

STATE OF INDIANA
COUNTY OF HAMILTON

IN THE HAMILTON SUPERIOR COURT 5
SS:
CAUSE NO. 29D05 - _____

STATE OF INDIANA *ex rel.* TODD ROKITA,
ATTORNEY GENERAL OF INDIANA,

Plaintiff,

vs.

INDIANA VIRTUAL EDUCATION FOUNDATION,
INC. d/b/a INDIANA VIRTUAL SCHOOL (f/k/a
BUSINESS CONSULTING INCORPORATED
AND/OR BUILDING COMMUNITY INITIATIVES)
AND d/b/a INDIANA VIRTUAL PATHWAYS
ACADEMY (a/k/a INDIANA VIRTUAL PATHWAYS
ACADEMY, INC.)

A SIMPLE REMINDER, LLC; ALPHA
CONSOLIDATED SERVICES, LLC; ALPHACOM,
LLC (a/k/a ALPHACOM, INC.); AMERICAN
PATHWAYS ACADEMY, LLC; CHOICE
ACADEMIES ONLINE, LLC; CYBER
EDUCATIONAL SERVICES, LLC; EIGHTBIT
DESIGNS, LLC (a/k/a BITLOFT); INSTITUTIONAL
INVESTIGATORS, LLC; INSTITUTIONAL
RECRUITERS, LLC; PAY PROS, INC. (a/k/a
BRIGHT FINANCIAL SERVICES, LLC);
PROFESSIONAL CONSULTANTS OF FLORIDA,
LLC; PS RISK MANAGEMENT, LLC; SPECIALTY
LEASING SERVICES, LLC

ADAM CARLSEN, DAVID STASHEVSKY,
GRAHAM CLARK, GREG BRIGHT, LORA FEESER,
LOU MOONSHOWER, MERLE BRIGHT, PATRICK
GAR HOOVER a/k/a GAR PATRICK HOOVER,
PERCY CLARK, PHILLIP HOLDEN, TRAVIS
LYNCH, RHONDA STOUGHTON, THOMAS
STOUGHTON, and THOMAS H. STOUGHTON,

Defendants.

Table of Contents

I.	INTRODUCTION	1
II.	JURISDICTION AND VENUE	1
III.	FACTS COMMON TO ALL CLAIMS	1
IV.	PARTIES	3
	a. Plaintiff.....	3
	b. Defendants.....	3
	i. School Entity Defendants	3
	ii. Individual Defendants	4
	iii. Vendor Entity Defendants	13
V.	COUNT I (<i>Malfeasance, Misfeasance, and/or Nonfeasance</i>)	17
	a. Over \$54 Million in Tuition Wrongfully Received	17
	b. Over \$10 Million in Complexity Grant Funds Wrongfully Received	19
	c. Over \$2 Million in Special Education Grant Funds Wrongfully Received	20
	d. Over \$600,000 in Curricular Material Costs Reimbursement Funds Wrongfully Received	22
	e. Over \$85 Million was Wrongfully Disbursed to Entities by IVS and/or IVPA.....	24
	f. Audit Costs	40
VI.	COUNT II (<i>Indiana Crime Victims Relief Act</i>)	41
VII.	SUMMARY OF RELIEF DEMANDED	42

COMPLAINT TO RECOVER PUBLIC FUNDS

Plaintiff, State of Indiana *ex rel.* Todd Rokita, Attorney General of Indiana (“State”), by counsel, files its Complaint to Recover Public Funds, and in support states the following:

I. INTRODUCTION

1. Plaintiff brings this claim pursuant to Indiana Code § 5-11-1-27(m), Indiana Code § 5-11-5-1, Indiana Code § 5-11-5-4, Indiana Code § 5-11-7-1, Indiana Code § 34-24-3-1, and various common law claims.
2. Plaintiff seeks to redress harm done to: the public welfare, the property of the State of Indiana (“State”), which resulted from Defendants’ misappropriations of public funds.

II. JURISDICTION AND VENUE

3. This Court has both subject matter jurisdiction over the claims and personal jurisdiction over the parties.
4. Venue is proper pursuant to Indiana Rule of Trial Procedure 75.

III. FACTS COMMON TO ALL COUNTS

5. Pursuant to Ind. Code § 5-11-1-9, the State Board of Accounts (“SBOA”) performed an examination of the books, accounts, and records of Indiana Virtual Education Foundation, Inc. d/b/a Indiana Virtual School (“IVS”) and Indiana Virtual Pathways Academy (“IVPA”) for the period of July 1, 2011 to June 30, 2019 (“Audit Period”).
6. The results of the examination are set forth in SBOA Special Investigation Report B54446 (“Audit Report”), dated February 12, 2020.

7. A copy of the Audit Report is attached and incorporated as Exhibit 1.
8. The Audit Report disclosed malfeasance, misfeasance, and/or nonfeasance on the part of public officials, public employees, and/or other proper persons, and was placed by the State Examiner with the Attorney General pursuant to Ind. Code § 5-11-5-1(a).
9. The Audit Report also disclosed that public funds the State seeks to recover upon this Complaint, were either:
 - a. misappropriated, diverted, or unaccounted;
 - b. illegally received;
 - c. illegally retained;
 - d. unaccountable for or not paid over any money so received;
 - e. obtained by fraud or in any unlawful manner; and/or
 - f. wrongfully withheld from the public treasury.
10. The State's claims arise from systematic violations of a position of trust by a public official, misappropriation and diversion of public funds, malfeasance, misfeasance, nonfeasance, dishonest acts, breached fidelity of duties by a public official, overt acts, fraud, and other conduct in breach of the duties owed to the State and the public by a public official and other proper persons and/or entities.
11. The Audit Report further disclosed that public money had been unlawfully expended, obtained by fraud or any unlawful manner, or wrongfully withheld from the public treasury pursuant to Ind. Code § 5-11-6-3.

12. Defendants are either a delinquent officer, surety of the officer, or any other proper persons against whom recovery of such misappropriated, diverted, or unaccounted for funds may be had, pursuant to Ind. Code § 5-11-5-1.

13. The State seeks damages, disgorgement of ill-gotten gains, enhanced damages pursuant to the Indiana Crime Victims Relief Act, and other appropriate relief.

IV. PARTIES

a. Plaintiff

14. The Attorney General of Indiana is exclusively charged with the responsibility and sovereign powers of recovering public funds pursuant to Ind. Code § 5-11-5, *et seq.* of the State Board of Accounts Act. This Complaint is brought by the State of Indiana on the relation of the Attorney General of Indiana, pursuant to Ind. Code §§ 5-11-5-4 and 5-11-7-1, for the benefit of the State.

b. Defendants

i. School Entity Defendants

15. Defendant, Indiana Virtual Education Foundation, Inc. (“IVEF”), d/b/a Indiana Virtual School (“IVS”) (f/k/a Business Consulting Incorporated (“BCI”) and/or Building Community Initiatives) and d/b/a Indiana Virtual Pathways Academy (“IVPA”) (a/k/a Indiana Virtual Pathways Academy, Inc.), is a corporation organized under the laws of Indiana, with its principal place

of business located at 500 E. 96th Street, Suite 400, Indianapolis, Indiana 46240. At all relevant times during the Audit Period, IVEF, IVS, BCI, and/or IVPA conducted business in Indiana.

