

PEOPLE OF THE STATE OF ILLINOIS,
ex rel. ROLAND W. BURRIS,
Attorney General of Illinois,

Plaintiff,

vs.

JOHN C. KIM, individually and
doing business as JOHN C. KIM
STYLE SCHOOL OF CHUNG MOO QUAN,
et al.

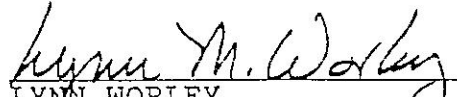
Defendants.

No. 89 CH 10044

NOTICE OF FILING

TO: Per Attached Service List

PLEASE TAKE NOTICE that on the 5th day of June, 1992, we caused to be filed with the Clerk of the Circuit Court of Cook County, Chancery Division, plaintiff's Fourth Amended Complaint.


LYNN WORLEY
Assistant Attorney General

OF COUNSEL:

LYNN WORLEY
Assistant Attorney General
Consumer Protection Division #99000
100 W. Randolph 12th Floor
Chicago, Illinois 60601
312/814-3834

CERTIFICATE OF SERVICE

I, LYNN WORLEY, an Assistant Illinois Attorney General, hereby certifies that I served the plaintiff's Fourth Amended Complaint, by mailing a true and correct copy thereof to the party to whom the Notice of Filing is directed from 100 West Randolph Street, Chicago, on June 5, 1992, in the U.S. mail, proper postage prepaid.


LYNN WORLEY

read pages
12, 13

to the Physical Fitness Services Act (Ill.Rev.Stat. 1991, ch. 121 1/2, par. 51 et seq.) ("Physical Fitness Act"), the Consumer Fraud and Deceptive Business Practices Act (Ill.Rev.Stat. 1991, ch. 121 1/2, par. 261 et seq.) ("Consumer Fraud Act") and the Uniform Deceptive Trade Practices Act (Ill.Rev.Stat. 1991, ch. 121 1/2, par. 311 et seq.) ("Uniform Act") complains of defendants as follows:

INTRODUCTION

This Complaint alleges that defendants operated a number of physical fitness and karate schools known as JOHN C. KIM STYLE SCHOOLS OF CHUNG MOO QUAN (hereafter "CHUNG MOO QUAN ORGANIZATION") and while operating the school violated the Physical Fitness Act, Consumer Fraud Act and Uniform Act by inducing Illinois consumers, through fraud, coercion and breach of fiduciary duty, to pay more than \$2,500 per year for physical fitness services, defendants failed to give consumers copies of contracts signed for these services, failed to notify consumers of a three day right to cancel said contracts, and coerced consumers into signing contracts and paying for increasingly expensive courses.

Monies obtained by defendants through fraud, coercion and breach of fiduciary duty were used in part to purchase, maintain and enhance a specific property for the defendants benefit.

JOHN C. KIM STYLE SCHOOLS OF CHUNG MOO QUAN (hereafter "CHUNG MOO QUAN ORGANIZATION") is a business operating at various locations throughout Illinois and Cook County including: 4429 West 95th Street, Oak Lawn, Illinois; 11326 South Harlem, Worth,

ORGANIZATION. At times relevant to this Complaint NICHOLAS GALLO resided at 10S.160 and 10S.170 Book Road, Naperville, Illinois. GALLO engaged in the business of advertising, offering for sale and selling physical fitness services including, but not limited to, karate and self defense training.

3. KENNETH KRISCIUNAS (hereafter "KRISCIUNAS") is a National Instructor, an owner-operator and high managerial agent of the CHUNG MOO QUAN ORGANIZATION. During times relevant to this complaint KRISCIUNAS, together with others directed, operated and managed the day to day business affairs and practices and determined and implemented policies and procedures for the CHUNG MOO QUAN ORGANIZATION including, but not limited to, the school located in Naperville, Illinois. KRISCIUNAS engaged in the business of advertising, offering for sale and selling physical fitness services including, but not limited to, karate and self defense training.

4. PAUL FURIO (hereafter "P. FURIO") is an owner-operator and high managerial agent of the CHUNG MOO QUAN ORGANIZATION in Illinois. At times relevant to this complaint P. FURIO, together with others directed, operated and managed the day to day business affairs and practices and determined and implemented policies and procedures for the CHUNG MOO QUAN ORGANIZATION including, but not limited to, the school located in Rolling Meadows, Illinois. P. FURIO engaged in the business of advertising, offering for sale and selling physical fitness services including, but not limited to, karate and self defense training.

managed the day to day business affairs and practices and determined and implemented policies and procedures for the CHUNG MOO QUAN ORGANIZATION including, but not limited to, the school located in Villa Park, Illinois. MCGEE engaged in the business of advertising, offering for sale and selling physical fitness services including, but not limited to, karate and self defense training.

