

STATE OF MINNESOTA

DISTRICT COURT

COUNTY OF RAMSEY

SECOND JUDICIAL DISTRICT

Case Type: OTHER CIVIL

State of Minnesota, by its Attorney General,
Keith Ellison,

Court File No. _____

Plaintiff,

SUMMONS

vs.

Journey Home Minnesota, d/b/a Journey Home
USA, f/k/a Shoreview Area Housing Initiative,
and Blake Huffman, individually,

Defendants.

THIS SUMMONS IS DIRECTED TO: JOURNEY HOME MINNESOTA, D/B/A JOURNEY
HOME USA, F/K/A SHOREVIEW AREA HOUSING INITIATIVE.

1. **YOU ARE BEING SUED.** The Plaintiff has started a lawsuit against you. The Plaintiff's Complaint against you is attached to this summons. Do not throw these papers away. They are official papers that affect your rights. You must respond to this lawsuit even though it may not yet be filed with the Court and there may be no court file number on this summons.

2. **YOU MUST REPLY WITHIN 20 DAYS TO PROTECT YOUR RIGHTS.** You must give or mail to the person who signed this summons a written response called an Answer within 20 days of the date on which you received this Summons. You must send a copy of your Answer to the person who signed this summons located at: Collin Ballou, Assistant Attorney General, 445 Minnesota Street, Suite 1200, St. Paul, Minnesota 55101-2130.

3. **YOU MUST RESPOND TO EACH CLAIM.** The Answer is your written response to the Plaintiff's Complaint. In your Answer you must state whether you agree or

disagree with each paragraph of the Complaint. If you believe the Plaintiff should not be given everything asked for in the Complaint, you must say so in your Answer.

4. **YOU WILL LOSE YOUR CASE IF YOU DO NOT SEND A WRITTEN RESPONSE TO THE COMPLAINT TO THE PERSON WHO SIGNED THIS SUMMONS.** If you do not Answer within 20 days, you will lose this case. You will not get to tell your side of the story, and the Court may decide against you and award the Plaintiff everything asked for in the complaint. If you do not want to contest the claims stated in the complaint, you do not need to respond. A default judgment can then be entered against you for the relief requested in the complaint.

5. **LEGAL ASSISTANCE.** You may wish to get legal help from a lawyer. If you do not have a lawyer, the Court Administrator may have information about places where you can get legal assistance. **Even if you cannot get legal help, you must still provide a written Answer to protect your rights or you may lose the case.**

6. **ALTERNATIVE DISPUTE RESOLUTION.** The parties may agree to or be ordered to participate in an alternative dispute resolution process under Rule 114 of the Minnesota General Rules of Practice. You must still send your written response to the Complaint even if you expect to use alternative means of resolving this dispute.

Dated: December 16, 2019

Respectfully submitted,

KEITH ELLISON
Attorney General
State of Minnesota

/s/ Collin R. Ballou

COLLIN R. BALLOU
Assistant Attorney General
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445 Minnesota Street, Suite 1200
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ATTORNEYS FOR STATE OF MINNESOTA

STATE OF MINNESOTA

DISTRICT COURT

COUNTY OF RAMSEY

SECOND JUDICIAL DISTRICT

Case Type: OTHER CIVIL

State of Minnesota, by its Attorney General,
Keith Ellison,

Court File No. _____

Plaintiff,

SUMMONS

vs.

Journey Home Minnesota, d/b/a Journey Home
USA, f/k/a Shoreview Area Housing Initiative,
and Blake Huffman, individually,

Defendants.

THIS SUMMONS IS DIRECTED TO: BLAKE HUFFMAN, INDIVIDUALLY.

1. **YOU ARE BEING SUED.** The Plaintiff has started a lawsuit against you. The Plaintiff's Complaint against you is attached to this summons. Do not throw these papers away. They are official papers that affect your rights. You must respond to this lawsuit even though it may not yet be filed with the Court and there may be no court file number on this summons.

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Dated: December 16, 2019

Respectfully submitted,

KEITH ELLISON
Attorney General
State of Minnesota

/s/ Collin R. Ballou

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ATTORNEYS FOR STATE OF MINNESOTA

STATE OF MINNESOTA

DISTRICT COURT

COUNTY OF RAMSEY

SECOND JUDICIAL DISTRICT

Case Type: OTHER CIVIL

State of Minnesota, by its Attorney General,
Keith Ellison,

Court File No. _____

Plaintiff,

COMPLAINT

vs.

Journey Home Minnesota, d/b/a Journey Home
USA, f/k/a Shoreview Area Housing Initiative,
and Blake Huffman, individually,

Defendants.

