

COMPLAINT TO THE OHIO STATE AUDITOR HORIZON SCIENCE ACADEMIES, NOBLE ACADEMIES, CONCEPT SCHOOLS, AND NEW PLAN LEARNING, INC.

This complaint and brief in support thereof is made against the charter governing boards of the Ohio-based Horizon Science Academies and Noble Academies due to their improper relationships with their contracted management corporation Concept Schools, Inc., their landlord New Plan Learning, Inc. and its subsidiaries, and with each other. We request a comprehensive investigation into the matters and evidence described herein to ensure that the state and federal funds entrusted to these entities are being used for the intended public purpose—that of serving the best interests of students rather than fraudulently benefiting private interests at the public's expense.

The Horizon Science Academies and Noble Academies, like every community school in Ohio, are bound by non-waivable state and federal law to: 1) use the public funds with which they are entrusted to serve the delegated public purpose of education;¹ 2) prohibit self-dealing transactions and transactions made with active, undisclosed, and unremedied conflicts of interest; 3) honor the fiduciary duties of loyalty and due care that require the charter school's governing board to put the best interests of its respective school above other interests;² and 4) operate with transparency regarding the use of public funds. Despite these legal mandates, the governing boards of these schools do not operate at the required arms' length with each other, their contracted management corporation Concept Schools, or with Concept's real estate arm, New Plan Learning.

Upon a detailed examination of property records, bond disclosures, financial audits, and tax filings of these interrelated entities, it is clear that the Concept-operated charter schools do not have meaningful independence from their management company and exist primarily to finance its expansion throughout the Midwest. This is accomplished through:

- Filling charter school board seats with individuals with the same cultural affiliations and national origin as Concept's leadership;
- Creating a closed loop of decision-making with the same people serving on both ends of transactions so that there are no checks and balances on key decisions;
- Foisting untenable and financially irresponsible leasing arrangements onto the charter schools agreed to by the crony charter governing boards that result in excessive rents;
- Systematically redistributing funding between schools across county and municipal tax boundaries to forestall the resulting insolvencies; and
- Using the profits from the excessive rental payments to acquire new properties to house new Concept-operated charter schools, with the cycle repeating as Concept's footprint increases at the expense of its existing schools.

¹ See *Hope Acad. Broadway Campus v. White Hat Mgt., L.L.C.*, 2015-Ohio-3716, ¶ 33, finding that a charter operator in the business of public education is accountable for the manner in which it uses public funds.

² See *OH Eth. Op. 2010-01*, 2010 WL 1741281 (Apr. 22, 2010), finding that all members of the charter school governing board are subject, without limitation, to the provisions of the Ohio Ethics Law, which includes public contract, nepotism, and supplemental compensation restrictions.

Through this scheme, Concept and the charter schools it manages have built a closed system of decision-making whereby private interests organized around a common cultural association profit extensively at the public's expense through self-dealing, conflicts of interest, nepotistic vendor selection, and siphoning public funds out of the public education system by stacking affiliated individuals on all sides of every transaction. The Ohio legislature has taken recent action to prioritize charter school accountability through the passage of House Bill 2, making it clear that this illegal behavior will not be tolerated in Ohio any longer.

As this complaint concerns the fraudulent misuse of public funds for illegal private benefit, the Office of the Ohio State Auditor has jurisdiction to review this complaint and initiate the requested investigation.³ Copies of this complaint will be distributed to the State Board of Education and other entities.

I. The Entities Involved

| Name | Relationship |
|---|---|
| Concept Schools "Concept" | The charter management corporation that operates the charter schools that are the subject of this complaint |
| Ohio Concept schools | The 17 charter schools operated by Concept in Ohio. These schools are named either Horizon Science Academy or Noble Academy, followed by their location (I.e., Noble Academy Cleveland). The term "Ohio Concept Schools" refers to the schools themselves as well as the charter governing boards that oversee those schools. |
| New Plan Learning, Inc. "New Plan Learning" | The umbrella entity that acquires properties for Concept and acts as landlord to the majority of the Ohio Concept schools |
| Breeze, Inc. "Breeze" | Breeze was the original for-profit entity that acquired property for Concept. All of its shares were given to New Plan Learning, and now Breeze operates as one of its wholly owned subsidiaries. |

A. *Concept Schools*

Concept Schools, Inc., (hereinafter "Concept") is organized as a non-profit charter management corporation and was founded by a group of Turkish-American educators after starting the first Horizon Science Academies in the late 1990s.⁴ These founders included Taner Ertekin, Sedat

³ 117 Ohio Rev. Code §§ 117.10, 117.103 (2013).

⁴ See Concept Schools, Our Story narrative, available at: <http://tinyurl.com/z6s23yh> (last checked 9/6/2016).

Duman, Salim Ucan, Vedat Akgun, and others⁵ who claim they were inspired by the teachings of Fethullah Gülen, an Islamic cleric whose religious doctrine encourages outreach through education and collaboration between educational leaders, business leaders, and politicians.⁶ Concept has been controlled by a governing board of Turkish directors since its inception, and Concept's leadership is entirely comprised of individuals of Turkish nationality.⁷ The preference for Turkish individuals extends to Concept-managed schools and the Ohio Concept schools, with large numbers of Turkish individuals who immigrated to the United States through the H-1B program to fill leadership, administrative, and teaching roles Concept claims it cannot fill with qualified U.S. educators (760 H-1B applications total from 2001-2015).⁸ Concept's preferred vendors are also owned, operated, and controlled by Turkish individuals, several of whom are under investigation for collusion and fraud with Concept on the federal E-Rate funding program.⁹

Concept's Turkish founders formed Concept as a means to rapidly expand science, technology, and mathematics ("STEM") focused charter schools throughout the Midwest. Currently, Concept is the contracted nonprofit management services vendor for thirty such charter schools, with seventeen schools in Ohio, four in Illinois, three in Missouri, three in Indiana, one in Michigan,

⁵ *Id.*; See also New Plan Learning, Inc. 2011A Bond Official Statement pg A-23, available at:

<http://tinyurl.com/zxoauxp> (last checked 9/6/2016); for discussion of Akgun as founder, *see id* at A-32.

⁶ See Concept's response to allegations and accusations, available at: <http://tinyurl.com/zqwa6ey> (last checked 9/6/2016). See also A Brief Introduction to the Gülen Movement, available at: <http://tinyurl.com/z4osywx> (last checked 9/8/2016) for a discussion of Gülen's beliefs regarding business and education ("One the most important dimension of the Gülen schools is the support schools receive from Turkish businessmen who are committed to the Gülen's Turko-Islamic worldview (Yavuz, 2003)... The relationship between the businessmen and schools is a symbiotic one. They benefit from the networks and assistance they received from business organizations formed by Gülen's followers. Such association will assist a Turkish businessman interested to do business in a particular country by providing the context of business climate and contacts within the country... Such a relationship is encouraged by Gülen who argued that economic wealth will support a modern educational system that could empower Turks and Muslims (Yavuz, 2003).")

