

## How Does \$20 Million in Chinese Money Get Involved in Dean's Campaign?

Advanced Sports, Inc., ("ASI") a business run by Madeleine Dean's husband, its 17-year CEO, received \$20 million for a 50% stake of ASI from IdealBike, a publicly traded Taiwan-based bicycle manufacturer, with a current valuation ONLY \$45 million, whose founder (a former Chinese Nationalist Party-political figure) and current chairman (son of the founder) have both been under investigations for financial crimes, during Dean's campaign.

### Advanced Sports Inc.

- Established in 1998 as a bicycle designer and wholesaler with its headquarters in Philadelphia, PA.
- Dean's husband, Patrick J Cunnane, has been the CEO of Advanced Sports, Inc. since 2001.
- ASI is IdealBike's largest customer, according to IdealBike disclosures.
- Acquired and consolidated with Performance Holding (Performance Bicycle) in 2016 to form Advanced Sports Enterprise ("ASE") for a valuation of \$80 million (ASE) and ASI at \$40 million (ASI).

### IdealBike

- Bicycle manufacturer in Taiwan with the main factory in Dongguan, China.
- Mainly outsources bicycles to third parties to be sold.
- Pays Chinese employees approximately USD \$1.49-\$2.20 per hour, according to its on-site recruiting posting and on-camera interviews with employees.
- Established in 1981 by Mr. Pen-Tsao Chang, a former legislator and prominent Chinese Nationalist Party (Kuomintang, KMT) figure in Taiwan.
  - **Mr. Pen-Tsao Chang**
    - Served as Chairman for the General Chamber of Commerce of the Republic of China from 2006 to 2013.
    - Currently serves as the chairman of Taiwan Federation of Commerce
    - Founded IdealBike (8933.tw).
  - **Mr. Yuan-Pin Hermes Chang**, Pen-Tsao Chang's son, is the current chairman Of IdealBike.
- IdealBike issued A \$10 million convertible bond in January 2017 and did a \$10 million share offering in November 2017. Both bond and share investors are not disclosed.
- \$20 million, the proceeds of these two 2017 offerings directly or indirectly went to acquire a 50% stake of ASI in Q1 2018, in the midst of Dean's campaign.
  - For this acquisition of ASI, we estimate at 62x earnings - a highly questionable multiple for a declining wholesale business (according to IdealBike's financial disclosure and employees' interview) or any business. Average multiple of mature listed US companies is 25x earnings.

- Dean disclosed in her filings that ASE (parent company to ASI) is worth only \$7 million to \$14 million meaning ASI (a subsidiary with half the valuation of ASE based upon IdealBike's financial disclosure) is only worth approximately \$3.5 million to \$7 million. Therefore, IdealBike acquired 50% of ASI (worth ONLY \$1.75 million to \$3.5 million) for \$20 million in the midst of Dean's campaign, which is highly questionable.
- This \$20 million injection or 50% stake brought IdealBike to 58.5% ownership of ASI. However, IdealBike still did not consolidate ASI's financials in Q2 2018 after closing the transaction. This indicates that Dean's family may still control ASI, which received \$20 million from IdealBike.
- With the political connection around Pen-Tsao Chang and his associated Chinese Nationalist Party and with the \$20 million payment to ASI, controlled by Dean's family, we are highly suspicious about this transaction arrangement, which moved \$20 million from undisclosed investors to IdealBike and then to ASI, within one year (2017-2018).
- Dean disclosed a 20% family ownership stake in Jadeland Pacific worth \$1 million to \$5 million, but did not disclose that Jadeland Pacific is a foreign entity (BVI) as required by FEC.
- Dean amended her financial filing to indicate that her family stake in Jadeland Pacific is 24% and not 20% as first disclosed, but still refuses to disclose non-US citizen partners who have a majority ownership of Jadeland Pacific and in turn control ASE with 55% ownership.
  - Who is really behind Jadeland Pacific?
  - Are these people behind Jadeland Pacific relevant to the Chang family and or those related political parties?
- Dean's amended filing disclosed that her husband is the CEO of Jadeland Pacific, an international distribution company.
  - From where does Jadeland Pacific operate its international distribution business from?
  - Why does Jadeland Pacific not pay Dean's husband any salary according to Dean's filings for his role of CEO?
- As a Chinese Nationalist Party (out of power in Taiwan) political figure, Pen-Tsao Chang, the founder of IdealBike has a criminal conviction (being appealed) and his son, Yuan-pin Hermes Chang, the current IdealBike's chairman, is also under criminal investigation. Therefore, it is reasonable for us to be suspicious of this \$20 million transaction.
  - Is the Chang family funneling money out of Taiwan to the US with this \$ 20 million transaction?
- Dean is calling for a high minimum wage in the US while her family business is reportedly paying Chinese employees \$1.49 to \$2.20 an hour, earning millions for her family. Dean and her husband have self-interestedly and publicly criticized the current administration's trade policy. Is this political stance conveniently serving her family's interests, but not the interests of the American people?

