

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF KENTUCKY
PADUCAH DIVISION

JAMIE L. RUST,)
)
SETH OKIN,)
)
JOHN ALDERDICE,)
)
JOHN PAYNE,)
)
PHIL CAHAN,)
)
NATE HIBBONS,)
)
SHAMEKA TURNER,)
)
BOBBY HOLDER,)
)
RICK WOOD,)
)
KELLY GIRAUDO,)
)
JON GIRAUDO,)
)
KAREN HARRIS-STORY,)
)
JUDY PAYNE,)
)
ANNIE ANJUM,)
)
KATRINA DAWKINS,)
)
RICHARD CAHAN,)
)
PATTY CLARK,)
)
NATHAN RATLEY,)
)
ALLISON RATLEY,)
)
AMBERLY WALLIS,)
)
JENNIFER PEELER,)
)
STEVE WALTERS,)

HOWARD KEITH WARD,)
)
 JOHN CLARK,)
)
 SARA BETH JETT,)
)
 PAUL MONTGOMERY,)
)
 KAY PARTRIDGE,)
)
 CHERYL HARTLINE,)
)
 DANIEL PRIDEMORE,)
)
 RON WILSON, and)
)
 BEN FOWLER.)

All Above Named Plaintiffs are Individually)
 and as a Class Action)
 Maintained for and on behalf of)
 other former and present Students)
 at American Justice School of)
 Law, Inc., who operate in fear)
 of Hendrick and Turner who control:)
 (i) student loans; (ii) grades; (iii) ability)
 to transfer; and (iv) their future careers,)
)
 AMERICAN JUSTICE SCHOOL)
 OF LAW, INC., by its Shareholder,)
 Thomas L. Osborne, Individually, and)
 as a Derivative Action for and on Behalf)
 of American Justice School of Law, Inc.,)

PLAINTIFFS,)

v.)

CIVIL ACTION NO.5:07-cv-00191-TBR

PAUL MAYNARD HENDRICK,)
)
 JARROD ASHLEY TURNER,)
)
 and)

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INTRODUCTION

1. This is a case of significant and immediate public interest. AJSL is a Kentucky, private, for-profit business corporation with six (6) stockholders. AJSL has been fortunate in the recruitment of excellent students whose admission scores and LSAT results match many ABA accredited schools. The student body is highly dedicated to learning and achieving. This extraordinary commitment by the students is one of the great strengths of the school.

2. AJSL has about nineteen (19) well-qualified full time professors. The full time faculty enjoys outstanding credentials. The faculty is under-utilized due to the unusual working environment created by the dean's office.

3. Administrative operations of the corporation are vested in Dean Hendrick and Assistant Dean Turner. Hendrick and Turner led the school through its unsuccessful accreditation efforts in 2007.

4. Failure to achieve accreditation places the charter class students at risk of forfeiting their legal education. Nearly all of the students are supporting themselves with student loans. The average loan is Forty Thousand and 00/100 Dollars (\$40,000) a year. More than half (1/2) of the loan, \$26,000, goes to AJSL for tuition and fees with the remaining \$14,000 to the students for living expenses.

5. Hendrick's salary is \$160,000 per year, in addition to having AJSL pay all of his personal living expenses. Therefore, Hendrick and his wife are able to live a lavish lifestyle off of AJSL's credit cards. Hendrick and Turner enlarged the influence of their offices to control every facet of law school life. They control the student loans, scholarships, law review, the student's permanent academic file, grades, and manage the operational funds of the school which are currently in the amount of 4 million dollars a year. This gives

Hendrick and Turner an absolute stranglehold upon students. Hendrick and Turner have total dominance over the students. They are openly abusive and derogatory to the faculty. The employees live in daily fear of Hendrick and Turner's temper.

6. Turner tells students that he must approve of a student and "sign off" for them to take the bar exam. Turner uses his office as Assistant Dean to make sexual advances to some of the students.

7. Hendrick uses his power as Dean to bully, threaten and intimidate students. Hendrick threatens students that he can destroy their plans to practice law by placing derogatory information in their permanent file.

8. These threats have included thinly veiled inferences to serious bodily injury and death. One student who was being intimidated to prevent her testimony in this case was told that she was "crazy" and that she was repeating gossip. Hendrick said "you know what happens in the movie *Gossip* – they all are dead in the end."

9. Another person who worked in Hendrick's Office for a few months was dismissed by Hendrick's exploding and repeatedly being exposed to, "You're crazy – you're crazy, I'm going to get you, you will pay for this." Finally as she runs from Hendrick's office as he shouts, "May God have mercy upon your soul."

10. All students have been exposed to the dark side of Hendrick and just try to stay away. But Hendrick has total control over their lives. All checks, regardless of amount, must be signed by Hendrick. Students needing mandatory school supplies are yelled and screamed at in a derogatory manner. No one is safe from Hendrick's

eruptions. He uses loans, grades, operational funds, and the student's desire to become a lawyer to manipulate and control all of those around him.

11. Unfortunately, Hendrick and Turner's effort at accreditation was doomed from the start. The ABA had evidence of Turner's misuse of power to gain sexual favors as well as Hendrick's bizarre volcanic personality. Any hope for accreditation was totally lost when Hendrick and Turner presented a laundry list of false information to the ABA. Once the ABA saw data that was so grossly overstated to the point of being ridiculous, all hope was lost for the students to be accredited in 2007. This lawsuit is about 2008. The exceptionally diligent students and fine faculty deserve a real chance at accreditation free from the corrupting influence of Hendrick and Turner's office. The city, county and Greater Paducah Development Economic Council (GPDEC) have lost total confidence in Hendrick and Turner. But these public partners stand ready to assist the school in its educational mission after Hendrick and Turner are gone. AJSL is a strong viable entity that will, in the future, serve students and the public well. But the school must rid itself of the cancer growing inside Hendrick and Turner's offices.

NATURE OF THE ACTION

12. This action is brought in response to Defendants Dean Paul Hendrick (hereinafter, "Hendrick"), Assistant Dean Jarrod Turner (hereinafter, "Turner"), and Wayne Shelton, CPA's (hereinafter, "CPA Shelton"). Hendrick is President, Turner is Secretary, and CPA Shelton is Treasurer of American Justice School of Law, Inc.

13. This action is being prosecuted under 18 U.S.C. § 1962(c), which makes it unlawful for a person to manipulate an enterprise for the purpose of engaging in, concealing, or benefiting from a pattern of racketeering activity in violation of both

federal and state criminal laws. In this action Hendrick, Turner and CPA Shelton have also conspired to violate 18 U.S.C. § 1962(c) as prohibited by 18 U.S.C. § 1962(d). Hendrick, Turner and CPA Shelton have abused their corporate offices and fiduciary positions to enrich themselves at the expense of the students.

14. Hendrick and Turner are taking advantage of students by implementing practices that impose improper new fees and tuition upon students while denying the students any funds. Students requesting financial information are routinely threatened with academic sanctions. Hendrick and Turner reduce grades and block student efforts to transfer to another law school. Hendrick and Turner keep students dependent upon them personally by: (i) certifying student loans; (ii) controlling the amount of the loans; (iii) manipulating the student grades; (iv) terminating scholarships; (v) blocking student attempts to transfer; (vi) students asking for information are routinely yelled and screamed at by Hendrick and Turner; and (vii) misappropriation of student funds. A student who asked about AJSL's long term financial condition was taken into Turner's office where he was told that, "What the hell do you think your doing? You have no f***ing business asking any questions about the school's financial situation! You keep your f***ing mouth shut."

15. Hendricks and Turner engaged in a pattern of fraudulent schemes to induce Plaintiff Osborne, into an investment to own and operate AJSL.

16. The legal claims in this Complaint include: (i) criminal and civil violations of the Racketeering in Corrupt Organizations Act (RICO) 18 U.S.C. § 1650; (ii) wire fraud 18 U.S.C. § 1443; (iii) mail fraud 18 U.S.C. § 1441; (iv) bank fraud 18 U.S.C. § 1344(2); (v) extortion in violation of 18 U.S.C. § 1951(a); (vi) embezzlement/failure to

make required disposition of property in violation of KRS 5 14.070; (vii) conspiracy in violation of 18 U.S.C. § 371; (viii) fraud in the sale of securities; (ix) tax fraud; (x) Unfair, False, Misleading and Deceptive Acts in the conduct of any trade under KRS 367.170-175; (xi) false statements to American Bar Association in violation of 18 U.S.C § 1001; (xii) negligence and gross negligence; (xiii) violation of the Civil Rights Act 42 U.S.C. § 1983 (xix) fraud; (xx) conversion; (xxi) breach of fiduciary duty; and (xxii) for an accounting.

17. Plaintiffs are seeking a temporary restraining order and a preliminary injunction restraining the Defendants from directly or indirectly transferring, selling, assigning, dissipating, concealing, encumbering, impairing or otherwise disposing of in any personal assets or assets of AJSL. This remedy is necessary to protect students who are completely “innocent parties” in the proceedings.

18. The relief sought includes actual damages, punitive damages and treble damages arising from the schemes to defraud set forth herein, the imposition of constructive trusts with tracing of assets, the imposition and execution of equitable liens against all Defendants’ property both real and personal, as well as, all AJSL property both real and personal, voiding of fraudulent transfers, restrictions on future conduct, an accounting, costs of investigation and suit, interest and attorney’s fees. Hendrick and Turner will begin receiving student loan money the first week in December. This amount could be in excess of two million dollars. The school is now in a crisis and the students need protection from Hendrick and Turner taking the money and fleeing the state. The issue is urgent.

PARTIES

19. PLAINTIFFS, JAMIE L. RUST, SETH OKIN, JOHN ALDERDICE, JOHN PAYNE, PHIL CAHAN, NATE HIBBONS, SHAMEKA TURNER, BOBBY HOLDER, RICK WOOD, KELLY GIRAUDO, JOHN GIRAUDO, KAREN HARRIS-STORY, JUDY PAYNE, ANNIE ANJUM, KATRINA DAWKINS, RICHARD CAHAN, PATTY CLARK, NATHAN RATLEY, ALLISON RATLEY, AMBERLY WALLIS, JENNIFER PEELER, STEVE WALTERS, HOWARD KEITH WARD, JOHN CLARK, SARA BETH JETT, PAUL MONTGOMERY, KAY PARTRIDGE, CHERYL HARTLINE, DANIEL PRIDEMORE, RON WILSON and BEN FOWLER are citizens and resident of the Commonwealth of Kentucky.

20. PLAINTIFF, AMERICAN JUSTICE SCHOOL OF LAW, INC., (hereafter, "AJSL") is a Kentucky for profit business corporation with its principal place of business at 2000 McCracken Boulevard, Information Age Park, Paducah, Kentucky 42001. AJSL is a for profit start up law school. It opened August 23, 2005. The charter class was set to graduate May, 2008.

21. PLAINTIFF, THOMAS L. OSBORNE is a citizen and resident of the Commonwealth of Kentucky with his primary residence at 1236 Beresford Way, Paducah, Kentucky 42001, (hereafter "Osborne").

22. DEFENDANT, PAUL MAYNARD HENDRICK is a citizen of the State of Florida and retains his Florida residence for income tax reasons. Hendrick may be personally served at the American Justice School of Law, 2000 McCracken Boulevard, Paducah, Kentucky 42001, (hereafter, "Hendrick").

23. DEFENDANT, JARROD ASHLEY TURNER, is a citizen of the State of Florida and retains his Florida residence for income tax reasons. Turner may be personally

served at the American Justice School of Law, 2000 McCracken Boulevard, Paducah, Kentucky 42001, (hereafter, "Turner").

24. DEFENDANT, WAYNE SHELTON, CPA, is a resident of the State of Illinois and he may be personally served at 1114 Broadway, Paducah, Kentucky 42001, (hereafter, "CPA Shelton").

