

STATE OF MINNESOTA

DISTRICT COURT

COUNTY OF HENNEPIN

FOURTH JUDICIAL DISTRICT

Case Type: Other Civil
(Charitable Law Violations)State of Minnesota, by its
Attorney General, Lori Swanson,

Court File No. _____

Plaintiff,

COMPLAINT

vs.

TVI, Inc., d/b/a Savers, and Apogee Retail,
LLC,

Defendants.

The State of Minnesota, by its Attorney General, Lori Swanson (“State”), for its Complaint against TVI, Inc. d/b/a Savers (“Savers”), and Apogee Retail, LLC (“Apogee”), hereby states and alleges as follows:

INTRODUCTION

1. The billion-dollar for-profit retailer TVI, Inc., d/b/a Savers, directly and through its subsidiary Apogee Retail, LLC (Savers and Apogee are sometimes collectively referred to as the “Savers Conglomerate”), solicits Minnesotans to donate clothing and other merchandise to charitable organizations. Savers then sells the donated merchandise to the public in its for-profit retail stores for a hefty mark-up. The Savers Conglomerate leads donors to believe that their donations will substantially benefit the charitable mission of individual charities. In fact, Savers paid the charities pennies on the dollar—often only about 40 cents for each pound of donated clothing. Savers paid nothing to the charities directly for particular donations of non-clothing

items (e.g., furniture, toys, books, appliances, etc.), despite telling the public that it pays the charities “every time you donate.”

2. Savers solicited some donations using a particular charity’s name and likeness, even though donations did not benefit that charity. In other cases, the company failed to ascertain or honor the wishes of the donor. Both practices violated a bedrock principle of charitable solicitation law: that the intent of donors be followed.

3. For-profit corporations that solicit donations for charities must register with the State and file financial reports and other materials designed to help the public understand the extent to which their donations benefit the charity versus the fundraising corporation. Over a period of many years, Savers acted as a professional fund-raiser in Minnesota without properly registering as a fund-raiser and without filing accurate financial reports regarding its fundraising activities. These infractions contravened the purpose and aim of Minnesota’s charitable registration laws: to provide the public with accurate and transparent information so that donors can make informed decisions. As a result, the State brings this regulatory compliance action to enforce Minnesota’s laws.

PARTIES

4. Lori Swanson, Attorney General of the State of Minnesota, is authorized under Minnesota Statutes chapters 8, the Minnesota Social and Charitable Organization Act, Minn. Stat. ch. 309, and has common law authority, including *parens patriae* authority, to bring this action on behalf of the State of Minnesota and its citizens to enforce Minnesota’s laws.

5. TVI, Inc. is a Washington state corporation with its business address at 11400 Southeast Sixth Street, Suite 220, Bellevue, Washington 98004. It is registered with the Minnesota Secretary of State as a foreign corporation that operates in Minnesota under the assumed name “Savers.” TVI, Inc. is owned in part by two private equity firms—TPG Capital

and Leonard Green & Partners, LP—which together own about 40 percent of Savers. Thomas Ellison, Savers' Chairman, also owns about 40 percent of Savers. Savers' management owns the remaining shares of the company.

6. Apogee Retail, LLC is a subsidiary of Savers. It is registered as a foreign limited liability company in Minnesota. It is domiciled in the State of Delaware and has its principal place of business at 11400 Southeast Sixth Street, Suite 220, Bellevue, Washington 98004. Apogee was previously an independent company, but sold 18 stores to Savers in 2011 for \$180 million and became a Savers subsidiary.

JURISDICTION

7. This Court has jurisdiction over the subject matter of this action pursuant to Minnesota Statutes sections 8.01, 8.31, 8.32, subd. 2(a), 309.57, and common law.

8. This Court has personal jurisdiction over Savers and Apogee because they have operations in Minnesota, have transacted business in Minnesota, and have committed acts in Minnesota causing injury to the Minnesota public and in violation of Minnesota law.

VENUE

9. Venue in Hennepin County is proper under Minn. Stat. § 542.09 because the cause of action arose, in part, in Hennepin County. Among other things, Savers and Apogee have solicited funds from donors and transacted commercial operations in Hennepin County through the practices described in this Complaint.

FACTUAL BACKGROUND

I. THE SAVERS BUSINESS MODEL.

10. With over \$1 billion in annual revenue in 2012, Savers represents itself as the largest for-profit retail “thrift” store chain in the United States. Savers operates more than 290

retail stores that sell clothing, furniture, and household items to the public. The company operates 15 for-profit thrift stores in Minnesota under the names Savers, Unique Thrift, and Valu Thrift. The company has projected that its revenue will increase by about 15 percent annually.

11. Savers' basic business model operates as follows: Savers enters into contracts with various charitable organizations. Through these contracts, Savers obtains clothing, household items, furniture, small appliances, and other merchandise that donors donate to charitable organizations, ostensibly to benefit the mission of the donor's chosen charitable organization. Savers (or the charitable organization) then distributes receipts to donors to enable them to deduct the donated items on their tax returns. Savers pays each charitable organization a contracted rate for the goods that the organization's donors provided to Savers.

12. Savers then uses charities' names to sell the donated merchandise to the public in its for-profit retail stores for an amount substantially in excess of what Savers pays the charity. In other words, Savers pay the charities a small fee—historically about 40 cents for each pound of donated clothing—retaining within the for-profit conglomerate all the revenue from the ultimate sale of those goods to the public. While the methods of solicitation vary by the charity, Savers Conglomerate has solicited donations in Minnesota through telemarketing calls, direct mailings, websites, face-to-face interactions, brochures, posters, at “community donation centers,” and by public advertising.

13. In general, the relationship between Savers and the charities have often had two aspects: (1) in some cases, the charity or Apogee has collected donated goods directly from Minnesota donors and delivered them to Savers, which then sold the donated goods to the public in the company's for-profit retail stores; (2) in other cases, Minnesota donors delivered the goods directly to Savers at in-store locations (or other on-site donation spots), with the understanding

that their donations would be used to benefit the charity. Savers calls donations that are delivered directly to it at its stores “on-site donations,” or OSDs.

14. Savers Conglomerate entered into contracts with six charitable organizations relating to the solicitation of charitable donations from donors in Minnesota. Three of those charities either terminated or declined to renew their contracts with the Savers Conglomerate in the last six months, after the Minnesota Attorney General’s Office (“Minnesota AGO”) issued a compliance report in November 2014 concerning the activities of the Savers Conglomerate in Minnesota. Three others—Epilepsy Foundation of Minnesota, Inc. (“EFM”), Disabled American Veterans, Department of Minnesota, Inc. (“DAV”), and Vietnam Veterans of America (“VVA”)—have continued their relationships with Savers even though, as discussed more below, the corporation is not properly registered to act as a professional fund-raiser in Minnesota.

II. SAVERS DECEPTIVELY SOLICITED CHARITABLE DONATIONS FROM THE MINNESOTA PUBLIC.

15. As described in Section IV, Savers failed to comply with the charitable regulation laws that are designed to foster transparency so that donors know how much of their donations benefit a charitable purpose, as opposed a for-profit enterprise. Savers also engaged in a plethora of deceptive solicitation tactics designed to further mislead Minnesota donors about how their donations would be utilized, in contravention of Minnesota’s charities laws.

16. As noted above, Savers keeps most of the value of donated merchandise. For example, under most of its relationships with charities in Minnesota, if a donor who wanted to help a charity donated a suit weighing one pound that was re-sold to the public for \$100 at a Savers store, Savers would pay the charity no more than 50 cents and would keep \$99.50. If the donor donated a \$250 television by dropping it off at a Savers store, Savers would not pay

anything directly to the charities as a result of that donation of that television. Donors had no way of knowing any of this, however.

A. Savers Hid Behind A Veneer Of Benevolence That Concealed The Fact That The Overwhelming Portion Of Donations Benefited the For-Profit Conglomerate.

17. At its stores and collection centers and in its marketing campaigns, Savers widely capitalizes on the names, logos, and likenesses of the charitable organizations on whose behalf it solicits donated goods. Savers' display of the charitable organizations' names and logos at its retail stores and elsewhere benefits the for-profit corporation in two ways: (1) by soliciting donors to donate merchandise; and (2) by convincing people to shop at Savers stores under the guise that Savers is or has the aura of a non-profit or benevolent organization, such that their purchases will benefit a charity. This masks Savers' actual status as a for-profit entity that receives the lion's share of the value of donations people make to benefit charitable organizations.

18. Minnesota law requires both charitable organizations and their professional fundraisers to make certain disclosures to the prospective donors when soliciting donations. For example, prior to orally requesting a contribution or contemporaneously with a written request, the following information must be disclosed:

- (a) the name and location by city and state of each charitable organization on behalf of which the solicitation is made;
- (b) the tax deductibility of the contribution; and
- (c) a description of the charitable program for which the solicitation campaign is being carried out.

Minn. Stat. § 309.556, subd. 1. If the solicitation is made by direct personal contact, the required information must also be disclosed prominently on a written document which is exhibited to the person solicited. *Id.* If the solicitation is made by radio, television, letter, telephone, or any

other means not involving direct personal contact, the required information shall be clearly disclosed in the solicitation. *Id.* In addition to the foregoing disclosures, a professional fund-raiser must also disclose its name as on file with the Minnesota AGO and that the solicitation is being conducted by a professional fund-raiser, which it must do in the same manner as is required of the other disclosures. Minn. Stat. § 309.556, subd. 2.