⁷ See listings of board members in Concept's 990 tax filings, available at: <http://tinyurl.com/z9y36lh> (last checked 9/8/2016).

⁸ According to Concept's two entity names on myvisajobs.com, Concept filed 167 H-1B applications 2001-2015. See <http://tinyurl.com/j3whatt> for Concept Schools, Inc. (113 H-1Bs); <http://tinyurl.com/zhg3x3l> for Concept Schools Nfp (54 H-1Bs). Additionally, the schools themselves had high numbers of H-1Bs throughout this time period. From 2001-2015, the schools had the following H-1Bs: 1) HSA Toledo 72 H-1Bs <http://tinyurl.com/h2wzgxm> and <http://tinyurl.com/hvm6c3g> 2) HSA Columbus MS 82 H-1Bs <http://tinyurl.com/hm2huqp> and <http://tinyurl.com/zwh2dm3> 3) HSA Lorain 37 H-1Bs <http://tinyurl.com/jftczdy> 4) HSA Cincinnati 104 H-1Bs <http://tinyurl.com/z8rh67o> 5) HSA Springfield 21 H-1Bs <http://tinyurl.com/zey5wbs> 6) HSA Dayton HS 38 H-1Bs <http://tinyurl.com/jk8v67g> 7) HSA Dayton Downtown 11 H-1Bs <http://tinyurl.com/h958de9> 8) HSA Denison MS 8 H-1Bs <http://tinyurl.com/ztxhlea> 9) HSA Toledo Downtown (now closed) 12 H-1Bs <http://tinyurl.com/hbfvk85> 10) HSA Denison ES 16 <http://tinyurl.com/hh6ph6j> 11) HSA Cleveland MS 15 H-1Bs <http://tinyurl.com/grttwzk> 12) HSA Columbus 11 H-1Bs <http://tinyurl.com/zjkpnhh> 13) HSA Cleveland ES 1 H-1B <http://tinyurl.com/hzaj227> 14) Noble Cleveland 31 H-1Bs <http://tinyurl.com/zvs68d3> and <http://tinyurl.com/j76pnvs> 15) Noble Columbus 20 H-1Bs <http://tinyurl.com/zslwyng> 16) Noble Academy (general, no other info) 11 H-1Bs <http://tinyurl.com/hegbswl> 17) HSA Cleveland HS 71 H-1Bs <http://tinyurl.com/za497gb>; <http://tinyurl.com/jgkq4tp> and <http://tinyurl.com/jpye349> 18) HSA Columbus HS 32 H-1Bs <http://tinyurl.com/z5oyngk>

⁹ Concept uses Advanced Solutions for Education, owned by former Concept employee Ozgur Balsoy, and Core Group, Inc., owned by Ertugrul Gurbuz, both implicated in the ongoing FBI investigation for Concept's fraudulent use of E-Rate funding. See Mihalopoulos, Dan. *Targeted Firms Still Get Tax Money After Charter Raids*, Chicago Sun-Times <http://tinyurl.com/jzmzevh> (last checked 9/8/2016).

one in Wisconsin, and one in Minnesota.¹⁰ Concept is a comprehensive services vendor that controls human resources, fiscal management, school design, curriculum, accountability, compliance, and reporting for a twelve percent fee of each school's total revenues. While evidence of fraud, self-dealing, conflicts of interest, private benefit at the public's expense, and misuse of public funds exist throughout the Concept network, this complaint focuses only on the charter schools operated by Concept in Ohio.

B. The Ohio Concept Schools

The 17 schools operated by Concept in Ohio and their governing boards will be collectively referred to as the "Ohio Concept schools" for clarity in this complaint. Concept led the creation of each of these schools, serving as founders, drafting the petition documents that created the schools, and even incorporating the charter governing boards that serve these schools.

These schools are:

- Horizon Science Academy ("HSA") Cincinnati
- HSA Cleveland
- HSA Cleveland Middle School ("MS")
- Noble Academy ("NA") Cleveland
- HSA Columbus High School ("HS")
- HSA Columbus MS
- HSA Columbus Elementary School ("ES")
- NA Columbus
- HSA Dayton HS
- HSA Dayton ES
- HSA Dayton Downtown
- HSA Denison MS
- HSA Denison ES
- HSA Lorain
- HSA Springfield
- HSA Toledo
- HSA Youngstown

The governing boards of the Ohio Concept schools, like their management company (Concept), landlord entity (New Plan Learning), and preferred vendors, are dominated by a Turkish super-majority.¹¹ 84% of Ohio Concept school governing board members are of Turkish descent.¹² Furthermore, these governing board members usually serve on multiple Ohio Concept school boards. For example, there are seventeen Ohio Concept schools with a total of 85 available board positions (five per school) for board members. However, the same 38 individuals fill all 85 spots, with some board members sitting on up to four Concept school boards at once.¹³ While there is

¹⁰ See Concept Schools network, available at: <http://tinyurl.com/z3d8qsb> (last checked 8/26/2016).

¹¹ The governing board member information is taken from a review of 990 tax forms and school websites, and the names are compared to common Turkish surnames.

¹² Of 38 governing board members identified for the 2014-2015 school year, an estimated 32 of the 38, or 84%, are of Turkish national origin. These names were taken from school websites and/or 990 tax documents for each school.

¹³ These numbers were based on names identified from the official 990 tax documents filed for the 2014-2015 year.

nothing inherently illegal in Ohio about an individual sitting on less than five charter school governing boards at the same time (the legal limit), it increases the risk of a fiduciary duty violation (and often resulting improper self-dealing, conflicts of interest, and illegal behavior) when the governing board member has to make a decision that impacts more than one of the entities which that member represents. This risk is compounded when the overlap is not just one member, but the entire board, virtually putting the same set of people on both sides of a transaction with fiduciary obligations to the entities on both sides. This is a common occurrence in the Ohio Concept schools due to the inter-school borrowing and transfer of public funds, as discussed further below.

Some governing boards are duplicated for all of the Concept schools in that specific geographic area. For example, the five individuals who serve on the governing board of HSA Columbus ES also serve as the governing board for three other schools: HSA Columbus MS, HSA Columbus HS, and NA Columbus (Zafer Alpay, Veysi Malkoc, Enver Ozer, Jane Smirniotopoulos, and Adem Cakmak). In other cases, however, there is no local representation whatsoever on the governing board, with the members living almost three hours away from the school they serve. For example, the same five members comprise the governing boards of both HSA Toledo and HSA Springfield, even though these schools are located approximately 150 miles apart (Ziya Baghmanli, Jackie Blueitt, Mustafa Ilgin, Nazim Ozbakier, and Yunus Zeytuncu).

