



State of New Jersey

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

DEPARTMENT OF THE TREASURY
DIVISION OF PURCHASE AND PROPERTY
PROCUREMENT BUREAU
P.O. Box 230
Trenton, NJ 08625-0230

ANDREW P. SIDAMON-ERISTOFF
State Treasurer

JIGNASA DESAI-MCCLEARY
Director

March 24, 2014

Robert Chestnut
SVP, General Counsel
Chegg, Inc.
3990 Freedom Cir.
Santa Clara, CA 95054

RE: *Chegg, Inc.*
Reconsideration of Chapter 51/EO 117 Ineligibility, Rowan University

Dear Mr. Chestnut:

This letter is in response to your letter ("Letter") to this office dated August 27, 2013. The Letter "appeals" or seeks reconsideration of an initial ineligibility determination by the Chapter 51 Unit of the Division of Purchase and Property that a contribution attributable to Chegg, Inc. ("Chegg") to Chris Christie for Governor, Inc., in the amount of \$3,800.00 on January 22, 2013, rendered Chegg ineligible for a contract award by Rowan University ("Rowan"). (A copy of the front and back of the check is attached hereto and incorporated herein.)

The pertinent statute P.L. 2005, c. 51 ("Chapter 51"), prohibits the State of New Jersey ("State") or any of its purchasing agents or agencies or its independent authorities from contracting with business entities that have solicited or made any contribution of money to any candidate committee or election fund of any candidate for or any holder of the public office of the Governor, or to any State or county political party committee within specified time frames. Effective November 15, 2008, Executive Order Number 117 expanded upon Chapter 51 to include contributions that are made to any legislative leadership committee or any municipal political party committee in the same manner as those provisions apply to a contribution to any candidate committee, election fund, or State or county political party committee identified in Chapter 51.

The legislative findings associated with Chapter 51 place the utmost importance on the State's compelling interests in prohibiting the award of government contracts to business entities that are contributors to certain political parties and holders of public office. N.J.S.A. 19:44A-20.13. The State is charged with the duty of assuring the public that the selection of State contracts is based upon merit and not political contributions made by such contractors. Ibid. The legislative intent is to safeguard not only against political contributions that pose the risk of improper influence or purchase of access, but also against those contributions that create the perception or appearance thereof. Id.

Through its latest Letter, Chegg now informs the State that Rowan was seeking to sign a renewal contract with Zinch, Inc. (“Zinch”), a subsidiary of Chegg, not Chegg.

This new information is inconsistent with the documents submitted by Chegg to the State. All of the documents received from Chegg, including the Two-Year Chapter 51/Executive Order 117 Vendor Certification and Disclosure of Political Contributions Form (“Certification”) and the Ownership Disclosure Form were for Chegg and listed Chegg as the vendor, not Zinch. Upon reasonable and diligent inquiry, the Chapter 51 Unit found that Rowan’s prior submissions and approvals have been for Chegg as well, not Zinch. Finally, as the Letter states: “[n]o one at Rowan was even aware of the contribution until Chegg properly disclosed the contribution as required by New Jersey law” in Chegg’s Certification. The New Jersey Election Law Enforcement Commission’s records confirm the contribution.

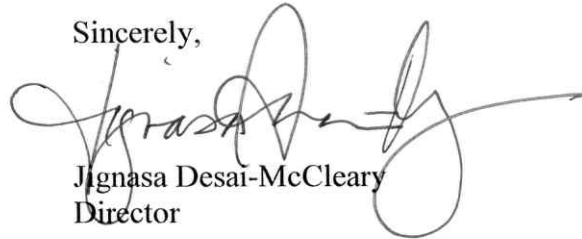
Chegg also informs in the Letter that Chegg’s Chief Executive Officer, Dan Rosensweig, made the contribution “in the form of a personal check from his own funds” and that “Mr. Rosensweig...owns less than 1% of Chegg, Inc.” Chapter 51 and Executive Order 117 encompass not only the vendor or “business entity” but all individuals and/or entities whose contributions are attributable to the vendor or “business entity”. N.J.S.A. 19:44A-20.17. For profit corporations like Chegg, Executive Order 117 defines “business entity” to include, “**any officer of the corporation, regardless of their % of ownership interest**”, and any person or business entity that owns or controls 10% or more of the stock of the corporation.” Accordingly, all political contributions by officers are attributable to the corporation regardless of whether or not the officer owns any percentage of stock of the corporation. Therefore, Mr. Rosensweig, as the Chief Executive Officer of Chegg, falls within New Jersey’s laws regulating campaign contributions by corporate officers.

Chegg’s Letter further cites that Chapter 51 provides a narrow window within which a business entity may neutralize the effect of a contribution and maintain its eligibility for State contracts. While I understand why this may be difficult for a business, there is no basis in the statute for relief here. “If a business entity inadvertently makes a contribution that would otherwise bar it from receiving a contract or makes a contribution during the term of a contract in violation of this act, the entity may request, a full reimbursement from the recipient and, if such reimbursement is received within 30 days after the date on which the contribution was made, the business entity would again be eligible to receive a contract or would no longer be in violation, as appropriate.” N.J.S.A. 19:44A-20.20. The Letter admits “...more than 30 days have passed since Mr. Rosenweig’s contribution, and therefore it cannot be reversed.”

Finally, the Letter suggests that the only remedy is to now shorten the term of Rowan’s contract to six months to take the value of the contract below the \$17,500 limit set out by New Jersey law. The Letter concludes by asking the State to approve a new six month contract for \$16,830. It is undisputed that Chapter 51 and Executive Order 117 statutorily apply to any transactions whose value exceeds \$17,500. N.J.S.A. 19:44A-20.15. However, contract terms cannot be divided to avoid the \$17,500 statutory threshold. In summary, I am without authority to approve the requested contract.

I have reviewed the information submitted as it relates to the provisions of Chapter 51 and EO 117. Based upon this review and for the reasons discussed above, I am unable to overturn the initial ineligibility determination rendered by the Chapter 51 Unit in this matter. By copy of this letter, I am notifying Rowan University of this decision.

Sincerely,

A handwritten signature in black ink, appearing to read "Jignasa Desai-McCleary", with a long horizontal flourish extending to the right.

Jignasa Desai-McCleary
Director

Copy to: Margaret Quinn, Division of Purchase and Property
Katherine Antinoro, Division of Purchase and Property
Robert Shaughnessy, Division of Property Management and Construction
Norma Santiago, Rowan University