



OFFICE OF
STATE ATTORNEY
FIRST JUDICIAL CIRCUIT OF FLORIDA

June 19, 2017

PRESS RELEASE

State Attorney, Bill Eddins, as well as the Office of the Statewide Prosecution, today announced that charges were filed against two Ohio businessmen for racketeering and organized fraud in connection with fraudulent schemes involving public charter schools in Bay, Broward, Duval, Hillsborough, Holmes, and Pinellas Counties, Florida formerly managed by Newpoint Education Partners, LLC.

The State was assisted in the cases by the Office of Statewide Prosecution; the Director-Internal Auditing, the Office of Internal Auditing Escambia County School District; the District Investigator, Escambia County School District; the Florida Department of Law Enforcement; and the Summit County Ohio Prosecutor's Office.

The cases stemmed from an investigation by the Office of State Attorney, First Judicial Circuit and the Escambia County School District of complaints about grade tampering, teacher misconduct, and financial improprieties at Newpoint-managed charter schools in Escambia County. According to court filings, the financial improprieties involved use of public funds in a fraudulent billing scheme by Newpoint in which Newpoint used related vendors to submit excessive, false, and/or fictitious invoices for furniture, equipment, computers, and services.

According to an affidavit, filed with the charges, which is attached, the Newpoint fraudulent billing scheme was instigated by Marcus May, the owner of Newpoint, and aided by Steven Kunkemoeller, the owner of School Warehouse, Inc. and Red Ignition, Inc. The scheme allegedly involved Newpoint-managed charter schools not only in Escambia County but also in Bay, Broward, Duval, Hillsborough, Holmes, and Pinellas Counties.

Court filings allege that as a result of the various schemes Marcus May obtained more than \$1 million of public funds from a pattern of thefts from the State Department of Education, six school districts, and fifteen Newpoint-managed charter schools. Court filings also allege that Marcus May used proceeds of the schemes to establish or operate multiple Florida and Ohio limited liability companies, which he used to acquire residential and business properties in Florida and Ohio.

For further information, please contact Assistant State Attorney, Russell Edgar at (850) 595-4283.

Affidavit

Your affiant, David Bryant, CPA, and Certified Fraud Examiner, has examined school district records, Florida Department of Education records, bank records, bookkeeping and accounting records, business filings, vendor records, property records, court filings, tax returns, and other records, and as a result, says:

In May 2016, an Escambia County Grand Jury indicted three entities Newpoint Education Partners, LLC (“Newpoint”) School Warehouse, Inc. and Red Ignition, Inc. for committing aggravated white collar crime, grand theft, and money laundering relating to theft of public education funds and charter school program grant funds received by Newpoint-managed Escambia County public charter schools for furniture, computers, equipment, and services.

The indictments followed an investigation by the Office of State Attorney and the Escambia County School District of complaints about grade tampering, teacher misconduct, and financial improprieties at Newpoint-managed charter schools. The financial improprieties involved use of public funds in a fraudulent billing scheme by Newpoint, in which Newpoint used related vendors to submit excessive, false, and/or fictitious invoices for furniture, computers, equipment, and services.

Further investigation by the Office of State Attorney and the Escambia County School District now shows that Newpoint and its related vendors, and persons employed by or associated with Newpoint and its related vendors, engaged in similar and other schemes involving public funds at Newpoint-managed charter schools in five other Florida counties.

Further investigation shows that all the above-described schemes appear to have been instigated by the owner of Newpoint, Marcus May, and carried out by him and others acting in concert with him, including the owner of School Warehouse, Inc., and Red Ignition, Inc., Steven Kunkemoeller.

Marcus May and Newpoint

Marcus May (“May”) used Newpoint, a for-profit Florida limited liability company to manage charter schools in multiple Florida counties from 2007 to 2016. May solicited Florida charter school business by falsely representing that Newpoint had been successful managing schools in Ohio and other places with its “state of the art technology and innovative proven educational methods.”

Relying on May's representations, parents and others agreed to start charter schools. May, or others acting at his direction, formed non-profit corporations, constituted school governing boards, and applied for charters with districts. The charter boards constituted by May and Newpoint had little or no experience in operating a school, including handling bookkeeping, payroll, or facilities, and May offered to manage the schools for a fee of 18% of FEFP revenue and reimbursement for expenses incurred on behalf of the schools.