**CLASS ACTION
AND
DERIVATIVE ACTION**

25. Prerequisites to a Class Action. Under Rule 23 Fed. R. Civ. P. Jamie L. Rust is a representative of a class of students at AJSL. Plaintiff Rust seeks to file this action on behalf of all former and present students who cannot assert claims without suffering permanent and irreparable damage to their careers. Plaintiff Rust states (1) the class is so numerous that joinder of all members is impracticable, (2) there are questions of law or fact common to the class, (3) the claims or defenses of the representative class are typical of the claims or defenses of the class, and (4) the representative parties will fairly and adequately protect the interests of the class.

26. Class Actions Maintainable. Under Rule 23(a) and (b) Fed. R. Civ. P. Plaintiff Rust states:

(1) the prosecution of separate actions by or against individual members of the class would create a risk of (A) inconsistent or varying adjudications with respect to individual members of the class which would establish incompatible standards of conduct for the party opposing the class, and (B) adjudication with respect to individual members of the class which would as a practical matter be dispositive of the interests of the other members not parties to the adjudications or substantially impair or impede

their ability to protect their interests; and

(2) the party opposing the class has acted or refused to act on grounds generally applicable to the class, thereby making appropriate final injunctive relief or corresponding declaratory relief with respect to the class as a whole; and

(3) the questions of law or fact common to the members of the class predominate over any questions affecting only individual members, and that a class action is superior to other available methods for the fair and efficient adjudication of the controversy. The matters pertinent to the findings include: (A) the interest of members of the class in individually controlling the prosecution or defense of separate actions; (B) the extent and nature of any litigation concerning the controversy already commenced by or against members of the class; (C) the desirability or undesirability of concentrating the litigation of the claims in the particular forum; (D) the difficulties likely to be encountered in the management of a class action.

27. Derivative Actions by Shareholder. Under Rule 23.1 Fed. R. Civ. P. Plaintiff Osborne states a derivative action is brought by one shareholder to enforce a right of a corporation having failed to enforce the right which may properly be asserted by it, the complaint is verified and alleges (1) that the Plaintiff was a shareholder at the time of the transaction of which the plaintiff complains, and (2) the action is not a collusive one to confer jurisdiction upon a court of the United States which it would not otherwise have. Plaintiff Osborne has been unable to discuss any matters with Hendrick. When any of the issues in this complaint are raised with Hendrick he explodes with threats of awful things he intends to do to others. The Plaintiff does fairly and adequately represent the interests of

the shareholders or members similarly situated in enforcing the right of the corporation or association. This action will not be dismissed or compromised without the approval of the court, and notice of the proposed dismissal or compromise shall be given to shareholders in such matter as the court directs.

JURISDICTION AND VENUE

28. This Court has jurisdiction over this action by virtue of it arising under the Constitution and laws of the United States specifically, 18 U.S.C. § 1650 and 28 U.S.C. § 1332. This Court has pendant and ancillary jurisdiction over the state claims.

29. In addition, this Court has jurisdiction by virtue of the absolute diversity of citizenship between all Plaintiffs and all Defendants 28 U.S.C. § 1332.

30. The venue of this action is properly founded in this District by virtue of 28 U.S.C. § 1391(a), Defendants reside in states other than Kentucky and all of the events and omissions giving rise to this claim occurred in the Western District of Kentucky. Substantially all of the property that is the subject of this action is situated within the Western District of Kentucky.

31. The Paducah Division is the proper place for the filing of this action as all of the facts alleged in this Complaint occurred in Paducah, McCracken County, Kentucky, pursuant to Local Rule 3.2(a)(3), Joint Local Rules for the U.S. District Courts of the Eastern and Western Districts of Kentucky.

FACTS AND BACKGROUND

32. AJSL is an unaccredited law school that is located in Paducah, Kentucky with its main campus at 2000 McCracken Boulevard, Information Age Park, Paducah, Kentucky. A separate law library is maintained at 911 Joe Clifton Drive, Paducah, Kentucky.

33. AJSL has approximately two hundred (200) students in a three (3) year course that leads to a JD degree.

34. The AJSL Charter Class will graduate in May 2008.

35. The ABA Council on Law School Accreditation denied AJSL's first application for accreditation on August 20, 2007.

36. As a result, AJSL's Charter Class is at risk of forfeiting their right to ever take a bar examination in any state, save California.

37. AJSL has received substantial support from the community through the Greater Paducah Economic Development Council (GPDEC). In turn, AJSL made significant commitments to GPDEC: including construction of a new 50,000 square feet library in compliance with all ABA standards and to employ 300 professional and staff persons before the end of 2008.

38. AJSL's daily operations and functions are carried out by Dean Hendrick and Assistant Dean Turner.

39. AJSL's first class for matriculation began August 23, 2005. The school runs year around with students being able to complete three full semesters within one year.

40. Hendrick and Turner conspired with one another to engage in multiple schemes to defraud the students of student loan funds.

A. Student Loans. That when a student has a loan with Student Loan Xpress, which most students do, Student Loan Xpress sends the student a notice when the money for their loan is electronically disbursed to the school. Then Student Loan Xpress starts billing interest on the day of disbursement. The complaint in this case was that Dean Hendrick, who writes all of the checks for AJSL would hold the funds in the school's accounts and earn interest on the funds without paying the student. Funds were held for up to 60 days.

B. Loan Proceeds. It was believed that the proceeds of the loans were paid into the operating account and they commingled students' funds with operating funds of AJSL.

C. Student Bar Association. There is a Fifty and 00/100 Dollars (\$50.00) per semester dues fee that is taken out of each student's loan for the Student Bar Association (hereafter "SBA"). This money still has never been transferred to the SBA

D. Faculty Committees. That faculty committees were set up with people named to the committees; however, they were only known to Dean Hendrick and he reported it to the ABA when in fact there were no operating faculty committees in the school.

E. Law Books for Less. Law Books for Less is an online book store that sells legal text books. The student alleged Turner receives money from each purchase and this is not a fact that is disclosed or known by the students on a usual basis and only came up because of some direct conversations between an AJSL student and Law Books for Less. Law Books for Less can be found at www.lawbooksforless.com.

F. Grade Manipulation. Hendrick and Turner manipulated grades to the detriment of the students at large and to assist students that are supportive of the Dean's

Office. The Dean's office changed the grades. After the Friday meeting they decided that they would give the grades to the students that they actually received from the professors.

ELEMENTS OF RICO CAUSE OF ACTION

41. Plaintiffs Rust, AJSL and Osborne will prove a cause of action against each Defendant under Section 1962(c). By showing that: (1) the Defendants are persons within the meaning of the RICO Act; (2) Defendants were associated with each other and other unnamed parties in an enterprise; (3) Defendants engaged in or affected interstate commerce; (4) the Defendants operated or managed the enterprise; (5) through a pattern; (6) of racketeering activity, in violation of both state and federal criminal laws; and (7) the Plaintiffs were injured in their business or property by reason of the pattern of racketeering activity.

ENTERPRISE

42. Defendants Hendrick, Turner and CPA Shelton together with bookkeepers, accountants, and other persons unknown engaged in an association-in-fact enterprise engaged in criminal activities that possess three (3) common characteristics: (1) continuity of structure and personnel; (2) a common or shared purpose; and (3) an ascertainable structure distinct from that inherent in a pattern of racketeering. *United States v. Johnson*, 430 F.3d 383, 391-92 (6th Cir. 2005).

PURPOSES OF THE ENTERPRISE

43. It was part of the scheme to defraud students that Hendrick and Turner would and did agree and conspire together with the others to devise and participate in a plan of deceit and deception, whereby they would and did abuse their positions of trust and fiduciary relationships with the students and Osborne; they would and did abuse the discretion granted to them and breach their obligations of loyalty and fidelity and their duty

to act honestly and faithfully in the best interests of the students and Osborne and not for their own self interests; and they would and did use false and fraudulent pretenses, representations and promises calculated to deceive persons of ordinary prudence and due care and make material nondisclosures and concealment of facts and information important to the students and Osborne in decided whether to act in the conduct of the student affairs and Hendrick and Turner acted unlawfully, intentionally and willfully, and with intent to defraud, that is knowingly and with specific intent to deceive in order to cause financial gain to themselves, procure secret profits and divert the assets and profits of AJSL to the use and benefit of themselves and others to the detriment of the students and others. The purposes of the enterprise, including enriching its members, was among other things: (i) criminal and civil violations of the Racketeering in Corrupt Organizations Act (RICO) 18 U.S.C. § 1650.

MEANS AND METHODS OF THE ENTERPRISE

FIRST SCHEME – OVERCHARGE STUDENTS

44. Among the means and methods by which the Defendants and other enterprise members and associates conspired together to conduct and participate in the conduct of the affairs of the enterprise, were the following:

- Mismanagement of Student's Funds. A majority of students at AJSL receive loans for tuition, books and living expenses from Student Loan Xpress (www.studentloanxpress.com). Student Loan Xpress then disburses funds to AJSL for use in payment of fees and funds for the students' living expenses. Hendrick, Turner and CPA Shelton have knowingly, intentionally and willfully commingled student's living expense funds with operational funds of AJSL.
- Fail to Timely Pay Students Living Expenses. Defendants Hendrick and Turner have failed to pay the students living expense funds in a timely manner and in many cases the delay was in excess of sixty (60) days. A delay of this length can earn AJSL \$40,000 per year.

- Applied for False Loans. Defendants Hendrick and Turner have set up accounts for students at Student Loan Xpress and receive funds when the student had not applied for a loan. This phony loan process has occurred on several occasions.
- Refused to give Students Accounting. When Defendants Hendrick and Turner receive the proceeds of a student loan they act as fiduciaries and trustees on behalf of the student to hold in trust the student's living expenses. Ignoring all fiduciary responsibilities, Defendants Hendrick and Turner, have consistently refused to give students a receipt for fees paid out of students' loan funds. The students receive a check for living expenses with no accounting or other information.
- Student Bar Association. Defendants Hendrick and Turner charged each student Fifty and 00/100 Dollars (\$50.00) in SBA dues each semester including the summer semester. In 2005, the fees were transferred to the SBA, but in 2006 and 2007 the dues were never paid to the SBA. This procedure was designed to convert students' loan funds to Hendrick, Turner and CPA Shelton. When questioned by students about the SBA dues the students were threatened with "academic sanctions." Unfortunately, any negative information in a student's file would be a career ending event. All they need to do is place some terrible lie on the student's permanent records. *Atria v. Vanderbilt*, 2005 W.L. 1703702 (6th Cir., 2005).
- Kickbacks. Turner falsely tells each class that if they go to the website for Law Books For Less and purchase their textbooks they will receive a discount and he provides the students with the appropriate password to obtain their discount. However, the password is not for the student's discount. The password is to facilitate Turner's receipt of five percent (5%) payment upon all orders. A discount is a thinly veiled pretext for Turner to receive a five percent (5%) "Affiliate" fee from each student's purchase.
- Turner Tax Fraud. Defendant Turner has willfully, intentionally and falsely failed to report his Law Books for Less income on his federal income tax returns.

- Theft of Funds. Hendrick has withdrawn from AJSL on more than one (1) occasion several thousands of dollars for his personal use.
- Hendrick Tax Fraud. Hendrick willfully, intentionally and falsely failed to report any of his personal withdraws upon his federal income tax returns.

SECOND SCHEME: MANIPULATION OF GRADES

45. Hendrick and Turner's grading policy allows them to award final grades without the professors knowing any student's grade. All grading is anonymous by student number.

46. Hendrick and Turner's power over grading affects scholarships, qualification for the law review, ability to transfer to ABA accredited schools and future employment.

47. Hendrick and Turner conspired with one another to engage in a scheme or artifice to defraud students of an honest and ethical grading system by:

- Academic Retaliation. Using threats of academic retaliation to control students Defendants Hendrick and Turner use bully tactics and loud voices to scream at students who inquire about any action of the Dean's office. The use of bullying tactics is so common and well known throughout AJSL that it has become part of daily life at the school.
- Favoritism and Grades. Students that follow Defendants Hendrick and Turner become the beneficiary of a grading policy that requires professors to submit grades to the Dean's office for adjustment before being posted. Some students receive upward adjustment of their grades.

Grades are one of the most important factors for future economic success.