The State of Minnesota, by its Attorney General, Keith Ellison, for its complaint against Journey Home Minnesota, d/b/a Journey Home USA, f/k/a Shoreview Area Housing Initiative, and Blake Huffman, individually, states and alleges as follows:

INTRODUCTION

1. Journey Home Minnesota, d/b/a Journey Home USA, f/k/a Shoreview Area Housing Initiative (“JHM”), was created as a Minnesota nonprofit corporation ostensibly to provide affordable housing opportunities to Minnesotans in need. Defendant Blake Huffman (“Huffman”) has served as a director and officer of JHM, including as its chairman, president, and executive director. Huffman has breached his fiduciary duties as a director and officer by failing to properly oversee and manage JHM’s charitable assets, failing to operate JHM in furtherance of its charitable mission, failing to adhere to applicable Minnesota law while managing JHM, and by abandoning JHM and its nonprofit purpose. As a result, JHM’s charitable assets have been exposed to waste and impairment.

2. The State of Minnesota, through its Attorney General, Keith Ellison (“State” or “AGO”), brings this action to enforce Minnesota’s charitable solicitation, nonprofit corporation, and charitable trust laws, and to seek equitable relief, including the appointment of a general receiver to protect JHM’s remaining assets, wind down its affairs, and dissolve JHM, pursuant to the AGO’s role as the primary protector of charitable assets in Minnesota.

PARTIES

3. Keith Ellison, Attorney General of the State of Minnesota, is authorized under Minnesota Statutes chapter 8; the Minnesota Charitable Solicitation Act, Minn. Stat. §§ 309.50–.61; the Minnesota Nonprofit Corporation Act, Minn. Stat. ch. 317A; the Supervision of Charitable Trusts and Trustees Act, Minn. Stat. §§ 501B.33–.45; and common law authority, including as *parens patriae*, to bring this action to enforce Minnesota’s laws, to protect charitable assets held in the public interest, vindicate the state’s sovereign and quasi-sovereign interests, and to remediate all harm arising out of—and seek full relief for—violations of Minnesota’s laws.

4. Journey Home Minnesota (“JHM”) is a domestic nonprofit corporation organized under Minnesota Statutes chapter 317A, the Minnesota Nonprofit Corporation Act. JHM’s registered address with the Minnesota Secretary of State is 899 Cobb Road, Shoreview, Minnesota 55126. JHM registered with the AGO as a soliciting charitable organization pursuant to the Minnesota Charitable Solicitation Act, Minn. Stat. §§ 309.50–.61, in December 2016. The address provided to the AGO by JHM in its initial registration documents is 855 Village Center Drive, Box 319, North Oaks, Minnesota 55127.

5. Huffman resides at the same address as JHM’s registered office address—899 Cobb Road, Shoreview, Minnesota 55126. Huffman has served as a director and officer of JHM, including as its chairman, president, and executive director.

JURISDICTION

6. This Court has subject-matter jurisdiction over this action under Minnesota Statutes sections 8.01, 8.31, 309.57, 317A.751, 317A.813, 501B.41, and common law.

7. This Court has personal jurisdiction over JHM because it is a Minnesota corporation, is located in Minnesota, has transacted business in Minnesota, and has committed acts in Minnesota causing injury in Minnesota and in violation of Minnesota law.

8. This Court has personal jurisdiction over Huffman because he resides in Minnesota and has committed acts in Minnesota causing injury to the Minnesota public and in violation of Minnesota law.

VENUE

9. Venue is proper in Ramsey County under Minnesota Statutes section 317A.751, subdivision 9, and 542.09 because JHM's registered office is in Ramsey County, JHM is located in Ramsey County, and the cause of action arose, in part, in Ramsey County.

FACTUAL BACKGROUND

I. JHM'S ASSETS ARE HELD IN CHARITABLE TRUST.

10. In 2008, JHM registered as "Shoreview Area Housing Initiative" with the Minnesota Secretary of State as a Minnesota nonprofit corporation under the Minnesota Nonprofit Corporation Act, Minn. Stat. ch. 317A. In 2016, Huffman filed an amendment to Shoreview Area Housing Initiative's articles of incorporation to change its name to "Journey Home Minnesota."

11. JHM's articles of incorporation state that it was "organized exclusively for charitable . . . purposes" which include "providing affordable housing opportunities for those living below the median family income; and providing education to and empowering the community to respond to the crisis of affordable housing." JHM's articles further prohibit any

“part of the net earnings” of JHM from inuring to the benefit of private persons. JHM was granted tax-exempt status by the Internal Revenue Service pursuant to section 501(c)(3) of the Internal Revenue Code, 26 U.S.C. § 501(c)(3), on April 21, 2011.

12. JHM registered as a soliciting charitable organization with the AGO on or about December 20, 2016, pursuant to the Minnesota Charitable Solicitation Act, Minn. Stat. §§ 309.50–.61. JHM’s initial registration was signed by Huffman and indicated that Huffman kept custody of the organization’s books and records.

13. JHM’s initial registration further stated that its charitable purpose was to “provide affordable housing for single headed families” and that it anticipated soliciting \$100,000 from Minnesota donors through door-to-door solicitations and grant applications. JHM has represented that it was created to provide access to affordable single-family homes to Minnesotans in need, and in particular to veterans, domestic violence survivors, and single parents.

