
Item 11

Action

Waiver

Executive Summary: This item presents a waiver in CEC Case No. 2010-12.

Recommended Action: Consider the documents in the case (the following report, the waiver, and the parties' briefs), determine whether violations occurred, determine an appropriate penalty, and issue a decision and order.

Presenters: Deena Ghaly, Director of Enforcement; Kirsten Pickenpauh, Deputy Director of Enforcement.

Waiver

In the Matter of Alexander Hugh, et al.
CEC Case No. 2010-12

A. Introduction

This case involves allegations of political money laundering. Rather than entering into a typical stipulation, the respondent, Alexander Hugh (Hugh), has not admitted to liability and has asked the members of the Commission to decide this case in lieu of a full administrative hearing. As a result, the decision in this case requires more active participation from you than is normally required in a stipulated settlement.

Based on the uncontested factual representations, the applicable law, and the information in this report, including the attachments, you will be asked to decide whether the violations alleged below occurred, to assess an appropriate penalty, and to issue a decision and order. These three steps are explained more fully in Sections C, D, and E, below.

B. Background

1. Procedure

In November 2009, following an internal review of contribution records, the enforcement staff began investigating a group of political contributions made by individuals connected to a company called Tower Escrow, Inc. The contributions were investigated because they bore indicia of political money laundering or “assumed name contributions”. Indicia of political money laundering may include factors such as a person’s contribution history, whether a person has ties to Los Angeles, or whether multiple contributors share a common address or employer.

After obtaining documentary evidence that strongly suggested that Hugh had reimbursed the individuals connected to Tower Escrow for their contributions to City campaigns, the staff invited the Los Angeles District Attorney’s office to join the investigation. The District Attorney convened a grand jury, which indicted Hugh on five felony counts: one count of conspiracy to commit campaign money laundering; two counts of procuring a false document for filing; one count of forgery; and one count of false personation. Based on the same evidence supporting the criminal indictment, Commission staff allege that, in June 2008, Hugh made 18 political contributions under assumed names to a committee controlled by mayoral candidate Antonio R. Villaraigosa in the City election held March 3, 2009. Commission staff also allege that Hugh exceeded the City’s per-person and per-election contribution limits.

Hugh has declined to admit liability in this case and does not want to enter into a traditional stipulation. However, he does want to avoid a full fact-finding administrative hearing and expedite a decision in the Commission's case against him. To facilitate this process, Hugh has entered into the Stipulation, Waiver, and Consent that is provided in Attachment A. Hugh has stipulated to the existence of evidence supporting the allegations against him and does not contest the factual representations identified in the waiver. Attachment A, pp. 1 and 7, ¶¶ 3(c), 3(d), 3(e). Hugh has also waived his due process and procedural rights in this case. Attachment A, p. 6, ¶ 2. In lieu of a full administrative hearing, Hugh has asked that the members of the Ethics Commission consider the case against him during a public meeting. Attachment A, p. 7, ¶ 4(a). And Hugh has agreed to comply with the Commission's findings, decision, and order. Attachment A, pp. 1 and 8, ¶ 4(e).

2. Substantive Law

Campaign financing and disclosure in City elections are governed by the Los Angeles City Charter, the Campaign Finance Ordinance (Los Angeles Municipal Code §§ 49.7.1 *et seq.*), and the Political Reform Act (Cal. Gov't Code §§ 81000 – 91014).

Charter § 470(k) provides that “[n]o contribution shall be made, directly or indirectly, by any person or combination of persons, acting jointly in a name other than the name by which they are identified for legal purposes, nor in the name of another person or combination of persons.” Charter § 470(k) refers to these contributions as “assumed name” contributions. A person is “an individual, proprietorship, firm, partnership, joint venture, syndicate, business trust, company, corporation, limited liability company, association, committee, and any other organization or group of persons acting in concert.” Cal. Gov't Code § 82047.

Charter § 470(c)(4) establishes a \$1,000 limit on contributions from a single person to a single candidate for a Citywide office in a single election.

Charter § 470(c)(6) establishes a limit on total contributions from a single person to all candidates in a single election. The limit is based on the number of City offices appearing on the election ballot. A person may not contribute more than the combined total of \$500 times the number of City Council seats appearing on the ballot, plus \$1,000 times the number of Citywide seats appearing on the ballot. There were eight City Council seats and three Citywide seats on the ballot for the City election held on March 3, 2009. Therefore, Charter § 470(c)(6) limited total contributions to all candidates in that election to \$7,000 per person.

3. Factual Representations

Hugh does not contest and has stipulated that testimonial or documentary evidence exists to support the following factual representations (*see* Attachment A, pp. 1-2):

- a. Hugh is the chief executive officer of CIC Group, a real estate development company, and an executive vice president of Ceiland Coast, Inc., a mortgage and loan brokerage firm that has been involved in at least one development project in Los Angeles.

- b. In June 2008, Hugh visited Tower Escrow, Inc., an escrow company partly owned by his longtime acquaintance Annette Lee (Lee). On or near the date of Hugh's visit and at his request, Lee and several of her employees and associates made political contributions in their own names to the Antonio R. Villaraigosa for Mayor 2009 Committee. The contributions were made by Bo Ra Kim, Gina Kim, John Kim, Jung A. Kim, Chang Choi, Young Mee Lee, Joo Ran Lim, Hyon Son, Randy Bahang, Hansu Yoo, Sunny Kim, Yoon Hae Min, Edward Chang, Aileen Han, Heather Jung, Andrea Chung, Lisa Lee, and Ja K. Oh.
- c. Hugh reimbursed the individuals identified above for the contributions they made to the Antonio R. Villaraigosa for Mayor 2009 Committee and did not reveal to the committee that he funded those contributions.
- d. During the same election, Hugh also contributed in his own name \$1,000 to the Antonio R. Villaraigosa for Mayor 2009 committee, \$1,000 to the Wendy Greuel for Controller 2009 Committee, and \$250 to the Zine 2009 Committee.

C. STEP ONE: Decide Which Violations Occurred

The first step in deciding this case is to determine whether a violation occurred for each of the 20 counts below. All of the counts are based on the substantive law in Section B.2 and the uncontested factual representations in Section B.3.

