, I
14 adjusted every week, based on how much money
15 came in for express advocacy.

16 **Mr. Perna:** Okay. But that is consistent with the \$11 you
17 requested plus --

18 **Mr. Russo:** Yeah.

19 **Mr. Perna:** -- the \$9.5 to \$10 --

20 **Mr. Russo:** Yeah.

21 **Mr. Perna:** -- that you asked for again.

22 **Mr. Russo:** I just didn't expect \$11 million to show up from
23 one group. But that's what happened so -- and
24 then I explained, you know, Joel's reaction to
25 that, which was to do the due diligence on the

1 group.

2 **Mr. Zall:** So what, what was the conversation like, I
3 guess, when Sean told you, ultimately, that he
4 wasn't going to send any more, wasn't going to
5 send any more money?

6 **Mr. Russo:** Well, at that time, I sort of understood it
7 because of, you know, we had worked our way
8 through the courts. I don't know if we had gone
9 to the Supreme Court yet. Not we, they. I
10 wasn't involved with hiring their lawyers to do
11 that. But watching that play out, it -- I
12 understood it. It created a big hole for us
13 that we had to try to go raise express advocacy
14 dollars to fill.

15 **Mr. Zall:** What about the donors? I mean, did you feel any
16 sort of guilt or anything, as far as these folks
17 that had sent all this money to AJS with the
18 idea it was going to be used as part of this
19 California Comeback Plan? And a lot of it just
20 went into some, went somewhere other than where
21 these people expected it would go?

22 **Mr. Russo:** Well, I mean, I felt bad but, at the same time,
23 you do your best with the facts that you have at
24 the time. So we're trying not to break any
25 laws. We didn't, you know, we weren't going to

1 do anything that we shouldn't or legal counsel
2 didn't think we should or could do so -- and I
3 didn't want to put them in jeopardy, either, so
4 yeah.

5 **Mr. Zall:** Did any of this, did any of the donors ever ask
6 about any of this stuff and was any of this ever
7 disclosed?

8 **Mr. Russo:** Well, you know, when Haas asked --

9 **Mr. Zall:** Right.

10 **Mr. Russo:** -- and which we talked about, I had another
11 donor ask how come, you know -- I had a couple
12 donors who would call and say we're getting, you
13 know, beaten badly. They're on TV all the time
14 and we're not on TV. Where's that one ad, you
15 know, issue advocacy ad. And I said we ran
16 into, you know, trouble with doing issue
17 advocacy and we're doing the best we can, so --

18 **Mr. Zall:** But none of these folks, I guess, ever followed
19 up, once they wrote these big checks? So no,
20 none of these folks ever really knew that
21 \$10 million bucks short of what was raised ended
22 up getting spent on the effort?

23 **Mr. Russo:** Yeah, I mean, we never gave a report to
24 people --

25 **Mr. Zall:** Okay.

1 **Mr. Russo:** -- afterwards. You know, what we had to do was
2 re-double our efforts to fill the campaign hole
3 with express advocacy dollars which we came very
4 close to doing. So in terms of fulfilling an
5 ultimate budget, we feel we did pretty good.
6 But, you know, we had to scramble.

7 **Mr. Zall:** What do you -- do you know anything about Sean
8 Noble's connection with ARL?

9 **Mr. Russo:** I do not.

10 **Mr. Zall:** When you -- I know there's emails where either
11 you -- I think it was you, basically, asked
12 Sean, who should I send the contribution
13 information -- you know, the disclosure
14 requirements that SBAC is required to disclose
15 the contributor -- who should I send it to? And
16 Sean seemed to say just -- but Sean said send it
17 to me or -- didn't you have some conversations
18 with Sean about who the contact person was, as
19 far as ARL, once you guys received the money?

20 **Mr. Russo:** I did, that's when I was doing the due
21 diligence.

22 **Mr. Zall:** Okay.

23 **Mr. Russo:** And, again, I think Sean got me one of the
24 pieces, and I don't remember exactly which
25 piece. But then -- because I kept asking for

1 more information, that's when he had me talk,
2 not talk, I emailed, I think, and maybe talked
3 to Jason Torchinsky. And I think Torchinsky got
4 me the rest of that.

5 **Mr. Zall:** Did he ever, did Noble ever, either sort of,
6 either explicitly or implicitly, give you the
7 impression that this was sort of an entity that
8 he controlled?

9 **Mr. Russo:** I didn't even know he controlled CPPR.

10 **Mr. Zall:** Okay.

11 **Mr. Russo:** I mean, I knew he was a consultant to Koch. I
12 assumed CPPR was part of the Koch but I didn't
13 know he was officially like the board member of
14 CPPR, which our legal counsel, you know,
15 discovered later.