14. JHM has received grants and solicited donations in Minnesota for the benefit of certain individuals unable to purchase a home or obtain financing. JHM has built and purchased homes, and received donated properties that it then sold or rented to Minnesotans, purportedly at below market rates. JHM has claimed that it rents to families earning no more than 40%–80% of the area median income, and charged no more than 30% of their income for rent.

15. In its most recent annual filing with the AGO on or about October 16, 2017, which concerned its operations during 2016, JHM identified eleven individuals on its board of directors: Blake Huffman, Joy Huffman, Noah Huffman, Mark Korman, Jennifer Wigg, Brian McCool, Amy Wynia, Romaney Mugood, Sherween Page, Michael Clever, and Pat Lund.

16. JHM's 2016 federal tax return (i.e., its IRS Form 990) stated that it owned over \$2.7 million in land and buildings. JHM, through Huffman, has claimed to own as many as 45 houses at one time, and its website indicates that it has owned 40 properties, including houses in Ramsey, Hennepin, and Anoka counties.

17. The properties owned by JHM, monies in its bank accounts, and any other JHM assets are held in charitable trust by JHM, pursuant to the Minnesota Supervision of Charitable Trusts and Trustees Act, Minnesota Statutes sections 501B.31–.45.

II. HUFFMAN HAS BREACHED HIS DIRECTOR AND OFFICER FIDUCIARY DUTIES BY FAILING TO ACT IN JHM'S BEST INTERESTS AND BY ABANDONING JHM AND ITS CHARITABLE PURPOSE.

18. Huffman has been a director and officer of JHM since its inception and at all times relevant to this complaint.

19. Minnesota nonprofit corporations must be “managed by or under the direction of a board of directors.” Minn. Stat. § 317A.201. A nonprofit corporation must have an active, informed, loyal, and attentive board that administers, supervises, and is appropriately involved in the organization's efforts to carry out its charitable mission.

20. Minnesota nonprofit corporations must also have officers exercising the functions of president and treasurer to operate and manage the corporation on a day-to-day basis. Minn. Stat. § 317A.301. A nonprofit corporation's officers must be active, informed, and loyal to the corporation in managing its affairs, see that the board's resolutions are carried into effect, and accurately maintain and preserve the organization's financial and other records, among other things.

21. Defendant Huffman ran JHM largely as a one-man show, personally directing, controlling, and participating in its operations, financial affairs, and charitable programing. For

example, he is listed as the contact person for JHM on all of its filings with the AGO; has simultaneously served as the organization's chairman, president, and executive director; has completed, filed, and signed nearly all paperwork and financial documents for the organization; is the JHM representative that responds to public inquiries about its operations; has his personal address listed as JHM's registered office; and is the representative of JHM when working with contractors, banks, and charitable beneficiaries. JHM does not have a functioning board of directors controlling the business and affairs of the corporation, as required by Minnesota law.

22. In running JHM, Huffman breached his fiduciary duties as a director and officer by engaging in activities that were not in its best interests or in furtherance of its charitable mission. For example:

- In June 2018, JHM purchased a property in Shoreview, Minnesota for \$149,900. JHM purchased this property from a for-profit limited liability company, Castle Insight, LLC, in which Huffman had an ownership interest. Further, this purchase was made at a time in which JHM owed thousands in back property taxes on its other properties.
- By July 2018, JHM owed approximately \$39,673 in back taxes on 14 different properties. Some of these properties' taxes had been in arrears for years.
- On or about July 2018, JHM sold one of its properties to Huffman's son for \$126,000. JHM used another of Huffman's sons as a real estate agent in this transaction, and has used that same son to sell other JHM properties.
- JHM helped to solicit tens of thousands of dollars to build a new handicap accessible home for a Minnesota family with terminally ill children. JHM abandoned the project before it was finished and the home was never built. The family never received any of the money donated to provide them this home. There are also other instances in which JHM solicited donations for certain persons that never actually received any benefit from the organization.
- JHM, operating through Huffman, attempted to cancel leases midway through their terms and asked tenants to vacate the homes in which they lived, so JHM could sell the property. JHM has also increased rent at the expiration of tenants' leases to their detriment, charged them market rates contrary to its claimed charitable purpose, and falsely promised that tenants would eventually be able to purchase the homes they were renting for below market

rates. These actions have sometimes caused tenants to vacate the JHM homes in which they were living.

- Some tenants have alleged that they have paid Huffman directly for rent rather than paying JHM.

23. These examples illustrate how Huffman breached his officer fiduciary duties to JHM by mismanaging JHM's charitable assets, engaging in conflicted transactions that benefitted himself or his family, and by making decisions that were contrary to JHM's charitable mission of providing affordable housing to people in need. They further illustrate how Huffman breached his director fiduciary duties by allowing JHM's charitable assets to be mismanaged without taking sufficient corrective action, engaging in conflicted transactions that benefitted himself or his family, and by allowing JHM to make decisions without regard for its charitable mission or the best interests of the corporation.