In addition to the majority of these governing board members sharing the same national origin as the leadership of Concept and New Plan Learning, several of the Turkish school board members also belong to the Scioto Foundation, now d.b.a. as the Turkish American Society of Ohio, which is a cultural association affiliated with Fethullah Gülen.¹⁴ Other notable members of the Scioto Foundation include Concept leadership; Concept's preferred Turkish vendors; Concept school employees; school landlords; lenders (private and institutional) that have provided capital to New Plan Learning and the Concept schools themselves; and members of the Niagara Foundation,¹⁵ a Turkish cultural association based in Chicago which made Gülen its honorary president.¹⁶ From a review of the Scioto Foundation's membership and their connections to the Ohio Concept schools, a picture emerges of an extremely tight-knit community drawn along cultural, religious, and national origin lines. This community is represented on all sides of every transaction for the Ohio Concept schools, from the governing boards to Concept, the landlords, and the vendors chosen to serve those schools. These connections are not accidental and have led to actions that illegally benefit private actors at the public's expense since the inception of Concept and the schools it operates.

C. *New Plan Learning, Inc. and Breeze, Inc.*

¹⁴This information was taken from a review of the 990 tax documents filed for the Scioto Foundation, available at: <http://tinyurl.com/zgjb8dm> (last checked 9/6/2016).

¹⁵*Id.* For example, Scioto's membership includes Ben (Bunyamin) Koz, Concept's CFO; Ozgur Balsoy, former Concept employee and current Concept vendor and landlord; Oguz Kurt, Veysi Malkoc, Enver Ozer, Huseyin Coskun all Concept school board members; Cebraill Altindag, a Concept school employee; and Serkan Aykan, the president of the Niagara Foundation.

¹⁶ See <http://www.niagarafoundation.org/> for information about the Niagara Foundation and <http://tinyurl.com/d8tlv5c> for information about Gülen as Honorary President (last checked 9/6/2016).

Breeze, Inc., was created in 2004 as a for-profit corporation to acquire properties for Concept Schools throughout the Concept Network.¹⁷ New Plan Learning was created shortly thereafter, and now acts as the non-profit umbrella organization for Breeze and several other wholly owned Ohio-based subsidiaries (250 Shoup Mill LLC, OG-Ohio LLC, NOG-Ohio LLC, and 2350 Morse LLC).¹⁸ Together with its subsidiaries, New Plan Learning buys, renovates, leases, and sometimes sells properties to Concept-managed schools, allegedly as a supporting organization to those schools.

New Plan Learning Holdings

Of the 17 Ohio Concept schools, ten currently pay rent to New Plan Learning, Inc., or one of its subsidiaries.¹⁹ Of the remaining seven Ohio Concept schools, two schools bought their buildings from New Plan Learning subsidiaries, one bought its building from a non-affiliated entity, one rents its building from Ozgur Balsoy, a former high-level Concept employee discussed further below, and three rent their buildings from entities believed to be unaffiliated with Concept. Notably, these three schools pay far lower rents than the other Ohio Concept schools currently in lease arrangements with New Plan Learning and/or its subsidiaries.

In 2011 New Plan Learning expanded its capital significantly by applying for a bond for approximately \$33 million dollars to purchase, refinance, and/or renovate four Concept schools, three of which are located in Ohio--HSA Dayton HS, HSA Toledo HS, and HSA Springfield.²⁰ Due to their inclusion in the bond, these schools are now subject to extremely high annual rents in non-cancelable leases set to expire in 2041.²¹

New Plan Learning Founders, Leadership, and Connections

The Turkish individuals that founded Breeze, Inc., and later, New Plan Learning, played important roles in the creation of Concept and the first Ohio Concept schools also, constituting yet another example of the closed loop decision-making and conflicts of interest among these organizations. For example, Vedat Akgun co-founded the first Horizon Science Academies, then Concept as a management corporation, and lastly Breeze, Inc., to serve as landlord to Concept schools.²² Taner Ertekin, co-founder of the first Horizon Science Academies and Concept, served alongside Akgun on Breeze's governing board.²³ Emrah Ayhan, who incorporated

¹⁷ New Plan Learning, Inc. 2011A Bond Official Statement pg A-4, available at: <http://tinyurl.com/zxoauxp> (last checked 9/6/2016).

¹⁸ New Plan Learning, Inc. 2011A Bond Official Statement pg A-4, A-5, available at: <http://tinyurl.com/zxoauxp> (last checked 9/6/2016); *see also* Exhibit A for Property information, including landlords, rent, and transfer history for the facilities of the Ohio Concept Schools.

¹⁹ New Plan Learning, Inc. 2011A Bond Official Statement pg A-5, available at: <http://tinyurl.com/zxoauxp> (last checked 9/6/2016); *see also* Exhibit A for Property information, including landlords, rent, and transfer history for the facilities of the Ohio Concept Schools.

²⁰ *Id.*

²¹ *Id.*

²² New Plan Learning, Inc. 2011A Bond Official Statement pg A-32, available at: <http://tinyurl.com/zxoauxp> (last checked 9/6/2016).

²³ *See* 2007 Breeze Inc. 990 form, available at: <http://tinyurl.com/zj9xbzx> (last checked 9/8/2016).

Breeze,²⁴ was also a former board member for HSA Toledo and HSA Denison, an incorporator for HSA Springfield,²⁵ and a HSA employee at HSA Cleveland.²⁶ Murat Arabaci, a former Concept employee,²⁷ has managed New Plan Learning and each of its subsidiaries since 2005.²⁸ As these examples demonstrate, the genesis of New Plan Learning was orchestrated by Turkish individuals with blurred lines of loyalty, including Concept founders, employees, and board members as well as Concept *school* founders, employees, and board members.