Grades control scholarship, law review, class rank and future employment opportunities

***THIRD SCHME
AMERICAN BAR ASSOCIATION
A CCREDIDA TION PROCESS***

48. Background. The American Bar Association (hereinafter, “ABA”) serves as the accreditation agency for law schools under supervision of the United States Department of Education. 20 U.S.C. § 1099(b). The ABA operates under the active supervision of the U.S. District Ct. for the District of Columbia. This arrangement grew out of an antitrust litigation claim filed by the United States against the ABA. The case resulted in a Consent Decree which is actively monitored. *United States v. American Bar Association*, 934 F. Supp. 435 (D.D.C., 1996)

49. AJSL Accreditation Process. In the accreditation process Hendrick and Turner made serious misrepresentations of facts in documents and in statements made to ABA committees.

50. Falsely _ Misrepresented to ABA: Hendrick and Turner falsely misrepresented to the ABA:

- Hendrick and Turner represented to the ABA that Kathy Payne was a public representative sitting on the Board of Directors;
- In September, 2006, falsely represented that faculty committees play a significant role in law school governance.
- Falsely represented that AJSL Library was in the process of becoming a Federal Depository Library;
- April 11, 2007, falsely represented to the ABA that Valentina Okaru-Bisant was a public member on the Board of Directors;
- On August 9, 2007, falsely represented that AJSL had 440,000 volumes and volume equivalent in their library when, in truth in fact, had not more than 160,000 volumes and volume equivalent.
- On October 9, 2007, Hendrick falsely represented that, “the

library reported total expenditures [in excess of Five Million Dollars for all the collections, microforms, information resources, subscriptions, search engines, transport of huge numbers of donated law books and staff salaries.] In truth in fact, the school had actually expended less than \$1.5 Million on the library materials at the time of the communication. (wire fraud).

- On October 17, 2007, Hendrick falsely represented to the ABA that, “AJSL’s board and investors have provided more than adequate untapped letters of credit in reserve for future contingencies,” when there were no letters of credit in existence.
- Also falsely represented to the ABA that the investors had lines of credit when there were no lines of credit.
- AJSL’s appeal of its accreditation was denied. On or about August 20, 2007, the Board immediately agreed not to appeal that decision. However, Hendrick and Turner waited until September 13, 2007, to update the students on the accreditation denial. The student meeting was held one (1) day before the drop/add date. Hendrick and Turner’s timing prohibited the students from seeking refunds of tuition and applying to other schools in the fall semester.

FOUR THSCHEME: BANK FRAUD

51. Hendrick, Turner and CPA Shelton conspired together with one another to use a scheme or artifice to obtain bank loans.

52. In furtherance of the scheme to defraud local banks Hendrick breached his duty to act honestly in the best interest of AJSL by falsely reporting that Kathy Payne and Professor Del Granado were members of AJSL’s Board of Directors.

53. In furtherance of the scheme to defraud local banks Hendrick breached his duty to act honestly in the best interest of AJSL Hendrick downloaded an appraisal of Lots 25, 27 and 29 at Paducah’s Information Age Park.

54. Hendrick, Turner and CPA Shelton have conspired, combined, confederated and agreed with persons known and unknown to seek financial loans without

disclosing Hendrick's 1998 bankruptcy. (The bankruptcy showed the last action was in 2002).

55. Hendrick then altered the numbers in the appraisals of lots 25, 27 & 29 to reflect a higher value when seeking financing for the proposed new 50,000 sq. ft. library. The bogus numbers were submitted to federal insured banks.

56. To obtain financing for the project, Hendrick downloaded an appraisal of Park Lots 25, 27 and 29. GPEDC had allowed AJSL to use the lots for collateral.

57. In 2006, Hendrick proposed construction of a new 50,000 sq. ft. library in the Information Age Park that would be in compliance with all ABA standards.

58. Hendrick took the downloaded copy of the appraisal and significantly altered numbers to increase the value of the collateral.

**NOTIFICATION TO APPROPRIATE LAW
ENFORCEMENT AGENCIES**

59. This *Verified Complaint* has been served upon all law enforcement agencies having jurisdiction over the criminal or ethical allegations. Plaintiffs will cooperate with all agencies if requested. Identifying numbers for the Professional Defendants are: Paul M. Hendrick (Florida Bar #14242 1); Jarrod A. Turner (Florida Bar #65499 1); and CPA Wayne Shelton (#20 10):

Special Agent Sean Walsh
Federal Bureau of Investigations
555 Jefferson Street
Paducah, Kentucky 42001

Inspector General. Jon T. Rymer, Esq.
Federal Deposit Insurance Corporation
Office of Inspector General
3501 Fairfax Drive
Arlington, VA 22226

Internal Revenue Service
2765 Wayne Sullivan Drive
Paducah, Kentucky 42003

Timothy J. Kaltenbach, Esq.
Commonwealth Attorney
McCracken County Courthouse
301 South 6th Street
Paducah, Kentucky 42003

Daniel Boaz, Esq.
McCracken County Attorney
301 South 6th Street
Paducah, Kentucky 42003

Captain Williams M. Marks, Jr.
Post 1 Commander
Kentucky State Police Post 1
8366 State Route 45 North
Hickory, Kentucky 42051

Sheriff Jon Hayden
McCracken County Sheriff's Office
McCracken County Courthouse 301
South 6th Street
Paducah, Kentucky 42003

Kentucky Bureau of Investigation
Office of the Attorney General
The Capitol, Suite 118
700 Capitol Avenue
Frankfort, Kentucky 40601-3449

Attorney General Greg Stumbo
Office of the Attorney General
The Capitol, Suite 118
700 Capitol Avenue
Frankfort, Kentucky 40601-3449

Kentucky Bar Association
514 W. Main Street
Frankfort, Kentucky 40601-1812

The Florida Bar
651 E. Jefferson Street
Tallahassee, Florida 323 99-2300

Council on Postsecondary Education
1024 Capital Center Drive, Suite 320
Frankfort, Kentucky 40601

Kentucky Board of Accountancy
332 W. Broadway Suite 310
Louisville, Kentucky 40202

Margaret Spellings
U.S. Department of Education
400 Maryland Avenue – SW
Washington DC 20202

RACKETEERING VIOLATIONS

60. From the time AJSL opened its doors up through and including the present date, in the Western District of Kentucky and elsewhere, Defendants Hendrick, Turner and CPA Shelton together with others employed and associated with them engaged in an enterprise, in interstate and foreign commerce, which unlawfully, intentionally, and knowingly conducted and participated, directly and indirectly, in the conduct of the affairs of the enterprise through a pattern of racketeering activity, as that term is defined in 18 U.S.C. § 1961(1) and 1961(5). The pattern of racketeering activity consisted of each of the following racketeering activities:

SCHEME TO DEFRAUD THE STUDENTS OF STUDENT LOAN FUNDS

61. On August 23, 2005, Hendrick and Turner, working jointly with others, both known and unknown, opened a private, for profit law school named American Justice School of Law.

62. At its inception AJSL leased space from the Greater Paducah Economic Development Commission at 2000 McCracken Boulevard, Information Age Park, Paducah, Kentucky 42001.

63. AJSL now has approximately two hundred (200) law students and about ninety percent (90%) of the students borrow funds from Student Loan Xpress. The average loans are used to pay tuition, fees and living expenses. The average loan is about Forty Thousand and 00/100 Dollars (\$40,000) per year with about one-half (1/2) of the

loan going to AJSL for tuition and fess with the other one-half (1/2) going to the student for living expenses.

64. Hendrick, Turner and CPA Shelton together own 76.5% of the schools stock and Osborne, Steve Polston and Jeff Douthitt own the remaining 23.5% of the stock.

65. Hendrick, Turner and CPA Shelton used their positions of authority as President, Secretary and Treasurer, respectively, to the detriment of the student body by engaging in a continuous course of conduct in violation of 18 U.S.C. § 1963(c). The conduct constituted Racketeer within the meaning of 18 U.S.C. § 1963(c).

66. Hendrick and Turner threatened students with physical harm, serious bodily injury and even death if they complain about conditions at the school. As well, Hendrick and Turner have threatened students with academic sanctions or destruction of the student's career by providing negative information to the character and fitness committee of the Bar. Turner told students that he had to approve and "sign off" on all applications to take the bar exam. Turner then used this power to make sexual advances to the students. Those that refused felt the heat of his wrath.

67. Student's responded to Turner's advances profited far beyond their reasonable expectations by receiving: (1) large offices inside the school; (2) being placed into positions of supervising the highly credentialed faculty and equally well-trained library staff; (3) permission to miss all classes; (4) top of the class grades through Turner's Office; (5) a secured scholarship without the need to study or even attend class; (6) using AJSL employees for personal use, and (7) the BarBri Course free.

68. These schemes to defraud the students occurred by taking student loan funds, manipulation of grades and making false statement to the American Bar Association. The schemes and artifice began in early 2005 and include up to the present time.

69. Between January 1, 2005 until the present Hendricks withdrew several thousands of dollars for personal use. There is no account entry to match Hendrick's withdraws.

70. Hendrick made false statements to bookkeepers and accountants about these withdraws.

71. The Defendants actions violated 18 U.S.C. § 1001 (Making False Statements), 18 U.S.C. § 1443 (Wire Fraud) and 18 U.S.C. § 1650 (RICO).

**COUNT 1
HENDRICK'S FRADULENT WITHDRAWS
OF STUDENT LOAN MONEY**

72. Plaintiffs reallege and incorporate by reference all paragraphs of the Verified Complaint as fully stated herein.

73. At all times relevant to this case Hendrick withdrew money from AJSL's accounts for his personal use.

74. Hendrick knew his withdrawals were illegal and he willfully filed false income tax returns failing to include the fraudulent withdrawals.

75. The Defendants actions violated 18 U.S.C. § 1001 (Making False Statements), 18 U.S.C. § 1443 (Wire Fraud) and 18 U.S.C. § 1650 (RICO) and 26 U.S.C. § 7206 (tax fraud).

COUNT 2
RICO – OBSTRUCTION OF JUSTICE

76. Plaintiffs reallege and incorporate by reference all paragraphs of the Verified Complaint as fully stated herein.

77. On November 12, 2007, Hendrick and Turner compelled students to attend group meetings in Hendrick's relatively small office; fifteen (15) students per hour had been scheduled through this inappropriate atmosphere for the purpose of improperly intimidating witness testimony.

78. At approximately 3:30 p.m. a student asked Hendrick a question about the management of student funds. Hendrick became outraged and called the student "crazy" and a "gossip." Then to the shock of many witnesses, Hendrick forcibly said, locking eyes of the young student "You know what happened in the movie *Gossip*; all the gossipers ended up dead in the end."

79. Acting out of fear for her safety, the student reported the matter to the Paducah Police Department.

80. Hendrick committed an act of racketeering by willfully and knowingly intimidating and corruptly persuading and attempting to intimidate and corruptly persuade the young student with the intent to influence, delay and prevent her testimony in an official proceeding, in violation of Title 18 U.S.C. § 1512 (obstruction of justice).

COUNT 3
OBSTRUCTION OF JUSTICE

81. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

82. Hendrick had recently provided a glowing description of her work for a home mortgage lender, Countrywide Home Loans.

83. An AJSL bookkeeper for the spring of 1996 found discrepancies in Hendrick's accounting records.

84. The employee brought the discrepancy to Hendrick's attention.

85. Hendrick's partner in the school venture at the time was Rud Bergfeld. Bergfeld requested accounting information and the employee delivered the information as best she could.

86. The bookkeeper was unaware of any stress in the relationship between Bergfeld and Hendrick.

87. One of the accounting discrepancies included a Sixty-Five Thousand and 00/100 Dollars (\$65,000) check written to Rud Bergfeld for expenses he had incurred during the start up of AJSL. It also included a Sixty-Five Thousand and 00/100 Dollars (\$65,000) check to Hendrick with a false explanation of "consulting fees.". Hendrick had not paid any AJSL start-up expenses from his own pocket and was not entitled to reimbursement.