16. IVEF was administratively dissolved, with an inactive date of 8/19/2020. Upon information and belief, Defendant, Rhonda Stoughton, Defendant, Thomas H. Stoughton, and/or Defendant, Lou Moonshower, were officers, owners, and/or members of IVEF, IVS, BCI, and/or IVPA.

17. IVPA was administratively dissolved, with an inactive date of 11/5/2020. Upon information and belief, Defendant, Rhonda Stoughton, Defendant, Thomas H. Stoughton, and/or Defendant, Lou Moonshower, were officers, owners, and/or members of IVEF, IVS and/or IVPA.

18. IVS was administratively dissolved, with an inactive date of 8/19/2020. Upon information and belief, Defendant, Rhonda Stoughton, Defendant, Thomas H. Stoughton, and/or Defendant, Lou Moonshower, were officers, owners and/or members of IVEF, IVS and/or IVPA.

ii. Individual Defendants

19. Defendant, Adam Carlsen (“Adam Carlsen”), at all relevant times during the Audit Period was employed as a data analyst for Defendant, Eightbit Designs, LLC. During the Audit Period, Adam Carlsen prepared student data for submission on behalf of IVS and IVPA to the Indiana Department of Education (“IDOE”), and signed as preparer on the curricular material claims.

20. Defendant, David Stashevsky (“David Stashevsky”), at all relevant times during the Audit Period and from approximately July 1, 2011 to June 30, 2012, served as Superintendent for IVS, which was the Chief Administrative Officer of the school.
21. As IVS Superintendent, and in addition to other duties, David Stashevsky was responsible for overseeing school affairs, and for certifying the truthfulness and accuracy of the Average Daily Membership (“ADM”) count reported to IDOE. He was also responsible for certifying the accuracy and truthfulness of the curricular materials claims.
22. Defendant, Graham Clark (“Graham Clark”), at all relevant times during the Audit Period and from approximately July 1, 2012 to December 17, 2013 served as Superintendent for IVS, which was the Chief Administrative Officer of the school.
23. As IVS Superintendent, and in addition to other duties, Graham Clark was responsible for overseeing school affairs, and for certifying the truthfulness and accuracy of the ADM count reported to the IDOE, and for certifying the accuracy and truthfulness of the curricular materials claims.
24. Defendant, Greg Bright (“Greg Bright”), at all relevant times during the Audit period and from approximately July 1, 2016 to January 2019, was the Business Financial Manager/CFO for IVEF.
25. As Business Financial Manager/CFO for IVEF, Greg Bright's duties included but were not limited to: maintaining accounting records;

establishing and maintaining an internal control system; updating and reporting the annual budget; performing all accounts payable functions (including ACH payments); financial consultation; preparing 1099 and 1096 tax forms; and/or financial statement audit assistance.

26. Greg Bright was also owner and President of Defendant, Bright Financial, a company that received unsubstantiated ACH payments from IVEF during the Audit Period. Upon information and belief, Greg Bright is the son of Defendant Merle Bright.
27. Defendant, Lora Feeser (“Lora Feeser”), at all relevant times during the Audit Period and from approximately October 19, 2016 to June 30, 2019, served as Principal for both IVS and IVPA.
28. As Principal, and in addition to other duties, Lora Feeser was responsible for overseeing the operations of IVS and IVPA. She was also responsible for verifying and signing the supporting documentation of enrollment and attendance information by grade and school, which was used in the ADM report filing.
29. Defendant, Lou Moonshower (“Lou Moonshower”), at all relevant times during the Audit Period and from approximately July 1, 2011 to July 10, 2012, and August 16, 2017 to May 2, 2019, served as a Board member on the IVS Board of Directors. From approximately September 20, 2017 to May 2, 2019, Lou Moonshower served as a Board member on the IVPA Board of Directors. From approximately July 1, 2011 to June 30, 2012, he served as

IVS Treasurer, and from October 18, 2017 to May 2, 2019, he served as President for both the IVS and IVPA Board of Directors.

30. Lou Moonshower's duties as President included but were not limited to serving as Chief Executive Officer, presiding over all meetings of the Board, performing the customary duties generally associated with a corporation chairperson, as well as being empowered to sign all written contracts on behalf of IVEF.

31. Lou Moonshower's duties as Treasurer included but were not limited to having charge and custody of all funds and securities of IVEF, depositing funds, "keeping or causing to be kept complete and correct records of account, exhibit the records at reasonable times and on request to any officer or director," rendering a statement of the financial condition of IVEF on request at any Board meeting, preparing and submitting a full financial report of the operations of IVEF for the preceding fiscal year for each annual Board meeting, and causing to be prepared and filed any report or returns required by the United States Internal Revenue Service ("IRS") and other taxing authorities. Additionally, IVEF's bylaws required Lou Moonshower, as the Treasurer, to perform all duties prescribed by the bylaws or assigned by the Board. Board member duties included but were not limited to fixing compensation of vendors and contractors; approving employment contracts; adopting the annual budget; acquiring, constructing, and leasing real and/or

personal property necessary for school purposes; approving contracts; and adopting all policies.

32. Defendant, Merle Bright (“Merle Bright”), at all relevant times during the Audit Period, was either the owner or an officer of multiple corporations that received payments for providing educational services to IVS and IVPA during the Audit Period, including AlphaCom, LLC, Alpha Consolidated Services, LLC, Eightbit Designs, LLC, American Pathways Academy, LLC, Institutional Investigators, LLC, Institutional Recruiters, Specialty Leasing Services, LLC, PS Risk Management, LLC, Professional Consultants of Florida, LLC, Cyber Educational Services, LLC, and Choice Academies Online, LLC.

33. Although Merle Bright was never on any virtual schools' Board of Directors or formally designated as Treasurer of either virtual school, he became an authorized signor on an IVEF bank account beginning approximately September 13, 2016. Merle Bright signed IVEF checks during the period of approximately June 15, 2018 to August 17, 2018. Merle Bright was replaced with new signors for the account on approximately June 18, 2018; however, he continued to sign checks written from the account for two more months. Pursuant to the Audit Report, IVEF checks signed by Merle Bright in excess of \$6.8 Million were made payable to companies of which he was a related party.