19. As noted above, Apogee operated a telephone solicitation program for certain charities. One version of a script used by Apogee prior to October, 2013, to make solicitation calls to Minnesota donors stated:

“Hello, my name is [NAME] and I’m calling on behalf of [CHARITY]. We will have a donation truck in your area on [DATE], collecting boxes and bags of clothing, books, dishes, and other household items. Would you have any items you would like to donate to help those [CHARITABLE PURPOSE]?”

Not surprisingly in light of this script, a number of recordings of calls made by Apogee to Minnesota donors did not include the disclosure required by section 309.556 that Apogee was a professional fund-raiser making the call.

20. Savers also did not make the section 309.556 disclosures when it solicited donations at its stores. For years, Savers failed to disclose its status as a professional fund-raiser acting on behalf of the charitable organizations. To the contrary, Savers has taken pains to avoid making such disclosures, instead suggesting that, like the charities, it too has a benevolent purpose. For example, attached as Exhibit 1 is a photograph of a Savers donation drop spot taken on September 27, 2014, at a grocery store parking lot in White Bear Lake, Minnesota. The donation pod—which is staffed by a Savers employee during certain hours—bears the Savers logo and states: “DO A WORLD OF GOOD...**donate.**” It solicits both donations of clothing and household items for VVA. Bearing a picture of a soldier holding a young girl with a flag, the donation pod states: “Your donations of clothing and household items support *our community*

services.” Exhibit 1 (emphasis added). Attached as Exhibit 2 is a photograph of the side of a nearby non-staffed donation bin taken in the same location on the same date. It seeks donations of clothes, household goods, books, and other merchandise, bears the Savers and VVA logos, and states: “Your donations accepted on behalf of our Veterans.” Nowhere do these bins disclose that Savers is a professional fund-raiser. As noted in Section IV below, Savers was not registered to act as a professional fund-raiser for VVA at the time of this solicitation.

21. Attached as Exhibit 3 is a photograph of another donation drop spot—also staffed by a Savers employee during certain business hours—taken on September 13, 2014, at a Best Buy/Target/Wal-Mart parking lot in Apple Valley, Minnesota. The collection pod prominently bears the logo of Savers and again states: “DO A WORLD OF GOOD...**donate.**” It again seeks donations of clothing and household items to “support *our community services.*” Exhibit 3 (emphasis added). The collection pod prominently solicits donations for Lupus Foundation of Minnesota (“LFM”). A smaller unstaffed collection bin nearby seeks donations for Lupus Foundation of American, but also states: “Clothing and household items to benefit *several local non-profits.*” Exhibit 3 (emphasis added). The suggestion that donations at that location benefit “several local non-profits” is false and misleading. Nowhere do these bins disclose that Savers is a professional fund-raiser. As noted in Section IV below, Savers was not registered to act as a professional fund-raiser for LFM at the time of this solicitation.

22. Savers also actively solicits donations at or near its retail stores. Savers places the name of its store near the words “Community Donation Center” to further create the appearance that Savers is itself a charitable enterprise. For example, attached as Exhibit 4 is a photograph taken on September 19, 2013, outside the Savers’ Valu Thrift store, located at 2145 Hudson Road, Saint Paul, Minnesota. Large lettering on the outside of the store says both “Valu Thrift”

and "Community Donation Center." Similarly, attached as Exhibit 5 is a photograph taken the same day of the display window of Savers' store at the same address. Next to the logo for VVA are the large words, "Community Donation Center," and the public is asked to "Donate here." (As noted below, Savers was not registered to solicit donations for VVA.) Attached at Exhibit 6 is a photograph taken on November 19, 2014, at the Unique Thrift store on Rice Street in Saint Paul, Minnesota. The donation drop-off area bears the prominent banner: "Community Donation Center."

23. Examples abound of Savers' attempts to blur its mission and identity with that of charities. For example, attached as Exhibit 7 is a picture taken on November 19, 2014, at the Savers store located at 2124 East Lake Street, Minneapolis, Minnesota. This picture reflects a large banner stating that "You donated at Savers and Helped a Local Nonprofit. Proud of you Sue!" (Sue presumably being the name of the woman pictured on the banner.) In another pamphlet, Savers states: "Last year, we paid *our* nonprofits more than \$117 million to fund their programs and services." Exhibit 8 (emphasis added). Attached as Exhibit 9 is a photograph taken on November 18, 2014, of the store window at the Savers store located at 7608 150th Street West, Apple Valley, Minnesota. It states: "PROUD OF YOU SUE! YOU JUST DONATED AT Savers." Another photograph taken on the same date at the same location states: "GOOD JOB BOB! YOUR DONATION HELPED A LOCAL NONPROFIT." Exhibit 10.

24. Savers' marketing and donation solicitation materials similarly blur its mission and identity with that of charities. For example, Exhibit 11 is a Savers pamphlet that states "We've been in the business of recycling and supporting communities for nearly 60 years," "Savers...create jobs and help support local communities," and "We're in the business of **doing good.**" Attached as Exhibit 8 is a Savers brochure that repeatedly conflates it with the charities,

stating “we partner with local nonprofits and pay them for all goods donated at our stores,” “By donating gently used goods and shopping at our stores, you are part of The Savers Cycle which benefits all of us,” “The more you donate and shop at Savers, the more the community benefits,” and “Good for the neighborhood. Great for the neighbors.” Exhibit 8.

25. These type of representations suggest that Savers is or has the aura of a non-profit organization and can mislead donors. A resident of Hennepin County, Minnesota states that the way that Savers marketed itself in its signage led her to believe that it was a non-profit organization. When her husband, mother, and aunt died, she donated houses full of goods, including clothes, dishes, lamps, and furniture to Savers, believing it would benefit VVA, DAV and EFM. She states: “I subsequently learned that Savers is a for-profit corporation that only pays a small fraction of the money from the donations it receives on behalf of the charities....I did not intend to support a for-profit company’s retail operations.” Another long-time donor to EFM visited a Savers Unique Thrift store and stated: “I believed the store was a nonprofit organization, because the signs on the store walls and windows stated that it was accepting donations that would benefit a nonprofit.” He adds: “Savers posed as a nonprofit in order to get my donations to sell in its retail stores.”

26. Similarly, a Saint Paul, Minnesota retiree wanted to help EFM because she has a young family member with a seizure disorder. She donated clothing and furniture—which had sentimental value because it belonged to her husband’s grandmother—at the Woodbury, Minnesota Savers store with the intention these donations benefit EFM. She states: “It never occurred to me that flyers and posters would be distributed for donations on behalf of Epilepsy of Minnesota even though the Epilepsy Foundation of Minnesota would not receive a benefit from donations of household goods and only very little for clothing....Had I been told that Epilepsy

Foundation of Minnesota would only be paid pennies on the dollar by Savers for a donated item or only for clothing, I would not have donated to Epilepsy Foundation of Minnesota because I do not want the majority of the value of my donations to benefit Savers, a large for-profit company.”

27. Savers also uses the name of charities to suggest that charities make money when the public buys things in its stores. For example, one flyer Savers uses to solicit donors and shoppers states: “The more you donate *and shop* at Savers, Unique and Valu Thrift Store, the more your community benefits!” Exhibit 25 (emphasis added). In fact, as noted in Section IV, Savers typically pays the charities a flat per-pound rate (e.g., historically about 40 cents for each pound) when a donor donates clothing, either at home through a pick-up program or as an on-site delivery. In other words, by the time merchandise reaches a Savers store for sale to the public, the amount that Savers will pay the charity has already been determined and set; the charity does not get a “cut” of the price paid by shoppers on the sales floor. As a result, Savers has engaged in additional misleading conduct to the extent it suggests that charities are paid when a shopper buys a particular product at Savers. *See* Exhibits 8, 11, 12, and 25.

B. Savers Falsely And Deceptively Claimed That Certain Charitable Organizations Would Benefit From Donations.

28. As noted above, Savers solicits donated merchandise on behalf of charitable organizations at its retail stores. Savers call donations that it solicits at its stores on behalf of charitable organizations “on-site donations,” or OSDs. The collection and subsequent sale of OSDs is profitable for Savers. Savers told the Minnesota AGO that “its long-standing practice is to designate the OSDs at a particular store to benefit only one charity.” Attached as Exhibit 13 is a print-out from Savers website, saved on October 1, 2014, in which the company lists for each

of its for-profit Minnesota retail stores the charitable organization that supposedly receives the benefit of OSDs made at that particular store.

29. Savers has used signage that deceptively describes the charitable organizations that will benefit from a donation. For example, attached as Exhibit 14 is a photograph taken on November 19, 2014, of the donation drop-off area outside the Savers store located at 4849 Central Avenue Northeast in Columbia Heights, Minnesota. The signage describes the area as a “Community Donation Center” and states “We need your good quality” clothing, books, housewares and furniture. The signage also states” **“DO FAVORS DO GOOD DO YOUR PART DONATE.”**

30. The signage for the “Community Donation Center” bears a prominent logo for DAV and shows a soldier holding a child, leading donors to believe that donations at that store will benefit DAV. An adjacent sign, however, states: “Donations at this Location also Benefit: Epilepsy Foundation of Minnesota,” leading donors to believe that donations made at that locale benefit EFM. Exhibit 14. As of October 1, 2014, however, Savers’ website stated that donated merchandise at this Columbia Heights store exclusively benefited DAV. Exhibit 13.