New Plan Learning's current three-member board has confused lines of loyalty as well. Savas Kaya has served on the boards of HSA Toledo (2006), HSA Columbus (2006), HSA Cincinnati (2006-present); HSA Dayton (current); HSA Dayton HS (current)—all schools paying rent to New Plan Learning.²⁹ While this overlap was apparently intended according to New Plan Learning,³⁰ Kaya is also listed as an initial director of Concept Schools-Ohio, incorporated by former Concept employee Ozgur Balsoy.³¹ Why Kara, at the time a HSA board member in schools across the state of Ohio, would have helped incorporate the Ohio branch of his schools' management corporation has no practical explanation. Like Kara, Nuh Aydin has affiliations on all sides. He was paid employee of HSA Columbus,³² a board member at HSA Columbus, HSA Toledo, and HSA Cincinnati at the same times as Kara, and has served as Secretary of Breeze and a board member of New Plan Learning for several years.³³ Adem Cakmak, the third New Plan Learning Board member, also sits on the governing boards of HSA Columbus ES, MS, HS, and NA Columbus.³⁴

While New Plan Learning asserts that these connections are both intentional and beneficial to the Ohio Concept schools, it is clear from the property arrangements discussed in Section III of this complaint that these connections benefit Concept and New Plan Learning exclusively at the expense of these schools and their public funds. In fact, the Ohio Supreme Court issued an opinion in January of 2016 that New Plan Learning and its subsidiaries operate with a "view to profit" off their leases to the Ohio Concept schools, and thus, could not be eligible for a property

²⁴ Business profile for Breeze Inc. listing Emrah Ayhan as incorporator, available at: <http://tinyurl.com/j5lk3lz> (last checked 9/8/2016).

²⁵ HSA Springfield incorporation, listing Emrah Ayhan as one of three incorporators, available at: <http://tinyurl.com/jk4ny7y> (last checked 9/8/2016).

²⁶ Educator Profile for Emrah Ayhan at www.ohio.gov, also available at: <http://tinyurl.com/j7bxyhk> (last checked 9/8/2016).

²⁷ See 2007 Concept 990 with Arabaci listed as employee, available at: <http://tinyurl.com/z9y36lh> (last checked 9/8/2016).

²⁸ See Business profile for New Plan Learning, Inc., showing its incorporation in 2005 and listing Arabaci as agent, available at: <http://tinyurl.com/hu2d6x7> (last checked 9/8/2016).

²⁹ This information was gathered from reviewing the 990 tax documents for each of these schools for the years listed.

³⁰ New Plan Learning, Inc. 2011A Bond Official Statement pg A-7, available at: <http://tinyurl.com/zxoauxp> (last checked 9/6/2016).

³¹ Articles of Incorporation for Concept Schools-Ohio are located at: <http://tinyurl.com/jhlt5pn> (last checked 9/8/2016).

³² Educator Profile for Nuh Aydin at www.ohio.gov and <http://tinyurl.com/j7bxyhk> (last checked 9/8/2016).

³³ New Plan Learning 990 tax forms are located at: <http://tinyurl.com/zvh9rpc> (last checked 9/8/16); Breeze Inc., 990 tax forms are located at: <http://tinyurl.com/zj9xbzx> (last checked 9/8/2016).

³⁴ This information was gathered from reviewing the 990 tax documents for each of these schools and/or school websites.

tax exception based on their lessees' use of the property as schools.³⁵ New Plan Learning argued that its leases were set at their minimum amounts, but the Court disagreed, finding that "substantial" rent was charged above the minimum amounts required and that New Plan Learning profited. Furthermore, the profits were used to acquire more property for New Plan Learning rather than to enhance or improve the rental property for the students who attend the schools or some other legit purpose.

As these individuals' blurred lines of loyalty are extremely difficult to follow, please refer to the chart below to see the interconnections between the paid vendors and what should be independent governing boards of the Ohio Concept Schools.

| | Concept | Ohio Concept Schools | New Plan Learning | Breeze |
|---------------|-----------------------------------|--|---|---|
| Savas Kaya | Director for Concept Schools-Ohio | Board member for: HSA Columbus HSA Toledo HSA Cincinnati HSA Dayton HSA Dayton HS | Board member for New Plan Learning for many years. Note that each of the schools Kaya has served as board member for pay rent to New Plan Learning. | Breeze is a wholly owned subsidiary of New Plan Learning. |
| Nuh Aydin | Paid employee of HSA Columbus | Board member for: HSA Columbus HSA Toledo HSA Cincinnati | Board member for New Plan Learning for many years | Secretary of Breeze |
| Adem Cakmak | | Board member for: HSA Columbus ES, HSA Columbus MS, HSA Columbus HS, NA Columbus | Board member for New Plan Learning for many years | |
| Vedat Akgun | Founder | Founder of earliest HSA schools | | Founder of Breeze; Director |
| Taner Ertekin | Founder | Founder of earliest HSA schools | | Founder of Breeze; Director |
| Murat Arabaci | Concept employee | | President | President |
| Emrah Ayhan | HSA Cleveland employee | Board member for: HSA Toledo | | Incorporator |

³⁵ See 250 Shoup Mill, L.L.C. v. Testa, Slip Opinion No. 2016-Ohio-5012 (2016).

| | | | | |
|--|--|---|--|--|
| | | HSA Denison Incorporator for: HSA Springfield | | |
|--|--|---|--|--|

Like Concept and the Ohio Concept schools, New Plan Learning also has deep connections to Gülenist organizations. For example, in 2007 alone Breeze purchased new properties by taking out extensive loans from the Gülenist Niagara Foundation in Chicago, the Bank of Asya (a Gülenist banking institution based in Turkey implicated in the ongoing FBI investigation into Concept), Taner Ertekin (Concept and Breeze co-founder), and Onder Secen, who was at that time the principal of HSA Cincinnati.³⁶ Secen was also a member of the Niagara Foundation in Chicago, a member of the Scioto Foundation like other Concept affiliates, and is currently an HSA Columbus MS/HS employee.³⁷ Again, why Secen, a school principal at the time, would give his school's landlord a \$9,500 loan with no interest rate, maturity date, or payback terms³⁸ is difficult to explain beyond the obvious—that Concept, HSA employees, HSA board members, and New Plan Learning do not operate at arms' length and are part of a larger cultural network with its own agenda of expansion and profit.

II. History of Improper Self-Dealing, Conflicts of Interest, Illegal Behavior, and Controversy

Concept and its charter schools have a long history of abusing the public's trust, including misusing public funds for private purposes, self-dealing within its Turkish cultural network, discriminatory behavior towards non-Turkish employees and students, and large-scale fraud. In almost all of these cases, the issues can be traced to the blurred lines of loyalty between Concept, its schools' employees and governing boards, and its vendors.

Numerous examples of Concept and its schools misusing school funds to benefit private persons can be found from a review of the Ohio Concept school audits.

- In 2015, several Ohio Concept schools were documented for using school funds to make illegal payments to the charter school governing board members, which are required to be strictly volunteers.³⁹ Instead of the board members reimbursing the school for the improperly received funds, Concept paid their debts.
- In a prior year, Onder Secen, a school principal, used school funds to reimburse himself for over \$3,000 in personal expenses.⁴⁰ Once again, Concept covered the illegal use of school funds and justified the behavior to the auditors by stating that Secen had "showed

³⁶ Audit available at: <http://tinyurl.com/haos4qu> (last checked 9/8/2016). Secen also loaned out over \$47,000 to the school itself in FY2006. Audit available at <http://tinyurl.com/je428za> (last checked 9/8/2016).

