

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

THE PEOPLE OF THE STATE OF NEW YORK,
by ERIC SCHNEIDERMAN, Attorney General of
the State of New York,

Plaintiffs,

-against-

MURE ASSOCIATES, LP;
BI-COUNTY HELPLINE FOR ABUSE AGAINST
WOMEN AND CHILDREN, INC.;
LI RESPONDS, INC A/K/A LONG ISLAND
RESPONDS, INC.;
BREAST CANCER FUNDS FOR RESEARCH,
INC.; HARRIET WALDBAUM; LYNNE
SPECIALE; YVONNE CARAFTIS; MARYANN
HANOVIC; AND PORTFOLIO PLANNERS,
INC.,

Defendants.

Index No.

SUMMONS

TO THE ABOVE NAMED DEFENDANTS:

YOU ARE HEREBY SUMMONED to answer the complaint in this action and to serve a copy of your answer, or, if the complaint is not served with the summons, to serve a notice of appearance, on the Plaintiffs' attorney within 20 days after the service of this summons, exclusive of the day of service (or within 30 days after the service is complete if this summons is not personally delivered to you within the State of New York); and in case of your failure to appear or answer, judgment will be taken against you by default for the relief demanded in the complaint.

The basis of venue is Section 503(a) of the Civil Practice Laws and Rules because the Attorney General maintains offices at 120 Broadway, New York, New York 10271.

New York, New York
January 28, 2014

ATTORNEY GENERAL OF THE STATE
OF NEW YORK

By 
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YVONNE CARAFTIS; MARYANN HANOVIC;
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Defendants.

Index No.

**VERIFIED
COMPLAINT**

Plaintiffs, the People of the State of New York, by their chief legal officer, Eric T. Schneiderman, Attorney General of the State of New York, allege on information and belief the following against Mure Associates, LP, a New York business corporation (“Mure”), and its co-owner Harriet Waldbaum (“Waldbaum”); Bi-County Helpline for Abuse Against Women and Children, Inc., a New York not-for-profit corporation (“Bi-County Helpline”), and its director and senior officer Lynne Speciale (“Speciale”); LI Responds, Inc. a/k/a Long Island Responds, Inc., a New York not-for-profit corporation (“LIR”), and its director and senior officer Yvonne Caraftis (“Caraftis”); Breast Cancer Funds for Research, Inc., a New York not-for-profit corporation (“BCFR”), and its director and president Maryann Hanovic (“Hanovic”); and the accountant for Mure and

the charities, Portfolio Planners, Inc. (“Portfolio Planners”) (collectively, “Defendants”); Mure and Waldbaum are referred to as the “Mure Defendants”; Speciale, Caraftis, and Hanovic are referred to collectively as the “Individual Charity Defendants”; Bi-County Helpline, LIR, and BCFR are referred to collectively as the “Charity Defendants”).

NATURE OF THE CASE

1. The Attorney General brings this lawsuit to hold accountable the principals of an illegal fundraising operation on Long Island through which Mure Associates, a professional fundraiser, has raised millions of dollars on behalf of three sham charities – Bi-County Helpline, Long Island Responds, and Breast Cancer Funds for Research – scamming generous donors from Long Island who thought they were supporting victims of domestic violence, people struggling with hunger, and those seeking a cure for breast cancer.

2. Bi-County Helpline, LIR and BCFR conducted virtually no charitable activities and were charities in name only. In reality, these three Charity Defendants were vehicles created by the principals of Mure, the late Lillian Kleppe and Harriet Waldbaum; nominally headed, respectively, by Kleppe’s sister and brother-in-law, Kleppe’s mother-in-law and sister-in-law and a former Mure employee and her husband; and operated primarily for the personal benefit of the Mure Defendants and their associates.

3. Mure and each of the Charity Defendants employed a simple business model. Twice a year, for a five- to ten-week period, Mure conducted a fundraising campaign on the purported charity’s behalf, making cold calls and mailing basic solicitations to residences in Nassau and Suffolk Counties. As donations came in from

the public, Kleppe or Waldbaum deposited the funds into accounts in the name of the particular charity. Kleppe or Waldbaum then calculated the amount due to Mure under the relevant fundraising contract – 80 or 90 percent – and wrote out checks to Mure, using the charity’s checks that Kleppe and Waldbaum had in their possession.

4. In the case of Bi-County Helpline, Speciale provided Kleppe and Waldbaum with pre-signed checks or blank checks on which Kleppe or Waldbaum wrote Speciale’s signature. In the case of LIR and BCFR, Kleppe and Waldbaum signed the checks to Mure using rubber stamps that Caraftis and Hanovic allowed them to make and retain in Mure’s office.

5. Of the small percentage of funds that stayed with each charity after Mure took its share, most went to pay for overhead costs needed to maintain the appearance that the charities were legitimate, back to Mure for additional purported services, unauthorized salary to Speciale and Caraftis, and for improper personal expenses. A tiny amount – just \$53,000, or 3.3%, of the approximately \$2.2 million raised in the name of the Charity Defendants from 2007 through 2012 – was directed to legitimate charitable purposes.

6. In dereliction of their fiduciary duties, the Individual Charity Defendants permitted the overwhelming bulk of funds raised in the name of their charities to inure to the private benefit of Mure and its owners, abdicated management of their organizations to Mure, and failed to oversee the charitable assets under their control.

7. Mure and the Charity Defendants solicited charitable donations through fraudulent and misleading representations. In each case, they represented the purported charity to be an independent entity with discrete charitable purposes, when in reality the

charity was dominated and controlled by Mure and operated principally for the benefit of Mure and its owners. In addition, they employed charity-specific misrepresentations, including: that Bi-County provided helpline services, when in fact it provided no such genuine service; that LIR provided helpline services and conducted food and clothing drives, when in fact it did none of these things; and that BCFR worked to raise public awareness regarding breast cancer, breast cancer facilities, and self-exams, and that it provided a helpline service, when it did none of these things.

8. Portfolio Planners, and its principal, non-party Richard Thomas (“Thomas”), an accountant, provided assistance to the Charity Defendants in their breaches of duty. Portfolio Planners filed tax returns on behalf of Bi-County Helpline, LIR and BCFR that contained material misstatements. It also drafted and filed purported reports of audits and reviews of financial statements that contained material misstatements, and that Thomas was not authorized to provide because he is not, and never has been, a licensed certified public accountant.

9. The Attorney General seeks a judgment: (i) dissolving Mure, Bi-County Helpline, LIR, and BCFR; (ii) permanently enjoining each of the Defendants from soliciting charitable funds or serving as a fiduciary of any not-for-profit corporation in the State of New York; (iii) requiring the Individual Charity Defendants to account for the violations of their fiduciary and statutory duties; (iv) directing the Defendants to disgorge and make restitution of the amounts they have unlawfully received; (v) awarding penalties and costs.

PARTIES

10. Plaintiffs are the People of the State of New York, represented by their chief legal officer, Eric T. Schneiderman, Attorney General of the State of New York. The Charities Bureau of the Office of the Attorney General (“OAG”) is responsible for overseeing the activities of New York not-for-profit corporations and the conduct of their officers and directors. The Attorney General maintains offices at 120 Broadway, New York, New York 10271.

11. Mure is a New York for-profit corporation engaged in mail and telephone solicitation in Nassau and Suffolk counties. Mure maintains offices at 1919 Middle Country Road, Centereach, New York 11720.

12. Harriet Waldbaum is one of the two founders and co-owners of Mure. Waldbaum resides in Centereach, New York. The second founder and co-owner of Mure was Lillian Kleppe, who died in December 2013.

