

STATE OF MINNESOTA

DISTRICT COURT

COUNTY OF HENNEPIN

FOURTH JUDICIAL DISTRICT

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

Case Type: Other Civil

Court File No. _____

Plaintiff,

SUMMONS

vs.

Refocus Recovery and Daniel Larson,

Defendants.

THIS SUMMONS IS DIRECTED TO REFOCUS RECOVERY, AND DANIEL LARSON, INDIVIDUALLY.

1. **You are being sued.** The Plaintiff has started a lawsuit against you. The *Complaint* is attached to this *Summons*. Do not throw these papers away. They are official papers that start a lawsuit and affect your legal rights, even if nothing has been filed with the court and even if there is no court file number on this *Summons*.

2. **You must BOTH reply, in writing, AND get a copy of your reply to the person/business who is suing you within 21 days to protect your rights.** Your reply is called an *Answer*. Getting your reply to the Plaintiff is called service. You must serve a copy of your *Answer* or *Answer and Counterclaim* (Answer) within 21 days from the date you received the *Summons* and *Complaint*.

ANSWER: You can find the *Answer* form and instructions on the MN Judicial Branch website at www.mncourts.gov/forms under the “Civil” category. The instructions will explain in detail how to fill out the *Answer* form.

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 think the Plaintiff should not be given everything they asked for in the *Complaint*, you must say that in your *Answer*.

4. **SERVICE: You may lose your case if you do not send a written response to the Plaintiff.** If you do not serve a written *Answer* within 21 days, you may lose this case by default. You will not get to tell your side of the story. If you choose not to respond, the Plaintiff may be awarded everything they asked for in their *Complaint*. If you agree with the claims stated in the *Complaint*, you don't need to respond. A default judgment can then be entered against you for what the Plaintiff asked for in the *Complaint*.

To protect your rights, you must serve a copy of your *Answer* on the person who signed this *Summons* in person or by mail at this address:

**Karthik Raman, Assistant Attorney General, 445 Minnesota Street, Suite 600,
St. Paul, Minnesota 55101-2130.**

5. Carefully read the Instructions (CIV301) for the *Answer* for your next steps.
6. **Legal Assistance.** You may wish to get legal help from an attorney. If you do not have an attorney and would like legal help:
 - Visit www.mncourts.gov/selfhelp and click on the “Legal Advice Clinics” tab to get more information about legal clinics in each Minnesota county.
 - Court Administration may have information about places where you can get legal assistance.

NOTE: Even if you cannot get legal help, you must still serve a written *Answer* to protect your rights, or you may lose the case.

7. **Alternative Dispute Resolution (ADR).** The parties may agree to or be ordered to participate in an ADR process under Rule 114 of the Minnesota Rules of Practice. You must still serve your written *Answer*, even if you expect to use ADR.

Dated: October 1, 2026

Respectfully submitted,

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State of Minnesota

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STATE OF MINNESOTA

DISTRICT COURT

COUNTY OF HENNEPIN

FOURTH JUDICIAL DISTRICT

Case Type: Other Civil

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

Court File No. _____

Plaintiff,

COMPLAINT

vs.

Refocus Recovery and Daniel Larson,

Defendants.

The State of Minnesota, by its Attorney General, Keith Ellison, for its Complaint against Refocus Recovery and Daniel Larson, states and alleges as follows:

INTRODUCTION

1. The State of Minnesota (“State” or “AGO”) brings this action to enforce Minnesota’s nonprofit corporation, solicitation, and charitable trust laws, to seek equitable relief, including repayment of funds improperly diverted by Defendant Daniel Larson (“Larson”), civil monetary penalties, and to obtain other remedies pursuant to the AGO’s role as the primary protector of charitable assets in Minnesota.

