

Four Individuals at this meeting

1. US DOJ lawyer Maryland
2. US DOJ lawyer DOJ Bankruptcy Trustee Maryland
3. Maryland (state) Assistant Attorney General Higher Ed. Commission
4. Investigator Maryland Higher Education Commission

9-26-94

(Red Annotations & Black redactions by FOIA requester)

Longo -
Meeting with [redacted], [redacted], [redacted], [redacted] - →

Operating private career school - MD since late 70s - truck driving - then opened other training centers in MD + VA correspondence courses - 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-1991 started in 1990-1991. Senate Select Committee wanted to look into NTS but were told that It had the matter under investigation.

It's report was issued - said NTS followed all the proper procedures & if anything the government owed them \$ -

NTK 1.1 used special consultant for operations

their paperwork - Earl Grovat + Associates - Florida Co - the
[redacted] 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.
[redacted] - said they were doing a review -

NTS files 10-21-90 - case dismissed 7-92 - on motion of [redacted]
Longo filed 11-13-90 [redacted] and confirmed plan -

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

[redacted] represents Charles Longo -

[redacted] Rubenstein represents ex-wife

[redacted] represented Creditors Committee

[redacted] - was personal attorney

bookkeeper -

outside [redacted] [redacted] - Pikeville

[REDACTED] [REDACTED]

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 [REDACTED] (8/15/91)
3. Notice of Deficiencies from MHEC to NTS (8/10/90)
4. Proposed Order from ALJ [REDACTED] (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 [REDACTED]

(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. ██████████ 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/[REDACTED] -- 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 student
probably high %
↑ loans are in default