34. Merle Bright was the contact person for another IVEF bank account. Merle Bright was not an authorized signor on this account; however, upon information and belief, he was the individual who made contact with the bank and was given information regarding the account. Merle Bright never had an official responsibility for IVS or IVPA that would have justified him having access to information for this IVEF bank account. In contrast, and upon information and belief, the Assistant Treasurer of both IVS and IVPA, Phillip Holden, was denied access to information regarding this bank account during his tenure.
35. Upon information and belief, Merle Bright is the father of Defendant, Greg Bright.
36. Defendant, Patrick Gar Hoover, a/k/a Gar Patrick Hoover (“Patrick Gar Hoover”), during all relevant times during the Audit Period and from approximately March 18, 2015 to September 21, 2016, served as a member on the IVS Board of Directors.
37. As a Board member, Patrick Gar Hoover’s duties included but were not limited to fixing compensation of vendors and contractors; approving employment contracts; adopting the annual budget; acquiring, constructing, and leasing real and/or personal property necessary for school purposes; approving contracts; and adopting all policies. During the Audit Period, Patrick Gar Hoover was also a consultant at Defendant, American Pathways Academy, LLC, and a teacher at the Defendant virtual schools.

38. Defendant, Percy Clark (“Percy Clark”), at all relevant times during the Audit Period and from approximately February 11, 2014 to September 20, 2019, served as IVS Superintendent. He also served as IVPA Superintendent from approximately July 1, 2017 to September 20, 2019.
39. The Superintendent is the Chief Administrative Officer of the school. As Superintendent for both IVS and IVPA, Percy Clark was responsible for overseeing school affairs, which included but were not limited to certifying the truthfulness and accuracy of the ADM count reported to the IDOE. As Superintendent, Percy Clark was also responsible for certifying the accuracy and truthfulness of the curricular materials claims.
40. Defendant, Phillip Holden (“Phillip Holden”), at all relevant times during the Audit Report and from approximately May 18, 2016 through July 18, 2019, served as Administrative Director for IVS. From approximately July 1, 2017 to July 18, 2019, Phillip Holden served as Administrative Director for IVPA.
41. In his capacity as Administrative Director, Phillip Holden’s duties included but were not limited to overseeing the day-to-day operations of the schools and ensuring compliance with state laws and regulations. He received vendor invoices, prepared purchase orders and accounts payable vouchers, and prepared disbursement packets. The Administrative Director was also responsible for certifying the truthfulness and accuracy of the ADM count as reported to IDOE, and for certifying the accuracy and truthfulness of

the curricular materials claims. From May 2, 2019 through July 18, 2019, Phillip Holden served as Assistant Treasurer for both IVS and IVPA. Phillip Holden's duties included performing all accounts payable functions, including verifying that vendor payment requests were for legitimate school purposes and signing checks.

42. Defendant, Travis Lynch (“Travis Lynch”), at all relevant times during the Audit Period, was the Head of Information Technology for both IVS and IVPA. As Head of Information Technology, Travis Lynch had full administrative access to the computer systems for IVS and IVPA.

43. Travis Lynch prepared student data for submission to IDOE and signed as a preparer on the curricular materials claims.

44. Defendant, Rhonda Stoughton (“Rhonda Stoughton”), at all relevant times during the Audit Period, was an officer of Defendant, A Simple Reminder, LLC, which was a vendor receiving payment for providing educational services to IVS and IVPA during the Audit Period.

45. Rhonda Stoughton was also a Board member on the Board of Directors for the Center for Leadership¹, which was also a vendor that received payment for providing educational services to IVS and IVPA during the Audit Period.

46. Upon information and belief, Rhonda Stoughton is the spouse of Thomas H. Stoughton.

¹ The Center for Leadership Development, LLC paid the amount charged against it in the Audit Report and therefore has not been added as a Defendant herein.

47. Defendant, Thomas Stoughton (“Tom Stoughton”), at all relevant times during the Audit Period, was an officer of Defendant, A Simple Reminder, LLC, which was a vendor that received payment for providing educational services to IVS and IVPA during the Audit Period.
48. Upon information and belief, Tom Stoughton is the son of Defendant, Thomas H. Stoughton.
49. Defendant, Thomas H. Stoughton (“Thomas H. Stoughton”), at all relevant times during the Audit Period and from approximately July 1, 2011 to October 18, 2017, served as President of the IVS Board of Directors. From approximately September 20, 2017 to October 18, 2017, he served as President of the IVPA Board of Directors.
50. As President, Thomas H. Stoughton’s duties included but were not limited to: serving as Chief Executive Officer; presiding over all meetings of the Board; and performing the customary duties generally associated with a corporation chairperson, as well as being empowered to sign all written contracts on behalf of IVEF. Board member duties also included: fixing compensation of vendors and contractors; approving employment contracts; adopting the annual budget; acquiring, constructing; and leasing real and/or personal property necessary for school purposes; approving contracts; and adopting all policies.
51. From approximately July 1, 2011 to June 30, 2016, Thomas H. Stoughton served as the Director of Schools for IVS. As part of his duties as

IVS Director of Schools, Thomas H. Stoughton was responsible for posting transactions in the accounting system, approving payments, writing and distributing checks, and preparing and making deposits. In addition, at a June 28, 2011 IVS Board meeting, Thomas H. Stoughton was named “CEO/COO.” Thomas H. Stoughton was an authorized signor on the bank of accounts of IVEF, and continued to sign checks after his resignation from the Board of Directors for IVS and IVPA, effective October 18, 2017. Thomas H. Stoughton was also an Incorporator and President of Defendant, AlphaCom, LLC in 2012 and 2013. AlphaCom, LLC received payment for providing educational services to IVS and IVPA.

iii. Vendor Entity Defendants

52. Defendant, A Simple Reminder, LLC (“A Simple Reminder”) was organized as a limited liability company under the laws of Indiana, with its principal place of business located at 510 E 96th Street, Suite 180, Indianapolis, Indiana 46240. It was administratively dissolved, with an inactive date of 8/19/2020. At all relevant times during the Audit Period, A Simple Reminder conducted business in Indiana. Upon information and belief, Defendant, Rhonda Stoughton, Tom Stoughton, and/or Defendant, Thomas H. Stoughton were officers, owners, and/or members of A Simple Reminder.
53. Defendant, Alpha Consolidated Services, LLC (“Alpha Consolidated”) is a limited liability company organized under the laws of Indiana, with its

principal place of business located at 13644 N. Meridian Street, Carmel, Indiana 46032. At all relevant times during the Audit Period, Alpha Consolidated conducted business in Indiana.

54. Defendant, AlphaCom, LLC, which may also be known as AlphaCom, Inc. (“AlphaCom”) is a corporation organized under the laws of Indiana, with its principal place of business located at 510 East 96th Street, Suite 180, Indianapolis, Indiana 46240. At all relevant times during the Audit Period, AlphaCom conducted business in Indiana.

55. Defendant, American Pathways Academy, LLC (“American Pathways”), is a limited liability company organized under the laws of Indiana, with its principal place of business located at 13644 N. Meridian Street, Carmel, Indiana 46032. At all relevant times during the Audit Period, American Pathways conducted business in Indiana.

56. Defendant, Choice Academies Online, LLC (“Choice Academies”) was organized as a limited liability company under the laws of Florida, with its principal place of business located at 9128 Strada Place, Suite 10115, Naples, Florida 34108. It was administratively dissolved, with an inactive date of 9/27/2019. At all relevant times during the Audit Period, Choice Academies conducted business in Indiana. Upon information and belief, Defendant, Merle Bright was an officer, owner, and/or member of Choice Academies.