2. This Complaint arises from Daniel Larson’s breaches of fiduciary duties and Refocus Recovery’s violations of nonprofit law. Larson created Refocus Recovery as a pass-through sham nonprofit so that he could directly funnel its assets to his for-profit company—Kyros Care LLC. Under Minnesota law, recovery community organizations such as Refocus Recovery must be independent nonprofit organizations to be eligible for reimbursement for peer recovery services under Medicaid. Refocus Recovery under Larsen’s leadership violated nonprofit laws multiple ways, including by failing to have a board of directors, failing to have

directors meet as required by the statute, failing to make reasonable inquiries into the reasonableness of its conflicted transactions, and by generally failing to provide sufficient oversight over its funds to prevent self-dealing and the improper diversion of charitable assets. These violations and Refocus Recovery's complete lack of independence from Kyros have contributed to the ultimate demise of the nonprofit, which is no longer operating. The AGO's action is necessary to dissolve the sham nonprofit, ensure its remaining assets are appropriately distributed for actual charitable purposes, and to hold Larson responsible for his breaches of fiduciary duties and his fundamental violation of the requirement that a nonprofit must not be created for private gain.

PARTIES

3. Keith Ellison, Attorney General of the State of Minnesota, is authorized under Minn. Stat. ch. 8; the Minnesota Nonprofit Corporation Act, Minn. Stat. ch. 317A (the "Act"); the Supervision of Charitable Trusts and Trustees Act, Minn. Stat. ch. 501B, and common-law authority, including as *parens patriae*, to bring this action to enforce Minnesota's laws, vindicate the state's sovereign and quasi-sovereign interests, and remediate all harm arising out of—and seek relief for—violations of Minnesota law.

4. Defendant Refocus Recovery is a Minnesota nonprofit corporation incorporated under the Minnesota Nonprofit Corporation Act ("Nonprofit Act"), Minn. Stat. ch. 317A; is a Minnesota charitable trust under the Supervision of Charitable Trust and Trustees Act, Minn. Stat. ch. 501B ("Charitable Trust Act"), and is a soliciting charitable organization under Minn. Stat. ch. 309, with its registered office address at 901 Marquette Avenue, Suite 1675, Minneapolis, MN 55402.

5. Defendant Daniel Larson is a resident of Minnesota, founder and former executive director, officer, and board member of Refocus Recovery. Larson is also the founder and former chief executive officer of Kyros PBC, Kyros Services, LLC, and Kyros Staffing, LLC (collectively “Kyros”). Larson’s last known address is 123 1st Avenue N, Minneapolis, MN 55401.

JURISDICTION

6. This Court has subject-matter jurisdiction over this action under Minn. Stat. §§ 8.01, 8.31, 317A.751, 317A.813, and common law.

7. This Court has personal jurisdiction over Refocus Recovery because it is incorporated under Minn. Stat. ch. 317A, has its principal place of business in Minnesota, and has committed acts in Minnesota causing injury to the Minnesota public and in violation of Minnesota law.

8. This Court has personal jurisdiction over Larson because he resides in Minnesota, has transacted business 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 Hennepin County under Minn. Stat. § 542.09 because one or more of the defendants reside in Hennepin County and the cause of action arose, in substantial part, in Hennepin County.

FACTUAL BACKGROUND

I. REFOCUS RECOVERY’S CREATION.

10. Larson incorporated Refocus Recovery as a nonprofit corporation under Minn. Stat. ch. 317A on May 25, 2021. Refocus filed its 1023 application with the Internal Revenue

Service (IRS) to obtain tax exemption under section 501(c)(3) of the IRS Code on August 11, 2022. It obtained its tax-exempt status on January 30, 2023. Refocus Recovery is a soliciting charitable organization under Minn. Stat. ch. 309. Refocus Recovery reported \$4.7 million in revenue in the form of program service fees on its 2022 IRS Form 990.

11. According to its Articles of Incorporation submitted to the Secretary of State to obtain its Certificate of Incorporation, Refocus Recovery “is organized exclusively for charitable and educational purposes.” Refocus Recovery’s stated purpose in its Articles of Incorporation is to “organize a recovery community for people in recovery, family members, friends and allies to put a face on recovery and provide recovery support services; promote recovery from alcohol and other drug addiction through advocacy, education and service; to open new doors and remove barriers to recovery, maintain and sustain recovery regardless of the pathway, all the while ensuring that all people in recovery, and people seeking recovery, are treated with dignity and respect.”

