



## FAIR POLITICAL PRACTICES COMMISSION

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**To:** Chair Remke; Commissioners Eskovitz, Casher, Wasserman and Wynne

**From:** Gary S. Winuk, Chief of Enforcement  
Bridgette Castillo, Senior Commission Counsel

**Subject:** In the Matter of Wisdom Culture and Education Organization (Fair Political Practices Commission Case No. 11/475)

**Date:** June 30, 2014

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This matter is submitted for informational purposes only. No action is required by the Commission.

On June 19, 2014, the Fair Political Practices Commission (“Commission”) approved agenda item number 3, *In the Matter of Wisdom Culture and Education Organization*, FPPC Case No. 11/475, imposing a penalty in the amount of \$25,000 for five counts of laundering money into the campaign account of Steve Cho for Mayor, in connection with the November 4, 2008 Election. Attached hereto as Exhibit A is a copy of the Commission’s Stipulation, Decision and Order. The total amount laundered was \$2,500.

Following the Commission’s approval of the foregoing Stipulation, Decision and Order, the Enforcement Division contacted Steve Cho and requested that he turn over the laundered funds, totaling \$2,500, to the General Fund of the State of California, pursuant to Government Code section 85701. On June 30, 2014, the Enforcement Division received full payment from Mr. Cho

in this regard. As required by law, the funds will be turned over to the General Fund of the State of California in connection with the complete resolution of this matter.

\* \* \* \* \*

# EXHIBIT A

1 GARY S. WINUK  
Chief of Enforcement  
2 BRIDGETTE CASTILLO  
Senior Commission Counsel  
3 FAIR POLITICAL PRACTICES COMMISSION  
428 J Street, Suite 620  
4 Sacramento, CA 95814  
Telephone: (916) 322-5660  
5

6 Attorneys for Complainant  
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8

9 BEFORE THE FAIR POLITICAL PRACTICES COMMISSION

10 STATE OF CALIFORNIA

11  
12 In the Matter of ) FPPC No. 11/475  
13 )  
14 WISDOM CULTURE AND EDUCATION ) STIPULATION, DECISION and  
ORGANIZATION, ) ORDER  
15 Respondent. )  
16 )

17  
18 Complainant, the Fair Political Practices Commission, and Respondent Wisdom Culture and  
19 Education Organization (“Respondent Wisdom”), hereby agree that this Stipulation will be submitted  
20 for consideration by the Fair Political Practices Commission at its next regularly scheduled meeting.

21 The parties agree to enter into this Stipulation to resolve all factual and legal issues raised in this  
22 matter, and to reach a final disposition without the necessity of holding an administrative hearing to  
23 determine the liability of Respondent Wisdom.

24 Respondent Wisdom understands, and hereby knowingly and voluntarily waives, any and all  
25 procedural rights set forth in Sections 83115.5, 11503, and 11523 of the Government Code, and in  
26 Section 18361.1 through 18361.9 of Title 2 of the California Code of Regulations. This includes, but is  
27 not limited to, the right to personally appear at any administrative hearing held in this matter, to be  
28 represented by an attorney at Respondent’s own expense, to confront and cross-examine all witnesses

1 testifying at the hearing, to subpoena witnesses to testify at the hearing, to have an impartial  
2 administrative law judge preside over the hearing as a hearing officer, and to have the matter judicially  
3 reviewed.

4 It is further stipulated and agreed that Respondent Wisdom violated the Political Reform Act by  
5 making five contributions in a name other than the name by which such person is identified for legal  
6 purposes, in violation of Government Code section 84301 (5 Counts), as described in Exhibit 1, which is  
7 attached hereto and incorporated by reference, as though fully set forth herein. Exhibit 1 is a true and  
8 accurate summary of the facts in this matter.

9 Respondent Wisdom agrees to the issuance of the Decision and Order, which is attached hereto.  
10 Respondent Wisdom also agrees to the Commission imposing upon it an administrative penalty in the  
11 amount of Twenty Five Thousand Dollars (\$25,000). A cashier's check or money order from  
12 Respondent Wisdom in said amount, made payable to the "General Fund of the State of California," is  
13 submitted with this Stipulation as full payment of the administrative penalty, and shall be held by the  
14 State of California until the Commission issues its decision and order regarding this matter. The parties  
15 agree that in the event the Commission refuses to accept this Stipulation, it shall become null and void,  
16 and within fifteen (15) business days after the Commission meeting at which the Stipulation is rejected,  
17 all payments tendered by Respondent Wisdom in connection with this Stipulation shall be reimbursed to  
18 Respondent Wisdom. Respondent further stipulates and agrees that in the event the Commission rejects  
19 the Stipulation, and a full evidentiary hearing before the Commission becomes necessary, neither any  
20 member of the Commission, nor the Executive Director, shall be disqualified because of prior  
21 consideration of this Stipulation.

