

Straight, Inc. Tax Report

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The finding of this and all other reports are being or have been forwarded to the appropriate government offices or law enforcement agencies.

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Introduction

This report is the result of many researchers examining hundreds of documents. The researchers continued to observe that much of the financial reporting of Straight, Inc. did not coincide with what the researchers knew to be true. The same information may appear in more than one section of this report.

This purpose of this report is to examine the possibility that Straight, Inc. and/or Straight Foundation may have committed tax fraud and/or tax evasion. If this is true, those are federal crimes - which do not hold a statute of limitations.

As of this writing, it is our understanding that a criminal investigation into allegations of tax fraud concerning Straight, Inc. for the years of 1983- 2002 is currently underway.

This report along with numerous documents has been forwarded to the IRS at their request.

It is important that the reader understand that we are not tax experts; we are simply addressing issues that appear relatively obvious to us.

Part Two of this report will address the issue of insurance fraud that may have been committed by Straight, Inc. We expect it to be completed in two weeks.

Section One: The Improper Use of Grant Money

In 1972 the US government funded an experimental juvenile drug rehabilitation program in Fort Lauderdale, Florida known as The Seed. Three years later the US Senate, under the leadership of Senator Sam Ervin, published a study, which likened The Seed's methods to the brainwashing tactics employed by Communist North Koreans on American servicemen during the Korean War. The U.S. Senate also determined that the methods used by The Seed were experimental. The Senate determined that under its federally mandated charter, the federal Law Enforcement Assistance Agency (LEAA) had not been established by Congress to sponsor medical research. The Senate compelled the National Institute on Drug Abuse (NIDA), which administered the million-dollar government grant to the Seed, to follow its own regulations and require The Seed to issue consent forms to its clients informing them that they were participating in a medical experiment. At that time NIDA, under the directorship of the Republican White House Drug Czar Robert DuPont, was considering an additional grant of \$995,000 for Seed expansion programs in Florida.

The Senate also forbade LEAA from granting any additional funds for research programs like The Seed (LEAA had already made a grant to The Seed). During the course of the Senate investigation Florida Congressman C. W. "Bill" Young, Republican St. Petersburg, met with Robert DuPont in an effort to make sure the funds that had been requested for the Seed expansion program in Pinellas County Florida would not be cut.⁽¹⁾ However, funding for Seed expansions was, in fact, stopped in 1975. The next year, Republicans Melvin and Betty Sembler and some other Pinellas County Seed parents opened up the second-generation Seed known as Straight, Inc. with \$100,000 in grants from LEAA----disregarding a Congressional order to LEAA to cease such funding.

In March 1978 Florida's Bureau of Criminal Justice Planning and Assistance (BOCJPA) produced a special report on Straight, Inc., which had received federal LEAA grants totaling \$100,000 in its first two years of operation. The grant guidelines had clearly stated that the money was to be used for salaries only. Another finding of the report was that Straight, Inc. founder Mel Sembler had violated federal conflict of interest regulations because the LEAA money, which had been granted for use for salaries only, had been placed in a single bank account along with other Straight, Inc. funds at First Bank of Treasure Island—a bank which included Mel Sembler among its corporate directors. (Source: Florida Division of Corporations 1977) The report further found that Straight, Inc. officials Richard Batchelor, Helen Petermann, and Marlene Hauser had violated federal conflict of interest regulations because either they or a family member was receiving part of the grant money as salary. The LEAA grants, which had been approved by BOCJPA, had been administered by the City of Saint Petersburg (Pinellas County had also made grants to Straight, Inc.). The significance being that one John White, Straight, Inc.'s treasurer was a financial officer for the City of Saint Petersburg. (Source: St. Petersburg Times). Straight stopped receiving LEAA grants when it was accused by (BOCJPA) of violating federal law in the use of that money.

Section Two:
Member of the Board of Directors of Straight, Inc. Named in Medicaid
Lawsuit

In 1985, Walter P. Lobenberg (Board of Directors of Straight, Inc.) and Bernadine Braithwaite an official at Straight, Inc. were named in a lawsuit by Medicaid for overpayment to U.S. Health Care where they were executive directors. (St. Petersburg Times September 24th 1992)

Section Three
The FBI Investigated Straight Inc.

In 1993 the FBI investigated Straight, Inc. for insurance fraud. Special agent Charlotte Brazil was in charge of the investigation.

Client bills that have been obtained show charges nearing thousands of dollars for “daily intensive group therapy” which was conducted by former clients -- not licensed drug abuse professionals. There are many allegations that peers -- not doctors – were conducting the \$300.00 initial evaluation (This allegation has been confirmed by Straight, Inc.’s own documents and numerous affidavits.)

