

Stone in May/June 1995 discovers that Longo crime syndicate associates Gilbert & Mark Sapperstein have a lot of friends in the MD. AG. Office (specifically Joseph Curran Jr.).

EXHIBIT 1

In May/June 1995 in a brief conversation with MD. Assistant AG. William Howard, Howard told Stone that the Sapperstein's were well known at the MD. Attorney General's Office. Stone thinking that Gilbert & Mark Sapperstein were also under investigation by the MD. AG. like Longo & Procter. Stone then asked Howard what he meant. Howard responded " They have lots of friends at the Maryland Attorney General's Office".

These documents are internal USDOJ documents describing numerous criminal activities of Charles R. Longo and Bruff J. Procter that Stone had obtained in late 1995 with a FOIA request.

Unknown to me, until later, Stone realized these agencies were trying to block my access to these documents because they would be detrimental to Longo and Sapperstein's sham lawsuit to steal Stone's patents and invaluable to Stone in fending off this sham lawsuit.

Prior to this, Stone in May/June 1995 had served or tried to serve a Subpoena Duece Tecum on three of these agencies.

1. The US Attorneys office USDOJ, Baltimore,MD.

US Attorney for Maryland, Lynne Battaglia simply quashed Stone's subpoena (Battaglia was MD. AG. Curran's head of his Criminal Div. at the MD. AG. Office prior to becoming US Attorney for MD)

This was done to conceal her **Chief of White Collar Crimes, Dale Kelberman** from disclosing any information that would be detrimental to Longo's sham lawsuit against Stone and beneficial to Curran's personal friends Gilbert & Mark Sapperstein

2. The US DOJ Bankruptcy Trustee Baltimore,MD.

Lori Simpson USDOJ Bankruptcy Trustee attorney repeatedly evaded Stone's process server with help from her boss US Bankruptcy Trustee Karen Moore

3. The Maryland Attorney Generals Office Baltimore

William (Bill) Howard simply falsified an affidavit filed with the Worcester County Circuit Court ridiculing me and smearing me claiming he had no knowledge

Lori Simpson US
DOJ Bankruptcy
Trustee lawyer

Dale Kelberman
Chief of White
Collar Crimes
Maryland US DOJ

Mike Beck,
Investigator,
Maryland Dept. of
Higher Education

Bill Howard
Maryland Attorney
General lawyer
MD. Higher
Education Division

9-26-94

Longo -
Meeting with US, Bill Howard, Dale Kelberman, Mike - →

Operating private career school - MD since late 20s - truck
driving - then opened other training centers in MD + Va -
correspondence course - truck driver home study then
3 weeks of on-site training - very few people made
it to the resident training -

In one year he pulled down more federal aid in
MD than College Park

was legitimate enterprise - certain features the
state didn't like.

He was licensed by state - as vocational school -
he sued to get that license - because his trucks
were failing the MVA standards - he said they
were only being used as student vehicles - then
after he was licensed as providing vocational training
he was eligible for federal aid.

Inspector General of Dept. of Education - looked
at Pell grants - investigation was completed in Feb-1994
started in 1990-1991. Senate Select Committee wanted
to look into NTS but were told that IG had the
matter under investigation.

IG report was issued - said NTS followed all
the proper procedures + if anything the government
owed them \$ -

NTS 1.1 used special consultant for assistance

their paperwork - Earl Grovat + Associates - Florida Co - that
 Howard says employees ^{specialize in this} told them that dates had
 been changed - he told OIG - doesn't know if that
 was ever looked into.

Supervisor of OIG said they are looking into it again -
 (John Taylor) - said they were doing a review -

NBS files 10-21-90 - case dismissed 7-92 - on motion of IRS
 Loya filed 11-13-90 ^{by court under confirmed}
 plan -

Total amounts owed to students of \$8 million - of NBS -

Crochal represents Charles Loya -
 Howard Rubenstein represents ex-wife
 Mel Paul represented Creditors' Committee

Sellinger - was personal attorney

bodykeeper -
 outside Charles Fagan - Pikeville

Charles R. Longo
(National Training Systems, Inc./Shippers' Choice, Inc.)