24. Huffman has also breached his fiduciary duties as a director and officer by abandoning JHM and exposing its charitable assets to waste and impairment. JHM appears to have stopped paying its mortgage on several properties. Minnesota court records indicate that JHM has defaulted on loans and been sued by its creditors. JHM has further been sued by several contractors, engineers, and architects for not paying for work provided by those parties. JHM failed to respond to several of these lawsuits and now faces default judgments totaling more than \$485,000. Publicly available data shows that at least seven of its properties are now in foreclosure, and multiple reports indicate that JHM owes thousands in back taxes.

25. It is not clear how many of JHM's foreclosed properties housed tenants and what, if anything, happened to those tenants when JHM began defaulting on its loans. JHM has publicly acknowledged that it is experiencing significant financial difficulties and, with no

indication that it is able to satisfy any of these various debts, it appears that JHM's liabilities and obligations exceed its corporate assets.

26. JHM has further ceased to maintain the properties it still owns, allowing them to fall into disrepair. In at least three instances, it has abandoned uncompleted work on residential construction sites allowing the sites to become public nuisance and safety hazards. In some instances, like the case of a building site in Shoreview, JHM has left city authorities to clean up its abandoned property.

III. HUFFMAN'S ABANDONMENT OF JHM NECESSITATES THE APPOINTMENT OF A RECEIVER TO PROTECT JHM'S REMAINING ASSETS AND WIND DOWN ITS AFFAIRS.

27. Huffman's abandonment of JHM breached his fiduciary duties to the organization as described above, but it also necessitates the appointment of a receiver to protect JHM's remaining assets and wind down its affairs. JHM has become unreachable and has not responded to efforts to resolve its numerous issues, as further described below.

28. On June 3, 2019, the AGO issued a Civil Investigative Demand ("CID") to JHM, its board of directors, and Huffman, individually, pursuant to its investigative authority under Minnesota Statutes sections 8.31, 309.533, 309.54, 317A.813, and 501B.40. The AGO sent this CID based on information indicating that Huffman and JHM's other directors and officers had breached their fiduciary duties as board members and officers of JHM. Specifically, the AGO stated in the CID that it had information indicating that Huffman, JHM's other board members, and JHM's other officers had engaged in self-interested related party transactions, breached trust by failing to properly administer and manage property held for a charitable purpose, employed misleading solicitation practices by representing that funds would be used by JHM to provide low-cost housing to persons in need who did not actually receive such housing, and failed to abide by various provisions of the Minnesota Nonprofit Corporations Act, Minn. Stat. ch. 317A.

29. The AGO's CID sought, among other things, information and documents about the properties owned by JHM, the identity of tenants to whom JHM rented its properties, the identity of persons to whom JHM sold properties, details about JHM's solicitation practices, and information about JHM's and Huffman's relationships with various third parties.

30. After repeated, unsuccessful service attempts, the AGO served JHM with its CID through the Minnesota Secretary of State's Office on August 14, 2019, pursuant to Minnesota Statutes section 5.25. Under Minnesota law, JHM was required to respond to the AGO's CID within 20 days—by September 3, 2019. Minn. Stat. § 8.31, subd. 2. JHM never responded or otherwise contacted the undersigned.

31. The AGO's efforts to personally serve its CID on Huffman in his individual capacity continued unsuccessfully throughout August 2019. On September 9, 2019, the AGO finally personally served Huffman with the CID at his personal residence. Under Minnesota law, Defendant Huffman's response was due to the AGO by September 30. Minn. Stat. § 8.31, subd. 2. To date, Huffman has not responded to the AGO's CID or otherwise contacted the undersigned. Despite appearing to have ceased business operations, JHM has not filed a Notice of Dissolution with the AGO as is required to dissolve pursuant to Minnesota Statutes section 317A.811.

IV. JHM HAS SOLICITED DONATIONS IN MINNESOTA WITHOUT BEING PROPERLY REGISTERED WITH THE AGO.

32. In recent years, JHM has failed to maintain its registration as a soliciting charitable organization with the AGO, yet has continued to solicit donations in Minnesota.

33. Under the Minnesota Charitable Solicitation Act, to maintain its registration as a charitable organization in Minnesota, JHM was required to file its 2017 annual report with the AGO by July 16, 2018. It was further required to file its 2018 annual report by July 15, 2019. A

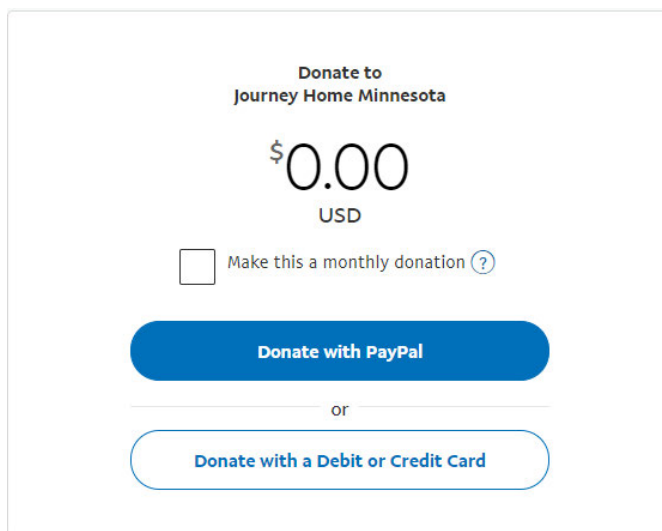
charitable organization that fails to file an annual report under the Act is prohibited from soliciting charitable contributions in Minnesota. Minn. Stat. §§ 309.52, .53.

