

FINDINGS

The OAG finds as follows:

1. SPOF is a Type B not-for-profit corporation, incorporated under New York's N-PCL. SPOF's principal office is located at 70 West 36th Street, New York, New York. SPOF is subject to the jurisdiction of OAG.
2. Since 1998, and until his death in September 2012, Raymond Schroeck was employed by SPOF.
3. Raymond Schroeck initially was hired as Controller of SPOF and his duties included preparation of accounting records, reconciling bank statements and supervising the organization's account staff personnel. On July 1, 2009, Raymond Schroeck was promoted to Director of Finance and Administration, effectively serving as SPOF's Chief Financial Officer ("CFO") with responsibility for all of its financial operations. On August 16, 2011, Raymond Schroeck's title changed to CFO, though his duties remained the same. In addition, from 2009 until his death, Raymond Schroeck served as an Assistant Secretary of SPOF.
4. Kathleen Schroeck was married to Raymond Schroeck from 1985 until his death in 2012.
5. The Schroecks lived together in the house they jointly owned at 2688 Beacon Hill Drive, North Bellmore, New York.
6. From 2007 to 2012, Kathleen Schroeck had no fewer than three Citibank bank accounts in her name alone and the Schroecks had no fewer than four Citibank bank accounts which they held jointly.
7. From 2009 until his death in 2012, Raymond Schroeck was an officer of SPOF and

owed fiduciary duties to the organization.

8. Beginning in 2003, in breach of his fiduciary duties as CFO and Assistant Secretary of SPOF, Raymond Schroeck surreptitiously misappropriated not less than \$1,700,000 of SPOF's charitable funds for his own personal benefit and the benefit of his family, causing the waste of at least \$1,700,000 of SPOF assets.

9. Approximately one week after Raymond Schroeck's death, an SPOF employee discovered irregularities in SPOF's accounts, books and records with regard to checks from State Street Bank made payable to SPOF.

10. State Street Bank manages a "Pooled Income" investment fund for SPOF that contains funds contributed by individuals who have made donations to SPOF. Upon the death of an individual donor, State Street Bank remits to the organization a check, made payable to SPOF, for the balance of the decedent's Pooled Income account. Raymond Schroeck had sole responsibility for receiving, processing, managing and accounting for the Pooled Income Fund checks that SPOF received from State Street Bank.

11. In breach of his position of trust and authority at SPOF, beginning in 2003 Raymond Schroeck devised and carried out a simple but effective scheme to divert for personal benefit the Pooled Income Fund checks that State Street Bank periodically sent to SPOF. Using the same typeface and font size that appeared on the checks written by State Street Bank, Raymond Schroeck would simply add the words "Kathleen Schroeck C/O" above the payee (SPOF) in the "pay to the order" line on the bank's checks and cause Kathleen Schroeck's name to appear in the "endorse here" section on the back of the checks. The checks were then deposited into either one of Kathleen Schroeck's Citibank accounts or into one of the joint Citibank bank accounts

that the Schroecks shared.

12. Through Raymond Schroeck's illegal scheme, approximately \$1,181,061 of charitable funds belonging to SPOF were deposited into Kathleen Schroeck's Citibank accounts during the period 2007 to 2012, and another approximately \$6,686 of SPOF's charitable funds were deposited into the Schroecks' joint accounts at Citibank.

13. The scheme resulted in the Schroecks being unjustly enriched, as the proceeds of the scheme were used to purchase a variety of luxury goods and services for the personal benefit of both of the Schroecks and the benefit of their family. These purchases included jewelry items, several luxury cars, hotel timeshares in Aruba worth approximately \$100,000, vacation trips and improvements to the Schroecks' home.

14. In violation of his duties as an officer of SPOF under the N-PCL and as a trustee of SPOF's charitable assets under the EPTL, Raymond Schroeck failed to discharge his duties to SPOF in good faith and with the degree of diligence, care and skill which ordinarily prudent persons would exercise under similar circumstances, breached the duties of loyalty and care that he owed to SPOF, misappropriated and wasted corporate assets, and failed to properly administer charitable assets.