I. Background

1. Notice of Deficiencies from MHEC to NTS (6/28/90)
2. Recommended Decision from ALJ Tranen (8/15/91)
3. Notice of Deficiencies from MHEC to NTS (8/10/90)
4. Proposed Order from ALJ Lewis-Frazer (6/28/91)
- ~~X~~ MHEC's Proposed Findings of Fact and Conclusions of Law (4/11/94) *NTS + Longo -*
6. MHEC's Complaint Objecting to Discharge of Debtor (9/16/93)
7. MHEC's Motion to Convert to Chapter 7 (11/23/93)
8. MHEC's Amended Counterclaim against Shippers' Choice, Inc. (7/21/94)

II. Possible Bankruptcy Fraud

A. Basic Information

9. NTS Bankruptcy Schedules
10. Longos' Bankruptcy Schedules
11. Longos' Check Register

B. \$51,368.44 taken from NTS in last week before bankruptcy

12. NTS Credit Line Account computer summary
13. NTS Credit Line bank account statements
14. Charles Longo Chevy Chase bank account statements and letter from Martin Snider

(first meeting with Alan Grochal, NTS bankruptcy counsel, took place on 9/18/90; petition was filed on 9/21/90)

C. Postpetition conversion of \$7,000 Cougar proceeds to own use

1. See findings pp. 42-43, 76, 85-86

D. Postpetition transfers from NTS to Shippers' Choice: (a) at least \$85,422.04 included on May - Sept. 1991 monthly reports, never approved by Court, and (b) at least \$66,932.96 totally

unaccounted for

15. NTS Monthly Reports (May-Sept. 1991)
16. Tydings & Rosenberg ledgers and bank statements
- E. Postpetition conversion of NTS computer and other personal property
 - See June 1991 monthly report (above) - \$7,300 computer purchase
 - 17. Gary Boardwine deposition (5/23/94) (re computer, phones and fax machine)
- F. Failure to disclose, and unknown use of, separate bank account for Charles Longo, with a balance of \$9,203.22 on date of his petition
 - See Longos' Schedules (above), pp. 1, 10
 - 18. Citizens Bank account statements
- G. Many examples of false statements - see Complaint Objecting to Discharge for some

III. Possible Securities or Mail Fraud Concerns

A. Private Offerings by Shippers' Choice/American Credit Co. totaling approximately \$500,000 in Sept. '92, Dec. '92 and Mar. '93, guaranteed by Charles R. Longo

-with no disclosure of the financial status of Mr. Longo, the fact that he was in bankruptcy, and with the guarantee of questionable legality in the bankruptcy proceedings

-warranties to investment broker that company was authorized to conduct its business in accordance with law and that no actions or proceedings had been filed or threatened against it, contrary to cease and desist letters from MHEC

-possible misuse of proceeds by Charles R. Longo individually, rather than for corporate purposes

-possibly not registered as exempt in all necessary states

19. Confidential Term Sheets (Depo. Exs. 1 and 2)
20. Agency Agreements dated 11/25/92 and 3/1/93

B. Private Offering of up to \$1,000,000 on or after July '93

-possible misuse of proceeds by Charles R. Longo individually, rather than for corporate purposes as stated in placement memorandum

-similar representation that company was not a party to any litigation, nor had any been threatened against it

-financial information differs drastically from info on tax return and internal financial statement for same period

21. Confidential Private Placement Memorandum, 7/14/93

22. 1992 Federal Income Tax Return for Shippers' Choice see p. 4

23. Shippers' Choice internal financial statements as of Dec. 31, 1992 (run 3/24/93)

B. Donald Stone Industries/Investors/Bruff Procter -- complaints by Donald Stone

24. E.g., Complaint and Answer in Charles R. Longo and Donald Stone Industries, Inc. v. Donald J. Stone

IV. Possible Income Tax Concerns

A. 1989 Joint Personal Return

-failure to report \$300,000 dividend. See Proposed Findings above, pp. 48-49

-possible unreported officer loan, vending machine and Lamborghini income. See Proposed Findings above, pp. 66-70, 49-52 and 39-40.

-questionable "personal interest" claim of \$35,000 (\$7,000 deduction)

-failure to report \$28,873 Nissan income claimed later

B. 1990 Individual Return

-possible unreported officer loan income/questionable deductions for \$704,317 in claimed "business losses" for loans# pp. 29-31, 49-52 and 39-40.

-mysterious transfers from NTS probably not reported or

accounted for on income tax return

C. 1991 and later returns

-allegedly receiving no salary from Shippers' Choice, but showing huge amounts of income/cash flow on monthly bankruptcy reports and in checking account; unknown how much income reported

25. Summary of Bank Deposits and Other Cash Payments

-See Charles Longo monthly bankruptcy reports through 12/93

26. Charles Longo deposition extracts and officer loan account summary

V. Possible Federal Aid Concerns

- A. Approximately \$700,000 in aid drawn down by NTS for ineligible ACT program in early 1989 - possible flaw in system - was approved 6 months later - student now have to repay financial aid -
- B. Individual allegations of fraud in cashing student loan checks by NTS