31. Similarly, attached as Exhibit 15 is a photograph taken on November 18, 2014, of the donation drop-off area outside the Savers store located at 7608 150th Street West in Apple Valley, Minnesota. Signage describes the drop-off lane as the “Community Donation Center” and states that “Savers pays local nonprofits every time you donate. Thank you!” Signage solicits donations for both DAV and EFM. As of October 1, 2014, Savers’ website stated that donated merchandise at the Apple Valley store exclusively benefited DAV. Exhibit 13.

32. Attached as Exhibit 16 is a photograph taken on November 20, 2014, of a drop-off bin inside the Savers store at 8401 Tamarack Road in Woodbury, Minnesota. The bin bears

the prominent logo of Savers followed by the words "Donation Drop Off." The bin seeks the donation of clothing, books, housewares, and toys. Signage over the bin states: "YOU'LL LOVE HOW DONATING MAKES YOU AND EVERYONE ELSE FEEL!" and adds "in our community, your donation helps support" both EFM and DAV. As of October 1, 2014, Savers' website stated that donated merchandise at this store exclusively benefited EFM. Exhibit 13.

33. Attached as Exhibit 17 is another photograph taken at the Woodbury store on November 19, 2014. The photograph reflects a large sign that states: "Thank You For your donations." The sign states that donations benefit both EFM and DAV. As of October 1, 2014, Savers' website stated that donations at this store exclusively benefited EFM. Exhibit 13.

34. Attached as Exhibit 18 is a photograph taken on August 16, 2013, of the inside of Savers' Unique Thrift store on Rice Street in Saint Paul, Minnesota. The donation bin solicits donations of clothing, books, housewares, and toys. Behind the bin is signage that states: "Good Things Come From a **Donation**." The signage states that donations would benefit both VVA and LFM. As of October 1, 2014, Savers stated that donations at that location benefited VVA. Exhibit 13.

C. Savers Misled Donors About the Extent to Which Their Donations Would Benefit The Charities.

35. Savers routinely solicits in its for-profit stores and in other marketing materials non-clothing merchandise—including household items, books, toys, appliances, bed and bath items, furniture, and other household merchandise—on behalf of the charities. *See* Exhibits 6, 7, 14, 15, 16, and 18. Savers calls donations of merchandise and items other than clothing "brica" (presumably short for bric-a-brac). Savers has distributed tax receipts to donors encouraging them to deduct from their tax returns donations of "brica" merchandise—even though, as

discussed below, the charities are not directly compensated by Savers for a particular brica donation.

36. In connection with its solicitation of brica on behalf of charities, Savers has prominently and repeatedly told Minnesota donors that it pays the charity “every time” they donate, or for “every donation,” or words to that effect. For example, attached as Exhibit 11 is a pamphlet used in 2013 in which Savers solicits merchandise from Minnesota donors for several charities. The cover of the brochure states that “**Donating** does a world of good” and that “Savers and Unique pay local nonprofits every time you donate.” The brochure tells Minnesota donors to “**Donate** today!” by dropping off both quality clothing and “household items” at one of its 15 for-profit stores in Minnesota. The brochure states: “we partner with local nonprofits and *pay them for all the goods* donated at our stores.” Exhibit 11 (emphasis added).

37. Attached as Exhibit 19 is an advertisement disseminated in Minnesota by Savers in August 2014. It solicits the public to shop for back to school clothes and Halloween costumes at the Savers store in Maplewood and tells donors they will receive a coupon for 20 percent off their purchase of merchandise if they bring both clothing and household donations to the store for DAV. The ad states that: “Savers pays the Disabled American Veterans every time you donate. Thank you!” The coupons themselves state: “Your donation benefits a local non-profit organization.” Exhibit 20.

38. Attached as Exhibit 21 is a flyer that Savers represents was used in Minnesota in 2011. It states “We need your good quality” clothing, media, books, DVDs, software, housewares, bed and bath items, small appliances, and furniture. Under the banner “CLEAR CLUTTER for a CAUSE,” Savers states: “Help the community and planet Earth by donating reusable clothing and household items at the Community Donation Center located at Savers.

Savers pays the Epilepsy Foundation of Minnesota every time you donate which helps support their programs and services here in our community.” (emphasis added.) Savers used a similar flyer for DAV which stated: “Savers pays Disabled American Veterans (DAV) of Minnesota every time you donate.” Exhibit 22. Savers used another similar flyer for VVA in 2012. See Exhibit 23. The flyer shows a woman standing in front of a pile of household goods and clothes, along with the heading: “Goodbye clutter. Hello good deeds.” The ad states: “Unique [Thrift] pays local nonprofits every time you donate.”

39. Attached as Exhibit 24 is a flyer that Savers represents was used in Minnesota in 2010. It states: “Donate your quality used clothing, household items and furniture at your Community Donation Center located at Savers, and *they’ll pay local nonprofits for every donation.*” (emphasis added.)

40. Attached as Exhibit 25 is a pamphlet that Savers represents was used in Minnesota in 2013. It states “Donating...does a world of good,” and asks EFM donors to donate clothing and housewares “at the **Community Donation Center** located at Savers.” The pamphlet further states: “Savers pays local nonprofits every time you donate.” In similar flyers from 2013, Savers solicits donations for DAV and VVA, also stating: Savers “pays local nonprofits every time you donate.” Exhibit 26, 27.

41. Attached as Exhibit 28 is flyer that Savers represents was used in Minnesota in 2013. It asks donors to donate to EFM, stating “Donate and make a difference” and that “We pay local nonprofits every time you donate.”

42. Savers’ window signage states the same thing. Attached as Exhibit 29 is a photograph of the main window at the Savers store located at 2124 East Lake Street, Minneapolis, Minnesota, taken on November 19, 2014. Under the name “Community Donation

Center,” and prominently promoting EFM, Savers states: **“DO GOOD DO FAVORS DO SOMETHING GREAT”** followed by the words: “Savers pays local nonprofits every time you donate. **Thank you!**”

43. Attached as Exhibit 5 is a photograph of the main window at the Savers store located at 2145 Hudson Road, St. Paul, Minnesota in the fall of 2013. Under the name “Community Donation Center,” and prominently promoting VVA with a photo of a soldier and a child, Savers states: **“DO GOOD DO YOUR PART DONATE.”** This is preceded by the words: “Valu Thrift pays local nonprofits every time you donate. **Thank you! Savers**”.

44. Savers uses similar signage in its outdoor donation drop-off lanes. These locations solicit donors to drive up in their vehicles to make clothing, books, housewares and furniture donations and state that: “Savers pays local nonprofits every time you donate.” *See* Exhibits 7, 14, 15, and 29.

45. The same goes for signage at collection areas within the stores. Attached as Exhibit 18 is a photograph taken on August 16, 2013, of the inside of Savers’ Unique Thrift store on Rice Street in Saint Paul, Minnesota. The donation bin solicits donations of clothing, books, housewares, and toys for VVA (and another charity, even though only VVA purportedly benefited from the donations). Signage behind the bin states: “Each of our stores pay local nonprofits every time you donate.” Exhibit 18.

46. Signage on Savers’ outdoor, unstaffed donation drop-boxes also solicit non-clothing and clothing donations. Attached as Exhibit 30 is a photograph taken on September 27, 2014 of a Savers drop-box in White Bear Lake, Minnesota that solicits donations for VVA. The drop-box prominently states: “Clothing and household items to support our Veterans.”

47. In fact, Savers does not pay the charities “every time” a Minnesota donor makes an on-site donation of particular merchandise at a Savers store, or for “every donation.” Savers has advised the State that it “did not and does not pay charities for ‘brica’” and “does not pay charities for brica.” In other words, Savers concedes that did not directly compensate the charities for particular items of donated OSD merchandise other than clothing. Thus, the above-described representations, in which Savers—on behalf of the charities—frequently and repeatedly assured donors wanting to benefit the charitable mission of the charity that it pays the charity “every time” a Minnesota donor donates particular merchandise is false, inaccurate, and misleading.

48. Despite repeatedly telling the State that it “does not pay charities for brica,” Savers now claims that while it does not pay the charities for brica, it pays them a higher overall rate for clothing as a result of its payment of nothing at all for particular donations of brica. Such an argument does not, however, cure the frequent and prominent representations made by Savers to donors that it pays the charities “every time” a person donates particular merchandise. It is also inconsistent with Savers’ practice of distributing receipts to donors so they can deduct brica donations on their tax returns.

49. Savers also misled donors through the statements and actions of its employees about the extent to which their donated merchandise would benefit particular charities. For example, a 69-year-old retiree of Dakota County, Minnesota had seen in-store signage promoting DAV. Prior to donating merchandise at Savers’ Apple Valley, Minnesota store, she asked the store employee where the proceeds went. On more than one occasion, she was told that all items and proceeds went to DAV. She states that she donated at Savers because: “I always felt that supporting a veterans’ organization, like DAV, felt like a meaningful way to show my

appreciation for our veterans and their families.” She states: “I now know that Savers only pays DAV a miniscule amount for donations made to Savers stores and the larger portion is kept by Savers. When I discovered that my donations were being used in contravention of my intended purpose, I was frustrated and concerned that I was misled about the store’s operat[ions] and the use of my donations.”