After districts approved requested charters, May or others acting at his direction, opened school bank accounts, leased facilities, hired staff, and contracted with vendors for bookkeeping, auditing, and legal services. Vendors who provided the education model, facilities, equipment, supplies, instructional material, and services to operate the school were selected by May. May also selected School Financial Services, Inc., of Bonifay, Florida, to provide all bookkeeping for Newpoint-managed charter schools, in exchange for schools paying a fee of an additional 3% of their FEFP funds. But, School Financial Services, Inc. ("SFS") provided bookkeeping services to Newpoint without charge.

At May's direction, SFS instructed charter school staff members to deposit funds received from school districts or the State of Florida into their respective school bank accounts. Charter school board members were authorized signers on school accounts, as required by law, but, in fact, did not have access to withdraw funds. Emails show that May also directed SFS staff not to discuss financial matters, such as funding, purchasing, and grants, with school employees and to inform May if school employees persist in trying to discuss those matters.

At May's direction, SFS withdrew all funds weekly from each school bank account, except for approximately one thousand dollars, and transferred the funds to a Newpoint account or other schools' accounts, regardless whether a school owed money to Newpoint.

At May's direction, SFS also comingled all school funds, permitting district funds to be routinely expended outside their source districts. Based on interviews of board members of multiple Newpoint-managed schools, board members did not know their respective school funds were used to fund Newpoint-managed charter schools outside their respective districts. Section 1011.20, Florida Statutes, requires that district school funds be expended in a district solely for the support of the public schools, including charter schools, in that same district.

By these means, it appears May and others acting at his direction, took control of the schools' finances and wrongfully obtained and used millions of dollars of public funds. From 2007 through 2016, the 15 Newpoint-managed schools opened in Florida received more than \$57 million of public funds from the State of Florida and the school districts of Escambia, Duval, Pinellas, Hillsborough, Bay, and Broward counties.

Marcus May's schemes to obtain money and property

Investigation shows that from July 2008 through January 2017, May used his control over the schools' finances to obtain more than a million dollars of public funds, in addition to, and apart from, the 18% management fee and reimbursements Newpoint was entitled to under the management agreement.

Fraudulent billings for purchases of school furniture, equipment, computers and instructional material

May selected vendors to purchase and resell furniture, equipment, computers or services with whom, or in which, he had an undisclosed ownership or financial interest, or an agreement to kick back or "rebate" part of the sales proceeds to him or one of his companies. Further many of the vendors appeared to have been created solely to do business with Newpoint-managed charter schools. According to charter school board members, May did not disclose he had an ownership interest or financial interest in the various vendors.

a. Vendors owned solely by Marcus May

May used Mindgrab Media, LLC, and Red Ignition, LLC, companies owned solely by him, to purchase items and services and resell them at hundreds of thousands of dollars over cost to Newpoint-managed charter schools. In 2008, using Mindgrab Media, LLC, May charged a Bay County charter school \$94,400 for 80 computers, or \$1,180 each, but supplier records for similar purchases show the actual cost was approximately \$370 each. Similarly, using Red Ignition, LLC, May charged charter schools in Bay and Hillsborough Counties, hundreds of thousands of dollars more than the cost to his entities, as follows:

<u>Year</u>	<u>County</u>	<u>Items</u>	<u>Charge</u>	<u>Actual Cost</u>	<u>Markup</u>
2008	Bay	computers	\$129,800	\$40,480	220%
2009	Hillsborough	computers	\$157,000	\$53,844	192%
2010	Bay	computers	\$120,000	\$46,080	160%

According to the suppliers of the computers, there was no apparent business reason to mark up the price so much and either the school or Newpoint could have bought the same computers at same, or substantially the same, price paid by May's shells.