↓
180 students
probably high %
↑ loans are in default



Red annotations and hilites are those of the requester, Donald Stone. Handwritten notes lower left hand at bottom, mentions "round out allegations" and statute of limitations

Memorandum

To : SAC, BALTIMORE (49B-NEW) (SQ. 5) (P) Date 2/1/95

From : SA [redacted]

b6
b7C

Subject: CHARLES R. LONGO,
dba, NATIONAL TRAINING SYSTEMS INC. (NTSI)
7140 VIRGINIA MANOR COURT
LAUREL, MARYLAND;
SHIPPER'S CHOICE INC.;
BANKRUPTCY FRAUD
OO: BALTIMORE

CHAPTER 11
90-5-4907 50

[redacted] Department of Education, Maryland Attorney General's Office, telephone [redacted], advised that he had been conducting an investigation regarding captioned individual in an effort to recover over twelve million dollars in tuition payments from former students of the NTSI. Since it appears that LONGO has deferred all of the remaining assets of his company, [redacted] has all but completed his investigation.

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b7C

In September 1990, a Chapter 11 Bankruptcy was filed regarding the NTSI and in November 1990, LONGO declared personal bankruptcy. LONGO is one hundred percent owner of NTSI. In July 1993, the corporate bankruptcy was dismissed. [redacted] advised that the liquidation plan for NTSI was confirmed in September 1992. The company never went into Chapter 13, consequently no trustee was appointed for the NTSI matter.

The counsel for the Creditor's Committee is one [redacted] who is currently serving a sentence in unrelated matter.

[redacted] advised that his investigation reflected that LONGO sold off much of the assets of the company and diverted these assets to himself. [redacted] has proof that LONGO sold a car for \$7,000.00. He was unable to prove that LONGO sold other assets of the company such as personal computers and the like.

Round out allegations & statute of limitations

2 - Baltimore
HWB:glwm
(2)

Round out allegations and present early to AUSA. Be mindful of statute of limitations. [Signature]

O.S.A.
2/2/95
[Signature]

49A-BA-85694-1
SEARCHED.....INDEXED.....
SERIALIZED.....FILED.....
FEB 0 1995
FBI - BALTIMORE
[Signature]

49B-NEW

After the bankruptcy was filed, a Debtor in Possession (DIP) account was opened. [redacted] advised that approximately \$85,000.00 from the DIP account was deposited to a new account for a company formed by LONGO called Shippers Choice Inc. (SCI). Another \$65,000.00 from the NTSI account was unaccounted for but was apparently withdrawn from the NTSI DIP account.

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On December 9, 1994, LONGO filed bankruptcy for his second company, SCI. A Chapter 7 Bankruptcy was filed and the [redacted] is [redacted] of Shapiro and Olander. He believes that another partner of the firm [redacted] may also be working on the case.

[redacted] advised he currently is in possession of various company records, including bank account records and depositions filed in bankruptcy proceedings. He believes that the Statute of Limitations may soon be approaching in regard to this matter.

Memorandum



3-28-95
ML

To : SAC, BALTIMORE (49A-BA-85694) (SQ 5) Date 3/24/95

From : SA [redacted]

(2)
[Handwritten initials and date 3/28/95]

Subject: CHARLES R. LONGO,
dba NATIONAL TRAINING SERVICES INC. (NTSI);
SHIPPER'S CHOICE INC.;
BANKRUPTCY FRAUD
OO: BALTIMORE

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b7c

Re memo from SA [redacted] to the SAC,
February 1, 1995.

Reference memo advises that [redacted]
[redacted] Office of the Attorney General, State of
Maryland, 200 St. Paul Place, Baltimore, Maryland, informed the
Baltimore Office of the FBI that the possibility exists that
LONGO has committed bankruptcy fraud in the filing of personal
bankruptcy for himself as well as his two companies, National
Training Services Inc. and Shipper's Choice Inc.

On February 10, 1995, [redacted] was interviewed concerning
these allegations and shortly thereafter facts concerning this
matter was presented to AUSA [redacted] for a prosecutive
opinion. AUSA [redacted] requested SA [redacted] investigate
allegations of [redacted]

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[Large redacted area]

② - Baltimore
JKS:pef
(2)
pef

49A-BA-85694-2
SEARCHED _____
INDEXED _____
SERIALIZED mb
FILED mls

49A-BA-85694

In view of the above, no further investigation is being conducted by the Baltimore Division at the present time. Tickler will be set for June 1, 1995 so that Bankruptcy Court can be recontacted to determine the status of LONGO's bankruptcy filing at that time. Baltimore will consider reopening this investigation at that time with the concurrence of the United States Attorney's Office is warranted.