

**IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS  
COUNTY DEPARTMENT, LAW DIVISION**

CHICAGO MSA, NFP,

Plaintiff,

v.

MICHAEL O. RICE II,

Defendant.

Case No.: \_\_\_\_\_

**JURY TRIAL DEMANDED**

**COMPLAINT**

Plaintiff CHICAGO MSA, NFP (“CMSA”), by and through its undersigned counsel, alleges on personal knowledge against Defendant MICHAEL O. RICE III (“Rice”) as follows:

**NATURE OF THE ACTION**

1. This is an action for recovery of potentially hundreds of thousands of dollars in misappropriated funds from CMSA, a not for profit association dedicated to providing a safe and inclusive environment for LGBTQ+ individuals to participate in recreational sports. Defendant Rice is the former Treasurer of CMSA. Over a seven-year period, beginning in or around June 2013 and continuing through July 2020, Rice engaged in a contumacious pattern of misappropriation and fraud, serially causing CMSA to issue numerous payments to himself, inventing false justifications for the payments, and then concealing his activities from CMSA’s directors and officers through omissions, misrepresentations, and manipulations of CMSA’s financial records. Moreover, when Rice’s tenure as Treasurer was set to end in August 2020, he undertook a two-week campaign to alter hundreds of fraudulent checks and other transactions in CMSA’s accounting system, changing check numbers, payees, dates, and descriptions in a calculated effort to cover his tracks, while simultaneously adding, deleting, and editing dozens of

other suspicious transactions in CMSA's financial records. CMSA discovered Rice's actions in March and April 2021 as the result of an outside audit and diligent investigation, and now brings this action to recover the misappropriated funds, interest, and all other damages to which it is entitled.

2. CMSA's investigation of Rice's misconduct is continuing, and further investigation and discovery may uncover additional false or fraudulent transactions or conduct for which CMSA will seek recovery in this action. Accordingly, the allegations contained in this Complaint are not intended to and should not be construed as a limitation upon the full scope of CMSA's damages or recovery, which will be proven through discovery and trial with amendment of the pleadings to conform to the proofs as needed.

3. CMSA seeks recovery of all compensatory damages, punitive damages, pre- and post-judgment interest, fees, costs, and other damages to which it may be entitled, of any form or nature whatsoever, on its claims against Rice for: (1) conversion; (2) breach of fiduciary duty; (3) fraudulent misrepresentation; (4) fraudulent concealment; and (5) unjust enrichment.

#### **THE PARTIES**

4. CMSA is a not for profit association organized and operating under the laws of the State of Illinois. CMSA's mission is to provide a safe place for LGBTQ+ individuals and their allies to stay active and enjoy sports together in a welcoming and inclusive environment.

5. Rice is a citizen of the United States and a resident of Illinois. He was a Board member of CMSA from August 1, 2011 until July 31, 2020, and the Treasurer of CMSA from August 1, 2012 until July 31, 2020.

## **JURISDICTION AND VENUE**

6. This is a complaint for monetary damages under Illinois common law. CMSA alleges that causes of actions exist under Illinois state law for the conduct complained of herein.

7. This Court has jurisdiction over Rice pursuant to 735 ILCS 5/2-209(a)(1)-(2) and (b) because Rice resides in the State of Illinois, and the causes of action alleged herein, or some significant part thereof, arose out of conduct and acts occurring in the State of Illinois.

8. Venue is proper under 735 ILCS 5/2-101 of the Illinois Code of Civil Procedure, as Cook County is Rice's county of residence and the transactions giving rise to the causes of action pleaded occurred entirely or in substantial part in Cook County.

## **FACTS COMMON TO ALL COUNTS**

### **A. The Chicago Metropolitan Sports Association**

9. Founded in 1979, CMSA is the largest not for profit LGBTQ+ sports organization in the Midwest. CMSA, which operates under the name "Chicago Metropolitan Sports Association" is committed to providing sports leagues in which LGBTQ+ individuals and their allies can safely and enjoyably participate in athletics throughout the year in a welcoming environment.

10. Over the past seven years, CMSA has had upwards of approximately 4,000 members who participate in both competitive and recreational sports leagues for sports including badminton, basketball, cornhole, dodgeball, e-sports, football, kickball, pool, soccer, softball, table top, ultimate frisbee, and volleyball.

