

COMPLAINT TO THE CHICAGO PUBLIC SCHOOLS OFFICE OF INSPECTOR GENERAL AGAINST THE CHICAGO MATH AND SCIENCE ACADEMY, CONCEPT SCHOOLS, AND NEW PLAN LEARNING

This complaint and brief in support thereof requests the Chicago Public Schools ("CPS") Office of Inspector General to conduct a thorough investigation into the finances of the Chicago Math and Science Academy ("CMSA") and its improper relationships with its management company Concept Schools ("Concept") and its landlord New Plan Learning, Inc. ("NPL"). Evidence available in the public record indicates that the governing board of CMSA has acted in concert with Concept and NPL to commit ongoing fraud, waste, and financial mismanagement of state and federal funds through a series of costly decisions regarding the CMSA property and the construction of a gym. These property decisions benefitted the private interests of Concept, NPL, and a CMSA governing board member illegally at the expense of the school itself, its students, and Illinois taxpayers. Because CMSA is a charter school authorized by CPS, the CPS Office of Inspector General has jurisdiction to investigate the wrongdoing perpetrated by CMSA, Concept, and NPL.¹

CMSA is governed by a non-profit governing board of directors, and like all Illinois charter schools, is required to abide by non-waivable state and federal law to: 1) use public funds transparently for appropriate public purposes; 2) prohibit self-dealing transactions that benefit private interests at the expense of the public; and 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 first. Despite these legal mandates, CMSA does not operate with the required autonomy from Concept or its unofficial real estate arm, NPL, and has engaged in a major self-dealing transaction that will effectively cost Illinois taxpayers tens of millions of dollars.

The misuse of public funds by CMSA, Concept, and NPL are not unique to CMSA and are in fact part of a larger pattern of organized misconduct evident throughout Concept's charter network. Upon a detailed examination of property records, bond disclosures, financial audits, and tax filings of these interrelated entities, it is clear that CMSA and other Concept-operated charter schools do not have meaningful independence from Concept and exist primarily to finance its expansion throughout the Midwest. Concept exploits its schools and their funds by:

- Filling the governing board seats of its charter schools 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 loyal to Concept serving on both ends of transactions so that there are no checks and balances on key decisions;
- Foisting untenable and financially irresponsible property and leasing arrangements onto the charter schools that result in excessive rental payments to Concept's real estate arm NPL; and
- Using the profits from the excessive rents to acquire properties to lease to new Concept-operated charter schools, with the cycle repeating as Concept's footprint increases at the expense of its existing schools.

¹ See 105 ILCS 5/34-13.1; Board Rule 3-8.

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 charter schools through unconscionable contracts and leases. This pattern is evident in CMSA's own property history, and the CPS Office of the Inspector General should investigate and sanction both CMSA and Concept at once to prevent further fraud on CPS and the Illinois taxpayer.

I. The Characteristics and Interrelationships of the Entities Involved

A. Chicago Math and Science Academy

CMSA began its operations in 2005 as a locally approved charter school within CPS. Since its opening, CMSA has utilized Concept as its charter management company for comprehensive management services. CMSA is currently located at 7212 N. Clark Street, Chicago, IL 60626 (the "Clark property"). While CMSA bought the Clark property in 2009, it later sold the property in 2011 to New Plan Learning, Inc., ("NPL") a decision which is at issue in this complaint and is discussed in detail in Section II. CMSA currently rents the Clark property from NPL in a non-cancelable lease that extends through 2041.

CMSA is governed by a non-profit governing board of directors. Like Concept, NPL, and all Concept-managed charter schools throughout the Midwest, the CMSA governing board has been dominated by individuals of Turkish national origin since its inception.² Similarly, every principal CMSA has ever employed has been Turkish, and a large percentage of CMSA's teaching and administrative staff is also Turkish. CMSA and Concept use the federal H-1B visa program to hire Turkish nationals, allegedly to fill STEM positions they claim cannot be filled by qualified local educators.³ Despite this claim, CMSA has utilized the H-1B program broadly to hire Turkish nationals to serve as physical education teachers, school business managers, administrative leadership roles, and other positions that easily could be filled by individuals looking for employment within the Chicago education market. This pretextual use of the H-1B immigration program is not accidental—it is a hallmark of a charter school's affiliation with the Gülen Organization.

The leadership of CMSA, Concept, and NPL share a particular set of cultural, ethnic, and religious ties that form the basis of their illegal collaboration and exploitation of public funds. Specifically, these shared ties are to Fethullah Gülen, a Turkish Islamic cleric whose religious doctrine on its face encourages outreach through education and collaboration between educational leaders, business leaders, and politicians.⁴ Gülen leads a religious movement that has

² For a snapshot of CMSA's governing board members from years 2009-2015, please see the chart in Section II(B) of this complaint.

³ From 2008 to 2015, CMSA has filed and paid for 24 H-1B visa applications for Turkish employees. *See* H-1B visa information, available at <http://tinyurl.com/hs3yzny>. Note that CMSA is listed under several different names—the total number was taken by adding the number of applications filed under each of these entries. (last checked November 21, 2016).