³⁷ Search "Onder Secen" at <http://tinyurl.com/hxo7mq5> for a work history (last checked 9/8/2016).

³⁸ See 2007 Breeze Inc., 990 tax form, available at: <http://tinyurl.com/zj9xbzx> (last checked 9/8/2016).

³⁹ Board member Unal from HSA Denison ES received a \$500 stipend as noted in the 2015 audit available at <http://tinyurl.com/zcyug6w>; HSA Denison MS board members Malloy and Duzgun received money as noted in the 2015 audit available at <http://tinyurl.com/znmlrx4>; HSA Lorain board member Bonilla received money as noted in the 2015 audit available at <http://tinyurl.com/z7347ok>; and Noble Academy Cleveland board members Malloy and Duzgun again received money as noted in the 2015 audit available at <http://tinyurl.com/jdyo9rm>.

⁴⁰ Audit available at: <http://tinyurl.com/je428za> (last checked 9/8/2016).

extra ordinary effort" that year.⁴¹ Secen had recently given almost \$60,000 in loans to the school's landlord Breeze, Inc. (\$9,500) and to the school itself (\$47,000), which also demonstrates the suspect flow of money between Concept employees, the schools, and their vendors.⁴²

- School funds have been illegally used to pay the immigration expenses of Turkish individuals that weren't employed at the schools, including the spouses of Taner Ertekin, Concept co-founder, and Sedat Duman, the current CEO of Concept.⁴³
- Select employees receive bonuses that are not properly documented, approved by the school governing board according to policy, or earned according to school policy.⁴⁴
- In a clear example of improper boundaries and self-dealing, one of the Turkish board members for both HSA Springfield and HSA Toledo has received over \$79,000 in business paid for by school funds for his restaurant from those schools since he became a board member—despite the fact that his restaurants are both located in Toledo, almost three hours away from HSA Springfield.⁴⁵

These examples demonstrate the pattern and practice of using school funds for private benefit and self-dealing from Concept's beginnings through the present. In addition to these flagrant examples of using public funds to benefit cronies of Concept, the audits also detail the broken, incomplete, and disregarded financial controls and procedures in the Ohio Concept schools which allow these kinds of abuses to occur unchecked.⁴⁶

In addition to findings from public audits, Concept and the Ohio Concept schools have also made the news due to reports of illegal behavior from whistle blowers and former employees. These allegations include testing fraud to inflate student performance;⁴⁷ manipulating attendance records to gain more funding;⁴⁸ discrimination against non-Turkish and/or female employees;⁴⁹

⁴¹ *Id.* at pg 26.

⁴² *Id.* at pg 20; *see also* 2007 Breeze Inc., 990 tax form, available at: <http://tinyurl.com/zj9xbzx> (last checked 9/8/2016).

⁴³ *See, e.g.*, HSA Cleveland 2002 audit, pg 24, where a finding was made against the school for paying the immigration expenses of the spouses of Sedat Duman and Taner Ertekin, Concept's founders. Numerous Concept-operated schools received findings for the illegal payment of immigration fees for non-employees. Audit available at: <http://tinyurl.com/zlpzg45> (last checked 9/8/2016).

⁴⁴ *See, e.g.*, HSA Cincinnati 2007 audit, pg 32, available at: <http://tinyurl.com/haos4qu> (last checked 9/8/2016).

⁴⁵ While the name is not disclosed in the audits, the board member appears to be Mustafa Ilgin. <http://tinyurl.com/hcky5d7> The audits for these schools from 2010-2015 have noted over \$79,000 in business to a board member's restaurant from 2011-2015, with the number jumping significantly in 2015.

⁴⁶ Schools that received findings in their audits for improper and/or unobserved financial controls and deficiencies include: HSA Cleveland (2002, 2006), HSA Columbus (2001, 2005, 2006), HSA Cincinnati (2006, 2007, 2008), HSA Dayton (2006), and HSA Dayton Downtown (2011).

⁴⁷ Livingston, Doug. *Former Teachers at Turkish-run charter school allege test-cheating, discrimination, sexual activity*, Akron Beacon Journal (July 15, 2014) <http://tinyurl.com/zsdkk35> ; *see also* Livingston, Doug, *Auditor Joins Investigation of 19 Charter Schools*, Akron Beacon Journal (July 17, 2014) <http://tinyurl.com/hevz2h8>

⁴⁸ Livingston, Doug. *Former Teachers at Turkish-run charter school allege test-cheating, discrimination, sexual activity*, Akron Beacon Journal (July 15, 2014) <http://tinyurl.com/zsdkk35>

⁴⁹ Livingston, Doug. *Former Teachers at Turkish-run charter school allege test-cheating, discrimination, sexual activity*, Akron Beacon Journal (July 15, 2014) <http://tinyurl.com/zsdkk35> ; *see also* Torres, Louie, *Teacher*

discrimination against students;⁵⁰ and abuse of the federal immigration H-1B program to hire unqualified, uncertified Turkish nationals.⁵¹ These allegations have resulted in lawsuits, a State Board of Education investigation and hearing, and special audits conducted by the state auditor's office to verify attendance records and testing procedures. In each of these cases, Concept and its schools were found to be out of compliance, either in whole or in part.

Concept's most serious controversy to date is the ongoing FBI investigation concerning the collusion of Concept employees and their vendors to defraud the federal E-Rate grant program of millions of dollars.⁵² According to the FBI's search warrant application, Concept executives violated the competitive bidding rules of the E-Rate program by directing their E-Rate approved vendor to divert hefty subcontracts to affiliated Turkish individuals and companies in exchange for a cut of the proceeds without doing any of the federally funded work.⁵³ Former Concept executive Ozgur Balsoy was one of the fraudulently enriched Turkish vendors, discussed elsewhere in this complaint for his contributions to Concept, his affiliations with Gülenist cultural organizations, and the fact that his for-profit company bought the Noble Academy Cleveland property and promptly doubled its rent.⁵⁴ While Balsoy's business is under suspicion in the FBI investigation and has already been raided, Concept continues to give him and the other Turkish-owned vendors named in the search warrant application substantial business.⁵⁵

Furthermore, Concept is affiliated with other Turkish-operated charter networks that share the same operating model, the same controversies, the same connections to prominent Turkish individuals, the same founders, and the same connection to Gülen.⁵⁶ These charter networks are commonly referred to as Gülen Organization charter networks, and they share a common set of markers or indicators. Concept meets each one.