8. PAUL GALLO, ELIZABETH GALLO, as tenants in the entirety and GLENN GOTTFNER a/k/a GLENN GOETTNER, as tenants in common hold the title to South 310.0 feet of the North 1590.77 feet of the East 1405.2 feet of the North East 1/4 of Section 3, Township 37 North, Range 9 East of the third principal meridian in Will County, Illinois and commonly known as 10S.160 and 10S.170 Book Road, Naperville, Illinois (hereafter "BOOK ROAD PROPERTY").

Various named defendants live or have lived and conduct or have conducted business from the property during times relevant to this Complaint, including directing, operating and managing the day to day affairs of the JOHN C. KIM STYLE SCHOOLS OF CHUNG MOO QUAN and conducting actual physical fitness services at said property.

Additionally, monies from the operation of said schools, monies obtained from students in violation of the Physical Fitness Act and Consumer Fraud Act were used to purchase, maintain and enhance the property. Consequently, defendants PAUL GALLO, ELIZABETH GALLO and GLENN GOTTFNER a/k/a GLENN GOETTNER hold said

11. THOMAS WHITE (hereafter "WHITE") is a National Instructor, an owner-operator and high managerial agent of the CHUNG MOO QUAN ORGANIZATION in Illinois. At times relevant to this Complaint WHITE, together with others directed, operated, and managed the day to day business affairs and practices and determined and implemented policies and procedures for the CHUNG MOO QUAN ORGANIZATION in Illinois including, but not limited to, the school located in Glendale Heights, Illinois. WHITE engaged in the business of advertising, offering for sale and selling physical fitness services including, but not limited to, karate and self defense training.

12. THOMAS M. HNAT (hereafter "HNAT") is a high managerial agent in the CHUNG MOO QUAN ORGANIZATION in Illinois. At times relevant to this Complaint, HNAT together with others operated and managed the day to day business affairs and practices and determined and implemented the policies and procedures of the CHUNG MOO QUAN ORGANIZATION in Illinois. HNAT engaged in the business of advertising, offering for sale and selling physical fitness services including, but not limited to, karate and self defense training.

13. Whenever used in this Complaint "Defendants" refer to all named defendants except PAUL GALLO and ELIZABETH GALLO. Wherever allegations refer to PAUL GALLO and ELIZABETH GALLO they are specifically named.

14. Plaintiff is informed and believes that other individuals, corporations or businesses may have participated or are

Special Private Course	\$1,000.00
Quarter Black Belt	\$2,500.
One Half Black Belt	\$2,500.00
Three Quarter Black Belt	\$2,500.00
Full Black Belt	\$2,500.00
Olympic Course	\$15,000.00 - \$20,000.00
Instructor's Course	\$20,000.00 - \$30,000.00

Defendants charged more for courses varied upward if students had the ability to pay more.

20. Defendants falsely represented to students that KIM is the "Master" who is the "Champion of All Asia", when in fact, KIM never won said championship.

21. Defendants falsely represented to students by printing on student identification cards and telling students that their rank in CHUNG MOO QUAN is registered with the CHUNG MOO QUAN ASSOCIATION in Asia, when in fact, no such association exists.

22. The majority of students are young and unsophisticated financially and socially.

23. Defendants are businessmen who are older than most students with extensive business and financial experience.

24. Defendants set up an elaborate financial and social scheme to gain superiority over the students. This scheme included, but was not limited to:

- a. setting up a system of multiple levels or belts to be attained by students;
- b. setting up arbitrary "courses" where students were approached every few months to sign up for higher

and instead trust "Master" KIM and the
CHUNG MOO QUAN ORGANIZATION;

- ii. that students must trust the "higher belts" who share the movements and CHUNG MOO QUAN techniques and philosophy with them;
- iii. that when Armageddon comes, those who have advanced rank in the CHUNG MOO QUAN ORGANIZATION will have an assured place in the after life;
- iv. that students cannot trust people outside of the CHUNG MOO QUAN ORGANIZATION including parents, siblings and friends;
- v. that if students leave the CHUNG MOO QUAN ORGANIZATION they will lead pitiful and mindless lives;
- vi. that the "higher belts" will know what is best for each student thus students should obey all instruction from "higher belts" whether related to CHUNG MOO QUAN training or other aspects of life; and
- vii. that nothing is more important than CHUNG MOO QUAN training therefore, students should sell their belongings and

learning" and that college tuition money should be applied to CHUNG MOO QUAN to learn about life; and

- d. it is disrespectful to question a higher belt or KIM.