88. Hendrick willfully failed to report the \$68,000 payment upon his federal income tax returns.

89. Hendrick would repeatedly open bank accounts in different locations and move AJSL money into his personal accounts.

90. Both Hendrick's bookkeeper and his CPA Owen then resigned over Hendrick's false accounting records.

91. Hendrick obtained credit cards on AJSL's accounts for both he and Turner. Hendrick and Turner then regularly charged personal expenses upon the AJSL credit cards.

92. In May, 2006, Hendrick became angry and repeatedly called his bookkeeper "crazy." He repeated that she was "crazy," and he would "get her." Hendrick said, "You will pay for this." As she left the building Hendrick screamed, "May God have mercy upon your soul."

93. There two (2) known witnesses to this incident.

94. Hendrick's behavior shows a pattern of violence and hostility that is repeated anytime Hendrick becomes agitated at a student, faculty or employee.

**COUNT 4
MISMANAGEMENT OF STUDENT LOANS**

95. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

96. Student Loan Xpress lends about \$40,000 funds to ninety percent (90%) of law students at AJSL. The average loan is Forty Thousand and 00/100 Dollars (\$40,000) a year. More than half (1/2) of the loan, \$26,000, goes to AJSL for tuition and fees with the remaining \$14,000 to the students for living expenses.

97. The loan proceeds are sent directly from Student Loan Xpress to AJSL. AJSL is required to disperse the student's portion of the loan.

98. AJSL has a fiduciary obligation to the student as trustee of the student's funds.

99. In violation of his fiduciary duties, Hendrick commingles student's funds with AJSL funds.

100. Hendrick often fails and refuses to distribute student's funds for up to 60 days during which time AJSL can earn interest on funds.

101. These facts constitute violation of 18 U.S.C. § 1343 (wire fraud).

**COUNT 5
FALSE LOAN APPLICATIONS**

102. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

103. An application for a loan from Student Loan Xpress can be completed within a few minutes by phone or online.

104. AJSL becomes the lender's agent for distributions of the loan proceed to the student.

105. AJSL has applied for student loans and collected loan money for students who did not apply for a loan.

106. AJSL has increased the amount of some loans by thousands of dollars that the student did not borrow.

107. These actions constitute a violation of 18 U.S.C. § 1001 (false statements) and 18 U.S.C. §1443 (wire fraud).

**COUNT 6
DELAYING STUDENT FUNDS**

108. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

109. For the spring semester of 2006 AJSL collected from Student Loan Xpress almost all the student loans the first week of December 2006. The loan proceeds were withheld from the students until February 2007. Hendrick delayed disbursement of the

funds to the students for about sixty (60) days. The delay cost the students additional interest at the rate of eight percent (8%) per annum for sixty (60) days on \$2 Million in an amount of \$26,666. These actions constitute a violation of 18 U.S.C. § 1443 (wire fraud).

COUNT 7
STUDENT BAR ASSOCIATION FEES

110. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

111. In January 2006, Hendrick and Turner increased the fees from Fifty and 00/100 Dollars (\$50) per semester for Student Bar Association (“SBA”) to Two Hundred Fifty and 00/100 Dollars (\$250) per semester for “general fees” including SBA dues. (The summer semester also required payment of \$250.00 in general fees).

112. Hendrick and Turner increased the fees without any announcement, notice or mailing.

113. In order to conceal this increase in fees, Hendrick and Turner discontinued the practice of giving students itemized receipts.

114. This increased fee cost for full time students who also attend in the summer is an additional Six Hundred and 00/100 Dollars (\$600.00) per year.

COUNT 8
TUITION INCREASE

115. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

116. In the spring semester 2007 the students were faced with an increase in tuition of One Thousand and 00/100 Dollars (\$1,000) per year. This increase cost students collectively an additional Two Hundred Thousand and 00/100 Dollars

(\$200,000) per year. This action was also hidden from students. When students received their checks for living expenses Hendrick and Turner provided no receipt or accounting for the amount of the school's tuition fees and other costs.

117. This increase took the students by surprise. Many students were placed in financial difficulty as a result of this stealth like increase in tuition.

118. Students who ask Hendrick or Turner about the matter were threatened with academic sanctions.

119. AJSL students live in constant fear that Hendrick and Turner will cut off their living expenses, reduce grades, report them to character and fitness committees of the Bar or terminate their scholarship. This fear creates a wretched learning environment.

120. Hendrick and Turner extort funds from the students with threats of physical harm and economic harm under 18 U.S.C. §1951 (extortion) and 18 U.S.C. § 1443 (wire fraud).

COUNT 9
TURNER - LAW BOOKS FOR LESS

121. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

122. Turner entered into an agreement with Law Books For Less (at lawbooksforless.com) to be the bookseller's only agent at AJSL. This exclusive agency contract constituted a violation of the anti-competitive provision in Kentucky's Little Sherman Act KRS 367.175.

123. The bookseller's arrangement allowed Turner to falsely represent to students that they would receive a five percent (5%) discount upon purchases from Law Books for Less if the order was placed with the school's password.

124. Materials given to all students by Turner falsely states upon every page: “AJSL students who purchase books through LawBooksForLess.com receive five percent (5%) off their initial order by using this code: AJSL-06.”

125. In fact, Turner received five percent (5%) of all books ordered off the site by students using Turner’s password: AJSL-06. See attached **Exhibit “A.”**

**COUNT 10
TURNER TAX FRAUD**

126. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

127. Turner deceived students and others about his income off student books.

128. Turner willfully failed to report the income from the sale of books upon his federal income returns in violation of 26 U.S.C. 7206.

**COUNT 11
SHELTON FILING FALSE FEDERAL TAX RETURNS**

129. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

130. CPA Shelton is a Certified Public Accountant who is licensed in the Commonwealth of Kentucky.

131. CPA Shelton is qualified as a tax return preparer under federal law.

132. CPA Shelton, in order to facilitate the scheme alleged in this complaint, willfully filed false federal tax returns for Turner.

133. CPA Shelton’s act constitutes a federal offense under 26 U.S.C. §7206(2).

COUNT 12 G.I. BILL

134. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

135. Five (5) students were eligible to receive G.I. Bill benefits at an average of Two Thousand and 00/100 Dollars (\$2,000) monthly.

136. Hendrick and Turner have failed and refused to certify that students are enrolled and have been enrolled for two (2) years as well as other documentation. The students are collectively losing benefits in the amount of Ten Thousand and 00/100 Dollars (\$10,000) per month that can never be recovered.

137. Hendrick and Turner have refused to sign the G.I. Bill documents because it will free these students to transfer out of AJSL.

138. Currently these students are profitable for AJSL and will continue to be profitable so long as they are dependant upon student loans.

139. This action violates 18 U.S.C. § 1441 (mail fraud) and 18 U.S.C. § 1443 (wire fraud).

COUNT 13

FALSE STATEMENTS TO STUDENTS RE: ACCREDITATION

140. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

141. AJSL's application for provisional accreditation to the ABA was denied by the Accreditation Committee. An appeal was taken to the ABA Council on Law School Accreditation. AJSL's appeal to the council was denied on August 20, 2007, and

the board unanimously decided not to appeal to the ABA House of Delegates on the same date.

142. Hendrick and Turner delayed briefing the students upon the Council's denial of the appeal.

143. The delay continued until September 13, 2007. At that time, Hendrick and Turner invited only the 3L students to a 10:00 a.m. or 2:00 p.m. group meeting. All other students were not permitted into the meetings.

144. Hendrick and Turner began the meeting by telling the students that they had been through all of this before when they started up Florida Coastal School of Law. Hendrick and Turner went on to explain that they became very familiar with the accreditation process while they were at Florida Coastal School of Law.

145. Hendrick told students that AJSL would be delayed ten (10) months and the school could then file another application in July 2008, hopefully attaining accreditation by the end of 2008.

146. These statements were false and they were intended to give students a false timeline to keep them committed to the AJSL program of education. In fact, AJSL will actually be able to apply for ABA provisional accreditation from September 15th to October 15, 2008.

147. Neither Hendrick nor Turner told the students that the ABA site team was aware of Turner's sex for grades scheme or that both Hendrick and Turner had made a series of false statements to the ABA in the 2007 accreditation effort. These statements were made as a part of a fraudulent scheme to keep students uninformed about AJSL's true accreditation status.

COUNT 14
TIMELINESS OF MEETING

148. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

149. After extensive delay in updating students Hendrick and Turner called a meeting for September 13, 2007. At that meeting students were told that AJSL lost its appeal to the council for accreditation of ABA.

150. The meeting on September 13, 2007, was held one (1) day before students could drop classes and receive a refund of tuition. Hendrick and Turner's decision prevented students from applying to other law schools.

151. The timing of the meeting was a planned and well thought out scheme to keep students at AJSL.

152. The purpose of this scheme was to deprive students of their educational funds. This action constitutes a fraudulent scheme under which Hendrick and Turner used their office to deprive students of all educational options except AJSL.

COUNT 15
SCHEME TO MANIPULATE GRADES

153. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

154. Professors at AJSL are prohibited from discussing grades with students.

155. Professors at AJSL are instructed to send the grades to the Dean's office for "adjustment." Hendrick and Turner only award "final grades."

156. Hendrick and Turner engage in a pattern of preferential treatment for their favored students.

157. This action violates the students' rights to fair and equal treatment under the Family Educational Rights & Privacy Act (FERPA) 20 U.S.C. § 1232 and constitutes a violation of 42 U.S.C. § 1983; Due Process Clause of the 14th Amendment to the United States Constitution.

158. The preferred treatment of students denies the best students opportunity to qualify for scholarships, law review and fair opportunities to compete in job market.

159. Hendrick and Turner's actions under Counts XIX, XX and XXI are under color of state law as a Kentucky state licensed post-secondary educational institutional.

160. Hendrick and Turner's actions violate the Civil Rights Act 42 U.S.C. § 1983 and the students' rights under the Family Educational Rights & Privacy Act, 20 U.S.C. § 1232. The conduct deprives students of due process of law under 42 U.S.C. § 1983 and equal protection of the law under the 14th Amendment to the United States Constitution under 42 U.S.C. § 1983. Hendrick and Turner's actions described in this *Verified Complaint* violate the students' rights guaranteed by § 2 of the Kentucky Constitution.

COUNT 16
GRADES FOR SEX

161. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

162. Turner uses his position as "final grader" to win sexual favors from students.

163. Turner allows his favored students:

- Permission to miss class;
- To upward adjustment of grades;
- Placement on Law Review;
- Granting of scholarship funds;
- To have an office inside school;
- To use AJSL employees for personal use; and
- Free BarBri course.

164. Turner's practice violates students' rights to a fair and honest grading policy with equal access to scholarships, law review, grades and future employment.

165. Turner's practice corrupts the administrative offices at AJSL.

166. Turner uses the U.S. Mail to solicit students to enroll at AJSL.

167. Turner uses the phone, faxes, e-mail and Internet to solicit students to enroll at AJSL.

168. Turner's actions fraudulently deprive students of both constitutionally and statutory rights. These actions constitute violations of Mail Fraud 18 U.S.C. 1441; Wire Fraud 18 U.S.C. 1443; and 42 U.S.C. § 1983 under the Family Educational Rights & Privacy Act (FERPA) 20 U.S.C. § 1232. In addition students' have been denied rights under 42 § 1983 conduct under the due process clause and the equal protection clause of the 14th Amendment of the United States Constitution and § 2 of the Kentucky Constitution.

COUNT 17
GRADES MANIPULATION

169. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

170. Turner's favoritism in grades and benefits for students results in honest students being unfairly displaced from those benefits including higher grades (grades are curved), missing class, Law Review, scholarships and job applications.

171. Students leaving AJSL after September 13, 2007 were met with new obstacles.

172. The new obstacles include a new written application form for transcripts. The application then goes to Hendrick and Turner for approval.

173. After the transcript request is filed it is met with an additional obstacle of paying all possible charges. One student was required to pay Six Thousand Eight Hundred and 00/100 Dollars (\$6,800) for a transcript because he waited too long to withdraw from a class.

174. Turner has repeated in private to the students that, "It would take a court order for me to release transcripts."

175. Top students moving to other schools have been awarded Ds after they request transcripts to transfer.

176. A transfer student is also required to make a separate application for a "Good Standing" Certificate. After September 13, 2007, the students are now required to fill out a new written application that goes to Hendrick and Turner for letters of good standing. This application is separate and apart from the transcript application.