50. Similarly, a church lector wanted to donate her old power wheelchair to help a needy veteran. She states: “I decided to donate the wheelchair to a military veteran in need who would otherwise lack access to one. I wanted the wheelchair to help a veteran for free, which was the least I could do for our country.” Before she donated the wheelchair—worth thousands of dollars—she upgraded it for the new recipient, adding a new back, wheels, joy stick, cushion, and battery. Her family brought the wheelchair to the “Community Donation Center” in the Sun Ray Shopping Center in Saint Paul. She and her family “believed that the Community Donation Center was operated by Vietnam Veterans of America.” The Savers employee who accepted the donated wheelchair told the family it would be provided to a veteran at no cost. The donor states: “My mom and I did not know that Savers, LLC, a private corporation, owned and operated the Community Donation Center. We were not told that, at best, Savers only paid Vietnam Veterans of America pennies on the dollar for each pound of clothing donated to it and that Savers did not pay Vietnam Veterans of America directly for each donation of non-clothing goods. Had we known this information, I never would have donated my wheelchair to the ‘Community Donation Center’ to be donated to Vietnam Veterans of America.” She adds: “I am equally troubled by Vietnam Veterans of America’s participation in this scheme. While corporate shenanigans are perhaps all-too-common in today’s day and age, it is especially disturbing that a charitable institution like Vietnam Veterans of America would allow this large

for-profit corporation to accept on its behalf donations of goods for which it receives little to no direct compensation.”

III. SAVERS COMMINGLED PROPERTY INTENDED TO BENEFIT ONE CHARITY WITH PROPERTY INTENDED BY THE DONOR TO BENEFIT ANOTHER CHARITY THROUGH OTHER PRACTICES OF ITS EMPLOYEES.

51. A bedrock tenant of charitable donation law is that effect must be given to the wishes and intent of the donor. As noted above, Savers used signage to tell donors that their donated goods would benefit one charity, when they really benefited another charity. Other practices of Savers’ employees also resulted in the commingling of certain donations in a manner contrary to the intent of the donor, or in a manner that did not seek to ascertain the intent of the donor. This is true both as to the practices described above and those described below.

52. The Minnesota AGO made visits to Savers’ stores in which store employees gave inaccurate information about how donations would benefit particular charities and engaged in practices that commingled donated goods intended for one charity with that of another. For example, on August 16, 2013, an analyst donated three items at the Unique Thrift store in Saint Paul, Minnesota. She asked for a receipt and was given one for CKF. The analyst told the manager she intended to donate to LFM, not CKF. He then gave her an LFM receipt. When she asked how the store would track that she wanted her donations to go to LFM, the manager said: “It doesn’t matter. The whole thing goes to the same place.” The manager told her he did not know how much was donated to the charities.

53. Similarly, on October 8, 2013, an analyst donated an item by placing it in the donation bin at a Unique store in Saint Paul, Minnesota. The store told her it partnered with CKF, VVA, and LFM. She asked for a receipt and was given one for CKF. The analyst asked how she could have her contribution credited to LFM instead. Savers’ store employee told her

that she “really [wouldn’t] know that it goes exactly there, but it goes to—every time you donate, we pay the nonprofits. So we’re payin’—we’re basically splittin’ it into thirds.”

54. Both of the stores described above had donation bins. There was not a way for a donor to drop donations in a bin and segregate the materials by the identity of the organization to which he or she desired to donate. Perhaps for that reason, Savers states that its “longstanding practice” has been to designate each store to only benefit one charity. In that case, however, signage that states that donations benefit multiple charities is misleading, as are statements of employees that donations made at that location can benefit the charity of the donor’s choice.

55. In other cases, Apogee picked up goods intended to be donated to one charity and delivered them to another charity. Examples of this are described in the Compliance Review of Charitable Solicitation Contracts and Activities of Apogee Retail, LLC and Savers, LLC (“Compliance Report”) issued by the Minnesota AGO on November 24, 2014. Other times, Apogee underreported the amount owed to charities by failing to properly measure and credit charities for donated goods. Examples of this are also described in the Compliance Report.

IV. SAVERS SOLICITED DONATED MERCHANDISE FROM MINNESOTA DONORS EVEN THOUGH IT WAS NOT PROPERLY REGISTERED TO DO SO AND WITHOUT ADHERING TO BASIC REQUIREMENTS OF MINNESOTA LAW DESIGNED TO PROVIDE DONORS WITH TRANSPARENCY AND TRUTHFULNESS IN SOLICITATIONS.

A. For-Profit Fundraisers Must Comply With Laws Designed To Promote Public Transparency.

56. Because charitable organizations are exempt from taxation and exist to benefit a charitable purpose, they are expected to be truthful and transparent with donors. To that end, they—and their professional fund-raisers—must follow a number of registration, regulatory, and disclosure requirements set forth in Minnesota law. Specifically, Minnesota law requires a corporation that for compensation assists charitable organizations in raising funds from the donating public to register with the Minnesota AGO as a “professional fund-raiser” before it may

solicit funds from the public in Minnesota. Minn. Stat. § 309.531. Minnesota law also requires the charitable organization and its professional fundraiser to properly file reports and other documents with the Minnesota AGO. These requirements are designed to ensure that donors receive full transparency about the manner in which funds are being solicited and utilized and so that donors understand that the charitable organization only receives a portion—sometimes, as in the case of the charities with which Savers and Apogee do business, a miniscule fraction—of donations made via the professional fund-raiser.

57. Minnesota law provides that “no person shall act as a professional fund-raiser unless registered with the attorney general.” Minn. Stat. § 309.531. Before a registered professional fund-raiser may solicit funds in Minnesota on behalf of a charity, it must also properly file a completed “solicitation notice” and registration statement on forms provided by the Minnesota AGO. *Id.* As part of its registration statement, a professional fund-raiser must file a compliant copy of its contract with the charitable organization. *Id.*, subd. 2(c). Among other things, the contract must contain information to enable the Minnesota AGO to identify the services the professional fund-raiser is to provide and, if the professional fund-raiser directly or indirectly solicits in Minnesota, the contract must disclose the percentage or reasonable estimate of the percentage of the total amount solicited from each person to be received by the charitable organization for charitable purposes. *Id.*, subd. 2(c)(2), (3). The charitable organization on whose behalf the professional fund-raiser is acting must certify that the solicitation notice and accompanying material are true and correct. Minn. Stat. § 309.531, subd. 2(b).

58. Within 90 days after a solicitation campaign has been completed or within 90 days following the anniversary of the commencement of a solicitation campaign lasting more than one year, a professional fund-raiser that solicited contributions in Minnesota in conjunction

with the charitable organization shall properly file with the Minnesota AGO a financial report for the campaign, including gross revenue and an itemization of all expenses incurred, on a form prescribed by the Minnesota AGO. Minn. Stat. § 309.531, subd. 4. The report must be signed by an authorized official from the professional fund-raiser and an authorized official from the charitable organization, both of whom shall certify, under oath, that it is true to the best of their knowledge. *Id.*

59. No professional fund-raiser may use the name of or solicit on behalf of any charitable organization unless the solicitor has written authorization from two officers of the charitable organization, a copy of which must be filed with the Minnesota AGO. Minn. Stat. § 309.531, subd. 3.

60. These legal requirements exist to ensure that donors can make informed choices about the charities to which they make donations after being fully informed about the extent to which their donation will benefit the mission of the charitable organization versus the for-profit fund-raising corporation.

B. Savers Failed To Properly Register and Comply With the Provisions of Chapter 309.

61. As can be seen below, Savers failed to properly register as a professional fund-raiser before it solicited charitable donations in Minnesota and to file other documents required of professional fund-raisers. Apogee in some cases registered to act as a professional fund-raiser for some charities relating to the collection of donations at donors' homes, but filed false, misleading, and inaccurate financial reports of those solicitation campaigns. The following is a summary of the relationship between the Savers Conglomerate and the six charities on whose behalf it solicited donations in Minnesota:

1. Savers' Relationship With Epilepsy Foundation of Minnesota, Inc.

62. Epilepsy Foundation of Minnesota, Inc., or EFM, is a charitable organization registered with the Minnesota AGO under chapter 309 of the Minnesota statutes. Savers entered into a relationship with EFM a number of years ago relating to the collection and ultimate sale to the public in Savers' stores of clothing, household goods, furniture, and other items provided by Minnesota donors. The relationship has been partially documented in a series of contracts over many years between the two entities, each with various start and end dates. Savers and EFM have an ongoing fundraising relationship.

63. In general, the relationship between EFM and Savers has had two aspects: (1) in some cases, EFM has collected the goods directly from Minnesota donors and delivered it to Savers, which then sold the donated goods to the public in the company's for-profit retail stores; (2) in other cases, Minnesota donors to EFM delivered the goods directly to Savers at in-store locations (or other on-site donation spots) with the understanding that their donations would be used to benefit EFM.

64. In 2013, for example, Savers paid EFM 43.2 cents per pound of delivered clothing, and retained the remainder of the resale price obtained in its retail stores for itself. Savers also collected various *non-clothing* household goods, books, furniture, small appliances and other non-clothing items from EFM's Minnesota donors for resale by Savers to the public in its retail stores. Savers did not directly pay EFM for this non-clothing merchandise.

65. As described more fully below, for years Savers acted as a "professional fundraiser" on behalf of EFM in Minnesota, as defined in Chapter 309 of the Minnesota Statutes, without being properly registered to do so with the Minnesota AGO. Among other things, Savers has acted as a professional fund-raiser for EFM in Minnesota by soliciting and accepting

merchandise donated by EFM donors at Savers' retail stores in Minnesota, displaying signage on behalf of EFM at Savers' retail stores in Minnesota, preparing and distributing advertisements and other marketing literature using EFM's name and logo, and through its website soliciting EFM donors to deliver donated merchandise to Savers' retail stores. In addition, Savers accepts, manages, and processes goods it receives through EFM's home collection program by, among other things, measuring, weighing, recording, and preparing paperwork provided to EFM for the program, and also consulting and discussing with EFM delivery expectations and schedules for the program.