### **B. Rice Joins the CMSA Board and Becomes Treasurer**

11. CMSA is governed by a Board of Directors ("Board") that is elected in part and appointed in part, and its day-to-day management is governed by officers. CMSA is an all-volunteer organization; its directors and officers are unpaid and undertake a duty to perform their

functions in accordance with CMSA's bylaws, policies, and practices and in accordance with the directors' and officers' common law duties of undivided loyalty and care.

12. Rice joined the Board of CMSA on August 1, 2011 and remained on the Board continuously until July 31, 2020.

13. Rice became the Treasurer of CMSA on August 1, 2012 and remained in that role until July 31, 2020.

14. The Treasurer of CMSA is entrusted with significant responsibilities and oversight with respect to the financial affairs and management of the financial accounts of CMSA, including but not limited to: executing all financial programs; registration processing and set-up; conducting CMSA's yearly audit; overseeing and enforcing financial policies; analyzing data; reporting to the Board; maintaining CMSA's list of assets; and chairing the Finance Committee.

15. As part of the Treasurer's responsibilities, Rice oversaw CMSA's financial accounts and had authority to issue and sign checks on behalf of CMSA.

### **C. The Check Misappropriation Scheme**

16. Beginning in or around June 2013 and continuing through August 2020, Rice engaged in a misappropriation scheme under which he issued or caused CMSA to issue checks payable to himself on false or fraudulent pretenses, and thereafter cashed the checks, thereby receiving funds belonging to CMSA to which he was not entitled.

17. CMSA has identified approximately 300 suspect checks in its financial records, the vast majority of which were payable to Rice as payee (the "Misappropriated Checks"). For illustrative purposes only, a list of examples of the Misappropriated Checks is attached hereto as **Exhibit 1**. CMSA has reviewed images of each of the exemplar Misappropriated Checks listed in Exhibit 1, and has confirmed that each exemplar check was payable to Rice and was cashed. As described below, these checks were initially booked in CMSA's financial records as payments to

Rice under their original dates and check numbers, with one set of descriptions, but the financial records were subsequently altered by Rice in CMSA's financial records to alter the dates, check numbers, payees, and descriptions. Exhibit 1 sets forth both the original dates, check numbers, payees, and descriptions, and the altered dates, check numbers, payees, and descriptions.

18. The accounting entries for the other approximately 300 Misappropriated Checks similarly reflect initial payments to Rice that were subsequently altered by Rice in CMSA's financial records to reflect different dates, check numbers, payees, and descriptions. Based on this common pattern of alteration of CMSA's financial records in an apparent attempt to conceal the Misappropriated Checks, on information and belief, most or all of the Misappropriated Checks were false or fraudulent payments to Rice that Rice subsequently attempted to conceal.

19. CMSA's checking account requires two signatures to authorize a payment. On information and belief, based on a review of signatures on the exemplar images of Misappropriated Checks reviewed to date, Rice signed many of the Misappropriated Checks, and at least some Misappropriated Checks contain a second signature that appears to have been forged, falsified, or perhaps in some instances obtained from a valid second signatory under false pretenses. CMSA has not been able to independently validate the second signature on exemplar Misappropriated Checks reviewed to date, and investigation into the second signatures is ongoing.

20. When Rice entered each Misappropriated Check into CMSA's accounting system, in most instances he provided a putative description of the reason for each payment to himself. On some occasions, Rice purported to provide backup documentation to support the payments, though on other occasions he did not. On information and belief, based on Rice's subsequent efforts to conceal each of the Misappropriated Checks as detailed herein, including alteration of the descriptions for the Misappropriated Checks in CMSA's accounting records, most or all of the

putative descriptions and justifications for the Misappropriated Checks were false or fabricated.

21. The total amount of the Misappropriated Checks identified to date totals more than \$160,000. CMSA continues to investigate numerous additional suspect transactions, and anticipates the amount of its damages will increase as its investigation proceeds.

**D. Rice's Concealment of the Misappropriation Scheme**

22. Rice used a variety of techniques to conceal the existence of the Misappropriated Checks scheme from CMSA's Board, Finance Committee, and Audit Committee throughout his tenure as Treasurer.

23. First, Rice omitted to disclose the existence and/or the false and fraudulent character of the Misappropriated Checks to the Finance Committee. Rice did not provide copies of the Misappropriated Checks, did not provide the putative justifications for the Misappropriated Checks, and did not provide the backup (if any) for the Misappropriated Checks to the Finance Committee to review and audit. Indeed, Rice did not call regular meetings of the Finance Committee and did not have the Finance Committee conduct regular reviews of CMSA's financial activities and transactions. Rice never disclosed to the Finance Committee that he was writing numerous unauthorized checks payable to himself from CMSA's checking account.