13. Bi-County Helpline is a New York not-for-profit corporation that was registered as a charity with the OAG until its registration was revoked by the Charities Bureau on April 2, 2013. Bi-County Helpline’s IRS Form 990 for the year 2011 states that the organization’s purpose is to:

disseminate[] information about domestic violence and shelters available where women and children can get assistance. They also maintain a 24 hour helpline. The organization receives cash from fundraisers, and furniture, clothing and other tangible items from the general public. The cash and other items are used for the direct assistance of individuals requiring help re-locating due to domestic violence.

14. Lynne Speciale was a founder of Bi-County Helpline and is listed in its filings as a director. Speciale and the late Lillian Kleppe, a co-owner of Mure, were

sisters. Speciale resides in Farmingville, New York. Non-party Gregory Speciale, Lynne Speciale's husband, is identified in certain of Bi-County Helpline's public filings as director of Bi-County Helpline, and has signed filings on behalf of the organization in that capacity.

15. LI Responds, Inc., a/k/a Long Island Responds ("LIR") is a New York not-for-profit corporation that was registered as a charity with the OAG until its registration was revoked by the Charities Bureau on April 9, 2013. LIR's IRS Form 990 for the year 2011 states that the organization's purpose is to:

provide information and education to regarding Long Island's hungry and the food shelters that help them. They maintain an information hotline and provide financial support, donations of food and clothing.

16. Yvonne Caraftis is a director and the senior officer of LIR. She is variously identified in LIR's public filings as LIR's Vice President, Treasurer, and/or Secretary. Caraftis was a sister-in-law of the late Lillian Kleppe. Caraftis resides in Port Jefferson Station, New York. Non-party Daisy Moraitis, Caraftis's mother and Kleppe's mother-in-law, helped create LIR and has been identified in LIR's public filings as the organization's president. Due to Moraitis's advanced age and deteriorating health, Caraftis took over Moraitis's remaining functions at LIR since at least 2010.

17. BCFR is a New York not-for-profit corporation that was registered as a charity with the OAG until its registration was revoked by the Charities Bureau as of May 29, 2013. BCFR's IRS Form 990 for the year 2011 states that its purpose is to:

inform and increase awareness for Long Island residents of the high incidence of breast cancer peculiar to this area. To make the public aware of the state of the art facilities available to women for breast cancer treatment on Long Island. To encourage women to have yearly mammograms and perform monthly self-examinations. To raise funds via telephone and mail campaigns to fund research facilities on Long Island to find a cure for cancer.

18. Maryann Hanovic is identified in BCFR's public filings as the president of BCFR. Hanovic was an employee of Mure from no later than 1992 until 2009. Hanovic resides in Selden, New York. Non-party Robert Hanovic, Maryann Hanovic's husband, is identified in BCFR's public filings as a director and/or Vice President of BCFR and has signed filings on behalf of the organization in that capacity, but has had no active role in BCFR's activities.

19. Portfolio Planners is a New York business corporation that provides accounting services. Non-party Thomas is an accountant and the sole shareholder of Portfolio Planners. Portfolio Planners provided accounting services to Mure, Bi-County Helpline, LIR and BCFR, and maintains its office in Centereach, New York.

JURISDICTION AND VENUE

20. The Attorney General brings this action on behalf of the People of the State of New York under the Executive Law ("Exec. Law"), the Not-for-Profit Corporation Law ("N-PCL"), the Estates, Powers and Trusts Law ("EPTL"), the General Business Law ("GBL"), and under his *parens patriae* authority.

21. Under Exec. Law § 63(12), the Attorney General is authorized to bring an action for injunctive relief, restitution, damages, costs, and other relief in connection with repeated and persistent or illegal acts in the transaction of business.

22. Under Exec. Law § 175, the Attorney General is authorized to bring an action based on violations of Article 7-A of the Executive Law to enjoin the fraudulent solicitation or collection of charitable funds and for an order awarding restitution and damages, penalties and costs, and removing any director or other person responsible for the violations.

23. Under N-PCL §§ 720(a) and 720(b), the Attorney General is authorized to bring an action to require the directors and officers of a New York not-for-profit corporation to account for the mismanagement of corporate assets and for transfers, loss or waste of corporate assets in violation of their fiduciary duties; to recover all resulting damages from such officers and directors; and to set aside an unlawful conveyance, assignment or transfer of corporate assets, where the transferee knew of its unlawfulness.

24. Under N-PCL § 112(a)(1), the Attorney General is authorized to bring an action to dissolve a not-for-profit corporation that has acted beyond its capacity or power, or to restrain it from carrying on unauthorized activities.

25. Under N-PCL § 1101(a)(2), the Attorney General is authorized to bring an action to dissolve a corporation that has exceeded the authority conferred upon it by law, or has carried on, conducted or transacted its business in a persistently fraudulent or illegal manner.

26. Under N-PCL § 112(a)(7) and § 1102(a)(2)(D), the Attorney General is authorized to petition for a judicial dissolution of a corporation where the “directors ... in control of the corporation have looted or wasted the corporate assets, have perpetuated the corporation solely for their personal benefit or have otherwise acted in an illegal, oppressive or fraudulent manner.”

27. Under EPTL § 8.1-4(m), the Attorney General may institute appropriate proceedings to secure the proper administration of a not-for-profit corporation.

28. Under GBL § 349, the Attorney General is authorized to seek an order enjoining deceptive acts or practices in the conduct of any business, trade or commerce.

29. Under GBL § 350-d, the Attorney General is authorized to seek the imposition of civil penalties in the amount of \$5,000 against a corporation or an individual for each deceptive act or practice under GBL § 349.

30. The Attorney General also has common law *parens patriae* authority to conserve charitable property and to protect the public from fraudulent solicitation.

31. Because the Attorney General maintains offices in New York County, and because the Charities Bureau of the OAG has its principal office in New York County, venue is properly laid in New York County, as provided in New York Civil Practice Law and Rules §§ 503 and 505.

STATEMENT OF FACTS

32. Lillian Kleppe and Harriet Waldbaum founded Mure Associates in 1989 as a professional fundraising corporation, ostensibly to raise funds on behalf of charities on Long Island.

33. From the outset, however, Kleppe and Waldbaum, with the assistance of Kleppe's relatives and, later, a former Mure employee, created sham charities whose primary purpose was to enable Mure to retain eighty to ninety percent of the money raised.

34. The three surviving sham charities created or dominated by Mure are (1) Bi-County Helpline, which purported to assist victims of domestic violence and which was headed by Kleppe's sister, Lynne Speciale; (2) Long Island Responds, which purported to support food pantries and which was headed by Kleppe's sister-in-law, Yvonne Caraftis; and (3) Breast Cancer Funds for Research, which purported to raise money for breast cancer research, and which was headed by a former Mure employee, Maryann Hanovic.

I. Speciale's Phony Helpline Charities

35. Over the past 25 years, Speciale formed four different entities, each purporting to run a "helpline" regarding a popular issue of the day.

36. In 1988, Speciale formed Bi-County Services Against Women's and Children's Abuse ("Bi-County Services"), as a sole proprietorship, not as a not-for-profit corporation. In 2000, she formed and incorporated Bi-County Helpline, which purported to engage in nearly the same activities as Bi-County Services.

37. In 1990, Speciale created a now-defunct entity called Nassau/Suffolk Drug Awareness, and in 1993, she created another now-defunct entity called the Multiple Sclerosis Fund of Long Island.

38. Speciale has no training or expertise in non-profit management, social work, drug addiction or treatment, multiple sclerosis, or domestic violence. None of the organizations she created has had any other staff or volunteers with any training or expertise in these areas.

39. The "helpline" entities Speciale established simply had a phone number, which rang to a line in Speciale's home, and a basic mailer drafted by Speciale with the help of Kleppe and/or Waldbaum. Each contracted with Mure as its sole fundraiser.

40. Over time, Speciale allowed her Nassau/Suffolk Drug Awareness and Multiple Sclerosis Fund of Long Island operations to become inactive, focusing instead on domestic violence, first through Bi-County Services, then through Bi-County Helpline.