34. JHM failed to file either its 2017 and 2018 annual reports with the AGO. Accordingly, JHM's registration as a charitable organization in Minnesota was withdrawn by operation of law on July 16, 2018. Contrary to Minnesota law, however, JHM has continued to solicit donations without being registered. Indeed, as of the date of this filing, JHM continues to solicit donations via a "DONATE" banner on its website, as shown immediately below:



Journey Home USA Home Page, <http://www.journeyhomeusa.org/> (last visited Dec. 4, 2019), *archived at* <https://perma.cc/HQ9T-NQHZ>.

35. When JHM website visitors click on the "DONATE" button they have the opportunity to contribute to JHM through PayPal or with a debit or credit card, including the option to set up recurring monthly donations, as again shown immediately below:



Journey Home USA Donation Page, <https://www.paypal.com/donate/?token=-a74d4-7KOuyEcx1tiYMIj7tOC2pPqTSXRrRQqa3FxNCH3g7uG4McORrczkEJD8sS9xCtG&country.x=US&locale.x=US> (last visited Dec. 4, 2019), *archived at* <https://perma.cc/7DAN-7C8E>.

36. JHM's ongoing solicitation of donations in Minnesota online through its website has been unlawful since its registration with the AGO was withdrawn on July 16, 2018, pursuant to Minnesota Statutes sections 309.52 and 309.53.

COUNT I
BREACH OF DIRECTOR FIDUCIARY DUTIES
(Huffman)

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

38. Minnesota Statutes section 317A.011, subdivision 7, defines "director" as "a member of the board" of a nonprofit corporation governed by chapter 317A.

39. Minnesota Statutes section 317A.251, subdivision 1, provides in part that "[a] director shall discharge the duties of the position of director in good faith, in a manner the director reasonably believes to be in the best interests of the corporation, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances."

40. Directors of a nonprofit corporation owe various fiduciary duties to that corporation, including to act in good faith, with honesty in fact, with loyalty, in the best interests of the corporation, and with the care of an ordinary, prudent person under similar circumstances. *Cf. Shepard of the Valley Lutheran Church v. Hope Lutheran Church*, 626 N.W.2d 436, 442 (Minn. Ct. App. 2001) (citing chapter 317A).

41. Huffman owed fiduciary duties to JHM as a member of its board of directors.

42. Huffman breached the fiduciary duties he owed to JHM as a member of its board of directors by, among other things, abandoning his role as a director and subjecting JHM's charitable assets to waste and impairment, failing to oversee, manage, and administer JHM's charitable assets in a manner consistent with its charitable mission, engaging in self-dealing transactions and transactions that benefitted himself or family members without proper regard for

the best interests of JHM, violating applicable Minnesota law and JHM's articles of incorporation, and by his other actions (and failures to act) described in this complaint.

43. Huffman's conduct, practices, and actions—and failure to act when he was required to do so—described above breached the fiduciary duties he owed to JHM as director of JHM and constituted multiple, separate violations of Minnesota Statutes section 317A.251.

COUNT II
BREACH OF OFFICER FIDUCIARY DUTIES
(Huffman)

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

45. Minnesota Statutes section 317A.011, subdivision 15, defines “officer” as “the president, the treasurer, however designated, a person elected, appointed, or otherwise designated as an officer pursuant to section 317A.311, and a person deemed elected an officer under section 317A.321” of a nonprofit corporation governed by chapter 317A.

46. Minnesota Statutes section 317A.305, subdivision 2, provides that a nonprofit corporation's president shall:

- (1) “have general active management of the business of the corporation;
- (2) when present, preside at meetings of the board and of the members;
- (3) see that orders and resolutions of the board are carried into effect;
- (4) sign and deliver in the name of the corporation deeds, mortgages, bonds, contracts, or other instruments pertaining to the business of the corporation, except in cases in which the authority to sign and deliver is required by law to be exercised by another person or is expressly delegated by the articles or bylaws or by the board to another officer or agent of the corporation;
- (5) maintain records of and, when necessary, certify proceedings of the board and the members; and
- (6) perform other duties prescribed by the board.”

47. Minnesota Statutes section 317A.361 provides that “[a]n officer shall discharge the duties of an office in good faith, in a manner the officer reasonably believes to be in the best interests of the corporation, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.”