May used proceeds of the sales by his companies to the Newpoint managed schools for his own benefit. For example, in 2010, May used Mindgrab Media funds to pay the \$63,000 down payment for the purchase of Marcus and Mary May's personal residence in Sarasota, Florida.

b. Vendors with whom Marcus May had an undisclosed ownership or financial interest

May used Epiphany Management Group, LLC ("Epiphany"), an Ohio limited liability company, in which he had an ownership interest, to provide technology and other related services to Newpoint-managed charter schools between 2010 and 2016. Epiphany purchased Mindgrab Media, LLC, from May in 2010, and as part of the consideration gave May a 12% interest in Epiphany. Other considerations included an agreement to pay Leekca Properties, LLC, another May company, \$150,000 a year for 3 years, as long as the net income of Epiphany was sufficient to make the payments, and an agreement that May use Epiphany for all technology services for all Newpoint-managed schools.

Subsequently, in 2012, Epiphany invoiced two Newpoint-managed charter schools in Escambia County more than \$40,000 for website design, but used a standard Newpoint website template. Two years later, Epiphany invoiced another Newpoint-managed charter school in Escambia County \$24,000 to design an almost identical website. According to the CEO of Epiphany, May determined the amount which the Newpoint-managed charter schools were to be billed.

From 2010 to 2016, Newpoint-managed schools in Florida paid Epiphany more than \$3 million of public funds for technology equipment and services, but records do not support the amounts charged by Epiphany. As a result, Epiphany was able to pay Marcus May the monies due under the Mindgrab purchase agreement.

c. Vendors with whom Marcus May had an agreement to kick back payments

May selected School Warehouse, Inc. another Florida corporation formed in January 2011, whose principal officer is Steven Kunkemoeller, ("Kunkemoeller") to provide furniture, equipment and computers. School Warehouse opened a bank account at PNC bank with a \$100 cash deposit and received its first business deposit from

Newpoint—a \$70,000 check. Records show that School Warehouse’s only income was received from Newpoint or May-managed charter schools in Florida and Ohio.

From 2011 to 2016, School Warehouse was paid more than \$2 million by Newpoint-managed charter schools in various counties throughout Florida. Like the transactions involving Red Ignition, LLC, and Mindgrab Media, LLC, School Warehouse charged Newpoint-managed charter schools in Bay, Broward, Duval, Escambia, Hillsborough, and Pinellas Counties hundreds of thousands of dollars more than its actual cost for furniture, equipment, and computers. Similarly, according to the actual suppliers, there was no apparent business reason to mark up the price excessively, and the Newpoint schools could have bought the goods at the same, or substantially the same, purchase price as Kunkemoeller’s company paid.

Records also show that Kunkemoeller, acting through School Warehouse, and other entities controlled by him, kicked back part of the proceeds of sales to May or one of his companies for no apparent business reason. For example, in 2011, School Warehouse charged and received \$133,000 from a Newpoint-managed charter school in Escambia County, for 80 iPads and 60 personal computers. Supplier records show School Warehouse paid only \$54,000 for the items, a markup of 145%. Two days after the charter school paid School Warehouse, School Warehouse paid Newpoint \$65,000 for no apparent reason.

In 2012, after School Warehouse received more than \$200,000 from Newpoint and Newpoint-managed schools in Ohio, School Warehouse transferred \$152,000 to Direct Store Delivery, LTD, another Kunkemoeller entity, and then Direct Store Delivery paid \$50,000 to Newpoint Enterprises, a company solely owned by May.

In 2014, School Warehouse received \$375,000 from Newpoint-managed charter schools in Duval and Pinellas Counties with markups as high as 165%. School Warehouse sent \$175,000 of those proceeds to Fifth Third Bank to pay Kunkemoeller’s home mortgage, and Kunkemoeller transferred the balance of \$200,000 to Direct Store Delivery, LTD. The same day, Direct Store Delivery made a \$25,000 check payable to Chase Bank, which was deposited into the account of Crossburn Properties, LLC, an entity owned by May. That day, Direct Store Delivery made a \$175,000 check payable to First Merit Bank, which was applied to the balance of Marcus and Mary May’s home equity line of credit.

In 2015, School Warehouse wired \$100,000 to Rearden Capital, LLC, an entity owned solely by May, virtually immediately after School Warehouse received over \$225,000 from Newpoint charter schools in Florida and Ohio.

d. Vendor with whom Marcus May had an agreement to “rebate” payments

May arranged a similar kick back scheme with Apex Learning, a Washington corporation that he selected to provide subscriptions for online curriculum and instructional material for Newpoint-managed schools in Florida and Ohio.