27. Defendants told students, that if the students continued with CHUNG MOO QUAN and spent the necessary money to become instructors, they could retire by the age of 30 or 35 to CHUNG MOO QUAN communities, including a community to be built at the Book Road property.

28. Defendants instructed students that as a sign of respect for "Master" KIM students should give cash to KIM for his birthday, for Christmas presents and as a gift to KIM for allowing them to pass to a higher belt. In response to defendants instructions, students brought money to KIM in varying amounts up to \$10,000.00, in addition to the amounts they were contractually obligated to pay.

29. Defendants told students that to attain a higher belt they must sacrifice financially including selling their belongings and giving the proceeds to the CHUNG MOO QUAN ORGANIZATION.

30. Defendants brought students with large financial resources into the schools offices and personally "sold" higher and more expensive courses in excess of \$2,500/year.

31. Students who balked at paying more money or signing additional contracts were used as demonstration targets in class

and keep students to continue to bring in as much money as possible.

36. The classes alleged in paragraph 35 included instructions, by the defendants, into the CHUNG MOO QUAN organization's policies and procedures for operating a school. Course curriculum included, but was not limited to, instruction how to:

- a. induce a potential student to sign up for a paid course;
- b. obtain personal and financial information from students including financial information about student's parents when a student signed up at a school;
- c. have students vigorously exercise for long periods before bringing the student into the office to sell a new course to the student;
- d. detect a students vulnerabilities and insecurities to get more money from the student;
- e. have a student sit in the office, surrounded by instructors who blocked the exit, while trying to get a student to sign a contract for more money;
- f. collect as much money as possible from each student and to induce a student signing up for more expensive courses;
- g. refuse to give copies of contracts to students;

40. Defendants, their agents and employees induced students to sign multiple contracts for amounts which, in the aggregate, exceeded \$2,500 in a single year.

41. Defendants, their agents and employees routinely failed and refused to disclose to each student the total payment obligation to be received from them pursuant to a contract.

42. Defendants, their agents and employees failed and refused to provide students with copies of their contracts at the time students sign the contracts or at any time thereafter.

43. Defendants, their agents and employees used coercion and coercive sales techniques, including, but not limited to, threats of violence and bodily harm, and actually caused bodily injury to students, to take money from students and to induce students to sign contracts for more expensive courses.

44. As a direct result of defendants extensive business and financial experience and defendants financial and social scheme, students reposed great trust and confidence in the CHUNG MOO QUAN ORGANIZATION and the individual defendants so that students gave their salaries and belongings to defendants, allowed defendants to direct students physical labor at defendants' schools, businesses, and the Book Road property and allowed defendants to direct students day to day lives including where students lived and with whom students lived.

cash was collected from students for maintenance and upkeep of the Book Road property and to pay bills associated with the property.

51. Defendant KIM and several Regional Head and National Instructors resided at the Book Road property.

52. KIM and other defendants conducted business of the CHUNG MOO QUAN ORGANIZATION from the Book Road property, including, but not limited to:

- a) school and organization meetings;
- b) martial arts classes;
- c) directing the transfer of school personnel from school to school or from a school in one state to a school in another state;
- d) disciplining instructors who failed to bring in sufficient money or students;
- e) designating days in which students would do CHUNG MOO QUAN construction work, including building KIM's house on the Book Road property and remodeling the Regional Head and National Instructors' house at the Book Road Property, these days being designated as "nail days";
- f) recruiting students to work without pay at CHUNG MOO QUAN businesses;

7-1898 with First Star Naper Bank as trustee and KRISCIUNAS, WHITE, MARQUEZ, HNAT and Gigliotti as beneficiaries of the Trust.

57. Plaintiff recorded a lis pendens on the res in its entirety and identified by a Will County Permanent Identification Number: 1-03-200-004 on May 17, 1991, with the Will County Recorder of Deeds. Said res is the Book Road Property.

58. On June 18, 1991, this Court granted plaintiff's motion to file the First Amended Complaint for Injunctive and Other Relief (hereafter "First Amended Complaint") which named FIRST STAR NAPER BANK as trustee for Land Trust 7-1898 as defendant.

59. The First Amended Complaint specified that the trust res is located in Will County and is described as South 310.0 feet of the North 1590.77 feet of the East 1405.2 feet of the North East 1/4 of Section 3, Township 37 North, Range 9 East of the third principal meridian in Will County, Illinois.

60. The First Amended Complaint alleged that the res was used to conduct the business that is the subject matter of this litigation, that various defendants lived or live at the res and that contract payments were made by Illinois consumers who were students at defendants schools were co-mingled with the res for the enhancement of value of said res and for the benefit of the schools.