Another allegation is that Straight, Inc. billed thousands of dollars to parents over the years for services rendered and then also billed insurance companies for those same services. (This is an ALLEGATION ONLY)

Barbara Seagraves whose son was in the program from 1989 to 1990, said Straight, Inc. charged her \$450.00 a month to cover the cost of her son staying in a host home. For her efforts as a host parent, Seagraves said, “I didn’t get a cent.” At that time, host parents were supposed to receive \$7.00 a day for each child staying in their home, she said. (Source: 1993 Tampa Tribune)

Note: If the average number of children in the program was 200 and only half of them were being charged to stay in host homes, that equates to: \$45,000.00 dollars per month or roughly \$5,400,000.000 per year. Straight, Inc.’s own documents state that newcomers were not to be charged a monthly fee for host homes. If any parents had newcomers in the program and were charged a monthly fee, please contact us.

Section Four
Straight, Inc. Tax Returns

Note: When Straight, Inc. filed tax returns, they filed a single return for ALL programs open during that year.

1984 - Straight, Inc.
Number of open programs that year and the year prior: 4

Tax Return Issues:

Salary Question

Line 25 - Compensation of officers, directors etc..... they claim...\$83,413.00
Line 26 - Other Salaries and Wages..... they claim...\$2,175,704.00
Line 29 - Payroll taxes.....they claim...\$0

- We question why this figure is “0”

Line 32 - Legal Feesthey claim...\$0

- We find this odd, due to the fact that they were using lawyers at the time to deal with lawsuits. We do know that the Straight Foundation did not pay the legal fees since the name change did not occur until September 26, 1985:
- Were legal services donated? This is possible since many parents and board members were attorneys.

Line 33 - Accounting Fees.....they claim...\$0

- Were the accounting services donated as well?

Line 82 - Did you or your organization receive services donated... they claim ... yes
Line 83 - If so, please specify amount.....they claim.....not determinable

- We question why it couldn't be determined. Volunteers were suppose to log in and out of the building and they would have to submit on their tax return anything they donated, including time valued at a certain amount.

Part V of tax return – Client Service Fees.....they claim...\$3,885,385.00

On an attachment to the tax return they detail a list of other expenses.

Food.....they claim...\$38,107.00

- Straight, Inc. had four open programs at the time with an average of 70 clients - a low figure in our opinion - per program, for a total of 280 clients
- This figure of \$38,107.00 indicates that either some of the food was donated or they spent less than .20 cents per meal per child.

Medical.....they claim... \$15,000.00

- With four open programs and a “doctor” supposedly present at each intake in order to conduct a medical exam as Straight, Inc. claims they were, or if they had nurses available, it appears to this investigator that this figure should be much higher. However, we already know that doctors were NOT present at intakes and the nurses in Florida programs were NOT paid. (Source: Statement given by volunteer nurse)

Observation: If the services were donated this would set the precedence for board members and parents donating their services as opposed to being paid for them, which will be discussed later.

Section Four, Part 2

Note: When Straight, Inc. filed tax returns; they filed a single return for ALL programs open during that year.

1985-New Straight, Inc.
Number of open programs: 5

Tax Return Issues:

Line 25 - Compensation for officers and directors.....they claim...\$67,131.00

- This is \$16,000.00 less than the year before but they had five open programs then - not four

Line 26 - Other salaries and compensations.....they claim..... \$3,561,673.00

- This is a \$1,385,969.00 increase in just one year

Line 29 - Payroll taxes.....they claim...\$528,572.00

- Last year they claimed “0”

Line 32 - Legal Fees.....they claim...\$69,576.00

- Last year they claimed “0”

Line 43A - Food and Medical.....they claim...\$627,473.00

- Last year they claimed just \$53,000.00 for food and medical. This is an increase
- in one year alone of \$574,473.00.

Part V of tax return – Client Service Fees.....they claim...\$5,960,099.00

- An increase of \$2,074,714.00 in just one year

Contributions - Straight Foundation gave.....\$1,255,719.00

Explanation To Reader: Straight, Inc. was named Straight, Inc. until 9/25/1985; at that time it changed its name to Straight Foundation. So there was no more Straight, Inc. However, right after they formed Straight Foundation they formed a new Straight, Inc. This was a whole new corporation.

What does this mean?

It means that Straight Foundation/DFAF is responsible for everything the old Straight, Inc did from 1975 to 1985. However, the foundation, which we will see later, held most of the money and all the property, yet was not responsible for any actions of the new Straight, Inc. because the new Straight, Inc was a separate corporation.

Therefore, the new Straight, Inc could be sued for anything that happened AFTER 1985 but it claims to not have many assets since the property was owned by the Straight Foundation and was only “leased” to the new Straight, Inc.

Straight, Inc. paid high rates (in our opinion) for the property it leased from the foundation but this kept the new Straight, Inc.’s actual cash and asset value low.

But what you could not do is sue the Straight Foundation, which held all the property and money for any civil matter concerning Straight Incorporated arising AFTER 1985. Straight Foundation in our opinion was formed to protect Straight Inc.’s assets and property from lawsuits and/or accountability. However, there is a legal question here. Can the foundation be held civilly or criminally liable for anything that the “New Straight, Inc.” did? Our legal team is finding that answer now.

