


CASE CLOSING MEMORANDUM

TO: FILE

FROM: JONLYN CALLAHAN, Deputy District Attorney
PUBLIC INTEGRITY DIVISION 

CASE: CHARLES KLINAKIS
PID Case No. 07-0659

DATE: March 15, 2010

On October 31, 2007, the Public Integrity Division received a complaint from a concerned citizen alleging that La Puente Planning Commissioner Charles Klinakis¹ made illegal contributions to candidates during the 2007 La Puente municipal elections. Our investigation produced witness testimony and documentation that, if admitted in court, could lead a reasonable juror to conclude the following:

Charles Klinakis is a member of the Planning Commission for the City of La Puente. In November 2007, Daniel Holloway ran for and was elected to the La Puente City Council. He currently serves as the Mayor Pro Tem. Rolando Valera owns and operates a printing business, namely Colourgraphix, in Baldwin Park. Mr. Valera also claims to be a political consultant.

Before the November 6, 2007 election Mr. Holloway consulted with Mr. Valera regarding printing and distribution of a campaign mailer. After he agreed to complete the work, Mr. Valera became concerned that Mr. Holloway did not have sufficient funds in his campaign account to cover the cost of the campaign mailer. At least one meeting was held between Messrs. Klinakis, Valera and Holloway regarding payment of the campaign mailer invoice. During that meeting Mr. Klinakis agreed to pay \$3,500 toward the outstanding balance. In addition, all three agreed that the \$3,500 campaign contribution would be disguised so no one knew the true source of the funds. To accomplish this deceit, it was decided that Mr. Valera would give Mr. Holloway a receipt stating that the \$3,500 was an "in kind" donation from *Colourgraphix*.

On October 18, 2007, Mr. Holloway sent an email to *Colourgraphix* that included instructions on what date, descriptions, amounts and other information to include on the campaign mailer invoice. The email included a suspicious phrase, "make (sic) look like a normal invoice." On October 19, 2007, in accordance with Mr. Holloway's instructions, an invoice was prepared. On the same date, Mr. Klinakis and Mr. Holloway each gave checks to Mr. Valera. Mr. Klinakis's check was made payable to *Colourgraphix* in the amount of \$3,500. The payor on the check was Alert Insulation Co., Inc., a business

¹ In December 2008, Mr. Klinakis hosted a political fundraiser for then mayor Louie Lujan who was running for re-election to La Puente City Council. The contribution was never reported by Mr. Lujan on his campaign disclosure documents.

owned by Mr. Klinakis. Mr. Holloway's check was similarly made payable to Colourgraphix for the balance owed on the invoice (\$1,035). Copies of both checks, as well as a copy of the false invoice for an "in kind" donation, were provided to this office. The back-up bookkeeping documents prepared by Lorena Valera, wife of Rolando Valera, confirm both checks were received on October 19th and that they were applied to the outstanding balance owed by Mr. Holloway for his campaign mailer. Copies of these documents were likewise provided to this office.

In contrast, Mr. Klinakis claims that the \$3,500 check was in payment of a Christmas postcard that Colourgraphix printed for Klinakis Construction. However, the financial records at Colourgraphix do not support his assertions. Instead, the records indicate the Christmas postcard order was not initiated until November 13, 2007. The notes on that invoice indicate that the invoice was paid in *cash*. The bookkeeping documents support this notation and show that Mr. Klinakis made two cash payments totaling \$3,500; one payment of \$1,800 was made on November 27, 2007 and another on November 28, 2007 for \$1,700.

In 2008, during our investigation Mr. Valera spoke with Mr. Holloway who denied that he knew that Mr. Klinakis paid any money toward his campaign mailer. Mr. Holloway filed a campaign disclosure document (Recipient Committee Campaign Statement-Form 460) in which he stated that he received an "in kind" donation from Colourgraphix in the amount of \$3,500 on October 19th.

One of the stated purposes of the Political Reform Act of 1974 ("the Act") is that "[r]eceipts and expenditures in election campaigns should be fully and truthfully disclosed in order that the voters may be fully informed and improper practices may be inhibited." (Government Code section ("GC §") 81002(a)) The Act demands that public officials perform their duties in an impartial manner, free from bias caused by their own financial interests or the financial interests of persons who have supported them. (GC § 81001(b)) To ensure transparency, the Act requires that all candidates, elected officials and committees must periodically file Recipient Committee Campaign Statements (California Form 460) detailing all contributions and expenditures. All contributions and expenditures must be reported, including the source of any contribution and the recipient and purpose of any expenditure. So that the true source of all campaign contributions can be accurately identified and reported, no contribution can be made in the name of anyone other than the actual source. (GC § 84301) A contribution made in the name of someone other than the actual source of the funds is more commonly known as "campaign money laundering." GC §91000 provides that a knowing, willful violation of any provision of the Act is a misdemeanor. If more than one person conspires to hide the true source of a campaign contribution or the amount of a contribution, then the crime of conspiracy, a felony, is committed.

A review of the evidence supports the conclusion that La Puente Planning Commissioner Klinakis, La Puente Mayor Pro-Tem Holloway and Mr. Valera conspired to hide a \$3,500 campaign donation from Mr. Klinakis to Mr. Holloway. The crimes committed are conspiracy and campaign money laundering. In order to prove the crimes of campaign

money laundering and conspiracy against Planning Commissioner Klinakis we need the testimony of Mr. Valera and Mayor Pro Tem Holloway. At a criminal trial the jurors would be the sole judges of the believability of the witnesses. Unfortunately, the witnesses, Messrs. Holloway and Valera, suffer from credibility issues. Firstly, Mr. Valera is facing criminal charges of bribery in an unrelated matter. Secondly, it is anticipated that in order to compel the testimony of either witness we would be forced to offer both immunity. I feel this scenario is likely since each took part in the conspiracy and it is anticipated that each would assert his privilege against self-incrimination. In many cases, jurors are distrustful of the testimony of witnesses who have been granted immunity. More importantly, it seems unlikely that we would be able to prove the case without Mr. Valera's testimony and it is doubtful, given his pending criminal charges, that he would be offered a grant of immunity. As mentioned previously, his testimony is essential to a successful prosecution of Mr. Klinakis. Criminal charges of conspiracy and money laundering against Mayor Pro Tem Holloway would face similar obstacles since Mr. Valera's testimony would be necessary.

It appears that Messrs. Klinakis, Holloway and Valera not only violated the letter of the law, but also the spirit of the Political Reform Act of 1974. Through their collective actions, they attempted to thwart one of the Act's basic tenets: transparency in election campaigns.

In this case, I have concluded that there is insufficient admissible evidence to prove beyond a reasonable doubt that Planning Commissioner Klinakis and Mayor Pro Tem Holloway conspired to commit campaign money laundering. At this time, I recommend that our office decline to file criminal charges.