Counts 1 – 18: Contributions Made Under Assumed Names

- Count 1:* Hugh made an assumed name contribution in violation of Charter § 470(k) on or about June 17, 2008, by reimbursing Bo Ra Kim for a \$1,000 contribution made in her name to the Antonio R. Villaraigosa for Mayor 2009 Committee.
- Count 2:* Hugh made an assumed name contribution in violation of Charter § 470(k) on or about June 17, 2008, by reimbursing Gina Kim for a \$1,000 contribution made in her name to the Antonio R. Villaraigosa for Mayor 2009 Committee.
- Count 3:* Hugh made an assumed name contribution in violation of Charter § 470(k) on or about June 17, 2008, by reimbursing Gina Kim for a \$1,000 contribution made in her husband John Kim's name to the Antonio R. Villaraigosa for Mayor 2009 Committee.
- Count 4:* Hugh made an assumed name contribution in violation of Charter § 470(k) on or about June 17, 2008, by reimbursing Jung A. Kim for a \$1,000 contribution made in her name to the Antonio R. Villaraigosa for Mayor 2009 Committee.
- Count 5:* Hugh made an assumed name contribution in violation of Charter § 470(k) on or about June 17, 2008, by reimbursing Jung A. Kim for a \$1,000 contribution made in her brother-in-law Chang Choi's name to the Antonio R. Villaraigosa for Mayor 2009 Committee.

- Count 6:* Hugh made an assumed name contribution in violation of Charter § 470(k) on or about June 17, 2008, by reimbursing Young Mee Lee for a \$1,000 contribution made in her name to the Antonio R. Villaraigosa for Mayor 2009 Committee.
- Count 7:* Hugh made an assumed name contribution in violation of Charter § 470(k) on or about June 17, 2008, by reimbursing Joo Ran Lim for a \$1,000 contribution made in her name to the Antonio R. Villaraigosa for Mayor 2009 Committee.
- Count 8:* Hugh made an assumed name contribution in violation of Charter § 470(k) on or about June 17, 2008, by reimbursing Hyon Son for a \$1,000 contribution made in her name to the Antonio R. Villaraigosa for Mayor 2009 Committee.
- Count 9:* Hugh made an assumed name contribution in violation of Charter § 470(k) on or about June 17, 2008, by reimbursing Hyon Son for a \$1,000 contribution made in her husband Randy Bahang's name to the Antonio R. Villaraigosa for Mayor 2009 Committee.
- Count 10:* Hugh made an assumed name contribution in violation of Charter § 470(k) on or about June 17, 2008, by reimbursing Hansu Yoo for a \$1,000 contribution made in his name to the Antonio R. Villaraigosa for Mayor 2009 Committee.
- Count 11:* Hugh made an assumed name contribution in violation of Charter § 470(k) on or about June 18, 2008, by reimbursing Sunny Kim for a \$1,000 contribution made in her name to the Antonio R. Villaraigosa for Mayor 2009 Committee.
- Count 12:* Hugh made an assumed name contribution in violation of Charter § 470(k) on or about June 18, 2008, by reimbursing Yoon Hae Min for a \$1,000 contribution made in her name to the Antonio R. Villaraigosa for Mayor 2009 Committee.
- Count 13:* Hugh made an assumed name contribution in violation of Charter § 470(k) on or about June 19, 2008, by reimbursing Edward Chang for a \$1,000 contribution made in his name to the Antonio R. Villaraigosa for Mayor 2009 Committee.
- Count 14:* Hugh made an assumed name contribution in violation of Charter § 470(k) on or about June 24, 2008, by reimbursing Aileen Han for a \$1,000 contribution made in her name to the Antonio R. Villaraigosa for Mayor 2009 Committee.
- Count 15:* Hugh made an assumed name contribution in violation of Charter § 470(k) on or about June 24, 2008, by reimbursing Heather Jung for a \$1,000 contribution made in her name to the Antonio R. Villaraigosa for Mayor 2009 Committee.
- Count 16:* Hugh made an assumed name contribution in violation of Charter § 470(k) on or about June 24, 2008, by reimbursing Annette Lee for a \$1,000 contribution made in her sister Andrea Chung's name to the Antonio R. Villaraigosa for Mayor 2009 Committee.

Count 17: Hugh made an assumed name contribution in violation of Charter § 470(k) on or about June 14, 2008, by reimbursing Lisa Lee for a \$1,000 contribution made in her name to the Antonio R. Villaraigosa for Mayor 2009 Committee.

Count 18: Hugh made an assumed name contribution in violation of Charter § 470(k) on or about June 24, 2008, by reimbursing Ja K. Oh for a \$1,000 contribution made in her name to the Antonio R. Villaraigosa for Mayor 2009 Committee.

Counts 19 - 20: Excess Contributions

Count 19: Hugh exceeded the \$1,000 contribution limit in Charter § 470(c)(4) by contributing \$1,000 in his own name and \$18,000 through 18 assumed name contributions that he made to the Antonio R. Villaraigosa for Mayor 2009 Committee between June 17 and June 24, 2008.

Count 20: Hugh exceeded the \$7,000 contribution limit for the City election held March 3, 2009, in violation of Charter § 470(c)(6), by making the following contributions:

- a. \$1,000 contributed in his own name on or about June 24, 2008, to the Antonio R. Villaraigosa for Mayor 2009 Committee;
- b. \$1,000 contributed in his own name on or about June 30, 2008, to the Wendy Greuel for Controller 2009 Committee;
- c. \$250 contributed in his own name on or about December 30, 2008, to the Zine 2009 Committee; and
- d. \$18,000 contributed through 18 assumed name contributions that he made to the Antonio R. Villaraigosa for Mayor 2009 Committee between June 17 and June 24, 2008.

D. STEP TWO: Decide Appropriate Penalty

If you decide that, based on the law and the uncontested factual representations, one or more of the violations in Section C did occur, the next step in the waiver process is to decide an appropriate penalty. Under the penalty formula in Charter § 706, Hugh faces maximum penalties of \$183,750:

- \$90,000 for the 18 charged violations of Charter § 470(k) [*Counts 1-18*];
- \$54,000 for the charged violation of Charter § 470(c)(4) [*Count 19*]; and
- \$39,750 for the charged violation of Charter § 470(c)(6) [*Count 20*].