We have coined three new terms for the remainder of this document. The foundation, which refers to Straight Foundation, the “new Straight, Inc.” (1985-1993) and “old Straight, Inc” (1975-1985).

1985-Straight Foundation

Tax Return Issues:

Line 1 - Contributions/gifts/grants.....they claim...\$1,016,861.00

- Where did the Straight Foundation get this initial capitol in their first year? We believe that the capitol monies came from the transfer of property and monies from

Straight Incorporated. If so, could one then say that they transferred monies and properties to protect it from civil suits?

Part 3, Line A: Here they are to list their purpose or Mission Statement.

- Here is what they list: “Support and finance programs (note the “S” on “programs”) dealing with drug abuse, education, prevention, control, treatment and rehabilitation.”

Part 2, Schedule A – Straight Foundation claims to have paid Clews Communications in Washington, DC \$37,612.00 for Public relations.

- This is the same company that the “New Straight, Inc.” also used in 1985 and paid \$37,000.00

Officers listed on Straight Foundation:

- Many were officers at the old Straight, Inc.

We cannot find any document anywhere that states Straight Foundation ever **supported any program other than the “new Straight, Inc.” So, is the mission statement they give fraudulent? Was the purpose of the formation of the Foundation to simply hide assets while Straight, Inc was being sued? Were their corporate filing papers fraudulent when they stated “programs” but only had the intention of supporting the “new Straight, Inc.”? Was any of their advertising fraudulent in the same way? By seeking funding from outside corporations and individuals under the guise of funding multiple treatment centers, when in fact they only funded Straight Incorporated, it is our opinion that this is fraudulent.**

Should a foundation continue to donate monies to another corporation that they knew or should have known to be abusive?

These questions must be answered before we proceed with tax issues in order for the reader to understand the legal implications of this information and documentation.

We believe Straight Foundation and the new Straight, Inc can be legally linked

Documented Proof provided by Wes Fager:

Let’s answer some basic questions that will tell us they were in fact “the same” or in legal terms -- “connected”

- A) The Money, Grants, and Parents Contributions: Where did it all go?

Answer: For nine years, Straight, Inc. parents, concerned citizens and corporations had donated money to Straight, Inc. Parents had donated their services to raise money for Straight, Inc. and parents had paid revenues to Straight, Inc. The old Straight, Inc. had even received federal grants. The new charter for the old Straight, Inc. stated that its purposes would include, "support and finance programs dealing with drug abuse education, prevention, control, treatment and rehabilitation of men, women and children . . ." The new charter did not say that it would support and finance ONLY Straight, Inc., rather it would support and finance programs. If the old Straight, Inc. (now calling itself Straight Foundation, Inc.) used existing resources and raised additional money to finance the new Straight, Inc. as well as "other treatment programs", then perhaps all would be well. But if the old Straight, Inc. used existing funds and raised additional money to finance exclusively or almost exclusively the new Straight, Inc., then surely Straight, Inc. would open itself up to being accused by its detractors of having changed nothing; that for nine years parents had raised money so that kids could receive therapy at Straight, Inc. and now they continued to raise money so kids could receive therapy at Straight, Inc.--except that the money, the property and the directors would be isolated from civil suits made against the new Straight, Inc.

An analysis of Straight, Inc.'s tax returns shows that it grossed nearly \$100,000,000 of which \$18,000,000 alone was from tax-exempt donations. I believe that, for the most part, the donors of the money were led to believe they were donating money to help teenagers receive drug rehabilitation. Some donors thought they were helping pay for Straight, Inc.'s legal expenses in its numerous civil litigations. Others thought they were helping the Straight, Inc. building fund while still others thought they were educating the public about the dangers of improper drug use. But how much of the donated money actually went to help needy kids receive drug rehabilitation? Citizens and corporations donated \$18 million, in large part, to help kids get the drug treatment that Straight, Inc. claimed they needed, yet Straight, Inc.'s own tax returns show that only \$1,375,024 was used for specific assistance to people. In other words, Straight, Inc.'s own records show that less than 8% of every dollar donated was actually used to help "druggie" kids.

Salaries

Straight, Inc.'s largest expense claimed, by far, is in salaries. In total, Straight, Inc. claims to have paid out almost \$43 million in salaries! People who were there would question this statement. We know that Straight, Inc. rarely if ever had to pay salaries to medical doctors. Those unpaid old comers did most of the therapeutic work. Most of the professional staff was kid graduates who were paid minimum wage and some of them were program graduates in training that were not paid a salary at all. There were Straight, Inc. parents who were nurses who apparently donated time, and many others donated their services as well. Volunteer parents manned the telephones and helped in other clerical duties for free. Parents transported kids to medical doctors for free. Parents manned booths to collect donations and they gave talks to civic groups--all for free--to advertise Straight, Inc. Straight, Inc. did not run dormitories so there were no beds to be made or meals to be cooked--at Straight, Inc.'s expense. If any food was prepared, volunteer parents did the preparation; even major building improvements were done by parents for free.