24. Second, Rice omitted to disclose the existence and/or the false and fraudulent character of the Misappropriated Checks when he reported monthly on CMSA's finances and transactions to the Board. Rice did not provide copies of the Misappropriated Checks, did not provide the putative justifications for the Misappropriated Checks, and did not provide the backup (if any) for the Misappropriated Checks to the Board to review. Rice's monthly Treasurer Reports and monthly reports to the Board as reflected in Board minutes did not disclose the existence of the Misappropriated Checks, or that he was writing numerous unauthorized checks payable to himself from CMSA's checking account, and instead concealed the Misappropriated Checks

within the reported expenses of the organization.

25. Third, Rice omitted to disclose the existence and/or the false and fraudulent character of the Misappropriated Checks to CMSA's Audit Committee and outside auditors. On information and belief, based on a review of available email correspondence between Rice, members of the Audit Committee, and outside auditors, as well as Rice's subsequent efforts to conceal each of the Misappropriated Checks as detailed herein, Rice did not provide copies of the Misappropriated Checks, did not provide the putative justifications of the Misappropriated Checks, and did not provide the backup documentation (if any) for the Misappropriated Checks to the Audit Committee or outside auditors. On some occasions, when the outside auditors requested specific documents and materials to reconcile CMSA's checking account, on information and belief based on a review of available email correspondence between Rice and the outside auditors, Rice either delayed or failed to provide the requested information.

26. Indeed, Rice attempted multiple times during the course of the Misappropriated Checks scheme to get rid of the outside audit altogether, and to place himself in charge of the annual audit process. For example, on January 3, 2013, Rice proposed via email to replace the outside auditor with a "Corporate Business Review" chaired by Rice himself. Under Rice's proposed "Corporate Business Review Plan," a 5-member panel appointed by the Board and chaired by the Treasurer would review the expenditures from the previous year and submit a report and recommendations to the Board in lieu of an outside audit. Rice represented that this elimination of the key outside audit function would "save the organization \$6,000 each year, and provides the Board to take ownership of their records and procedures." Although the President rejected this proposal, Rice continued pressing his plan before the Board. October 2013 minutes reflect that Rice "[r]eached out to a CMSA member about leading the audit" and passed out his audit plan "to

the board with perimeters [sic] for an audit conducted using our members instead of an audit firm,” in order to “cut audit costs.” On information and belief, Rice did not acquiesce to the use of an “outside auditor” until he was informed, per the Illinois Secretary of State in April 2014, that CMSA could not legally conduct an audit of itself and that an outside auditor is required. Rice reported at the time that CMSA was “offered a waiver, but we’ve had three waivers in the last 10 years.” Thereafter, in early 2020, Rice attempted to obtain a waiver of the audit requirement from the State of Illinois for the 2018-2019 audit, putatively based on the extenuating circumstances of the COVID-19 pandemic. The State rejected this request, yet Rice represented to the Board at its June 2020 meeting that the waiver had been granted.

27. Fourth, when questioned by the outside auditor or by other CMSA officers about CMSA’s finances or financial records, Rice affirmatively misrepresented, omitted, or concealed the complete reasons for cash shortfalls or suspicious transactions.

28. For example, on September 9, 2014, Rice was asked via email by CMSA’s President, Michael Erwin, to provide more detail in the Treasurer report and to explain how CMSA had gone from having approximately \$200,000 in the 2012 audit to now only having approximately \$20,000. Rice then provided a series of misleading explanations, attributing reduced account balances solely to special events and marketing, then diverting to explanations of then-current checking and savings balances, without disclosing that he had written thousands of dollars of checks to himself in 2013 and 2014. When Erwin expressed concern about how CMSA could successfully operate with only \$20,000 in the bank and proposed that CMSA “eliminat[e] the fall party and cut[] the annual party budget as well,” Rice responded by proposing various ways to cut back on party spending with or without Board approval—all to ensure he could continue writing checks to himself. Rice further wrote, “It is comforting to know people are actually getting worried



about our accounts. This board never seemed to care and started to spend like drunken sailors and no matter my word of caution didn't seem to care." He then went on to write tens of thousands of dollars in additional checks to himself through 2020.