Before deciding on an order or penalty, the Commission must consider all relevant circumstances. Under Los Angeles Administrative Code § 24.1.2(e)(7)(E), those circumstances include but are not limited to the following factors:

1. The severity of the violations;
2. The presence or absence of any intention to conceal, deceive, or mislead;
3. Whether the violations were deliberate, negligent, or inadvertent;
4. Whether Hugh demonstrated good faith by consulting the commission staff to obtain informal advice about the campaign finance laws;
5. Whether the violations were isolated incidents or part of a pattern;
6. Whether Hugh has a prior record of violations of the City's campaign finance, lobbying, or governmental ethics laws; and
7. The degree to which Hugh cooperated with Commission staff to provide full disclosure, attempted to remedy a violation, or cooperated voluntarily with an investigation.

Hugh has submitted a brief, provided in Attachment B, in which he asks for a low penalty. He bases his request on his willingness to enter into the waiver, his lack of an enforcement history with the Commission, and his assistance to the Koreatown section of the City. He states that he is unable to pay a large fine because of financial hardships and because of his plans to retire, to spend time traveling with rescue organizations, and to spend time with his daughter. Finally, he argues that the likely outcome of the companion criminal proceeding to this matter, along with related adverse publicity, is adequate punishment for the violations.

Staff has submitted a response to Hugh's brief, provided in Attachment C, which notes that four of the aggravating factors above are present in this case: a severe violation; an intent to conceal, deceive, or mislead; deliberate acts; and a pattern of behavior. Hugh did not consult Commission staff for informal advice, and the only mitigating factors are that he cooperated to a limited extent by entering into the waiver and has no prior enforcement history with the Commission. To reflect the egregious nature of the violations in question and the fact that Hugh has not admitted liability, staff recommends a penalty at or very near the maximum.

In the only previous money laundering case that involved a similar respondent and was resolved by waiver, the Commission imposed the maximum penalty. In that case, as in this one, the respondent was the person who had devised the money laundering scheme and funded the reimbursements for the laundered contributions. The Commission has resolved one other money laundering case by waiver, but the respondent in that case was a subordinate employee with a less culpable role in the laundering activity. That respondent was charged with aiding and abetting the person who had devised and funded the scheme, and the Commission imposed a penalty less than the maximum.

E. STEP THREE: Issue Decision and Order

Once you have determined which of the violations in Section C, if any, occurred and what the appropriate penalty is, you must issue a Decision and Order reflecting those determinations. Issuing a Decision and Order is a standard step in the resolution of all enforcement cases that are presented to you for consideration

Draft orders are provided in Attachment D. The first indicates that no violations occurred and no penalty is imposed. The second asks you to specify which violations occurred and the amount of the appropriate penalty.

Attachments:

- A Stipulation, Waiver and Consent*
- B Alexander Hugh's Brief Regarding Administrative Penalty*
- C Response to Respondent's Brief Regarding Administrative Penalty*
- D Draft Decision and Orders*

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Complainant

BEFORE THE LOS ANGELES CITY ETHICS COMMISSION

In the Matter of:

ALEXANDER HUGH, ET AL.,

Respondent.

CEC Case No. 2010-12

**STIPULATION, WAIVER,
AND CONSENT**

This case arose from an investigation regarding whether Alexander Hugh (Respondent) made "assumed name" political contributions to Los Angeles City candidates in violation of City law. Respondent wishes to stipulate to the existence of evidence supporting the factual representations below, to waive his due process and procedural rights under Los Angeles City Charter (Charter) § 706 and Los Angeles Administrative Code (LAAC) § 24.1.2, and to consent to the findings, decision, and order of the members of the Los Angeles City Ethics Commission (Commission).

FACTUAL REPRESENTATIONS

Respondent is the chief executive officer of CIC Group, a real estate development company, and an executive vice president of Ceiland Coast, Inc. (Ceiland Coast), a mortgage and loan brokerage firm that has been involved in at least one development project in the City.

In conjunction with the Los Angeles District Attorney's office, which convened a grand jury that indicted Respondent, Commission staff developed testimonial and documentary evidence supporting the following findings:

1. In June 2008, Respondent visited Tower Escrow, Inc. (Tower Escrow), an escrow company partly owned by Annette Lee (Lee), Respondent's longtime acquaintance.
2. On or near the date of Respondent's visit and at his request, Lee and Tower Escrow employees and associates made political contributions to the Antonio R. Villaraigosa for

Mayor 2009 Committee, a candidate-controlled committee that was formed for the City primary election held March 3, 2009.

3. After Respondent's solicitations, \$1,000 contributions were made to the Antonio R. Villaraigosa for Mayor 2009 Committee in the following names: Bo Ra Kim, Gina Kim, John Kim, Jung A. Kim, Chang Choi, Young Mee Lee, Joo Ran Lim, Hyon Son, Randy Bahang, Hansu Yoo, Sunny Kim, Yoon Hae Min, Edward Chang, Aileen Han, Heather Jung, Andrea Chung, Lisa Lee, and Ja K. Oh.
4. The contributions were made using the named contributors' personal checks or credit card numbers.
5. Respondent provided equivalent cash reimbursement for each of the contributions.
6. Respondent did not reveal to the Antonio R. Villaraigosa for Mayor 2009 Committee that he funded the contributions.
7. During the same election, Respondent also contributed in his own name \$1,000 to the Antonio R. Villaraigosa for Mayor 2009 Committee, \$1,000 to the Wendy Greuel for Controller 2009 Committee, and \$250 to the Zine 2009 Committee.

APPLICABLE LAW

Campaign financing and disclosure in City elections are governed by the Charter, the Campaign Finance Ordinance (Los Angeles Municipal Code (LAMC) §§ 49.7.1 *et seq.*), and the Political Reform Act (PRA, Cal. Gov't Code §§ 81000 – 91014).

Charter § 470(k) provides that "[n]o contribution shall be made, directly or indirectly, by any person or combination of persons, acting jointly in a name other than the name by which they are identified for legal purposes, nor in the name of another person or combination of persons." Charter § 470(k) refers to these contributions as "assumed name" contributions. A "person" is "an individual, proprietorship, firm, partnership, joint venture, syndicate, business trust, company, corporation, limited liability company, association, committee, and any other organization or group of persons acting in concert." Cal. Gov't Code § 82047.