I have just one payroll from one branch to analyze, but according to this statement one would assume that although Straight, Inc. did sometimes pay overtime or make special payments, it appears that employees worked less than 40 hours per week. An analysis of Straight, Inc.'s own data indicates wages paid to field office personnel of about \$3.25 million, not \$3.82 million as declared in its tax returns. And while it is true that Straight, Inc. could have paid out more than \$3.25 million in overtime and special payments, the only evidence we have indicates the opposite. It appears that Straight, Inc. actually paid out less than \$3.25 million - not more - considering the fact that many employees did not work a full 40-hour week. This is all based on just one payroll from one center. It could be a coincidence. Perhaps Straight, Inc. will claim it gave out half a million dollars yearly in Christmas bonuses. Yet the doubt remains. Where did that half million dollars go and were there similar discrepancies in other years?

B) Do Straight, Inc. and Straight Foundation appear to even be close in geographical location?

Answer: Physically, Straight, Inc.'s national corporate office and Straight Foundation's office were located in the same building at 3001 Gandy Blvd in Saint Petersburg, Florida.

We have spoken to an individual who states he visited both Straight, Inc and the Straight Foundation and can confirm that they were in the same building.

C) Are the officers for the new Straight, Inc. and the Straight foundation the same?

Answer: Anthony Agliardi was the chief financial officer for Straight, Inc. You can see from the FY 90 tax filing for Straight, Inc located at <http://www.thestraights.com> in the financial section page 4 that the financial books for the new Straight, Inc. were kept by Anthony Agliardi.

From <http://www.thestraights.com> in the financial section page 4 notice that the financial books for Straight Foundation, Inc. (the old Straight, Inc.) were also kept by Anthony Agliardi, and on page 5 he even signed the return for Straight Foundation, giving his title as Chief Financial Officer for Straight, Inc.

According to tax filings (Straight Foundation, Inc. FY88, page 6 and Straight, Inc. FY88, page 11) in 1989 Joseph Garcia was President and Chairman of the Executive Committee for Straight, Inc and at the same time the Executive Vice President of Straight Foundation, Inc. Furthermore, in 1989, Mel Sembler and Joseph Zappala were members-at-large for both organizations.

D) Do the board meetings; letterhead, and brochures indicate Straight, Inc and Straight Foundation as one in the same or as related entities?

Answer: Just before Christmas in 1986 William Oliver, executive Director of Straight Foundation, Inc., sent a letter on Straight Foundation letterhead requesting donations for STRAIGHT. In the letter it shows where Oliver wrote, "Let me tell you what our recent STRAIGHT survey of kids in treatment revealed. I believe you're going to be shocked (even some of our counselors were)." He goes on to say "46% of the kids used drugs before the age of 12; 70% were introduced by friends . . ." On 9-16-86 The Saint Petersburg Times gave the exact same figures and attributed the data to a survey of kids at Straight, Inc, a survey that was released by Straight, Inc.

The director of Straight Foundation wrote "our recent Straight survey," although Straight, Inc. apparently did the survey. By stating, "our" it appears he is implying that the treatment center is in fact part of Straight Foundation.

He continues, "...even some of our counselors were [shocked]." Clearly, William Oliver is saying that foundation counselors were even surprised at the results. But it was Straight, Inc. that had the counselors, not Straight foundation.

This appears to be an admission that Straight Foundation, Inc. and Straight, Inc. were really one and the same.

Look at the remainder of his four-page letter. Oliver tells the story of the founding of Straight, Inc. in 1976 and its phenomenal growth. He writes that the foundation is going to commit:

1. To launching a nationwide community outreach to educate the public on the "sinister drug culture"
2. To expanding the current STRAIGHT facilities
3. To beginning a new and improved aftercare program
4. To opening six new Straight Family Service Centers

He ends his impassioned plea for money by stating that if you "act now" and send in \$100 he will send you a copy of a video of the Nancy Reagan visit to Straight, Inc.

This Straight Foundation, Inc. Christmas letter is clearly a fund raising letter to benefit Straight, Inc.--not "other programs."

In the minutes dated August 28, 1986 from the board meeting of the Greater Washington Chapter of Straight Foundation, Inc. Notice item V entitled "Director's report." The "Director's report" spans the first three pages of this four page report and is a report on Straight, Inc. - Springfield, Virginia by program director C. Suzanne Hardman. There are no reports about other programs by other program directors. The name says it all, "Director's report" and means "Director's report for Straight, Inc. - Springfield." Item IV introduces Ms. Hardman as "the new Program Director." There was no apparent need to say "the new program Director for Straight, Inc. - Springfield, Virginia." The message is clear. When this

local foundation chapter talks about aiding other programs, it means Straight, Inc. **This is not what they're mission statement declares.**

The remainder of the minutes verifies this statement. Page 3 addresses the issue of securing \$5,800 for T.V. commercials promoting Straight, Inc. and suggests the money could be taken from the \$315,000 "quasi" building fund (which is presumably money earmarked to build the new Straight, Inc. facility).