16 **Mr. Zall:** But so okay, so you assumed, your assumption was
17 that all these entities were part of the Koch
18 enterprise then?

19 **Mr. Russo:** Uh-huh.

20 **Mr. Winuk:** After that third request that you made of Sean,
21 that conversation, did you have any other
22 conversations with him between then and today?

23 **Mr. Russo:** Only, oh, since -- no, we haven't spoken since
24 the election.

25 **Mr. Winuk:** So through election day, you had no further

1 contact?

2 **Mr. Russo:** We talked like we have discussed. When we -- so
3 we had those three or four discussions, that was
4 about it. The last one was when he said he
5 couldn't deliver.

6 **Mr. Zall:** What about the, as you know, right, ultimately,
7 Sean ended up writing a letter, basically,
8 saying that he was an intermediary and that this
9 \$11 million that got passed through ARL came
10 from Americans For Job Security. Did you -- you
11 didn't have any contact with him after he wrote
12 that letter?

13 **Mr. Russo:** I mean, I don't think so, no.

14 **Mr. Zall:** Okay. And what was your reaction to that?

15 **Mr. Russo:** Well, I was shocked.

16 **Mr. Zall:** And why?

17 **Mr. Russo:** Well, because I believed that that money didn't
18 come from AJS. And I believed that he would
19 have taken a first bite. And if he had to, open
20 his books or whatever he had to do to comply
21 with the first-bite rule.

22 **Mr. Zall:** So, and this, we're not in a courtroom here --

23 **Mr. Russo:** Right.

24 **Mr. Zall:** -- so if it was a courtroom, I guess your
25 attorneys would say --

1 Mr. Hanly: Hearsay, objection.

2 Mr. Zall: -- objection, speculation. Why do you think
3 Mr. Noble wrote that letter stating that the
4 money came from AJS?

5 Mr. Russo: You know, I don't know that I should speculate.
6 I mean, I really don't know. My sense is they
7 were in a wild court fight and didn't see any
8 way out. I mean, I don't know.

9 Mr. Zall: Okay.

10 Mr. Perna: Well, as far as ARL and what their organization,
11 anything about their organization and do you
12 know anything about them at all?

13 Mr. Russo: I knew absolutely nothing about ARL.

14 Mr. Perna: Because the money, you know, the money came from
15 ARL at SBAC so I thought maybe you might have
16 checked on them, because, well, there's a
17 concern, because you had these conditions on the
18 type of organizations that should receive the
19 money from AJS. I mean, you gave to CPPR and
20 then who you wanted, who you felt like they give
21 it to is people that had their own money.

22 Mr. Hiltachk: It's not that you're -- you're representing his,
23 what he stated.

24 Mr. Perna: Okay, then what's your opinion --

25 Mr. Hiltachk: Careful, I --

1 Mr. Russo: Oh, I'm not even sure I follow so --

2 Mr. Hiltachk: Yeah.

3 Mr. Perna: Okay.

4 Mr. Hiltachk: First of all, he did say he spent considerable
5 time doing due diligence on ARL, when the
6 contribution came, so --

7 Mr. Perna: Say that again?

8 Mr. Hiltachk: He, well, he could testify, but he did tell you
9 that he, when the check came from ARL, he
10 participated in doing some due diligence on who
11 ARL was, so --

12 Mr. Perna: Yeah, the C-9 or whatever. I'm talking about --

13 Mr. Hiltachk: Right.

14 Mr. Perna: -- the availability of the money.

15 Mr. Hiltachk: Right.

16 Mr. Perna: Okay? Totally different.

17 Mr. Hiltachk: Okay.

18 Mr. Russo: That never had crossed our mind. Legal counsel
19 never mentioned that as an issue and, again, we
20 thought we were dealing with the Koch Network.
21 News reports said they had \$4 or \$5 hundred
22 million dollar. I mean, availability of funds
23 never crossed our mind.

24 Mr. Zall: But you did say, Mr. Russo, that the next time
25 you talked to Sean and to Mr. Torchinsky about

1 using other groups, that you were concerned that
2 they have their own money. Why the change, I
3 guess?

4 **Mr. Russo:** Oh, I wasn't even really concerned. It was just
5 I wanted to know, you know, again, same stuff,
6 name of the group, tax ID, tax certification.
7 And it was almost just in passing because he had
8 given me five or six different groups, you know,
9 and he kept saying well, you could do this group
10 or that group. And I'm like, well, we hadn't,
11 well, they're all fine, the most important thing
12 is they all have their own money.