65. On September 13, 1991, HNAT, MARQUEZ, WHITE, KRISCIUNAS c/o Fenelon & Castignoli became mortgagees of said property and PAUL GALLO, ELIZABETH GALLO and GOTTNER became mortgagors. The mortgage and note were prepared by the attorney of record for GALLO and KIM in this instant case.

66. These repeated transfers of the Book Road property which was the res of Land Trust 7-1898 alleged above were self dealing, insider transfers in an attempt to deprive plaintiff of the requested accounting and deprive Illinois consumers of restitution by placing the Book Road property outside the reach of this Court.

67. The transfers alleged above involve individuals with ties to the CHUNG MOO QUAN ORGANIZATION controlled by KIM, GALLO and the other named defendants.

68. Defendants PAUL GALLO, ELIZABETH GALLO and GOTTNER, the current title holder of the Book Road property participated in and/or knowingly accepted the benefits of defendants' fraud, coercion, and breach of defendants' fiduciary duty to students of the CHUNG MOO QUAN ORGANIZATION.

69. Section 8 of the Physical Fitness Act provides in relevant part:

No contract for physical fitness services shall require payment of a total amount in excess of \$2,500 per year, and every such contract must so provide in writing; except that this limit shall not apply to any contract for group membership, other than family membership, where the purchaser is a corporation or other business entity or any social, fraternal or charitable organization not

75. Defendants' acts and practices as outlined in paragraphs 17 through 44 above, constitute violations of Section 4 of the Physical Fitness Services Act.

76. Section 12 of the Physical Fitness Act provides in relevant part:

All remedies, penalties and authority granted to the Attorney General by the "Consumer Fraud and Deceptive Business Practices Act: ... shall be available to him for the enforcement of this Act ... are hereby incorporated by reference into this Act. In addition, in any action brought by the Attorney General to enforce this Act, the court may order that persons who incurred actual damages be awarded 3 times the amount at which actual damages are assessed.

77. Remedies for violations of the Consumer Fraud Act are found in Section 7 which provided in relevant part:

Whenever the Attorney General ... has reason to believe that any person is using, has used, or is about to use any method, act or practice declared by Act to be unlawful, and that proceedings would be in the public interest, he or she may bring an action in the name of the People of the State against such person to restrain by preliminary or permanent injunction the use of such method, act or practice. The Court, in its discretion, may exercise all powers necessary, including but not limited to injunction, revocation, forfeiture or suspension of any license, charter, franchise, certificate or other evidence of authority of any person to do business in this State; appointment of receiver; dissolution of domestic corporations or association suspension or termination of the right of foreign corporations or associations to do business in this State; and restitution.

78. The powers of a receiver pursuant to the Consumer Fraud Act are found in Section 8, which states:

When a receiver is appointed by the court pursuant to this Act, he shall have the power to sue for, collect, receive and take into his possession, all the goods and chattels, rights and credits, moneys and effects, lands and tenements, books, records, documents, papers, choses in action, bills, notes and property of every

1-78. Plaintiff alleges paragraphs 1 through 16 of this Complaint as paragraphs 1 through 78 of this Count II.

79. Section 2 of the Consumer Fraud Act states:

Unfair methods of competition and unfair or deceptive acts or practices, including but not limited to the use or employment of any deception, fraud, false pretense, false promise, misrepresentation or the concealment, suppression or omission of any material fact, with intent that others rely upon the concealment, suppression or omission of such material fact, or the use of employment of any practice described in Section 2 of the "Uniform Deceptive Trade Practices Act," approved August 5, 1965, in the conduct of any trade or commerce are hereby declared unlawful whether any person has in fact been misled, deceived or damaged thereby.

(emphasis added)

80. Section 2-0 of the Consumer Fraud Act provides in relevant part:

Any person who violates ... the Physical Fitness Services Act ... commits an unlawful practice within the meaning of this Act.

81. Section 2 of the Uniform Act provides in relevant part:

§2 A person engages in a deceptive trade practice when in the course of his business, vocation or occupation, he:

- 2) causes likelihood of confusion or of misunderstanding as to the source, sponsorship, approval or certification of goods or services;
- 3) causes likelihood of confusion or of misunderstanding as to affiliation, connection or association with or certification with another;
- 5) represents that goods or services have sponsorship, approval, characteristics, ingredients, uses, benefits or quantities that they do not have or that a person has a sponsorship, approval, status, affiliation or connection that he does not have;

the instant the Court finds the method, act or practice to have been entered into with the intent to defraud, the Court has the authority to impose a civil penalty in a sum not to exceed \$50,000 per violation.

WHEREFORE, plaintiff respectfully requests that this Court:

A. Enter an order finding that defendants have engaged in unlawful acts or practices in violation of Section 2 of the Consumer Fraud Act.