Page 4 talks about an employee newsletter from United Virginia Bank which was planning to have a presentation about Straight, Inc. It is noted that Marriott was willing to hire kids from the Straight, Inc. program and that Marriott's general manager wanted to attend an open meeting. In short, this board meeting was all about support to one specific juvenile drug rehabilitation program--Straight, Inc.-Springfield, Virginia.

Since the board meeting minutes of a local chapter of Straight Foundation, Inc. seem to imply that the local chapter exclusively promoted Straight, Inc., then one should not be surprised to make similar findings at the national level. In June 1987 Straight Foundation, Inc. published Volume 1, Issue 1 of The Foundation Report. The report included short announcements on fund raising efforts such as a raffle by Boston foundation locals, finding a permanent home for Straight, Inc.-Boston, finding a home for Straight, Inc.- Springfield, Virginia, a \$20,000 fundraiser for Straight, Inc.-St Petersburg, efforts by foundation locals in Seattle to open a Straight, Inc. there, a pledge to the foundation local in LA to open a treatment program there (Straight, Inc. So. California later opened), a fundraising event by the local Atlanta chapter noting that it has raised \$150,000 to renovate Straight, Inc.- Atlanta, and so forth. There was a single article on a non-Straight specific endowment fund established by Mel and Betty Sembler; but otherwise the report was clearly about raising money--not for programs, but almost exclusively for Straight, Inc.

Beginning in 1982, Straight, Inc. published a four-page glossy newsletter called EPIDEMIC. In Vol. 4., the lead story from page 1 is an article titled "THE STRAIGHT PROGRAM." For three and a half written pages and artist pictures, the Straight, Inc. treatment program is discussed. The remaining half page is an article by Straight, Inc.'s Executive Director William Oliver in which he discusses the success of Straight, Inc. Vol. 4 also has a special glossy insert with a collection of photographs on the front and back taken during Nancy Reagan's visit to Straight, Inc.-Cincinnati in 1982. On the last page is a notice that Straight, Inc published EPIDEMIC. It asks for a \$10 donation and also has a block to check to request more information about Straight, Inc.

Two editions of Vol. 4 were published. One is fully titled

EPIDEMIC Straight talk about kids, drugs and families from Straight, Inc.

The other is fully titled

EPIDEMIC Straight talk about kids, drugs and families from The Straight Foundation.

Aside from the title, the newsletters are nearly identical. Page 4 of the foundation version even includes the notice that Straight, Inc published EPIDEMIC. Both newsletters ask for a \$10 donation and each has a block to check to request more information about Straight, Inc. The last page of both versions list the Straight, Inc. treatment centers except that the foundation version lists more centers (meaning that the foundation version was printed later than the Straight, Inc. version.) The last page of the foundation version does not have the Straight, Inc. logo. One shows contact information for The Straight Foundation, Inc. at 3001 Gandy Blvd. The other shows contact information for Straight, Inc. at 3001 Gandy Blvd. In other words after September 26, 1985 the Straight Foundation and the Straight, Inc. treatment program published the same newsletter.

Straight Foundation's Vol. 4 newsletter is exclusively about the Straight, Inc. treatment program. It is clearly not about "other programs."

Vol. 5 was also published in two versions. It features an article titled "RECOVERY" and discusses the unique Straight, Inc. 7 Step recovery method. There is a message by Straight, Inc.'s William Oliver, and there's a story of how Straight, Inc. saved a boy named Patrick who is now a successful electrical engineer. The only difference in the two newsletters is an insert on page 3 for the reader to request reprints. The foundation version and the Straight, Inc. version provide for different available reprints and the Straight logo is removed from the foundation version.

This same is true for Vol. 9, which is a special eight-page, glossy newsletter titled "A day in the life of a Straight family."

I only have the foundation version of Vol. 11. This volume has a feature article by a medical doctor from Seattle who describes how she got involved with Straight, Inc. and how it saved her son. The last page is a picture spread of then Vice President George H. W. Bush's visit to Straight, Inc.-Saint Petersburg in 1987. There is a glossy insert which lists the signs of a drug-using child and on the back, a table of common drugs children use--it is not Straight, Inc. specific. Clearly the renamed Straight Foundation and the new Straight, Inc. shared the same newsletter and both were exclusively used to promote the new Straight, Inc. drug rehabilitation program.