13 **Mr. Zall:** I guess what I'm saying is, if that was a
14 concern with these other groups why wasn't that
15 a concern with ARL?

16 **Mr. Russo:** Because I didn't vet anything in advance. I
17 mean, I just didn't even think about it. I
18 mean, it was sort of like if I was going to give
19 them the name of a group, it didn't matter to
20 me, really, any of the groups he gave me, as
21 long as they had money, and I assumed they had
22 money so --

23 **Mr. Winuk:** Are you done with that point?

24 **Mr. Zall:** Yeah.

25 **Mr. Winuk:** I just want to go back to the \$4 million dollar

1 contribution, again. And I know we talked about
2 it. I want to make sure that I have it
3 accurately. The original ask you made of him
4 was for \$4 million dollars. Did you mention
5 whether it was going to be issue or express
6 advocacy? And if so, which one or what was
7 your --

8 **Mr. Zall:** I think he said \$4.2.

9 **Mr. Russo:** Yeah, I asked for \$4.2

10 **Mr. Winuk:** \$4.2.

11 **Mr. Russo:** And I, I don't think I told him either.

12 **Mr. Winuk:** Okay. So he said that, is he the one that told
13 you that it was going to go to -- no, he didn't.
14 just walk me through, again, the AFF/CFF
15 connection and the conversation you had with him
16 about that. You told us about it, but I think I
17 missed pieces of it, so I want to make sure I
18 have it.

19 **Mr. Russo:** Yeah, so I, we walked through, you know, the
20 whole stuff with DeMaura, to come to the
21 conclusion about --

22 **Mr. Winuk:** Right.

23 **Mr. Russo:** -- not doing issue advocacy, and wanting to
24 preserve our first bite. But in the course of
25 that, I had reached out to AFF because I had met

1 them before and --

2 **Mr. Winuk:** So you separately reached out to AFF --

3 **Mr. Russo:** Yeah, and asked --

4 **Mr. Winuk:** -- just to try and raise more money, as a

5 fundraising --

6 **Mr. Russo:** -- no, actually, at the time, we thought, well,

7 maybe AJS could send some money to --

8 **Mr. Winuk:** Okay.

9 **Mr. Russo:** -- AFF and AFF could do issue advocacy.

10 **Mr. Winuk:** I see.

11 **Mr. Russo:** But then, like I said, we quickly realized,

12 well, if they did that --

13 **Mr. Winuk:** You would have a first bite issue.

14 **Mr. Russo:** -- that would be -- and if the FPPC ruled that

15 that was express advocacy, that first bite would

16 flow all the way back to AJS.

17 **Mr. Winuk:** Did you tell Sean that you had reached out to

18 AFF?

19 **Mr. Russo:** Yeah.

20 **Mr. Winuk:** Okay.

21 **Mr. Russo:** And I told him I thought they would be willing

22 to help.

23 **Mr. Winuk:** Okay. That was what I was going to say.

24 **Mr. Russo:** Yeah.

25 **Mr. Perna:** Later on, on September 21st, there was a

1 communication between yourself and Mr. Fox and
2 where you wanted SBAC PAC to wire a contribution
3 to California Future Fund. Do you recall that?
4 **Mr. Russo:** Yes.
5 **Mr. Perna:** And he had concerns about it.
6 **Mr. Russo:** Yeah. And he decided not to do it.
7 **Mr. Winuk:** What did Sean say when you mentioned you had
8 reached out to AFF and that they might be
9 willing to help?
10 **Mr. Russo:** Sean said great, we're sending them a big, a
11 good check.
12 **Mr. Winuk:** They're sending them a check.
13 **Mr. Russo:** I don't know what else AFF did or Sean did with
14 them.
15 **Mr. Bowers:** We talked a little about Gene Haas and Aaron
16 Starr. There's an email where Aaron Starr said
17 to you that he got a letter from Mr. DeMaura,
18 saying that Gene's membership in AJS will be one
19 hundred percent dedicated to the television
20 issue advocacy advertising effort we have
21 planned. First of all, do you, were you aware
22 of that letter?
23 **Mr. Russo:** Well, I knew they had requested, like we talked
24 about. I didn't know if a letter got delivered
25 or didn't get delivered but that sounds like a

1 letter got delivered.

2 **Mr. Bowers:** But do you recall Mr. Starr making you aware
3 that he had received a letter from Mr. DeMaura?

4 **Mr. Russo:** Yes, and I believe I spoke to legal counsel and
5 then told Aaron Starr that money shouldn't be
6 earmarked and that you should disregard that
7 letter.

8 **Mr. Bowers:** That's what you advised Mr. Starr?