B. Enter an order preliminarily and permanently enjoining defendants from violating Section 2 of the Consumer Fraud Act and Section 2 of the Uniform Act.

C. Enter an order requiring defendants to pay restitution in the amount of actual damage incurred by consumers as a result of defendants' unlawful conduct.

D. Enter an order for the appointment of a receiver to take into his possession all of the property of defendants located in this State and with authority to exercise all powers granted pursuant to Section 268 of the Consumer Fraud Act.

E. Enter an order preliminarily and permanently enjoining defendants from engaging in the physical fitness services business in Illinois.

F. Enter an order requiring defendants to account for all monies received from students used for the purchase, maintenance and enhancement of the property located at 10S160 and

10S170 Book Road, Naperville, Illinois as described in paragraph 8 of this Complaint.

G. Enter an order requiring defendants to restore to students monies used for the purchase, maintenance and enhancement of the property located at 10S.160 and 10S.170 Book Rd., Naperville, Illinois as described in paragraph 8 of this Complaint.

H. Enter an order imposing civil penalties in the amount of \$50,000 per violation of the Physical Fitness Services Act and the Consumer Fraud Act.

I. Enter an order requiring defendants to pay costs of this action.

J. Enter an order granting any other relief the court deems necessary.

Respectfully submitted,

ROLAND W. BURRIS
Attorney General of Illinois

BY: PATRICIA KELLY
Consumer Protection Division

99000

ROLAND W. BURRIS
Attorney General of Illinois
PATRICIA KELLY
Chief, Consumer Protection

LYNN WORLEY
J. B. REES
Assistant Attorneys General
100 West Randolph, 12th Floor
Chicago, Illinois 60601
312/814-3834

- 12) . . . engages in any other conduct which similarly creates a likelihood of confusion or of misunderstanding.

82. Defendants acts as described in Count I of this Complaint constitute violations of the Physical Fitness Act and thus constitute unlawful practices within the meaning of the Consumer Fraud Act.

83. Defendants acts as described in paragraphs 19, 20, 24 and 26 violate the Consumer Fraud Act.

84. Defendants acts as described in paragraphs 17 through 24 violate the Uniform Act.

85. Remedies for violations of the Consumer Fraud Act provide:

§7. Whenever the Attorney General . . . has reason to believe that any person is using, has used, or is about to use any method, act or practice declared by Sections 2 through 2R of this Act to be unlawful, and that proceedings would be in the public interest, he or she may bring an action in the name of the People of the State against such person to restrain by preliminary or permanent injunction the use of such method, act or practice. The Court, in its discretion, may exercise all powers necessary, including but not limited to: injunction, revocation, forfeiture or suspension of any license, charter, franchise, certificate or other evidence of authority of any person to do business in this State; appointment of receiver; dissolution of domestic corporations or association suspension or termination of the right of foreign corporations or associations to do business in this State; and restitution.

In addition to the remedies provided herein, the Attorney General . . . may request and the Court may impose a civil penalty in a sum not to exceed \$50,000 against any person found by the Court to have engaged in any method act or practice declared unlawful under Section 2 of this Act. In

description, derived by means of any practice declared to be illegal and prohibited by this Act, including property with which such property has been mingled if it cannot be identified in kind because of such commingling, and to sell, convey, and assign the same and hold and dispose of the proceeds thereof under the direction of the court.

Any person who has suffered damages as a result of the use or employment of any unlawful practices and submits proof to the satisfaction of the court that he has in fact been damaged, may participate with general creditors in the distribution of the partnership or business entity, the receiver shall settle the estate and distribute the assets under the direction of the Court. The court shall have jurisdiction of all questions arising in such proceedings and may make such orders and judgments therein as may be required.

WHEREFORE, plaintiff respectfully requests that this Court:

A. Enter an order finding that defendants have engaged in unlawful act or practices in violation of Sections 4, 5, 8, 9, 10 and 12 of the Physical Fitness Act.

B. Enter an order preliminarily and permanently enjoining defendants from violating Sections 4, 5, 8, 9, 10 and 12 of the Physical Fitness Act.

C. Enter an order requiring defendants to pay restitution in the amount of three times the amount of actual damage incurred by consumers as a result of defendants' unlawful conduct.

D. Enter an order for the appointment of a receiver to take into his possession all of the property of defendants located in this State and with authority to exercise all powers granted pursuant to Section 268 of the Consumer Fraud Act.

created for the purpose of encouraging this contractual agreement.

70. Section 9 of the Physical Fitness Act provides in relevant part:

All contracts for physical fitness services which may be in effect between the same center and the same customer, the terms of which overlap for any period, shall be considered on contract for purposes of this Act.