12. Larson was a board member of Refocus Recovery from May 2021 until December 2023 and Executive Director of the nonprofit from incorporation through May 2022. Larson also exercised the functions of the President, such as generally managing the business of Refocus and signing contracts on behalf of the corporation, even if he was not formally appointed as such during the relevant times. Larson was also the founder and owner and former CEO of Kyros Care PBC. Larson owned 100% of Kyros PBC when Refocus Recovery was incorporated. Its subsidiaries included Kyros Services, LLC and Kyros Staffing, LLC.¹ Kyros was a public benefit corporation that owned a tech platform “designed to connect those working to recover from a substance use disorder with certified peer recovery specialists.”

13. Minnesota law allows for government reimbursement for peer recovery support services to organizations called recovery community organizations (“RCOs”). In Minnesota, an RCO must be an “independent, nonprofit organization led and governed by representatives of local communities of recovery.” As a for-profit, Kyros could not bill Medicaid directly for its services.

14. To overcome this obstacle, Larson directed the creation of Refocus Recovery ostensibly to provide peer recovery services, with the plan that Refocus Recovery would essentially serve as a pass-through shell that would outsource its entire operations and revenue to Kyros. Larson was open about his intentions when speaking to investors of Kyros, calling Refocus Recovery a “legal entity that we need covered for regulatory purposes . . . [and] are using strictly for licensing purposes.” Larson touted the benefit of using a nonprofit as a pass-through to Kyro’s investors as a means to grow and increase revenue at the for-profit, noting that cutting out a twenty percent fee paid to bill under a licensed facility and twenty-one days of payment processing would work “wonders for [Kyros’] cash flow and scalability.” Refocus Recovery’s documents also noted the risk of outside parties viewing the organization as a “captive nonprofit” of Kyros’.

15. As such, Refocus Recovery was created for the improper purpose of furthering the private financial interests of Kyros and its owners—not for charitable purposes as stated in its Article of Incorporation and as it represented to the IRS to obtain tax exemption. Its complete lack of independence from Kyros was also demonstrated by its extensive governance failures outlined below.

¹ Kyros PBC, Kyros Services, LLC, and Kyros Staffing, LLC are interchangeably referred to as “Kyros” unless otherwise specified.

II. GOVERNANCE.

16. Refocus Recovery's Articles of Incorporation direct that the "management of the affairs of the Corporation shall be vested in a Board of Directors, as defined in the Corporation's bylaws." Those bylaws direct that the board "shall have regular meetings at such places and times as it shall establish by resolution."

17. After its incorporation, a board was not formally appointed until 18 months after Refocus Recovery was founded and engaging in activities. Daniel Larson failed to implement or adhere to general governance measures and instead primarily directed Refocus Recovery's activities without meaningful oversight. Refocus Recovery claimed that Daniel Larson and two others were appointed as board members shortly after incorporation, in June 2021, but there are no minutes or written action by the incorporator reflecting this appointment.

18. Larson actively discouraged each of these board members from overseeing Refocus Recovery. No board meetings were held. When the board members continued to make inquiries related to the governance of the corporation, including inquiries into creating bylaws and grievance policies, Larson responded with hostility and dismissiveness. Larson's hostility to board member oversight was so great that two board members resigned from the corporation, expressing frustration that they were unable to do their jobs as a directors.

19. On August 9, 2022, Refocus Recovery issued a written action increasing the number of individuals serving on its board of directors. This board was necessary as part of Refocus Recovery's Form 1023 application to the IRS to obtain tax-exempt status as a 501(c)(3) organization. Despite this growth of board members, the board of Refocus Recovery continued to operate at Larson's direction and rubberstamped his proposed governance actions. Further, even "[a]fter the independent board was installed in the Summer of 2022, the board met

infrequently” until 2023. Its first board meeting was held November 17, 2022. Therefore, Larson continued to manage the corporation at his own discretion, with no oversight.