9 **Mr. Russo:** Uh-huh.

10 **Mr. Zall:** Did you not know, so you're, you didn't know
11 that DeMaura had sent this letter to Mr. Haas
12 then?

13 **Mr. Russo:** I knew there was discussion of a letter --

14 **Mr. Zall:** Okay.

15 **Mr. Russo:** -- modeled after the Howard Jarvis letter. But
16 I didn't remember that one actually got
17 delivered.

18 **Mr. Bowers:** Okay, now, did you follow up with Mr. DeMaura at
19 all about that letter?

20 **Mr. Russo:** Yeah, I told Mr. DeMaura that legal counsel said
21 that there, that it, there shouldn't be a
22 letter. That there shouldn't be an earmark.

23 **Mr. Bowers:** What was his response?

24 **Mr. Russo:** He said, okay, well, will you let them know?
25 And that's why I let Aaron Starr know that.

1 **Mr. Bowers:** And how long during the campaign did you
2 continue to have contact with Mr. DeMaura?

3 **Mr. Russo:** Off and on, probably, through the whole
4 campaign. I didn't talk to him that often. I
5 think Jeff maybe talked to him more than I did.

6 **Mr. Winuk:** Did you keep him apprised of the efforts that
7 Sean was making on your behalf, once the money
8 went over there?

9 **Mr. Russo:** I may have but I don't think I did it in great
10 detail. Things were moving so fast at the end.

11 **Mr. Winuk:** Sure.

12 **Mr. Zall:** Did DeMaura and Noble have a pre-existing
13 relationship, to your knowledge?

14 **Mr. Russo:** At the time, I did not know that. But I think
15 they have done some work in the past together.
16 And I found that out after the fact.

17 **Mr. Zall:** Why was AJS chosen, I guess, to do this? Why
18 did you pick, why did you guys pick AJS?

19 **Mr. Russo:** So you know, when we started talking about this
20 in 2011, I think I shared earlier, we assumed
21 that no California group would want to do it
22 because of, you know, just the controversy
23 around doing a first bite and the unions and all
24 of that. So we wanted to find a national group.
25 Jeff knew Dave Carney from other things, asked

1 Dave, and Dave recommended AJS.

2 **Mr. Zall:** Did you guys do much due diligence on AJS?

3 **Mr. Russo:** Legal counsel looked at it. And that was about
4 it.

5 **Mr. Zall:** Did you know anything about the issues they had
6 in Alaska over -- what's the right word -- I
7 guess, money laundering?

8 **Mr. Russo:** I didn't know about that until after. I think
9 Tom Hiltachk's the one who told me about that.

10 **Mr. Hanly:** That's a ugly word.

11 **Mr. Zall:** Launderer, laundry?

12 **Mr. Winuk:** Tom and I can have a great --

13 **Mr. Bowers:** How long did your --

14 **Mr. Hiltachk:** Go back and answer a question a question ago.

15 **Mr. Russo:** So about DeMaura and so, you know, I didn't find
16 out until after the fact, they had worked
17 together. But DeMaura did ask, you know, if we
18 felt, did we trust Sean? Would he be able to
19 deliver for us or not? And at that point, we
20 just told Stephen we didn't have any other
21 options. We would just have to take our
22 chances, so --

23 **Mr. Bowers:** He was asking you if you felt Mr. Noble was
24 trustworthy?

25 **Mr. Russo:** He asked me and Jeff Miller that.

1 **Mr. Zall:** If you guys were willing to trust these funds to
2 Noble and his network, basically?

3 **Mr. Russo:** Yeah, and if we believed, you know, Sean would
4 truly help us in California with his network.
5 And we said we had, you know, we had no other
6 choice but to trust him.

7 **Mr. Zall:** All right. Let me ask you this, though. At
8 that time, did you ask, did you do some due
9 diligence on Sean Noble? I mean, you're giving
10 all this money that you raised over to him and
11 to his good -- good graces. And, you know, he
12 could have turned around and spent it all in
13 Utah.

14 **Mr. Hiltachk:** It was Colorado, by the way.

15 **Mr. Zall:** Yeah. If it wasn't in Utah, some other place.
16 Yeah, the Republicans wouldn't need him in Utah.
17 But, yeah, so did you guys do any due diligence
18 on Noble?

19 **Mr. Russo:** We didn't really do any research on Noble but he
20 came highly recommended by donors. You know,
21 some of the donors in our network are also
22 members of the Koch Network. And then, you
23 know, every step of the way he was supportive so
24 we just didn't have reason to believe.