71. Section 5 of the Physical Fitness Act provides that:

Every contract for physical fitness services shall set forth the customer's total payment obligation for services to be received pursuant to the contract.

72. Section 10 of the Physical Fitness Act provides in relevant part that:

Prohibited acts (a) Unfair or deceptive acts and practices are prohibited, included but not limited to: use of coercive sales tactics, ...

73. Defendants' acts and practices as outlined in paragraphs 17 through 44 above violate Sections 5, 8, 9, and 10 of the Physical Fitness Act.

74. Section 4 of the Physical Fitness Act provides in relevant part:

Every contract for physical fitness service shall be in writing and shall be subject to the Act ... A copy of the written contract shall be given to the customer at the time the customer signs the contract. Physical fitness centers shall maintain copies of all contracts for services for as long as such contracts are in effect and for a period of 3 years thereafter...

61. FIRST STAR NAPER BANK was served with Summons and the First Amended Complaint on July 8, 1991. Thereafter Susan Castignoli entered an appearance as attorney for FIRST STAR NAPER BANK.

62. FIRST STAR NAPER BANK as trustee of Land Trust No. 7-1898 transferred title of the res to HNAT, MARQUEZ, Gigliotti, WHITE and KRISCIUNAS, on September 10, 1991, for the sum of ten dollars (\$10.00). This deed was recorded on September 11, 1991. The transfer was arranged by the attorney for Land Trust No. 7-1898 following the service of summons on the trustee. The deed specified that tax bills were to be sent to KENNETH KRISCIUNAS at P. O. Box 3811, Naperville, Illinois.

63. On September 12, 1991, HNAT, MARQUEZ, WHITE, Gigliotti and KRISCIUNAS transferred title to the property to PAUL GALLO and ELIZABETH GALLO as tenants in the entirety and to GOTTNER as tenants in common in two equal shares. The transfer was prepared by the named attorney for the Trust. The deed was recorded with the Will County Recorder of Deeds on September 23, 1991.

64. PAUL GALLO and ELIZABETH GALLO are related to defendant NICHOLAS GALLO and have been financially involved in the CHUNG MOO QUAN ORGANIZATION'S businesses. GOTTNER is a long standing member and high managerial agent of the CHUNG MOO QUAN ORGANIZATION as operator of a school and vice-president of the CHUNG MOO QUAN ASSOCIATION of Illinois. As vice-president of the CHUNG MOO QUAN ASSOCIATION, GOTTNER transferred large sums of money from the Association to KENNETH KRISCIUNAS.

- g) designating days in which cash would be collected from students to benefit the Book Road property, these days being designated as "food days"; and
- h) operating the Book Road property as a collection site for the receipts from the CHUNG MOO QUAN ORGANIZATION.

53. Students who did actual construction work for the CHUNG QUAN MOO ORGANIZATION, including construction work at said property, were told that their labor would count towards fulfilling students' financial obligations for the martial arts courses that students had contracted for in amounts in excess of \$2500/year.

54. Information as to the exact amount of money taken from students by defendants and used to purchase, maintain and enhance the Book Road property is within the sole knowledge of the defendants and is available to plaintiff only through an accounting.

55. Defendants KRISCIUNAS, WHITE, MARQUEZ, HNAT and Scott Gigliotti obtained a mortgage in September of 1988 to complete payment on the original contract sale for the property. Said mortgage was paid from cash obtained from students of the JOHN C. KIM STYLE SCHOOLS OF CHUNG MOO QUAN by methods described in paragraphs 17 through 44 of this Complaint.

56. Upon complete payment of the original contract, in September 1988, defendants KRISCIUNAS, WHITE, MARQUEZ, HNAT and Scott Gigliotti placed the Book Road property in Land Trust No.

45. Defendants induced students to pay money and labor, in excess of \$2,500 per year including the money and labor to purchase, maintain and enhance the BOOK ROAD property by fraud, coercion and breach of fiduciary duty as set out in paragraphs 17 through 44 of this Complaint.

BOOK ROAD PROPERTY

46. Book Road property was purchased by members of the CHUNG MOO QUAN ORGANIZATION, namely HNAT, MARQUEZ, WHITE, KRISCIUNAS and Scott Gigliotti in August, 1982 for \$150,000. Said purchase was a contract sale negotiated by KIM personally on behalf of the CHUNG MOO QUAN ORGANIZATION.

47. Defendant KIM personally tendered several thousand dollars in cash as earnest money in the Book Road property transaction. The cash sum was obtained from students of the CHUNG MOO QUAN ORGANIZATION by methods described in paragraphs 17 through 44 of this Complaint.

