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10 SUPERIOR COURT OF THE STATE OF CALIFORNIA
11 COUNTY OF SAN FRANCISCO
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14 In the Matter of the Voluntary Dissolution of:

15
16 THE SAN FRANCISCO NEIGHBORS RESOURCE
CENTER
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CASE NO.

PETITION FOR COURT
SUPERVISION OF
VOLUNTARY WINDING UP
AND DISSOLUTION OF
CALIFORNIA NONPROFIT
PUBLIC BENEFIT
CORPORATION
(Corp. Code § 6614)

21 Bill Lockyer, the Attorney General of the State of California, alleges and petitions this Court
22 as follows:

23 1. This is a petition, brought pursuant to Corporations Code section 6614, for court
24 supervision of the winding up of the affairs of the San Francisco Neighbors Resource Center
25 (“SFNRC”) and dissolution of that corporation.

26 2. Petitioner is the duly elected Attorney General of the State of California and is charged
27 with the general supervision of all charitable organizations within this State. The Attorney General is
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1 authorized to enforce, in the name of the People, the provisions of the Supervision of Trustees and
2 Fundraisers for Charitable Purposes Act (Gov. Code, § 12580 et seq.), and the Nonprofit Public
3 Benefit Corporation Law (Corp. Code, § 5110 et seq.).

4 3. Respondent, the SFNRC, is a California nonprofit public benefit corporation duly
5 incorporated in August 1999, pursuant to Corporations Code section 5000, et seq. According to its
6 articles of incorporation, the SFNRC was formed for the specific purposes of providing bilingual
7 education services, providing services to senior citizens (including but not limited to housing and health
8 care) and providing youth education services (including but not limited to childcare and youth
9 employment training).

10 4. At all times material herein, the principal place of business of the SFNRC has been, and
11 is, in the County of San Francisco.

12 5. Petitioner is informed and believes that the current members of the Board of Directors of
13 the SFNRC are Julie Lee, Shing-Kit (“Lucas”) Lee, John Barry, Arnold Townsend and Philip Chang.
14 Petitioner is informed that Ms. Lee has taken a “leave of absence” from the Board.

15 6. Petitioner is informed and believes that director Julie Lee is an acquaintance of Secretary
16 of State Kevin Shelley and has been a major political fundraiser for him in the past.

17 7. In May 2001, the State Department of Parks and Recreation issued a grant to the
18 SFNRC in the amount of \$492,500, to be used in connection with the SFNRC’s project to construct
19 the San Francisco Neighbors Resource Community Center. The grant funds were deposited into an
20 account at National American Bank (“the NAB account”).

21 8. Between September 1, 2001, and December 1, 2001, \$27,000 was disbursed from the
22 NAB account to Eric Zhu for “project management.” Petitioner is informed and believes that Mr. Zhu
23 performed no services to the SFNRC to warrant the disbursement of these funds to him.

24 9. On or about December 28, 2001, Zhu made a \$25,000 donation to the Shelley for
25 Secretary of State-Every Vote Counts political campaign.

26 10. On or about December 1, 2001, the SFNRC issued a check in the amount of \$25,000
27 from the NAB account to Steve Chen for “project management.” Petitioner is informed and believes
28 that Steve Chen performed no services to the SFNRC to warrant the disbursement of these funds to

1 him.

2 11. On or about December 28, 2001, Steve Chen donated \$25,000 to the Shelley for
3 Secretary of State-Every Vote Counts political campaign.

4 12. On or about February 8, 2002, the SFNRC issued a check on the NAB account in the
5 amount of \$26,000 to Gemini Advisors, Inc., a California for-profit corporation, purportedly for
6 “consultant services.” Petitioner is unaware of any services Gemini Advisors or anyone on its behalf
7 performed to the SFNRC to warrant the disbursement of these funds to Gemini Advisors.

8 13. On or about March 5, 2002, Gemini Advisors made a donation of \$25,000 to the
9 Shelley for Secretary of State-Every Vote Counts political campaign.

10 14. On or about June 30, 2002, James Li made a donation of \$25,000 to the Shelley for
11 Secretary of State-Every Vote Counts political campaign. On or about July 2, 2002, the SFNRC
12 issued a check drawn on the NAB account in the amount of \$60,750 made payable to James Li.
13 Petitioner is informed and believes that a portion of the SFNRC funds disbursed to James Li was to
14 reimburse Mr. Li for the political donation he made to the Shelley for Secretary of State-Every Vote
15 Counts campaign.

16 15. On or about October 30, 2002, the SFNRC disbursed \$30,000 from the NAB account
17 to Cabrillo Construction Co., Inc. (Cabrillo), a California for-profit corporation, purportedly for
18 “development fees.” Petitioner is informed and believes that neither Cabrillo Construction nor anyone
19 on its behalf performed services to the SFNRC to warrant the disbursement of these funds to Cabrillo.