Charter § 470(c)(4) establishes a \$1,000 limit on contributions from a single person to a candidate for a Citywide office in a single election.

Charter § 470(c)(6) establishes a limit on total contributions from a single person to all candidates in a single election. The limit is based on the number of City offices appearing on the election ballot. A person may not contribute more than the combined total of \$500 times the number of City Council seats appearing on the ballot, plus \$1,000 times the number of Citywide seats appearing on the ballot. There were eight City Council seats and three Citywide seats on

the ballot for the City election held on March 3, 2009. Therefore, Charter § 470(c)(6) limited total contributions to all candidates in that election to \$7,000 per person.

ALLEGATIONS

Based on the factual representations and the applicable law, Commission staff alleges that Respondent has violated City law as follows:

Counts 1 – 18: Contributions Made Under Assumed Names

- Count 1:* Respondent made an assumed name contribution in violation of Charter § 470(k) on or about June 17, 2008, by reimbursing Bo Ra Kim for a \$1,000 contribution made in her name to the Antonio R. Villaraigosa for Mayor 2009 Committee.
- Count 2:* Respondent made an assumed name contribution in violation of Charter § 470(k) on or about June 17, 2008, by reimbursing Gina Kim for a \$1,000 contribution made in her name to the Antonio R. Villaraigosa for Mayor 2009 Committee.
- Count 3:* Respondent made an assumed name contribution in violation of Charter § 470(k) on or about June 17, 2008, by reimbursing Gina Kim for a \$1,000 contribution made in her husband John Kim's name to the Antonio R. Villaraigosa for Mayor 2009 Committee.
- Count 4:* Respondent made an assumed name contribution in violation of Charter § 470(k) on or about June 17, 2008, by reimbursing Jung A. Kim for a \$1,000 contribution made in her name to the Antonio R. Villaraigosa for Mayor 2009 Committee.
- Count 5:* Respondent made an assumed name contribution in violation of Charter § 470(k) on or about June 17, 2008, by reimbursing Jung A. Kim for a \$1,000 contribution made in her brother-in-law Chang Choi's name to the Antonio R. Villaraigosa for Mayor 2009 Committee.
- Count 6:* Respondent made an assumed name contribution in violation of Charter § 470(k) on or about June 17, 2008, by reimbursing Young Mee Lee for a \$1,000 contribution made in her name to the Antonio R. Villaraigosa for Mayor 2009 Committee.
- Count 7:* Respondent made an assumed name contribution in violation of Charter § 470(k) on or about June 17, 2008, by reimbursing Joo Ran Lim for a \$1,000 contribution made in her name to the Antonio R. Villaraigosa for Mayor 2009 Committee.
- Count 8:* Respondent made an assumed name contribution in violation of Charter § 470(k) on or about June 17, 2008, by reimbursing Hyon Son for a \$1,000 contribution made in her name to the Antonio R. Villaraigosa for Mayor 2009 Committee.
- Count 9:* Respondent made an assumed name contribution in violation of Charter § 470(k) on or about June 17, 2008, by reimbursing Hyon Son for a \$1,000 contribution made in

her husband Randy Bahang's name to the Antonio R. Villaraigosa for Mayor 2009 Committee.

Count 10: Respondent made an assumed name contribution in violation of Charter § 470(k) on or about June 17, 2008, by reimbursing Hansu Yoo for a \$1,000 contribution made in his name to the Antonio R. Villaraigosa for Mayor 2009 Committee.

Count 11: Respondent made an assumed name contribution in violation of Charter § 470(k) on or about June 18, 2008, by reimbursing Sunny Kim for a \$1,000 contribution made in her name to the Antonio R. Villaraigosa for Mayor 2009 Committee.

Count 12: Respondent made an assumed name contribution in violation of Charter § 470(k) on or about June 18, 2008, by reimbursing Yoon Hae Min for a \$1,000 contribution made in her name to the Antonio R. Villaraigosa for Mayor 2009 Committee.

Count 13: Respondent made an assumed name contribution in violation of Charter § 470(k) on or about June 19, 2008, by reimbursing Edward Chang for a \$1,000 contribution made in his name to the Antonio R. Villaraigosa for Mayor 2009 Committee.

Count 14: Respondent made an assumed name contribution in violation of Charter § 470(k) on or about June 24, 2008, by reimbursing Aileen Han for a \$1,000 contribution made in her name to the Antonio R. Villaraigosa for Mayor 2009 Committee.

Count 15: Respondent made an assumed name contribution in violation of Charter § 470(k) on or about June 24, 2008, by reimbursing Heather Jung for a \$1,000 contribution made in her name to the Antonio R. Villaraigosa for Mayor 2009 Committee.

Count 16: Respondent made an assumed name contribution in violation of Charter § 470(k) on or about June 24, 2008, by reimbursing Annette Lee for a \$1,000 contribution made in her sister Andrea Chung's name to the Antonio R. Villaraigosa for Mayor 2009 Committee.

Count 17: Respondent made an assumed name contribution in violation of Charter § 470(k) on or about June 14, 2008, by reimbursing Lisa Lee for a \$1,000 contribution made in her name to the Antonio R. Villaraigosa for Mayor 2009 Committee.

Count 18: Respondent made an assumed name contribution in violation of Charter § 470(k) on or about June 24, 2008, by reimbursing Ja K. Oh for a \$1,000 contribution made in her name to the Antonio R. Villaraigosa for Mayor 2009 Committee.

Proposed Counts 19 - 20: Excess Contributions

Count 19: Respondent exceeded the \$1,000 contribution limit in Charter § 470(c)(4) by contributing \$1,000 in his own name and \$18,000 through 18 assumed name contributions that he made to the Antonio R. Villaraigosa for Mayor 2009 Committee between June 17 and June 24, 2008.

Count 20: Respondent exceeded the \$7,000 contribution limit for the City election held March 3, 2009, in violation of Charter § 470(c)(6), by contributing \$1,000 in his own name to the Antonio R. Villaraigosa for Mayor 2009 Committee; \$1,000 in his own name to the Wendy Greuel for Controller 2009 Committee; \$250 in his own name to the Zine 2009 Committee; and \$18,000 through 18 assumed name contributions that he made to the Antonio R. Villaraigosa for Mayor 2009 Committee between June 17 and June 24, 2008.

