



Ethics Commission

PRESS RELEASE

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ETHICS COMMISSION LEVIES RECORD \$128,000 FINE IN CAMPAIGN MONEY LAUNDERING CASE

The City of San Diego Ethics Commission voted unanimously today to fine Advantage Towing Company and its owner, Ayman Arekat (Respondents), \$128,000 after determining that they violated the City's campaign law prohibiting campaign money laundering. Advantage and Arekat used company employees to serve as "straw donors" to launder 15 contributions from Advantage Towing to 3 different mayoral candidates in the 2012 election cycle. The \$128,000 fine is the largest ever imposed by the San Diego Ethics Commission.

The Commission considered a recommendation from a State Administrative Law Judge (ALJ) and oral arguments before the Commission itself. The ALJ recommended a maximum fine on all 32 counts, finding that "the evidence overwhelmingly established . . . beyond a shadow of a doubt" that the Respondents reimbursed their employees for their campaign contributions. The ALJ also found that Respondents had no mitigating circumstances, intentionally violated the law, and admitted lying to the Commission.

"The Commission recognized that the integrity of City elections must be maintained by enforcing campaign contribution limits," said Gary Winuk, Special Counsel for the Commission and former Chief of Enforcement for the California Fair Political Practices Commission (FPPC), "This is one of the largest administrative campaign fines in State history, reflecting the severity of the case."

The ALJ found that the Respondents wrote company checks to each of the employees within 24 hours of their contributions, for the exact amount of their contributions, and all but one employee had insufficient funds in their accounts to cover the contributions without the reimbursements. The ALJ further found that Respondents received income from contracts with the City of San Diego.

Campaign money laundering occurs when a contributor uses an intermediary to make a contribution to a candidate without naming themselves as the source of the contribution. This is frequently used to avoid contribution limits, such as the \$500 contribution limit to Mayoral candidates in place in the 2012 election cycle. Campaign contribution limits are in place in order to limit the

influence of contributions on candidates and elected officials. The City of San Diego bans contributions from companies and other non-individuals for the same reason.

“Campaign money laundering is the most serious violation of the City’s campaign laws because it circumvents contribution limits and deprives the voters of important information regarding the financial supporters of City candidates,” stated Stacey Fulhorst, the Commission’s Executive Director. “The stiff penalty imposed today should serve as a reminder that the Commission will aggressively pursue anyone who participates in the laundering of contributions in City elections.”

Ethics Commission fines are paid to the City of San Diego’s General Fund. The Proposed Administrative Enforcement Order prepared by the ALJ as well as the hearing briefs submitted by the parties may be accessed via links to the Commission’s meeting agenda:
https://www.sandiego.gov/sites/default/files/agenda_160414.pdf.

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