The markers of a Gülen Organization charter network are:

- A governing board of appointed, not elected, individuals, with those of Turkish descent and/or national origin operating in a supermajority or majority;
- Use of closely affiliated vendors, also operated, governed, or staffed by Turkish individuals;

Accuses Chicago Charter School of Sexual Harassment, Cook County Record (May 9, 2016)

<http://tinyurl.com/hvo72py>

⁵⁰ Livingston, Doug. *Former Teachers at Turkish-run charter school allege test-cheating, discrimination, sexual activity*, Akron Beacon Journal (July 15, 2014) <http://tinyurl.com/zsdkk35>

⁵¹ Ravitch, Diane. *Concept Schools in Ohio Import Large Numbers of Turkish Teachers for Gülen Schools*, (October 14, 2014) <http://tinyurl.com/hcy34t9>

⁵² Mihalopoulos, Dan and Seidel, Jon, *Charter Firm Suspected of Cheating Federal Grant Program*, Chicago Sun-Times (December 16, 2015). Available at: <http://tinyurl.com/j3snbad> (last checked 9/8/2016).

⁵³ Search Warrant application available at: <http://tinyurl.com/jt9j4ed> (last checked 9/8/2016).

⁵⁴ *See id.*; *see also* Mihalopoulos, Dan and Seidel, Jon, *Charter Firm Suspected of Cheating Federal Grant Program*, Chicago Sun-Times (December 16, 2015). Available at: <http://tinyurl.com/j3snbad> (last checked 9/8/2016).

⁵⁵ *See* Mihalopoulos, Dan. *Targeted Firms Still Get Tax Money After Charter Raids*, Chicago Sun-Times <http://tinyurl.com/jzmzevh> (last checked 9/8/2016).

⁵⁶ *See* Exhibit B for a table comparing the operations of Concept, Magnolia, Harmony, and Dove Science to the Gülen Organization charter network markers.

- Transition and overlap between Turkish employees of the charter network and the preferred Turkish vendors used by that charter network;
- Use of the H-1B visa process to sponsor high numbers of Turkish teachers and employees;⁵⁷
- Turkish males operating nearly exclusively in positions of leadership within the charter network;
- Shuffling of Turkish employees between charter schools within the network as well as with other Gülen Organization networks;
- Extensive political donation requirements for Turkish employees and board members;
- Use of poor recordkeeping and ambiguous financial practices with the suspected motive of diverting public funds to the Gülen Organization for private purposes;
- STEM curriculum with Turkish language instruction; and
- Abusive property deals and leasing arrangements with affiliated Turkish-controlled landlord entities.

III. Concept and New Plan Learning's Abusive Property Practices with the Ohio Concept Schools

As demonstrated above, Concept and the Ohio Concept schools have a long history of abusing public funds for private benefit, a common marker demonstrated by each of the Gülen Organization charter networks around the country. This misuse of public funds is facilitated by keeping members of the same cultural community on all sides of every transaction.⁵⁸ Together, this community puts private interests first at the expense of the public education system, and nowhere is this more evident than the abusive property deals and leasing arrangements that Concept, along with its real estate arm New Plan Learning, foist upon the Ohio Concept schools.

⁵⁷ For a fascinating example of how Gülen Organization charter networks, their vendors, and Gülenist cultural associations use the H-1B program and also, their connections to each other, review the H-1B clients served by this Turkish immigration attorney located in the U.S., available at: <http://tinyurl.com/gptwx5x> (last checked 9/8/2016). The same attorney processed H-1B applications for Concept, several HSA schools, Concept's charter schools in other states (Gateway, Indiana Math and Science Academy, etc.), the Niagara Foundation, the Scioto Foundation (d.b.a Turkish-American Society), Zaman Ltd. (a Gülenist newspaper), Beehive Charter School (a Gülenist charter school in Utah that was audited and now closed), and even the Golden Generation Retreat Center, Gülen's own compound in Pennsylvania.

⁵⁸ As a prime example, Vedat Akgun, was the founder of HSA Cincinnati, Concept, and Breeze, Inc., and the school signed the lease on behalf of HSA Cincinnati with Akgun's company Breeze the same day as the school signed the management agreement with Concept. See HSA Cincinnati 2007 audit, available at: <http://tinyurl.com/haos4qu> (last checked 9/8/2016).

In the early years, New Plan Learning and its subsidiaries⁵⁹ did not always own the buildings that they rented to the Ohio Concept schools.⁶⁰ New Plan Learning would enter the agreement with the building owner as the lessor and would in turn sublease the building to the school's governing board.⁶¹ There is no explanation within the audits from those time periods why New Plan Learning, a third party, needed to stand in as lessor for these schools. However, such a practice would enable New Plan Learning to charge higher rents to its subleasing schools than it was paying, and thus establish the foundation of capital necessary to purchase the buildings, which later, it did.

From the early 2000s to the present, New Plan Learning acquired numerous school properties to rent to Concept-managed schools. In some cases, the school was already renting the building from an unaffiliated third party. After New Plan Learning acquired the building, the rents paid by the schools would double, triple, and for some schools, quadruple.⁶²

By 2011, New Plan Learning had garnered enough capital and resources from charging the Ohio Concept schools these egregious rents to be approved for a \$33 million bond to renovate and refinance four Concept-managed schools: HSA Dayton HS, HSA Toledo HS, HSA Springfield, and the Chicago Math and Science Academy ("CMSA").⁶³ The bond documents expose just how unconscionable a deal these schools agreed to when they renegotiated their leases with New Plan Learning to incorporate the bond requirements. These non-cancelable leases are thirty years' in length, and worse, are for buildings the schools will never own. These schools are on the hook for exorbitantly high rents that increase by hundreds of thousands each year to finance the landlord's renovation and purchase of their buildings. Through this arrangement, New Plan Learning is able to finance Concept's expansion through the Midwest and its own portfolio, virtually unchecked by the schools' governing boards which agree to these egregious leases with no evidence of negotiation, resistance, or concern for their schools' financial conditions.

New Plan Learning's leases with its non-bond Ohio Concept schools are also abusive, unreasonable, and calculated to siphon public funds out of public education to benefit private interests. Common terms of these leases include grossly high annual rents and 2-4% rental escalation clauses annually. The schools get nothing out of value from these leases and are required to pay for all renovations, expansions, maintenance, and upkeep. Worse, many of these leases are also non-cancelable, with lease terms extending through to 2042.⁶⁴ No reasonable lessee, in any imaginable arms' length transaction, would agree to such terms.

As discussed earlier, the Ohio Supreme Court found that New Plan Learning charged substantial rent to these schools with a view to profit, and that the profits derived were used to benefit New

⁵⁹ For ease, "New Plan Learning" will be used to collectively refer to New Plan Learning, its predecessor Breeze, Inc., or any of the other wholly owned subsidiaries (NOG-Ohio LLC, OG-Ohio LLC, 2350 Morse LLC). However, when discussing specific school examples, the actual landlord subsidiary name will be used.