Beginning in 2012, May negotiated and executed contracts with Apex that provided Apex would charge the schools an “elevated” price above market with the agreement that the difference between the “elevated price” and actual price would be “rebated” to Newpoint, not the purchasers, the schools, provided quarterly payments were made timely.

Apex records show that Marcus May received these so-called “rebates” of monies paid by Florida Newpoint-managed schools, as follows:

<u>Year</u>	<u>Payments</u>	<u>“Rebate”</u>	<u>Payee</u>
2012-2013	\$108,636	\$ 38,799	Newpoint
2013-2014	\$141,828	\$ 50,653	Newpoint, Cambridge*
2014-2015	\$167,187	\$ 79,517	Rearden Capital, LLC
2015-2016	\$122,121	\$ 60,788	Rearden Capital, LLC

By Florida school district, the moneys overpaid by schools to Apex, but rebated to Marcus May, is, as follows:

<u>Rebate</u>	<u>District</u>
\$ 9,938.38	Bay
\$ 23,785.52	Duval
\$ 10,055.05	Escambia
<u>\$185,977.62</u>	Pinellas
\$229,756.57	TOTAL

*Cambridge Education Group, LLC, is a company solely owned by May, which manages Ohio charter schools.

Apex records show that Marcus May received so-called “rebates” of monies paid by Ohio Newpoint-managed schools, as follows:

<u>Year</u>	<u>Payments</u>	<u>“Rebate”</u>	<u>Payee</u>
2012-2013	\$138,114	\$ 49,326	Newpoint

2013-2014	\$173,172	\$ 61,847	Newpoint, Cambridge
2014-2015	\$289,063	\$137,483	Rearden Capital, LLC
2015-2016	\$438,379	\$218,212	Rearden Capital, LLC

Apex records show that from 2012 to 2016, May obtained a total of more than \$700,000 to which he was not entitled in these so-called “rebates” of payments made by schools with public funds.

According to school board members and school staff, neither May, nor any person acting on his or Newpoint’s behalf, disclosed the Apex “rebates.” Bank and financial records show the “Apex” rebates not only were not remitted to the schools, but they were not credited against management fees owed to Newpoint.

Fictitious purchases of furniture, equipment and computers

Records show that in multiple incidents, the May-selected vendors did not provide records to show they did, in fact, deliver items and services paid for by Newpoint-managed charter schools in Florida. Independent physical inventories revealed significant discrepancies between the inventories created by Newpoint and the items actually found on school property. Investigation further showed Newpoint created fictitious inventories based only on the invoices it generated.

May selected Red Ignition, Inc., to sell furniture, equipment, and computers to Newpoint-managed schools. Red Ignition, Inc., is a Florida corporation formed in January 2011, whose principal officer is Steven Kunkemoeller, a long-time associate of May. In February 2011, Red Ignition, Inc. opened a bank account at PNC bank with a \$100 cash deposit; the first business deposit to the account was an \$8,000 check from Newpoint.

From October 2011 to January 2012, Red Ignition, Inc., charged Escambia and Pinellas County charter schools more than \$100,000 for furniture, equipment, and computers. Red Ignition could not show it bought, or delivered, most of the items invoiced. Further, records show that the only income of Red Ignition, Inc. was from Newpoint-managed charter schools in Escambia and Pinellas Counties, Florida, and tax records show it had no financial activity after 2011.

In some instances, items purchased for specific schools were re-directed and shipped to other Newpoint-managed schools. For example, in 2014, when Newpoint-managed schools in Broward County terminated their charters, district officials made multiple requests for an accounting of items purchased by Newpoint for the

schools. School officials were unable to return all the items purchased to the district. Many of the missing items were sent to other Newpoint-managed schools in Bay, Escambia, and Pinellas Counties, and other times remain missing.

In 2015, when the Newpoint-managed schools in Escambia County closed, district officials inventoried school property and did not find many items for which the schools had paid School Warehouse and Red Ignition. Records show that in September 2011, Newpoint-managed charter schools in Escambia County paid School Warehouse \$152,000 for 160 refurbished iPads, (a markup of 115%), but district officials found only 51 of the 160 iPads (32%) at the schools. School records list only 55 iPads at the school in 2011 and 2012, and investigators later found 47 of the missing iPads at Newpoint schools in Bay County.

