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9 BEFORE THE FAIR POLITICAL PRACTICES COMMISSION  
10 STATE OF CALIFORNIA

11 In the Matter of:

12 NORTH STAR ALLIANCES, LLC;  
13 ERNESTO MORALES; AND LAUREN  
MORALES-CHITAY

14 Respondents.

FPPC Case No. 2020-00077

STIPULATION, DECISION AND ORDER

Date Submitted to Commission: January 2024

15  
16 **INTRODUCTION**

17 Respondents North Star Alliances, LLC (“North Star”), Ernesto Morales (“Morales”), and  
18 Lauren Morales-Chitay (“Morales-Chitay,” also known as Lauren Morales) were reported as  
19 contributors to various candidate-controlled committees in 2017 and 2018. This matter arose as a  
20 Commission-initiated investigation. Under the Political Reform Act (the “Act”)<sup>1</sup>, the true source of  
21 contributions must be disclosed on campaign statements. No contributor may make a contribution in the  
22 name of another. An intermediary of a contribution must be disclosed as an intermediary and not as the  
23 true source. North Star, Morales, and Morales-Chitay made contributions in the name of another and  
24 failed to disclose when acting as an intermediary.

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28 <sup>1</sup> The Political Reform Act is contained in Government Code §§ 81000 through 91014, and all statutory references are to this code. The regulations of the Fair Political Practice Commission are contained in §§ 18104 through 18998 of Title 2 of the California Code of Regulations, and all regulatory references are to this source.

1 **SUMMARY OF THE LAW**

2 The Act and its regulations are amended from time to time. All legal references and discussions  
3 of law are intended to be citations to statutes and regulations as they existed at the time of the violations  
4 in this case.

5 **Need for Liberal Construction and Vigorous Enforcement of the Political Reform Act**

6 When enacting the Political Reform Act, the people of California found and declared that  
7 previous laws regulating political practices suffered from inadequate enforcement by state and local  
8 authorities.<sup>2</sup> Thus, it was decreed that the Act “should be liberally construed to accomplish its  
9 purposes.”<sup>3</sup>

10 One purpose of the Act is to promote transparency by ensuring that receipts and expenditures in  
11 election campaigns are fully and truthfully disclosed so that voters are fully informed and improper  
12 practices are inhibited.<sup>4</sup> Along these lines, the Act includes a comprehensive campaign reporting system  
13 and provides that the true sources of campaign contributions may not be concealed.<sup>5</sup>

14 Another purpose of the Act is to provide adequate enforcement mechanisms so that the Act will  
15 be “vigorously enforced.”<sup>6</sup>

16 **Prohibition Against Making Contributions in Name of Another**

17 No campaign contribution may be made, directly or indirectly, in the name of another person.<sup>7</sup>  
18 This prohibition helps keep the public informed as to the actual sources of campaign contributions—and  
19 helps to prevent circumvention of campaign contribution limits. When a person makes a contribution on  
20 behalf of another, that person’s intermediary relationship with the actual contributor must be disclosed  
21 to the recipient of the contribution—and the recipient’s campaign filings must disclose both the  
22 intermediary and the actual contributor.<sup>8</sup>

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26 <sup>2</sup> Section 81001, subdivision (h).

27 <sup>3</sup> Section 81003.

28 <sup>4</sup> Section 81002, subdivision (a).

<sup>5</sup> Section 84200, *et seq.* and 84301.

<sup>6</sup> Section 81002, subdivision (f).

<sup>7</sup> Section 84301.

<sup>8</sup> Section 84302.

1 Section 84300, subdivision (c), prohibits making campaign contributions of One Hundred  
2 Dollars (\$100.00) or more unless the contributions are made by way of written instrument containing the  
3 names of both the actual donor and the real payee.

4 **Contributions by Intermediary or Agent**

5 Section 84302 prohibits any person from making a contribution while acting as the intermediary  
6 of another, without disclosing to the recipient of the contribution both the intermediary's own full name,  
7 street address, occupation, and employer, and the actual donor's full name, street address, occupation,  
8 and employer.

9 **SUMMARY OF THE FACTS**

10 North Star registered as an LLC with the Secretary of State ("SOS") on or around December 18,  
11 2014. North Star's business is described as consulting for business development. In 2017, according to  
12 filings from SOS, Morales was the managing member of the LLC and is the firm's Chief Executive  
13 Officer. Morales-Chitay is a Program Director for North Star. Morales-Chitay is the daughter of  
14 Morales.

15 As discussed above, from December 2017 through August 2018, North Star, Morales, and  
16 Morales-Chitay made a series of contributions to various local candidates without disclosing the true  
17 source of the contribution. The evidence shows that Morales, North Star, and Morales-Chitay were  
18 reimbursed with cash in the same dollar amounts as the contributions on or near the date of the  
19 contributions made.