II. Bi-County Helpline

41. In 2000, after forming Bi-County Helpline, Speciale stopped making filings

on behalf of Bi-County Services. The two entities were nearly identical; the principal difference being that Bi-County Helpline was incorporated as a charity and received tax-exempt status from the IRS.

42. Like Bi-County Services, Bi-County Helpline was a shell organization that functioned primarily to raise money for Mure.

A. Bi-County Helpline Has Obtained Charitable Donations Through Fraudulent Representations

43. In Bi-County Helpline's filings with the OAG, and in materials that Mure and Bi-County Helpline used to raise contributions from the public, Bi-County Helpline and Mure created the false impression that Bi-County Helpline was an independent charity that provided assistance to victims of domestic violence.

44. In reality, Bi-County Helpline was a shell organization run by a single person, Lynne Speciale, that entirely ignored the governance and corporate requirements imposed by New York's not-for-profit laws. It did not have a functioning board of directors, did not hold board meetings, did not maintain proper books and records, and failed to have its financial information reviewed or audited by a certified public accountant, as required by Exec. Law § 172-b. As a result, in the past six years alone, over half a million dollars of public donations were left unprotected and allowed to be misused and wasted.

45. Bi-County Helpline's Certificate of Incorporation identifies Speciale, Gregory Speciale and Marie Conte as the initial directors of the corporation. Bi-County Helpline's CHAR410 Registration Statement, filed with the OAG, identifies Speciale as the organization's Executive Director, and Marie Conte and Gregory Speciale as the other directors.

46. Gregory Speciale is Lynne Speciale's husband, and Marie Conte is her mother (and Kleppe's mother). Neither Gregory Speciale nor Marie Conte fulfilled any of their fiduciary duties as directors. They provided no oversight of Speciale's activities.

47. Marie Conte signed the CHAR410 as the "Chief Fiscal Officer." This representation was false, as Ms. Conte had no involvement in Bi-County Helpline's finances.

48. The bylaws of Bi-County Helpline filed with the OAG were a fiction. Prior to the OAG's investigation, Speciale was not even aware that Bi-County Helpline had bylaws. The document was copied from the bylaws of another, unrelated organization, with only minimal modifications made. The copying exercise was in some respects farcical; on the fifth page of the six-page Bi-County Helpline document, for example, the bylaws provide that certain committees shall conduct activities relating to "astronomy".

49. When making telephone solicitations for donations to Bi-County Helpline, Mure's solicitors used a script that was drafted or authorized by Kleppe, Waldbaum and Speciale.

50. The script stated that "Bi-County Helpline directs abuse victims to immediate help for their needs in the areas of shelter, medical attention, legal advise, emotional support and counseling." This description of Bi-County Helpline was false and misleading, since the organization did not actually operate a helpline in accordance with the script.

51. The phone number associated with the helpline rang to a phone line in Speciale's home, where there were no trained responders. The organization never had a website.

52. Bi-County Helpline had no policies, procedures, information or training materials on domestic violence. It has no records of any assistance or referrals provided to callers.

53. The mailer used by Bi-County Helpline was a one-page letter mailed to residences on Long Island. It states in its entirety:

Thanks to recent media coverage, we have all been made aware of the once hidden abuses leveled against women and children in our society. The two segments of our population are virtually defenseless against this type of violence. Our local Long Island Residents are now joining together to help these unfortunate victims. We are especially grateful for your support, which will enable us to provide abuse victims with the means to obtain immediate help for the needs in the areas of shelter, medical attention, legal advise [sic], emotional support and counseling. Our HELPLINE number is [number]. Please know that your donation has made a difference.

54. Speciale and Kleppe drafted this text in 1988. The description of Bi-County Helpline's program activities is false and misleading, since the organization did not provide help to abuse victims for the reasons stated above in paragraphs 51 and 52.

B. Bi-County Helpline Operated for the Benefit of Mure and Speciale

55. In 2001, Speciale agreed to a fundraising contract with Mure under which Bi-County Helpline retained 25% of the funds collected, while Mure received 75%. In 2004, that contract was amended to *reduce* the amount of money retained by Bi-County Helpline to 20%, giving Mure 80% of all donations received.

56. In breach of her fiduciary duties, Speciale never sought to negotiate with Mure regarding the amounts to be retained by the charity, nor did she make attempts to seek out any other professional fundraisers that could have provided the charity with higher returns on its fundraising.

57. Through Mure, Bi-County Helpline raised over \$657,000 during its fiscal years ending 2006 through 2011. Of that amount, over \$523,000 was paid back to Mure; Bi-County Helpline retained only a little over \$134,000, with no money going towards legitimate charitable activity.

58. Bi-County Helpline has no records indicating that any of the funds it retained were spent to advance Bi-County Helpline's charitable purpose – assisting victims of domestic violence. Instead, Speciale used the funds retained by Bi-County Helpline, among other things, to pay additional fees to Mure above the 80% it already received under the contract, and to pay some of her own personal expenses.

59. Speciale's salary was not fixed by a board of directors, as required by N-PCL § 201.

60. Speciale treated any funds retained by Bi-County Helpline as her own, making cash withdrawals and payments from its checking account for numerous personal expenses, including home electric, water, gas and cable bills, car registration fees for multiple vehicles, cell phone bills, credit card bills, and payments to her son's karate studio, as well as for unauthorized cash withdrawals that she characterized as a salary "draw".

61. Speciale regularly provided blank signed checks to Mure and permitted Kleppe and Waldbaum to write checks to Mure from Bi-County Helpline's account.

62. Additionally, in early 2011, Speciale gave Kleppe and Waldbaum unsigned blank Bi-County Helpline checks and improperly authorized Kleppe and Waldbaum to write out checks to Mure and to sign her name.

C. Bi-County Helpline's False and Incomplete Filings

63. Bi-County Helpline's annual filings to the OAG, which include its annual IRS Form 990, contain numerous misrepresentations and deficiencies, including:

- a. Bi-County Helpline's Form 990s for each year 2007 through 2011, and the attached financial reports, all filed with the OAG and available to the public, all stated that the organization "maintain[s] a 24 hour hotline for those who need help." This was false for the reasons stated above in paragraphs 41 and 52; in addition, according to Speciale herself, the "helpline" was never a "24-hour hotline." She claimed that she was available to answer the phone only during the business day.
- b. Bi-County Helpline's Form 990 for 2007, filed with the OAG, falsely reported that none of the officers or directors of the charity are related by family to any of the highest compensated professional contractors, when in fact Speciale and Kleppe are sisters.
- c. Bi-County Helpline's Form 990s for each year 2007 through 2010 falsely report as expenses certain payments to "temporary help" when in fact those payments were additional payments made to Mure, thus also understating the amount of professional fundraiser fees in each of those years.
- d. Bi-County Helpline's Form 990s for each year 2007 through 2011 falsely reported that Speciale spent 30 hours per week working for Bi-County Helpline, when she worked only a fraction of that amount, if at all.

- e. Bi-County Helpline's Form 990 for 2009 falsely identifies Mure as a "contributor" when in fact Mure was a paid contractor.
- f. In connection with its 2007 annual filing, Bi-County Helpline failed to submit audit reports, as required by law. In connection with its 2010 and 2011 annual filings, Bi-County Helpline failed to submit an accountant's review, as required by law. In connection with its 2008 and 2009 annual filings, Bi-County Helpline submitted purported accountant's reviews prepared by Thomas, who was not a certified public accountant, in violation of Exec. Law § 172-b.

64. By engaging in the conduct described in paragraphs 43 - 63 above, Speciale breached the duties of loyalty and care she owed to Bi-County under N-PCL § 717, and caused the waste of Bi-County Helpline's assets.