29. Thereafter, on October 20, 2014, the outside auditor inquired about Rice's failure to provide copies of cancelled checks as requested for the auditor's cash disbursements test and informed Rice that cancelled check images should be part of the monthly bank statement. Rice responded that he would work to obtain copies of the canceled checks and misrepresented that canceled checks were typically part of CMSA's monthly statements. In fact, CMSA was not receiving copies of cancelled check images as part of its monthly statements, and Rice continued the practice of not obtaining cancelled check images, which would have revealed the checks payable to him.

30. Similarly, by email on December 16, 2014, Rice reported to the officers of CMSA a recommendation from the auditor to have second-person verification of all bank statements and reconciliations each month, second-person review of deposits every day, and changing certain authorities away from the Treasurer position. Rice vigorously opposed the second-person review of deposits, describing the change as "completely ridiculous and unnecessary since I do believe each month a board member can go through the bank statements and reconcile reports and go through the deposits that way."

31. According to minutes from the Board of Directors' August 28, 2018 meeting, the CMSA Finance Committee was required to meet "3-4x a year to review CMSA Financial decisions and proposals," and a committee representative was required to meet with CMSA's auditors and to meet with Rice monthly. On information and belief, Rice did not conduct regular meetings as required, did not meet with a committee representative every month, and did not include committee

members in his meetings and communications with CMSA's auditors. While minutes from the Board of Directors' October 25, 2018 meeting state that "[t]he CMSA Financial Committee has . . . been assembled and announced," and that "[t]his group of CMSA members will be apprised to the finances of CMSA in the effort to support full financial transparency within the organization," Rice was not transparent with the Finance Committee and never disclosed to them that he had been misappropriating funds.

32. Rice continued to downplay the need for additional protections and worked to delay a formal audit of CMSA as recently as last year. At a February 24, 2020 Board meeting, for example, the minutes reflect that Rice's Treasurer Report explained that, "Michael Rice discussed with US Bank whether additional protections could be put in place to reduce the potential for fraud in the future, but the administrative expense is too great, considering the low risk as of now." The Treasurer Report also indicated another "extension with both IL and the federal government," so that "[t]he audit will now take place after tax season."

#### **E. Rice's Post-Election Cover-Up of the Misappropriation Scheme**

33. CMSA held its 2020 Board election on July 21, 2020. As a result of that election, Rice lost his seat on the CMSA Board and lost his position as Treasurer of CMSA, effective July 31, 2020.

34. Immediately upon losing his Board seat and his position as Treasurer, Rice undertook a massive two-week campaign to go back through CMSA's accounting system and to alter hundreds of entries to conceal the existence of the Misappropriated Checks.

35. Specifically, between July 21, 2020 and August 3, 2020 (the "Alteration Period"), Rice made more than 500 suspicious changes, deletions, additions, or other alterations to CMSA's accounting records. These changes included:

- (a) Making more than 300 edits to Misappropriated Checks payable to Rice totaling more than \$160,000, altering dates, check numbers, payees, and descriptions (*see* Exhibit 1 for examples of these alterations);
- (b) Adding more than 25 back-dated checks to various payees totaling approximately \$5,000;
- (c) Adding 4 journal entries involving more than \$15,000 in transactions, and editing another journal entry to erase more than \$8,000 in previously paid insurance fees;
- (d) Deleting more than 40 bills payable to Rice totaling more than \$7,000;
- (e) Deleting 19 checks to various payees, including Rice, totaling more than \$1,500;
- (f) Deleting 3 deposits totaling more than \$2,000;
- (g) Voiding more than 80 checks, bill payments, and expenses to various payees.

36. CMSA's investigation into Rice's post-election conduct, the Misappropriated Checks, and the other suspect transactions is ongoing. CMSA anticipates the amount of its damages will increase as its investigation proceeds.

#### **F. CMSA's Discovery of Rice's Misconduct**

37. CMSA first detected initial evidence of the existence of Rice's misconduct on or about March 26, 2021, when CMSA's outside auditor contacted the current Treasurer of CMSA to report on an inability to reconcile CMSA's bank account balances with its cash balance due to transactions altered or deleted during the Alteration Period. The outside auditor specifically identified checks written to Rice that had been deleted or moved.

38. Further investigation by the President, Treasurer, and outside auditor into the audit trails of transactions changed, deleted, altered, or added during the Alteration Period disclosed that the changes made by Rice during the Alteration Period involved more than \$160,000 in altered checks, and tens of thousands of dollars in other suspect transactions.

