

[Filed July 1, 2008]

IN THE IOWA DISTRICT COURT FOR POLK COUNTY

STATE OF IOWA ex rel.  
THOMAS J. MILLER,  
ATTORNEY GENERAL OF IOWA,  
99AG25112,

Plaintiff,

v.

UNITED YOUTH CAREERS, INC.  
an Iowa corporation,

KENNETH MCGREGOR, SR in his  
corporate capacity and in his individual capacity,

MARJORIE WATSON, in her corporate  
capacity and in her individual capacity,

ANTONIO WARD in his corporate capacity  
and in his individual capacity,

LILLIE WARD in her corporate capacity  
and in her individual capacity,

Defendants.

EQUITY NO. CE59506

PETITION

FILED  
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CLERK DISTRICT COURT

The State of Iowa ex rel. Attorney General Thomas J. Miller files this Petition pursuant to the provisions of the Iowa Code § 714.16, Iowa Consumer Fraud Act and the provisions of Iowa Code chapter 504, commonly known as the Iowa Nonprofit Corporation Act. In support of its claims, the following is stated:

**INTRODUCTION**

The Attorney General brings this civil action concerning the fundraising and the subsequent actions of individual Defendants serving as officers and/or board members of United

Youth Careers, Inc. United Youth Careers, Inc. has abandoned its charitable purpose and instead has improperly devoted itself to private purposes. The corporate officers and directors have exploited this non profit corporation for their own private monetary gain.

Through their actions, Defendants have defrauded hundreds of Iowans. The Attorney General brings this action to stop Defendants' unlawful practices, and disgorge Defendants' ill-gotten gains.

### PARTIES

1. Thomas J. Miller is the duly elected Attorney General of the State of Iowa.
2. Defendant United Youth Careers, Inc. is an Iowa non profit corporation which does business in the State of Iowa.
3. Defendant Kenneth N. McGregor Sr. is a resident of the State of Iowa and at relevant times was an officer and board member of United Youth Careers, Inc.
4. Defendant Marjorie Watson is a resident of the State of Iowa and at relevant times was an officer of United Youth Careers.
5. Lillie Ward is a resident of the State of Iowa and at relevant times was a board member of United Youth Careers, Inc.
6. Antonio Ward is a resident of the State of Iowa and at relevant times was an officer and board member of United Youth Careers, Inc.

### JURISDICTION

7. The Attorney General has authority to initiate an action for consumer fraud pursuant to Iowa Code § 714.16.

8. Iowa Code § 714.16(2)(a) provides, in part (emphasis added):

The act, use or employment by a person of an unfair practice, deception, fraud, false pretense, false promise, or misrepresentation, or the concealment, suppression, or omission of a material fact with intent that others rely upon the concealment, suppression, or omission, in connection with the lease, sale, or advertisement of any merchandise or the solicitation of contributions for charitable purposes, whether or not a person has in fact been misled, deceived, or damaged, is an unlawful practice.

9. The Attorney-General has authority to file an action to dissolve a corporation if the corporation has continued to exceed or abuse the authority conferred upon it by law. Iowa Code § 504.1431(1)(a)(2).

#### VENUE

10. Venue is proper in Polk County, pursuant to Iowa Code § 714.16(10), for the Consumer Fraud Act violations because the Defendants have a principal place of business in Polk County and many of the victims reside in Polk County. Venue is proper in Polk County for the dissolution of a not for profit corporation. Iowa Code § 504.1432 (1).

#### FACTUAL ALLEGATIONS

##### General Allegations

11. United Youth Careers, Inc. (hereinafter "United Youth") is an Iowa corporation.
12. The 1984 articles of incorporation were filed under the non profit corporation act.
13. United Youth employs adult canvassers to engage in door-to door solicitation campaigns on a commission basis, and relies on these solicitations for funding.
14. United Youth solicitors are trained by United Youth directors and officers to "communicate information about United Youth Career's purposes to as many persons as possible

and how those purposes are good for....the general public.”

15. United Youth purposes are purportedly to provide charitable services to the underprivileged youth of Des Moines, Iowa.

16. United Youth solicitors inform potential contributors that donations to United Youth are tax deductible, and that such donations are applied towards counseling services, job training, scholarships, and other youth education programs.

17. United Youth directors and officers have engaged in a pattern of behavior establishing that the true purpose of United Youth is not public benefit but rather self-enrichment.

18. United Youth directors and officers repeatedly made illegal distributions in the form of transfers to themselves and family members in violation of Iowa Code § 504. 1301 including:

- A check from United Youth Careers account at Commercial Federal Bank dated December 12, 2002, for \$100, written to director Antonio Ward, with a memo line reading “Happy Birthday Son.”
- A check from United Youth Careers account at Commercial Federal Bank dated March 19, 2005, for \$300, written to director Lillie Ward or Kenneth McGregor, with a memo line reading “Happy Birthday.”
- A check from United Youth Careers account at Commercial Federal Bank dated January 02, 2004, for \$250, written to secretary Anna Ricks, with a memo line reading “TV for Harvey Ricks, Jr.”

19. United Youth made loans to corporate officers and family members in violation of Iowa Code § 504.834, including:

- A check from United Youth Careers account at Commercial Federal Bank dated January 22, 2006, for \$350, written to officer Marjorie McGregor, with a memo line reading “money Lillie owes mom.”
- A check from United Youth Careers account at Commercial Federal Bank dated January 16, 2005, for \$350, written to secretary Anna Ricks, with a memo line reading “loan.”

- Over \$1700 to director Kenneth McGregor's son Jermaine, on checks written with the memo line "loan to Jermaine's hauling."