20 Morales made contributions from a personal checking account and failed to disclose to the  
21 receiving committee that Morales was an intermediary for the true source of the funds. Specifically,  
22 Morales made a contribution of \$2,500 on or around December 13, 2017 to the committee, Joanna  
23 Flores for Montebello School Board. Bank records show that Morales deposited \$2,500 in cash to his  
24 bank account—a reimbursement for the contribution. In addition, Morales made a contribution of  
25 \$1,000 on or around January 9, 2018 to the committee, Escobedo for Whittier Council 2018. However,  
26 bank records show that Morales deposited \$1,000 in cash on the same day he wrote the contribution  
27 check. Morales received a reimbursement in cash for this contribution and was not the true source.  
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1 Morales made a contribution of \$800 on or around August 15, 2018 to the committee, Valladares  
2 for Rio Hondo College Board 2018 (“Valladares Committee”). North Star made a contribution of \$800  
3 on or around August 15, 2018 to the Valladares committee. Morales-Chitay made a contribution of  
4 \$1,200 on or around August 17, 2018 to the Valladares committee. However, bank records show that a  
5 cash deposit of \$2,800 was made into the North Star business account on August 15, 2018. The deposit  
6 shows that Respondents North Star, Morales, and Morales-Chitay were reimbursed for their contribution  
7 and were not the true source. Morales-Chitay wrote a check to herself from the North Star account for  
8 \$1,200 and wrote in the memo line, Valladares – further indicating that Morales-Chitay was not the true  
9 source of the funds. The Respondents failed to disclose that they were acting as an intermediary.

10 The true source of these contributions is believed to be Del Terra Real Estate Services, Inc. (“Del  
11 Terra.”) On July 14, 2023, Del Terra entered a no contest plea to two misdemeanor counts of Section  
12 84301, making a contribution in the name of another. One count in this criminal complaint includes the  
13 contribution made on December 13, 2017 by Morales. The Los Angeles Superior Court held, in part,  
14 that Del Terra would pay at least \$41,070 in fines and penalties. In response to this matter, North Star,  
15 Morales, and Morales-Chitay have invoked their Fifth Amendment right against self-incrimination.

## 16 VIOLATIONS

### 17 Count 1

18 Morales made a \$2,500 contribution in a name other than the name by which the true source was  
19 identified and failed to disclose that Morales was acting as an intermediary or agent and failed to disclose  
20 the true source of the contribution, in violation of Government Code Sections 84301 and 84302.

### 21 Count 2

22 Morales made a \$1,000 contribution on behalf of the true source of the contribution and failed to  
23 disclose the true source and that Morales was an intermediary for the contribution, in violation of  
24 Government Code Sections 84301 and 84302.

### 25 Count 3

26 North Star made a \$800 contribution on behalf of the true source of the contribution and failed to  
27 disclose the true source and that North Star was an intermediary for the contribution, in violation of  
28 Government Code Sections 84301 and 84302.

1 **Count 4**

2 Morales-Chitay made a \$1,200 contribution on behalf of the true source of the contribution and  
3 failed to disclose the true source and that Morales-Chitay was an intermediary for the contribution, in  
4 violation of Government Code Sections 84301 and 84302.

5 **Count 5**

6 Morales made a \$800 contribution on behalf of the true source of the contribution and failed to  
7 disclose the true source and that Morales was an intermediary for the contribution, in violation of  
8 Government Code Sections 84301 and 84302.

9 **PROPOSED PENALTY**

10 This matter consists of five proposed counts. The maximum penalty that may be imposed is  
11 \$5,000 per count.<sup>9</sup> Thus, the maximum penalty that may be imposed for the counts charged is \$25,000.

12 This matter does not qualify for the Streamline Program because the violation at issue is not  
13 eligible.

14 In determining the appropriate penalty for a particular violation of the Act, the Enforcement  
15 Division considers the typical treatment of a violation in the overall statutory scheme of the Act, with an  
16 emphasis on serving the purposes and intent of the Act. Additionally, the Enforcement Division  
17 considers the facts and circumstances of the violation in the context of the following factors set forth in  
18 Regulation 18361.5 subdivision (e)(1) through (8): (1) The extent and gravity of the public harm caused  
19 by the specific violation; (2) The level of experience of the violator with the requirements of the Political  
20 Reform Act; (3) Penalties previously imposed by the Commission in comparable cases; (4) The presence  
21 or absence of any intention to conceal, deceive or mislead; (5) Whether the violation was deliberate,  
22 negligent or inadvertent; (6) Whether the violator demonstrated good faith by consulting the Commission  
23 staff or any other governmental agency in a manner not constituting complete defense under Government  
24 Code Section 83114(b); (7) Whether the violation was isolated or part of a pattern and whether the  
25 violator has a prior record of violations of the Political Reform Act or similar laws; and (8) Whether the  
26 violator, upon learning of a reporting violation, voluntarily filed amendments to provide full disclosure.

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<sup>9</sup> See Section 83116, subdivision (c).

1 With respect to the first factor, making a campaign contribution in the name of another is one of  
2 the most serious violations of the Act, causing a high degree of public harm. Such conduct circumvents  
3 applicable campaign contribution limits, violates disclosure requirements, deceives the public as to the  
4 true source of contributions, and ultimately undermines the trust in the transparency of campaign  
5 reporting. Here, Morales', Morales-Chitay's, and North Star's conduct concealed the true sources of  
6 contributions when they made six contributions totaling \$6,300 without disclosing that they acted as an  
7 intermediary and without disclosing the true source of the contribution.