57. Defendant, Cyber Educational Services, LLC (“Cyber Educational Services”) is a limited liability company organized under the laws of Florida,

with its principal place of business located at 13644 N. Meridian Street, Carmel, Indiana 46032. At all relevant times during the Audit Period, Cyber Educational Services conducted business in Indiana.

58. Defendant, Eightbit Designs, LLC, a/k/a Bitloft (“Eightbit”) is a foreign corporation organized under the laws of Florida and registered as a foreign limited liability company in Indiana. Eightbit is a wholly owned subsidiary of Enhanced Cyber Learning, LLC. Eightbit’s principal place of business is located at 13644 N. Meridian Street, Carmel, Indiana 46032. At all relevant times during the Audit Period, Eightbit conducted business in Indiana.

59. Defendant, Institutional Investigators, LLC (“Institutional Investigators”) is a limited liability company organized under the laws of Florida, with its principal place of business located at 9128 Strada Place, Naples, Florida 34108. At all relevant times during the Audit Period, Institutional Investigators conducted business in Indiana. It was administratively dissolved, with an inactive date of 9/27/19. Upon information and belief, Defendant, Merle Bright was an officer, owner, and/or member of Institutional Investigators.

60. Defendant, Pay Pros, Inc., a/k/a Bright Financial Services, LLC (“Bright Financial”) is a corporation organized under the laws of Indiana with its principal place of business located at 11650 Lantern Road, Suite 224, Fishers, Indiana 46038. At all relevant times during the Audit Period, Bright Financial conducted business in Indiana.

61. Defendant, Institutional Recruiters, LLC (“Institutional Recruiters”) is a limited liability company organized under the laws of Florida, with its principal place of business located at 9128 Strada Place, Suite 10115, Naples, Florida 34108. At all relevant times during the Audit Period, Institutional Recruiters conducted business in Indiana. It was administratively dissolved, with an inactive date of 9/27/19. Upon information and belief, Defendant, Merle Bright was an officer, owner, and/or manager of Institutional Recruiters.
62. Defendant, Professional Consultants of Florida, LLC (“Professional Consultants”) is a limited liability company organized under the laws of Florida, with its principal place of business located at 9128 Strada Place, Suite 10115, Naples, Florida 34108. At all relevant times during the Audit Period, Professional Consultants conducted business in Indiana. It was administratively dissolved, with an inactive date of 9/27/19. Upon information and belief, Defendant, Merle Bright was an officer, owner, and/or manager of Professional Consultants.
63. Defendant, PS Risk Management, LLC (“PS Risk Management”) is a limited liability company organized under the laws of Florida, with its principal place of business located at 9128 Strada Place, Naples, Florida 34108. At all relevant times during the Audit Period, PS Risk Management conducted business in Indiana. It was administratively dissolved, with an

inactive date of 9/27/19. Upon information and belief, Defendant, Merle Bright was an officer, owner, and/or manager of PS Risk Management.

64. Defendant, Specialty Leasing Services, LLC (“Specialty Leasing”) is a limited liability company organized under the laws of Florida, with its principal place of business located at 9128 Strada Place, Suite 10115, Naples, Florida 34108. At all relevant times during the Audit Period, Specialty Leasing conducted business in Indiana. It was administratively dissolved, with an inactive date of 9/27/19. Upon information and belief, Defendant, Merle Bright is an officer, owner, and/or manager of Specialty Leasing.

V. COUNT I (*Malfeasance, Misfeasance, and/or Nonfeasance*)

Plaintiff, State of Indiana *ex rel.* Todd Rokita, Attorney General of Indiana, by and through its undersigned counsel, complains of the following Defendants and says:

65. The State restates and pleads each and every allegation contained in the previous paragraphs, and those paragraphs are incorporated in Count I as if wholly set forth herein.

a. Over \$54 Million in Tuition Wrongfully Received

66. As a direct and proximate result of the breach of the Defendants’ duties to the State, the State suffered a pecuniary loss from the following Defendants relating to the overpayment of tuition support: IVEF, IVS, IVPA, David Stashevsky, Graham Clark, Lora Feeser, Lou Moonshower, Percy Clark, Phillip Holden, and/or Thomas H. Stoughton.

67. IVEF and/or IVS wrongfully received \$11,746,567.56 in total overpayments of state tuition support for the school years 2011-2012 through 2016-2017.
68. IVEF, IVS and/or IVPA, wrongfully received \$42,950,043.90 in total overpayments of state tuition support for school years 2017-2018 and 2018-2019.
69. Defendants, David Stashevsky, Graham Clark, Lora Feeser, Lou Moonshower, Percy Clark, Phillip Holden, and Thomas H. Stoughton had a duty during the Audit Period to account for public funds and to not commit acts of malfeasance, misfeasance, and/or nonfeasance.
70. During the Audit Period, both IVS and IVPA were required to regularly submit a Report of ADM to IDOE twice per year, in September and February, with the exception of 2012, when IDOE did not require the February count.
71. IDOE used the ADM reports to calculate the tuition support payments due to the schools.
72. Individuals who sign the ADM Reports must certify, “The undersigned certify that this report is true and accurate in every respect to the best of their knowledge and belief.”
73. Pursuant to I.C. 20-43-4-1(a), the ADM numbers are to include only eligible students at the time of the student count dates.

74. However, the ADM data for both IVS and IVPA was misreported within the ADM Reports at issue during the Audit Period and included membership for ineligible student's counts, for students who, for example, had little to no online activity and did not complete courses within reporting periods.
75. The ADM Reports for the school years from September 2011 through June 2019 included ineligible student counts.
76. Because the ADM Reports at issue included students who were not eligible to be included in the ADM numbers, the State overpaid tuition support during the Audit Period in the total amount of \$54,696,611.46.
77. The State is entitled to restitution and disgorgement from Defendants of all ill-gotten gains unjustly and wrongfully received.

b. Over \$10 Million in Complexity Grant Funds Wrongfully Received

78. As a direct and proximate result of the breach of the Defendants' duties to the State, the State suffered a pecuniary loss from the following Defendants relating to the overpayment of the complexity grant: IVEF; IVS; IVPA; Percy Clark; Thomas H. Stoughton; and/or Phillip Holden; Lora Feeser.
79. IVEF, IVS and/or IVPA wrongfully received \$10,875,566.28 in total overpayments of state complexity grant payments for school years 2014-2015 through 2018-2019.