⁴ *See* 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 ("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

millions of followers worldwide. His primarily Turkish followers control several large charter networks in the U.S., including Concept, Harmony Public Schools in Texas, Magnolia Public Schools in California, Dove Science Academies in Oklahoma, and many more. These charter networks share the same characteristics, reliance on the H-1B program to immigrate more Gülenists, and problematic funding schemes.⁵ These networks are also interrelated, which is demonstrated by their lucrative business arrangements with each other, their shared Turkish vendors, and the migration of their Turkish H-1B employees between networks. For simplicity, the complaint refers to this overarching network of interrelated charter schools, charter networks, vendors, contractors, and cultural associations as the Gülen Organization.

It is important to note that Gülen and his teachings are not at issue in this complaint. What is at issue is the fact that entities within the Gülen Organization create closed decision-making loops by stacking Gülenists on all sides of every transaction, creating an environment that places the private financial interests of the Gülen Organization over the best interests of the students they purportedly serve. In CMSA's specific example, CMSA should be operating at arms' length from its vendors to ensure that every decision CMSA makes places the best interests of the school itself and its students first. Instead, CMSA allows its cultural ties and connections to its paid vendors, Concept and NPL, to illegally influence its judgment to the detriment of Illinois taxpayers, Chicago Public Schools, CMSA, and CMSA students.

B. Concept Schools, Inc.

Concept is a non-profit charter management corporation founded by a group of Turkish educators after starting the first Horizon Science Academies located in Ohio in the late 1990s.⁶ These founders included Taner Ertekin, Sedat Duman, Salim Ucan, Vedat Akgun, and others⁷ who openly admit they were inspired by the teachings of Fethullah Gülen.⁸

Currently, Concept is the contracted nonprofit management services vendor for thirty charter schools, with seventeen schools in Ohio, four in Illinois, three in Missouri, three in Indiana, one in Michigan, one in Wisconsin, and one in Minnesota.⁹ Concept is a comprehensive services vendor that controls human resources, fiscal management, school design, curriculum, accountability, compliance, and reporting in exchange for a twelve percent fee of each school's total revenues. While evidence of employment discrimination favoring Turkish nationals, fraud, self-dealing, conflicts of interest, private benefit at the public's expense, and misuse of public funds exist throughout the Concept network and the Gülen Organization, this complaint focuses

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).")

⁵ See Exhibit C, Markers of the Gülen Organization Charter Networks.

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

⁷ *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.

⁸ See Concept's response to allegations and accusations, available at: <http://tinyurl.com/zqwa6ey> (last checked 9/6/2016).

⁹ See Concept Schools network, available at: <http://tinyurl.com/z3d8qsb> (last checked 8/26/2016).

specifically on Concept's dealings with CMSA and uses other examples only to demonstrate the existence of a pattern of organized fraud within the Gülen Organization.

Like each of the charter schools it creates and manages, Concept itself has been controlled by a governing board of Turkish directors since its inception, and Concept's leadership is entirely comprised of Turkish individuals.¹⁰ Concept has also facilitated the immigration of large numbers of Turkish individuals to the United States through the H-1B program. In its own name, Concept has filed 167 H-1B applications from 2001-2015.¹¹ The use of the H-1B program exists in every Concept-managed charter school, favoring Turkish nationals specifically, and in Illinois and Ohio alone, Concept and its charter schools have collectively filed and paid for over 784 H-1B applications from 2001-2015.¹² With H-1B visa costs ranging from \$2,000 to \$4,000 per application, between \$1.6 million and \$3.1 million of taxpayer funds have been used to fund the large-scale immigration of Turkish nationals into employment at Concept-managed charter schools.

Concept's preferred vendors are also owned, operated, and controlled by Turkish individuals within the Gülen Organization. In fact, several of these Gülenist vendors are already under federal investigation for collusion with Concept to defraud millions of dollars from the federal E-Rate funding program.¹³ 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 Gülenist companies run by former Concept employees in exchange for a cut of the proceeds without doing any of the federally funded work.¹⁴ Former Concept executive Ozgur Balsoy was one of the fraudulently enriched Gülenist

¹⁰ See listings of board members in Concept's 990 tax filings, available at: <http://tinyurl.com/z9y36lh> (last checked 9/8/2016).

¹¹ 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/zhgx3xl> for Concept Schools Nfp (54 H-1Bs).

¹² From 2001-2015, Concept and its Illinois and Ohio schools only filed over 784 H-1B applications. From 2008-2015, CMSA had 24 H-1B visas. <http://tinyurl.com/hs3yzny> From 2001-2015, the Ohio Concept-managed charter 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/zcy5wbs> 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/z5oynkg> .

¹³ 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). 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).

¹⁴ Search Warrant application available at: <http://tinyurl.com/jt9j4ed> (last checked 9/8/2016).

vendors.¹⁵ While Balsoy's business is under suspicion in the FBI investigation and has already been raided, Concept continues to give him and the other Gülenist vendors named in the search warrant application substantial business.¹⁶

C. New Plan Learning, Inc.

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 ("NPL") was created shortly thereafter, and now acts as the non-profit umbrella organization for Breeze and several other wholly owned subsidiaries (250 Shoup Mill LLC, OG-Ohio LLC, NOG-Ohio LLC, and 2350 Morse LLC).¹⁸ Together with its subsidiaries, NPL buys, renovates, leases, and sometimes sells properties to Concept-managed charter schools. NPL has 501(c)(3) status and was established to serve as a "supporting organization" to Concept-managed charter schools.¹⁹ NPL currently owns the Clark property which houses CMSA, along with ten of the seventeen Concept-managed charter schools located in Ohio.