WAIVER AND CONSENT

Without admitting or denying any of the allegations or representations above, Respondent consents to the following statements.

1. Respondent makes the following preliminary acknowledgements and agreements:
 - a. The Commission has jurisdiction over him and over the subject matter of this case. The Commission will retain jurisdiction over him and this case for all purposes, including implementing and enforcing the terms of any decision and order that is issued.
 - b. Respondent understands the nature of the charges against him.
 - c. This case is governed by Charter § 706 and by the investigations and enforcement regulations in LAAC § 24.1.2.
 - d. No tender, offer, promise, or threat of any kind has been made by anyone, including the Commission members and staff, to induce him to consent to this document.
 - e. This document, Respondent's consent, and the Commission's determination resolve this case only and do not resolve, affect, or preclude any other proceeding that may be brought against him.
 - f. The Commission's entry of a decision and order may have collateral consequences under federal or state law or the rules of self-regulatory organizations, licensing boards, and other regulatory organizations. Such collateral consequences are separate from any sanction imposed in this administrative proceeding.

- g. Nothing in this document affects Respondent's right to take legal or factual positions in defense of litigation or other legal proceedings to which the Commission is not a party.

2. Respondent understands and freely and voluntarily waives his rights to the following:

- a. To have issued and be served with a probable cause report, under LAAC § 24.1.2(d)(1).
- b. To request a probable cause conference, under LAAC § 24.1.2(d)(2).
- c. To have issued and be served with a finding of probable cause by the Commission's executive director, under LAAC § 24.1.2(d)(7).
- d. To have issued and be served with an accusation, under Charter § 706(b) and LAAC § 24.1.2(d)(8).
- e. To an administrative hearing and determination, under Charter § 706(c) and LAAC § 24.1.2(e).
- f. To discovery, under LAAC § 24.1.2(e)(3).
- g. To submit an administrative hearing brief, under LAAC § 24.1.2(e)(4).
- h. To seek judicial review of the Commission's decision, including findings of fact, conclusions of law, and determinations of penalty.
- i. To appeal the Commission's decision and order.

3. Respondent acknowledges and agrees to the following regarding the charges against him:

- a. Respondent is charged with the following violations of City law:
 - i. 18 counts of violating Charter § 470(k) by making assumed name contributions;
 - ii. 1 count of violating Charter § 470(c)(4) by contributing \$18,000 in excess of the \$1,000 per-person, per-election limit on contributions to a Citywide candidate; and


- iii. 1 count of violating Charter § 470(c)(6) by contributing \$13,250 in excess of the \$7,000 per-person, per-election limit on all contributions to candidates in the March 3, 2009 City primary election.
 - b. Under Charter § 706(c), Respondent faces maximum penalties in the following amounts:
 - i. \$90,000 for the 18 charged violations of Charter § 470(k);
 - ii. \$54,000 for the charged violation of Charter § 470(c)(4); and
 - iii. \$39,750 for the charged violation of Charter § 470(c)(6).
 - c. Respondent will not contest that there is a factual basis for any of the charges against him.
 - d. If an administrative hearing were conducted on the merits of this case, Commission staff is prepared and able to present admissible testimonial or documentary evidence in support of each of the charged violations.
 - e. The evidence that would be presented by Commission staff if an administrative hearing were conducted would be consistent with the factual representations above.
4. Respondent requests and freely and voluntarily consents to the following in lieu of the administrative hearing procedures detailed in LAAC § 24.1.2(e):
- a. This case, this document, and any briefs filed by the parties under sub-paragraph (b) will be submitted to the members of the Commission at a public meeting for a final determination regarding findings of fact, conclusions of law, and determinations of penalties.
 - b. Respondent may submit a brief on his position regarding an appropriate penalty in this case. Such a brief must be filed no later than 5:00 p.m. on September 20, 2011, at the Commission's office at 200 North Spring Street, 24th Floor, Los Angeles, CA 90012. Respondent must serve the brief on Complainant and the Commission's Director of Enforcement on the same date that the brief is filed. The Director of Enforcement may file a responsive brief on behalf of Complainant no later than 5:00 p.m. on September 30, 2011, and must serve such a brief on Respondent on the same date that the brief is filed.
 - c. The members of the Commission will, for purposes of framing an appropriate order or penalty regarding any finding of violation, consider all relevant circumstances, including but not limited to the following:
 - i. The severity of the violations;

- ii. The presence or absence of any intention to conceal, deceive, or mislead;
 - iii. Whether the violations were deliberate, negligent, or inadvertent;
 - iv. Whether Respondent demonstrated good faith by consulting the Commission staff in a manner not constituting a complete defense under Charter § 705;
 - v. Whether the violations were isolated incidents or part of a pattern;
 - vi. Whether Respondent has a prior record of violations of the City's campaign finance, lobbying, or governmental ethics laws; and
 - vii. The degree to which Respondent cooperated with Commission staff to provide full disclosure, attempted to remedy a violation, or cooperated voluntarily with an investigation.
- d. The members of the Commission may issue a decision and order, requiring Respondent to do one or more of the following:
- i. Cease and desist the violation; and
 - ii. Pay a monetary penalty to the City's general fund of up to five thousand dollars (\$5,000) for each violation or three times the amount Respondent failed to report properly or unlawfully contributed, expended, gave, or received, whichever is greater.
- e. Respondent will comply with the terms of the decision and order.
- f. Respondent will not take any action to make or permit a public statement denying, directly or indirectly, any allegations in this document or creating the impression that the allegations in this document are without factual basis.
- g. If Respondent breaches this agreement, the executive director may ask the members of the Commission to vacate their decision and order and convene an administrative hearing in this case.

Respondent represents that he has read and understands each provision in this document, and he acknowledges that he has had sufficient opportunity to consult his legal counsel before signing below.

DATED:


9/6/11


ALEXANDER HUGH
Respondent

Approved as to form and content:

DATED:

9/6/11


KENNETH P. WHITE, Esq.
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Counsel for Respondent

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Alexander Hugh

BEFORE THE LOS ANGELES CITY ETHICS COMMISSION

In the Matter of:

ALEXANDER HUGH, ET AL.,

Respondent.