⁶⁰ See, e.g., HSA Toledo 2005 audit pg 17, available at: <http://tinyurl.com/zbs44y9> (last checked 9/8/2016).

⁶¹ See, e.g., HSA Toledo 2005 audit, available at: <http://tinyurl.com/zbs44y9> (last checked 9/8/2016).

⁶² See Exhibit A for Property information, including landlords, rent, and transfer history for the facilities of the Ohio Concept Schools, specifically HSA Lorain whose rent has quadrupled under New Plan Learning's ownership.

⁶³ New Plan Learning, Inc. 2011A Bond Official Statement, available at: <http://tinyurl.com/zxoauxp> (last checked 9/6/2016).

⁶⁴ New Plan Learning, Inc. 2015 audit pg 10, available at: <http://tinyurl.com/zrj6zyz> (last checked 9/8/2016)

Plan Learning's acquisition of more properties for Concept, not the schools that were purposefully overpaying as New Plan Learning claimed.⁶⁵

Case Studies of Ohio Concept Schools

Exhibit A to this complaint contains the property history information, including the egregious rental pricing histories, for all of the Ohio Concept schools, even those not involved with leasing from New Plan Learning for comparator purposes. However, a few examples deserve special scrutiny as they are prime illustrations of the Ohio Concept schools' waste and misuse of public funds.

HSA Cincinnati:

- In 2005, Breeze bought the property and two other parcels of land for \$1.25 million.
- In 2005, founder of Concept and Breeze, Vedat Akgun, signed the lease with Breeze on the school's behalf as the school's founder, a clear conflict of interest.
- Since 2005, the school has incurred over \$3.6 million in rental fees. Note that that is three times the original purchase price of \$1.25 million and constitutes the rent for only one of the three parcels bought for that original purchase price.
- New Plan Learning board member Savas Kaya was also on the HSA Cincinnati school board during both of the two lease renegotiations, with each raising the rent above and beyond the already included escalation clauses.

HSA Columbus HS:

- In 2004, Breeze bought the property for \$1.5 million.
- From 2005-2015, the school incurred approximately \$4.8 million in rental fees.
- In 2015, Breeze sold the building to the school for \$3.6 million, even though the tax value was listed as \$1.9 million at the time.
- Breeze, a non-profit by that time, made over \$6 million in profits off of the rent and sale of this building to a school it was supposed to be supporting.
- New Plan Learning board member Nuh Aydin was on both the selling board (New Plan Learning) and the buying board (HSA Columbus HS) at the time of the transaction.

HSA Youngstown:

- In 2010, NOG-Ohio (New Plan Learning subsidiary) purchased the building for \$550,000.
- From 2010-2013, the school paid \$577,000 in rental fees.
- In 2013, NOG-Ohio sold the building to the school for \$980,000, even though the tax value remained at \$550,000 due to no improvements being made on the building.
- NOG-Ohio made over a million dollars in profit in just three years on a school it was supposed to be supporting.

Noble Academy Cleveland:

- From 2010-2013, the school rented the building from a non-affiliated party, paying on average \$155,000 per year in rent.

⁶⁵ See 250 Shoup Mill, L.L.C. v. Testa, Slip Opinion No. 2016-Ohio-5012 (2016).

- In 2013, Euclid Properties LLC, owned by former Concept employee and current Concept vendor Ozgur Balsoy (heavily implicated in Concept E-Rate fraud scandal currently being investigated by FBI), bought the property from the non-affiliated party for \$560,000.
- In the two years since Balsoy took over ownership, the school has already paid \$551,610 in rental fees, almost the full purchase price.
- With the new lease agreement charging upwards of \$360,000 per year, the rent has more than doubled.

HSA Denison MS

- In 2006, Breeze bought the property for \$2.2 million.
- From 2006-2015, the school incurred \$4 million in rental fees. Note that the school is also responsible for all maintenance, renovation costs, and upkeep of the facilities.
- As a comparator, HSA Denison ES has paid less than a third of the rent HSA Denison MS has paid over the same time period to its unaffiliated third party landlord. The schools are roughly the same size in terms of square footage and student enrollment.

HSA Lorain

- In 2011, NOG-Ohio bought the building for \$1.4 million.
- From 2010-2011, the school paid approximately \$100,000 per year in rent to an unaffiliated third party. After NOG-Ohio took control, the rent jumped to:
 - o 2012 - \$264,000
 - o 2013 - \$271,000
 - o 2014 - \$461,000
 - o 2015 - \$470,000
- The rent has more than quadrupled under New Plan Learning's management.

HSA Toledo

- In 2011, OG-Ohio bought the building for \$1.4 million.
- From 2013-2015, the school has already paid \$1.9 million dollars, more than the purchase price alone.
- Note that this school is part of the New Plan Learning bond deal, meaning its non-cancelable lease will extend for the next thirty years at increasingly higher rents. In FY 2012, the last year that it paid rent to an outside party, HSA Toledo paid approximately \$290,000 in rent. In 2013 under New Plan Learning, the rent jumped to \$503,000, in 2014 to \$662,000, and in 2015, HSA Toledo paid over \$716,000 in rent.

New Plan Learning and its subsidiaries have made **an estimated total net profit of \$18.75 million** in profit from its rental arrangements and property deals with the Ohio Concept schools. If the annual rental fees for 2015 stayed the same for 2016, which they would not due to rental escalation clauses, New Plan Learning will receive an additional \$4.5M in rent for FY 2016.

As these examples demonstrate, the blurred lines of loyalty between Concept school board members, Concept, and New Plan Learning have led to property arrangements that siphon large amounts of public funds out of these schools to enrich private actors and their agendas. Abusive property arrangements are not unique to Concept and its managed schools—other charter

networks within the Gülen Organization have also been investigated and found culpable for the same illegal uses of public funds. Most recently, the Oklahoma State Auditor published an investigative audit report detailing the abusive property arrangements between the Dove Science Academy network's relationship and its supporting non-profit, the Sky Foundation,⁶⁶ which like Concept, meet all of the markers of a Gülen Organization charter network. The Oklahoma State Auditor found that:

- The Sky Foundation ("Sky") was organized as a non-profit foundation to support the Dove Science Academy network. Due to abusive property arrangements, however, the Dove Science schools were in reality supporting Sky.
- Sky charged the Dove Science schools \$3.2 million in excess of the purchase price of the properties they were renting. Contrast this with the \$18.75 million New Plan Learning has already made on the Ohio Concept schools.
- The Oklahoma State Auditor could find no legitimate reason to support the continued charging of lease payments by Sky to the Dove Science schools after the purchase price was paid.
- In cases where Sky leased the building and then subleased the properties to the Dove Science schools, Sky charged the Dove Science schools \$1.2 million in lease payments over the amount that was actually due on the lease agreements.
- Dove Science schools redirected public funds to Sky for the purpose of Sky obtaining loans.