A Message from Bernadine Braithwaite shows the back page of a two-page glossy Straight brochure titled STRAIGHT, THE FAMILY ORIENTED TREATMENT PROGRAM. Point "a" shows that Ms. Braithwaite became the new national Executive Director for Straight, Inc. in September 1987. Point "b" shows where she claimed "her" Straight, Inc. has been around since 1976. Again, this is misleading. The 1976 Straight, Inc. to which she refers was Straight Foundation, Inc. in 1987. Ms. Braithwaite's Straight, Inc. had only been around since 1985.

In another Straight document, a glossy, undated "Personnel Handbook" from "STRAIGHT" there is a picture of Bernadine Braithwaite on the first page, proving that it is from the "new Straight, Inc." On the second page it reads "Straight was founded in 1976" and states, "Since that initial effort, STRAIGHT has expanded to become a national organization."

A big, glossy eight-page brochure from Straight, Inc., also has Bernadine Braithwaite's picture on page 1. Page 2 begins by telling how some parents and professionals founded STRAIGHT in 1976 and goes on to say, "Today STRAIGHT is considered one of our nations' most effective drug treatment programs for adolescents". This "Message" alone proves that even the Directors of the "New Straight, Inc." saw Straight, Inc. and the Straight, Foundation as one and the same -- unless they made a false advertising claim here when by stating that Straight, Inc. had been around since 1976. This issue is addressed later in the report. **Either way, it's proof that the Straight Foundation and Straight, Inc. were the same organization.**

E) From 1986 – 1989

The Straight Foundation Claims the following on its tax returns:

Grants to others:.....they claim...0

- They do claim grants to Straight, Inc during those years. This means that between 1986-1989, Straight, Foundation did not give money to any "programs" other than Straight, Inc.

Note: We have documents that prove Straight Foundation operated out of the same **building as the "new Straight Inc."** Since, they were in the same building day in and day out, it is probable that Straight Foundation executives and employees knew of **the abuse that was occurring at the "new Straight, Inc."** **If they did, they failed to report it--which is a crime.** Since they operated in the same building for years, if it can be proven that Straight Foundation knew of the abuse (and it can), that legally makes them accessories to the abuse.

1986,1987- "New Straight, Inc." Tax Info – Unavailable

1987-Straight Foundation

Tax Return Issues:

Line 1 Contributions (income).....they claim...\$145,508.00

Line 6 Rents.....they claim...\$590,748.00

- It seems there should be more on this tax return but very little is listed

From 1986 – 1989 The Straight Foundation claimed the following:

- Grants to others (aside from Straight, Inc.)= 0
- Telephone (1986) = 0
- Administrative Fees = 0
- Postage/shipping = 0
- Accounting = 0
- Office Supplies = 0
- Write down of assets = 0
- Depreciation = 0
- Salaries and taxes = 0 (except for 1987 when they claimed \$127.00)
- Wages for Officers and directors = 0
- Other wages = 0
- Fund raising = 0 But clearly as stated above they did do fundraising in 1985 and 1986. **As a matter of fact from 1985 to 1995 they claimed “0” for fundraising.** Where is the money that they raised? This claim of 0 means that they paid no taxes On any money raised between 1985-1995.
- Supplies = 0

1988 - new Straight, Inc.
Number of open programs: 7

Tax Return Issues:

Note: The IRS did not receive this tax return until 1990

Line 25 - Compensation of officers and directors.....they claim.....\$0

- In 1984 it was \$84,000.00 and in 1985 it was \$67,000.00

Line 26 - Salaries and wages.....they claim...\$6,190,145.00

- In 1985 this figure was \$3,561,673 and in 1984 it was \$2,175,704.00. This figure doubled in 1988 even though Straight, Inc. claimed to be cutting salaries and only had two additional programs open

Line 23 - Food and Medical.....they claim...\$353,394.00

- In 1985 with five programs open it was \$627,473.00. How did they spend less with two additional programs open?

Note the figures below:

- Postage fees and shipping with seven programs open = 0
- Legal fees with seven programs open = 0

- Accounting fees with seven programs open = 0
- Fundraising fees with seven programs open = 0
- Telephone expenses with seven programs open = 0

But

- Prizes and awards.....they claim...\$584,251.00

We have many statements saying it is NOT POSSIBLE that Straight, Inc. spent that much on prizes given out at open meetings. According to Straights own internal documents these prizes were donated. These prizes consisted of such things as: bumper stickers, pens and meals at parent owned restaurants. If you take the fact **that they had two open meeting per week time’s seven open programs**, this would mean that they spent an average of \$869.00 on each prize awarded. This does not agree with the statements we have of the prizes awarded.

On the tax form there is a place to list individuals who were paid for their services. Note that there was not a doctor listed as being paid by the old Straight, Inc. It was merely listed as “medical.” In all of Straight, Inc.’s tax returns, there are only 2 doctors listed as “paid.” One in 1985 and another in 1988. Each was paid roughly \$33,000.00 and it would have been up to the two of them to take care of the medical needs of all the programs open during those years. This would prove that the correct medical care was not available to the clients. There are NO nurses listed as “paid”. There is NO psychiatrist listed as “paid”. In one tax return an individual was paid almost twice as much for “educational testing” as the “doctor” was paid for “medical services”.