66. Savers should have properly registered with the Minnesota AGO as a professional fund-raiser as a result of its relationship with EFM. Neither Savers nor Apogee nor any of their affiliates or parent organizations, however, properly registered with the Minnesota AGO as a professional fund-raiser for the many year-long solicitation campaigns, in violation of Minnesota law. Over these years, Savers also did not file with the Minnesota AGO any "solicitation notice" relating to its fundraising for EFM, did not file with the Minnesota AGO a copy of a compliant contract with EFM, did not file with the Minnesota AGO a copy of a written authorization to solicit on behalf of EFM, and did not file with the Minnesota AGO any financial reports relating to its fundraising for EFM.

67. Savers earned generous amounts by virtue of its hidden contract with EFM. EFM donors provided Savers with millions of pounds of donated goods, which Savers sold for profit in its retail stores. Savers paid EFM only pennies on the dollar for these donated goods. Donors, however, had no way of knowing this.

2. Savers' Relationship With Disabled American Veterans Department of Minnesota, Inc.

68. Disabled American Veterans, Department of Minnesota, Inc., or DAV, is a charitable organization registered with the Minnesota AGO under chapter 309 of the Minnesota statutes. It receives rent-free space in a Minnesota state building, see Minn. Stat. § 16B.24, subd. 5a(b)(3), and certain of its employees may participate in the Minnesota State Retirement System. See Minn. Stat. §§ 352.04, subd. 6, 355.03, subd. 2a(e). Persons who misuse the DAV insignia without authorization for personal gain are guilty of a misdemeanor. See Minn. Stat. § 333.135. Savers and DAV have an ongoing fundraising relationship.

69. Savers entered into a relationship with DAV a number of years ago relating to the collection and ultimate sale to the public in Savers' stores of clothing, household goods, furniture, and other items provided by Minnesota donors. The relationship has been partially documented in a series of contracts over many years between the two entities, each with various start and end dates.

70. In general, the relationship between DAV and Savers has had two aspects: (1) collection of donated goods at donors' homes and subsequent sale to Savers; and (2) collection of goods by Savers at in-store locations (or other on-site donation spots) with the understanding that their donations would be used to benefit DAV. The contract between Savers and DAV entered into in June, 2013, as well as prior contracts, state that Savers will consult with DAV on its solicitation and donation collection activities and requires DAV to "fully comply" with Savers' consulting recommendations. DAV must maintain personnel recommended by Savers to operate the home collection program and, with Savers' consent, hire a solicitation and collection manager who reports to Savers. DAV must act on Savers' hiring and termination recommendations. With regard to the collection of goods at donors' homes, Savers reimburses

DAV for most, if not all, of its expenses to collect the goods, including pick-up and delivery costs, contribution solicitation costs, promotional activity, office supplies, costs of insurance, and bin purchases, fuel for vehicles, payroll, and other business expenses incurred by DAV in picking up the goods.

71. In 2013, for example, Savers paid DAV 4.3 cents per pound of delivered clothing and retained the remainder of the resale price obtained in its retail stores for itself. Savers also purchased and collected various *non-clothing* household goods, books, furniture, small appliances and other non-clothing items from DAV's Minnesota donors for resale by Savers to the public in its retail stores. Savers did not directly pay DAV for this non-clothing merchandise.

72. As described more fully below, for years Savers acted as a "professional fundraiser" on behalf of DAV in Minnesota, as defined in Chapter 309 of the Minnesota Statutes, without being properly registered to do so with the Minnesota AGO. Among other things, Savers has acted as a professional fund-raiser for DAV in Minnesota by soliciting and accepting merchandise from DAV donors at Savers' retail stores in Minnesota, displaying signage on behalf of DAV at Savers' retail stores in Minnesota, preparing and distributing advertisements and other marketing literature using DAV's name and logo, and through its website soliciting DAV donors to deliver donated merchandise to Savers' retail stores. For example, attached as Exhibit 19 is a Savers advertisement from August, 2014 promoting the purchase of merchandise at its stores under the logo, "Good deeds. Great deals" and encouraging donors to donate merchandise to support DAV. Savers has also acted as a professional fund-raiser for DAV in Minnesota by planning, managing, and advising and consulting on DAV's home donation collection program, including preparation of solicitations for that program. For example, Savers provided directions and recommendations regarding how DAV should run its home donation

collection program, including DAV mailings and telemarketing for its home donation collection program.

73. Savers should have properly registered with the Minnesota AGO as a professional fund-raiser as a result of its relationship with DAV. Neither Savers nor Apogee nor any of their affiliates or parent organizations, however, properly registered with the Minnesota AGO as a professional fund-raiser for the many year-long solicitation campaigns, in violation of Minnesota law. Over these years, Savers also did not file with the Minnesota AGO any “solicitation notice” relating to its fundraising for DAV, did not file with the Minnesota AGO a copy of a compliant contract with DAV, did not file with the Minnesota AGO a copy of a written authorization to solicit on behalf of DAV, and did not file with the Minnesota AGO any financial reports and the requisite accompanying documents relating to its fundraising for DAV.

74. DAV donors provided Savers with more than 30 million pounds of donated goods between 2011 and 2014, which Savers sold for profit in its retail stores. Savers paid DAV only pennies on the dollar for these donated goods.

3. Savers’ Relationship With Vietnam Veterans of America, Inc.

75. Vietnam Veterans of America, Inc., or VVA, is a charitable organization registered with the Minnesota AGO under chapter 309 of the Minnesota statutes. Apogee entered into a relationship with VVA a number of years ago relating to the collection and ultimate sale to the public in Savers’ stores of clothing, household goods, furniture, and other items provided by Minnesota donors. The relationship has been partially documented in a series of contracts over many years between the two entities, each with various start and end dates. Savers and VVA have an ongoing fundraising relationship.

76. In general, the relationship between VVA and the Savers Conglomerate has had two aspects: (1) collection of donated goods at donors' homes and subsequent sale to Savers; and (2) collection of goods by Savers at in-store locations (or other on-site donation spots) with the understanding that their donations would be used to benefit VVA.

77. Apogee and VVA have entered into two types of contracts over the past many years: a "direct mail" contract, pursuant to which donors were sent mailings asking them to call Apogee to schedule a pick-up of donated clothing and household goods after receiving the mailing, and a "telephone" contract, by which Apogee calls donors and asks them to donate clothing and household goods. Both contracts provide for Apogee to pick up at its expense donated household property at donors' homes and distribute tax receipts to donors and both contracts contemplate that Apogee may call donors to confirm their scheduled pickups of donations. The 2013 "direct mail" contract, for example, requires Apogee to pay VVA \$430.22 per 100 cubic feet of collected soft goods. For the 2013 "telephone contract," Apogee paid VVA only \$56.61 per 100 cubic feet of collected soft goods. The Savers Conglomerate purchased and collected various *non-clothing* household goods, books, furniture, small appliances and other non-clothing items from VVA's Minnesota donors for resale by Savers to the public in its retail stores. Savers Conglomerate did not directly pay VVA for this non-clothing merchandise.

78. Apogee (but not Savers) was registered with the Minnesota AGO as a professional fund-raiser for VVA and filed solicitation campaign financial reports with the Minnesota AGO relating to its solicitation activities on behalf of VVA. The financial reports filed by Apogee are false, misleading, and inaccurate. For example, attached as Exhibit 31 is a copy of a cover letter dated January 16, 2014, filed by Apogee with the Minnesota AGO, together with the accompanying report, for the period January 1, 2013 to December 31, 2013. In

its cover letters and reports, Apogee falsely stated that VVA retained “100 percent” of the fair market value of the solicited donations. Furthermore, the reports fail to itemize the expenses of the fundraising campaign. The reports were also signed by VVA. Similarly, attached as Exhibit 32 is a copy of a cover letter dated February 18, 2013, filed by Apogee with the Minnesota AGO, together with the accompanying report, for the period January 1, 2012, to December 31, 2012. In its cover letters and reports, Apogee falsely stated that VVA retained “100 percent” of the fair market value of the solicited donations. Furthermore, the reports fail to itemize the expenses of the fundraising campaign. The reports did not disclose that Apogee’s parent—Savers—collected donations intended for VVA at its retail stores. The reports were also signed by VVA. Apogee filed other similar false and misleading reports for previous years as it relates to the VVA fundraising campaign, which were signed by VVA too.

79. Because of the Savers Conglomerate’s regulatory lapses, the public is not aware of how little of their donation actually benefits VVA. For example, a Marine veteran who did a 13-month tour in Southeast Asia has donated clothing and household items in response to the Apogee/VVA home pick-up solicitations. The ex-Marine states: “I wanted my donations to help my brothers in arms get back on their feet.” He adds: “I did not know that my donations were being delivered to Savers retail stores since there is no mention of Savers anywhere on the postcard” and adds: “I would not have donated my clothing and household goods and I would not have told my veteran friends to donate to Vietnam Veterans of America had I known that Savers was receiving a majority of the value of my donations.”