CEC Case No. 2010-12

ALEXANDER HUGH'S BRIEF
REGARDING ADMINISTRATIVE
PENALTY

INTRODUCTION

Respondent Alex Hugh (Mr. Hugh) and the Director of Enforcement of the City of Los Angeles Ethics Commission ("the Commission") have reached a Stipulation, Waiver and Consent ("the Stipulation") regarding the Commission's allegations against Mr. Hugh. By that Stipulation, Mr. Hugh has agreed not to contest the Commission's allegations and to submit to the Commission's findings. However, Paragraph 4(b) of the Stipulation provides that Mr. Hugh may submit a brief regarding his position on an appropriate penalty. Mr. Hugh respectfully submits this brief pursuant to that provision.

Mr. Hugh asks the Commission to impose a reasonable fine at the lower end of the Commission's guidelines, as close to its minimum as possible, in light of the relevant factors in this case. Those factors are as follows:

- Mr. Hugh's counsel approached the Commission to negotiate a resolution of this matter, and Mr. Hugh timely resolved the matter by entering into the Stipulation, thus saving the Commission substantial time and resources;
- Mr. Hugh has had no previous contact with the Commission, and has no record of any sort of election law violations.
- Mr. Hugh has made substantial contributions to the Koreatown area of the City of Los Angeles, participating in numerous substantial real estate developments that generated many jobs and a significant tax base.
- Mr. Hugh's financial circumstances make any significant fine unreasonably harsh and punitive.
- Mr. Hugh will be punished adequately by the resolution of a parallel criminal case.

A. MR. HUGH RESOLVED THIS MATTER IN A TIMELY FASHION

Mr. Hugh learned of the Commission's investigation of him when he was indicted in the case currently pending in Los Angeles County Superior Court ("the Criminal Case"). Mr. Hugh immediately directed his attorney to make contact with counsel for the

Commission to determine the nature of the investigation and determine if it could be resolved. Mr. Hugh's counsel did so.

Mr. Hugh's attempt to reach a settlement with the Commission was complicated by the pendency of the Criminal Case, the delay in that case caused by the presence of a codefendant, and by his concerns for further civil litigation. Rather than let these factors delay the Commission's investigation indefinitely, Mr. Hugh directed his attorney to determine if he could reach an agreement with the Commission that would resolve the case without making admissions that could be used against him in the Criminal Case or any civil matter. The Stipulation was the result. Through the Stipulation, Mr. Hugh has agreed not to contest the Commission's factual allegations and legal conclusions and agreed to waive his administrative rights.

Mr. Hugh's prompt settlement overtures and timely entry into the Stipulation has saved the Commission substantial effort and resources, and spared it the necessity of proving up a complicated case at a hearing. Mr. Hugh understands that it is the position of the Director of Enforcement that he should not receive the same credit – a stipulation to a minimum penalty – as a litigant who admits factual allegations rather than agreeing not to contest them. But Mr. Hugh respectfully submits that the Commission, in its discretion, should give him substantial credit for his immediate cooperation and willingness to resolve the investigation. Ultimately by agreeing not to contest factual allegations, Mr. Hugh has given the Commission the same benefit as if he had stipulated to those factual allegations. Moreover, Mr. Hugh's reasons for bargaining for a "no contest" position – the pendency of the Criminal Case and the possibility of further civil litigation – were legitimate and did not represent an effort to impede the work of the Commission or evade responsibility.

**B. MR. HUGH'S BACKGROUND DOES NOT CALL FOR A
SUBSTANTIAL PENALTY**

Mr. Hugh has never been the subject of a prior accusation by this Commission. As far as he knows he has not been the subject of a prior investigation. Before the Criminal Case Mr. Hugh had never been the subject of a criminal proceeding regarding fraud or election law violations.

The conduct described in the Stipulation is not a long-term course of conduct that requires a draconian response.

**C. MR. HUGH HAS MADE SUBSTANTIAL CONTRIBUTIONS TO
THE KOREATOWN BUSINESS COMMUNITY**

Mr. Hugh is a self-made man. He grew up on his grandparents' farm during the deprivations of post-war Korea. As a young man, he fought with South Korea's forces alongside Americans in the Vietnam War. Later, he emigrated to America, becoming a citizen in the early 1980s. Like many Korean-Americans, Mr. Hugh sought the American dream through long hours and back-breaking work in a small grocery, putting his former wife through college and law school as he did so. His labors were justly rewarded – over the decades he built his business into a series of grocery stores, which he eventually sold. As a second career, Mr. Hugh became a real estate developer and real estate consultant. Over the last few decades he has been intimately involved in dozens of real estate projects, many of them in Los Angeles' Koreatown area. Mr. Hugh believed that Koreatown was underdeveloped, and that its business community could be far more successful and vibrant, far before that view became mainstream in Los Angeles. The long hours, hard work, and attention to detail and quality that allowed him to persevere in a small grocery story served him well as a real estate developer.

Mr. Hugh's involvement in political contributions does not reflect an attempt to influence politicians. He knows that such contributions would never influence the City's decisions relating to any of his real estate projects. Rather, Mr. Hugh's political activity was directed to favor politicians who promoted development in Koreatown and took that

development seriously. Mr. Hugh felt that sentiment was far too lacking in other politicians, who focused on other areas of Los Angeles and did not accept Koreatown as an acceptable focus of sophisticated modern development.

Mr. Hugh's dogged pursuit over the last few decades of quality development in the Koreatown area has led to better conditions; increased employment; more property, personal, and business tax revenue; more foreign tourism locally and throughout Southern California; and more business in that community. Koreatown is now one of the most successful growing communities in Los Angeles, and Mr. Hugh is proud of having been a part of its growth. That has always been Mr. Hugh's goal.

Mr. Hugh is also devoted to his church in Koreatown, the largest Korean Presbyterian community in California. Now that he is semi-retired, he is engaged in a course of community service through that church. As soon as he has resolved this matter and the Criminal Case, Mr. Hugh will be joining a church mission to help rebuild devastated areas of post-earthquake Japan and tsunami-devastated Vietnam, and to build schools in China that serve North Korean refugees. In addition, he hopes to spend more time with his daughter, who has recently returned to California after graduating college.