1989-New Straight, Inc.
Number of open programs: 8

Tax Return Issues:

Line 23 - Special Assistance to individuals.....they claim...\$277,743.00

- This is the same line they used last year to claim “food and medical” expenses. In 1985, they claimed \$627,473.00 with five programs open

Line 25 - Compensation to officers and directors.....they claim...\$0

- Why is this figure is “0”?

Line 26 - Other salaries and wages.....they claim...\$7,538,846.00

- Last year they claimed \$6,190,145.00 with one less open program

Note the figures below:

- Postage fees and shipping with 8 programs open = 0
- Legal fees with 8 programs open = 0
- Accounting fees with 8 programs open= 0
- Fundraising fees with 8 programs open= 0
- Telephone expenses with 8 programs open= 0

But

- Prizes and awardsthey claim.....\$734,471.00
- They spent an additional \$200,000.00 on PRIZES over the previous year

Line 29 - Payroll Taxes.....they claim.....0

- We question why this figure is “0”, especially since they claimed \$857,250.00 for payroll taxes last year

Part Three, Schedule A lists the following:

Medical Director – New England Deaconess

- There is no name or no M.D. here, just New England Deaconess. The question arises how can a Deaconess with no M.D. be medical director of a drug treatment facility?

Straight has experienced a severe drain on its financial resources . . . In order for Straight to keep its remaining facilities operating we need the help of all our families in the area of client referrals and fund raising . . . *I've restructured the organization, laid-off personnel, cut salaries at all levels* . . . Bernadine Braithwaite

But whose salaries "at all levels" had Braithwaite cut? Tax returns for the years 1989 and 1990 show that five months before she made the plea for additional fundraising efforts by the parents, her own salary had increased from \$132,000 the previous year to \$145,200. Her salary for 1991, the year she made the broadcast, increased again to \$151,417. In fact, in 1990, including contributions to employee benefit plans and her expense account, Mrs. Braithwaite's share was \$172,098.

In the same time period Page Peary's salary increased from \$72,000 to \$86,400. Anthony Agliardi's increased from \$73,425 to \$88,110. The fact is that all of the top five paid employees (other than officer's, directors and trustees) received salary increases over the previous year.

1993-Straight, Inc.

Client refunds.....they claim...\$90,210.00

- As of this writing, we know of NO person who received a refund from Straight, Inc. Based on Straights own internal documents it was not their policy to refund money. As stated in the Sembler report, Straight more often than not sued parents that owed them money. Straight often sent threatening letters to parents who owed money.

1993-Straight Foundation

Client refunds.....they claim...\$89,843.00

- Straight Foundation however had NO clients. This is Blatantly false as the Straight Foundation was not a drug rehabilitation center and therefore, had no clients.
- From 1983 to 1991 Straight, Inc. claims to have spent over \$3,750,000.00 on PRIZES alone.

1990-Straight Foundation

This tax return does not indicate the full amount of rent paid by Straight, Inc nor does it indicate much of anything. However, Anthony Agliardi who was employed with Straight, Inc. signed this tax return. It appears that this may be a potential conflict of interest and it further confirms the allegation that Straight Foundation and Straight, Inc. were really one and the same.

Salaries (and Raises) at Straight, Inc.

Mel Riddile

Regional Director

Salary 1984: \$57,042.00

1985: \$67,131.00

Anthony Agliardi

Finance Director

Salary 1984: \$45,974.00

1985: \$52,226.00

1988: \$73,425.00 Finance V.P.

1989: \$88,130.00

Randolph Ratcliff

Regional Director

Salary 1984: \$42,076.00
1985: \$47,452.00

Gerald Rushing
Program Director
Salary 1984: \$40,313.00
1985: \$44,664.00

Thomas Fix
Admin Director then Admin V.P.
Salary 1985: \$47,304.00
1988: \$62,307.00
1989: \$65,000.00

Page Peary
Regional Director then V.P.
Salary 1985: \$42,810.00
1986: \$72,000.00
1989: \$86,400.00

Bernadine Braithwaite
Executive Director
Salary 1988: \$132,000.00
1989: \$145,200.00

On an internal document that lists salaries, it appears that the secretary made \$19,280.00 and the custodian made \$18,740.00, but the nurse for the St. Petersburg program was paid just \$15,280.00. We have statements that indicate that there was no nurse at that facility nor was there a janitor.

Senior staff earned \$12,00.00 and junior staff earned \$10,000.00.

This document lists salary totals for 28 employees – Not one of them are doctors or licensed drug counselors.

Section Five False Advertising and the New Straight, Inc.