New Plan Learning Founders, Leadership, and Connections to Concept

The same Turkish Gülenists that founded Concept and its first charter schools also founded NPL, clearly evidencing these companies' close ties and lack of independence from each other.²⁰ Vedat Akgun, mentioned previously as co-founder of the first Horizon Science Academies, later co-founded Concept to serve as the charter schools' management corporation. Akgun then co-founded Breeze, Inc., to serve as these schools' landlord.²¹ Taner Ertekin, who co-founded the first Horizon Science Academies and Concept alongside Akgun, also served on Breeze's governing board.²² Emrah Ayhan, who incorporated Breeze,²³ was also a governing board member for several Concept-managed charter schools and a Concept charter school employee.²⁴

¹⁵ 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).

¹⁶ See Mihalopoulos, Dan. *Targeted Firms Still Get Tax Money After Charter Raids*, Chicago Sun-Times <http://tinyurl.com/jzmzevh> (last checked 9/8/2016).

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 2, available at: <http://tinyurl.com/zxoauxp> (last checked 9/6/2016);

²⁰ 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. Taner Ertekin, Akgun's co-founder, also sat on Breeze's board of directors. Emrah Ayhan, the individual listed as incorporator of Breeze, was a board member on numerous HSA charter schools who utilized Breeze as their landlord.

²¹ New Plan Learning, Inc. 2011A Bond Official Statement pg A-32, available at: <http://tinyurl.com/zxoauxp> (last checked 9/6/2016).

²² See 2007 Breeze Inc. 990 form, available at: <http://tinyurl.com/zj9xbzx> (last checked 9/8/2016).

²³ Business profile for Breeze Inc. listing Emrah Ayhan as incorporator, available at: <http://tinyurl.com/j5lk3lz> (last checked 9/8/2016).

²⁴ Educator Profile for Emrah Ayhan at www.ohio.gov, also available at: <http://tinyurl.com/j7bxyhk> (last checked 9/8/2016).

In the span of a few years, Akgun and his Gülenist colleagues created a vertically integrated chain of businesses and vendors, all feeding upon a captive customer base of charter schools. In many ways, Concept's founders created a micro-economy whereby the vendor, Concept, can create its own customer base (the charter schools), systematically overcharge that customer base, and then use the resulting funds to create more customers. This micro-economy favors vendors within the Gülen Organization—they get the charter schools' contracts and business, regardless of procurement requirements designed to prevent sweetheart deals, and these vendors are then free to overcharge and underperform with impunity as the crony charter school governing boards do not hold them accountable. This pattern of exploitation, nepotism, and sweetheart deals to favor the Gülen Organization is plainly demonstrated by CMSA's dealings with both Concept and NPL.

After founding Concept, NPL, and the captive charter school customer base, Concept's founders ensured these entities would operate in tandem by staffing NPL with a former Concept employee, Murat Arabaci.²⁵ Arabaci has managed NPL, Breeze, and its subsidiaries since 2005,²⁶ after leaving his employment at Concept. NPL also utilizes Edip Pektas as a paid financial advisor and business development consultant.²⁷ This constitutes a clear conflict of interest as Pektas has served on the CMSA governing board since 2009, and has been on the board through each of CMSA's problematic property transactions with NPL.²⁸

NPL's own three-member governing board has confused lines of loyalty as well, playing simultaneous roles as board members for NPL, board members for Concept-managed charter schools, and even employees of Concept and/or its charter schools. As these individuals' affiliations are difficult to follow, please refer to the chart below to see the interconnections between NPL, Concept and what should be independent governing boards of Concept-managed charter schools. Note how all but two individuals discussed has significant affiliations across all three columns with Concept, Concept-managed schools, and NPL.

	New Plan Learning/Breeze	Concept	Concept Schools
Murat Arabaci	President/CEO	Former Concept employee	Landlord
Edip Pektas	Paid Financial Consultant and Business Development Advisor		CMSA Board member, rents from NPL
Vedat Akgun	Founder of Breeze; Director	Founder	Founder of earliest HSA schools
Taner Ertekin	Founder of Breeze;	Founder	Founder of earliest HSA schools;

²⁵ See 2007 Concept 990 with Arabaci listed as employee, available at: <http://tinyurl.com/z9y36lh> (last checked 9/8/2016).

²⁶ 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).

²⁷ New Plan Learning, Inc. 2011A Bond Official Statement pg A-6, available at: <http://tinyurl.com/zxoauxp> (last checked 9/6/2016).

²⁸ Board member listings gathered from CMSA IRS 990 tax form filings from 2009-2014, available at: <http://tinyurl.com/hdu6gbe> (last checked 10/28/2016).