20. Refocus Recovery had no officers other than Dan Larson until May 2022. Until August 9, 2022, Refocus Recovery did not have a treasurer, or anyone performing the function of the office of treasurer.

21. Other formalities expected for an organization of its size were lacking. For example, Refocus Recovery had no policies or procedures until a conflict-of-interest policy was established in August 2022, conveniently timed for its 1023 application. In September 2023, years after the creation of the corporation, Refocus Recovery approved their very first set of official policies that were merely a number of Kyros-drafted policies which were rebranded as Refocus Recovery policies. Refocus Recovery, under the direction of Larson, also failed to take basic steps like filing for exempt status with the IRS until August of 2022 and only when it was recommended by the Alliance for Recovery Centered Organizations (“ARCO”), an organization that certifies Peer Recovery Organizations, and the Minnesota Department of Human Services to be approved as a certified recovery community organization.

22. In fact, ARCO revoked Refocus’ membership in 2022 due to “concerns around the business practices of Refocus Recovery; undue influence on Refocus Recovery by Kyros, a for-profit entity; and autonomy of Refocus Recovery from Kyros.” ARCO never recertified Refocus Recovery after withdrawing them, but DHS ultimately determined that Refocus Recovery could continue operating as an RCO despite the lack of ARCO certification with additional recommendations including obtaining 501(c)(3) status in order to more closely align with the non-profit organization governance standard in the national Standards of Best Practices for RCOs.

23. Despite operating since 2021, Refocus Recovery, under the direction of Larson, failed to register with the AGO as a soliciting charitable organization under Minn. Stat. ch. 309 or a charitable trust under Minn. Stat. ch. 501B until late 2023. Although it attempted initial registration in November 2023, its registration was deficient for failure to obtain requisite signatures. This deficiency was never corrected, even after notice from the AGO.

24. Refocus Recovery's lax or nonexistent governance standards not only violated the law, they also enabled the mismanagement and self-dealing described below.

III. SELF-DEALING, OVERLAP WITH KYROS, AND CONFLICTS OF INTEREST.

25. Daniel Larson was on the Board of Refocus Recovery until December 2023 and, until May 2024, he was the Chief Executive Officer and a director and shareholder of Kyros Care PBC. Larson owned 100% of Kyros PBC when Refocus Recovery was incorporated. According to information provided by Kyros, Kyros paid Larson at least \$395,515 pursuant to that role from the date of Kyros' incorporation until his resignation from Kyros.

26. Other personnel overlapped between the two organizations. For instance, in its letter revoking ARCO's membership, Faces & Voices of Recovery noted that two board members of Refocus Recovery were employed by Kyros, and at least one staff member worked for both entities. Other officers overlapped as well – for instance, Kyros and Refocus Recovery shared a Vice President of Business Development. Further, Refocus Recovery's Managing and Interim Executive Director from December 9, 2022, to the present was also Kyros' Senior Vice President of Operations from early 2021 through December 31, 2022. This Senior Vice President was further a minority shareholder through Kyros' liquidation.

27. All services but training were provided by Kyros, and nearly all Refocus Recovery revenue went to Kyros. In fiscal year 2022 as reported in its IRS Form 990, Refocus Recovery paid \$2,137,982 to Kyros Services, LLC and \$2,397,155 to Kyros Staffing, LLC for

reimbursement of services and fees. These expenditures constituted over 85% of Refocus' \$5,305,437 in total expenses, and over 96% of its reported revenue for 2022. As such, the overwhelming majority of the costs related to Refocus' core and fundamental activities consisted of paying nearly all of its revenue to a for-profit owned by its founder, former CEO and director, who made hundreds of thousands of dollars as a result. This scheme greatly benefited Kyros and its owners, as essentially all the Medicaid funds that were previously unavailable to it and intended for nonprofit purposes, profited Kyros.