One of the best ways for a business is to attract clients is to advertise that it has been around a long, long time. That way a potential client will feel that while other companies have come and gone, your company is still there providing a service. Straight, Inc.'s directors had to deal with that issue on September 23, 1985. They had a corporation with a lot of employees that had been around since 1976. They had property and money in the bank. They wanted to form an additional, simpler and smaller organization to manage the property and to promote

nation-wide awareness and fundraising. All things considered, the simplest thing to do would have been to create a foundation to handle those issues and give it some grant money. But Straight chose the other way around. By taking the convoluted approach it took, the board had to have known Straight, Inc. could no longer claim that it had been around since 1976.

Straight Talk, Volume 1, Issue 1 is a publication of Straight, Inc. as indicated by point "a" at the bottom of the document. At point "b" the article talks about the Drug Free Workplace Act of 1988 and an event that occurred in 1989. This article was published after 1985 thus it is without question a publication of the new Straight, Inc. Point "c" says that Straight, Inc. was created in 1976 and has treated more than 50,000 family members nationwide. The Straight, Inc. that published this article was not yet created in 1976. And while the old Straight, Inc. from 1976 to 1985 plus the new Straight, Inc. from 1985 to whenever the article was published combined may have treated 50,000 family members, they were two separate organizations. The claim is misleading.

A Message from Bernadine Braithwaite shows the back page of a two-page glossy Straight brochure titled STRAIGHT, THE FAMILY ORIENTED TREATMENT PROGRAM. Point "a" shows that Ms. Braithwaite became the new national Executive Director for Straight, Inc. in September 1987. Point "b" shows that she claims "her" Straight, Inc. has been around since 1976. Again, this is misleading. The 1976 Straight, Inc. to which she refers was Straight Foundation, Inc. in 1987. Ms. Braithwaite's Straight, Inc. had only been around since 1985.

In another Straight document, a glossy, undated "Personnel Handbook" from "STRAIGHT" there is a picture of Bernadine Braithwaite on the first page, proving that it is from the "new Straight, Inc." On the second page it reads "Straight was founded in 1976" and states, "Since that initial effort, STRAIGHT has expanded to become a national organization."

In our opinion, by using facts pertaining to the old Straight, Inc., and the new Straight, Inc. both are guilty of false advertising.

We believe the new Straight, Inc. misled parents as to the corporation's true financial position in order to obtain donations.

What follows is the personal account of a parent from the Straight, Inc.-DC (Springfield, Virginia Program

I recall being a parent in Straight from 1989 to early 1990. I had contacted several high school PTAs trying to schedule myself as a guest speaker on Straight, Inc.'s behalf. My intention was to spread the word of the miracle of Straight to area schools so that those parents who had troubled kids would know where to send them for help. I had already recruited one family into Straight, Inc. from my place of employment, and I was after more. We cooked and donated food to Straight and fed and boarded usually five kids a night. We donated money to the bus fund and made cash donations at Straight meetings. I manned a booth one weekend to collect donations to Straight. I remember selling candies, Christmas wreathes, Christmas trees and raffle tickets for Straight. I was so successful that others

would come to me and ask me to help them sell their allotments of goods. One time Straight raffled off a car. I sold more \$1.00 tickets than anyone else. I do not remember how many but maybe 1,200 or maybe 800--but, nevertheless a lot. Finally there was a recognition ceremony at an Open Meeting. The conductor asked for anyone who had sold over \$1,000 to stand. By then I had learned of Straight, Inc.'s abuses and did not stand. \$900, \$800. I did not stand. Finally he said \$600 and someone stood and was applauded.

As far as I knew, I was raising money for Straight, Inc., period; and I was raising this money so less privileged kids could go to Straight, Inc. I did not realize in those days that there was a Straight Foundation, Inc. There were local chapters of the Foundation filled with people with ties to Straight, Inc. Certainly parents who were board members on the foundation realized there was a foundation. Even if I had known there was a difference, I'm sure that I would have assumed that the foundation is just a charitable arm of Straight, Inc. There was this one white family that had like eight kids. They were really struggling financially. Many of us donated groceries to them; I believe my wife may have given them some money. I heard stories that Straight was constantly hounding them for their money. If you read *White Kids Only* you will see that this family was not the type of family Straight targeted. Why were we raising money and for whom? Instead of spending time with our kids who were not "druggies", taking them to sporting events, helping them with their homework, or just sitting around with them watching TV- why were we spending all of our time housing and chauffeuring Straight kids, attending Straight meetings, and raising money to help needy kids get Straight treatment? After October 1, 1985 Straight parents may well have raised money for Straight Foundation, Inc. thinking they were raising money for Straight, Inc. to help needy kids, the same way that Straight parents raised money for Straight, Inc. prior to October 1, 1985 to help needy kids attend Straight, Inc.--or at least that is what they thought.

For a detailed account of the Straights finances visit:

<http://thestraights.com/financial/financial-analysis2.htm>

For a detailed record of Straights land deals visit:

<http://thestraights.com/financial/real-estate.htm>

It is the opinion of these researchers that we can prove tax fraud when asked to do so.