80. Schools in Indiana may receive additional funding for tuition through a complexity grant, which is determined by IDOE using information from the ADM report and calculations by IDOE.
81. The schools IVS and IVPA began receiving the complexity grant in school year 2014-2015.
82. Since both IVS and IVPA included ineligible students on their ADM reports, calculations for the complexity grant for the school years 2014-2015, 2015-2016, 2016-2017, 2017-2018, and 2018-2019 were inaccurate.
83. IVEF, IVS and/or IVPA were overpaid the complexity grant each school years at issue during the Audit Period as follows:

<u>School Year</u>	<u>Overpaid Complexity Grant</u>
2014-2015	\$924,118.95
2015-2016	\$1,483,135.17
2016-2017	\$2,581,947.99
2017-2018	\$1,826,086.55
2018-2019	\$4,060,277.62
TOTAL:	\$10,875,566.28

84. The State is entitled to restitution and disgorgement from Defendants of all ill-gotten gains unjustly and wrongfully received.
85. Defendants, Percy Clark, Thomas H. Stoughton, Phillip Holden, and/or Lora Feeser, had a duty during the Audit Period to account for public funds and to not commit acts of malfeasance, misfeasance, and/or nonfeasance.

c. Over \$2 Million of Special Education Grant Funds Wrongfully Received

86. As a direct and proximate result of the breach of the Defendants' duties to the State, the State suffered a pecuniary loss from the following

Defendants relating to the overpayment of the special education grant: IVEF, IVS, IVPA, Thomas H. Stoughton, Graham Clark, Percy Clark, Phillip Holden, and Lora Feeser.

87. IVEF, IVS and/or IVPA wrongfully received \$2,499,484.50 in total overpayments of special education grant payments from 2012-2019.
88. IVS began receiving state special education grant funds in 2012.
89. IVPA began receiving state special education grant funds in 2016.
90. Funding for special education grants were based on data supplied by the virtual schools identifying special education needs students.
91. Ineligible students were included in the special education reports, causing special education funding paid by the state to be overpaid.
92. Since ADM Reports for both IVS and IVPA included ineligible students, as detailed above, calculations for the special education grants for the school years 2012-2013, 2013-2014, 2014-2015, 2015-2016, 2016-2017, 2017-2018, and 2018-2019, were inaccurate.
93. IVEF, IVS and/or IVPA were overpaid the special education grant each school years at issue during the Audit Period as follows:

<u>School Year</u>	<u>Overpaid Curricular Material Cost Reimbursement</u>
2012-2013	\$1,132.50
2013-2014	\$15,145.00
2014-2015	\$218,471.00
2015-2016	\$172,800.00
2016-2017	\$366,500.00
2017-2018	\$734,964.00
2018-2019	<u>\$990,472.00</u>
TOTAL:	\$2,499,484.50

94. The State is entitled to restitution and disgorgement from Defendants of all ill-gotten gains unjustly and wrongfully received.

95. Defendants, Thomas H. Stoughton, Graham Clark, Percy Clark, Phillip Holden, and Lora Feeser, had a duty during the Audit Period to properly account for public funds and to not commit acts of malfeasance, misfeasance, and/or nonfeasance.

d. Over \$600,000 in Curricular Material Costs Reimbursement Funds Wrongfully Received

96. As a direct and proximate result of the breach of the Defendants' duties to the State, the State suffered a pecuniary loss from the following Defendants relating to the overpayment of curricular material costs reimbursement: IVEF; IVS; IVPA; Percy Clark; Travis Lynch; Patrick Gar Hoover; Phillip Holden; and Adam Carlsen.

97. IVS and/or IVPA requested reimbursement for curricular materials from IDOE for the school years, 2015-2016, 2016-2017, 2017-2018, and 2018-2019, by filing a Summary Cost and Reimbursement Claim Form for School Curricular Material Costs and Eligible Student Counts ("Reimbursement Form for Curricular Material Costs"), as required by IDOE.

98. Curricular materials reimbursement amounts are determined in part by using eligible students and IDOE applying a dollar amount per eligible student.

99. The amounts shown by IVS and IVPA as costs they incurred had no supporting documentation that could be used to verify these costs.
100. Since ADM Reports for both IVS and IVPA included ineligible students, as detailed above, calculations within the Reimbursement Form for Curricular Material Costs for the school years 2015-2016, 2016-2017, 2017-2018 and 2018-2019, were inaccurate.
101. IVEF, IVS and/or IVPA were overpaid curricular materials costs reimbursement from the State each school years at issue during the Audit Period as follows:

<u>School Year</u>	<u>Overpaid Special Education Grant</u>
2015-2016	\$52,356.76
2016-2017	\$96,720.14
2017-2018	\$176,517.28
2018-2019	<u>\$366,419.71</u>
TOTAL:	\$692,013.89

102. IVEF, IVS and/or IVPA wrongfully received \$692,013.89 in total overpayments of curricular materials grant payments for school years 2015-2016 to 2018-2019.
103. The State is entitled to restitution and disgorgement from Defendants of all ill-gotten gains unjustly and wrongfully received.
104. Defendants, Percy Clark, Travis Lynch, Patrick Gar Hoover, Phillip Holden, and Adam Carlsen had a duty during the Audit Period to properly account for public funds and to not commit acts of malfeasance, misfeasance, and/or nonfeasance.

e. Over \$85 Million Wrongfully Disbursed to Entities by IVS and/or IVPA

105. As a direct and proximate result of the breach of the Defendants' duties, the State suffered a pecuniary loss from the following Defendants relating to disbursement deficiencies: American Pathways; Merle Bright; IVEF; Eightbit; Cyber Educational Services; Bright Financial ; AlphaCom; Thomas H. Stoughton; Alpha Consolidated; Choice Academies; Specialty Leasing; Greg Bright; Institutional Recruiters; Professional Consultants; Institutional Investigators; A Simple Reminder; Rhonda Stoughton; Tom Stoughton; and PS Risk Management.
106. IVS and/or IVPA disbursed \$85,687,398.60 in non-compliant disbursements to entities with some connection to IVEF, IVS and/or IVPA or a responsible party during the period of July 1, 2016 to June 30, 2019.
107. Pursuant to the Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools ("Compliance Guidelines"), Chapter 10, "Charter schools shall have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control."

American Pathways

108. Payments to American Pathways from IVS and/or IVPA during the Audit Period totaling \$32,780,938.39 were noncompliant with the Compliance Guidelines, state law, federal law, and/or regulations or resulted from egregious contractual terms as follows:

- a. No invoices or no detail on invoices for \$32,780,938.39 of payments made. *See* Audit Report, page 27.
- b. Various fees charged based on ADM data and state tuition support were based on falsely reported ADM data, which resulted in an overpayment to American Pathways in the amount of \$22,989,658.39. The contract between American Pathways and IVS and/or IVPA required detailed monthly invoices to be provided to the school. *See* a copy of the contract between American Pathways and IVS and/or IVPA, which is attached and incorporated as Exhibit 2 (the “Contract with American Pathways”).
- c. However, \$8,152,118.60 of the payments had no invoice, and \$24,628,819.79 of the payments had invoices with no detail. The Contract with American Pathways is signed by “Dave Marsh, Vice President.” However, no other information was provided by Mr. Marsh regarding his position as “Vice President of American Pathways.” *See* the Contract with American Pathways and the Audit Report, page 27.