	Director		CMSA board member
Savas Kaya	Board member	Director for Concept Schools- Ohio	Board member for: HSA Columbus, HSA Toledo, HSA Cincinnati, HSA Dayton, HSA Dayton HS. All rent from NPL
Nuh Aydin	Board member for NPL; Secretary of Breeze	Paid employee of HSA Columbus	Board member for: HSA Columbus, HSA Toledo, HSA Cincinnati All rent from NPL
Adem Cakmak	Board member for NPL		Board member for: HSA Columbus ES, HSA Columbus MS, HSA Columbus HS, NA Columbus

These connections are problematic because charter schools are required to operate at arms' length from their vendors. Maintaining independence from the landlord and management company ensures that the charter school governing board is making decisions that put its students and school first. However, in the case of Concept-managed charter schools, the governing boards share numerous overlapping affiliations between the vendors they are supposed to be choosing based on merit and value, rather than self-dealing, nepotism, and improper affiliation. These overlapping governing boards do not exert meaningful independence from each other, and instead work together to siphon large amounts of public funds out of the schools and into the Gülen Organization vendors' hands through the egregious property arrangements discussed in Section II and Exhibit A of this complaint.

While NPL asserts that these connections between charter boards, Concept, and NPL are both intentional²⁹ and beneficial to the Concept-managed charter schools, it is clear that these connections instead benefit Concept and NPL, allowing them to profit significantly off the charter schools they are supposed to be supporting. This finding has been recently confirmed by the Ohio Supreme Court, which issued an opinion in January of 2016 that NPL and its subsidiaries are operating with a "view to profit" off their leases to the Concept-managed charter schools.³⁰ NPL argued that its leases with Concept-managed charter schools were set at their minimum amounts for debt service payments, but the Court examined the facts and disagreed, finding that substantial rent was charged above the minimum amounts required and that NPL profited significantly.³¹ Furthermore, the Court found that these profits were used to acquire more property for NPL rather than to enhance or improve the rental property for the students who attend the schools or some other legit non-profit purpose. As such, the Court found the excessive rents were supporting NPL at the expense of the schools.³²

²⁹ New Plan Learning, Inc. 2011A Bond Official Statement pg A-7, available at: <http://tinyurl.com/zxoauxp> (last checked 9/6/2016).

³⁰ See 250 Shoup Mill, L.L.C. v. Testa, Slip Opinion No. 2016-Ohio-5012 (2016). At issue in the case was NPL's petition to receive a property tax exemption on the basis of its clients, the Concept-managed charter schools, non-profit activity. The Court found that NPL may be organized as a non-profit, but that in reality it was profiting heavily off of the charter schools and was not using the profits for their own legitimate non-profit purposes. As a result, the Court denied the property tax exemption to NPL because it was operating with a view-to-profit.

³¹ *Id.*

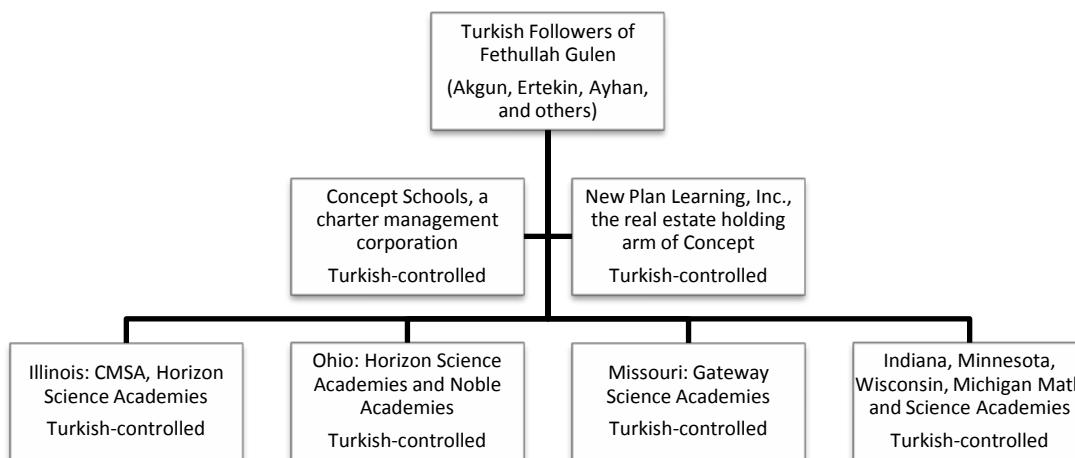
³² *Id.*

Like Concept and Concept-managed charter schools, NPL also has deep connections to Gülenist organizations. For example, in 2007 alone NPL's predecessor Breeze purchased new school 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 a Concept-managed charter school in Cincinnati.³³ Secen was also a member of the Niagara Foundation in Chicago, a member of the Gülenist Scioto Foundation like other Concept affiliates, and remains a Concept-managed charter school employee.³⁴ 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 terms³⁵ is difficult to explain beyond the obvious—that Concept, Concept-managed charter schools, and NPL do not operate at arms' length and are part of a larger cultural network with its own agenda of expansion and profit.