15. From 2003 through June 2012, Raymond Schroeck diverted and improperly caused the waste of not less than \$1,700,000 of SPOF's charitable funds. During the same period, Kathleen Schroeck was unjustly enriched in the amount of not less than \$1,000,000.

PROSPECTIVE RELIEF

WHEREAS, Kathleen Schroeck does not admit or deny OAG's Findings (1)-(15) above;

WHEREAS, SPOF does not admit or deny OAG's Findings (1)-(15) above;

WHEREAS, OAG is willing to accept the terms of this Assurance pursuant to New York Exec. L. § 63(15) and to discontinue its Investigation;

WHEREAS, OAG, Kathleen Schroeck and SPOF agree it is in each of their best interests to compromise, settle and discontinue the Investigation as among them on the terms set forth below; and

WHEREAS, the parties each believe that the obligations imposed by this Assurance are prudent and appropriate;

IT IS HEREBY UNDERSTOOD AND AGREED, by and between the parties that:

16. In consideration of the making and execution of this Assurance, Kathleen Schroeck shall make restitution, disgorge amounts she has unjustly received and pay costs to OAG, in the aggregate sum of \$1,015,000, as further set forth below:

(a) Kathleen Schroeck shall pay and make restitution to SPOF in the aggregate amount of \$990,000 plus one jewelry item as follows:

(i) upon execution of this Assurance, Kathleen Schroeck shall pay \$349,241 to SPOF by wire transfer, certified check and/or bank check made payable to SPOF;

(ii) upon execution of this Assurance, Kathleen Schroeck shall deliver to SPOF and/or its general counsel, Gallagher & Matthews, Esqs., a single 14 carat white gold ladies ring containing: one round brilliant cut diamond measuring 5.20mm x 5.20mm x 3.10mm weighing approximately .51 carat (approximate color grade I, approximate clarity grade UUS₂) and two

round brilliant cut diamonds each measuring 4.50mm x 4.50mm x 2.60mm each weighing approximately .32 carat (approximate color grade I, approximate clarity grade VS₁) and eight round brilliant cut diamonds totaling approximately .16 carat;

(iii) upon execution of this Assurance, Kathleen Schroeck shall assign to SPOF all of her rights, title, interest, deeds, and ownership in all Marriott Vacation Club Destinations timeshares held in the name of Raymond Schroeck and/or Kathleen Schroeck, which have an aggregate estimated value of \$126,197 (the "Timeshares"), and SPOF shall retain all rights, title, interest, deeds, and ownership to the Timeshares free and clear of any obligations to Kathleen Schroeck or the Estate of Raymond F. Schroeck; and Kathleen Schroeck shall also ensure that all maintenance charges for the Timeshares have been paid in full through December 31, 2013 and agrees to pay all fees associated with transferring, assigning and conveying ownership in the Timeshares;

(iv) upon execution of this Assurance, Kathleen Schroeck shall assign to SPOF all her rights, title, interest, deeds, and ownership in all Fidelity Retirement Plans, including all traditional IRA accounts managed by Fidelity Management Trust Company, having an aggregate estimated value of \$129,511, and SPOF shall retain all rights, title, interest, deeds, and ownership of the Fidelity IRA accounts free and clear of any obligations to Kathleen Schroeck or the Estate of Raymond F. Schroeck;

(v) effective upon execution of this Assurance, Kathleen Schroeck assigns to SPOF all her rights, title and interest in the insurance policy on the life of Raymond Schroeck issued by Metropolitan Life Insurance Company (the "Policy") with a death benefit of \$150,000, and SPOF shall retain all rights, tile and interest to the entire balance of the Policy free and clear of

any obligations to Kathleen Schroeck or the Estate of Raymond F. Schroeck;