177. The application must be approved by Hendrick and Turner personally before a "Good Standing Certificate" can be issued.

178. These new barriers are designed to force students to stay at AJSL by any means possible. The students have good reason to fear economic harm as problems that will result from a request to transfer.

179. The impediments are designed to discourage transfers and retain the income stream generated by the student regardless of circumstances.

180. These impediments to transfer violate the Civil Rights Act 42 U.S.C. § 1983 and Family Educational Rights & Privacy Act (FERPA) 20 U.S.C. § 1232 and are part of an illegal scheme to keep students at AJSL constituting Mail Fraud 18 U.S.C. 1441 and WireFraud 18 U.S.C. 1443.

**COUNT 18
FRAUD**

181. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

182. Hendrick and Turner are both here from Jacksonville, Florida. Turner is a 2003 graduate from Florida Coastal School of Law. This fact alone speaks volumes about his lack of preparation for an assistant deanship.

183 Hendrick has asked for Turner's role in the school to be kept "secret." According to Hendrick, Turner was running from some dark past and he could not disclose his correct birth date or Social Security Number.

184. Hendrick's problems in Jacksonville, Florida are also well known. When Hendrick filed bankruptcy he was living off of twenty-nine (29) credit cards in what appears to be a ponzi like scheme before coming to Paducah, Kentucky.

185. Hendrick's legal teaching experience is limited to one (1) position. A position he left under a cloud of suspicion.

186. These facts are part of a continuing fraudulent scheme to deprive students of their funds by representing Hendricks and Turner as highly trained members of the legal profession with special knowledge of the accreditation process.

COUNT 19
ABA ACCREDITATION PROCESS

187. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

188. The ABA is the United States Secretary of Education's agent in the accreditation process. 10 U.S.C. § 1099. The process is also monitored by the United States District Court for the District of Columbia. In *United States v. ABA*, 934 F.Supp. 435 (DCD 1996) the Department of Justice filed suit against the ABA. A settlement was reached under which the Court continues to supervise the anti-competitive aspects of the accreditation process

189. The corrupt and incompetent acts in this case; Hendrick, Turner and CPA Shelton combined conspired to deprive the students of an honest effort to gain accreditation. The ABA site visit team which came to school November 5-9, 2006 was aware of Turner's "sex for grades conduct." The ABA was aware that the law library collection was falsely stated to be 440,000 in the August 9, 2007, San Francisco meeting when in fact at that time the library has less than 151,900 volumes of hard bound and volume equivalents.

190. These actions constitute a violation of 18 U.S.C. § 1441 (mail fraud) and 18 U.S.C. § 1443 (wire fraud).

COUNT 20
FALSE STATEMENT OF INVESTMENT INFORMATION

191. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

192. In September 2006, Hendrick and Turner falsely told the ABA that AJSL had invested \$5 Million into the library.

193. The statement was materially false when made and it was intended to garner ABA accreditation by making the false statements.

194. The library had no more than \$1.5 Million invested at the time of this statement.

195. In an e-mail to Osborne on October 9, 2007, Hendricks said "...The library reported total expenditures [in excess of \$5,000,000 for all the collections, microforms, information resources, subscriptions, search engines, transport..." See **Exhibit "B,"** attached hereto.

196. These materially false statements were made within the jurisdiction of the U.S. Department of Education in violation of 18 U.S.C. § 1001 (false statements); 18 U.S.C. § 114 (mail fraud); and 18 U.S.C. § 1143 (wire fraud).

COUNT 21
FALSE STATEMENTS TO ABA – WORK HOURS

197. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

198. Hendrick and Turner represented to the ABA that Professors Del Granado and Malla Pollack spend twenty (20) hours a week in the law library located at 911 Joe Clifton Drive, Paducah Kentucky.

199. A copy of Hendrick's statement before the ABA accreditation committee is attached hereto as **Exhibit "N,"** which is a copy of Page 54 (lines 13-25) of the transcript.

200. These statements were false and made for the purpose of obtaining ABA accreditation by making false statements in violation 18 U.S.C. § 1001 (false statements); 18 U.S.C. § 114 (mail fraud); and 18 U.S.C. § 1143 (wire fraud).

COUNT 22
FALSE STATEMENTS TO ABA – BOARD OF DIRECTORS

201. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

202. Hendrick and Turner submitted information to the ABA identifying Professor Valentina Okaru-Bisant as a member of the Board of Directors.

203. The communication specifically states that Valentina Okaru-Bisant is a "Public Member of the Board." See **Exhibit "C,"** attached hereto.

204. At the time the statement was made it was false and intended to induce the ABA into accrediting the Law School. The false statement was a part of an illegal scheme to obtain ABA accreditation by false statements.

205. These statements and communications are violations of 18 U.S.C. § 1001 (false statements.), 18 U.S.C. § 1443 (wire fraud) and 18 U.S.C. § 1441 (mail fraud).

COUNT 23
FALSE STATEMENTS TO ABA – SCHOOL GOVERNANCE

206. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

207. Hendrick and Turner falsely represented to the ABA that faculty played a significant role in governance.

208. Specifically on September 15, 2007, Hendrick wrote to the ABA saying “AJSL Faculty members play a significant shared role in law school governance.” See **Exhibit “D,”** a copy of Page 100 of the Self-Study.

209. The false statement was made as part of a scheme and artifice to obtain ABA accreditation with false information. Hendrick hates the faculty and continually refers to them as useless. Hendrick routinely uses disparaging terms for well respect and credentialed members of the faculty.

210. These statements and communications are violations of 18 U.S.C. §.1443 (wire fraud), 18 U.S.C. §.1441 (mail fraud), and 18 U.S.C. 1001 (false statements.)

**COUNT 24
FALSE STATEMENTS TO ABA – FACULTY COMMITTEES**

211. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

212. Hendrick and Turner falsely stated to the ABA that faculty committees work on law school concerns.

213. Specifically on September 15, 2007, Hendrick wrote to the ABA saying, “AJSL Faculty committees are active in work on law school issues and needs.” See **Exhibit “D.”**

214. The false statement was made as part of a scheme and artifice to obtain ABA accreditation with false information.

215. These statements and communications are violations of 18 U.S.C. § 1001 (false statements.) 18 U.S.C. §.1443 (wire fraud) and 18 U.S.C. §.1441 (mail fraud).

COUNT 25

FALSE STATEMENTS TO ABA – FACULTY DEVELOPMENT PROGRAMS

216. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

217. Hendrick and Turner falsely stated to the ABA that faculty were involved in development programs.

218. Specifically, on September 15, 2007, Hendrick wrote to the ABA saying, “AJSL Faculty development programs are well-designed and well-attended.” See **Exhibit “D,”** which is a copy of Page 100 of the Self Study.

219. The false statement was made as part of a scheme and artifice to obtain ABA accreditation with false information.

220. These statements and communications are violations of 18 U.S.C § 1001 (false statements), 18 U.S.C. §.1443 (wire fraud) and 18 U.S.C. §.1441 (mail fraud).

COUNT 26

FALSE APPEARANCE FOR ABA VISIT (LIBRARY)

221. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

222. At the time the ABA site team came to the school on November 5-9, 2006, they saw a library that was by all appearances up and running.

223. In order to give the appearance of the library being up and running, Hendrick and Turner rented televisions and hire a security officer for one (1) week to give a false appearance to the ABA.

224. The rental company took the televisions back as soon as the committee left town. The security officer left at the same time as the televisions.

COUNT 27
MISREPRESENTATION OF
LIBRARY AS A FEDERAL DEPOSITORY

225. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

226. Hendrick and Turner falsely represented to the ABA that the law school library was in the process of becoming a Federal Depository Library.

227. Specifically, on September 15, 2007, Hendrick stated as follows: “The Law Library is in the process of establishing itself as a Federal Depository. We intend to procure all federal documents of a legal nature plus a wider selection to provide students and faculty access to useful materials, supportive to the study of law.” See **Exhibit “E,”** which is a copy of Page 122 of the Self Study.

228. Hendrick knew the statements were false.

229. The false statement was made as part of a scheme and artifice to obtain ABA accreditation with false information.

230. These statements and communications are violations of 18 U.S.C. § 1001 (false statements) 18 U.S.C. §.1443 (wire fraud) and 18 U.S.C. §.1441 (mail fraud).

COUNT 28
FALSE STATEMENT TO ABA – LIBRARY SIZE

231. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

232. Hendrick and Turner falsely represented to the ABA the size of the AJSL library.

233. It was represented to the ABA that AJSL had 120,000 hardbound

234. In truth and fact AJSL had 62,000 bound volumes. The false statements were made as a part of a scheme and artifice for obtaining ABA provisional accreditation by fraud.

235. These statements and communications are violations of 18 U.S.C. 1001 (false statements), 18 U.S.C. §. 1443 (wire fraud) and 18 U.S.C. §. 1441 (mail fraud).

COUNT 29
FALSE STATEMENT TO ABA – LIBRARY SIZE

236. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

237. Hendrick and Turner falsely represented to the ABA the size of the AJSL library.

238. Specifically, on September 15, 2006, they represented to the ABA that AJSL had 120,000 hard bound volumes, 210,000 electronic volume equivalents for a total of 330,000 volume and volume equivalents. See **Exhibit “F,”** a copy of Page 115 of the Self-Study. In truth there were only 62,000 hardbound and 89,900 volume equivalents for a total of 151,900 volumes and volume equivalents.

239. The false statements were made as a part of a scheme and artifice for obtaining ABA provisional accreditation by fraud.

240. These statements and communications are violations of 18 U.S.C. § 1001 (false statements.)18 U.S.C. § 1443 (wire fraud) and 18 U.S.C. § 1441 (mail fraud).

COUNT 30
FALSE STATEMENT TO ABA – LIBRARY SIZE

241. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

242. On Friday, June 22, 2007, at 12:00 p.m. (Mountain Time) at a hearing before the ABA Accreditation Committee, Hendrick falsely represented the size of the AJSL library.

243. Hendrick said,

We have something in excess of 359,000 volume equivalents, when you add together hard copy and the microforms, depending on whether Lexis formula for calculating the CIS title numbers is followed, which generally is authorized in the instructions for Part 3 of the questionnaire provided. Those titles are individually cataloged by the publishers and by the library. So we do intend to individually catalog them which will increase the title numbers to something more than 400,000 volumes.

244. In truth and fact there were only a total of 151,900 volumes and volume equivalents with cataloging completed.

245. The false statements were made as a part of a scheme and artifice for obtaining ABA provisional accreditation by fraud.

246. These statements and communications are violations of 18 U.S.C. § 1001 (false statements) 18 U.S.C. §.1443 (wire fraud) and 18 U.S.C. §.1441 (mail fraud).

COUNT 31
FALSE STATEMENT TO ABA – LIBRARY SIZE

247. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

248. On August 7, 2007, Hendrick and Turner falsely represented to the ABA, to the public and on AJSL website that AJSL collection was 359,000 volumes and volume equivalents and with more cataloging the collection would increase to 465,277 volumes and volume equivalents. See attached - **Exhibit “G.”**

249. In truth and fact there were only 151,900 volumes and volume equivalents in AJSL’s collection.

250. The false statements were made as a part of a scheme and artifice for obtaining ABA provisional accreditation by fraud.

251. These statements and communications violate 18 U.S.C. §1001 (false statements), 18 U.S.C. § 1443 (wire fraud) and 18 U.S.C. § 1441 (mail fraud).

COUNT 32
RICO - WIRE FRAUD

252. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

253. Since the opening of AJSL to present, the Defendants Hendrick and Turner, for the purposes of executing and attempting to execute the aforesaid schemes to defraud repeatedly caused e-mail, telephone and fax communications all of which were from this district and elsewhere, in repeated violation of 18 U.S.C. § 1443 (wire fraud).

COUNT 33
RICO – ABA ACCREDITATION
KATHY PAYNE

316. The ABA is the agent of the United States Department of Education for accreditation of law schools. One important part of the ABA's accreditation process is the structure of the business entity and its governing board.