39. CMSA promptly engaged counsel and appointed an Independent Committee of directors whose terms did not overlap with Rice's tenure on the Board and as Treasurer to further investigate this matter. The Independent Committee has reviewed the accounting records for the Misappropriated Checks, the audit histories for the Misappropriated Checks, a representative sample of check images and backup documentation for the Misappropriated Checks, and the audit histories for the other suspect transactions.

40. As a result of the diligent investigation to date by the independent auditor, Treasurer, President, and Independent Committee of CMSA, CMSA has determined to a reasonable likelihood that most or all of the Misappropriated Checks are fraudulent, based on Rice's alteration of CMSA's financial records in an apparent attempt to conceal the Misappropriated Checks by altering the dates, check numbers, payees, and descriptions.

#### **COUNT I - CONVERSION**

41. For paragraph 41 of Count I, CMSA adopts and incorporates by reference herein paragraphs 1 through 40 of this Complaint.

42. Rice wrongfully and without authorization assumed exclusive dominion, control, and ownership over the Misappropriated Checks, which were the property of CMSA, in a manner inconsistent with CMSA's right of possession.

43. The Misappropriated Checks and the funds conveyed by the Misappropriated Checks are CMSA's property.

44. CMSA has an unconditional right to immediate possession of the full value of the Misappropriated Checks, which, based on the total amount identified to date is more than \$160,000. CMSA continues to investigate numerous additional suspect transactions and anticipates this amount will increase as its investigation proceeds.

45. Based on a review of a representative sample of images of the backs of Misappropriated Checks, Rice deposited the Misappropriated Checks in his own personal bank account, commingling CMSA's funds and Rice's personal funds. Thereafter, on information and belief, Rice proceeded to spend and dispose of CMSA's funds for his own benefit. Based on Rice's deposit, commingling, and subsequent disposition of CMSA's funds, as well as Rice's fraudulent conduct to conceal the Misappropriated Checks, a demand for possession of the Misappropriated Checks by CMSA would be futile and fruitless.

46. Rice acted fraudulently, willfully, and with a wanton disregard for CMSA's rights.

WHEREFORE, CMSA respectfully requests this Court to enter judgment in its favor and against Rice as follows:

- A. Awarding damages in an amount shown due at trial of not less than \$160,000 plus prejudgment and postjudgment interest thereon;
- B. Awarding punitive damages, as permitted by law;
- C. Awarding CMSA the costs of suit;
- D. Such other and further damages and relief as may be just and proper.

#### **COUNT II – BREACH OF FIDUCIARY DUTY**

47. For paragraph 47 of Count II, CMSA adopts and incorporates by reference herein paragraphs 1 through 40 of this Complaint.

48. CMSA reposed trust and confidence in Rice for the eight years that he served as CMSA's Treasurer and nine years as a member of CMSA's Board of Directors.

49. As an officer of CMSA and member of CMSA's Board of Directors, Rice owed the common-law duties of undivided loyalty and care to CMSA. Rice was also required to perform his functions in accordance with CMSA's bylaws, policies, and practices.

50. As part of his responsibilities as Treasurer, Rice oversaw CMSA's financial accounts and had authority to issue and sign checks on CMSA's behalf. Rice executed all financial programs, conducted CMSA's yearly audit, oversaw and enforced CMSA's financial policies, reported to the Board, maintained CMSA's list of assets, and chaired its Finance Committee, among other responsibilities alleged herein.

51. Rice's acts, practices and conduct, including and without limitation his material misrepresentations and omissions to CMSA concerning his misappropriation and fraud, in addition to the misappropriation itself, violated Rice's fiduciary duties to CMSA.

52. Rice's breaches of his fiduciary duties to CMSA commenced when he began misappropriating funds in an amount potentially totaling hundreds of thousands of dollars over at least an eight-year period. Rice's breaches of his fiduciary duties to CMSA continued through at least August 2020, when he further concealed his activities from CMSA's directors and officers by altering hundreds of fraudulent checks in CMSA's accounting system in a calculated effort to cover his tracks and hide his misappropriation.

53. CMSA has been damaged in an amount totaling, at a minimum, the full value of the Misappropriated Checks, which, based on the total amount identified to date is more than \$160,000. CMSA continues to investigate numerous additional suspect transactions and anticipates this amount will increase as its investigation proceeds.