22  
23 Dated: \_\_\_\_\_

\_\_\_\_\_  
Gary Winuk, Enforcement Chief, on behalf of the  
Fair Political Practices Commission

24  
25  
26 Dated: \_\_\_\_\_

\_\_\_\_\_  
Mei-Chih Tsai, on behalf of Wisdom Culture and  
Education Organization, Respondent

**DECISION AND ORDER**

1  
2           The foregoing Stipulation of the parties “In the Matter of Wisdom Culture and Education  
3 Organization, FPPC No. 11/475,” including all attached exhibits, is hereby accepted as the final  
4 Decision and Order of the Fair Political Practices Commission, effective upon execution below by the  
5 Vice Chair.

6  
7           IT IS SO ORDERED.

8  
9 Dated: \_\_\_\_\_

\_\_\_\_\_  
Sean Eskovitz, Vice Chair  
Fair Political Practices Commission

## EXHIBIT 1

### INTRODUCTION

Respondent Wisdom Culture and Education Organization (“Respondent Wisdom”) is a California corporation headquartered in Fremont, California, which operates as a 501(c)(3) organization. Respondent Wisdom’s mission is to provide children and their parents with educational opportunities with an emphasis on Chinese language and culture. Mei-Chih Tsai is the Secretary and Officer of Respondent Wisdom and Vincent Tsai, Mei-Chih Tsai’s husband, is the Chief Executive Officer of Respondent Wisdom.

Respondent Wisdom made campaign contributions through its employees, by reimbursing them by a company check and/or providing the money for a contribution by company check, for the campaign contributions they made. The five contributions, totaling \$2,500, were made to Steve Cho for Mayor in connection with the November 4, 2008 election in Fremont. This chain of activity is commonly referred to as “laundering” campaign contributions.

For the purposes of this Stipulation, Respondent Wisdom’s violations of the Political Reform Act (the “Act”)<sup>1</sup> are stated as follows:

- COUNT 1: On or about February 22, 2008, Respondent Wisdom Culture and Education Organization made a \$500 contribution to Steve Cho for Mayor, a candidate for Fremont Mayor, in the name of Mei-Chih Tsai, rather than its own name, in violation of Section 84301 of the Government Code.
- COUNT 2: On or about February 22, 2008, Respondent Wisdom Culture and Education Organization made a \$500 contribution to Steve Cho for Mayor, a candidate for Fremont Mayor, in the name of Vincent Tsai, rather than its own name, in violation of Section 84301 of the Government Code.
- COUNT 3: On or about February 22, 2008, Respondent Wisdom Culture and Education Organization made a \$500 contribution to Steve Cho for Mayor, a candidate for Fremont Mayor, in the name of Pi Ling Tsai,

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<sup>1</sup> The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in sections 18109 through 18997 of title 2 of the California Code of Regulations. All regulatory references are to title 2, division 6 of the California Code of Regulations, unless otherwise indicated.

rather than its own name, in violation of Section 84301 of the Government Code.

COUNT 4: On or about February 25, 2008, Respondent Wisdom Culture and Education Organization made a \$500 contribution to Steve Cho for Mayor, a candidate for Fremont Mayor, in the name of Yu-Fen Hsu, rather than its own name, in violation of Section 84301 of the Government Code.

COUNT 5: On or about March 8, 2008, Respondent Wisdom Culture and Education Organization made a \$500 contribution to Steve Cho for Mayor, a candidate for Fremont Mayor, in the name of Becky Tsai, rather than its own name, in violation of Section 84301 of the Government Code.

### **PROCEDURAL HISTORY**

A report in Support of a Finding of Probable Cause (“probable cause report”) was served on Respondent Wisdom, thereby tolling the applicable statute of limitations.

### **SUMMARY OF THE LAW**

The Fair Political Practices Commission is charged with the duty to administer, implement, and enforce the provisions of the Political Reform Act of 1974. By enacting the Act, California voters specifically found and declared that previous laws regulating political practices had suffered from inadequate enforcement, and that it was their purpose to ensure that the Act be vigorously enforced. (Sections 81001, subdivision (h), and 81002, subdivision (f).)

#### Prohibitions: Making Contributions in the Name of Another Person

Section 81002, subdivision (a) provides that “receipts and expenditures in election campaigns shall be fully and truthfully disclosed in order that the voters may be fully informed and improper practices may be inhibited.” Timely and truthful disclosure of the source of campaign contributions is an essential part of the Act’s mandate.

In order to obtain disclosure of the true source of campaign contributions, Section 84301 provides that “no contribution shall be made, directly or indirectly, by any person in a name other than the name by which such person is identified for legal purposes.”