25 **Mr. Winuk:** So when DeMaura mentions, or was asking you

1 about Sean, whether they finally get the money
2 back to you, did he talk about specific dollar
3 amount or what words did he say?

4 **Mr. Russo:** No, it was just, do you trust him? I don't know
5 the history between those two so I don't know if
6 there's a reason that he would have asked that
7 question or not, but --

8 **Mr. Zall:** Did DeMaura ever tell you, at this point, when
9 you guys are, basically, you know, committing
10 all your money over to Mr. Noble, did DeMaura
11 tell you, hey, I know Sean, and I have done, you
12 know, this with Sean and that with Sean. And
13 did he offer up any opinions on Sean?

14 **Mr. Russo:** No.

15 **Mr. Zall:** Okay.

16 **Mr. Winuk:** How much total do you think was actually spent
17 by AJS on some sort of issue advocacy? I know
18 some was spent.

19 **Mr. Russo:** Yeah, outside of commissions and what they set
20 aside for --

21 **Mr. Winuk:** Yeah.

22 **Mr. Russo:** -- legal and their override, probably a million
23 or maybe a million two.

24 **Mr. Bowers:** What were your last communications with
25 Mr. DeMaura, during the campaign or at the end

1 of the campaign?

2 **Mr. Russo:** I don't really remember, to be honest with you.

3 **Mr. Bowers:** Did you speak to him after the election?

4 **Mr. Russo:** Yeah, I think we have. Yeah, I think we asked
5 him, because they still owe us some commission
6 so I think we had a discussion asking for that.
7 But I don't really remember anything else of
8 significance.

9 **Mr. Bowers:** Did you speak with Mr. DeMaura about what
10 Mr. Noble had done?

11 **Mr. Russo:** I don't remember doing that but Jeff and I might
12 have done that together or Jeff might have done
13 it himself. I really, I don't remember. And
14 I'm sure, I'm sure after we found out, I mean.
15 But I don't remember telling him.

16 **Mr. Winuk:** Is there something we haven't asked that you
17 think is relevant?

18 **Mr. Hiltachk:** About anything? No, I mean, are we talking
19 about those conversations --

20 **Mr. Winuk:** Whether the Yankees are going to win the World
21 Series, come on? What are we talking about?

22 **Mr. Zall:** Have you had, have you had conversations with
23 DeMaura or Noble since this, you know, other
24 than, you know, connected with attorneys, since
25 this all, this whole litigation began?

1 **Mr. Russo:** You mean, the court case, all of that activity,
2 or --

3 **Mr. Perna:** All the stuff, yes, post-election, anything
4 post-election.

5 **Mr. Russo:** I've not had any discussion with Sean Noble
6 post-election. Stephen DeMaura, we might have
7 had a discussion, post-election, about the
8 money, the commissions, or that might have all
9 been through you. I don't really, I don't
10 remember. I don't think I've talked to DeMaura
11 post-election.

12 **Mr. Winuk:** Back to my question? Something we're missing,
13 something you think is relevant to what we've
14 talked about here today?

15 **Mr. Hiltachk:** If this is your wrap-up then, if you give us
16 five or ten minutes, I'll, we'll try to see,
17 make sure we've covered all ground.

18 **Mr. Zall:** Yeah, I mean, because, obviously, a part of the,
19 you know, you guys don't --

20 **Mr. Hiltachk:** Yeah, we want you to do that. Yeah. So I want
21 to just kind of go through my notes and make
22 sure we didn't miss anything.

23 **Mr. Zall:** We don't want to have to do this again.

24 **Mr. Hiltachk:** Right.

25 **Mr. Zall:** And we reserve our, we reserve the right.

1 Mr. Hiltachk: Yeah.

2 Mr. Zall: And we know that --

3 Mr. Hiltachk: Sure.

4 Mr. Zall: -- Mr. Russo is local. But, you know, still,
5 you know, if there are things that --

6 Mr. Winuk: I think Bob has one or two more and then maybe
7 we can head for the --

8 Mr. Hiltachk: Yeah, I'm, we're happy to do that.

9 Mr. Russo: Yeah.

10 Mr. Hiltachk: But if you just give us a few minutes to sort of
11 recap --

12 Mr. Winuk: Yeah, no, no, no, absolutely --

13 Mr. Hiltachk: -- and refresh my notes.

14 Mr. Russo: And just know that I'm going to be gone for a
15 couple weeks, so checking email --

16 Mr. Zall: No, we're not talking any time soon.

17 Mr. Russo: Okay.

18 Mr. Winuk: Yeah.

19 Mr. Russo: Okay.

20 Mr. Zall: Yeah.

21 Mr. Perna: You mentioned earlier Mr. Munger and Rick
22 Claussen?

23 Mr. Russo: Uh-huh.

24 Mr. Perna: Rick Claussen, he was active in the SBAC
25 campaign, is that correct? Not the AJS?

1 **Mr. Russo:** Yeah, he wasn't active in AJS. He was active in
2 SBAC and in No On Prop 30.