48. Officers of a nonprofit corporation owe various fiduciary duties to that corporation, including to act in good faith, with honesty in fact, with loyalty, in the best interests of the corporation, and with the care of an ordinary, prudent person under similar circumstances. *Shepard of the Valley Lutheran Church v. Hope Lutheran Church*, 626 N.W.2d 436, 442 (Minn. Ct. App. 2001) (citing chapter 317A).

49. Huffman, in his roles as JHM’s president and executive director, owed fiduciary duties to JHM as an officer of the nonprofit corporation.

50. Huffman breached the fiduciary duties he owed to JHM as an officer by, among other things, abandoning his role as an officer and his duty as president to maintain general active management of JHM, subjecting JHM’s charitable assets to waste and impairment because of his abandonment of the organization, failing to manage and mismanaging JHM and its assets to the degree that its liabilities likely exceed its assets, failing to administer JHM’s charitable assets in a manner consistent with its charitable mission, failing to maintain JHM’s registration as a charitable organization with the AGO, failing to maintain and produce records to the AGO pursuant to its CID, engaging in self-dealing transactions and transactions that benefitted himself or his family without proper regard for the best interests of JHM, violating Minnesota law and JHM’s articles of incorporation, and by his other actions (and failures to act) described in this complaint.

51. Huffman’s conduct, practices, and actions—and failure to act when he was

required to do so—described above breached his fiduciary duties owed to JHM as an officer of JHM and constituted multiple, separate violations of Minnesota Statutes section 317A.361.

COUNT III
BREACH OF CHARITABLE TRUST
(Huffman)

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

53. Minnesota Statutes section 317A.813 provides that “[t]he attorney general has the powers in sections 8.31 and 501B.40 and 501B.41, to supervise and investigate corporations under this chapter and to bring proceedings to secure compliance.”

54. Minnesota Statutes section 501B.35, subdivision 1, provides that “[t]he definitions in this section apply to sections 501B.31 to 501B.45 and do not modify or abridge any law or rule respecting the nature of a charitable trust or the nature and extent of the duties of a trustee except duties imposed by sections 501B.31 to 501B.45.”

55. Minnesota Statutes section 501B.35, subdivision 2, defines “charitable purpose” as “an actual or purported charitable, philanthropic, religious, social service, educational, eleemosynary, or other public use or purpose.”

56. Minnesota Statutes section 501B.35, subdivision 3, defines “charitable trust” as “a fiduciary relationship with respect to property that arises as a result of a manifestation of an intention to create it, and that subjects the person by whom the property is held to equitable duties to deal with the property for a charitable purpose.”

57. Minnesota Statutes section 501B.35, subdivision 4, defines “trustee” as “a person or group of persons either in an individual or a joint capacity, or a director, officer, or other agent of an association, foundation, trustee corporation, corporation, or other legal entity who is vested with the control or responsibility of administering property held for a charitable purpose.”

58. Minnesota Statutes section 501B.41, subdivision 6, provides that “[t]he failure of a trustee to . . . administer and manage property held for charitable purposes in accordance with law or consistent with fiduciary obligations constitutes a breach of trust.”

59. JHM is a nonprofit corporation with the charitable purpose of providing affordable housing to Minnesotans in need.

60. JHM explicitly manifested an intention that the property it held was to be used for its charitable purpose by so declaring in its articles of incorporation, thereby impressing the entirety of its assets with a charitable trust. *See also* Minn. Stat. § 501B.35, subd. 3 (“property [held in charitable trust] includes all income derived from fees for services”). Separately, donations, grants, and like conveyances to JHM were *per se* held in charitable trust as gifts to a charitable corporation. *See, e.g., In re Quinlan’s Estate*, 45 N.W.2d 807, 810 (Minn. 1951) (“[I]n keeping with the intent of the donor[,] . . . a gift to a charitable corporation, although in the form of an outright gift, in the absence of express language to the contrary, is in purpose and practical effect a charitable trust.”).

61. Huffman, as a board member, officer, president, chairman, and executive director of JHM, was vested with the control and responsibility of administering and managing JHM’s assets for its charitable purpose, accepted this control and responsibility, and was thus a trustee with respect to JHM’s charitable assets.

62. The fiduciary obligations of trustees of property held in charitable trust under the Supervision of Charitable Trusts and Trustees Act, Minn. Stat. §§ 501B.33-.45, includes administering and managing property held for charitable purposes in accordance with applicable law and/or consistent with fiduciary obligations.

63. Huffman breached charitable trust by, among other things, failing to administer

and manage JHM's property held for charitable purposes in accordance with applicable law and/or consistent with his fiduciary obligations as a director and officer of JHM, as described further above, and separately, by abandoning JHM, its charitable mission, and subjecting its charitable assets to waste and impairment.

64. Huffman's conduct, practices, and actions—and failure to act when he was required to do so—described above constitute multiple, separate violations of Minnesota Statutes section 501B.41, subdivision 6.

**COUNT IV
VIOLATIONS OF NONPROFIT ACT WARRANTING DISSOLUTION
(Journey Home Minnesota)**

65. The AGO re-alleges all prior paragraphs of this Complaint.

66. Minnesota Statutes section 317A.751, subdivision 1, provides that “[a] court may grant equitable relief it considers just and reasonable in the circumstances or may dissolve a corporation and liquidate its assets and business as provided in this section.”