8 With respect to the Respondents' level of experience with the Act, Morales, Morales-Chitay, and  
9 North Star are not elected officials or candidates and have never contributed to committees at the  
10 threshold where they would qualify as a major donor committee.

11 The Enforcement Division has not recently prosecuted a case involving the unreported  
12 intermediary in the transaction. The most recent case prosecuted was FPPC No. 14/416, *In the Matter of*  
13 *Edward J. Sanchez*. In this matter, Sanchez, acting as an intermediary for his employer, made a \$300  
14 contribution to a committee in his own name so that the identity of the true donor was not reported. The  
15 Commission imposed a penalty of \$4,500 for this count on October 16, 2014.

16 The evidence supports a finding that the violations were deliberate, not negligent or inadvertent.  
17 While the Enforcement Division has no information regarding the Respondents' knowledge or  
18 understanding of the Act itself, the timing of the reimbursements suggests that the Respondents knew or  
19 should have known that they were making contributions in their own name with another's money. This  
20 suggests that there was an intent to conceal the true source of the funds.

21 In this case, the violations were not an isolated incident but rather a pattern of activity where  
22 multiple contributions were made to various committees without disclosure of the true source. Neither  
23 party has a prior history with the Enforcement Division.

24 After considering the factors listed in Regulation 18361.5 and penalties in prior similar cases, a  
25 penalty of \$4,500 is recommended for all Counts. A total penalty of \$22,500 is recommended.

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1 **CONCLUSION**

2 Complainant, the Enforcement Division of the Fair Political Practices Commission, and  
3 Respondents, North Star Alliances, LLC.; Ernesto Morales; and Lauren Morales-Chitay; hereby agree as  
4 follows:

5 1. Respondents have violated the Act as described in the foregoing pages, which are a true  
6 and accurate summary of the facts in this matter.

7 2. This stipulation will be submitted for consideration by the Fair Political Practices  
8 Commission at its next regularly scheduled meeting—or as soon thereafter as the matter may be heard.

9 3. This stipulation resolves all factual and legal issues raised in this matter—for the purpose  
10 of reaching a final disposition without the necessity of holding an administrative hearing to determine the  
11 liability of Respondent pursuant to Section 83116.

12 4. Respondents have consulted with their attorney, Dmitry Gorin of Eisner and Gorin LLP,  
13 and understand, and hereby knowingly and voluntarily waive, any and all procedural rights set forth in  
14 Sections 83115.5, 11503, 11523, and Regulations 18361.1 through 18361.9. This includes, but is not  
15 limited to the right to appear personally at any administrative hearing held in this matter, to be  
16 represented by an attorney at Respondent’s own expense, to confront and cross-examine all witnesses  
17 testifying at the hearing, to subpoena witnesses to testify at the hearing, to have an impartial  
18 administrative law judge preside over the hearing as a hearing officer, and to have the matter judicially  
19 reviewed.

20 5. Respondents agree to the issuance of the decision and order set forth below. Also,  
21 Respondents agree to the Commission imposing against them an administrative penalty in the amount of  
22 \$22,500. One or more payments totaling said amount—to be paid to the General Fund of the State of  
23 California—is/are submitted with this stipulation as full payment of the administrative penalty described  
24 above, and same shall be held by the State of California until the Commission issues its decision and  
25 order regarding this matter.

26 6. If the Commission declines to approve this stipulation—then this stipulation shall become  
27 null and void, and within fifteen business days after the Commission meeting at which the stipulation is  
28 rejected, all payments tendered by Respondents in connection with this stipulation shall be reimbursed to

1 Respondents. If this stipulation is not approved by the Commission, and if a full evidentiary hearing  
2 before the Commission becomes necessary, neither any member of the Commission, nor the Executive  
3 Director, shall be disqualified because of prior consideration of this Stipulation.

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1           7.       The parties to this agreement may execute their respective signature pages separately. A  
2 copy of any party's executed signature page, including a hardcopy of a signature page transmitted via fax  
3 or as a PDF email attachment, is as effective and binding as the original.  
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5 Dated: \_\_\_\_\_

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James M. Lindsay, Chief of Enforcement  
Fair Political Practices Commission

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

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Ernesto Morales,  
individually and on behalf of North Star Alliances, LLC

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11 Dated: \_\_\_\_\_

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Lauren Morales-Chitay,  
individually and on behalf of North Star Alliances, LLC

1           The foregoing stipulation of the parties North Star Alliances, LLC; Ernesto Morales; and Lauren  
2 Morales-Chitay; FPPC Case No. 2020-00077 is hereby accepted as the final decision and order of the  
3 Fair Political Practices Commission, effective upon execution below by the Chair.

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5           IT IS SO ORDERED.

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7           Dated: \_\_\_\_\_

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Richard C. Miadich, Chair  
Fair Political Practices Commission