3 **Mr. Perna:** Okay.

4 **Mr. Russo:** And I think he had other initiatives, too, I'm
5 not sure what they were.

6 **Mr. Perna:** Right, okay. I saw an email where Rick Claussen
7 wrote to Mr. Munger saying that it was very
8 important that you and he not be identified with
9 the campaign, as long as possible, hopefully
10 until not after the election, if at all. Why
11 would he write that? What was your, well, what
12 would have been his concern?

13 **Mr. Russo:** So I'm sorry, Rick Claussen wrote to --

14 **Mr. Perna:** Wrote to Mr. Charles Munger --

15 **Mr. Hiltachk:** What's the date?

16 **Mr. Perna:** September 14th. And you stated that, you know,
17 you didn't -- it was very important that you and
18 him, you and Claussen, not be identified with
19 the campaign as long as possible -- so I'm
20 assuming it's SBAC campaign -- hopefully until
21 after the election, if at all. So is there a
22 reason you didn't want to be disclosed? Or he
23 did not want you to be disclosed, maybe I should
24 word it that way?

25 **Mr. Russo:** I don't really know because I think it was

1 pretty well known that he was doing the
2 campaign.

3 **Mr. Perna:** How about yourself? Why would he, why would he
4 express that about you, do you have any idea?

5 **Mr. Russo:** I would just think because of union retribution,
6 most likely. That's the only thing I can think
7 of. But I would suspect that's why he wouldn't
8 want to be, you know, associated with the
9 campaign early either.

10 **Mr. Perna:** There is, there is, as far as, he did mention
11 that you and him were not being paid by the
12 Committee. So would there be a concern that,
13 you know, paying you through the C4, there would
14 not be any disclosure that you were active, as
15 opposed to being paid from the Campaign
16 Committee.

17 **Mr. Russo:** I don't know. We didn't really talk about that
18 but, yeah, if we were paid by the Committee, we
19 would be disclosed.

20 **Mr. Perna:** Correct.

21 **Mr. Russo:** And didn't really want to be.

22 **Mr. Perna:** Okay. And for the reasons that you just stated
23 a moment ago?

24 **Mr. Russo:** Right. But, at the same time, I didn't think,
25 like I explained earlier, different pots of

1 money, I mean, you just didn't want to take a
2 big commission on one person's contribution.

3 **Mr. Perna:** Right, because like \$33 million came from
4 Mr. Munger to the SBAC committee.

5 **Mr. Russo:** Yeah, exactly.

6 **Mr. Zall:** Okay, Mr. Russo --

7 **Mr. Hiltachk:** Good day.

8 **Mr. Winuk:** Easy day.

9 **Mr. Russo:** If you can do it, some people, I guess, can.

10

11 **Mr. Zall:** I mean, obviously, you know, you have a pretty
12 good sense of what we're interested in. Who
13 would you suggest would have the most relevant
14 information, other than yourself and Mr. Miller,
15 and we've identified, obviously, Mr. DeMaura and
16 Mr. Noble. Is there anybody else that you think
17 would have significant, relevant information to
18 the major issues that we're obviously interested
19 in?

20 **Mr. Hiltachk:** Other than lawyers?

21 **Mr. Russo:** Yeah, I was going to say --

22 **Mr. Zall:** Other than lawyers, yeah.

23 **Mr. Hiltachk:** Yeah, other than lawyers. I think that's --

24 **Mr. Russo:** That's -- I spent lots of time with legal
25 counsel, maybe good or bad, but I spent a lot of

1 time with legal counsel. So I walked through
2 all of this, you know, in great detail with
3 them. Really, there is nobody else.

4 **Mr. Zall:** Okay. I mean, so your sense of it is that Joel
5 Fox, for example, would not have significant
6 information. He was more of a peripheral guy,
7 in terms of the stuff that we seem to be
8 interested in?

9 **Mr. Russo:** Right, definitely.

10 **Mr. Zall:** Okay, what about David Carney?

11 **Mr. Russo:** I don't think I talked to David Carney at all
12 during the course of the campaign. I, my guess
13 is, he connected us to AJS. I don't know how
14 involved he would be in the day-to-day
15 operations of AJS. So I couldn't say. But my
16 gut would tell me he doesn't know that much.