NOTE: Dean's family has worked with IdealBike for almost 20 years. At one point, Dean even served as corporate counsel for her family's bike business. As a lawyer, Dean is on the Finance committee and Ethics committee at the PA Statehouse. It reasonable to assume she has personal knowledge of ASI and idealBike's business as well as relevant financial disclosure requirements.

**A: Questions voters need to have answered surrounding the \$20 million payment:**

- a. Why did IdealBike (with a current valuation of \$45 million) pay \$20 million for 50% of ASI, which according to Dean's disclosures is worth \$1.75 million to \$3.5 million?
- b. Who financed \$20 million bond and stock offering to IdealBike in 2017?
  - According to IdealBike's first quarter 2018 company filing they value ASI at \$40 million (50% stake at \$20 million). ASI is a subsidiary of ASE representing approximately 50% of ASE's total value, based on a 2016 transaction which valued ASE at around \$80 million.
  - Dean disclosed in both her original and amended filing that her family stake in ASE is 3.55% which she values at \$250,000-\$500,000; this implies a total valuation of ASE at \$7 million-\$14 million dollars. Therefore, 50% of ASI would ONLY be worth \$1.75 million to \$3.5 million.
  - According to the Philadelphia Inquirer, Jadeland Pacific owns 55% of ASE which would be worth a maximum of \$7.7 million (55% of \$14 million). Dean disclosed in her amended filing that her family interest in Jadeland Pacific is 24%. Based on this calculation, Dean's family stake would be a maximum \$1.85 million (24% of \$7.7 million).

**B: Questions voters need to have answered surrounding Jadeland Pacific, the BVI company:**

- a. Who are the non-US citizen partners of Jadeland Pacific?
- b. Are these non-US citizen partners of Jadeland Pacific relevant to Chang family and his associated Chinese Nationalist Party?
- c. Dean's amended filing it is disclosed that Dean's husband is the CEO of Jadeland Pacific, an international distribution company. Where does Jadeland Pacific operate its international distribution business and why does Jadeland Pacific not pay Dean's husband a salary for his CEO role?