- d. At all relevant times, Merle Bright (authorized signor of bank account for IVS/IVPA) was American Pathways' CFO. *See* Audit Report, page 27.
- e. \$3,379,678.60 of the payments made to American Pathways were made with checks signed by Merle Bright. *Id.*

Eightbit

109. Payments to Eightbit from IVS and/or IVPA during the Audit Period totaling \$18,262,120.72 were noncompliant with the Compliance Guidelines, state law, federal law, regulations, and/or resulted from egregious contractual terms as follows :
- a. Certain payments to Eightbit, from IVS and/or IVPA during the period of July 1, 2016 to June 30, 2019 included hourly rates of \$275-\$400 for consulting services and also included a “monthly billing” charge of \$572,576.95 (February 2019) for “software development.” *Id.*
 - b. No invoices or no detail on invoices for \$18,262,120.72 of payments made. *Id.*
 - c. Fees charged based on ADM data and state tuition support were based on incorrect ADM data, which resulted in an overpayment to Eightbit in the amount of \$14,061,908.72. The Contract between Eightbit and IVS and/or IVPA required monthly invoices to be provided to the school; \$3,096,549.50 of the payments had no invoice. *See* a copy of the contract between Enhanced Cyber Learning, LLC (“ECL”), the parent

company of Eightbit, and IVS and/or IVPA, which is attached and incorporated as Exhibit 3 (the “Contract with Eightbit”).

- d. However, \$15,165,571.22 of the payments had invoices with insufficient detail. The invoice provided to SBOA for the February 2019 billing included \$285,825.83 of “Teacher Salaries;” however, all teachers were independent contractors of IVS/IVPA and paid directly by IVS/IVPA. The Contract with Eightbit also contains restrictive Intellectual Property language - despite being paid for with school funds, said contract reserves the asset rights for the vendor. *See the Contract with Eightbit and the Audit Report, page 27.*
- e. At all relevant times during the Audit Period, Merle Bright (authorized signor of bank account for IVS/IVPA) was the managing member of ECL. Additionally, Thomas Burroughs² (Attorney for IVS/IVPA) served as Legal Representative for Eightbit, and Dave Marsh was listed as an officer for both Eightbit and ECL. *See Audit Report, page 27.*
- f. \$3,509,969.71 of the payments made to Eightbit were with checks signed by Merle Bright. *Id.*

Cyber Educational Services

- 110. Payments to Cyber Educational Services from IVS and/or IVPA during the Audit Period totaling \$14,414,085.95 were noncompliant with the

² Upon information and belief, Thomas Burroughs is deceased.

Compliance Guidelines, state, federal, and/or regulations or resulted from egregious contractual terms as follows:

- a. Payments made to Cyber Educational Services, included hourly rates of \$350-\$750 for consulting services. *See* Audit Report, page 28.
- b. Not producing invoices or detail on invoices for \$14,406,262.43 of payments made. *Id.*
- c. Fees charged based on ADM data and state tuition support were based on incorrect ADM data, which resulted in an overpayment to Cyber Educational Services in the total amount of \$8,449,984.60. The contract between Cyber Educational Services and IVS and/or IVPA required monthly invoices to be provided to the school. *See* a copy of the contract between Cyber Educational Services and IVS and/or IVPA, which is attached and incorporated as Exhibit 4 (the “Contract with Cyber Education Services”).
- d. However, \$8,359,624.75 of the payments had no invoice. \$6,046,637.68 of the payments had invoices with insufficient detail. *See* Audit Report, page 28.
- e. In addition, the Contract with Cyber Education Services provides that services for Facility Services were to include security, maintenance, utilities, communications/internet, housekeeping, etc. The services described are duplicated by multiple vendors although IVS/IVPA maintained one office location. *Id.*

- f. Merle Bright (authorized signor of bank account for IVS/IVPA) is the managing member of Cyber Educational Services. *Id.*
- g. \$13,162,755.32 of payments made by EFT were dated August 2016 through November 2017, during which time Greg Bright was authorized by contract to initiate "ACH payments." *Id.*

AlphaCom

- 111. Payments to AlphaCom from IVS and/or IVPA during the Audit Period totaling \$14,198,711.45 were noncompliant with the Compliance Guidelines, state law, federal law, and/or regulations or resulted from egregious contractual terms as follows:
 - a. Payments made to AlphaCom included hourly rates of \$350-\$750 for consulting services. *Id.*
 - b. Not producing invoices or detail on invoices for \$14,052,354.34 of payments made. *Id.*
 - c. Fees charged based on ADM data and state tuition support are based on incorrect ADM data, which resulted in an overpayment to AlphaCom in the amount of \$9,852,611.51. The contract between AlphaCom and IVS and/or IVPA required monthly invoices to be provided to the school. *See* a copy of the contract between AlphaCom and IVS and/or IVPA, which is attached and incorporated as Exhibit 5 (the "Contract with AlphaCom").

- d. However, \$10,587,355.41 of the payments had no invoice, and \$3,464,998.93 of the payments had invoices with insufficient detail. *See* Audit Report, page 28.
- e. Thomas H. Stoughton (Board Chairman IVS/IVPA) served as President of AlphaCom until February 16, 2017, Christopher King (Board Member of IVS/IVPA) served as President of AlphaCom, Merle Bright (authorized signor of bank account for IVS/IVPA) served as CEO/Treasurer of AlphaCom, Thomas Burroughs (Attorney IVS/IVPA) served as General Counsel for AlphaCom. *Id.*
- f. \$2,222,861.94 of the payments made to AlphaCom were with checks signed by Thomas H. Stoughton. \$10,850,328.51 of the payments made were by EFT, dated August 2016 through November 2017, during which time Greg Bright was authorized by contract to initiate "ACH payments" and Thomas H. Stoughton was an authorized signor on the bank account. *Id.*

Alpha Consolidated

- 112. Payments to Alpha Consolidated from IVS and/or IVPA during the Audit Period totaling \$2,303,095.86 were noncompliant with the Compliance Guidelines as follows:
 - a. No invoices or detail on invoices for \$2,303,095.86 of payments made. *See* Audit Report, page 29.

- b. \$2,253,095.86 of payments had no invoice, and \$50,000 of the payments had invoices with insufficient detail. No contract was presented for SBOA's examination. *Id.*
- c. At all relevant times during the Audit Period, Thomas Burroughs (Board Member of IVS and Legal Representative for IVS/IVPA) was the Vice President and Legal Representative for Alpha Consolidated. Merle Bright (authorized signor of bank account for IVS/IVPA) was the CFO of Alpha Consolidated. *Id.*

Choice Academies

113. Payments to Choice Academies from IVS and/or IVPA during the Audit Period totaling \$1,350,000.00 were noncompliant with the Compliance Guidelines, state law, federal law, regulations, and/or resulted from egregious contractual terms as follows:
- a. Not producing invoices or detail on invoices for \$1,350,000 of payments made. *Id.*
 - b. The contract between Choice Academies and IVS and/or IVPA provided for services for Facility Services to include security, maintenance, utilities, communications/internet, housekeeping, etc.; for furniture, equipment, supplies; technology hardware and software. *See* a copy of the contract between Choice Academies and IVS and/or IVPA, which is attached and incorporated as Exhibit 6 (the "Contract with Choice Academies").