317. The ABA requires truthful information about the business entity's Board of Directors.

318. On or about September, 2006, Hendrick and Turner submitted a Self-Study of AJSL in compliance with required standards of the ABA.

319. The self-study stated:

The Governing Board includes:

...an assistant dean and academic success director and instructor, Kathy Payne (Public Representative), who is thoroughly experienced in practice skills education and academic empowerment, as well as programs to enhance diversity as a law school norm and career counseling of prospective graduates.

320. A copy of the Self-Study (pages 46 – 49) is attached hereto as **Exhibit "H."**

321. Hendrick and Turner knew the statement was false when made and it was made within the jurisdiction of the United States Department of Education for the purpose of seeking accreditation.

322. That Hendrick and Turner were in violation of 18 USC § 1001 False Statement and 18 USC § 1443 Wire Fraud.

COUNT 34
RICO – ABA ACCREDITATION
JUAN JAVIER DEL GRANADO

323. Plaintiffs reallege and incorporate by reference all paragraphs of the Verified Complaint as fully stated herein.

324. The ABA is the agent of the United States Department of Education for accreditation of law schools. One important part of the ABA's accreditation process is the structure of the business entity and its governing board.

325. The ABA requires truthful information about the business entity's Board of Directors.

326. On or about September, 2006, Hendrick and Turner submitted a Self-Study of AJSL in compliance with required standards of the ABA.

327. The self-study stated:

The Governing Board includes:

...a director of international law and economics programs and professor of law and author of bilingual legal books, **Juan Javier del Granado (Public Representative)**, a key organizer of networks of more than 1,700 legal scholars and practitioners in every nation of the Western Hemisphere.

328. A copy of the Self-Study (pages 46 – 49) is attached hereto as **Exhibit "H."**

329. Hendrick and Turner knew the statement was false when made and it was made within the jurisdiction of the United States Department of Education for the purpose of seeking accreditation.

330. That Hendrick and Turner were in violation of 18 U.S.C. § 1001 False Statement and 18 U.S.C. § 1443 Wire Fraud.

COUNT 35
RICO – ABA ACCREDITATION
FEDERAL DEPOSITORY

331. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

332. In September, 2006, a self-study document for ABA to obtain accreditation falsely states that, “the law library is in the process of establishing itself as a Federal Depository Library.” A copy of the Self-Study (p. 122) is attached hereto as **Exhibit “E.”**

333. In truth and fact there was no effort to establish the library as a “Federal Depository Library.”

334. That Hendrick and Turner were in violation of 18 U.S.C. § 1001 False Statement and 18 U.S.C. § 1443 Wire Fraud.

COUNT 36
RICO – ABA ACCREDITATION
FACULTY GOVERNANCE

335. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

336. In September, 2006, the Self-Study document in an attempt to obtain accreditation stated, “The AJSL faculty members play a significant shared role in law school governance.” See Self-Study (page 100) attached hereto as **Exhibit “D.”**

337. In truth and fact Hendrick and Turner continually make derogatory remarks about the faculty and how useless they are. The faculty has never been involved in law school governance.

338. That Hendrick and Turner were in violation of 18 U.S.C. § 1001 False Statement and 18 U.S.C. § 1443 Wire Fraud.

COUNT 37
RICO- ABA ACCREDITATION
WEBSITE

339. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

340. Hendrick and Turner opened a website for AJSL.

341. On the original website attached hereto as **Exhibit “I,”** they failed to clearly tell prospective students that the law school is not accredited by the ABA and a graduate of an unaccredited school cannot sit for the bar exam in any state.

342. Instead of informing the students about the accreditation process, Hendrick and Turner decided to conceal the issue. The last sentence on the site is sixty-six (66) words. (attached **Exhibit “I”**) Only the last few words of the sentence touch on the significance of accreditation. Hendrick and Turner gloss over the reality of accreditation by hyping the school’s Kentucky license as a post-secondary educational institution. It was inferred on the website that ABA accreditation would soon follow.

343. That Hendrick and Turner were in violation of 18 U.S.C. § 1001 False Statement and 18 U.S.C. § 1443 Wire Fraud.

COUNT 38
RICO – FALSE STATEMENTS/BANK FRAUD
GOVERNING BOARD

344. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

345. Hendrick and Turner used false Directors to approach local banks for loans (First Southern National Bank and Banterra Bank).

346. On September 13, 2006, in an e-mail to other directors, Hendrick stated that Professors del Granado and Kathy Payne would have biographies listed on the governing board “at least temporarily... who as advisors would have no vote in Board decisions.” A copy of said e-mail is attached hereto as **Exhibit “J.”**

347. Hendrick and Turners conduct violated 18 USC § 1001 False Statement and 18 U.S.C. § 1344(2) Bank Fraud.

COUNT 39
RICO – FALSE STATEMENTS/WIRE FRAUD/BANK FRAUD

348. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

349. On and after August 1, 2005, and before September 11, 2006, Hendrick applied to an FDIC insured bank for additional financing on behalf of AJSL.

350. A meeting was held with bank officials in Hendrick’s office, Information Age Park, 2000 McCracken Boulevard, Paducah, Kentucky 42001.

351. At that meeting Hendrick was asked whether he had filed a petition in bankruptcy. Hendrick explained the bankruptcy was the result of enormous medical bills incurred by his wife. At the time the statement was made Hendrick knew it was false. A

copy of the *Notice of Bankruptcy* in proceeding number 3:97-bk-09816-JAF along with the list of creditors shows there were no medical related debts to be discharged. The filing with creditors listed is attached as **Exhibit “K”**. The filing demonstrates that Hendrick had approximately twenty-nine (29) credit cards or similar debts at the time he filed.

352. The statements made to the banking officials were false when made and with the intent to gain a commercial loan.

353. That Hendrick’s statements were in violation of 18 USC § 1001 False Statements, 18 U.S.C. § 1344(2) Bank Fraud, and 18 U.S.C. § 1443 Wire Fraud.

COUNT 40
RICO – FRAUD

354. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

355. In furtherance of the scheme to falsely represent the accreditation status of the school Hendrick met with the Student Bar Association Accreditation Committee in his office.

356. Hendrick falsely told the committee that by the time the site team arrived (November 5 – 9, 2006), that the law school would have a total investment of Twelve Million and 00/1 00 Dollars (\$12,000,000). (See **Exhibit “L”** notes).

357. This statement was made in order to further mislead the students about ABA Accreditation by making false statements. In truth and fact, every student has invested more cash to the school that Hendrick and Turner

358. In violation of Common Law Fraud.

COUNT 41
RICO – ABA ACCREDITATION

359. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

360. On October 17, 2007, at 12:12 p.m. Hendrick forwarded an e-mail to the American Bar Association Consultant, Bucky Askew. In the e-mail he told Consultant Askew that, “AJSL’s board and investors have provided more than adequate untapped letters of credit in reserve for future contingencies.” See e-mail attached as **Exhibit “M.”** In truth and fact, AJSL’s Directors and investors had no letters of credit in reserve.

361. The statement was false when made and Hendrick knew the statement was false when made. In truth and fact, Osborne recommended that investigators put in an additional 4 million dollars with Osborne investing 1 million, Shelton 1 million, and Hendrick 2 million. No one save Osborne was ready to make the contribution. The statement was made to obtain ABA Accreditation through a series of false statements.

362. Constitutes Common Law Fraud and 18 U.S.C. § 1443 Wire Fraud.

COUNT 42
RICO – WIRE FRAUD & FALSE STATEMENTS

363. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

364. On Wednesday, October 17, 2007, at 12:12 p.m. Hendrick e-mailed Bucky Askew, Consultant of the ABA on Accreditation. Hendrick stated that, “... Economic development council and local officials... assure regional banking, corporate, professional, economic development council and local officials accomplish AJSL mission.”

365. The statement was false when made and Hendrick knew it was false. The statement was made for the purpose of obtaining ABA Accreditation through a pattern and scheme of fraudulent activity.

366. In truth and fact the public partners of the school, GPEDC, McCracken County, City of Paducah have received multiple complaints from students over mishandling of trust funds and threats of physical violence. GPDEC and city and county officials requested answers to these complaints, leaving no doubt that AJSL's public partners had lost confidence in Hendrick and Turner's leadership at AJSL..

367. In violation of 18 U.S.C. §1443 Wire Fraud and 18 USC § 1001 False Statements.

COUNT 43
INFLUENCING TESTIMONY OF A WITNESS

368. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

369. Hendrick and Turner have been placed upon notice that a legal action will be filed involving their use and misuse of power in their role as administrators.

370. In order to intimidate young students, Hendrick and Turner held a series of meetings with approximately fifteen (15) students at a time. The meetings were intended to intimidate the young students by being held in a reasonable small office with Hendrick and Turner up in their faces.

371. Kentucky law prohibits anyone from knowingly influencing the testimony of a witness. KRS 524.020 makes this a felony offense.

372. In violation of this statute Hendrick and Turner used every means possible to influence testimony of the young students.

373. In violation of 18 U.S.C. § 1443 Wire Fraud, Common Law Fraud and Interfering with Testimony of a Witness KRS 524.020.

**COUNT 44
TAMPERING WITH A WITNESS**

374. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

375. Hendrick and Turner have been placed upon notice that a legal action will be filed involving their use and misuse of power in their role as administrators.

376. In order to prepare for defense of this action Turner and Hendrick held a series of meetings with up to as many as fifteen (15) students at a time in the relatively small Dean's office.

377. Kentucky law prohibits anyone from knowingly tampering with a witness. KRS 524.050 makes this a felony offense.

378. In violation of this statute Hendrick and Turner used every means possible to influence testimony of the young students.

379. In violation of 18 U.S.C. § 1443 Wire Fraud, Common Law Fraud and Tampering with a Witness KRS 524.050.

**COUNT 45
INTIMIDATION OF A WITNESS**

380. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

381. Hendrick and Turner have been placed upon notice that a legal action will be filed involving their use and misuse of power in their role as administrators.

382. In order to prepare for defense of this action Turner and Hendrick held a series of meetings with up to as many as fifteen (15) students at a time in the relatively small Dean's office.

383. Kentucky law prohibits anyone from knowingly intimidating of a witness. KRS 524.040 makes this a felony offense.

384. In violation of this statute Hendrick and Turner used every means possible to influence testimony of the law students.

385. Hendrick and Turner actions are a violation of 18 U.S.C. § 1443 Wire Fraud, Common Law Fraud and Intimidating of a Witness KRS 524.040.

COUNT 46
RICO – MAIL FRAUD
JAMIE RUST – APPLICATION TO AJSL

386. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

387. Plaintiff Rust received a brochure application from AJSL advertising the school's opening. She prepared the application and returned it to AJSL via U.S. Mail.

388. Plaintiff Rust received a phone call from Turner telling her that she had been accepted into the charter class and she should be present at orientation on August 23, 2005.

389. Plaintiff Rust joined the charter class to complete orientation. The accreditation status at AJSL was never mentioned in any of the materials or presentations during orientation. Plaintiff Rust was unaware of the accreditation status until she saw an article posted on a bulletin board. Hendrick and Turner owed a duty of disclosure to Rust

about the single most important fact about the school. Failure to disclose accreditation information constituted a fraud under federal and Kentucky law.

**COUNT 47
CPA SHELTON
FALSE STATEMENTS AND BANK FRAUD**

390. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

391. CPA Shelton's conduct is ethically and legally limited under KRS 325.220, *et seq.*; 201 KAR 1:015, *et seq.*; and the State Board of Accountancy Rules of Professional Conduct, and Ethical Standards and Principles.

392. Ethical and legal rules prohibit CPAs from preparing financial statements for an entity in which he is interested.

393. Section 2(1) of the Rules of Professional Conduct provides:

Independence. (1) A licensee or a firm shall not express an opinion on financial statements of an entity unless he and the firm are independent with respect to the entity.

394. In September, 2006, CPA Shelton filled a Financial Statement for AJSL with Banterra Bank. At that time CPA Shelton owned 21.5% of AJSL and served as a director and officer of AJSL.