**D. OTHER CIRCUMSTANCES MAKE A LARGE FINE
UNNECESSARY AND UNDULY HARSH**

Two other factors weigh heavily in favor of a reasonable fine towards the bottom of the Commission's guidelines.

First, Mr. Hugh cannot afford a large fine. He has recently completed a ruinously expensive employment case brought against him, the legal fees of which were staggering. The economy and lagging real estate market have dried up almost all of his real estate consulting work, and there is no improvement or new work on the horizon. He still needs to pay attorney fees to resolve this matter and the Criminal Case. Though he anticipates resolving the Criminal Case shortly, he anticipates that the fines and court costs in that case alone will exceed \$30,000. He has no current income, and does not expect income to resume in the near future. In addition, Mr. Hugh is in his mid-sixties. In light of his

health, the state of the economy, and the circumstances he has recently faced, he plans to retire and devote himself to his church activities and his family.

In addition, Mr. Hugh has been – and will be – punished substantially through the Criminal Case and through the mere fact of this proceeding. Mr. Hugh's indictment, which was widely covered in the mainstream press as well as Korean-American newspapers, was deeply humiliating to him. That coverage will almost certainly continue in the Korean-American press when he resolves this matter. The coverage of the two cases will make it almost impossible for Mr. Hugh to secure employment, consulting work, or a role in real estate development in the Koreatown community to which he is devoted. The one-two-three punch of his recent civil case, the Criminal Case, and this proceeding has crushed him. He will likely sustain a misdemeanor conviction when he resolves the Criminal Case, with its accompanying costs and period of probation.

Under these circumstances, a high fine is not necessary to punish Mr. Hugh and not necessary to deter others. A criminal conviction (and the accompanying sentence) will supply substantial punishment and deterrent value. In light of his recent financial reversals, a large fine would be impossible for Mr. Hugh to pay and ruinous to his efforts to survive his retirement. Mr. Hugh respectfully entreats the Commission for a measure of proportion and mercy.

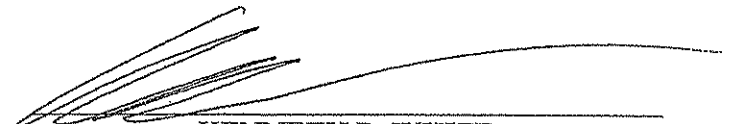
CONCLUSION

Based on the foregoing, Mr. Hugh respectfully submits that the circumstances of this case warrant the Commission imposing as small a fine as possible against him.

Dated: September 19, 2011

BROWN WHITE & NEWHOUSE LLP

By



KENNETH P. WHITE
Attorneys for Respondent
ALEXANDER HUGH

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For Complainant

HEATHER HOLT
Executive Director
LOS ANGELES CITY ETHICS COMMISSION

BEFORE THE LOS ANGELES CITY ETHICS COMMISSION

In the Matter of:

ALEXANDER HUGH, ET AL.,

Respondent.

CEC Case No. 2010-12

**RESPONSE TO RESPONDENT'S
BRIEF REGARDING
ADMINISTRATIVE PENALTY**

INTRODUCTION

Respondent Alexander Hugh (Respondent) has entered into a Stipulation, Waiver and Consent (Waiver) with the Los Angeles City Ethics Commission. The Waiver addresses an enforcement matter involving violations of various campaign finance provisions of the Los Angeles City Charter (Charter). Respondent does not contest allegations that he solicited and reimbursed political contributions from 18 employees of Tower Escrow, a company owned by his longtime acquaintance, Annette Lee, and that the contributions, totaling \$18,000, were all for the Antonio R. Villaraigosa for Mayor 2009 Committee, a candidate-controlled committee formed for the City primary election held March 3, 2009.

Respondent has waived all procedural rights normally provided to respondents in the course of enforcement actions and has agreed to submit the matter directly to the members of the Los Angeles City Ethics Commission (Commission) for their findings and decision regarding penalty. Respondent has filed a memorandum, "Alexander Hugh's Brief Regarding Administrative Penalty," setting out his arguments about an appropriate penalty for the matter. This document is Commission staff's response to Respondent's brief.

APPLICABLE LAW

Charter section 706 authorizes the Commission to conduct investigations and commence enforcement actions. Under that section, “[a]ny person who violates any provision of the Charter or of a City Ordinance relating to campaign financing, lobbying, conflicts of interest or governmental ethics, or who causes any other person to violate any provision, or who aids and abets any other person in a violation of any provision, shall be liable under the provisions of this article.”

Charter section 706(c) provides that, where the Commission finds that a violation has occurred, it can order a respondent to cease and desist the violation, file any missing reports or other documents, or pay a penalty. The Commission has the authority to assess penalties of up to the greater of \$5,000 per violation or three times the amount the respondent unlawfully contributed, expended, gave, or received or failed to report.

Penalty determinations are governed by Los Angeles Administrative Code (LAAC) section 24.1.2. LAAC section 24.1.2(e)(7)(E) states the following:

In framing a proposed order or penalty following a finding of a violation, the Commission...shall consider all the relevant circumstances surrounding the case, including but not limited to:

- (i) the severity of the violation;
- (ii) the presence or absence of any intention to conceal, deceive, or mislead;
- (iii) whether the violation was deliberate, negligent or inadvertent;
- (iv) whether the violator demonstrated good faith by consulting the Commission staff in a manner not constituting a complete defense under Charter Section 705;
- (v) whether the violation was an isolated incident or part of a pattern and whether the violator has a prior record of violations of the City Charter, ordinances or similar laws; and
- (vi) the degree to which the violator cooperated with Commission staff in order to provide full disclosure, remedy a violation, or cooperate voluntarily with an investigation.

ANALYSIS

The uncontested factual representations set out in the Waiver comprise a scheme by Respondent to circumvent campaign contribution limits and disclosure requirements in violation of several campaign finance provisions of the Charter. Such schemes, commonly referred to as political money laundering, are considered among the most serious of the transgressions the Commission enforces against, because they undermine the public’s important interests in limiting campaign contributions and knowing the sources of contributions. The City’s campaign finance laws were adopted, among other reasons, to “avoid corruption or the appearance of corruption in city decision making” and to “promote accountability to the public”. Charter § 470(a). Moreover, political money laundering, by its nature, requires deliberate acts of concealment. In the instant matter, Respondent engaged in these acts 18 separate times.