54. Rice acted intentionally, willfully, wantonly, maliciously, and in flagrant breach of his fiduciary responsibility to CMSA.

55. In addition, CMSA is entitled to punitive damages for Rice's breaches of fiduciary duty.

WHEREFORE, CMSA respectfully requests this Court to enter judgment in its favor and against Rice as follows:

A. Awarding damages in an amount shown due at trial of not less than \$160,000 plus prejudgment and postjudgment interest thereon;

B. Awarding punitive damages, as permitted by law;

C. Awarding CMSA the costs of suit;

D. Such other and further damages and relief as may be just and proper.

### **COUNT III – FRAUD**

56. For paragraph 56 of Count III, CMSA adopts and incorporates by reference herein paragraphs 1 through 40 of this Complaint.

57. Rice knowingly made false material misrepresentations and omissions of fact to CMSA as alleged herein with the intent the CMSA rely on his misrepresentations and omissions concerning his ongoing misappropriation scheme under which he issued or caused CMSA to issue checks payable to himself on false or fraudulent pretenses.

58. Rice is directly responsible for his own actions, misrepresentations, and omissions that were directed to CMSA.

59. CMSA relied to its detriment on Rice's material misrepresentations and omissions when entrusting Rice with the oversight and management of its funds. CMSA would not have entrusted Rice with its funds if the true facts were known to CMSA.

60. CMSA's reliance on the misrepresentations and omissions by Rice alleged herein were reasonable.

61. As a result of its reasonable reliance on Rice's material misrepresentations and omissions alleged herein, CMSA has suffered damages totaling, at a minimum, the full value of the Misappropriated Checks, which, based on the total amount identified to date is more than \$160,000. CMSA continues to investigate numerous additional suspect transactions and anticipates this amount will increase as its investigation proceeds.

62. Rice's false representations and omissions were wantonly and designedly made.

WHEREFORE, CMSA respectfully requests this Court to enter judgment in its favor and against Rice as follows:

- A. Awarding damages in an amount shown due at trial of not less than \$160,000 plus prejudgment and postjudgment interest thereon;
- B. Awarding punitive damages, as permitted by law;
- C. Awarding CMSA the costs of suit;
- D. Such other and further damages and relief as may be just and proper.

#### **COUNT IV – FRAUDULENT CONCEALMENT**

63. For paragraph 63 of Count IV, CMSA adopts and incorporates by reference herein paragraphs 1 through 40 of this Complaint.

64. For approximately eight years, Rice employed various techniques to conceal from CMSA the ongoing misappropriation scheme under which he issued or caused CMSA to issue checks payable to himself on false or fraudulent pretenses. Rice did not disclose or provide copies of the Misappropriated Checks to the CMSA Board, Finance Committee, or Audit Committee, and in fact hid the Misappropriated Checks within his Treasurer Reports and financial statements under



the guise of legitimate expenses. Rice did not disclose the Misappropriated Checks to CMSA's outside auditors, but rather responded to inquiry with a series of misleading and evasive responses, and on information and belief attempted to hinder the outside auditors' access to CMSA's financial records. Once he was voted out of office, Rice further attempted to conceal his misappropriation scheme by going back through CMSA's accounting system and spending two weeks altering hundreds of entries to hide the existence of the Misappropriated Checks altogether.

65. By concealing his ongoing misappropriation scheme from CMSA, Rice intended to induce CMSA into falsely believing that the Misappropriated Checks were legitimate expenses used for the benefit of CMSA and its members, and intended that his misappropriation scheme would never be discovered by CMSA.

66. CMSA reposed trust and confidence in Rice for the eight years that he served as CMSA's Treasurer and the nine years he served as a member of CMSA's Board of Directors. As a CMSA officer and director, Rice owed common law duties of undivided loyalty and care to CMSA and was also required to perform his functions in accordance with CMSA's bylaws, policies, and practices.

67. As Treasurer, Rice oversaw CMSA's financial accounts and had authority to issue and sign checks on CMSA's behalf. Rice executed all financial programs, conducted CMSA's yearly audit, oversaw and enforced CMSA's financial policies, reported to the Board, maintained CMSA's list of assets, and chaired its Finance Committee. Such responsibilities gave Rice special and superior knowledge of CMSA's finances, including any checks issued by CMSA.