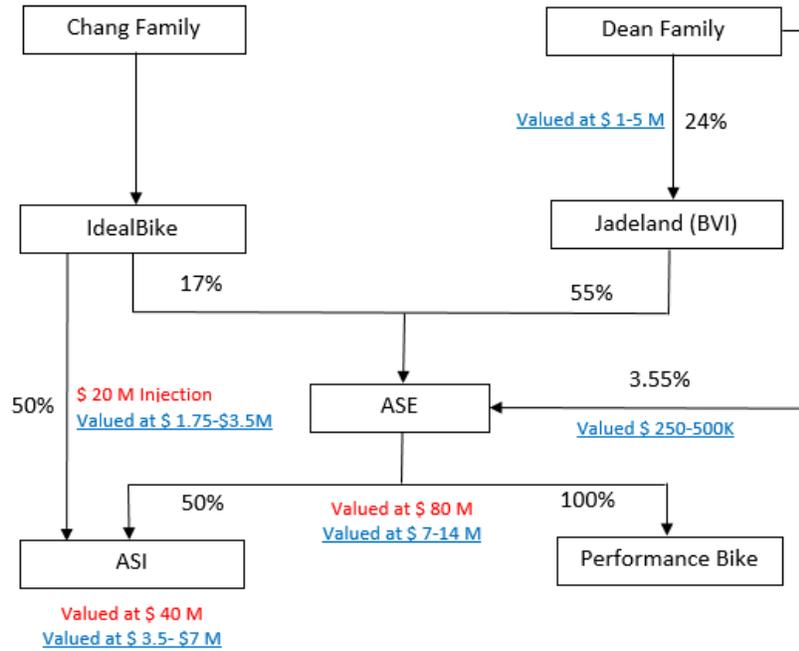
**C: Questions surrounding the Founder and Chairman of IdealBike:**

Is the Dean Campaign aware of the past and present criminal charges and investigation surrounding Pen-Tsao Chang and Yuan-Pin Hermes Chang?

What is the real motivation for the criminally troubled Chang family, IdealBike's controlling shareholder, to pay \$20 million for something Dean only values at \$1.75 million to \$3.5 million?

**Exhibit A:**

**Corporate Chart: ASE, ASI, IdealBike and Jadeland Pacific and Others.**



Note:  
 Red numbers are valuation given by IdealBike  
 Blue numbers are valuation disclosed in Dean's disclosure

**Note:**

1. In 2016, ASI consolidated with Performance to form ASE, which in turn owned 100% ASI and 100% performance Bike;
2. In Q1 2018, IdealBike acquired 50% ASI with a \$20 million injection. Accordingly, IdealBike beneficially owns 58.5% ASI via its 50% direct ownership and 17% indirect ownership via ASE;
3. IdealBike owns 17% of ASE, Jadeland Pacific owns 55% of ASE, Dean family owns 3.55% of ASE, and the remaining 24.45% of ASE is owned by undisclosed shareholders;
4. Dean family owns 24% Jadeland Pacific and unknown non-US partners owns 76% of Jadeland Pacific according to the Philadelphia Inquirer.

**Exhibit B:**

**Chang family's criminal case summary**

**Pen-Tsao Chang Case Summary**

**A. Illegal Offering:** Chairman of the company International Securities

1. Charged in 2010 and 2011 by local prosecutor
2. July 5, 2018: Sentenced by Taipei Local Court
  - a. Pen-Tsao Chang to 10 months - on appeal
  - b. Shuk-Chu Chan (his wife) to 10 months – on appeal

Source:

- a) Judgement issued by Taipei Local Court (in Chinese) downloaded and enclosed  
Named as “07052018 Taipei Local Court Judgement”
- b) News reported by Nownews.com on July 5, 2018 (in Chinese)  
<https://www.nownews.com/news/20180705/2784004/>

**B. Securities fraud case:** Chairman of the company International Securities

1. October 13, 2009: Charged by local prosecutor  
Source: Judgement issued by Taiwan High Court
2. May 28, 2010: sentenced by Taipei Local Court
  - a. Pen-Tsao Chang to 7.5 years - appealed
  - b. Shuk-Chu Chan (his wife) to 8.5 years - appealed
3. July 17, 2014: Sentenced by Taiwan High Court
  - a. Pen-Tsao Chang to 7.5 years - appealed
  - b. Shuk-Chu Chan (his wife) to 8.5 years – appealed

Source:

- c) judgement issued by Taiwan High Court (in Chinese) downloaded and enclosed.  
Named as “07172014 Taiwan High Court Judgement”
- d) News report by China Times on July 17, 2014 (in Chinese)  
<http://www.chinatimes.com/cn/realtimenews/20140717002633-260402>
- e) News report by China Post on July 18, 2014. (in English)  
<https://chinapost.nownews.com/20140718-60480>
- f) News report by Kuomintang Official Website on July 18, 2014 (in English)  
<http://www1.kmt.org.tw/english/page.aspx?type=article&mnum=112&anum=14848>
4. Nov. 5, 2015: Taiwan Supreme Court overturned and acquitted based upon conflicted reasoning and the case returned to the Taipei High Court  
Source:
  - g) Judgement issued by Taiwan Supreme Court (in Chinese) downloaded and enclosed  
Named as “11052015 Taiwan Supreme Court Judgement”
  - h) News report by Liberty Times on Nov. 6, 2015 (in Chinese)  
<http://ec.ltn.com.tw/article/paper/930134>

**C. Embezzlement case:** Chairman of the company International Securities

1. 2014: Charged by local prosecutor
2. August 11, 2017: Dismissed by Taipei Local Court for lack of evidence

Source:

- i) Judgement issued by Taipei Local Court (in Chinese) downloaded and enclosed  
Named as "08112017 Taipei Local Court Judgement"
- j) News reported by Liberty Times on August 11, 2017 (in Chinese)  
<http://news.ltn.com.tw/news/society/breakingnews/2159663>

**D. Restriction from leaving Taiwan**

1. October 12, 2015: sentenced by Taiwan High Court
  - k) Pen-Tsao Chang and Shuk-Chu Chan are restricted from leaving Taiwan.

Source:

- l) Judgement issued by Taiwan High Court (in Chinese) downloaded and enclosed  
Named as "10122015 Taiwan High Court Judgement"  
News reported by UpMedia on September 25, 2016 (in Chinese)  
[https://www.upmedia.mg/news\\_info.php?SerialNo=4539](https://www.upmedia.mg/news_info.php?SerialNo=4539)

**Yuan-Pin Hermes Chang Case Summary**

- A. Yuan-Pin Hermes Chang was interrogated by the Taipei Local Prosecutor's Office on March 16, 2017 and was bailed out for USD 100,000.

Source:

- m) News reported by China Times on March 17, 2017 (in Chinese)  
<http://www.chinatimes.com/cn/realtimenews/20170316003945-260402>
- n) May 2018 Convertible Bond Prospectus Disclosure  
"Taipei Local Prosecutor Office ordered and Mr. Yuan-pin Chang, our chairman, paid NT\$ 3 million (USD \$100,000) bail for his insider trading criminal case regarding the acquisition between ASML and Hermes-Microvision. Currently, this case is still under investigation. For the confidentiality of the investigation, we do not know investigation details of Taipei Local Prosecutor Office. Even though Mr. Yuan-pin Chang was involved in this case, as this case it not prosecuted by the prosecutor office and no judgement is made yet, we cannot predict the result. In the event that Mr. Yuan-pin Chang is found guilty, it is a personal case with Mr. Yuan-Pin Chang individually, and the result would not affect the company."

**Exhibit C:**

**IdealBike's public disclosure and Court Judgements from Taiwan (in Chinese)**

1. IdealBike's 2017 annual report;
2. IdealBike's 2018 Q1 financial report;
3. IdealBike's 2018 Q2 financial report;
4. IdealBike's January 2017 Convertible Bond Offering Prospectus;
5. IdealBike's November 2017 Share Offering Prospectus;
6. IdealBike's May 2018 Convertible Bond Offering Prospectus;
7. July 2018 Taipei Local Court Judgement;
8. August 2017 Taipei Local Court Judgement;
9. November 2015 Taiwan Supreme Court Judgement;
10. October 2015 Taiwan High Court Judgement;
11. July 2014 Taiwan High Court Judgement.

**Exhibit D:**

**Dean's Original and Amended Financial Disclosures**

1. Dean's original financial disclosure;
2. Dean's amended financial disclosure.