17 **Mr. Zall:** Okay. So in other words, in terms of your
18 understanding of AJS, the entity that was, you
19 know, central to this effort, that was Stephen
20 DeMaura? Stephen DeMaura was AJS then?

21 **Mr. Russo:** Yeah.

22 **Mr. Hanly:** And DeMemo.

23 **Mr. Zall:** And DeMemo, yeah, DeMemo. You sure there wasn't
24 any, there wasn't any board or person that
25 DeMaura would have to check with before he did

1 things or committed to things, based on your
2 understanding?

3 **Mr. Russo:** That I don't know. I mean, I really don't know,
4 once you get inside David's world, if he has a
5 board what the board looks like or any of that,
6 I couldn't say. But I didn't interact with
7 anybody other than him.

8 **Mr. Zall:** And the same would be true for Noble, right?

9 **Mr. Russo:** Yeah, the same's with Noble. I assumed Noble
10 had this big network and lots of good lawyers
11 and stuff like that. So but the only one --

12 **Mr. Hiltachk:** He had lots of lawyers.

13 **Mr. Russo:** Yeah, the only one I interacted with was Sean
14 and that's it, and Torchinsky, that's the --

15 **Mr. Zall:** Okay, he's a lawyer.

16 **Mr. Russo:** He's a lawyer.

17 **Mr. Winuk:** Yeah.

18 **Mr. Bowers:** And he was the only lawyer he referred you to?

19 **Mr. Winuk:** No Comment?

20 **Mr. Perna:** In your fundraising efforts then, for AJS, the
21 only invoices that I see were from, and on the
22 spreadsheet, from Capital Consulting and
23 Strategy. The payments to Capital Consulting
24 and Strategy represent all the compensation that
25 would have went, that you and Mr. Miller would

1 have earned regarding that? Or did you have
2 separate commissions?

3 **Mr. Russo:** Well, I had the contract with SBAC, which was
4 \$20,000.

5 **Mr. Perna:** Right.

6 **Mr. Russo:** So and then, I think that's it on the
7 fundraising. I don't think we had any other
8 contracts.

9 **Mr. Perna:** But this Capital Consulting and Strategy, was
10 this, all the money went to Mr. Miller or is
11 that, since you were involving?

12 **Mr. Russo:** Oh, it went to Jeff and then Jeff paid me half.

13 **Mr. Perna:** Okay, that's what I wanted to know.

14 **Mr. Russo:** Yeah.

15 **Mr. Perna:** Okay. And as far as SBAC, there was some, it
16 was originally back in April, you had the five
17 percent for big contributions, you know, in that
18 board meeting. And then, later on, in October,
19 you went to another board meeting and you said,
20 well, I really don't need that much. Like you
21 said earlier.

22 **Mr. Russo:** Right.

23 **Mr. Perna:** And then it was a \$20,000 payment, like you
24 said. Is that the end of the compensation, as
25 far as SBAC and this campaign effort and the two

1 initiatives? Or is there any more compensation,
2 perhaps, later? And I'm asking because, again,
3 it's campaign-related.

4 **Mr. Russo:** Yeah, so additional compensation would have been
5 through the media buyer for some points on the
6 buy.

7 **Mr. Perna:** Okay. But not from SBAC?

8 **Mr. Russo:** Not from SBAC.

9 **Mr. Perna:** The \$20,000 is it?

10 **Mr. Russo:** That's it.

11 **Mr. Perna:** Anything else then? Nothing. Thank you.

12 **Mr. Hiltachk:** Okay, give us five, ten minutes and then
13 we'll --

14 **Mr. Hanly:** Okay, seven minutes.

15 **Mr. Hiltachk:** Seven minutes.

16 **Mr. Winuk:** I'm going to --

17 **Mr. Hanly:** And that conference room there might still be
18 open, you can just squat in there if you want
19 to.

20 **Mr. Russo:** Thanks. So in the discussions with Sean on, you
21 know, moving money and asking him for money for
22 California, it never came up but it may be
23 important. I think one of the reasons they are
24 happy to do it, is it was issue money. And so,
25 I think federal law requires so much money to be

1 spent on issues, or for whatever the federal law
2 requires, to allow you to spend 50 percent on
3 candidates. So our ask of them was something
4 that, I think, was actually helpful.

5 **Mr. Winuk:** Are you talking about AJS?

6 **Mr. Russo:** No, the Koch Network.

7 **Mr. Hiltachk:** When Noble was agreeing to find other non-
8 profits, he referenced the fact that that was
9 beneficial, from a tax perspective, for the non-
10 profits to engage in issue advocacy. Or to
11 engage in an initiative campaign in California.