65. By engaging in the conduct described in paragraphs 43 - 63, Speciale and Bi-County Helpline participated in a fraudulent scheme in connection with charitable solicitations in violation of Exec. Law §§ 172(d) and 175(2).

III. Long Island Responds (LIR)

66. LIR was formed in 1993 and incorporated and registered with the OAG in 1996. Its annual filings identify Caraftis as a director and variously as LIR's Vice President, Treasurer and/or Secretary. Caraftis succeeded her mother, Daisy Moraitis, as the organization's chief officer in or around 2010, when Moraitis, then 90 years old, suffered a fall.

A. LIR Has Obtained Charitable Donations Through Fraudulent Misrepresentations

67. In LIR's filings with the OAG, and in materials that Mure and LIR used to raise contributions from the public, LIR and Mure created the false impression that LIR was an independent charity that provided money to soup kitchens and food pantries.

68. In reality, LIR was a shell organization, run by Kleppe and Waldbaum of Mure, that entirely ignored the governance and corporate requirements imposed by New York's not-for-profit laws. It did not have a functioning board of directors, did not hold board meetings, did not maintain proper books and records, and failed to have its financial information reviewed or audited by a certified public accountant, as required by the Exec. Law § 172-b.

69. In identifying Moraitis on various filings as President, and Caraftis as Secretary, Treasurer, or Vice President of LIR, LIR and Mure created the false impression that LIR had a board of directors overseeing its activities.

70. Caraftis agreed to be publicly identified as a director of LIR, but claims she did not know that the organization's filings identified her as Secretary, Treasurer, or Vice President, and had no understanding of the duties required of an officer or director.

71. Though identified as Treasurer, Caraftis did not know, or make any effort to know, the amount of money raised on LIR's behalf, the amounts retained by Mure and LIR, or the amount of money given to charitable purposes. She did not review LIR's financials or tax filings.

72. Caraftis allowed Kleppe and Waldbaum to open all mail addressed to LIR, and to write out and sign all checks written on behalf of LIR.

73. Caraftis also permitted Kleppe and Waldbaum to create a rubber stamp of her signature, which was kept in Mure's offices. Caraftis made no effort to monitor the use of her signature stamp by Kleppe and Waldbaum.

74. In each of LIR's Forms 990 for the years 2007 through 2011, also filed with the OAG, LIR recited that that "Long Island Responds provides information and education regarding Long Island's hungry and the food shelters that help them. It maintains an information hotline and provides financial support, donations of food, and donations of clothing."

75. These representations were false and misleading. LIR did not provide any substantive "information or education regarding Long Island's hungry and the food shelters that help them." The only information LIR distributed was through a one-page mailer and its website. There was no information hotline, and LIR maintained no documented records of the food and clothing it supposedly collected and distributed.

76. The mailer contained general statements about there being hungry people on Long Island, and cited a statistic of the number of people served by "last year [by] soup kitchens & emergency food pantries." The reference to "last year" is meaningless, since the mailer was drafted in 1993 and never updated. The mailer did not provide any specific information about food shelters.

77. LIR's website also does not provide any meaningful information or education. It contains, in total, half a page of text and a page with contact information. The text states that "many of our neighbors right here on long Island go to bed hungry every night" and that "Schools have hold food dresses [sic] on behalf of Long Island responds and buses stuffed WITH FOOD, have pulled of [sic] in front of the pantries

hard hit by this economy and withering government assistance.”

78. When making telephonic solicitations for donations to LIR, Mure’s solicitors used a script that was drafted or authorized by Kleppe and/or Waldbaum.

79. A script used by Mure’s telemarketers since at least 2009 stated that “Long Island Responds holds clothing drives, non perishable food drives and sends financial support to soup kitchens and food pantries located here on Long Island.” This description of LIR was false and misleading, since LIR did not hold food or clothing drives and, with respect to financial support, LIR provided only between 2 and 4.5% of the funds it raised to soup kitchens or food pantries from 2006 to 2012.

B. LIR was Operated for the Benefit of Mure and Caraftis

80. Caraftis and Moraitis willingly committed to fundraising contracts with Mure that gave away most of the proceeds raised by the fundraiser. Under the LIR-Mure contract dated February 1996, which was in force through April 2009, Mure received 90% of all dollars raised. Under the contract dated May 1, 2009, Mure received 80%.

81. In breach of her fiduciary duties, Caraftis never sought to negotiate better terms that would have generated more funds for LIR’s ostensible charitable purposes, nor did she make attempts to seek out any other professional fundraisers that could have provided the charity with higher returns on its fundraising.

82. For its six fiscal years ending December 31, 2006 to 2011, LIR raised \$1,443,506 using Mure as its sole fundraiser. Of that amount, \$1,192,862, or 83%, was paid back to Mure; LIR retained only \$250,644, but only at most \$46,000, or 3.2% of the monies raised, went to arguably legitimate charitable purposes.

83. Kleppe and Waldbaum had full control over LIR's bank account. From the funds retained by LIR, they caused LIR to pay for rent for a desk and filing cabinet in Mure's offices, a phone line in Mure's offices, and additional fees to Mure for alleged clerical services beyond the amount Mure was already receiving under the fundraising contract.

84. With any remaining funds, Waldbaum and/or Kleppe, using a signature stamp bearing Caraftis's name, wrote Caraftis weekly checks for \$200 during active campaigns.

85. From mid-2009 through mid-2011, Caraftis received not less than \$7,800 from LIR. From 2006 through mid-2009, Caraftis also received periodic payments from LIR. None of the amounts which Caraftis received from LIR were reported on LIR's 990s as compensation, nor did Caraftis report them on her personal tax returns.

86. With any leftover funds, Kleppe and/or Waldbaum caused LIR to make donations to local food pantries. While LIR collected between \$180,000 and \$300,000 per year from the public during the years 2006 to 2011, during that period LIR donated to food pantries only between \$3,500 and \$9,000 a year and a total of at most \$46,000, or just 3.2% of the total charitable funds LIR and Mure raised from the public.

C. LIR's False and Incomplete Filings

87. LIR's annual filings with the OAG, including the organization's IRS Forms 990 and accompanying financial statements, contain numerous false statements, omissions and misrepresentations, including:

- a. In the annual financial statements attached to its annual filings with the OAG for each of the years 2006 to 2011, LIR reported various figures for

the amount of food and clothing donations the organization received and then purportedly donated to food pantries and shelters, and the dollar value of the receipts and donations. None of these figures can be substantiated, as LIR did not maintain records of the amounts of food and clothing it purportedly received and donated.

- b. LIR's CHAR500 and IRS Form 990 for fiscal year ending 2011 identify Moraitis as President of LIR, and contain her apparent signature next to the date July 26, 2012. Moraitis, however, whose health and eyesight were failing by then, did not sign either of these forms; they were signed by Waldbaum or Kleppe.
- c. LIR's annual filings for 2009 through 2011 fail to report compensation to Caraftis.
- d. For the years 2006 and 2007, LIR failed to submit any audit report, as required by Exec. Law §172-b. The "audited" financial statements submitted by LIR for the years 2008, 2010 and 2011 were prepared by Thomas, who was not certified public accountant, in violation of Exec. Law §172-b. The report states, *inter alia*, that the audit was "conducted in accordance with auditing standards generally accepted in the United States of America" when in fact no meaningful audit was conducted.

88. Caraftis submitted a false document to the OAG in connection with the OAG's investigation leading to this action. In response to the OAG's documents subpoena dated December 20, 2012, Caraftis signed a Verification dated January 11, 2013, in which she stated that the document production "was prepared and assembled

under my personal supervision from the records of Long Island Responds in accordance with the instructions and definitions set forth in such Subpoena and is complete and correct to the best of my knowledge and belief. The documents produced in response to this Subpoena are authentic, genuine, and what they purport to be.”