395. CPA Shelton failed to notify Banterra Bank that the Financial Statement was prepared in violation of ethical and legal requirements of Section 2(1).

396. CPA Shelton did not disclose to anyone the Financial Statements for AJSL were prepared in violation of ethical and legal standards. The only reference in CPA Shelton's work is a statement that, "...we are not independent" with respect to AJSL.

397. CPA Shelton's actions were part of a scheme and artifice to obtain financing for AJSL by making False Statements 18 U.S.C. § 1001 and Bank Fraud 18 U.S.C. § 1344(2). CPA Shelton failed to disclose : (i) the nature and extent of his interest; (ii) the 1.8 million dollars in debt that he had signed for; (iii) the fact he was both a director and officer at the company, and (iv) other salient facts.

398. CPA Shelton's failure to disclose the ethical and legal breach of conduct was done in furtherance of a scheme to defraud banks for AJSL funding. This action constitutes Bank Fraud under 18 U.S.C. § 1344(2).

COUNT 48
CPA SHELTON
FALSE STATEMENTS AND BANK FRAUD

399. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

400. CPA Shelton's conduct is ethically and legally limited under KRS 325.220, *et seq*; 201 KAR 1:015, *et seq.*; and the State Board of Accountancy Rules of Professional Conduct, Ethical Standards and Principles.

401. CPA Shelton is required to assess his relationship with AJSL to determine if his opinion is independent.

402. Section 2(2) of the Rules of Professional Conduct provides:

Prior to expressing an opinion on financial statements, the licensee shall assess his relationship with the entity to determine whether his opinion will be considered independent, objective and unbiased by a third party having knowledge of all facts referring to the relationship between the licensee and the entity.

403. In September, 2006, CPA Shelton filled a Financial Statement for AJSL with Banterra Bank. At that time CPA Shelton owned 21.5% of AJSL and served as a director and officer as Treasurer.

404. CPA Shelton failed to notify Banterra Bank that the Financial Statement was prepared in violation of ethical and legal requirements of Section 2(2).

405. CPA Shelton did not disclose to anyone the Financial Statements for AJSL were prepared in violation of ethical and legal standards. The only reference in CPA Shelton's work is a statement that, "We are not independent with respect to AJSL."

406. CPA Shelton's actions were part of a scheme and artifice to obtain financing for AJSL by making False Statements 18 U.S.C. § 1001 and Bank Fraud 18 U.S.C. § 1344(2).

407. CPA Shelton's failure to disclose the ethical and legal breach of conduct was done in furtherance of a scheme to defraud banks for AJSL funding. This action constitutes Bank Fraud under 18 U.S.C. § 1344(2).

**COUNT 49
CPA SHELTON
FALSE STATEMENTS AND BANK FRAUD**

408. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

409. CPA Shelton's conduct is ethically and legally limited under KRS 325.220, *et seq*; 201 KAR 1:015, *et seq.*; and the State Board of Accountancy Rules of Professional Conduct, Ethical Standards and Principles.

410. CPA Shelton could not furnish the banks an independent Financial Statement for AJSL because he owned a material financial interest in AJSL.

411. Section 2(3)(1) of the Rules of Professional Conduct provides:

Has or was committed to acquire any direct or material indirect financial interest in the entity.

412. In September, 2006, CPA Shelton filled a Financial Statement for AJSL with Banterra Bank. At that time CPA Shelton owned 21.5% of AJSL and served as a director and officer as Treasurer.

413. CPA Shelton failed to notify Banterra Bank that the Financial Statement was prepared in violation of ethical and legal requirements of Section 2(3)(1).

414. CPA Shelton did not disclose to anyone the Financial Statements for AJSL were prepared in violation of ethical and legal standards.

415. CPA Shelton's actions were part of a scheme and artifice to obtain financing for AJSL by making False Statements 18 U.S.C. § 1001 and Bank Fraud 18 U.S.C. § 1344(2).

416. CPA Shelton's failure to disclose the ethical and legal breach of conduct was done in furtherance of a scheme to defraud banks for AJSL funding. This action constitutes Bank Fraud under 18 U.S.C. § 1344(2).

**COUNT 50
CPA SHELTON
FALSE STATEMENTS AND BANK FRAUD**

417. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

418. CPA Shelton's conduct is ethically and legally limited under KRS 325.220, *et seq*; 201 KAR 1:015, *et seq.*; and the State Board of Accountancy Rules of Professional Conduct, Ethical Standards and Principles.

419. CPA Shelton had a business investment with officers or directors of AJSL which was material in relation to CPA Shelton's net worth.

420. Section 2(3)(3) of the Rules of Professional Conduct provides:

Had any joint, closely held business investment with the entity or any officer, director or principal stockholder which was material in relation to the licensee's or his firm's net worth.

421. In September, 2006, CPA Shelton filled a Financial Statement for AJSL with Banterra Bank. At that time CPA Shelton owned 21.5% of AJSL and served as a director and officer as Treasurer.

422. CPA Shelton failed to notify Banterra Bank that the Financial Statement was prepared in violation of ethical and legal requirements of Section 2(3)(3).

423. CPA Shelton did not disclose to anyone the Financial Statements for AJSL were prepared in violation of ethical and legal standards. CPA Shelton's only disclosure was, "we are not independent with respect to AJSL.

424. CPA Shelton's actions were part of a scheme and artifice to obtain financing for AJSL by making False Statements 18 U.S.C. § 1001 and Bank Fraud 18 U.S.C. § 1344(2).

425. CPA Shelton's failure to disclose the ethical and legal breach of conduct was done in furtherance of a scheme to defraud banks for AJSL funding. This action constitutes Bank Fraud under 18 U.S.C. § 1344(2).

**COUNT 51
CPA SHELTON
FALSE STATEMENTS AND BANK FRAUD**

426. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

427. CPA Shelton has an ethical and legal duty to advise banks in which he seeks loans on behalf of AJSL that he is also serving as a director and officer of that entity. Section 2(4)(b)(1) states that CPA Shelton cannot seek loans for AJSL without disclosing that he is a director, officer and he has liabilities of 1.8 Million Dollars on behalf of the school.

428. Section 2(4)(b)(1) of the Rules of Professional Conduct provides:

Promoter, underwriter, voting trustee, director, officer or in any capacity equivalent to that of a member of management or an employee of the entity.

429. CPA Shelton's actions were part of a scheme and artifice to obtain financing for AJSL by making False Statements 18 U.S.C. § 1001; Mail Fraud 18 U.S.C. § 1441; WireFraud18U.S.C. § 1443; and Bank Fraud 18 U.S.C. § 1344(2).

COUNT 52
CPA SHELTON
FALSE STATEMENTS AND BANK FRAUD

430. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

431. CPA Shelton prepared and delivered to Banterra Bank a Personal Financial Statement.

432. In the Personal Financial Statement CPA Shelton states that the school has equity of \$1 .449 Million.

433. The Financial Statement does not reflect that the school and CPA Shelton have a \$1.8 Million Dollars in debt.

434. These actions are in violation of False Statements 18 U.S.C. § 1001; Mail Fraud 18 U.S.C. § 1441; Wire Fraud 18 U.S.C. § 1443; and Bank Fraud 18 U.S.C. § 1344(2).

COUNT 53
CPA SHELTON
FALSE STATEMENTS AND BANK FRAUD

435. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

436. CPA Shelton did work for Osborne personally as well as AJSL.

437. Before agreeing to become involved with AJSL as a shareholder and director, CPA Shelton was requested to get Osborne information on all AJSL accounts payable including payroll.

438. On September 6, 2006, CPA Shelton reported to Osborne that there were no delinquent accounts at AJSL.

439. At the time this information was provided there was an excess of One Hundred Thousand and 00/100 Dollars (\$100,000) in delinquent accounts.

440. CPA Shelton's representation was false and was made for the purpose of inducing Osborne to become involved in AJSL.

441. Osborne relied upon these statements when he agreed to become twenty-five percent (25%) shareholder in AJSL. Osborne also in reliance upon these statements personally guaranteed \$1.8 Million in debt for AJSL.

442. These actions are in violation of False Statements 18 U.S.C. § 1001; Mail Fraud 18 U.S.C. § 1441; Wire Fraud 18 U.S.C. § 1443; and Bank Fraud 18 U.S.C. § 1344(2), negligence, gross negligence and federal and Kentucky common law.

**COUNT 54
CPA SHELTON
FALSE STATEMENTS AND BANK FRAUD**

443. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

444. At CPA Shelton's request Osborne prepared an updated Financial Statement on or about April 19, 2007. There was no value listed for Osborne's interest in AJSL.

445. CPA Shelton came to Osborne's office perturbed and requested that Osborne state the value of his interest in AJSL was \$1 .449 million dollars because he and Hendrick had.

446. Osborne agreed to add the value given to him by CPA Shelton if and only if CPA Shelton placed in lenders' hands an accounting note that the values reported in all three (3) Personal Financial Statements for AJSL were true and correct if and only if AJSL obtained provisional accreditation by the ABA.

447. CPA Shelton agreed to add the note and took the updated Financial Statement of Osborne's with him.

448. These actions are in violation of False Statements 18 U.S.C. § 1001; Mail Fraud 18 U.S.C. § 1441; Wire Fraud 18 U.S.C. § 1443; and Bank Fraud 18 U.S.C. § 1344(2).

COUNT 55
CPA SHELTON
FALSE STATEMENTS AND BANK FRAUD

449. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

450. At the time CPA Shelton approached lenders including First Southern National Bank, BB&T and Banterra Bank he used Financial Statements that reflected his own interest in AJSL was properly valued at \$1 .449 Million. He failed and refused to honor his agreement with Osborne that a note would be added to the financial materials to reflect that the \$1 .449 Million value would be accurate if and only if AJSL obtained accreditation.

451. CPA Shelton failed to submit with his accounting material any accounting note or qualification that the values placed upon AJSL by Hendrick, CPA Shelton and Osborne were totally dependent upon accreditation.

452. These actions are in violation of False Statements 18 U.S.C. § 1001; Wire Fraud 18 U.S.C. § 1443; and Bank Fraud 18 U.S.C. § 1344(2).

COUNT 56
CPA SHELTON
FALSE STATEMENTS AND BANK FRAUD

453. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

454. CPA Shelton was in his firm Shelton, Cretsinger & Associates CPA, PLLC, were the only accountants used by Thomas L. Osborne, PLLC during all of the events related to this case.

455. CPA Shelton failed to provide independent and reliable accounting services to Osborne.

456. CPA Shelton deviated from the normal standards of professional conduct when he:

- Inaccurately represented that AJSL had no delinquent accounts on September 9, 10 and 11, 2006 and
- Failed to condition the value of AJSL's stock upon provisional accreditation by the ABA.

457. CPA Shelton deviated from accepted standards of accounting practice and in violation of both ethics and professional standards that constitute negligence and gross negligence. The action was taken with fraud, oppression and malice permitting recovery of punitive damages under federal and Kentucky law.

458. As a result of CPA Shelton's negligence, gross negligence and his willful and reckless disregard of Osborne's accounting affairs enticed Osborne to become a shareholder in AJSL and obligated himself by personally guaranteed \$1.8 Million notes on behalf of AJSL.

459. Osborne is entitled to recover from CPA Shelton for the total sum of \$1.5 Million for negligence, gross negligence and punitive damages under KRS 411. .

**COUNT 57
CPA SHELTON
DIVERIVITIVE ACTION**

460. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

461. While providing CPA services and serving as a Director on the Board of AJSL, CPA Shelton violated the rules of professional conduct by reporting student loans as an asset of AJSL.

462. That CPA Shelton's conduct constituted negligence and gross negligence as it was a willful disregard of AJSL.

463. AJSL is entitled to recover for CPA Shelton's negligence, gross negligence and punitive damages under KRS 411.184-186 for fraud, oppression and malice.

464. AJSL is entitled to recover from CPA Shelton in the amount of \$3 Million for negligence and gross negligence together with \$6 Million in punitive damages.

**COUNT 58
STATUTORY
COMMON LAW
AND
CONSTITUTIONAL CLAIMS**

276. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

277. Hendrick, Turner and CPA Shelton have taken tuition and fee income from students who paid honestly and in good faith, many times by incurring loans that will have to be repaid.