Respondent argues that the Commission should assess a fine against him “at the lower end of the Commission’s guidelines, as close to its minimum as possible.” He cites his willingness to enter into the Waiver, his lack of an enforcement history with the Commission, and his contributions to the Koreatown section of Los Angeles as a basis for limiting his liability. He also notes that he is unable to pay a large fine because of financial hardships and because of his plans to retire and spend time traveling with rescue organizations and being with his daughter. Finally, he argues that the likely outcome of the companion criminal proceeding to this matter—a misdemeanor conviction, a period of probation, and a fine and court costs totaling about \$30,000—along with related adverse publicity is adequate punishment for the violations.

We acknowledge that Respondent acted with some degree of accountability by not contesting the charges, but this is a long way from affirmatively admitting to them and agreeing to paying a fine in accordance with the Commission’s stipulations for similar cases. We also acknowledge that he has no former enforcement history and has been an active member of the Los Angeles community. As he points out, Respondent is an experienced businessman, involved for many years in developing projects within the City. Presumably then, he is capable of understanding and respecting the laws that provide the infrastructure for the very system he espouses to respect and value and by which he thrived for so many years. Furthermore, when a developer engages in political money laundering, the Charter’s stated objective of avoiding even the appearance of corruption is significantly hindered.

With respect to his finances, Respondent has only made conclusory statements regarding his circumstances. While financial hardship may be taken into consideration in framing a penalty, the Commission is not under any obligation to accept these statements in the absence of supporting evidence.

Finally, the existence of the companion criminal prosecution and its consequences merely underscores the extraordinary seriousness of Respondent’s violations and the importance of strict enforcement of the laws intended to protect against such actions. Respondent appears to be an accomplished person. However, his conduct threatens a political contribution system that relies on transparency and equal participation. Whatever his motives, Respondent ignored these limitations in his efforts to enrich the committee of his candidate of choice. In the process, he affected the election in ways that cannot be undone. The penalty for such action should reflect this serious injury to the City’s democratic process.

PENALTY DISCUSSION

Respondent is charged with and does not contest the following:

- a. 18 counts of violating Charter section 470(k), which prohibits making political contributions in the name of another;
- b. One count of violating Charter section 470(c)(4) by contributing \$18,000 in excess of its \$1,000 per-person, per-election limit to Citywide candidates; and

- c. One count of violating Charter section 470(c)(6) by contributing \$13,250 in excess of the \$7,000 per-person, per-election limit on all contributions to candidates in the City primary election held on March 3, 2009.

Under the penalty provisions of Charter section 706(c), Respondent faces total maximum penalties of \$183,750, calculated as follows:

- a. \$90,000 for the 18 charged violations of Charter section 470(k);
- b. \$54,000 for the charged violation of Charter section 470(c)(4); and
- c. \$39,750 for the charged violation of Charter section 470(c)(6).

These are serious violations involving actions of both concealment and deceit and constituting a pattern, rather than an isolated incident, of wrongdoing. Respondent's case encompasses four aggravating factors enumerated in LAAC section 24.1.2(e)(7)(E): a severe violation; an intent to conceal, deceive, or mislead; deliberate acts; and a pattern of behavior. Since Respondent did not consult Commission staff for informal advice, the only mitigating factors are that he cooperated to a limited extent by entering into the Waiver and has no prior enforcement history with the Commission.

Under these circumstances, we recommend that Respondent be assessed a penalty close to the maximum. It may be appropriate to award Respondent some credit against the legal maximum penalty as noted above. However, we strongly disagree with his assertion that an appropriate penalty is at or near the lower end of the guidelines. On the contrary, the penalty should reflect the extremely egregious nature of the violations in question, the aggravating factors noted above, and the fact that Respondent has not admitted liability. Such a penalty should be at or very near the maximum.

Our recommendation takes into consideration previous money laundering cases resolved by stipulation and by waiver. In money laundering cases that have been resolved by stipulation, in which the respondents have admitted liability and have fully cooperated with Commission staff, the penalty formula is typically equal to three times the amount laundered, plus one times the dollar amount of any excess contributions. If Respondent had entered into a stipulation, application of the standard formula would have resulted in a penalty of \$85,250. Only two money laundering cases have been resolved by stipulation for amounts less than the standard penalty, one due to extenuating personal circumstances and another due to the extraordinary level of cooperation shown by the respondent during a joint investigation conducted by Commission staff and the Los Angeles County District Attorney's office.

In the only previous money laundering case that involved a similar respondent and was resolved by waiver, the Commission imposed the maximum penalty. In that case, as in this one, the respondent was the person who had devised the money laundering scheme and funded the reimbursements for the laundered contributions. The Commission has resolved another money laundering case by waiver, but the respondent in that case was a subordinate employee with a less culpable role in the laundering activity. That respondent was charged with aiding and abetting the person who had devised and funded the scheme, and the Commission found that the

specific facts warranted a lesser penalty than that typically imposed against individuals who launder political contributions.

If the Commission chooses in this case to depart from the precedent of imposing the maximum penalty on individuals who launder political contributions, we recommend only a minor reduction, as the only appropriately measured response to this extremely serious conduct.

Respectfully submitted,

DATED:

September 30, 2011

By:



DEENA GHALY

Director of Enforcement

LOS ANGELES CITY ETHICS COMMISSION

For Complainant

HEATHER HOLT

Executive Director

LOS ANGELES CITY ETHICS COMMISSION

DECISION AND ORDER

The City Ethics Commission considered CEC Case No. 2010-12 against Respondent Alexander Hugh at its meeting on October 11, 2011. The City Ethics Commission has determined that no violations of City law occurred and that Respondent Alexander Hugh is not required to pay a penalty to the City of Los Angeles.

DATED: _____

PAUL TURNER, President
City Ethics Commission

DECISION AND ORDER

The City Ethics Commission considered CEC Case No. 2010-12 against Respondent Alexander Hugh at its meeting on October 11, 2011. The City Ethics Commission has determined that violations of City law occurred, as identified in Counts _____, and orders Respondent Alexander Hugh to pay a fine of \$ _____ to the City of Los Angeles.

DATED: _____

PAUL TURNER, President
City Ethics Commission