20 16. On or about November 1, 2002, Cabrillo made a donation in the amount of \$25,000 to
21 the Shelley for Secretary of State-Every Vote Counts political campaign.

22 17. The San Francisco Neighbors Resource Community Center was never constructed.

23 18. Petitioner is informed and believes that federal authorities have seized the funds
24 remaining in the NAB account. However, the SFNRC has at least one other bank account in which
25 SFNRC assets are held.

26 19. Petitioner is informed and believes that the directors of the SFNRC retained the services
27 of a tax preparer to prepare the SFNRC’s tax returns for calendar year 2001. Petitioner is further
28 informed and believes that the directors failed to provide the tax preparer with any records or

1 information regarding the SFNRC's receipt of \$492,500 in grant funds during 2001. As a result, the
2 tax return for the SFNRC for calendar year 2001 is materially inaccurate in that it understates
3 corporate revenue by at least \$492,500.

4 20. On December 19, 2002, the chief financial officer of the SFNRC signed a report filed
5 under penalty of perjury with the Attorney General's Registry of Charitable Trusts that understated the
6 gross receipts of the SFNRC for calendar year 2001 by at least \$492,500.

7 21. In August 2004, the Attorney General commenced, *inter alia*, a charitable trusts civil
8 investigation into the facts and circumstances surrounding the state grant to the SFNRC, the
9 disbursement of the grant funds, and the political contributions alleged in this Petition.

10 22. In August 2004, the Attorney General issued numerous administrative subpoenas for
11 documents related to the state grant to the SFNRC, the disbursement of grant funds, and the political
12 contributions alleged in this Petition.

13 23. In response to the subpoenas, several of the subpoenaed parties who were also
14 recipients of SFNRC funds from the NAB account asserted a Fifth Amendment act-of-production
15 privilege as to all or a portion of documents in their possession that are responsive to the subpoenas.
16 With the exception of James Li, no subpoenaed witness who received funds from the NAB account
17 produced any documents evidencing work performed or services provided to the SFNRC that would
18 warrant any receipt of SFNRC funds.

19 24. On September 27, 2004, SFNRC board members Townsend, Barry, Chang and Lucas
20 Lee elected to voluntarily wind up and dissolve the corporation and passed a resolution setting forth
21 that election. As of the execution of this Petition, no certificate of election to voluntarily dissolve has
22 been delivered to the Attorney General as required by Corporation Code section 6611, subdivision (a).

23 25. Petitioner is informed and believes that, as of the execution of this Petition, no attorney
24 has been retained by the SFNRC to complete the voluntary dissolution process.

25 26. Given the facts alleged in this Petition, it is necessary for this Court to take jurisdiction
26 over the SFNRC's voluntary winding up and dissolution for the protection of the People of the State of
27 California, the ultimate charitable beneficiaries of the SFNRC's assets. (Corp. Code, § 6614.) It
28 appears that substantial SFNRC assets were diverted and expended for improper purposes. If the

1 directors diverted the SFNRC's charitable assets for improper purposes or negligently allowed such
2 diversion to be accomplished, they breached their fiduciary duty to the corporation. The Attorney
3 General continues to investigate the operations and activities of the SFNRC. In the meantime, the
4 directors of the SFNRC should not be trusted to wind up the affairs of the SFNRC and dissolve
5 without court supervision.

6 27. Further, the directors and each of them should be ordered by this Court to account for
7 all receipts and disbursements of SFNRC funds. With regard to disbursements, the accounting should
8 be ordered to include the identity of who received the funds, how the funds were used, and how each
9 disbursement furthered the charitable purpose of the corporation.

10 WHEREFORE, Petitioner prays this Court for the following relief:

11 a. For an order assuming jurisdiction over the winding up of the affairs of the corporation
12 and dissolution process;

13 b. For an order directing the directors of the SFNRC to file an accounting of all receipts and
14 disbursements of SFNRC funds prior to dissolving the corporation;

15 c. For an order that notice to creditors of the corporation shall be given pursuant to
16 Corporations Code section 6517;

17 d. Upon completion of the winding up process, including settlement of accounts and claims
18 of creditors, for an order that the remaining assets of the corporation be distributed to a suitable
19 nonprofit public benefit corporation, to be held on the same trusts as held by respondent;

20 e. Upon completion of the winding up process and distribution of assets, after a noticed
21 hearing, for an order declaring the corporation duly wound up and dissolved as provided in
22 Corporations Code section 6518; and

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f. For such other orders as the Court may deem proper.

Dated: October 28, 2004

Respectfully submitted,
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