48. Defendants and other referred to the Book Road property as "Master KIM's" farm.

49. At various times after purchase of Book Road property KRISCIUNAS and MARQUEZ notified instructors of CHUNG MOO QUAN ORGANIZATION that cash was necessary to make the payment on the property and that cash should be collected from students to make the contract payment on the property.

50. Defendants designated certain days of the week as "food days" at the CHUNG MOO QUAN ORGANIZATION. On "food days"

- h. direct students to pay cash as a sign of respect for the "higher belts" and KIM;
- i. refuse to give receipts for cash tendered by students and informing students that requesting a receipt brings disrespect to the "higher belts" and KIM;
- j. have students to sign multiple contracts at one time for amounts in excess of \$2,500.00; and
- k. keep CHUNG MOO QUAN account books in the organization's code.

37. Defendants transferred instructors from school to school within Illinois and to schools in other states depending on the needs of the CHUNG MOO QUAN ORGANIZATION.

38 Defendants induced students to pay and accepted from students gifts in amounts in excess of \$2,500 per year for physical fitness services.

39. Defendants also induced students to pay for physical fitness services with their labor by doing construction at the schools, CHUNG MOO QUAN owned businesses and at the Book Road property. Defendants represented that students labor would be credited towards a students financial obligation to school for physical fitness courses, but did not credit the students accounts.

demonstrations, often being physically injured by kicks and punches of the instructors.

32. Defendants encouraged students to cash their pay checks and turn over the entire amount to higher belts, including the defendants, and that the higher belts would return to the student what he should need to live on with the school retaining the difference, in order to teach the student how to budget their money.

33. Some students who left the CHUNG MOO QUAN ORGANIZATION, left school or failed to follow defendants direction were threatened with bodily harm and death by defendants including, but not limited to, N. GALLO, S. FURIO and McGEE.

34. Cash, brought in by students each day, was collected first at the individual school, then the cash from all of the schools was collected and brought to a designated school each night. The daily receipts from all of the schools was entrusted to a Regional Head Instructor or National Instructor, including, but not limited to, N. GALLO, KRISCIUNAS, WHITE, McGEE, MCKAY, S. FURIO, who then took the cash from all of the schools to the Book Road property.

ADVANCED COURSES

35. Defendants including, but not limited to, N. GALLO, McGEE, MCKAY, S. FURIO, KRISCIUNAS, HNAT, WHITE, MARQUEZ and GOTTNER taught special classes for Olympic and Instructor course student from all of the schools in Illinois. These classes taught potential instructors of CHUNG MOO QUAN how to influence

give the proceeds to the school to pay
for further training.

- g. directing students to live together and in some cases obtaining apartments for students, with several students living in one apartment, to minimize costs so that more money could be given to CHUNG MOO QUAN and to isolate students from friends and relatives outside of CHUNG MOO QUAN.

25. Students were told by defendants that KIM possessed supernatural powers including, but not limited to:

- a. the power to make one arm grow larger than the other;
- b. the power to raise himself from the dead; and
- c. the ability to jump off of a seven story building without being harmed.
- d. the ability to "heal" disease and injuries by merely touching a person.

26. Students were taught by defendants that CHUNG MOO QUAN was "lessons in life" and that:

- a. their only true friends were CHUNG MOO QUAN ORGANIZATION members;
- b. the higher belts always do what is best for a student;

courses (i.e. courses which cost more money) which were unrelated to students progress in martial arts;

- c. setting up arbitrary course costs dependent on how much money could be obtained from a student, including amounts in excess of \$2,500.00 per year;
- d. directing students to cash their pay checks and turn the entire amount over to CHUNG MOO QUAN ORGANIZATION so an instructor could return to the student the amount of money the instructor felt the student needed to live in order to "teach" the student how to budget his money. The CHUNG MOO QUAN ORGANIZATION kept the rest of the cash.
- e. setting up system of "respect" whereby students were admonished that it was disrespectful to question an instructor regarding course costs, contracts or receipts for cash. Students were told by defendants that such questioning indicated that the student was not "clear headed" and was "mindless" or "missing."
- f. after hours of intense exercise when students were physically exhausted defendants instructed students in "lessons in life" including:

participating in the illegal practices or activities complained of herein; those persons or companies may be joined in this action when their identities and the degree of their participation in the practices and activities have been ascertained.

15. Whenever, in this Complaint, reference is made to any action of any one of the defendants, or to any action of any one of the agents, employees or instructors of defendants, such allegation means that the action was taken with the knowledge and consent of all of the defendants, pursuant to a common scheme or plan.

16. As used in this Complaint "High Managerial Agent" means an agent who has authority comparable to a corporate officer for the formulation of policy or the supervision of subordinate employees in a managerial position.