- c. However, services described in said contract are duplicated by multiple vendors even though IVS/IVPA maintained one office location. *See* Audit Report, page 29.
- d. The Contract with Choice Academies also contains restrictive Intellectual Property language – despite being paid for with school funds, the contract reserves the asset rights for the vendor. *See* the Contract with Choice Academies and the Audit Report, page 29.
- e. At all relevant times during the Audit Period, Merle Bright (authorized signor of bank account for IVS/IVPA) was the managing member of Choice Academies. *See* Audit Report, page 29.
- f. Payments to Choice Academies in the amount of \$1,200,000 were made by EFT, dated September 2016 through November 2017, during which time Greg Bright was authorized by the Contract with Choice Academies to initiate “ACH payments.” *Id.*

Specialty Leasing

114. Payments to Specialty Leasing, from IVS and/or IVPA during the Audit Period totaling \$659,206.64 were noncompliant with the Compliance Guidelines, state law, federal law, regulations, and/or resulted from egregious contractual terms as follows:
- a. Not producing invoices or detail on invoices for \$647,183.91 of payments made. *Id.*

- b. The contract between Specialty Leasing and IVS and/or IVPA provided for services for leasing of assets in “Exhibit A” (listing of assets). However, this exhibit is blank. *See* a copy of the contract between Specialty Leasing and IVS and/or IVPA, which is attached and incorporated as Exhibit 7 (the “Contract with Specialty Leasing”).
- c. One invoice presented for payment references "office furniture and computer equipment"; the items described are duplicated by another vendor (Choice Academies) although IVS/IVPA maintained one office location. Additionally, the equipment was purchased in December 2017 and \$60,129.62 was paid as a prepayment penalty. *See* Audit Report, page 29.
- d. At all relevant times during the Audit Period, Merle Bright (authorized signor of bank account for IVS/IVPA) was the managing member of Specialty Leasing. *Id.*
- e. \$173,867.98 of payments were made to Specialty Leasing by EFT, dated September 2016 through November 2017, during which time Greg Bright was authorized by the Contract with Specialty Leasing to initiate “ACH payments.” *Id.*

Bright Financial

- 115. Payments to Bright Financial, from IVS and/or IVPA during the Audit Period totaling \$522,00.00 were noncompliant with the Compliance

Guidelines, state law, federal law, regulations, and/or resulted from egregious contractual terms as follows:

- a. Not producing invoices or detail on invoices for \$360,000 of payments made. *See* Audit Report, page 30.
 - b. At all relevant times during the Audit Period, Greg Bright was authorized by contract to initiate “ACH payments”; however, all payments made to Bright Financial were made by EFT with no evidence of approval by another individual. Additionally, Merle Bright was an authorized signor of bank account for IVS. *Id*; *See* a copy of the contract between Bright Financial and IVS and/or IVPA, which is attached and incorporated as Exhibit 8 (the “Contract with Bright Financial”).
 - c. \$522,000 of payments were made by EFT, dated September 2016 through November 2017, during which time Greg Bright was authorized by contract to initiate "ACH payments." *See* Audit Report, page 30.
 - d. The Contract with Bright Financial stated \$15,000 per month for accounting services; for 14 months, beginning January 2018 payments increased to \$18,000 per month with no amendment of contract amount provided. *Id*.
116. Additionally, due to the connections with and involvement of Bright Financial and Cyber Educational Services, Alpha Com, Alpha Consolidated ,

Choice Academies, Specialty Leasing, Institutional Recruiters, Professional Consultants, Institutional Investigators, and PS Risk Management, Bright Financial is also responsible for portions of the amounts paid to those entities, totaling \$26,658,351.81. *See* Audit Report, page 44.

Institutional Recruiters

117. Payments to Institutional Recruiters from IVS and/or IVPA during the Audit Period totaling \$412,500.00 were noncompliant with the Compliance Guidelines, state law, federal law, regulations, and/or resulted from egregious contractual terms as follows:

- a. Not producing invoices or detail on invoices for \$392,500 of payments made. *See* Audit Report, page 30.
- b. The contract between Institutional Recruiters and IVS and/or IVPA provided for services for recruitment (advertising, interviewing, and credential certification) of teachers. Institutional Recruiters billed for the recruitment of ninety-three teachers. The total number of teachers at IVS and/or IVPA for the period was fifty-four. Invoices contain no information regarding individuals or specific details of the recruitments. *Id*; *See* a copy of the contract between Institutional Recruiter and IVS and/or IVPA, which is attached and incorporated as Exhibit 9 (the “Contract with Institutional Recruiter”).
- c. At all relevant times during the Audit Period, Merle Bright (authorized signor of bank account for IVS/IVPA) was the managing member of Institutional Recruiters. *See* Audit Report, page 30.

- d. \$362,500 of payments were made to Institutional Recruiters by EFT, dated September 2016 through November 2017, during which time Greg Bright was authorized by contract to initiate "ACH payments."

Id.

Professional Consultants

118. Payments to Professional Consultants from IVS and/or IVPA during the Audit Period totaling \$180,000.00 were noncompliant with the Compliance Guidelines, state law, federal law, regulations, and/or resulted from egregious contractual terms as follows:
 - a. Not producing invoices or detail on invoices for \$180,000.00 of payments made. *See* Audit Report, page 30-31.
 - b. The contract between Professional Consultants and IVS and/or IVPA charged \$10,000 per month for professional consulting - specifically including obtaining proposals from professional service firms including attorneys, CPAs & 401K providers.
 - c. At all relevant times during the Audit Period, Thomas Burroughs served as counsel/legal representative/Attorney for IVEF; Greg Bright, CPA, served under contract as the CFO- the terms of his contract outline unlimited consulting services; he schools had no employees, and no contributions were made to a 401K. *Id.*; *See* a copy of the contract between Professional Consultants and IVS and/or IVPA,

which is attached and incorporated as Exhibit 10 (the “Contract with Professional Consultants”).

- d. At all relevant times during the Audit Period, Merle Bright (authorized signor of bank account for IVS/IVPA) was the managing member of Professional Consultants. *See* Audit Report, pages 30-31.
- e. \$150,000.00 of payments were made to Professional Consultants by EFT, dated September 2016 through November 2017, during which time Greg Bright was authorized by contract to initiate “ACH payments.” *Id.*

Institutional Investigators

119. Payments to Institutional Investigators from IVS and/or IVPA during the Audit Period totaling \$170,100.00 were noncompliant with the Compliance Guidelines, state law, federal law, regulations, and/or resulted from egregious contractual terms as follows:

- a. Not producing invoices or detail on invoices for \$170,100 of payments made. *See* Audit Report, page 31.
- b. The contract between Institutional Investigators and IVS and/or IVPA provided for details services for background checks for teachers. The total number of teachers for the billed during the Audit Period was 54, but the total number of background checks performed was 765. Invoices contain no information regarding individuals or specific details of the background checks performed. *Id.*; *See* a copy of the

contract between Institutional Investigators and IVS and/or IVPA, which is attached and incorporated as Exhibit 11 (the “Contract with Institutional Investigators”).

