



U.S. Department of Justice

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FOR IMMEDIATE RELEASE

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**FORMER BOARD PRESIDENT AND FORMER CHIEF EXECUTIVE OFFICER OF
PHILADELPHIA CHARTER SCHOOL CHARGED WITH FRAUD**

PHILADELPHIA – An indictment¹ was unsealed today charging Hugh C. Clark and Ina M. Walker with conspiracy, wire fraud, and theft from a federally funded program based on their roles in defrauding the Philadelphia based New Media Technology Charter School (“New Media”), announced United States Attorney Zane David Memeger.

The 27 count indictment charges that Clark, the former president of the board, and Walker, the former CEO, improperly used approximately \$522,000 in New Media funds to enrich themselves and advance their personal interests. According to the charges, Clark and Walker stole from New Media, a charter school funded with federal tax dollars, to (a) pay expenses at a small private school they controlled, Lotus Academy (b) advance their personal business ventures, including the Black Olive health food store and the Black Olive restaurant, and (c) pay personal expenses. In addition, defendant Clark allegedly diverted substantial funds from New Media and Lotus Academy to benefit Tekhen, a web design and internet access company he owned and controlled.

The indictment charges that Clark and Walker diverted at least \$309,000 in fraudulent payments directly to Lotus Academy, which were often disguised as prepaid rent or bogus security deposits. Once the funds were deposited into Lotus Academy bank accounts, the defendants allegedly spent the money on the expenses of their private school, and on their personal and business ventures.

In addition, defendants Clark and Walker allegedly used approximately \$213,000 of New Media’s money to pay third parties for expenses for Lotus Academy, the Black Olive business ventures, Tekhen, and personal expenses. The indictment alleges that the defendants often disguised these payments by adding additional expenses to existing New Media expenses. For example, the indictment charges that Clark and Walker used New Media funds to hire and pay a contractor for the purpose of creating and preparing the Black Olive health food store for opening. Although the contractor had an office at the New Media middle school, the contractor did not teach students or

¹An Indictment or Information is an accusation. A defendant is presumed innocent unless and until proven guilty.

have any legitimate function in the New Media middle school, it is alleged. Similarly, the indictment charges that defendant Clark hired a marketing contractor to provide marketing services to New Media, Lotus Academy, the Black Olive business ventures, and another restaurant in which Clark and Walker had an ownership interest. Clark and Walker allegedly paid the marketing contractor with New Media's funds.

Further, the indictment charges that defendant Clark, without notice to or approval from the New Media board of directors, entered New Media into a written contract to purchase a school property for the sole purpose of benefitting Lotus Academy. Defendants Clark and Walker allegedly used \$15,000 of New Media's funds as part of the \$45,000 deposit for purchase of the school property. When the sale did not close and the \$45,000 deposit was returned to Lotus Academy, defendants Clark and Walker never returned the \$15,000 to New Media, it is alleged. Rather, Clark and Walker allegedly caused the entire \$45,000 to be spent in various ways, including for Lotus Academy expenses (rent and payroll), payments to the Black Olive business ventures, and a cash deposit into defendant Walker's personal bank account to pay Walker's personal bills.

It is alleged that Clark and Walker spent New Media funds on additional "joint" expenses with Lotus Academy, such as two annual awards banquets at a Philadelphia hotel, and two overnight staff retreats to Ocean City, Maryland. New Media allegedly covered all of these costs without reimbursement by Lotus Academy.

The indictment alleges that Clark and Walker caused New Media to pay utility expenses for Lotus Academy and the Black Olive business ventures including a July, 2009 payment of \$3,617.29 to PECO pay the overdue PECO bill for Black Olive health food store. It is also alleged that Clark spent New Media funds to pay two different vendors for Clark's personal business, Tekhen Communications. According to the indictment, defendant Clark caused New Media to pay a Tekhen vendor, Hivelocity Ventures, not just for web domains and services that Hivelocity provided to New Media, but also for web domains and services for Lotus Academy, Black Olive, Tekhen, and Hugh Clark's law firm, Clark and McGill. The indictment also alleges that defendant Clark caused New Media to pay a different Tekhen vendor, Dialup U.S.A., which provided no services to New Media. New Media was never reimbursed for these costs, it is alleged.

According to the indictment, as a result of the improper and fraudulent payments directed by Clark and Walker, New Media failed to pay legitimate New Media expenses. For example, from December, 2007 through February, 2009, New Media failed to remit the required monthly employee withholdings and quarterly employer contributions to the Pennsylvania School Employees Retirement System. PSERS is the defined benefit retirement plan for public school employees of the Commonwealth of Pennsylvania. From October, 2006 through November, 2008, New Media carried a past-due balance with one of its primary textbook vendors, it is alleged. On several occasions, there were allegedly insufficient funds in New Media's bank account to cover employee payroll checks. According to the indictment, in Spring of 2009, coaches for New Media's athletic teams remained unpaid or partially paid.

INFORMATION REGARDING THE DEFENDANTS

NAME	ADDRESS	AGE
Hugh C. Clark	Philadelphia	64
Ina M. Walker	Philadelphia	58

If convicted of all charges, Clark and Walker each face a substantial term of imprisonment, three years supervised release, a \$6,750,000 fine and a \$2,700 special assessment.

The case was investigated by the United States Department of Education - Office of Inspector General and the Federal Bureau of Investigation. The School District of Philadelphia's Office of Inspector General provided assistance in the investigation. It is being prosecuted by Assistant United States Attorney Joan E. Burnes.

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