67. Minnesota Statutes section 317A.751, subdivision 5, provides that “[a] court may grant equitable relief in an action by the attorney general when it is established that:

...

(4) the corporation has flagrantly violated a provision of this chapter, has violated a provision of this chapter more than once, or has violated more than one provision of this chapter;

...

(6) the corporation has acted, or failed to act, in a manner that constitutes surrender or abandonment of the corporate purpose, franchise, privileges, or enterprise;

(7) the corporation has liabilities and obligations exceeding the corporate assets;

...

(11) the corporation has answered falsely or failed to answer a reasonable written interrogatory from the secretary of state, the attorney general, the commissioner of human services, commissioner of commerce, or commissioner of revenue, to the corporation, its officers, or directors; [or]

(12) the corporation has solicited property and has failed to use it for the purpose solicited[.]”

68. Minnesota Statutes section 317A.753, subdivision 1, provides in part that, in a dissolution proceeding, the court may “issue injunctions, appoint receivers with powers and duties the court directs,” and “take other actions required to preserve the corporate assets wherever located[.]” *See also* Minn. Stat. §§ 576.21 *et seq.* (generally authorizing the court to appoint receivers and oversee receiverships, including receiverships pursuant to chapter 317A).

69. Minnesota law requires that nonprofit corporations be “managed by or under the direction of a board of directors.” Minn. Stat. § 317A.201. Nonprofit corporations must have no less than three members on the board of directors, or a greater amount as specified in the organization’s articles or bylaws. Minn. Stat. § 317A.203. JHM does not currently have a functioning board of directors at all, in violation of these statutes.

70. JHM no longer engages in any activities in furtherance of its charitable mission of providing affordable housing in safe neighborhoods to individuals who are not able to purchase or rent a home. JHM is not currently properly administering its bank account, the remaining properties it owns, or any other charitable assets it may possess or control, in part due to the fact no natural person is currently acting as a representative of JHM. In short, JHM has wholly failed to protect, maintain, and utilize any of its charitable assets in furtherance of its charitable mission, and has thus abandoned its charitable purpose.

71. According to information presently available to the AGO, JHM has liabilities and obligations that exceed its corporate assets. JHM has default judgments against it totaling over

\$485,000. Multiple, public reports also indicate that it owes back taxes that total as much as \$39,000. JHM has publicly acknowledged that it is experiencing significant financial difficulties. There has been no indication that it is able to satisfy any of its various debts.

72. JHM has failed to answer reasonable written interrogatories from the State contained in the CID directed to it. JHM was served through the Minnesota Secretary of State on August 14, 2019. Its response to those interrogatories was due September 3, 2019. JHM's board chairman and officer, Huffman, was further personally served with the same interrogatories on September 9, 2019. His response to those interrogatories was due on September 30. As of the date of this filing, the State has received no response from JHM (or Huffman).

73. JHM has solicited monies and real property for the purpose of providing affordable housing to Minnesotans in need. On multiple occasions, it has failed to use the contributions it has received for this purpose, including by soliciting tens of thousands of dollars for a Minnesota family with terminally ill children only to abandon the project midway through its completion.

74. These and other allegations set out above constitute multiple violations of a single provision of Minnesota Statutes chapter 317A.

75. These and other allegations set out above constitute flagrant violations of Minnesota Statutes chapter 317A.

76. These and other allegations set out above constitute violations of more than one provision of Minnesota Statutes chapter 317A.

77. Dissolving JHM under Minnesota Statutes section 317A.751 is an equitable remedy to collect, catalog, preserve, and protect JHM's remaining charitable assets.

78. The Court is authorized to appoint a receiver in a dissolution action on petition from the AGO with respect to a corporation organized under Minnesota Statutes chapter 317A. *See* Minn. Stat. § 317A.753. The Court is further authorized to award equitable relief or remedies as it deems appropriate to secure the proper administration of the assets held in charitable trust by JHM. Minn. Stat. §§ 8.31, 317A.751; *see also* Minn. Stat. § 576.22(a)(5) (stating that Minnesota Statutes chapter 576 applies to receiverships pursuant to section 317A.751).

79. JHM's conduct and actions, and failure to act when it was required to do so, constitute multiple, separate, and flagrant violations of Minnesota Statutes chapter 317A and warrant dissolution, appointment of a receiver to wind down its affairs and protect its charitable assets in so doing, and other equitable relief.

COUNT V
UNREGISTERED SOLICITATION OF CHARITABLE CONTRIBUTIONS
(Journey Home Minnesota)

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

81. Minnesota Statutes section 309.50, subdivision 4, provides:

“Charitable organization” means any person who engages in or purports to engage in solicitation for a charitable purpose and includes a chapter, branch, area office or similar affiliate or any person soliciting contributions within the state for a parent charitable organization, but does not include an organization whose primary purpose is supporting or opposing any candidate for elective office, or influencing the nomination for election or the election of any candidate for elective office.