80. As noted above, Savers also collected donated goods for VVA at its retail stores (or other on-site donation spots) with the understanding that their donations would be used to benefit VVA. The contracts between Apogee and VVA do not mention these on-site donations,

or OSDs. Savers should have properly registered with the Minnesota AGO as a professional fund-raiser as a result of its relationship with VVA over the years. Savers, however, did not properly register with the Minnesota AGO as a professional fund-raiser for this OSD campaign, in violation of Minnesota law. Savers also did not file with the Minnesota AGO any “solicitation notice” relating to its fundraising for VVA, did not file with the Minnesota AGO a copy of any compliant contract with VVA, did not file with the Minnesota AGO a copy of a written authorization to solicit on behalf of VVA, and did not file with the Minnesota AGO any financial reports relating to its fundraising for VVA.

81. VVA donors provided Savers with millions of pounds of donated goods, which Savers sold for profit in its retail stores. Savers paid VVA only pennies on the dollar for these donated goods.

4. Savers’ Relationship With Lupus Foundation of Minnesota.

82. The Lupus Foundation of Minnesota, or LFM, is a charitable organization registered with the Minnesota AGO under chapter 309 of the Minnesota statutes. LFM previously had a fundraising relationship with the Savers Conglomerate, but LFM terminated this relationship effective January 13, 2015.

83. Apogee entered into a relationship with LFM a number of years ago relating to the collection and ultimate sale to the public in Savers’ stores of clothing, household goods, furniture, and other items provided by Minnesota donors. The relationship has been partially documented in a series of contracts over many years between the two entities, each with various start and end dates. In general, the relationship between LFM and the Savers Conglomerate has had two aspects: (1) collection of donated goods at donors’ homes and subsequent sale to

Savers; and (2) collection of goods by Savers at in-store locations (or other on-site donation spots) with the understanding that their donations would be used to benefit LFM.

84. The contract between Apogee and LFM was called a "mail contract," pursuant to which donors were sent mailings asking them to call Apogee to schedule a pick-up of donated household goods after receiving the mailing. Like the mail contract between Apogee and VVA, the mail contract provided for Apogee to pick up at its expense donated household property at donor's homes and distribute tax receipts to donors and both contracts contemplate that Apogee may call donors to confirm their scheduled pickups of donations. The mail contract executed by Apogee and LFM in December, 2013, provided for Apogee to pay the charity \$315.00 per 100 cubic feet soft goods collected by Apogee. For the 2013 "telephone contract," Apogee paid LFM only \$40.00 per 100 cubic feet of collected soft goods. The Savers Conglomerate purchased and collected various *non-clothing* household goods, books, furniture, small appliances and other non-clothing items from LFM's Minnesota donors for resale by Savers to the public in its retail stores. Savers did not directly pay LFM for this non-clothing merchandise.

85. Apogee (but not Savers) was registered with the Minnesota AGO to collect donations for LFM and filed solicitation campaign financial reports with the Minnesota AGO relating to its solicitation activities on behalf of LFM. The financial reports filed by Apogee are false, misleading, and inaccurate. For example, attached as Exhibit 33 is a copy of a cover letter dated January 16, 2014, filed by Apogee with the Minnesota AGO, together with the accompanying report, for the period January 1, 2013, to December 31, 2013. In its cover letters and reports, Apogee falsely stated that LFM retained "100 percent" of the fair market value of the solicited donations. Furthermore, the reports fail to itemize the expenses of the fundraising campaign. Similarly, attached as Exhibit 34 is a copy of a cover letter dated February 18, 2013,

filed by Apogee with the Minnesota AGO, together with the accompanying report, for the period January 1, 2012, to December 31, 2012. In its cover letters and reports, Apogee falsely stated that LFM retained “100 percent” of the fair market value of the solicited donations. Furthermore, the reports fail to itemize the expenses of the fundraising campaign. The reports also did not disclose that Apogee’s parent—Savers—collected donations intended for LFM at its retail stores. Apogee filed other similar false and misleading reports for previous years as it relates to the LFM fund-raising campaign.

86. As noted above, Savers also collected donated goods for LFM at its retail stores (or other on-site donation spots) with the understanding that their donations would be used to benefit LFM. The contracts between Apogee and LFM do not mention these on-site donations, or OSDs. As a result, Savers should have properly registered with the Minnesota AGO as a professional fund-raiser as a result of its relationship with LFM over the years. Savers, however, did not properly register with the Minnesota AGO as a professional fund-raiser for this OSD campaign, in violation of Minnesota law. Savers also did not file with the Minnesota AGO any “solicitation notice” relating to its fundraising for LFM, did not file with the Minnesota AGO a copy of any compliant contract with LFM, did not file with the Minnesota AGO a copy of a written authorization to solicit on behalf of LFM, and did not file with the Minnesota AGO any financial reports relating to its fundraising for LFM.

5. Savers’ Relationship With Courage Kenny Foundation.

87. Courage Kenny Foundation, or CKF, is a charitable organization registered with the Minnesota AGO under chapter 309 of the Minnesota statutes. CKF previously had a fundraising relationship with Apogee, but CKF terminated this relationship effective December 31, 2014.

88. Apogee entered into a relationship with CKF a number of years ago relating to the collection and ultimate sale to the public in Savers' stores of clothing, household goods, furniture, and other items provided by Minnesota donors. The relationship has been partially documented in a series of contracts over many years between the two entities, each with various start and end dates.

89. In general, the relationship between CKF involved the collection of donated goods at donors' homes and subsequent sale of these goods to the Savers Conglomerate through a "commercial telephone contract." The version of this contract for the period commencing October 1, 2013, for example, provided that Apogee would pay CKF \$40.00 per hundred cubic feet of soft goods collected. Apogee apparently paid CKF nothing for other merchandise, like books, furniture, small appliances, and the like. The contract called for Apogee to market CKF to potential donors. CKF granted Apogee a license to use its name for purposes of soliciting donated goods. Apogee agreed to pick up at its expense donated household property at donor's homes and distribute tax receipts to donors and had the right to call donors to confirm scheduled pick-ups.

90. Apogee (but not Savers) was registered to solicit funds for CKF and filed solicitation campaign financial reports with the Minnesota AGO relating to its solicitation activities on behalf of CKF. The financial reports filed by Apogee are false, misleading, and inaccurate. For example, attached as Exhibit 35 is a copy of a cover letter dated November 11, 2013, filed by Apogee with the Minnesota AGO, together with the accompanying report, for the period October 1, 2012, to September 30, 2013. In its cover letters and reports, Apogee falsely stated that CKF retained "100 percent" of the fair market value of the solicited donations. Furthermore, the reports fail to itemize the expenses of the fundraising campaign. Similarly,

attached as Exhibit 36 is a copy of a cover letter dated December 12, 2012, filed by Apogee with the Minnesota AGO, together with the accompanying report, for the period October 1, 2011, to September 30, 2012. In its cover letters and reports, Apogee falsely stated that CKF retained “100 percent” of the fair market value of the solicited donations. Furthermore, the reports fail to itemize the expenses of the fundraising campaign. Apogee filed other similar false and misleading reports for previous years as it relates to the CKF fund-raising campaign.

6. Savers’ Relationship With True Friends.

91. True Friends (previously known as Friendship Foundation), or TF, is a charitable organization registered with the Minnesota AGO under chapter 309 of the Minnesota statutes. TF previously had a fundraising relationship with Apogee, but on November 26, 2014, TF announced it was terminating this relationship.

92. Apogee entered into a relationship with TF a number of years ago relating to the collection and ultimate sale to the public in Savers’ stores of clothing, household goods, furniture, and other items provided by Minnesota donors. The relationship has been partially documented in a series of contracts over many years between the two entities, each with various start and end dates.

93. In general, the relationship between TF involved the collection of donated goods at donors’ homes and subsequent sale of these goods to the Savers Conglomerate through a “commercial telephone contract.” The version of this contract for the period commencing May 14, 2014, provided that Apogee would pay TF \$40.00 per hundred cubic feet of goods collected. Apogee apparently paid TF nothing for other merchandise, like books, furniture, small appliances, and the like. The contract called for Apogee to market TF to potential donors. TF granted Apogee a license to use its name for purposes of soliciting donated goods. Apogee

agreed to pick up at its expense donated household property at donor's homes and distribute tax receipts to donors and had the right to call donors to confirm scheduled pick-ups.

94. Apogee (but not Savers) was registered as a professional fund-raiser to solicit funds for TF and filed solicitation campaign financial reports with the Minnesota AGO relating to its solicitation activities on behalf of TF. The financial reports filed by Apogee are false, misleading, and inaccurate. For example, attached as Exhibit 37 is a copy of a cover letter dated June 11, 2014, filed by Apogee with the Minnesota AGO, together with the accompanying report, for the period May 1, 2013, to April 20, 2014. In its cover letters and reports, Apogee falsely stated that TF retained "100 percent" of the fair market value of the solicited donations. Furthermore, the reports fail to itemize the expenses of the fundraising campaign. Similarly, attached as Exhibit 38 is a copy of a cover letter dated August 2, 2013, filed by Apogee with the Minnesota AGO, together with the accompanying report, for the period May 14, 2012, to May 13, 2013. In its cover letters and reports, Apogee falsely stated that TF retained "100 percent" of the fair market value of the solicited donations. Furthermore, the reports fail to itemize the expenses of the fundraising campaign. Apogee filed other similar false and misleading reports for previous years as it relates to the TF fund-raising campaign.