Investigation revealed similar discrepancies concerning provision of services. For example, in 2011, InTech Enterprises, which is the name of a defunct LLC acquired by Epiphany, invoiced two Newpoint-managed charter schools in Escambia County and one Newpoint-managed charter school in Pinellas County \$17,475 each, to install student technology networks. Epiphany could not produce any records to support these invoices. According to the CEO of Epiphany, payments of school funds for the InTech charges were applied to outstanding invoices owed by Newpoint for its company website, the costs of a Newpoint company retreat, and projects for various Newpoint-managed schools in Pinellas County.

False and fraudulent grant application, enrollment reports, and request for grant reimbursements

Emails and other records show a pattern of May, and others acting at his direction, grossly overestimating anticipated enrollment in Charter School Program (“CSP”) grant applications submitted to the districts, which resulted in grant overpayments.

From 2008 to 2015, Newpoint-managed charter schools, at Marcus May’s direction, obtained CSP grant funds from the State Department of Education, totaling more than \$3.7 million.

Examples of overpayments of grant funds based on grossly overestimated enrollment are, as follows:

<u>Year</u>	<u>County</u>	<u>Estimated</u>	<u>Actual</u>	<u>Grant funding</u>
2011	Escambia	225	72	\$325,000
2012	Pinellas	360	170	\$350,000

2013	Duval	225	54	\$350,000
2014	Pinellas	264	79	\$ 75,000

Payment of both CSP grants and Florida Education Finance Program funds (“FEFP”) are based on representations of anticipated enrollment. FEFP payments are subsequently reconciled based on actual enrollment, and overpayments are required to be reimbursed by charter schools to the districts in which they are located. No reconciliation or return of a CSP grant award is made.

Investigation shows that May, or other Newpoint employees, grossly overestimated enrollments of Newpoint-managed schools in enrollment reports submitted to school officials in Broward County, which resulted in substantial FEFP overpayments. Newpoint personnel certified enrollment of 359 students at two Broward charter schools on July 28, 2014; on the first day of school, two weeks later, only 59 students were, however, in attendance. The schools then terminated their charters two weeks after classes were scheduled to begin and before any reconciliation of overpayments could be made.

Pursuant to section 1002.33(8), Florida Statutes, the Broward County School District demanded that Newpoint return undisbursed school funds, but Newpoint claimed the funds were used for various purposes, and returned only \$8,020. Bank records show that from July 30, 2014, through September 30, 2014, Newpoint used the FEFP funds received for the Broward schools to pay \$88,165 to School Warehouse; \$22,335 to Epiphany; \$14,877 to a Newpoint employee; and \$217,819 to Newpoint.

Bank records show that funds obtained by May and paid to Newpoint were subsequently transferred by May through various bank accounts and then used by him to pay off a mortgage on real property he owned in Manatee County, Florida.

May, or others acting at his direction, or relying on information he provided, made false statements concerning the costs of furniture, computers, equipment, and instructional material and services in grant reimbursement requests. Records show that Marcus May created budget templates to be included with each grant application. The templates included proposed spending by category, which corresponded to the items and services to be provided by May’s selected related vendors, whose invoices were submitted with grant reimbursement requests. According to charter school and school district personnel, Marcus May did not disclose his conflicts of interest or the fact that he was profiting from the transactions submitted for reimbursement.

SFS submitted grant reimbursement requests to districts at the direction of May. Records show that more than 85% of all grant funds, or more than \$3.2 million, was paid to reimburse Newpoint schools for invoices that had been submitted by, and paid to, the May-selected related vendors, for furniture, computers, equipment, and services, all at grossly marked up prices.

Fraudulent business expenses

From 2010 through 2014, Marcus May directed SFS to pay from commingled school funds \$150,000 in so-called “lease payments,” salary for his wife, and reimbursements for expenses such as restaurant bills, personal electronics, and massages.

For example, with respect to the “lease payments,” records show that from September 2010 through May 2014, May directed SFS to pay \$3,000 to \$3,500 monthly to Leekca Properties, LLC (“Leekca”) from funds swept from the Newpoint-managed school accounts. Leekca is a Florida limited liability company owned by Marcus and Mary May.

