

Tax-Exempt Organization Complaint (Referral)

1. Name of referred organization

Free Market Environmental Law Clinic

Street address

9033 Brook Ford Road

City

Burke

State

VA

ZIP code

22015

Date of referral

Jan 27, 2018

2. Organization's Employer Identification Number (EIN)

45-1062963

3. Nature of violation

- Directors/Officers/Persons are using income/assets for personal gain
- Organization is engaged in commercial, for-profit business activities
- Income/Assets are being used to support illegal or terrorist activities
- Organization is involved in a political campaign
- Organization is engaged in excessive lobbying activities
- Organization refused to disclose or provide a copy of Form 990
- Organization failed to report employment, income or excise tax liability property
- Organization failed to file required federal tax returns and forms
- Organization engaged in deceptive or improper fundraising practices
- Other (describe)

David Schware has attempted to dissolve the 3-member governing board and take control of all assets himself. He purports to use \$185,000 of the assets to buy the silence of Chaim Mandelbaum.

4. Details of violation

Name(s) of person(s) involved

David Schware, Chaim Mandelbaum

Organizational title(s)

Purported "member"; Executive Director

Date(s)

Dec 27, 2017 present

Dollar amount(s) (if known)

Approx \$900,000

Description of activities

See enclosed documentation. In short, a former board member has declared himself sole "member" of the organization and taken total control of all assets.

5. Submitter information

Name

Matthew D. Hardin

Occupation or business

Attorney (and Board Member of FME Law).

Street address

324 Lognac Rd

City

Standardsville

State

VA

ZIP code

22973

Telephone number

804-240-6773

I am concerned that I might face retaliation or retribution if my identity is disclosed

6. Submission and documentation: The completed form, along with any supporting documentation, may be mailed to IRS EO Classification, Mail Code 4910DAL, 1100 Commerce Street Dallas, TX 75242-1198, faxed to 214-413-5415 or emailed to eo.class@irs.gov. Disclaimer Notice: Your email submission of Form 13909 and attachments are not encrypted for security.



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COUNTY OF GREENE

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January 27, 2018

Mark Herring, Esq.
Virginia Attorney General
202 North Ninth Street
Richmond, Virginia 23219

Katie Land, Investigator
Virginia Department of Agriculture & Consumer Services
P.O. Box 1163
Richmond, Virginia 23218

Via Email to: Kathryn.Land@vdacs.virginia.gov

Re: Report of financial irregularities, governing board irregularities, and possible extortion involving a Virginia nonprofit

Dear General Herring and Ms. Land:

I write not as the Commonwealth's Attorney of Greene County, but as a board member of a nonprofit organization incorporated in Virginia, the Free Market Environmental Law Clinic. Its EIN is 45-1602963 and its place of business is either 9033 Brook Ford Rd, Burke VA 22015 or 726 N Nelson St., Apt. 9, Arlington, VA 22203.

I was asked to join the board of this nonprofit on or about December 22, 2017. I was elected to the board of this nonprofit on December 27, 2017. Prior to my election as Commonwealth's Attorney, I had been a contract attorney for the group from 2014 to 2017, so it was thought that I understood their needs better than most might. At the time of the first board meeting, I was told the group had \$921,580.07 in liquid assets.

At the first (telephonic) board meeting in which I participated on December 27, 2017 the Board requested all banking information be provided to it for its review, and was rebuffed by the Executive Director, ostensibly because he was in a quandary as to whom was the proper and lawful authority governing the organization. Later, I was given a memo ostensibly prepared by Gross & Romanick, P.C., a Fairfax law firm, but not on their letterhead, which indicated that I was the only lawful director of the organization (the other two board members being

disqualified) and that I should or could serve as a "trustee in liquidation" to transfer its assets (since the organization could no longer serve its charitable purposes).

At a meeting in Greene County on January 27, 2018, I spoke with the incorporator of the Free Market Environmental Law Clinic and its Executive Director to discuss a transfer of assets to another charity and a wrapping up of the predecessor organization. At that meeting, the Executive Director (Chaim Mandelbaum, who works from the Arlington address) represented that the group's assets had dwindled to \$877,270.20, and demanded a further payout of \$185,000 in order to consent to transfer assets to another charitable organization. The incorporator (David Schnare, who works from the Burke address) suggested at that meeting that the charity was not a board-governed nonprofit, but rather a PLLC. Later that evening, Mr. Schnare wrote to all board members to assert that he is the sole member of the PLLC, controlling all of its assets and managing all its personnel.

During the course of the January 27, 2018 in-person meeting, Mr. Schnare and Mr. Mandelbaum repeatedly suggested that a payoff was necessary in order to "keep things quiet" because "The Democratic Attorney General of Virginia" would love to investigate the charity and that such an investigation should be forestalled.¹ Towards the end of the meeting, Mr. Schnare confessed that he had at one point accidentally commingled funds from the organization with his own personal investments, although he represented that the irregularity had now been fixed. On the evening of January 27, 2018, Mr. Schnare wrote by email to Christopher Horner, an Albemarle County resident and attorney, to suggest that Mr. Horner ought to face criminal penalties if a confidential payout is not obtained and a full resolution made in private. It appears on the face of the information that I have that Mr. Schnare's threat of criminal penalties for Mr. Horner if he opposed a payoff was in violation of Va. Code § 18.2-59.²

Thus, I am in a quandary. I was elected to the Board of a nonprofit which I cannot properly audit (having no access to bank records), but I understand from secondhand sources at least \$50,000 in assets has been depleted since December 27, 2017. I am now faced with extortion threats from an Executive Director and incorporator who demand a \$185,000 payout in order to stay quiet lest "The Democratic Attorney General of Virginia" investigate or Mr. Horner face criminal penalties. Meanwhile, the incorporator has confessed to, at one time, commingling personal and charitable funds.

I ask that you begin an immediate investigation to determine whether the laws of Virginia have been broken and whether this charity's assets remain intact. I enclose some relevant

¹ The Free Market Environmental Law Clinic is generally seen as conservative in its views, with the implied threat by Mr. Mandelbaum being that a left-leaning Attorney General would love to see its charitable purpose frustrated.

² I will separately inform the Commonwealth's Attorney of Albemarle County and the Albemarle County Police Department of what appears to be an attempt by Chaim Mandelbaum and/or David Schnare at extorting either Mr. Horner or myself.

documentation which you might find of interest, including tax filings, the extortion threat aimed at Mr. Horner, and Mr. Schnare's assertion that he is the "sole member" of a charity.

Please feel free to call with any questions.

Regards,

A handwritten signature in black ink, appearing to read "Matthew D. Hardin". The signature is written in a cursive style with a long, sweeping underline.

Matthew D. Hardin

Cc: Mark Dycio, Esq. (mdycio@dysiolaw.com)

Albemarle Commonwealth's Attorney (rtracci@albemarle.org)

Albemarle County Police Department (hintzc@albemarle.org)

A. Charles Dean, Esq. (adean@gross.com)

Internal Revenue Service (eoclass@irs.gov)