**COUNT I
FALSE AND MISLEADING SOLICITATION OF DONATIONS**

95. The State re-alleges all prior paragraphs of this Complaint.
96. Minnesota Statutes section 309.55, subdivision 5 provides as follows:

No charitable organization and no person acting on behalf of a charitable organization shall use or employ any fraud, false pretense, false promise, misrepresentation, misleading statement, misleading name, mark or identification, or deceptive practice, method or device, with the intent that others should rely thereon in connection with any charitable solicitation, including any such actions or omissions designed to confuse or mislead a person to believe that such organization is another organization having the

same or like purposes; or to believe that the funds being solicited are or will be used for purposes and programs conducted within or for persons located within the state of Minnesota when such is not the case; or to otherwise present purposes and uses of the funds which are not as provided within the purposes and uses filed upon registration of said organization under this chapter, or if no such registration has been filed, then as provided under the exemption of said organization from federal and state income taxes as an organization formed and operating for charitable purposes as defined herein.

97. Minnesota Statutes section 309.50, subdivision 10, provides as follows:

“Solicit” and “solicitation” mean the request directly or indirectly for any contribution, regardless of which party initiates communication, on the plea or representation that such contribution will or may be used for any charitable purpose, and include any of the following methods of securing contributions:

- (1) oral or written request;
- (2) the distribution, circulation, mailing, posting, or publishing of any handbill, written advertisement, or publication;
- (3) the making of any announcement to the press, over the radio, by television, by telephone, or telegraph concerning an appeal, assemblage, athletic or sports event, bazaar, benefit, campaign, contest, dance, drive, entertainment, exhibition, exposition, party, performance, picnic, sale, or social gathering, which the public is requested to patronize or to which the public is requested to make a contribution;
- (4) the sale of, offer, or attempt to sell, any advertisement, advertising space, book, card, magazine, merchandise, subscription, ticket of admission, or any other thing, or the use of the name of any charitable person in any offer or sale as an inducement or reason for purchasing any such item, or the making of any statement in connection with any such sale, that the whole or any part of the proceeds from any such sale will be used for any charitable purpose. A "solicitation" shall be deemed completed when made, whether or not the person making the same receives any contribution or makes any such sale.

98. The Savers Conglomerate was acting on behalf the charities—all of which are charitable organizations and registered as such with the Minnesota AGO—in soliciting donations from Minnesota donors.

99. The Savers Conglomerate had a duty to disclose all material facts to Minnesota donors in connection with its solicitation of donations from these donors.

100. The Savers Conglomerate engaged in misleading, deceptive, and false conduct, practices, and actions, in connection with its solicitation of donations on behalf of the charities by, among other things, falsely telling donors their on-site donations made at a particular store would benefit their intended charity when in fact the donations at the store went to a different charity, by telling donors that it pays the charities every time they donate when it does not directly pay the charities for the brica donations made by donors, by prominently using the charities' names as part of solicitation of donations to create the misleading aura that the Savers Conglomerate is a non-profit or benevolent organization, and doing likewise to create the misleading aura that donors purchases at Savers' for-profit retail stores will benefit a charity.

101. In addition to the above conduct, practices, and actions, the Savers Conglomerate failed to disclose material facts to Minnesota donors in connection with its solicitation of donations regarding its lack of a benevolent affiliation with the charities, the true nature of its for-profit business operations, which types of donations and the extent to which donations will actually benefit a charity, about its nonpayment to charities for brica donations, and about which charity an on-site donation from a donor will actually benefit. These material omissions by the Savers Conglomerate's are further exacerbated by the other deceptive and misleading practices described above.

102. The Savers Conglomerate's conduct, practices, actions, and material omissions described above constitutes multiple, separate violations of Minnesota Statutes section 309.55, subdivision 5.

COUNT II
ACTING AS AN UNREGISTERED PROFESSIONAL FUND-RAISER

103. The State re-alleges all prior paragraphs of this Complaint.

104. Minnesota Statutes section 309.531, subdivision 1, provides:

No person shall act as a professional fund-raiser unless registered with the attorney general. The registration statement must be in writing, under oath, in the form prescribed by the attorney general and must be accompanied by a registration fee of \$200. Each registration is effective for a period of not more than 12 months and in any event expires on April 30 next following the date of registration. The registration may be renewed for additional one-year periods on application and payment of all required fees. A professional fund-raiser failing to register on the date required by this section or failing to file the financial report required by this section on or before the date provided shall pay a late fee of \$300. This late fee shall be in addition to all other fees, costs, and penalties which may be imposed pursuant to this section or section 309.57.

105. Minnesota Statutes section 309.50, subdivision 6, provides, in part:

“Professional fund-raiser” means any person who for financial compensation or profit performs for a charitable organization any service in connection with which contributions are, or will be, solicited in this state by the compensated person or by any compensated person the person employs, procures, or engages to solicit; or any person who for compensation or profit plans, manages, advises, consults, or prepares material for, or with respect to, the solicitation in this state of contributions for a charitable organization....

106. Savers acted as a professional fund-raiser for charitable organizations registered as such with the Minnesota AGO in soliciting donations, in the form of clothing and other household goods, from Minnesota donors without being properly registered.

107. Notwithstanding the requirement that it must register as a professional fund-raiser and despite acting as a professional fund-raiser for the charities over many years in Minnesota, Savers did not properly register with the Minnesota AGO as a professional fund-raiser.

108. Savers’ conduct, practices, and actions—and failure to act when it was required to do so—described above constitute multiple, separate violations of Minnesota Statutes section 309.531, subdivision 1.

COUNT III
FAILURE TO PROVIDE REQUIRED DISCLOSURES TO DONORS

109. The State re-alleges all prior paragraphs of this Complaint.

110. Minnesota Statutes section 309.556 provides:

Subdivision 1. Identity of organization; percentage of deductibility; description of program. Prior to orally requesting a contribution or contemporaneously with a written request for a contribution, the following information shall be clearly disclosed:

- (a) the name and location by city and state of each charitable organization on behalf of which the solicitation is made;
- (b) the tax deductibility of the contribution; and
- (c) a description of the charitable program for which the solicitation campaign is being carried out; and, if different, a description of the programs and activities of the organization on whose behalf the solicitation campaign is being carried out.

If the solicitation is made by direct personal contact, the required information shall also be disclosed prominently on a written document which shall be exhibited to the person solicited. If the solicitation is made by radio, television, letter, telephone, or any other means not involving direct personal contact, the required information shall be clearly disclosed in the solicitation.

Subdivision 2. Identity of professional fund-raiser. In addition to the disclosures required by subdivision 1, any professional fund-raiser soliciting contributions in this state shall also disclose the name of the professional fund-raiser as on file with the attorney general and that the solicitation is being conducted by a "professional fund-raiser." The disclosures required by this subdivision shall be given in the same manner as the disclosures required by subdivision 1.

111. The Savers Conglomerate acted as a professional fund-raiser for charitable organizations registered as such with the Minnesota AGO in soliciting donations, in the form of clothing and other household goods, from Minnesota donors without being properly registered.

112. On behalf of the charities, the Savers Conglomerate solicited donations from Minnesota donors through solicitations that failed to disclose (a) the charities' location by city and state, (b) the tax deductibility of the donation, (c) the charitable program for which the

solicitation campaign was being carried out, and (d) that the Savers Conglomerate is a professional fund-raiser.

113. The Savers Conglomerate's conduct, practices, and actions—and failure to act when it was required to do so—described above constitute multiple, separate violations of Minnesota Statutes section 309.556.

**COUNT IV
FAILURE TO FILE SOLICITATION NOTICE WITH THE STATE**

114. The State re-alleges all prior paragraphs of this Complaint.

115. Minnesota Statutes section 309.531, subdivision 1, provides, in part:

No person shall act as a professional fund-raiser unless registered with the attorney general. The registration statement must be in writing, under oath, in the form prescribed by the attorney general and must be accompanied by a registration fee of \$200....

116. Minnesota Statutes section 309.531, subdivision 2(b), provides:

If the professional fund-raiser, or any person the professional fund-raiser employs, procures, or engages, solicits in this state, the registration statement shall include a completed "solicitation notice" on a form provided by the attorney general. The solicitation notice shall include a copy of the contract described in paragraph (c), the projected dates when soliciting will commence and terminate, the location and telephone number from where the solicitation will be conducted, the name and residence address of each person responsible for directing and supervising the conduct of the campaign, a statement as to whether the professional fund-raiser will at any time have custody of contributions, and a description of the charitable program for which the solicitation campaign is being carried out. The charitable organization on whose behalf the professional fund-raiser is acting shall certify that the solicitation notice and accompanying material are true and complete to the best of its knowledge.

117. Minnesota Statutes section 309.531, subdivision 2(c), provides:

The professional fund-raiser shall also include, as part of the registration statement, a copy of the contract between the charitable organization and the professional fund-raiser. The contract shall:

- (1) be in writing;
- (2) contain information as will enable the attorney general to identify the services the professional fund-raiser is to provide, including whether the professional fund-raiser will at any time have custody of contributions; and
- (3) if the professional fund-raiser or any person the professional fund-raiser employs, procures, or engages, directly or indirectly, solicits in this state, the contract shall disclose the percentage or a reasonable estimate of the percentage of the total amount solicited from each person which shall be received by the charitable organization for charitable purposes.

The stated percentages required by this section and section 309.556, subdivision 2, shall exclude any amount which the charitable organization is to pay as expenses of the solicitation campaign, including the cost of merchandise or services sold or events staged.

118. Savers acted as a professional fund-raiser for charitable organizations registered as such with the Minnesota AGO in soliciting donations, in the form of clothing and other household goods, from Minnesota donors without being properly registered.