89. Caraftis’s representation was false. Kleppe and/or Waldbaum, not Caraftis, prepared and assembled LIR’s production of documents in response to the OAG’s subpoena. Caraftis had no role in compiling the document production, had no knowledge of its contents, and simply signed where she was directed.

90. By engaging in the conduct described in paragraphs 67 - 89 above, Caraftis breached the duties of loyalty and care that she owed to LIR, and caused the waste of LIR’s assets.

91. By engaging in the conduct described in paragraphs 67 - 89 above, Caraftis and LIR participated in a fraudulent scheme in connection with charitable solicitations in violation of Exec. Law §§ 172(d) and 175(2).

IV. Breast Cancer Funds for Research (BCFR)

92. In 2009, Kleppe and Waldbaum caused BCFR to be incorporated and registered, purportedly to raise funds for breast cancer research, but in reality to serve as another vehicle by which they and Mure could siphon off nearly all the funds being raised in the name of a charitable cause.

93. For this purpose, Kleppe and Waldbaum recruited one of their former solicitors at Mure, Maryann Hanovic, who agreed to be identified as President of the entity in its public filings.

A. BCFR Has Obtained Charitable Donations Through Fraudulent Misrepresentations

94. In BCFR's filings with the OAG, and in materials that Mure and BCFR used to raise contributions from the public, BCFR and Mure created the false impression that BCFR was an independent charity that provided money to fund research for a cure for breast cancer.

95. In fact, BCFR was run by Kleppe and Waldbaum, with no oversight of their actions on BCFR's behalf, and it entirely ignored the governance and corporate requirements imposed by New York's not-for-profit laws. It did not have a functioning board of directors, did not hold board meetings, and did not maintain proper books and records.

96. Hanovic permitted Kleppe and Waldbaum to create a rubber stamp of her signature, which Kleppe and Waldbaum kept in Mure's offices. Hanovic failed to monitor the use of her signature stamp by Kleppe and Waldbaum.

97. In its Forms 990 filed with the OAG for each of the years 2010 and 2011, BCFR stated that its purpose is to:

inform and increase awareness for Long Island residents of the high incidence of breast cancer peculiar to this area. To make the public aware of the state of the art facilities available to women for breast cancer treatment on Long Island. To encourage women to have yearly mammograms and perform monthly self-examinations. To raise funds via telephone and mail campaigns to fund research facilities on Long Island to find a cure for cancer.

98. These representations were false and misleading. In reality, BCFR made no efforts to raise awareness of "state of the art facilities available to women for breast cancer treatment on Long Island." It also made no efforts to "encourage women to have yearly mammograms and perform monthly self-examinations."

99. The only outreach and awareness-raising of any kind conducted by BCFR was mailing of a one-page solicitation flyer which contained general claims about the prevalence of breast cancer on Long Island and asked potential donors to “help fund Breast Cancer Research and help find a cure now!”

100. The mailer, sent by Mure and BCFR, failed to provide a clear description of the programs and activities for which funds would be raised, as required by Exec. Law § 174-b(2), and listed a post office box as the organization’s address, without making it clear that the address is a “mail drop” as required by Exec. Law. § 172-d(20).

101. When calling for telephone solicitations for donations to BCFR, Mure’s solicitors used a script that was drafted or authorized by Kleppe, Waldbaum, and/or Hanovic.

102. The script used by Mure to raise funds on behalf of BCFR was materially misleading.

- a. According to the script, Mure’s solicitors claimed they were calling “for Breast Cancer Funds for Research” and failed to disclose that the solicitation was being conducted by a professional fundraiser, as required by Exec Law § 174-b(3).
- b. The script claimed that “we raise funds solely for research, right here on Long Island,” when in fact no more than 4% of the funds raised were donated towards breast cancer research.

B. BCFR Was Operated for Mure’s Benefit

103. Hanovic willingly committed to a fundraising contract with Mure that gave away most of the proceeds raised by the fundraiser. Under the BCFR-Mure contract

dated July 6, 2009, Mure received 80% of all dollars raised.

104. In a breach of her fiduciary duties, Hanovic never sought to negotiate better terms that would have generated more funds for BCFR's ostensible charitable purpose, nor did she make attempts to seek out any other professional fundraisers that could have provided the charity with higher returns on its fundraising.

105. Through Mure, BCFR raised \$161,515 during its fiscal years ending 2009 through 2011. Of that amount, \$136,391, or 84%, was paid back to Mure in the form of fundraising fees, and BCFR retained \$25,124.

106. Kleppe and Waldbaum had full control over BCFR's bank account. From the funds remaining in the BCFR account after Mure took its 80% share of the funds raised, Kleppe and Waldbaum caused BCFR to pay additional fees to Mure for alleged clerical services, and occasional payments to Mure's staff. The funds left over, a grand total of \$7,600 from 2009 to 2011, were donated to support breast cancer research.

C. BCFR's False Filings

107. BCFR's annual filings with the OAG, which include its annual IRS Form 990, contain numerous other misrepresentations and deficiencies, including:

- a. In its IRS Forms 990 for 2009 through 2011, filed with the OAG, BCFR, with assistance from Portfolio Planners, reported as "program expenses" all of the amounts that it paid to Mure in fundraising expenses, thus creating the false impression that BCFR was contributing tens of thousands of dollars towards breast cancer research and public awareness, when in fact that money was being paid to Mure.

- b. BCFR's IRS Forms 990 for 2009 through 2011, filed by Portfolio Planners with the OAG, reported that Hanovic and her husband worked 20 and 15 hours per week for BCFR, respectively; in fact, Hanovic worked almost no hours, and Robert Hanovic worked no hours, for BCFR.

108. By engaging in the conduct described in paragraphs 94 - 107 above, Hanovic breached the duties of loyalty and care that she owed BCFR, and caused the waste of BCFR's assets.

109. By engaging in the conduct described in paragraphs 94 - 107, Hanovic and BCFR participated participation in a fraudulent scheme in connection with charitable solicitations in violation of Exec. Law §§ 172(d) and 175(2).

V. Mure Associates

110. Based on their role in managing the affairs of BCFR and LIR and their personal relationships with the Charity Defendants, Kleppe and Waldbaum knew that Bi-County, BCFR, and LIR were shell organizations established principally to serve not the charitable causes they purported to support, but the personal interests of Kleppe and Waldbaum and of the associates who helped them carry out this scheme.

111. Kleppe and Waldbaum drafted or participated in the drafting of the solicitation materials used by Bi-County Helpline, LIR, and BCFR. These materials misled the public by falsely suggesting that the organizations were legitimate, independent entities carrying out charitable activities.

112. Kleppe and Waldbaum drafted the scripts used by their employees in making telephone solicitations.

113. The scripts did not include the mandatory disclosures required under Exec.

Law § 174-b.

114. The scripts were each false and misleading in the ways described in paragraphs 51-52, 79, and 102 above.

115. Since 2009, Mure caused Bi-County, BCFR and LIR to make payments to Mure beyond the 80% already owed to Mure under the respective fundraising contracts.

116. Kleppe and Waldbaum submitted false filings to the OAG.

- a. For the years 2009 through 2012, on the Professional Fundraiser Interim/Closing Statement Form (CHAR037) filed by Mure, Kleppe forged Caraftis's signature.
- b. Either Kleppe or Waldbaum caused LIR to submit a letter addressed to the OAG as a cover letter the LIR subpoena response which appeared to be written and signed by Yvonne Caraftis, as "President" of LIR. In fact, Caraftis did not write, sign, or ever review the cover letter. It was written by either Kleppe or Waldbaum, and Caraftis's signature was signed by one of them without her knowledge or authorization.

117. By engaging in the described in paragraphs 110 -116, Mure, Kleppe and Waldbaum participated in a fraudulent scheme in connection with charitable solicitations in violation of Exec. Law §§172(d) and 175(2).

