



For Immediate Release

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MADIGAN: FRAUDULENT CHARITY ALLEGEDLY COLLECTED MORE THAN \$3 MILLION; USED PROCEEDS TO MAKE PURCHASES FOR INTERNATIONAL TRAVEL AND AT A LIPOSUCTION CLINIC

Chicago – Attorney General Lisa Madigan today announced that her office has obtained a preliminary injunction to freeze the assets of an allegedly fraudulent charitable organization and prevent its officers and directors from continuing to allow the organization's funds to be used for non-charitable purposes and personal use.

Cook County Circuit Court Judge Anthony Young has issued preliminary injunctions against the trustees of a now dissolved Chicago-based not-for-profit corporation, Student Leadership Network (SLN). On December 29, 2005, Madigan's office reached an agreement with defendant trustees Phillip Bleicher, Elizabeth Bruen, and Julie Evans that froze all of SLN's bank accounts, enjoined them from soliciting on behalf of charity, and prohibited the use of SLN funds to pay their attorneys' fees. Today, Judge Young entered a similar order against defendant trustees Kimberly Simmons Gray and Barbara Morel as well as a Temporary Restraining Order against defendant trustees Izell Robinson, Aaron Sumrall, and Brandon Bruner.

Madigan filed a lawsuit and a Motion for a Temporary Restraining Order, Preliminary Injunction, and Appointment of a Receiver in Cook County Circuit Court on Wednesday, December 21. The lawsuit charges the defendants with violations of the Illinois Consumer Fraud and Deceptive Business Practices Act, the Illinois Solicitation for Charity Act and the Illinois Charitable Trust Act.

Madigan's lawsuit alleges the defendants, posing as a legitimate youth leadership organization, solicited schools nationwide and collected more than \$3 million dollars for goods and services that they never delivered. Schools that paid SLN's invoices allegedly never received the promised goods and services, including a student advisor kit, leadership magazine, student council charter certificate, membership cards, nomination forms, directories, access to an online magazine, discounts on conferences and unlimited support and assistance.

Instead, Madigan's lawsuits alleges, the defendants sent fraudulent invoices to the schools and created cloned checks to withdraw additional funds from the schools' bank accounts. According to Madigan's complaint, at least two of the trustees withdrew funds from the organization's bank accounts to pay for

international travel to Rio de Janeiro, and purchase items at department stores, boutiques, a liposuction clinic, a movie theater and a custom wig store.

“We allege that SLN engaged in outright fraud in selling educational products that never materialized,” Madigan said. “Money for our schools is scarce. These con artists took limited resources to pay for products that have no business being paid for by schools that think they are buying products that will help children learn.”

According to financial documents filed by SLN with the Office of the Attorney General’s Charitable Trusts Division, the allegedly bogus charity had gross public revenue totaling \$3,126,075 for fiscal years 2000-2003. SLN was a registered not-for-profit corporation until it was dissolved this past summer.

Madigan’s lawsuit alleges the defendants solicited funds from schools in Illinois and across the nation by sending fraudulent invoices to the schools’ front offices. The invoices allegedly misled schools because they contained language such as “renewal,” “past due,” and “overdue” to create the appearance that the schools had previously established business relationship with the company. In addition, the invoices imitated the language and format of invoices used by the National Association of Secondary School Principals (NASSP), a legitimate student leadership organization.

To increase their profits, the defendants allegedly forged unauthorized imitations of the checks sent as payments by the schools and then deposited both the original and cloned checks for payment. The cloned checks, which allegedly bore the same check numbers as the original checks, would often be made out for a greater dollar amount than the original check. Schools whose checks were cloned paid twice for goods and services that SLN never intended to provide, Madigan’s lawsuit alleges.

Madigan’s lawsuit asks the court to prohibit the defendants from soliciting on behalf of charity and from further violating Illinois’ consumer protection and charitable trust laws. The lawsuit seeks a civil penalty of \$50,000 and additional penalties of \$2,000 per violation of the Solicitation Act and \$50,000 for each violation of the Consumer Fraud and Deceptive Business Practices Act or Charitable Trust Act found to have been committed with the intent to defraud. Finally, Madigan’s lawsuit asks the court to order the defendants to pay restitution to consumers.

Madigan’s office was assisted by investigators from the Chicago Board of Education’s Office of the Inspector General. Bureau Chief Chaka Patterson and Assistant Attorneys General Harpreet Khara, David Cole and Erin Alexander are handling the case for Madigan’s Special Litigation Bureau.

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