The payments were characterized as “lease payments” pursuant to a lease agreement between Leekca as lessor and Newpoint as lessee. According to the agreement, the property “leased” was “Regional Place, Uliva Parkway, Sarasota, Florida.” No such Leekca address exists, and property records show that Leekca did not own any real property in Florida during the relevant times. Florida business filings show Leekca’s place of business was 7656 Uliva Way, Sarasota, Florida.

Florida business filings and property records show that Marcus and Mary May’s homestead residence was located at 7656 Uliva Way, Sarasota, Florida, which they purchased in August 2010, one month before the “lease” payments began. In April 2013, Marcus and Mary May sold the property, and moved to 2426 Vaccaro Drive, Sarasota, Florida. The “lease” payments continued to be made to Leekca more than a year after the sale. Florida business filings show Leekca changed its place of business to 2426 Vaccaro Drive in January 2014.

Unauthorized kickbacks of brokers’ fees

May, or Newpoint employees acting at his direction, executed leases on behalf of Newpoint-managed schools. In the leases, May falsely represented to the Newpoint-managed schools and school districts that no broker’s commissions or finder’s fees were paid in connection with execution of the leases, other than those stated in the

leases. But, according to lessors and brokers, May, who was not a licensed realtor, required them to pay him a “commission,” “finder’s fee,” or “referral fee,” as a condition for Newpoint-managed schools to lease properties. Further, May required brokers to enter into a confidential agreement not to disclose the kickback of fees.

Bank records show that between 2011 and 2013, May obtained finder’s fees totaling more than \$95,000, in payments ranging from \$2,800 to \$37,676, in connection with leases he negotiated and executed for school facilities in Broward, Duval, Escambia, Hillsborough, and Pinellas Counties, Florida. These fees were in addition to, and apart from, the 18% management fee May was to be paid under the management agreements and were not disclosed to the Newpoint-managed schools or the districts.

Under the management agreements, Newpoint was required to “identify, investigate, and evaluate” available lease or ownership options and then “negotiate the lease or purchase of the school facility.”

Misappropriation of moneys for purchase of school uniforms and lunches

Newpoint charter school students in Florida and Ohio were required to buy uniforms to wear to school, and Marcus May selected the vendor to provide them. The vendor, Consolidus, LLC, of Ohio, offered uniforms and clothing that could be ordered at the school or online. Bank and supplier records show that Newpoint charged \$19-\$25 for polo style shirts, which cost Newpoint \$11-\$12, or markups of approximately 100%.

School records show that parents wrote checks for uniforms, lunches, yearbooks, and student activities that school staff deposited to a Newpoint Hancock Bank account at locations in Escambia and Bay Counties, Florida. School records also show May notified SFS that beginning in January 2010, the Hancock Bank account was no longer being used for deposits other than those for uniforms and that such payments were the property of Mindgrab Media. Records show that from January through August 2010, net funds collected in this account were remitted by SFS to Mindgrab.

After July 2010, SFS was informed by May that the Hancock account was going to be closed by him and that SFS was not to continue to account for activity in this account. In fact, May continued to use the account for deposits of uniform payments. Records show that from 2010 through 2015, nearly \$350,000 was collected from students and parents for uniforms.

Bank records for 2011-2014 show that in addition to uniform payments, \$11,000 of collections for student lunches and activities for Newpoint-managed charter schools in Bay, Escambia, and Hillsborough Counties were deposited into the non-school account owned by Newpoint that was off Newpoint's books. Former teachers and staff in Hillsborough County also told investigators that May personally routinely removed cash from schools or had them remove cash and buy money orders that they were instructed to send to him. None of these monies were recorded in the financial activity of the respective schools.

The management agreement between Newpoint and Newpoint-managed charter schools provides that revenues associated with lunches and student activities are retained by the entity that bears the associated expenses for these activities. Records show that the schools bore the associated expenses, not Newpoint. As such, the revenue was the property of the schools, and neither May nor his entities were entitled to it.