- c. At all relevant times during the Audit Period, Merle Bright (authorized signor of bank account for IVS/IVPA) was the managing member of Institutional Investigators. *See* Audit Report page 31.
- d. \$124,400 of payments were made to Institutional Investigators by EFT dated, September 2016 through November 2017, during which time Greg Bright was authorized by contract to initiate “ACH payments.”
Id.

A Simple Reminder

120. Payments to A Simple Reminder from IVS and/or IVPA during the Audit Period totaling \$152,439.60 were noncompliant with the Compliance Guidelines, state law, federal law, regulations, and/or resulted from egregious contractual terms as follows:
- a. Not producing invoices or detail on invoices for \$150,000 of payments made. *See* Audit Report, page 31.
 - b. Tom Stoughton was President for the years 2015-2016 and 2017-2018 for A Simple Reminder. Thomas H. Stoughton was the Organizer for IVS/IVPA and the Chairman of the Board until October 2017. Rhonda Stoughton served as President of A Simple Reminder; Thomas

Burroughs (Attorney for IVS/IVPA) served as Counsel for A Simple Reminder. *Id.*

- c. \$152,439.60 of the payments made to A Simple Reminder were with checks signed by Thomas H. Stoughton. *Id.*

PS Risk Management

121. Payments to PS Risk Management from IVS and/or IVPA during the Audit Period totaling \$142,500.00 were noncompliant with the Compliance Guidelines, state law, federal law, regulations, and/or resulted from egregious contractual terms as follows:

- a. Not producing invoices or detail on invoices for \$142,500 of payments made. *See* Audit Report, page 31.
- b. The contract between PS Risk Management and IVS and/or IVPA required monthly invoices to be submitted to IVS and/or IVPA. *See* a copy of the contract between PS Risk Management and IVS and/or IVPA, which is attached and incorporated as Exhibit 12 (the “Contract with PS Risk Management”).
- c. At all relevant times during the Audit Period, Merle Bright (authorized signor of bank account for IVS/IVPA) was the managing member of PS Risk Management and signed the contract as the representative of PS Risk Management. *See* Contract with PS Risk Management.
- d. \$112,500.00 of payments were made by EFT, dated September 2016 through November 2017, during which time Greg Bright was

authorized by contract to initiate “ACH payments.” *See* Audit Report, page 31.

122. The State is entitled to restitution and disgorgement from Defendants of all ill-gotten gains unjustly and wrongfully received.

123. Defendants, Thomas H. Stoughton, Merle Bright, and Greg Bright had a duty during the Audit Period to properly account for public funds and to not commit acts of malfeasance, misfeasance, and/or nonfeasance.

124. Defendants, American Pathways; Eightbit, LLC; Cyber Educational Services; Bright Financial; AlphaCom; Alpha Consolidated; Choice Academies; Specialty Leasing; Institutional Recruiters; Professional Consultants; Institutional Investigators; A Simple Reminder; and PS Risk Management received a measurable benefit that if permitted to retain without payment to Plaintiff would be unjust. The State has suffered a loss as a result of said Defendants’ unjust enrichment.

f. Audit Costs

125. As a direct and proximate result of the breach of Defendants duties as detailed above, SBOA incurred additional audit costs in the amount of \$218,174.62.

126. The following Defendants are jointly and severely liable for the total amount of additional audit costs: IVEF, IVS, IVPA, Thomas H. Stoughton, David Stashevsky, Graham Clark, Percy Clark, Lou Moonshower, Phillip Holden, Lora Feeser, Travis Lynch, Patrick Gar Hoover, Merle Bright, Greg Bright, and Adam Carlsen.

WHEREFORE, Plaintiff, State of Indiana *ex rel.* Todd Rokita, Attorney General of Indiana, respectfully requests that the Court: (1) enter judgment for the State and against the above Defendants for damages; (2) order Defendants to disgorge any and all ill-gotten gains and/or any diverted funds under Ind. Code § 5-11-5-4, as a result of Defendants' wrongful misappropriations of public funds; and (3) grant the State all other just and proper relief.

VI. COUNT II (*Indiana's Crime Victims Relief Act*)

Plaintiff, State of Indiana *ex rel.* Todd Rokita, Attorney General of Indiana, by and through its undersigned counsel, complains against the following Defendants: David Stashevsky; Graham Clark; Lora Feeser; Lou Moonshower; Percy Clark; Phillip Holden; Thomas H. Stoughton; Graham Clark; Merle Bright; Greg Bright; Rhonda Stoughton; Travis Lynch; Adam Carlsen; and Patrick Gar Hoover.

127. The State restates and pleads each and every allegation contained in the previous paragraphs, inclusive of Count I, and those paragraphs are incorporated in Count II as if wholly set forth herein.

128. Indiana Code § 34-24-3-1 provides that if a party suffers a pecuniary loss as a result of a violation of Ind. Code Art. 35-43, Ind. Code § 35-42-3-3, Ind. Code § 35-42-3-4, and/or Ind. Code § 35-45-9, the party may bring a civil action against the person(s) who caused the loss for: (1) an amount not to exceed three times the actual damages of the person suffering the loss; (2) court costs; (3) a reasonable attorney's fee; (4) and other miscellaneous costs and expenses.

129. The State is a party suffering a pecuniary loss as a result of a violation by Defendants, of one or more of the following: Ind. Code § 35-43-4-2, Ind. Code § 35-43-4-3, and/or Ind. Code § 35-43-5-3, as described in the Audit Report.

130. The State is entitled to the relief described in Ind. Code § 34-24-3-1, including three times the actual loss, court costs, and a reasonable attorney's fee.

WHEREFORE, Plaintiff, State of Indiana *ex rel.* Todd Rokita, Attorney General of Indiana, respectfully requests that the Court: (1) enter judgment for the State and against Defendants; (2) grant the State the relief described in Ind. Code § 34-24-3-1, plus attorney fees, and costs; and (3) grant the State all other just and proper relief.

SUMMARY OF RELIEF DEMANDED

WHEREFORE, Plaintiff, State of Indiana *ex rel.* Todd Rokita, Attorney General of Indiana, respectfully requests the Court:

1. Award judgment against Defendants, individually and jointly and severally and in the amounts as charged in the Audit Report;
2. Award judgment against Defendants as requested above, in an amount up to three times Plaintiff's actual loss;
3. Order Defendants to disgorge all ill-gotten gains unjustly and wrongfully received and funds diverted as a result of the actions disclosed within Special Investigation Report B54446.

4. Award judgment in favor of Plaintiff for costs of this action, including reasonable attorneys' fees in accordance with Indiana Code §§ 5-11-1-27(m) and 34-24-3-1, post judgment interest of eight percent (8%) per annum; and
5. Grant all other relief which is just and proper in the premises.

Respectfully submitted,

THEODORE E. ROKITA
Indiana Attorney General
Attorney Number 18857-49

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