(vi) effective upon execution of this Assurance, Kathleen Schroeck assigns to SPOF all her rights, title and interest in the "money purchased plan" retirement fund (the "Retirement Fund") held by ING Life Insurance and Annuity Company, administered by Alliant Insurance Services on behalf of SPOF, for the benefit of her late husband Raymond Schroeck, with a balance of \$235,051 as of December 26, 2013, and SPOF shall retain all rights, title and interest to the entire balance of the Retirement Fund free and clear of any obligations to Kathleen Schroeck or the Estate of Raymond F. Schroeck; and

(b) upon execution of this Assurance, to defray costs incurred by OAG in the Investigation, Kathleen Schroeck shall pay \$25,000 to OAG by wire transfer, certified check and/or bank check made payable to the New York State Department of Law.

17. Kathleen Schroeck agrees that any amounts and benefits paid or due to her or to the Estate of Raymond F. Schroeck as beneficiary of the Policy and/or the Retirement Fund shall be transferred or assigned to SPOF. Kathleen Schroeck agrees to take all actions necessary to waive and relinquish her rights, individually or as Executrix of the Estate of Raymond F. Schroeck, to receive or retain any payments and benefits from or under the Policy and/or Retirement Fund, and to assign all such rights, payments and/or benefits to SPOF.

18. On behalf of herself and as Executrix of the Estate of Raymond F. Schroeck, Kathleen Schroeck agrees to forfeit and shall not receive, directly or indirectly, any benefits of any kind from SPOF.

19. Kathleen Schroeck shall cooperate fully with SPOF in connection with any proceeding commenced or claim asserted by SPOF against any party other than the parties to this agreement

concerning the activities of Raymond Schroeck and SPOF. Her cooperation shall include without limitation: a) fully, truthfully and voluntarily, without service of a subpoena, disclosing all information and producing all records and other evidence in her possession relevant to all inquiries reasonably made by SPOF concerning any fraudulent or unlawful conduct by Raymond Schroeck, b) without the necessity of a subpoena, attending and testifying at any proceeding or action as requested by SPOF, including, without limitation, a meeting, interview, deposition, hearing, trial or other proceeding, and c) transferring, conveying and executing all assets and documents pursuant to this agreement;

20. Kathleen Schroeck hereby relinquishes and releases any and all claims against SPOF that may have accrued as of the date hereof or that may accrue at any future date.

21. SPOF, upon receipt of all restitution set forth in findings (16)(a) above, hereby relinquishes and releases any and all claims against Kathleen Schroeck, individually and as the Executrix of the Estate of Raymond F. Schroeck, and against the Estate of Raymond F. Schroeck that may have accrued as of the date hereof.

Miscellaneous

22. OAG has agreed to the terms of this Assurance based on, among other things, the representations made to OAG by Kathleen Schroeck and her counsel, by SPOF and its counsel and OAG's own factual investigation as set forth in Findings (1) - (15) above. To the extent that any material representations are later found to be inaccurate or misleading, this Assurance is voidable by OAG in its sole discretion.

23. Acceptance of this Assurance by OAG shall not be deemed approval by OAG of any of

the practices or procedures referenced herein, and Kathleen Schroeck shall make no representation to the contrary.

24. No representation, inducement, promise, understanding, condition, or warranty not set forth in this Assurance has been made to or relied upon by Kathleen Schroeck in agreeing to this Assurance. Kathleen Schroeck hereby acknowledges that she has been duly and separately represented by counsel in agreeing to this Assurance.

25. Kathleen Schroeck shall not take any action or make any statement denying, directly or indirectly, the propriety of this Assurance or expressing any view that this Assurance is without a factual basis. This Assurance is not intended for use by any third party in any other proceeding and is not intended, and should not be construed, as an admission of liability by Kathleen Schroeck.

26. This Assurance shall be binding on and inure to the benefit of the parties to this Assurance and their respective successors and assigns, provided that no party, other than OAG, may assign, delegate, or otherwise transfer any of its rights or obligations under this Assurance without the prior written consent of OAG.