82. Minnesota Statute section 309.52, subdivision 1, provides that “No charitable organization . . . shall solicit contributions from persons in this state by any means whatsoever unless, prior to any solicitation, there shall be on file with the attorney general upon forms provided by the attorney general, a registration statement[.]”

83. Minnesota Statutes section 309.53, subdivision 1, provides:

Every charitable organization that is required to file or that files a registration statement pursuant to section 309.52 shall file an annual report with the attorney general upon forms provided by the attorney general or on forms identical thereto on or before July 15 of each year if its books are kept on a calendar year basis, or on or before the 15th day of the seventh month following the close of its fiscal year if its books are kept on a fiscal year basis. For cause shown the attorney general may extend the time for filing the annual report for a period not to exceed four months.

84. Minnesota Statutes section 309.52, subdivision 7, provides:

In no event shall the registration of a charitable organization continue in effect after the date such organization should have filed, but has failed to file an annual report, including the payment of all required fees, in accordance with the requirements of section 309.53, and such organization, if in default under such section, shall not be eligible to file a new registration statement until it shall have filed the required annual report with the attorney general.

85. At all relevant times, JHM was a charitable organization that solicited contributions in Minnesota.

86. Notwithstanding the requirement that JHM register as a charitable organization and thereafter file annual reports with the AGO prior to soliciting in Minnesota, JHM failed to file an annual report for 2017 by the required July 15, 2018 due date, and for 2018 by the required July 15, 2019 due date, yet continued to solicit contributions in Minnesota for charitable purposes after July 15, 2018. Indeed, as of the date of the filing of this complaint, JHM's website continues to solicit Minnesotans for donations, despite JHM not being properly registered as a soliciting charitable organization with the AGO at any point in time since July 15, 2018.

87. JHM'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 sections 309.52 and 309.53.

RELIEF

WHEREFORE, Plaintiff State of Minnesota, by its Attorney General, Keith Ellison, respectfully asks this Court to enter judgment against Defendants Journey Home Minnesota, d/b/a Journey Home USA, f/k/a Shoreview Area Housing Initiative, and Blake Huffman, individually, awarding the following relief:

1. Declaring that Defendants' acts and omissions as described in this Complaint constitute multiple, separate violations of Minnesota Statutes sections 309.52, 309.53, 317A.251, 317A.361, 317A.751, and 501B.41.

2. Declaring that JHM has abandoned its charitable mission.

3. Permanently enjoining Huffman from:

(a) acting as a director, officer, employee, agent, representative, or otherwise acting for, in concert with, or on behalf of a nonprofit organization;

(b) exercising any management, supervisory, oversight, or other direction or control over a nonprofit organization or its finances; and

(c) engaging in any activity that results in having any control or responsibility for property held for a charitable purpose, or from otherwise acting as a "trustee" as the term is defined in Minnesota Statutes section 501B.35, subdivision 4.

4. Wind down the affairs of JHM and dissolve JHM under Minnesota Statutes chapter 317A.751.

5. Grant the State equitable relief for the preservation and protection of JHM's remaining charitable assets, including appointing a general receiver for the purpose of preserving JHM's charitable assets and winding down its affairs.

6. Order that the general receiver periodically report to the Court and the AGO on the receiver's work, which shall include an inventory of assets and liabilities and efforts to

liquidate the assets.

7. Order that the general receiver be paid a reasonable fee for his or her services as a receiver, which shall be paid out of the assets of JHM.

8. Order that any JHM funds which remain after payment of liabilities be donated to a Minnesota nonprofit corporation with similar charitable purposes, as JHM located in the vicinity of Ramsey County, Minnesota, or as near to the county as possible.

9. Awarding monetary relief, including restitution, pursuant to Minnesota Statutes sections 8.31, 317A.813, 501B.41, Minnesota common law, the *parens patriae* doctrine, and the general equitable powers of this Court, as necessary to remedy the harm and injury from Huffman's acts and omissions described in this Complaint;

10. Awarding civil penalties pursuant to Minnesota Statutes sections 8.31, 317A.813, and 501B.41 against Huffman;

10. Awarding attorneys' fees, litigation costs, and costs of investigation as authorized by Minnesota Statutes sections 8.31, 317A.813, and 501B.43; and

11. Granting such further relief as provided for by law or equity, or as the Court deems appropriate and just.

Dated: 12/16/2019

KEITH ELLISON
Attorney General
State of Minnesota

/s/ Collin R. Ballou
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ATTORNEYS FOR STATE OF MINNESOTA

**MINN. STAT. § 549.211
ACKNOWLEDGMENT**

The party on whose behalf the attached document is served acknowledges through its undersigned counsel that sanctions, including reasonable attorney fees and other expenses, may be awarded to the opposite party or parties pursuant to Minn. Stat. § 549.211 (2018).

Dated: December 16, 2019

/s/ Collin R. Ballou
COLLIN R. BALLOU
Assistant Attorney General