## SUMMARY OF THE EVIDENCE

Respondent Wisdom is a California corporation headquartered in Fremont, California, which operates as a 501(c)(3) organization. Mei-Chih Tsai is the Secretary and Officer of Respondent Wisdom and Vincent Tsai, Mei-Chih Tsai's husband, is the Chief Executive Officer of Respondent Wisdom.

In 2008, a local contribution limit in the amount of \$500 was in effect for all candidates for Mayor and City Council of Fremont. (Fremont Ordinance No. 17-2006; Fremont Municipal Code section 2-1402.) Steve Cho was a candidate for Mayor of Fremont in the November 4, 2008 election.

### Counts 1-5

Respondent Wisdom made campaign contributions through its employees to Steve Cho for Mayor in Fremont, between January 2008 and March 2008, while concealing itself as the true source of the contributions. Respondent Wisdom did this through the actions of its secretary, Mei-Chih Tsai, by requesting that employees make campaign contributions, and then reimbursing those persons for their contributions and/or providing the money for the contribution.

Through the execution of this campaign contribution scheme, Respondent Wisdom was the true source of the following five campaign contributions:

COUNT	DATE RECEIVED	INTERMEDIARY	EMPLOYMENT RELATIONSHIP	AMOUNT
1	2/22/08	Mei-Chih Tsai	Secretary	\$500
2	2/22/08	Vincent Tsai	Chief Executive Officer	\$500
3	2/22/08	Pi Ling Tsai	Teacher	\$500
4	2/25/08	Yu-Fen Hsu	Finance	\$500
5	3/08/08	Becky Tsai	Administrator	\$500
<b>Total</b>				<b>\$2,500</b>

By making five (5) contributions in names other than its own legal name, Respondent Wisdom committed five counts of violating Section 84301.

## CONCLUSION

This matter consists of five counts of violating the Act, which carries a maximum administrative penalty of Twenty-Five Thousand Dollars (\$25,000).

In determining the appropriate penalty for a particular violation of the Act, the Enforcement Division considers the typical treatment of a violation in the overall statutory scheme of the Act, with an emphasis on serving the purposes and intent of the Act. The Enforcement Division considers the facts and circumstances of the violation in context of the factors set forth in Regulation 18361.5, subdivision (d)(1)-(6): the seriousness of the violations; the presence or lack of intent to deceive the voting public; whether the violation was deliberate, negligent, or inadvertent; whether the Respondent demonstrated good faith in consulting with Commission staff; whether there was a pattern of violations; and whether upon learning of the violation the Respondent voluntarily filed amendments to provide full disclosure.

Making a contribution in another person's name is one of the most serious types of violations of the Act, because it denies the public of information about where a candidate receives his or her financial support. Due to the use of the company account, detection of the true source of the laundered campaign contributions was made more difficult. In addition, at the time of the violations, the City of Fremont had a city ordinance that imposed a \$500 limit on individual campaign contributions to candidates for elected office. As such, Respondent was prohibited from giving more than \$500 to a candidate in this jurisdiction.

In mitigation, Respondent has not previously been found to have violated the Act and voluntarily provided the reimbursement checks. Respondent stated that they did not understand that their conduct was illegal at the time of the violations.

Recent penalties approved by the Commission concerning violations of Section 84301 include:

*In the Matter of James Larry Minor, FPPC No. 11/008.* James Larry Minor made ten campaign contributions, each in the amount of \$3,900 to the Jeff Stone for State Senate Campaign 2009 committee in a name other than his own, and made one contribution in 2006, in the amount of \$3,300 to The Committee to Elect Brenda Salas campaign committee in a name other than his own, in violation of Government Code Section 84301 (11 counts) and made a contribution in excess of the campaign contribution limits, a total contribution of \$39,000, to the Jeff Stone for State Senate Campaign 2009 committee, in excess of contribution limits, in violation of Government Code Section 85301(a) (1 count). In April of 2011, the Commission imposed a penalty of \$5,000 per count, for a total of \$60,000.

*In the Matter of Glen Gerson and Malibu Conference Center, Inc., FPPC No. 11/803 (Default Decision).* Glen Gerson and Malibu Conference Center, Inc., made five campaign contributions, each in the amount of \$1,000 to the Committee to Reelect Barbara Williamson in a name other than their own, in violation of Government Code section 84301 (5 counts). In May of 2012, the Commission imposed a penalty of \$5,000 per count, for a total of \$25,000.

**PROPOSED PENALTY**

The facts of this case, including consideration of the factors of Regulation 18361.5, and the factors discussed above, justify imposition of an agreed upon penalty of Twenty-Five Thousand Dollars (\$25,000), Five Thousand Dollars (\$5,000) per count .

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