20. On June 25, 2003 United Youth filed a lawsuit against the City of Des Moines alleging Constitutional violations by the City in enforcement of the City's solicitation ordinance.

21. On January 26, 2004 the City of Des Moines authorized a settlement with United Youth by the payment of \$21,000 to United Youth in exchange for a dismissal.

22. On January 30, 2004 four corporate insiders (corporation founder/manager Kenneth McGregor Sr. and his wife Marjorie McGregor; Director Lillie Ward, and Director and Officer Antonio Ward) each received a check from United Youth in the amount of \$2,500. On the memo portion of each check was the notation, 'city settlement.'

23. Such payments were illegal distributions from a public benefit non profit corporation.

24. United Youth has continued to exceed or abuse the authority conferred upon it by the non-profit corporation laws of Iowa.

25. United Youth has never obtained non profit status from the Internal Revenue Code, 26 U.S.C. § 501, and consequently contributions to United Youth are not tax deductible.

### **CAUSES OF ACTION**

26. Paragraphs One through Twenty-five are incorporated herein by reference.

**COUNT I**

**CONSUMER FRAUD**

27. Solicitation of contributions for charitable purposes is covered activity of the Iowa Consumer Fraud Act. § 714.16(2)(a).

28. Defendants, both individually and as a collective scheme, have violated the prohibitions of Iowa Code § 714.16(2)(a) by the use of unfair practices, deception, fraud, false pretense, false promise, or misrepresentation, or the concealment, suppression, or omission of a material fact with intent that others rely upon the concealment, suppression, or omission.

**COUNT II**

**IOWA NON PROFIT CORPORATION ACT**

**RECOVERY OF ILLEGAL DISTRIBUTIONS**

29. United Youth has continually exceeded and abused its authority by making illegal distributions to corporate officers and directors. Iowa Code § 504.835

30. The individual Defendants are personally liable for unlawful distributions and financial benefits. Iowa Code § 504.835 and § 504.901.

**COUNT III**

**IOWA NON PROFIT CORPORATION ACT**

**CORPORATE DISSOLUTION**

31. United Youth has continually exceeded and abused its authority by making illegal distributions to corporate officers and directors. Iowa Code §§ 504.835 and § 504.1301.

32. United Youth has continually exceeded and abused its authority by making loans to corporate officers and directors. Iowa Code § 504.834.

33. The Court may dissolve a corporation which has continued to exceed or abused the authority conferred upon it by law. Iowa Code § 504.1431(1)(a)(2).

### **REQUEST FOR RELIEF**

The State respectfully requests the Court grant relief against the Defendants as follows:

#### **Consumer Fraud**

A. That the Court, pursuant to Iowa Code § 714.16(7), permanently enjoin each of the Defendants and (as applicable) each Defendant's directors, officers, principals, partners, employees, agents, representatives, subsidiaries, affiliates, successors, assigns, merged or acquired predecessors, parent or controlling entities, and all other persons, corporations, or other entities, acting in concert or participating with Defendants who have actual or constructive notice of the Court's injunction from engaging in the unlawful acts and practices alleged in this Petition or otherwise violating the Iowa Consumer Fraud Act.

B. That the Court expand the provisions of the permanent injunctions as necessary by including such "fencing in" provisions as are reasonably necessary to ensure that the Defendants and other enjoined persons and entities do not return to the unlawful practices alleged herein, or commit comparable violations of law.

C. That the Court enter judgment against Defendants, jointly and severally, for amounts necessary to restore to consumers all money acquired by means of acts or practices that violate

the Consumer Fraud Act, pursuant to Iowa Code § 714.16(7).

D. That the Court enter judgment against Defendants, jointly and severally, for such additional funds as are necessary to ensure complete disgorgement of all ill-gotten gains traceable to the unlawful practices alleged herein, pursuant to Iowa Code § 714.16(7).

E. That the Court enter judgment against Defendants, jointly and severally, for up to \$40,000.00 for each separate violation of the Consumer Fraud Act, by each Defendant, pursuant to Iowa Code § 714.16(7).

F. That the Court award the State interest as permitted by law.

G. That the Court enter judgment against Defendants, jointly and severally, for mandatory attorney fees, state's costs and court costs, pursuant to Iowa Code § 714.16(11).

H. That the Court grant such additional relief as the Court deems just and equitable.

### **IOWA NON PROFIT CORPORATION ACT**

I. Judgment should be entered against each officer or director who received an illegal distributions.

J. United Youth Careers should be dissolved and that the Court direct the assets of the corporation be distributed according Iowa Code § 504.1405 through Iowa Code § 504.1407.

Respectfully submitted,

THOMAS J. MILLER  
Attorney General of Iowa



By:



C. Roderick Reynolds

PIN: AT0006488

Assistant Attorney General

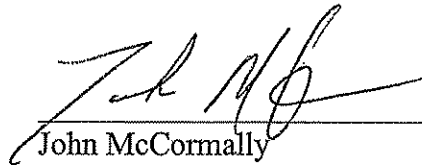
1305 E. Walnut St.

Des Moines, Iowa 50319

Telephone: 515 - 281- 4055

Facsimile: 515 - 281- 7219

email: rreynol@dhs.state.ia.us



John McCormally

PIN: AT0009602

Assistant Attorney General

1305 E. Walnut St.

Des Moines, Iowa 50319

Telephone: 515 - 281- 4055

Facsimile: 515 - 281- 7219

email: [john.mccormally@iowa.gov](mailto:john.mccormally@iowa.gov)