68. Rice worked hard to ensure his superior knowledge of CMSA's finances also remained exclusive to him. He attempted multiple times to get rid of the outside audit altogether, and to place himself in charge of the annual audit process. On information and belief, he did not

acquiesce to the use of an independent auditor until the Illinois Secretary of State informed CMSA they must do so. When an independent auditor was hired, Rice opposed certain of their recommendations for second-person verification as “completely ridiculous and unnecessary.” More recently, Rice attempted to obtain a waiver of the audit requirement from the State of Illinois, putatively due to the COVID-19 pandemic and downplayed recommendations from CMSA’s bank that “additional protections could be put in place to reduce the potential for fraud in the future” as “too great” an administrative expense. Over the course of his tenure as Treasurer, Rice also failed to call regular Finance Committee meetings and did not allow the Finance Committee to regularly review CMSA’s transactions.

69. Through such actions, Rice prevented CMSA from being able to make a reasonable inquiry or inspection of its own financial accounts in order to uncover Rice’s misappropriation scheme. Moreover, CMSA relied upon Rice’s silence about the misappropriation scheme as a representation that such a scheme in fact did not exist.

70. Had CMSA been aware of Rice’s misappropriation scheme and fraud, or of the existence of the Misappropriated Checks, CMSA would have removed Rice from his position on the Board and position as Treasurer, and would have denied Rice access to and control over CMSA’s financial assets.

71. As a result of its reliance on Rice’s concealment, CMSA has suffered damages totaling, at a minimum, the full value of the Misappropriated Checks, which, based on the total amount identified to date is more than \$160,000. CMSA continues to investigate numerous additional suspect transactions and anticipates this amount will increase as its investigation proceeds.

72. Rice's concealment, false representations, and omissions were wantonly and designedly made, entitling CMSA to punitive damages.

WHEREFORE, CMSA respectfully requests this Court to enter judgment in its favor and against Rice as follows:

- A. Awarding damages in an amount shown due at trial of not less than \$160,000 plus prejudgment and postjudgment interest thereon;
- B. Awarding punitive damages, as permitted by law;
- C. Awarding CMSA the costs of suit; and
- D. Such other and further damages and relief as may be just and proper.

#### **COUNT V – UNJUST ENRICHMENT**

73. For paragraph 73 of Count V, CMSA adopts and incorporates by reference herein paragraphs 1 through 40 of this Complaint.

74. Rice received the benefit of the value of the Misappropriated Checks, which, based on the total amount identified to date is more than \$160,000. CMSA continues to investigate numerous additional suspect transactions and anticipates this amount will increase as its investigation proceeds.

75. Rice unjustly retained a benefit to CMSA's detriment which violates fundamental principles of justice, equity, and good conscience.

76. Rice has been unjustly enriched in an amount of more than \$160,000 on account of his retention of these funds, and CMSA has been damaged in at least such amount.

WHEREFORE, CMSA respectfully requests this Court to enter judgment in its favor and against Rice as follows:



# **Exhibit 1**

Original Check					Altered Entry			
Date	Check	Payee	Amount	Description	Date	Check	Payee	Description
7/21/2014	6065	Michael O. Rice II	\$ 248.82	Softball Open Field Setup; Stamps	7/21/2009	665	Sports Awards Company	Women's Soccer Awards
10/6/2014	6254	Michael O. Rice II	\$ 250.00	Men's Football Field Setup	10/6/2008	254	Caryn Robinson	Women's Football Field Setup
3/18/2015	6537	Michael O. Rice II	\$ 1,270.42	Softball Equipment Testers	3/18/2007	137	A.D. Starr	Softball Equipment
5/12/2015	6732	Michael O. Rice II	\$ 2,218.85	Storage Units - Softball	5/12/2009	332	Cutting Edge Sports	Badminton Equipment
8/31/2015	7094	Michael O. Rice II	\$ 888.14	\$361.81 for gratuity at SBO party; \$526.33 for SBO commissioner award	8/31/2008	465	Sports Awards Company	SBO Outgoing Commissioner Awards
10/20/2015	7155	Michael O. Rice II	\$ 217.65	Filing Cabinet Boxes Reimbursement	10/20/2008	155	Extra Space Storage	Storage Equipment
2/25/2016	7387	Michael O. Rice II	\$ 5,122.43	Softballs Reimbursement	2/25/2008	387	BBY Sports	Basketball Referees
6/3/2016	7582	Michael O. Rice II	\$ 300.00	NAGAAA Meeting Hotel Deposit	6/3/2010	767	Ross Foreman	softball umpire
7/6/2016	7745	Michael O. Rice II	\$ 325.00	Rental Car Deposit SBO Meeting	7/6/2010	745	Tom Adrahtas	softball umpire
10/12/2016	7972	Michael O. Rice II	\$ 1,901.22	Softball Equipment	10/12/2010	702	Volleyhut	Volleyballs
1/10/2017	8128	Michael Rice	\$ 623.49	Softball Equipment	1/10/2010	828	Jessica Andraskp	Women's Volleyball equipment
5/20/2017	8351	Michael O. Rice II	\$ 1,400.00	Softball Summer Meeting Travel	5/20/2010	851	Jack Neilsen	NAGAAA cup travel
8/9/2017	8597	Michael O. Rice II	\$ 452.33	Softball Equipment reimbursement (hammers, rakes, tape measure)	8/9/2010	597	Jack Neilsen	equipment
11/29/2017	8871	Michael O. Rice II	\$ 1,271.04	\$348.79 for SBO airfare, 55.00 for postage, \$420 for women's football referee, \$147.25 for office supplies, \$300 for volleyball court setup	11/29/2009	871	Marcia Hill	\$348.79 for cmsa board meeting meals; 55.00 for postage; \$420 for football referee; 147.25 for supplies; \$300 for football field setup
1/11/2018	8952	Michael Rice	\$ 324.16	1/10 Ratings meeting meals	1/11/2020, then 8/31/2009	1952, then 1997	Halsteds Bar & Grill	softball board meeting

Original Check					Altered Entry			
Date	Check	Payee	Amount	Description	Date	Check	Payee	Description
5/21/2018	9161	Michael O. Rice II	\$ 500.00	MSP NAGAAA Cup Travel Per diem	5/21/2008	161	Marcia Hill	asana
8/27/2018	9473	Michael O. Rice II	\$ 2,000.00	NAGAAA Summer Meeting Travel	8/27/2008	473	Hilton	NAGAAA hotel payment
10/29/2018	9633	Michael O. Rice II	\$ 1,115.51	\$26 storage reimbursement; \$14.95 phone reimbursment; \$60.00 quick books reimbursement; \$13.00 postage reimbursement; \$400 volleyball court setup; \$500 open football field setup; \$101.56 volleyball printing	10/29/2018	633	Marcia Hill	\$26 storage; \$14.95 phone; \$60.00 quickbooks; \$13.00 postage; \$400 volleyball women's reffing; \$500 field setup women's football; \$101.56 general cmsa printing
3/19/2019	9842	Michael O. Rice II	\$ 1,212.26	\$132.26 volleyball posters; \$500 volleyball court setup; \$380 softball summer flight for meeting; \$200 volleyball post-season party deposit	3/19/2012, then 8/31/2009	842, then 1998	Jessica Andraskp	\$132.26 playoff posters; \$500 reffing; \$380 equipment (but in travel category); \$200 post season party
7/5/2019	10084	Michael Rice	\$ 450.00	Volleyball beach setup	7/5/2010	1184	Crew Bar & Grill	softball party
7/28/2019	10125	Michael Rice	\$ 375.00	CMSA Constant Contact	7/29/2009	1125	Courtney Roberts	women's softball field supplies
8/31/2019	10348	Michael O. Rice II	\$ 2,094.30	\$87 Treasurer storage reimbursement; \$1707.40 GB hotel travel; \$300 GB per diem	8/31/2009	1348	Marcia Hill	\$87.00 storage; \$1707.40 asana; \$300 asan per diem
12/10/2019	10521	Michael Rice	\$ 280.00	*blank*	12/10/2008	521	Burkes	*blank*
1/3/2020	10558	Michael O. Rice II	\$ 1,270.89	Vegas flight/hotel reimbursement	1/3/2010	558	Jack Neilsen	NAGAAA reimbursement
1/30/2020	10594	Michael Rice	\$ 850.00	Travel	1/24/2014	6594	Hilton Anatole	Nagaaa
2/25/2020	10648	Michael Rice	\$ 600.00	*blank*	2/25/2009	648	Courtney Roberts	asana travel
7/10/2020	10746	Michael O. Rice II	\$ 207.00	\$120 state filing; \$87 treasurer storage	7/9/2009	746	Marcia Hill	\$87 storage; \$120 filing