278. Students depended on AJSL to provide a program of legal education that would allow them to pass the bar examinations and become members of the legal profession.

279. Hendrick, Turner and CPA Shelton used AJSL to collect salary and fees in excess of Five Hundred Thousand and 00/100 Dollars (\$500,000) in the last twelve (12)

months. While collecting fees, Hendrick, Turner and CPA Shelton denied students the opportunity to participate in legal clinics by refusing to pay for professional negligence insurance and denied students being able to participate in Mock Trial Competition by refusing to pay a nominal entrance fee.

280. Hendrick, Turner and CPA Shelton have taken students tuition and fee monies and converted them to their own use by ignoring the program of legal education. Hendrick, Turner and CPA Shelton have repeatedly said that the important thing is getting the school sold.

281. A similar start up law school in Jacksonville, Florida was developed with little or no capital and sold for \$17 Million, four (4) years later. This is what Hendrick, Turner and CPA Shelton are fighting for – the “big pay day.” Student monies are converted to directors’ use while the directors continue to wait for the “big pay day.”

282. Hendrick, Turner and CPA Shelton have converted students’ money to their own use and instead of developing a high quality institution; they have lied to the ABA and others about activities at the school.

283. Hendrick, Turner and CPA Shelton are responsible for their conversion for student money to their use without meaningful efforts to develop a high quality institution.

284. Hendrick, Turner and CPA Shelton’s acts constitute conversion under the federal common law and the common law of Kentucky.

285. Hendrick Turner and CPA Shelton’s acts constitute breach of a fiduciary relationship under Kentucky law.

286. Hendrick, Turner and CPA Shelton's acts constitute a breach of contract under Kentucky law.

287. Hendrick, Turner and CPA Shelton's acts constitute a violation of the covenant of good faith and fair dealing that exist between the students and administration under federal common law and the common law of Kentucky.

288. Students relied on Hendrick and Turner's statements that a high quality legal education would be provided.

289. These acts constitute conversion under the common law of Kentucky.

290. Hendrick, Turner and CPA Shelton owed the students a fiduciary duty on the management of student funds.

291. Hendrick, Turner and CPA Shelton violated that relationship by: x

Recruiting students without telling the about the accreditation issue; x Failing to keep students advised about the accreditation process; x Intentionally excluding 1L and 2L students from the accreditation process; x Mishandling student money;

- Refusing to give students a receipt showing the amount of fees and tuition paid;
- Increasing fees without notice to students;
- Increasing tuition without notice to students;
- Threatening academic harm to students who ask about financial issues;
- Falsely representing to students that he had to sign for students wanting to take the bar exam – inference that you must keep him happy at any

cost.

Turner made sexual advances to students who felt their future was in his hands;

- Lowering students grades to a D when transferred out of AJSL.
- [A grade of a “D” will not transfer with credit at any other law school];

Waiting until students could not withdraw and transfer to another school to tell them about ABA’s denial of accreditation;

- Manipulating grades downward to keep students from transferring;
and
- Manipulating grades to wrongfully deprive students of scholarships.

292. Hendrick, Turner and CPA Shelton made misrepresentations of material facts to the students and Osborne.

293. The misrepresentations were made with the knowledge of the falsity and the intent for students and Osborne to rely upon the misrepresentations. The students and Osborne relied upon the misrepresentations and suffered economic loss, as well as, mental and emotional injury. The defendants’ conduct was constituted fraud, oppression and malice for which the defendants are liable for punitive damages KRS §411.184-186.

294. The actions described in this count constitute conversion, fraud, breach of fiduciary duty, breach of contract and the covenant of good faith and fair dealing, negligence and gross negligence the Kentucky Consumer Protection Act KRS §367.080-085, intentional infliction of emotional distress, in violation of the Civil Rights Act of 1870 – 42 U.S.C. § 1983, (i) the Family Educational Rights and Privacy Act, (ii) Due process of Law under the 14th Amendment to the U.S. Constitution, (iii) Equal Protection of the law under the 14th Amendment to the U.S. Constitution and (iv) Due Process of law secured by

§2 of the Kentucky Constitution.

COUNT 59
OSBORNE VERSUS HENDRICKS, TURNER & SHELTON

699. Plaintiffs reallege and incorporate by reference all paragraphs of the *Verified Complaint* as fully stated herein.

700. In August or September 2007, Hendrick approached Osborne about becoming a shareholder in AJSL.

701. Hendricks assured Osborne that he was not looking for additional capital. Hendricks represented to Osborne that life had been good to him and that he personally had sufficient funds to get the school through the accreditation process.

702. Hendrick represented to Osborne that Osborne's role was to be a link to the local bar association and not for capital of any kind.

703. In a meeting with Hendrick, CPA Shelton brought the matter above to Osborne's attention. CPA Shelton reported that he was performing accounting work for AJSL and Hendrick was in need of new partners.

704. CPA Shelton represented to Osborne that the school was in excellent financial condition and AJSL had a strong upside. Investors in a similar project – Jacksonville, had been very well rewarded.

705. Osborne requested from Hendrick and Shelton a complete list of all debts payable.

706. Shelton reported back to Osborne that AJSL did not have any outstanding debt. Shelton representation was that all debts are being paid every month with ample cash flow from tuition and fees. Relying upon the representations of Hendrick and Shelton, Osborne agreed to become involved with AJSL.

707. On September 13, 2006, AJSL paid the original investor, Rud Bergfeld, with AJSL funds, \$100,000 for his 50% interest in the corporation.

708. On the same date, Osborne received 25% of AJSL stock. CPA Shelton received 25% of AJSL stock as well.

709. Osborne and CPA Shelton assumed approximately \$1.8 million dollars in AJSL debt on September 15, 2006.

710. On or about September 30, 2006, Hendrick requested an emergency meeting with Osborne. At the meeting Hendrick and CPA Shelton, announced that AJSL was having serious financial problems.

711. Osborne insisted that he had relied upon representations of CPA Shelton (in his professional capacity as Osborne's CPA) and Hendrick that the school was in excellent financial condition.

712. Hendrick indicated the financial crisis was only temporary. In the meeting several options were discussed on how to handle the problem.

713. In the meeting, Hendrick and CPA Shelton disclosed the true financial condition of AJSL. Contrary to every representation that Hendrick and Shelton had made, the true condition of AJSL's financial situation was shocking.

714. Osborne reviewed the situation carefully. All evidence indicated that AJSL had been undercapitalized from the outset. The school had short range financial issues that could only be cured by a fast injection of capital. Both Hendrick and CPA Shelton had approached some local lenders with this crises and they had no luck.

715. Osborne approached some investors who had far more expertise in financial situations than did Osborne.

716. Osborne's investors each bought one share of stock and relieved the acute payroll issues. Osborne then learned that AJSL's health insurance with Blue Cross/Blue Shield had been cancelled due to late payment of premium.

717. Osborne asked for a break even analysis. This information was reassuring about the long term viability of the venture.

718. As student numbers increased the cash flow rose enough that the school was fighting to survive.

719. AJSL was simply undercapitalized and suffered on a daily basis from this chronic problem.

720. Hendrick, Turner and CPA Shelton induced Osborne to come on board as an investor through false representation of the school's short term financial position as well as Hendrick's vast wealth was adequate to supply all of AJSL's financial needs to the point of accreditation when the cash flow from tuition and the income when the school would clearly become self supporting.

721. Hendrick and CPA Shelton made material representations to Osborne that were false. The representations were made with intent of inducing Osborne to become a shareholder and director of AJSL.

722. Osborne relied upon the untrue statements and did become a principal.

723. Hendrick employed a scheme, device and artifice to induce Osborne into becoming a shareholder in AJSL.

724. Hendrick and CPA Shelton's actions violated Kentucky Blue Sky Act KRS §292.230 et. seq.

725. Hendrick and Shelton's actions constituted fraud under federal and state common law.

726. Hendrick and Shelton violated their fiduciary duties to Osborne and more importantly to AJSL by using deceptive and fraudulent means of enticing Osborne to sign \$1.8 million dollars in debt.

727. CPA Shelton deviated from accepted standards of accounting practices when he advised Osborne of the financial health of AJSL.

728. CPA Shelton was negligent in advising Osborne about the financial health of AJSL.

729. CPA Shelton's actions constituted negligence and gross negligence because the advice was recklessly given with no basis in fact.

730. Osborne is entitled to a judgment against CPA Shelton for punitive damages because the treatment of his client Osborne constitutes fraud, oppression and malice.

OSBORNE'S PRAYER FOR RELIEF

WHEREFORE, Osborne prays for judgment against CPA Shelton and Hendrick for a sum of money that will fairly and adequately compensate him for the damage he suffered as a result of their actions in the amount of \$1.5 million dollars together with punitive damages in the amount of \$5.5 million dollars, an accounting for a trial by jury, prejudgment interest and all other relief to which he may be entitled under law.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs Jamie Rust, Thomas L. Osborne and the American Justice School of Law, Inc., pray for relief and judgment as follows:

- A. An award of compensatory damages in the amount of \$20 Million;
- B. An award of punitive damages in the amount of \$40 Million;
- C. An award of treble damages in the amount of \$60 Million;
- D. An accounting of all student loan funds handled by Hendrick and Turner

from July 1, 2005 to present.

E. A Temporary Restraining Order preventing Hendrick and Turner from using their positions as Dean and Assistant Dean to intimidate, bully or harass any student about their academic or financial relationship with the school as well as preventing any contact with the students about their prospective testimony in this case.

F. A Temporary Restraining Order preventing Hendrick, Turner and CPA Shelton from paying any attorneys' fees or costs of litigation out of the funds of the American Justice School of Law, Inc. This relief is appropriate under KRS 271B-8.510, as the payment: (i) is not for actions of Hendrick, Turner and CPA Shelton conducted in good faith; (ii) is not against Hendrick and Turner for any appropriate conduct and their actions constituted violations of both statutory, constitutional and criminal laws; (iii) is not for actions of Hendrick, Turner and CPA Shelton that are in the best interest of the students and American Justice School of Law, Inc.; and (iv) Hendrick, Turner and CPA Shelton had reason to know their actions were in violation of state and federal criminal laws.

G. A Temporary Restraining Order that the Court use its equitable powers to order a full and fair accounting of the partnership property including, but not limited to, all rents for the property, all interest earned upon partnership monies, all dispositions of partnership property, and a detailed accounting as to the Defendants Hendrick and Turner's personal use of partnership property. And further, that the Court order dissolution pursuant to KRS 362.305;

H. A Declaratory Judgment preventing Hendrick, Turner and CPA Shelton from discharging this judgment in bankruptcy. 11 U.S.C. § 523.

I. A Temporary Restraining Order and Preliminary Injunction imposing a constructive trust with tracing of assets, the imposition and execution of equitable liens against all Defendants' property both real and personal, as well as, all AJSL property both real and personal, voiding of fraudulent transfers, restrictions on future conduct, an accounting, costs of the investigation and suit, interest and attorneys' fees. Hendrick and Turner will begin receiving student loan money the first week in December. This amount is approximately two million dollars. The school is now in a crisis and the students need protection from Hendrick and Turner taking the money and fleeing the jurisdiction.

J. Trial by jury and all such further relief as the Court deems just and proper.

Respectfully submitted,

/s/ Thomas L. Osborne

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Attorney for Named Plaintiffs, Individually and as a Class Action Maintained for and on behalf of All Students at American Justice School of Law, Inc., who operate in fear of Hendrick and Turner who control: (i) student loans; (ii) grades; (iii) ability to transfer; and (iv) their future careers.

Attorney for American Justice School of Law, Inc., by its Shareholder, Thomas L. Osborne, Individually, and as a Derivative Action for and on Behalf of American Justice School of Law, Inc.

VERIFICATION

The undersigned state upon knowledge and belief that all of the allegations contained in the *Verified Complaint* are true to the best of their knowledge and belief.

/s/ Thomas L. Osborne

Thomas L. Osborne

/s/ Jamie Rust

Jamie Rust