BASIC OPERATIONS OF THE CHUNG MOO QUAN ORGANIZATION

17. Since on or about January 1, 1981, defendants offered for sale and sold courses in karate, self-defense and physical fitness training known as "Chung Moo Quan."

18. The courses defendants sold to consumers include, but are not limited to, special private course, quarter black belt course, half black belt course, three quarter black belt course, full black belt course, Olympic course and instructor's course.

19. The cost of the courses named in paragraph 18 above, is as follows:

property in trust for the beneficial owners, the students who had their money taken by defendants in violation of the Physical Fitness Act and Consumer Fraud Act.

9. GLENN GOTTNER a/k/a GLENN GOETTNER (hereafter "GOTTNER") is an owner-operator and high managerial agent of the CHUNG MOO QUAN ORGANIZATION in Illinois. At times relevant to this Complaint GOTTNER together with others, directed operated and managed the day to day business affairs and practices and determined and implemented policies and procedures for the CHUNG MOO QUAN ORGANIZATION in Illinois including, but not limited to, the school located in Lombard, Illinois. GOTTNER engaged in the business of advertising, offering for sale and selling physical fitness services including, but not limited to, karate and self defense training.

10. ALEX MARQUEZ (hereafter "MARQUEZ") is an owner-operator and a high managerial agent of the CHUNG MOO QUAN ORGANIZATION in Illinois. At times relevant to this Complaint MARQUEZ, together with others directed, operated, and managed the day to day business affairs and practices and determined and implemented policies and procedures for the CHUNG MOO QUAN ORGANIZATION in Illinois including, but not limited to, the school located in Glendale Heights, Illinois. MARQUEZ engaged in the business of advertising, offering for sale and selling physical fitness services including, but not limited to, karate and self defense training.

Regional Head Instructor, an owner-operator and high managerial agent of the CHUNG MOO QUAN ORGANIZATION in Illinois. At times relevant to this complaint MCKAY, together with others directed, operated and managed the day to day business affairs and practices and determined and implemented policies and procedures for the CHUNG MOO QUAN ORGANIZATION including, but not limited to, the school located in Schaumburg, Illinois. MCKAY engaged in the business of advertising, offering for sale and selling physical fitness services including, but not limited to, karate and self defense training.

6. SANTE FURIO (hereafter "S. FURIO") is a Regional Head Instructor, an owner-operator and high managerial agent of the CHUNG MOO QUAN ORGANIZATION in Illinois. At times relevant to this Complaint, S. Furio, together with others, directed, operated, and managed its day to day business affairs and practices and determined and implemented its policies and procedures of the CHUNG MOO QUAN ORGANIZATION including, but not limited to, the school located in Elk Grove Village, Illinois. S. FURIO engaged in the business of advertising, offering for sale and selling physical fitness services including, but not limited to, karate and self defense training.

7. THOMAS MCGEE (hereafter "MCGEE") is a Regional Head Instructor, and owner-operator and high managerial agent of a CHUNG MOO QUAN ORGANIZATION in Illinois. At times relevant to this Complaint MCGEE, together with others directed operated and

Illinois; 1971 Bloomingdale Road, Glendale Heights, Illinois; 2633 Kirchoff Road, Rolling Meadows, Illinois; 317 South Roselle Road, Schaumburg, Illinois; 46 West Roosevelt Road, Lombard, Illinois; 401 West St. Charles Road, Villa Park, Illinois; 1938 A Waukegan Road, Glenview, Illinois; 247 East Ontario, Chicago, Illinois; 807 East Ogden, Naperville, Illinois; and 1419 West 55th St., Countryside, Illinois.

PARTIES

1. JOHN C. KIM (hereinafter "KIM") is the owner, founder, and one of the high managerial agents of the CHUNG MOO QUAN ORGANIZATION in Illinois. At all times relevant to this complaint KIM, together with others, directed, operated, and managed the day to day business affairs, and determined and implemented the policies and procedures of the CHUNG MOO QUAN ORGANIZATION. At times relevant to this Complaint, KIM resided at 10S.170 and 10S.160 Book Road, Naperville, Illinois and at 25311 Kugkendahl, Tom Ball, Texas. KIM engaged in the business of advertising, offering for sale, and selling physical fitness services including, but not limited to, karate and self defense training.

2. NICHOLAS GALLO (hereinafter "GALLO") is Regional Head Instructor and one of the high managerial agents of the CHUNG MOO QUAN ORGANIZATION in Illinois. At times relevant to this complaint GALLO, together with others, directed, operated, and managed the day to day business affairs and practices and determined and implemented the policies and procedures of the CHUNG MOO QUAN