27. In the event that one or more provisions contained in this Assurance shall for any reason be held invalid, illegal, or unenforceable in any respect, in the sole discretion of OAG such invalidity, illegality, or unenforceability shall not affect any other provisions of this Assurance.

28. To the extent not already provided in this Assurance, Kathleen Schroeck and SPOF shall, upon request by OAG, provide all documentation and information necessary for OAG to verify compliance with this Assurance.

29. All notices, reports, requests, and other communications to any party pursuant to this Assurance shall be in writing and shall be directed as follows:

**If to Kathleen Schroeck:
Cornell V. Bouse
Attorney and Counselor at Law
380 North Broadway, Suite 300
Jericho, NY 11753**

**If to OAG:
Office of the Attorney General of the State of New York
Charities Bureau -- 3rd Floor
120 Broadway
New York, New York 10271
Attn: David E. Nachman**

**If to SPOF:
John A. Matthews, Jr.
Gallagher & Matthews
55 Maple Avenue, Suite 208
Rockville Centre, NY 11570**

30. All correspondence and payments related to this Assurance must reference Assurance No. 14-014.

31. Pursuant to New York Executive Law §63(15), evidence of a violation of this Assurance shall constitute prima facie proof of violation of the applicable law in any action or proceeding thereafter commenced by OAG.

32. If a court of competent jurisdiction determines that Kathleen Schroeck has breached this Assurance, she shall pay to OAG the cost, if any, of such determination and of enforcing this Assurance including, without limitation, legal fees, expenses, and court costs.

33. OAG finds this relief and the agreements contained in this Assurance appropriate and in the public interest. Accordingly, OAG accepts this Assurance pursuant to Exec. L. §63(15), in lieu of commencing a statutory proceeding and agrees to discontinue its Investigation of Kathleen Schroeck. This Assurance shall be governed by the laws of the State of New York without regard to any conflict of laws principles.

34. Except as set forth above, the parties hereto agree to bear their own fees, costs and expenses of this matter.

35. Except as provided herein, nothing contained herein shall be construed to deprive any person of any private right under the law.

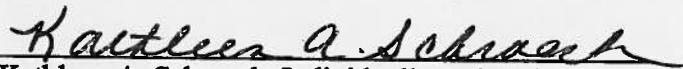
36. This Assurance may be executed by facsimile and in multiple counterparts, all of which together, when fully executed, shall be deemed one fully executed Assurance.

37. This Assurance may not be amended except by an instrument in writing signed on behalf of all the parties to this Assurance.

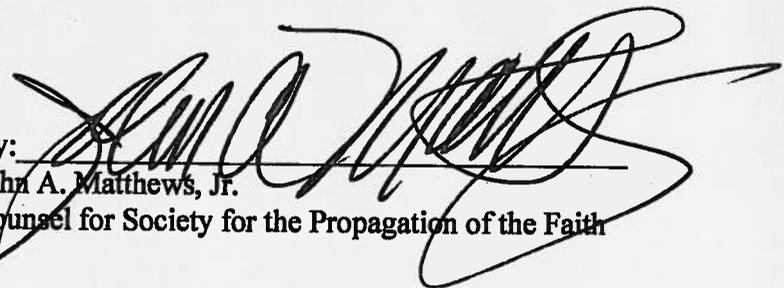
IN WITNESS WHEREOF, this Assurance is executed by the parties hereto as of January
15, 2014.

ERIC T. SCHNEIDERMAN
Attorney General of the State of New York
120 Broadway
New York, New York 10271

By: 
David E. Nachman
Enforcement Section Chief, Charities Bureau


Kathleen A. Schrock, Individually and as the Executrix of
the Estate of Raymond F. Schrock

SOCIETY FOR THE PROPAGATION OF THE FAITH

By: 
John A. Matthews, Jr.
Counsel for Society for the Propagation of the Faith