119. Notwithstanding the fact Savers is acting as a professional fund-raiser for the charities, it failed to file the solicitation notice and accompanying materials, including compliant contracts between Savers and the charities, as required by Minnesota Statutes section 309.531, subdivision 2(b).

120. Even if Savers had filed the solicitation notice, it would still violate Minnesota Statutes section 309.531, subdivision 2(c) because, among other things, Savers' contracts with the charities fail to disclose the percentage or a reasonable estimate of the percentage of the total amount solicited from each person that will be received by the charitable organization for charitable purposes and fails to sufficiently identify the services that Savers was to provide to the charities.

121. Savers' conduct, practices, and actions—and failure to act when it was required to do so—described above constitute multiple, separate violations of Minnesota Statutes section 309.531, subdivision 2.

COUNT V
FILING NONCOMPLYING SOLICITATION NOTICE WITH THE STATE

122. The State re-alleges all prior paragraphs of this Complaint.

123. Minnesota Statutes section 309.531, subdivision 1, provides, in part:

No person shall act as a professional fund-raiser unless registered with the attorney general. The registration statement must be in writing, under oath, in the form prescribed by the attorney general and must be accompanied by a registration fee of \$200....

124. Minnesota Statutes section 309.531, subdivision 2(b), provides:

If the professional fund-raiser, or any person the professional fund-raiser employs, procures, or engages, solicits in this state, the registration statement shall include a completed "solicitation notice" on a form provided by the attorney general. The solicitation notice shall include a copy of the contract described in paragraph (c), the projected dates when soliciting will commence and terminate, the location and telephone number from where the solicitation will be conducted, the name and residence address of each person responsible for directing and supervising the conduct of the campaign, a statement as to whether the professional fund-raiser will at any time have custody of contributions, and a description of the charitable program for which the solicitation campaign is being carried out. The charitable organization on whose behalf the professional fund-raiser is acting shall certify that the solicitation notice and accompanying material are true and complete to the best of its knowledge.

125. Minnesota Statutes section 309.531, subdivision 2(c), provides:

The professional fund-raiser shall also include, as part of the registration statement, a copy of the contract between the charitable organization and the professional fund-raiser. The contract shall:

- (1) be in writing;
- (2) contain information as will enable the attorney general to identify the services the professional fund-raiser is to provide, including whether the

professional fund-raiser will at any time have custody of contributions;
and

(3) if the professional fund-raiser or any person the professional fund-raiser employs, procures, or engages, directly or indirectly, solicits in this state, the contract shall disclose the percentage or a reasonable estimate of the percentage of the total amount solicited from each person which shall be received by the charitable organization for charitable purposes.

The stated percentages required by this section and section 309.556, subdivision 2, shall exclude any amount which the charitable organization is to pay as expenses of the solicitation campaign, including the cost of merchandise or services sold or events staged.

126. Apogee acted as a professional fund-raiser for charitable organizations registered as such with the Minnesota AGO in soliciting donations, in the form of clothing and other household goods, from Minnesota donors.

127. The solicitation notice and accompanying materials, including the contracts between Apogee and the charities, that Apogee filed with the State violated the requirements of Minnesota Statutes section 309.531, subdivision 2 because, among other things, Apogee's contracts with the charities failed to disclose the percentage or a reasonable estimate of the percentage of the total amount solicited from each person that will be received by the charitable organization for charitable purposes and failed to sufficiently identify the services that Apogee was to provide to the charities.

128. Apogee's conduct, practices, and actions—and failure to act when it was required to do so—described above constitute multiple, separate violations of Minnesota Statutes section 309.531, subdivision 2.

COUNT VI
FAILURE TO FILE AUTHORIZATION TO SOLICIT WITH THE STATE

129. The State re-alleges all prior paragraphs of this Complaint.

130. Minnesota Statutes section 309.531, subdivision 3, provides:

No professional fund-raiser shall use the name of or solicit on behalf of any charitable organization unless such solicitor has written authorization from two officers of such organization, a copy of which shall be filed with the attorney general. Such written authorization shall conform to the requirements of the contract described in subdivision 2, clause (c).

131. Savers acted as a professional fund-raiser for charitable organizations registered as such with the Minnesota AGO in soliciting donations, in the form of clothing and other household goods, from Minnesota donors.

132. Savers has used the name of the charities and solicited donations on behalf of the charities from donors despite failing to file with the Minnesota AGO a copy of written authorization from two officers from the charities sanctioning Savers' use of each charity's name and its solicitation of donations on their behalf.

133. Savers' conduct, practices, and actions—and failure to act when it was required to do so—described above constitute multiple, separate violations of Minnesota Statutes section 309.531, subdivision 3.

COUNT VII
FAILURE TO FILE SOLICITATION CAMPAIGN FINANCIAL REPORT

134. The State re-alleges all prior paragraphs of this Complaint.

135. Minnesota Statutes section 309.531, subdivision 4, provides:

Within 90 days after a solicitation campaign has been completed, and 90 days following the anniversary of the commencement of a solicitation campaign lasting more than one year, the professional fund-raiser who solicited contributions in this state in conjunction with a charitable organization shall file with the attorney general a financial report for the campaign, including gross revenue and an itemization of all expenses incurred. The report shall be completed on a form prescribed by the attorney general. The report shall be signed by an authorized official of the professional fund-raiser and an authorized official from the charitable organization and they shall certify, under oath, that it is true to the best of their knowledge.

136. Savers acted as a professional fund-raiser for charitable organizations registered as such with the Minnesota AGO in soliciting donations, in the form of clothing and other household goods, from Minnesota donors.

137. Savers solicited donations on behalf of the charities as part of multiple solicitation campaigns it undertook for the charities, but has never filed with the Minnesota AGO a financial report for any solicitation campaign for any charity.

138. Savers' conduct, practices, and actions—and failure to act when it was required to do so—described above constitute multiple, separate violations of Minnesota Statutes section 309.531, subdivision 4.

COUNT VIII
FILING NONCOMPLYING SOLICITATION CAMPAIGN FINANCIAL REPORT

139. The State re-alleges all prior paragraphs of this Complaint.

140. Minnesota Statutes section 309.531, subdivision 4, provides:

Within 90 days after a solicitation campaign has been completed, and 90 days following the anniversary of the commencement of a solicitation campaign lasting more than one year, the professional fund-raiser who solicited contributions in this state in conjunction with a charitable organization shall file with the attorney general a financial report for the campaign, including gross revenue and an itemization of all expenses incurred. The report shall be completed on a form prescribed by the attorney general. The report shall be signed by an authorized official of the professional fund-raiser and an authorized official from the charitable organization and they shall certify, under oath, that it is true to the best of their knowledge.

141. Apogee acted as a professional fund-raiser charitable organizations registered as such with the Minnesota AGO in soliciting donations, in the form of clothing and other household goods, from Minnesota donors.

142. Apogee solicited donations on behalf of the charities as part of multiple solicitation campaigns it undertook for the charities, but filed noncomplying financial reports for these solicitation campaigns by, among other things, falsely claiming 100% of the fair market value (as properly determined) of the donations went to the charities, failing to identify the gross revenue (as properly determined) derived from the campaigns, and failing to itemize expenses for the campaigns.

143. Apogee's conduct, practices, and actions—and failure to act when it was required to do so—described above constitute multiple, separate violations of Minnesota Statutes section 309.531, subdivision 4.

RELIEF

WHEREFORE, Plaintiff State of Minnesota, by its Attorney General, Lori Swanson, respectfully asks this Court to enter judgment against Defendants awarding the following relief:

1. Declaring that Defendants' acts and omissions as described in this Complaint constitute multiple, separate violations of Minnesota Statutes sections 309.531, 309.55, and 309.556;

2. Enjoining Defendants and their employees, agents, successors, assignees, affiliates, merged or acquired predecessors, parent or controlling entities, subsidiaries, and all other persons acting in concert of participation with them, from engaging in the unlawful acts and omissions described in this Complaint, or in any other way violating Minnesota Statutes chapter 309;

3. Requiring Defendants and their employees, agents, successors, assignees, affiliates, merged or acquired predecessors, parent or controlling entities, subsidiaries, and all other persons acting in concert of participation with them, to undertake remedial actions to address the unlawful acts and omissions described in this Complaint;

4. Awarding civil penalties pursuant to Minnesota Statutes sections 8.31 and 309.57;
5. Awarding monetary relief pursuant to Minnesota Statutes sections 8.31, 309.57, the *parens patriae* doctrine, and the general equitable powers of this Court, as necessary to remedy the injury to donors, the public, and the State from Defendants' acts and omissions described in this Complaint;
6. Awarding Plaintiff its attorneys' fees, litigation costs, and costs of investigation as authorized by Minnesota Statutes sections 8.31 and 309.57; and
7. Granting such further relief as provided for by law or equity, or as the Court deems appropriate and just.

Dated: May 21, 2015

Respectfully submitted,

LORI SWANSON
Attorney General
State of Minnesota

BENJAMIN VELZEN
Assistant Attorney General
Manager, Charities Division

/s/ Elizabeth Kremenak

Elizabeth Kremenak
Assistant Attorney General
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ATTORNEYS FOR THE
STATE OF MINNESOTA

**MINN. STAT. § 549.211
ACKNOWLEDGMENT**

The party or parties on whose behalf the attached document is served acknowledge through their undersigned counsel that sanctions may be imposed pursuant to Minn. Stat. § 549.211.

Dated: May 21, 2015

Respectfully submitted,

/s/ Elizabeth Kremenak

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