Bank records show that from August 2010 to January 2016, May withdrew monies from the Hancock Bank account to pay the following persons or entities in the following amounts:

<u>Amount</u>	<u>Payee</u>
\$26,387	Chase Visa and AmEx
\$16,452	Marcus May
\$10,000	Barney's Motorcycle Sales (jet ski purchase)
\$ 8,000	Loan to Shuan and Jacki Lewis
\$ 7,500	Carla Lovett
\$ 7,341	Newpoint Enterprises
\$ 6,225	Derby and Demure (business owned by Lauren May)
\$ 5,000	Fairlawn Country Club
\$ 5,000	Leekca Properties
\$ 4,735	Cash
\$ 3,000	Charles Schwab for 2012 IRA contribution
<u>\$ 2,235</u>	Toyota Lease Down Payment and Monthly Payment
\$101,875	TOTAL

Marcus May's use or investment of proceeds of the schemes to establish and operate enterprises, and to acquire title to or interest in real property

May received proceeds derived from the multiple schemes described above to establish or operate Newpoint and multiple Florida and Ohio limited liability

companies and to acquire residential and business properties in Florida and Ohio or an interest in such properties.

Enterprises

a. Newpoint Enterprises, LLC

Bank records show that from 2012 to 2016, Newpoint Enterprises, LLC, a company owned solely by May, received more than \$400,000 in Apex “rebates,” kickbacks of brokers’ fees in connection with school facilities leases, and kickbacks from Kunkemoeller companies.

Bank records further show that May used the proceeds of his multiple schemes to invest in real property in Ohio, which was acquired by Roosevelt Properties, LLC, and Crossburn Properties, LLC, Marcus May owned companies; to operate Rearden Capital, LLC, a May owned company; and to pay more than \$200,000 of May’s personal expenses.

b. Leekca Properties, LLC

Bank records show that from 2010 through 2014, Leekca Properties, LLC, received more than \$600,000 of funds from so-called lease payments from Newpoint Education Partners, LLC; consultation fees and other payments from Epiphany Management Group, LLC; and funds from Roosevelt Properties, LLC and Crossburn Properties, LLC. Bank records further show that Marcus May and Mary May used funds deposited to Leekca Properties, LLC, as follows:

<u>Amount</u>	<u>Payee</u>
\$355,244	Chase Visa and AmEx
\$190,963	Marcus May, Mary May, and family members
\$ 61,920	Chase Mortgage (mortgage payments)
\$ 52,388	Utilities, Pool Services, and Homeowners Association Fees
\$ 21,578	Universal Land Title (Sarasota County, FL purchase)

Leekca paid charges for personal expenses incurred by Marcus May and his family that were charged to the Chase Visa account. The charges include tens of thousands of dollars paid for restaurant bills, clothing, and household expenses, \$11,000 for plastic surgery, and tens of thousands of dollars for cruises and for trips to Amsterdam, the British Virgin Islands, Brussels, Cancun, China, France, Hong Kong, Iceland, India, Japan, Los Cabos, the U.S. Virgin Islands, and Italy.

c. Rearden Capital, LLC

Between September 2014 and November 2016, Rearden Capital, LLC, received more than \$500,000 in "rebates" from Apex Learning; \$164,000 from Newpoint Enterprises, LLC; and hundreds of thousands of dollars from Newpoint-managed schools in Florida and Ohio. Bank and property records show that from 2014 to 2016, May used the funds deposited to Rearden Capital, LLC, to acquire business and residential properties, or an interest in such properties in Cleveland, Columbus, Akron, and Canton, Ohio.

Real Property Acquisitions

In 2010, Marcus May used approximately \$63,000 that he obtained from the fraudulent billing of schools by Mindgrab Media, LLC to purchase his personal residence in Sarasota County, Florida. In 2013, he sold this property and used the proceeds he realized from the sale as a down payment for the purchase of real property in Manatee County, Florida. As described above, bank records show that May used FEFP funds from the closed Broward charter schools to pay off the mortgage of the real property in Manatee County, Florida.

Also, in 2013, May used approximately \$450,000 that he obtained, in part, from the fraudulent billing and other schemes described above to purchase real property in Sarasota County, Florida. In 2015, he sold this property and used more than \$600,000 of the proceeds he realized from the sale to purchase real property in Sarasota County, Florida.



David Bryant
CPA, CFE, CGFM, CIA, CGAP, CRMA

STATE OF FLORIDA
COUNTY OF ESCAMBIA

Personally known, sworn to, and signed before me on June 15, 2017.


Notary