12 **Mr. Winuk:** No, I understand. I guess --

13 **Mr. Hiltachk:** It was just part of the --

14 **Mr. Winuk:** That's kind of why I circled back to the
15 conversation about AFF and whether the
16 discussion was doing issue ads or express
17 advocacy with sort of the money that --

18 **Mr. Russo:** Yeah, we didn't talk about either --

19 **Mr. Winuk:** -- you hoped that you would spend. Sorry, I
20 wanted to finish my thought. I guess I'm a
21 little puzzled by the remark, only because, you
22 know, you're less than 30 days away from the
23 election. You were running into the same
24 problems you had with AJS, which is why they
25 didn't want to do issue ads. So you may not

1 know the answers, but why would that potentially
2 be a benefit to him when they really couldn't
3 spend it on issue ads that close to the election
4 anyway?

5 **Mr. Russo:** Well, I'm no lawyer --

6 **Mr. Winuk:** Sure.

7 **Mr. Russo:** -- but my understanding is, even initiatives
8 count as issues under the candidate requirements
9 for the 50/50. So I don't think it mattered.

10 **Mr. Hanly:** Is that for federal law?

11 **Mr. Hiltachk:** It's tax, it's tax rules.

12 **Mr. Russo:** It's an IRS thing, I think.

13 **Mr. Hiltachk:** 501(c)(4) Tax Rule.

14 **Mr. Winuk:** Yeah.

15 **Mr. Hiltachk:** We can talk about this off-line and I can
16 explain it to you.

17 **Mr. Winuk:** Okay, oh, I get it.

18 **Mr. Russo:** But that --

19 **Mr. Hiltachk:** But it came up in the conversation and I just
20 wanted to make sure you guys -- it's one of
21 elements.

22 **Mr. Winuk:** Yeah, no, that's interesting.

23 **Mr. Russo:** And then, there was this one email, during the
24 height of the court case, you asked, any other
25 discussions with Sean? When the first court

1 ruled against Sean, I shot him an email and said
2 hey, do you have time to talk because I wanted
3 to make sure I had good legal counsel, and he
4 said they did. And so, but in the course of
5 that, when he did say you guys are, you know,
6 crazy, he also said that if this kept going down
7 the path it was going, he might have to say the
8 money went from ARL to CPPR to AJS because he
9 said, you know, I can't --

10 **Mr. Winuk:** You mean the other way around.

11 **Mr. Russo:** Or the other way around.

12 **Mr. Winuk:** I'm sorry.

13 **Mr. Russo:** -- because he couldn't tolerate an audit of
14 CPPR.

15 **Mr. Hanly:** Cliff, because you had asked, why would he write
16 that letter Cliff?

17 **Mr. Zall:** Right.

18 **Mr. Hanly:** And so, I don't know if that places --

19 **Mr. Russo:** So I think they thought --

20 **Mr. Hiltachk:** That conversation was before the letters ever
21 came out.

22 **Mr. Russo:** Right, it wasn't, yeah.

23 **Mr. Hiltachk:** But it was in between in one of your questions
24 so we wanted to get that clear.

25 **Mr. Winuk:** Okay. I appreciate that.

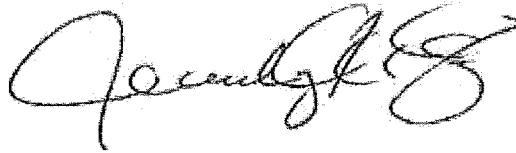
1 **Mr. Russo:** And I said well, that that wouldn't be right.
2 And that's when he said but, you know, we can't
3 tolerate an audit of CPPR. So I don't know if
4 -- obviously they thought that that would lead
5 to an audit, like you wanted to audit ARL, I
6 guess.
7 **Mr. Winuk:** Okay. That was a good --
8 **Mr. Hiltachk:** Okay. So that's it.
9 **Mr. Winuk:** Okay. Thanks a lot.
10 **Mr. Hiltachk:** Thanks guys.
11 **Mr. Bowers:** Thank you, Mr. Russo.
12 **Mr. Russo:** Yeah.

13 - INTERVIEW CONCLUDED -
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TRANSCRIBER'S CERTIFICATION

This is to certify that I, Carolyn Rodriguez, transcribed the audio recording of Tony Russo taken on XXXXX XX, 2013; that the pages numbered 1 through 108 constitute said transcript; that the same is a complete and accurate transcription of the aforesaid to the best of my ability.

July 24, 2013

A handwritten signature in cursive script, appearing to read 'Carolyn Rodriguez', written in black ink. The signature is positioned above a horizontal line.

Carolyn Rodriguez, Transcriber
Foothill Transcription Company, Inc.