VI. Portfolio Planners

118. Portfolio Planners' introduction to the Charity Defendants came through Kleppe and her husband and Waldbaum and her husband, for whom Portfolio Planners performed accounting services in the late 1980's. Portfolio Planners prepared the Form 990 for Bi-County Services (the predecessor to Bi-County Helpline) in 1989, and it

prepared and filed the incorporation papers for Mure Associates in 1990.

119. From 2007 through 2012, Portfolio Planners provided a variety of accounting services for each of Bi-County Helpline, LIR, and BCFR.

120. Portfolio Planners did not sign engagement letters with Bi-County Helpline, LIR or BCFR. As stated in the invoices sent to the Charity Defendants, the services Portfolio Planners provided to Bi-County Helpline consisted of “Preparation of Income Tax Return” and “Preparation of Annual Financial Statement”; to LIR, the “Preparation of Financial Statements and Independent Audit Report[s]”; and to BCFR, the preparation of federal tax returns and New York state annual filings for charitable organizations.

121. Thomas signed Bi-County Helpline’s 2006 CHAR500, the annual filing with the OAG, and signed LIR’s 2009, 2010, and 2011 CHAR500 forms, each time in the blank where the form calls for the signature of the organization’s “Chief Financial Officer or Treasurer.” At no time was Thomas the Chief Financial Officer or Treasurer of Bi-County Helpline or LIR.

122. Thomas knew that the CHAR500 forms and accompanying financial reports would be filed annually with the OAG’s Charities Bureau.

123. In 2008, 2009, and 2010, Portfolio Planners purported to conduct an “independent accountant’s review” of Bi-County Helpline’s financial statements. Portfolio Planners knew that the accountant’s review would be submitted by Bi-County Helpline as part of its annual filing with the OAG’s Charities Bureau.

124. In fact, Portfolio Planners did not conduct a review, and was not authorized to conduct a review because Thomas is not a certified public accountant.

125. In letters dated November 1, 2008, November 10, 2009, and October 1, 2010, and submitted to the OAG as part of Bi-County Helpline’s annual filings for Bi-County Helpline’s fiscal years ending 2007, 2008 and 2009, respectively, Thomas, on behalf of Portfolio Planners, claimed to have reviewed Bi-County Helpline’s financial statements “in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.” In fact, no such review was conducted, and the letter consists of boilerplate language obtained from another accounting firm.

126. The letters prepared by Thomas on behalf of Portfolio Planners contain additional misstatements, including:

- a. The letters are addressed to “the Board of Directors” of Bi-County Helpline. Thomas knew that Bi-County Helpline was run solely by Lynne Speciale, and that there was no functioning board of directors.
- b. The letters state that “a review consists principally of inquiries of the Organization’s personnel and analytical procedures applied to financial data.” Thomas knew that Bi-County Helpline had no “personnel” except Lynne Speciale, he did not make any inquiries of her, and he applied no analytic procedures to Bi-County Helpline’s financial data.

127. Had Portfolio Planners performed an actual review of Bi-County’s finances, it would have come across significant red flags, including payments to Mure for alleged “temporary help” beyond the amounts due under the fundraising contract, payments of Speciale’s personal expenses using Bi-County Helpline funds, declaration of non-cash donations without documentation, and Speciale’s practice of providing Kleppe and

Waldbaum with blank checks while failing to oversee how those checks were used.

128. Portfolio Planners also purported to conduct independent audits on behalf of LIR for its fiscal years ending 2008, 2010 and 2011, and knew that the purported audits would be submitted by LIR as part of its annual filing with the OAG.

129. Portfolio Planners did not actually conduct an audit of LIR, and it was not authorized to do so because Thomas is not a certified public accountant. The format of, and all the notes contained in, the purported audit reports Portfolio Planners prepared for LIR were based on audit reports another accounting firm had prepared for LIR in earlier years.

130. Portfolio Planners' purported audit statements of LIR include numerous misstatements including:

- a. the representations that “[t]he financial statements and notes are representations of LIR’s management.” In fact, Portfolio Planners did not receive any representations from LIR’s “management.” Thomas had no contact with Carafis or Moraitis; all of his communications regarding LIR were with Kleppe and/or Waldbaum;
- b. the representations that “LIR provides information and education regarding Long Island’s hungry and the food shelters that help them. It maintains an information hotline and provides financial support, donations of food, and donations of clothing to shelters around Long Island.” In fact LIR’s only verifiable charitable activity was small annual donations to food pantries, as described above in paragraph 89;
- c. the representations that “[v]olunteers have donated significant amounts of

their time to, and perform a variety of tasks for, LIR with specific assistance programs, campaign solicitations, and various committee assignments.” In fact there were no “specific assistance programs” or “committee assignments.”

131. Portfolio Planners also did not attempt to conduct any inquiries or tests of LIR’s financial statements or its internal controls, as would be required in a standard audit. Had Portfolio Planners performed an audit of LIR, he would have come across significant red flags, including payments to Mure for alleged “temporary help” beyond the amount under the fundraising contract, unreported payments to Caraftis, payments of Mure’s personnel, payments of rent to Mure’s landlord outside of any agreement, and the fact that Caraftis provided Kleppe and Waldbaum with a rubber stamp of her signature and failed to oversee how that stamp was used.

FIRST CAUSE OF ACTION

Scheme to Defraud – Exec. Law §§ 172-d(2) & 175(2)(a),(c) (Against the Mure Defendants, Charity Defendants and Individual Charity Defendants)

132. The Attorney General repeats and re-alleges, as though fully set forth herein, all of the preceding paragraphs.

133. The Mure Defendants, Charity Defendants and Individual Charity Defendants have engaged in a fraudulent scheme in connection with charitable solicitations, obtained money by false pretenses and representations, and engaged in repeated fraudulent and illegal acts and activities in connection with charitable solicitations, including but not limited to: (a) making false and misleading statements about Bi-County Helpline, LIR, and BCFR programs; (b) failing to clearly describe Bi-County Helpline, LIR, and BCFR programs and activities, in violation of Exec. Law §§

172-d(3) & 175(2)(g); (c) using false and misleading promotional materials, in violation of Exec. Law § 172-d(3); and (d) failing to apply contributions in a manner substantially consistent with the solicitations being made or with the stated charitable purposes of Bi-County Helpline, LIR, and BCFR.

134. Accordingly, the Mure Defendants, Individual Charity Defendants and Charity Defendants should be enjoined from the solicitation and collection of charitable funds, as authorized by Exec. Law § 175(2)(a) and (c), and ordered to pay restitution, damages, penalties and costs in an amount to be determined at trial.

SECOND CAUSE OF ACTION

Failure to Apply Funds Consistently with Corporate Purposes or Solicitations – Exec. Law §§ 172-d(4) & 175(2)(e)(i) (Against the Charity Defendants)

135. The Attorney General repeats and re-alleges, as though fully set forth herein, all of the preceding paragraphs.

136. The Charity Defendants have failed to apply funds solicited from the public in a manner substantially consistent with the charitable purposes of Bi-County Helpline, LIR, and BCFR or with solicitations to the public, in violation of Exec. Law §§ 172-d(4) & 175(2)(e)(i).

137. Accordingly, the Charity Defendants should be enjoined from the solicitation and collection of charitable funds, as authorized by Exec. Law § 175(2)(e)(i), and ordered to pay restitution, damages, penalties and costs in an amount to be determined at trial.

THIRD CAUSE OF ACTION
False Filings – Exec. Law §§ 172-d(1) & 175(2)(d)
(Against the Charity Defendants)

138. The Attorney General repeats and re-alleges, as though fully set forth herein, all of the preceding paragraphs.

139. The Charity Defendants have made materially false and misleading statements and omissions in the annual reports filed with the Attorney General, including but not limited to: misrepresenting the nature of the activities of Bi-County Helpline, LIR and BCFR; failing to accurately and completely report the compensation paid to Speciale and Carafitis; falsely reporting that meetings of board and committees were documented, when in fact no meetings were held; overstating the hours of work performed by Speciale, Moraitis, Maryanne Hanovic and Robert Hanovic; and falsely reporting the amount of program service expenses.

