

Gov.'s Race Shows Deep Pockets

Financial disclosure forms filed by incumbent and two Democratic rivals reveal millions that can be tapped for campaign

By Dan Morain and Evan Halper, Times Staff Writers

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SACRAMENTO — Three millionaires running for governor disclosed Wednesday that they have far-flung investments in high-end hedge and venture capital funds, real estate and stock — money that may end up helping to finance their political campaigns.

Republican Gov. Arnold Schwarzenegger and state Controller Steve Westly, seeking the Democratic nomination, have the bulk of their publicly known holdings in investment funds, their latest statements of economic interest show. Each is said to be worth in the hundreds of millions, although the filings give only ranges of wealth.

Treasurer Phil Angelides, Westly's chief opponent in the Democratic primary, is a millionaire, too, but his holdings — mostly real estate in the Sacramento area — aren't nearly as vast as those of his two rivals.

Elected state officials and most appointed officials must disclose their investments and gifts they accept in annual statements of economic interest, sometimes called conflict-of-interest statements. The reports filed Wednesday cover 2005.

The statements this year serve as a display of potential political weaponry. For the first time in California, individual contributions are capped at \$22,300 in the primary and another \$22,300 in the general election. But there is no limit to how much of his own money a candidate can spend, and the vast wealth of at least two of the candidates underscores how important personal bank accounts have become to political candidates.

Westly, who became rich while working at EBay, has already given his campaigns \$25.9 million since 2000, including \$20 million last year in preparation for the governor's race.

Schwarzenegger, whose wealth comes from his bodybuilding and movie careers, has spent \$25.1 million of his own money on his various campaigns since 2001. Angelides gave his own campaign \$1 million in 2002.

"It gets to the irony of campaign finance," said San Jose State political scientist Larry Gerston. "Campaign finance reform was designed to limit the influence of money ... so that the typical person would not be shoved out. Instead, it has limited races to those who can afford to run."

The extent of Schwarzenegger's and Westly's holdings is not clear. Both men established blind trusts when they were elected. By law, they cannot know what those holdings are and thus are not required to disclose details of the trust.

Schwarzenegger's friend and longtime financial advisor, Paul Wachter of Santa Monica, oversees the governor's trust. Westly's trust is managed by J. Richard Rock, an investor and a former EBay executive. Both advisors filed statements with the Fair Political Practices Commission swearing that the officeholders are unaware of the contents.

But under the law, the candidates must disclose any investments they have held since before the blind trusts were set up.

In the latest report, Schwarzenegger disclosed four investment-fund holdings worth \$100,001 to \$1 million, and 13 other funds worth more than \$1 million each. Last year, the Republican governor disclosed holdings in nine separate funds worth \$100,000 to \$1 million, and a dozen holdings worth more than \$1 million each.

Schwarzenegger's publicly disclosed money is invested in stock and real estate, as well as in stock, venture capital, hedge and real estate funds. Unlike common mutual funds, the minimum investment in at least two of his funds is \$5 million, according to filings with the Securities and Exchange Commission. Others have minimum investments of \$500,000, though fund managers can waive such requirements.

Schwarzenegger received dividends and other payments of at least \$100,000 from each of nine separate

funds. His production company and real estate company received additional payments of \$10,000 or more from 37 separate entities.

He also received income from Anschutz Film Group, part of Denver billionaire Philip Anschutz's business empire. Anschutz Entertainment Group owns Staples Center. An aide to the governor said the money was payment for one of the celebrity governor's movies.

Westly and Schwarzenegger each have funds managed by Goldman Sachs and its affiliate, Whitehall Street, which invests in real estate. Westly reported that he had five funds worth more than \$1 million each. Westly's latest statement also showed that he had a corporate bond and 11 venture capital and hedge funds worth \$100,001 to \$1 million.

Angelides, who gained wealth by building homes in the Sacramento region, maintains close ties to the capital city building community.

He reported investments of more than \$1 million each in the limited liability corporations Mesquite Investors and Gateway South; investments of \$100,001 to \$1 million in several other real estate partnerships; a Santa Monica condo worth more than \$1 million; and an investment in an indoor tennis court facility.

Angelides reported a 25-year loan valued at over \$100,000 from Sacramento developer Angelo Tsakopoulos, a major Democratic campaign donor who long has been one of Angelides' main benefactors. An Angelides campaign aide said the loan is related to business dealings that predate Angelides' election as treasurer in 1998.

Like Westly, Angelides is a board member of the state's two multibillion-dollar pension funds, the California Public Employees' Retirement System and the California State Teachers' Retirement System. Both funds invest billions of dollars in real estate.

Angelides recused himself from involvement in Calpers' plans to develop property around its new headquarters near downtown Sacramento. Tsakopoulos partner Bill Cummings, from whom Angelides has also reported receiving income, owns real estate in the project area. Calpers spokeswoman Pat Macht said the treasurer recused himself from votes and discussions on the project "out of an abundance of caution."

In addition to disclosing aspects of their wealth, the candidates must disclose gifts they received. Westly reported accepting meals at five events and airfare for one speech. Angelides accepted books, a sweatshirt and a bowl with a combined value of \$495.

Schwarzenegger reported taking 145 separate gifts valued, in total, at more than \$15,000. The items ranged from a Hawaiian shirt and orchids to a belt buckle, chocolate, fruit baskets and the key to the city of Shreveport, La. He received a vase from the president of Poland, a coat from a Japanese government official and a tapestry from an official in China.

Angels owner Arturo Moreno gave him a baseball ticket valued at \$150. Sheriff Lee Baca gave him a dozen red roses. Assembly Speaker Fabian Nuñez (D-Los Angeles) gave him a \$60 bottle of wine and a cigar cutter, valued at \$165, and Senate President Pro Tem Don Perata (D-Oakland) gave him a \$360 box of cigars.

Altogether, he reported receiving cigars worth \$3,123, plus cigar paraphernalia. To the uninitiated, it might seem as if being governor means never having to buy your own cigars again. But the sum did not impress Larry Kujavski, at Cigar Time, a shop in Cerritos. A box of 10 of the finest cigars at his shop sells for \$380.

"A good cigar would run you \$25-\$30," Kujavski said. "He doesn't smoke \$12 cigars."