II. The NPL-Concept Property Scheme and CMSA

A. Overview

A close examination of property records, tax documents, financial audits, and bond disclosures reveals a pattern and practice by Concept and NPL of exploiting Concept-managed charter schools. This is accomplished by stacking the charter school's governing board with individuals of the same national origin and Gülenist cultural affiliation as Concept and NPL, who then fail to operate the charter school with the required level of autonomy and independence. These crony governing boards agree to property deals and lease agreements with NPL that have objectively onerous terms intended to siphon large amounts of public funds through egregiously high rents. NPL uses these rental proceeds to purchase buildings to house new Concept-managed charter schools, and the cycle continues as Concept and NPL expand their holdings, revenues, and their captive customer base of charter schools.



³³ 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).

³⁴ Search "Onder Secen" at <http://tinyurl.com/hxo7mq5> for a work history (last checked 9/8/2016).

³⁵ See 2007 Breeze Inc., 990 tax form, available at: <http://tinyurl.com/zj9xbzx> (last checked 9/8/2016).

B. CMSA, the Clark Property, and NPL

CMSA bought the Clark property in 2009. According to its property records, CMSA borrowed a total of approximately \$10.4 million to purchase the Clark property.³⁶ Then, in September of 2011, CMSA sold the Clark property to NPL for \$10.2 million,³⁷ which was also the outstanding amount owed on CMSA's mortgage loans.³⁸ The building was appraised at the time of the sale for \$11 million,³⁹ resulting in a loss for CMSA in terms of price paid, amount received, and equity lost. Conversely, it was a significantly good deal for NPL on price paid for value of the property alone. However, when considering both the property deal and the lease-back agreement that CMSA entered into with NPL after sale of the Clark property, it is clear that the deal NPL received was not only good—it was an orchestrated multi-million dollar windfall at the expense of Illinois taxpayers and CMSA students.

This deal for NPL was not coincidence. At the time of the sale to NPL, Edip Pektas was both the president of the CMSA governing board and a paid consultant for NPL, providing both financial advising and business development services to NPL. This was an explicit conflict of interest as Pektas was on both sides of the transaction and had a financial interest in NPL, and in fact was paid to help NPL develop business. However, Illinois law only makes the resulting transaction invalid and illegal if it was clear at the time the transaction was made that it was not fair to the non-profit corporation served by the conflicted board member.⁴⁰ In light of the property, lease, and bond arrangements discussed below, it is clear that CMSA with Pektas at its helm agreed to a series of transactions with NPL with terms so egregiously in NPL's favor that they border on unconscionability. These transactions constitute not only extremely poor decisions for the school, but also a breach of the CMSA governing board members' fiduciary duties of loyalty and care. The following chart shows the makeup of the CMSA governing board during the years when the relevant property decisions were made.

Year	Relevant Action	CMSA Board Members ⁴¹
2009-2010	Bought the Clark property	Yavuz Canbolat Edip Pektas (Board treasurer) Murat Surucu Hanifi Tiryaki Sulejman Dizdarevic Jeff Kulenovic Ali Yurtsaver
2011-2012	Sold the Clark property to NPL for break-even price; Entered into first lease-back agreement with NPL with egregious terms; Agreed to be included in NPL bond with	Edip Pektas (President) Yavuz Canbolat Hajdar Dako Sabovic Murat Surucu Jeanette Kay Moody

³⁶ See Exhibit D for property documents related to CMSA's acquisition of the Clark property.

³⁷ CMSA 2013 audit at pg 12, available at <http://tinyurl.com/j52lyde> (last checked 10/28/2016).

³⁸ CMSA 2011 audit at pg 12, available at <http://tinyurl.com/zpk3xra> (last checked 11/23/2016).

³⁹ New Plan Learning, Inc. 2011A Bond Official Statement pg 11, available at: <http://tinyurl.com/zxoauxp> (last checked 9/6/2016)

⁴⁰ 805 Ill. Comp. Stat. Ann. 105/108.60(a).

⁴¹ These names were taken from the 990 tax forms filed by CMSA, available at: <http://tinyurl.com/hdu6gbe> (last checked 11/11/2016).

	egregious terms.	Hanifi Tiryaki Sulejman Dizdarevic
2014-2015	Renegotiated and entered second lease agreement with NPL for worse terms.	Edip Pektas (President) Fatma Zeynep Uysal Jeanette Kay Moody Hajdar Dako Sabovic Hanifi Tiryaki Volkan Akbas

After CMSA sold the Clark property to NPL at a loss, CMSA entered into a lease-back agreement (the first of two) for the Clark property with extremely poor terms for CMSA. The term of this lease was thirty-five years, an unusually long term for a charter lease being that charter schools are typically renewed by their authorizers with five-year terms.⁴² The lease notably was non-cancelable.⁴³ Under the terms of the lease, CMSA paid annual rents ranging from \$1 million to \$1.2 million in the first years, with the rents set to increase each year.⁴⁴ Over the term of the lease, CMSA would pay well over \$40 million in rent for a building it once owned.⁴⁵ The lease-back agreement contained an option to purchase the property for whatever remained of NPL's debt for that property at that time.⁴⁶