Each of these findings is present in the ongoing property fraud perpetrated by the Ohio Concept schools, New Plan Learning, and Concept. Like Sky, New Plan Learning has taken loans from the schools it allegedly supports, has subleased properties to the schools for exorbitant rates, and charged rent far in excess of the purchase price of the properties. Like Sky, New Plan Learning is also supported at the expense of the schools it was created to serve. In light of the Oklahoma State Auditor's report and identical findings, the Ohio State Auditor should conduct an investigation into the property arrangements between these entities to prevent further misuse of public funds to enrich private actors.

IV. The Ohio Concept Schools' Inter-school Lending Practices

Between the exorbitant rents paid to New Plan Learning, the management fees to Concept, and payments to other preferred Turkish vendors, the Ohio Concept schools have historically operated at a negative net position throughout their histories. To mitigate the effects of this periodic insolvency, the schools engage in inter-school borrowing of amounts ranging from \$10,000 to \$500,000 each year—a practice employed by these schools since their inception. Exhibit C demonstrates the maze of borrowing and payback that occurred between the Ohio Concept schools in Fiscal Year 2015.

⁶⁶Oklahoma State Auditor Investigative Report of the Dove Science Academy Network, available at: <http://tinyurl.com/jms5wmb> (last checked 9/8/2016).

While this practice is concerning on multiple levels—as evidence of instability and public funds earned in one district crossing county/municipality boundaries to pay for schools elsewhere—it also results in fiduciary duty violations when a governing board makes a decision that is not in the best interest of the entity which it serves. As Ohio nonprofit law requires, a director on a governing board owes the entity that he/she serves a duty of loyalty and care to make decisions in the best interests of that entity.⁶⁷ When a governing board member has to make a decision which impacts two schools which that member represents, such as deciding whether to lend large sums of money from one school to another school that board member also serves, the potential for fiduciary violations increases exponentially. This is particularly true for the Ohio Concept schools, where an entire board represents multiple Concept schools at once and makes decisions to lend and borrow between those schools.

For example, the five member board of Zafer Alpay, Adem Cakmak (also New Plan Learning board member), Veysi Malkoc, Enver Ozer, and Jane Smirniotopoulos together constitute the governing boards for HSA Columbus ES, HSA Columbus MS, HSA Columbus HS, and NA Columbus.⁶⁸ In 2015, this governing board loaned over \$1 million dollars from HSA Columbus ES to the three other schools it served. NA Columbus even had an outstanding debt to HSA Columbus ES of \$85,000 from the prior year that remained unpaid when HSA Columbus ES loaned it another \$290,000. Being that these loans do not carry interest or even defined repayment terms, it is highly questionable whether having \$1 million less in school revenues for the 2014-2015 school year could have possibly been in HSA Columbus ES's best interests. Being that HSA Columbus ES ended up with a net position of negative \$1.9 million that year, the decision to loan out a total of \$1.2 million to other Concept-managed schools was decidedly not in HSA Columbus ES's best interests. Instead, these inter-school loans placed the interests of Concept first, allowing the Concept-employed treasurer to precariously balance these schools' funds to mitigate the insolvencies that resulted, at least in part, from gross over-spending on rent to affiliated Turkish entities.

Furthermore, the inter-school lending behavior of the Ohio Concept schools resembles common warning signs for money laundering, particularly the fact that these types of loans are unusual and in many of the cases, seem to have no logical basis.⁶⁹ For example, in 2015, HSA Cleveland HS loaned HSA Cleveland MS \$50,000. In the same year, the MS loaned the HS \$20,000. This was not a repayment of the \$50,000, but a separate loan for \$20,000. The same year, the HS also received a loan from HSA Denison ES for \$30,000. This runaround scenario begs the question—how could making a \$50,000 loan to one entity be in the best interests of the HS when the HS itself had to take out two separate loans for the total amount of \$50,000 to do so? Compounding this strange scenario is the fact that the MS, who received the \$50,000 loan, was one of the two lenders that provided the HS with the funds that enabled it to make the \$50,000 loan. Considering that three out of the five board members on the HS and MS boards overlap with

⁶⁷ 170 Ohio Rev. Code §§ 1702.30.

⁶⁸ The information in this section is taken from 990 tax filings for these schools and the 2015 audits available on www.ohioauditor.gov.

⁶⁹ The Anti-Money Laundering and Countering Terrorist Financing Guidance to accompany the federal and international legislation list numerous unusual transactions made with little to no justification between affiliated entities as warning signs. See Guidance at <http://tinyurl.com/zb56xel> (last checked 9/7/2016).

each other, this scenario calls into question the necessity of these loans, what their true purpose was, and whether any of these loans were made because they were in the best interests of the participating schools.

V. Conclusion

The information contained in this complaint was gleaned from a review of documents in the public record, which, taken on their face demonstrate a pattern and practice of overreach and financial exploitation by Concept and New Plan Learning of the charter schools they purport to serve. The cronyism of the Ohio Concept school governing boards, supported by sweetheart deals and illegal payments made to school board members; the blurred lines of loyalty between Concept board members, employees, vendors, school governing board members, and school employees; and the governing boards' wholesale acceptance of egregious leasing agreements with abusive terms with affiliated landlords all serve to paint a picture of an organized network calculated to siphon public funds into private pockets at the public's expense. While the charter schools Concept manages are entitled to autonomy, this autonomy does not include freedom to disregard the law. Concept is not free to defraud state and federal tax dollars by stacking these schools' governing boards with affiliated individuals to create a closed system of decision-makers organized around a cultural agenda that remove all layers of accountability, checks, and balances. The Ohio Concept schools do not operate at arms' length from Concept or New Plan Learning as required by state law, and the impacts are clear from the resulting poor financial conditions of the schools and the ever-increasing capital, wealth, and footprint of Concept and New Plan Learning.

The Ohio State Auditor should conduct a forensic investigation into Concept, New Plan Learning and its subsidiaries, and the Ohio Concept schools to uncover how the public funds entrusted to these entities are in reality being used. While these schools are audited annually, it is important to note that routine annual audits did not catch the illegal behaviors of other Gülen Organization charter networks. It took forensic audits by the sponsoring school district and the State of California to uncover a similar illegal inter-school lending scheme for the Magnolia charter network; for the Oklahoma State Auditor to uncover the property fraud scheme for the Dove Science charter network; and for the Georgia school district to uncover the use of sham vendors and self-dealing between related Turkish entities for its Gülen-affiliated charter schools. In light of Concept's similarities and connections to these Gülen charter networks and the evidence in the public record that similar abuses are occurring at the Ohio public's expense, we urge the State Auditor to take immediate action.