140. These false and misleading filings have misled the Attorney General and the public as to how charitable assets of Bi-County Helpline, LIR, and BCFR were being used.

141. Accordingly, the Charity Defendants should be enjoined from further solicitations, pursuant to Exec. Law § 175(2)(a) and (d), and ordered to pay restitution, damages, penalties and costs in an amount to be determined at trial.

FOURTH CAUSE OF ACTION
False Filings – Exec. Law §§ 172-b, 172-d(1), and 175(2)(a),(d)
(Against the Mure Defendants)

142. The Attorney General repeats and re-alleges, as though fully set forth herein, all of the preceding paragraphs.

143. The Mure Defendants made materially false and misleading statements and omissions in Campaign Center's annual registration statements filed with the Attorney General, in that they failed to disclose the full amount of fees paid to them by Bi-County, LIR, and BCFR, in violation of Exec. Law §§ 172-b, 172-d(1) and 175(2)(d). The Mure Defendants also falsified the signature of Yvonne Caraftis in filings made to the OAG.

144. This material omission has misled the Attorney General and the public as to the full extent of fees paid by Bi-County Helpline, LIR, and BCFR, and created the false impression that Caraftis had some managerial role in LIR.

145. Accordingly, the Mure Defendants should be enjoined from further solicitations, pursuant to Exec. Law § 175(2)(a) and (d), and ordered to pay restitution, damages, penalties and costs in an amount to be determined at trial.

FIFTH CAUSE OF ACTION

Persistent Fraud or Illegality in Business - Exec. Law § 63(12) (Against the Mure Defendants)

146. The Attorney General repeats and re-alleges, as though fully set forth herein, all of the preceding paragraphs.

147. The Mure Defendants engaged in repeated fraudulent and illegal acts and demonstrated fraud and illegality in the conduct of Mure's business in that they: (a) made or allowed false statements in charitable solicitations, including that Bi-County Helpline provides assistance to victims of domestic violence; (b) made or allowed false statements in solicitations and advertising materials by affirmatively representing that charitable solicitations are used for specific purposes such as breast cancer research, and food pantries, when in reality minimal funds go toward these purposes; (c) violated

the disclosure requirements of the Executive Law which require, among other things, disclosure of solicitors' true names, their employment by Mure, and their paid status.

148. Accordingly, as authorized by Exec. Law § 63(12), the Mure Defendants should be enjoined from conducting fundraising activities, and ordered to pay restitution and damages in an amount to be determined at trial.

SIXTH CAUSE OF ACTION

Deceptive Acts or Practices - GBL § 349 (Against All Defendants Except Portfolio Planners)

149. The Attorney General repeats and re-alleges, as though fully set forth herein, all of the preceding paragraphs.

150. Defendants have engaged in a pattern of deceptive acts and practices in the conduct of Bi-County Helpline, LIR, and BCFR business in that Defendants, *inter alia*, have (a) made or allowed false statements in charitable solicitations; (b) made or allowed false statements in solicitations and advertising materials by affirmatively representing that charitable solicitations are used for specific purposes such as assisting victims of domestic violence, holding food drives, and educating the public about hunger and breast cancer, when in reality funds do not go toward these purposes; and (c) made or allowed false statements leading potential donors to believe that Bi-County Helpline, LIR, and BCFR are independent charities, when in fact they were vehicles controlled by Mure.

151. Accordingly, as authorized by GBL § 349, Defendants should be enjoined from such unlawful acts and practices and ordered to pay restitution of any monies or property obtained directly or indirectly by any such unlawful acts, in an amount to be determined at trial.

152. As authorized by GBL § 350-d, Defendants should be ordered to pay civil penalties of \$5,000 for each violation of GBL § 349, in an amount to be determined at trial.

SEVENTH CAUSE OF ACTION
Deceptive Acts or Practices - GBL § 349
(Against the Mure Defendants)

153. The Attorney General repeats and re-alleges, as though fully set forth herein, all of the preceding paragraphs.

154. The Mure Defendants engaged in a pattern of deceptive acts and practices in the conduct of the business of Mure, Bi-County Helpline, LIR, and BCFR, in that Defendants, *inter alia*, (a) violated disclosure requirements of the Executive Law which require, among other things, disclosure of solicitors' true names, their employment by Mure, and their paid status, and clear descriptions of the charitable programs for which they are soliciting; (b) concealed the fact that Bi-County Helpline, LIR and BCFR paid Mure fees beyond the charities' contractual obligations, thereby withholding information from the public and the OAG as to the amount of money raised by professional fundraisers that goes to Bi-County Helpline, LIR, and BCFR.

155. Accordingly, as authorized by GBL § 349, the Mure Defendants should be enjoined from such unlawful acts and practices and ordered to pay restitution of any monies or property obtained directly or indirectly by any such unlawful acts, in an amount to be determined at trial.

156. As authorized by GBL § 350-d, the Mure Defendants should be ordered to pay civil penalties of \$5,000 for each violation of GBL § 349, in an amount to be determined at trial.

EIGHTH CAUSE OF ACTION

Breach of Fiduciary Duties – N-PCL §§ 717 & 720 (Against the Individual Charity Defendants)

157. The Attorney General repeats and re-alleges, as though fully set forth herein, all of the preceding paragraphs.

158. Speciale, Caraftis and Hanovic failed to discharge their duties as officers and directors of, respectively, Bi-County Helpline, LIR and BCFR with the degree of care, skill, prudence, diligence, and undivided loyalty required of them in that, among other things, they have (a) caused Bi-County Helpline, LIR, and BCFR to make, and allowed others to make on its behalf, solicitation statements that are materially false and misleading; (b) caused materially false and misleading reports to be filed with the Attorney General; (c) failed to institute and maintain internal controls; (d) caused and/or allowed Bi-County Helpline, LIR, and BCFR to pay fees to Mure beyond their contractual obligations; (e) caused and/or allowed Bi-County Helpline, LIR, and BCFR to enter into fundraising contracts that were not in the best interest of the organization; and (f) failed to exercise reasonable oversight of fundraising activities carried on by professional fundraisers acting in the name of Bi-County Helpline, LIR, and BCFR.

159. By the foregoing acts and omissions, Speciale, Caraftis and Hanovic have breached the fiduciary duties they owed, respectively, to Bi-County Helpline, LIR, and BCFR pursuant to N-PCL § 717. Speciale, Caraftis and Hanovic thus are liable under N-PCL §§ 720(a) (1) (A) and (a) (1)(B) to account for their conduct in the neglect and violation of their duties in the management and disposition of corporate assets, and causing loss and waste of Bi-County Helpline, LIR, and BCFR charitable assets.

NINTH CAUSE OF ACTION

False Filings – Exec. Law §§ 172-b, 172-d(1), and 175(2)(a),(d) (Against Portfolio Planners)

160. The Attorney General repeats and re-alleges, as though fully set forth herein, all of the preceding paragraphs.

161. Portfolio Planners improperly signed Char500 forms on behalf of LIR and Bi-County Helpline, and caused such forms and their accompanying financial statements, review and audit reports to be filed with the Attorney General.

162. These financial statements and reports contained materially misleading statements, including but not limited to: misrepresenting the nature of the activities of Bi-County Helpline, LIR and BCFR; failing to accurately and completely report the compensation paid to Speciale and Caraftis; reporting that meetings of board and committees were documented, when in fact no meetings were held; overstating the hours of work performed by Speciale, Moraitis, Maryanne Hanovic and Robert Hanovic; and reporting undocumented, unsubstantiated amounts of program service expenses.