The lease-back agreement also bound CMSA to inclusion in a \$33 million educational facility revenue bond arrangement orchestrated by NPL and Concept through the Industrial Development Authority of the County of Pima Arizona. According to the bond's official statement, NPL would use the bond proceeds to purchase, refinance, and/or renovate four Concept-managed charter schools, including: CMSA (the Clark property), Horizon Science Academy ("HSA") Dayton High School, HSA Toledo High School, and HSA Springfield.⁴⁷

Of the \$33 million borrowed by NPL with this bond, approximately \$12.8 million is allocated to CMSA for two purposes: 1) to cover NPL's purchase of property from CMSA for \$10.2 million; and 2) for NPL to construct a 9,775 square foot gym for up to \$1.5 million.⁴⁸ This means that CMSA will pay upwards of \$40 million in rent in exchange for the construction of a gym costing less than \$1.5 million,⁴⁹ the approximate price of one year of CMSA's rent to NPL. CMSA's \$40 million in rent over the next three decades will pay off the construction of the gym in a little over one year, NPL's mortgage on CMSA shortly thereafter, with the remaining decades of million-dollar rents resulting in pure profit to NPL, a nonprofit organization that cannot legally profit off of its charter school customers.

⁴² Details of the first lease back agreement are within the CMSA 2012 audit, available at <http://tinyurl.com/h5xcob2> (last checked 11/23/2016).

⁴³ See NPL Audit 2011, pg 10, available at <http://tinyurl.com/zkxztsm> (last checked 11/23/2016).

⁴⁴ See CMSA 2012 audit, available at <http://tinyurl.com/h5xcob2> (last checked 11/23/2016).

⁴⁵ *Id.*

⁴⁶ *Id.*

⁴⁷ New Plan Learning, Inc. 2011A Bond Official Statement pg 11, available at: <http://tinyurl.com/zxoauxp> (last checked 9/6/2016).

⁴⁸ *Id.* at pg 9.

⁴⁹ According to the project information, the contract's price was listed as approximately \$1 million. See project information, available at <http://tinyurl.com/zwzkxy2> (last checked 11/11/2016).

As bad as the terms of the initial lease-back agreement were, the second lease-back agreement's terms were worse. In 2014, the CMSA governing board, still with NPL consultant Pektas as Board President, renegotiated the terms of the lease-back agreement with NPL. The term decreased to end in 2041, but the rent increased, and CMSA lost its option to buy the property back at the end of the lengthy lease term.⁵⁰ Furthermore, CMSA would be on the hook for all maintenance, renovation, upkeep, and repairs, which as the next section discusses, has turned out to be substantial and ongoing due to major quality issues with the gym's construction. CMSA now pays approximately \$1.25 million per year as its base rent, though NPL can charge additional rents that are not disclosed in CMSA's annual audits.⁵¹

All in all, CMSA will pay over \$40 million in rent for a building it used to own and was forced to sell at a loss to NPL. For this gross expenditure, CMSA received a \$1 million gym of poor quality that it could have paid for itself with just one year's worth of rent paid to NPL. In light of this extremely poor deal for CMSA, it is clear that NPL is not acting as a supporting organization but is instead exploiting CMSA with a view to profit extensively, just as the Ohio Supreme Court found with regards to NPL's Ohio charter school lessees.⁵²

Construction Vendor's Connections to the Gülen Organization

To construct the gym, NPL contracted with Quality Builders of Midwest, a Turkish-controlled construction company that does the majority of Concept and NPL's construction jobs.⁵³ Like most vendors favored by Concept, Quality Builders of Midwest is affiliated with the Gülen Organization, which can be demonstrated by the connections its leadership shares with other notable Gülen Organization charter networks. For example, Ahmet Ozarslan was the project manager for Quality Builders during the time the CMSA gym was built.⁵⁴ Prior to his employment with Quality Builders, Ozarslan was a board member of Fulton Educational Services, Inc., the governing board that oversaw the three Gülen charter schools operating in Georgia.⁵⁵ These schools were later nonrenewed due to fraudulent transactions discovered through a series of forensic audits conducted by the schools' authorizer.⁵⁶ Furthermore, the Georgia Gülen charter schools were found to have made materially misleading statements on a bond disclosure statement to pay for the construction of a large campus to house all three schools.⁵⁷

As another example of Quality Builders' connections with the Gülen Organization and with Concept specifically, Levent Elibal, the Director of Quality Builders when the CMSA gym was built, left shortly thereafter to work for Concept as its Purchasing Manager.⁵⁸ After that position,

⁵⁰ See CMSA 2014 audit, pg 13 located at <http://tinyurl.com/h37lkov> (last checked 11/11/2016).

⁵¹ *Id.*

⁵² See 250 Shoup Mill, L.L.C. v. Testa, Slip Opinion No. 2016-Ohio-5012 (2016).

⁵³ See project information, available at <http://tinyurl.com/zwzkxy2> (last checked 11/11/2016).

⁵⁴ See LinkedIn profile for Ahmet Ozarslan, available at: <http://tinyurl.com/jdrhk34> (last checked 11/23/2016).

⁵⁵ See Fulton Educational Services 990 tax forms, available at <http://tinyurl.com/zxtjkrm> (last checked 11/23/2016).

Ozarslan was on the board from 2007-2010.

⁵⁶ Stephanie Saul. *Audits of Three Georgia Schools Tied to Turkish Movement*, The New York Times. (June 5, 2012) available at <http://tinyurl.com/gqkmh6s> (last checked 11/23/2016)

⁵⁷ *Id.*

⁵⁸ See LinkedIn profile for Levent Elibal, available at <http://tinyurl.com/zu3r3ny> (last checked 11/23/2016).

Elibal worked at a Concept-managed charter school—the Indiana Math and Science Academy. Elibal's connections with the Gülen Organization did not begin with his work at Quality Builders, however. He worked at Ramson Contractors prior to Quality Builders, a construction vendor utilized by Gülen Organization charter networks in the western United States, such as Magnolia Public Schools and Lotus Academy in Colorado. These types of repeated, overlapping connections between charter networks, vendors, and clients demonstrate the existence of a larger network of interrelated businesses designed to serve and exploit their captive charter school customer base.

Issues with the Gym's Construction Quality

Within one year of construction, the \$1 million gym built by Quality Builders displayed significant building issues, including multiple leaks in its roof, cracks in its foundation, rodent problems, sanitary issues, and flooring that peeled upward due to an improperly installed bleacher system.⁵⁹ Despite these major concerns with the gym's construction, Quality Builders did not provide repairs, and neither NPL nor Concept covered the repairs' costs. CMSA was on the hook to fix the gym's issues per the terms of its lease, and apparently could not rely on a warranty with Quality Builders to correct its building flaws. Please see Exhibit B for the personal statement of the former CMSA athletic director discussing in depth the issues with the poor gym construction.

In summary, CMSA sold its building to NPL, an entity with inappropriate ties to both Concept and CMSA, at a loss. CMSA then agreed to lease the building from NPL paying million-dollar rents for the next thirty years, resulting in over \$40 million of Illinois tax dollars spent to pay for a private Turkish company's acquisition of property and a \$1 million gym of poor quality that already requires extensive repairs. Furthermore, a highly paid NPL consultant was CMSA's treasurer and later board president during the years of the transactions in question. Beyond Pektas's involvement, the CMSA board was dominated by Turkish individuals of the same cultural affiliation as both Concept, NPL, and the construction company chosen, once again evidencing the self-dealing culture of Concept and the vendors created to serve and exploit Concept-managed charter schools.

In light of this ongoing exploitation of CMSA and its governing board's own role in accepting that exploitation, CPS must investigate and hold this charter school and its vendors accountable for the corruption, self-dealing, nepotism, and misuse of the public funds entrusted to them for the education of Chicago's students.

⁵⁹ Pictures are available online of the moisture damage and cracks in the gym's foundation. A concerned citizen documented these issues on a blog post, available at: <http://tinyurl.com/hjq4zjk> (last checked 11/11/2016).

2011 Property/Lease Deal	
CMSA	NPL
<p>Sells Clark property to NPL</p> <ul style="list-style-type: none"> - CMSA borrowed \$10.4M in 2009 to buy property - Property appraised for \$11M prior to sale - Sells it under value and under what CMSA paid for to NPL for \$10.2M 	<p>NPL buys Clark property from CMSA</p> <ul style="list-style-type: none"> - Property appraised for \$11M - NPL pays \$10.2M, \$800,000 less than what property is appraised at.
<p>Enters into Lease/Bond Deal with NPL</p> <p>Lease Terms:</p> <ul style="list-style-type: none"> - Extends to 2046 - Non-cancelable - Requires CMSA to cover its own renovations, maintenance, repairs, and upkeep - Requires CMSA to pay base rent and additional rent (its portion of taxes, fees, indemnities, assessments, payments) - Includes provision to buy back the building at the end of the 35-year-lease term for the school's portion of outstanding bond debt, thus making this a capital lease - Annual base rent escalates from \$1.1M to \$1.25M in first five years of term - Over the course of the 35 year term, CMSA will pay approximately \$40M to NPL in base rent. <p>Receives out of new Lease/Bond:</p> <ul style="list-style-type: none"> - A gym valued at \$1M for a 35-year non-cancelable lease commitment totaling in \$40M of rent. - If CMSA wants to exercise buy-back, it will have to pay \$40M in rent and whatever debt may be outstanding at that time of the initial \$12.8M allocated to it from the bond. 	<p>NPL leases the Clark property to CMSA and includes them in bond.</p> <p>Receives out of lease/bond deal:</p> <ul style="list-style-type: none"> - \$1.1M to \$1.25M in rent each year - \$40M in rent over 35 years for a \$1.5M gym - Passes \$12.8M cost of buying the Clark property and construction of gym onto CMSA through annual rents - No obligation to repair, renovate, perform maintenance, or upkeep beyond construction of the gym - Tenant with a non-cancelable lease - Use of the Clark property as collateral for bond loans
2014 Lease Renegotiation	
<p>CMSA renegotiates lease with NPL</p> <ul style="list-style-type: none"> - Loses buy-back option, property vests completely in NPL - Rent increases - Term decreases to 2041 (30 year lease instead of 35 year lease) 	<p>NPL renegotiates lease with CMSA</p> <ul style="list-style-type: none"> - Receives total ownership of the property without any option for buy back - Receives additional rent per year

III. Charter Networks within the Gülen Organization

Concept and NPL's systematic exploitation of Concept-managed charter schools is not unique. In fact, Concept is one of several Gülenist charter networks operating within the United States that exhibits this pattern and practice. The unifying factor in all of these charter networks is the

connection between their Turkish founders, leadership, employees, and vendors to Gülen. These charter networks also 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;
- 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;⁶⁰
- 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;
- 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.