163. The filings Portfolio Planners caused to be made misled the Attorney General and the public as to how charitable assets of Bi-County Helpline, LIR, and BCFR were being used.

164. Accordingly, pursuant to Exec. Law § 175(2)(a) and (d), Portfolio Planners should be ordered to pay restitution and damages in an amount to be determined at trial.

TENTH CAUSE OF ACTION
Aiding and Abetting Breach of Fiduciary Duties
(Against Portfolio Planners)

165. The Attorney General repeats and re-alleges, as though fully set forth herein, all of the preceding paragraphs.

166. The Individual Charity Defendants breached their fiduciary duties as described above in paragraphs 163-165.

167. Portfolio Planners knew that the Individual Charity Defendants were violating the fiduciary duties they owed to their respective charities and that there were no functioning boards to oversee the activities of the Individual Charity Defendants.

168. Portfolio Planners provided assistance to the Individual Charity Defendants in their breaches of duty by: (1) preparing purported review and audit reports, without being qualified to do so; (2) failing to perform adequate review and audit reports; and (3) preparing tax returns that contained material misrepresentations.

169. Accordingly, Portfolio Planners should be ordered to pay restitution and damages in an amount to be determined at trial.

ELEVENTH CAUSE OF ACTION
Failure to Properly Administer Charitable Assets – EPTL § 8-1.4
(Against the Individual Charity Defendants and the Charity Defendants)

170. The Attorney General repeats and re-alleges, as though fully set forth herein, all of the preceding paragraphs.

171. As directors and officers of their respective charities, each of the Individual Charity Defendants and each of the Charity Defendants are trustees under EPTL § 8-1.4(a), responsible for the proper administration of their organizations' charitable assets. The Individual Charity Defendants and the Charity Defendants have failed to properly

administer their organizations' charitable assets in that they have, *inter alia*, (a) caused Bi-County Helpline, LIR, and BCFR to make, and allowed others to make on its behalf, solicitation statements that are materially false and misleading; (b) caused materially false and misleading reports to be filed with the Attorney General; (c) failed to institute and maintain internal controls; (d) caused and/or allowed Bi-County Helpline, LIR, and BCFR to pay fees to Mure beyond their contractual obligations; (e) caused and/or allowed Bi-County Helpline, LIR, and BCFR to enter into fundraising contracts that were not in the best interest of the organization; and (f) failed to exercise reasonable oversight of fundraising activities carried on by professional fundraisers acting in the name of Bi-County Helpline, LIR, and BCFR.

172. Speciale, Caraftis and Hanovic should be removed as trustees of their respective charities, and ordered to account financially for their failures.

TWELFTH CAUSE OF ACTION

Dissolution under N-PCL §§ 112(a)(1) & 1101(a)(2) (Against Bi-County Helpline, LIR and BCFR)

173. The Attorney General repeats and re-alleges, as though fully set forth herein, all of the preceding paragraphs.

174. Bi-County Helpline, LIR and BCFR have exceeded the authority conferred upon them by law, and acted beyond their capacity or power as provided by law and its certificate of incorporation, in that, among other things, Bi-County Helpline, LIR and BCFR have: (a) conducted activities for profit or gain, in violation of N-PCL § 102(a)(5)(1); (b) distributed income and profits, in violation of N-PCL §§ 102(a)(5)(2) and 515; (c) engaged in private inurement, in violation of N-PCL § 102(a)(5)(2) and their certificate of incorporation; and (d) conducted activities for pecuniary or financial gain

that are not in support of other lawful activities being conducted, in violation of N-PCL § 204.

175. Bi-County Helpline, LIR and BCFR have conducted their business in a persistently fraudulent and illegal manner, in that they have, among other things, (a) filed materially false and misleading reports with the Attorney General that materially misstate director and officer hours and compensation, among other items, in violation of Exec. Law § 172-d(1); and (b) persistently made false and misleading solicitation statements to the public in violation of Exec. Law § 172-d(2)-(4).

176. Bi-County Helpline, LIR and BCFR have, by their abuse of their powers contrary to public policy of the state, become liable to be dissolved.

177. Accordingly, Bi-County Helpline, LIR and BCFR should be dissolved pursuant to N-PCL §§ 112(a)(1) and 1101(a)(2) and their remaining assets and future assets, if any, applied to charitable uses consistent with its mission as set forth in their certificates of incorporation, as authorized by N-PCL §§ 1115(a) and 1008(a)(15).

THIRTEENTH CAUSE OF ACTION
Dissolution under N-PCL §§ 112(a)(7) & 1102 –
for Wasting of Corporate Assets and Perpetuation of
Corporation Solely for Personal Benefit
(Against Bi-County Helpline, LIR and BCFR)

178. The Attorney General repeats and re-alleges, as though fully set forth herein, all of the preceding paragraphs.

179. Under N-PCL § 112(a)(7), the Attorney General may maintain an action to “enforce any right given under this chapter to . . . a director or an officer of a Type B . . . corporation.” Under N-PCL § 1102(a)(2)(D), any director of a not-for-profit corporation may petition the court for judicial dissolution where “the directors . . . in control of the

corporation have looted or wasted the corporate assets, have perpetuated the corporation solely for their personal benefit, or have otherwise acted in an illegal, oppressive or fraudulent manner.”

180. Speciale, Caraftis, and Hanovic, as the directors in control of their respective charities, have wasted its corporate assets, perpetuated the corporation for their personal benefit and otherwise acted in an illegal, oppressive or fraudulent manner.

181. Accordingly, Bi-County Helpline, LIR and BCFR should be dissolved in accordance with N-PCL §§ 1102(a)(2)(D) and 112(a)(7) and their remaining assets and future assets, if any, applied to charitable uses consistent with their mission as set forth in their certificates of incorporation, pursuant to N-PCL §§ 1115(a) and 1008(a)(15).

FOURTEENTH CAUSE OF ACTION
Dissolution under Exec. Law § 175(2)(a), (c), and (d)
(Against Mure)

182. The Attorney General repeats and re-alleges, as though fully set forth herein, all of the preceding paragraphs.

183. Under Exec. Law § 175(2), the Attorney General may bring an action to dissolve a corporation whenever the Attorney General shall have reason to believe that the organization “is violating or has violated any of the provisions of [Executive Law Article 7-A],” “is employing ... in any solicitation or collection of funds... any device, scheme or artifice to defraud or for obtaining money or property by means of a false pretense, representation or promise;” and “as made a material false statement in an application, registration or statement required to be filed pursuant to [Article 7-A].”

184. By creating and using misleading fundraising material; failing to make mandatory disclosures, and submitting false filings to the OAG, Mure violated provisions of Executive Law and should be dissolved pursuant to Exec. Law § 175(2).

PRAYER FOR RELIEF

Plaintiff demands judgment against Defendants as follows:

A. Enjoining the Mure Defendants, the Individual Charity Defendants and the Charity Defendants from soliciting or collecting charitable contributions from the public;

B. Enjoining Defendants from serving as officers, directors, trustees or equivalent positions of any other not-for-profit corporation in the future;

C. Holding the Mure Defendants, the Individual Charity Defendants and the Charity Defendants liable for their waste and misappropriation of charitable assets, in an amount to be determined at trial;

D. Ordering Defendants to pay restitution, damages, penalties and costs under Exec Law § 63(12), Exec. Law Art. 7-A, and GBL § 349, in an amount to be determined at trial;

E. Imposing civil penalties against each of the Defendants in the amount of \$5,000 for each violation of GBL § 349, under § 350-d, in an amount to be determined at trial;

F. Dissolving Mure, Bi-County Helpline, LIR and BCFR;

G. Ordering Portfolio Planners to pay damages and enjoining it from providing accounting services to not-for-profit entities in New York; and

H. Granting such other and further relief as is just and proper.

Dated: January 28, 2014
New York, New York

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