Concept and NPL's property scheme utilizing bond financing and egregious leasing arrangements to overcharge Concept-managed charter schools has been duplicated by Gülen Organization charter networks elsewhere. In fact, the same property scheme was used by the Dove Science Academies, a Gülen Organization charter network in Oklahoma. Dove Science was investigated by the Oklahoma State Auditor, who issued a report finding that Dove systematically overcharged on its leases with its charter schools in violation of its supposed nonprofit status, and that the same group of Turkish individuals was on both sides of the

⁶⁰ 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.

transactions.⁶¹ The Oklahoma State Auditor also uncovered a payment of \$175,000 of Oklahoma state funds from Dove Science to Harmony Public Schools, another Gülen Organization charter network located in Texas, for no legitimate public purpose, a violation of the Oklahoma Constitution.⁶²

Like Concept, the Dove Science Academy network shares the Gülen Organization markers, including a Turkish-dominated board,⁶³ use of H-1B visas to bring in Turkish teachers and employees,⁶⁴ and the same property scheme.

Harmony Public Schools also utilizes an affiliated real estate acquisition arm, Charter School Solutions, to secure bond financing and then lease buildings to Harmony charter schools at an inflated rate, just like Concept and NPL.⁶⁵ Harmony and Charter School Solutions secured a bond for approximately \$44 million to acquire and renovate five Harmony campuses, with planned rents between 115 and 161% of the debt service for those five campuses.⁶⁶ Harmony meets all the markers of a Gülen Organization charter network, as well.⁶⁷

As a prime example of Concept's blatant connections to Gülen, Gülen Organization charter networks, and this property scheme, Mr. Vahap Uysal, a board member of Concept Schools, wrote and presented an article entitled "Gülen Movement and School Financing" at the Third Annual Conference on Islam in the Contemporary World: The Fethullah Gülen Movement in Thought and Practice.⁶⁸ Also presenting at that conference was Renat Shaykhutdinov, a governing board member at two Gülen Organization charter networks in Florida (Palm Beach Science and Riverside Science), and Alp Aslandogan, former Harmony Public Schools landlord, CEO of one Harmony's largest vendors, property buyer from Dove Science Academy, and Gülen's official spokesperson in his role as President of the Alliance for Shared Values, a Gülenist cultural organization.⁶⁹

The breadth and expanse of the Gülen Organization and its grip on the American public education system cannot be exaggerated. CPS owes its taxpayers a duty to protect its limited resources and ensure that public funds are not being used to illegally enrich the private interests of a vast religious organization engaging in white collar criminal conduct.

⁶¹ See Dove Science Academy Audit, available at <http://tinyurl.com/ja634lk> (last accessed June 30, 2016).

⁶² *Id.*

⁶³ *Board of Education*, Dove Science Academy, <http://bit.ly/1Tjsqlu> (last visited Mar. 30, 2016) (listing a four member board of education with all Turkish nationals).

⁶⁴ See *Dove Science Academy - Tulsa*, MyVisaJobs.com, <http://bit.ly/1RkoVC9> (last visited Mar. 30, 2016); *Dove Science Academy - Oklahoma City*, MyVisaJobs.com, <http://bit.ly/1MU35le> (last visited Mar. 30, 2016).

⁶⁵ The TEA Supplement detailing Harmony's property fraud with Charter School Solutions is located at <http://tinyurl.com/hnekhww>, (last visited November 11, 2016).

⁶⁶ See CSS 2016A Bond at pg 2, available at <http://tinyurl.com/j4lpe62> (last checked October 31, 2016).

⁶⁷ See Exhibit C, Markers of the Gülen Organization Charter Networks.

⁶⁸ Conference was held Nov. 3, 2007 in San Antonio, Texas, and the conference agenda is available at: <http://tinyurl.com/gt2vujs> (last checked October 31, 2016).

⁶⁹ More information about Alp Aslandogan is contained within the two TEA complaints located at <http://tinyurl.com/hnekhww>, (last visited November 11, 2016).

IV. 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 CMSA governing board; the blurred lines of loyalty between Concept board members, employees, vendors, school governing board members, and school employees; and CMSA's wholesale acceptance of egregious leasing agreements with abusive terms with its affiliated landlord 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 its charter 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. CMSA does not operate at arms' length from Concept or New Plan Learning as required by state law, and the impacts are clear from the terms of its property arrangements, the resulting poor financial condition of CMSA, and the ever-increasing capital, wealth, and footprint of Concept and New Plan Learning.

The CPS Office of Inspector General should conduct a forensic investigation into CMSA, Concept, and New Plan Learning to uncover how the public funds entrusted to these entities are in reality being used. While CMSA is 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 Illinois public's expense, we urge the Inspector General to take immediate action.