28. According to backdated contracts discussed further below, Kyros claimed to have been performing services, ostensibly on behalf of Refocus Recovery, starting on the date of Refocus Recovery's incorporation—which was before Refocus Recovery had a board, held any meetings, hired any employees to provide services, or applied for tax-exempt status.

29. Specifically, Refocus Recovery was incorporated on May 25, 2021. However, the contracts between Refocus Recovery and Kyros Staffing and Kyros Services LLC were executed on March 23, 2023, and backdated to May 25, 2021. The conflicted transactions between Refocus Recovery and Kyros entities extend back two years to 2021. Refocus Recovery did not have a legitimate board until the summer of 2022 and held no meetings and therefore could not have approved the contracts. Further, Kyros Staffing and Kyros Services LLC were both incorporated in February 2023. As such, the pre-contract transfers of funds to Kyros were completely unrestricted and unsupported and did not meet statutory and fiduciary reasonableness, approval, disclosure, and recusal conditions required when a conflict of interest exists.

30. Moreover, the conflicted transactions lacked fairness and reasonableness. Kyros did not exist until February of 2021 and had no other clients prior to Refocus Recovery. The

Refocus Recovery board failed to obtain any truly independent indicators of the value of Kyros' services prior to entry of the contracts, such as putting it out for bid or considering other alternatives like hiring equivalent staff, which would have reduced its reliance on Kyros and the associated costs and risks.

31. In 2023, after Kyros had been providing services for a substantial period of time, Refocus Recovery, under Larson's direction, purported to obtain a valuation of Kyros's services. However, this valuation was requested by Kyros in furtherance of its own interests—and not Refocus Recovery's independent interests. To illustrate, the valuation firm originally contracted with *Kyros* to provide the valuation of Kyros' services. But a Kyros representative directed the firm: “[W]e should have the engagement letter solely in the name of Refocus Recovery That way, it can be an ‘independent’ valuation Refocus can rely upon in making its determination that the fees are FMV.” Kyros then instructed the company to “complete a new engagement letter in the name of Refocus Recovery” to give the false appearance of an independent valuation for Refocus Recovery.

32. The valuation methodology itself reinforces that it was never an independent valuation for Refocus. Among other things, Kyros only had one effective year of revenue at the time of the valuation which was primarily derived from its one client—Refocus Recovery—who prior to the valuation was paying Kyros whatever Larson directed. This created a circular analysis of how much Kyros' services were worth in the valuation. The companies used as comparison for fair value were larger entities with multiple clients, were established with a history of providing services unlike Kyros, did not perform the exact type of functions as Kyros, and two entities had no health industry background. The valuation was not meant to provide the board of Refocus Recovery with the information needed to make an independent valuation of

whether the Management and Services Agreements with Kyros was in the best interest of the nonprofit. Rather, it was a way for Kyros to justify the amounts it was already charging to Refocus Recovery.

33. Finally, there were external indicators that the contracts were detrimental to Refocus Recovery, supporting the conclusion that they were not reasonably in the best interests of Refocus Recovery. These included negative audit findings, a penalty for terminating a contract early with a billing provider that provided overlapping services with Kyros, the questionable writing-off of bad debt expenses, and the lack of qualification of Kyros to provide the services, as outlined below.

IV. MISMANAGEMENT.

34. Prior to providing services to Refocus Recovery, Kyros did not have any experience with nonprofit management, nonprofit regulations and filings, nonprofit accounting, nonprofit financial management, billing and collections, personnel, or human resources.

35. In March 2023, Refocus Recovery executed two contracts with Kyros under the direction of Larson. As described earlier in this Complaint, these two contracts were backdated to May 2021. The first contract, the Management Services Agreement (“MSA”), governed Kyros’ provision of “management, administrative, and other non-clinical support services, including, without limitation, furnishing and consulting on necessary non-clinical staffing, financial services, and technology.” Financial services included, but were not limited to, “general accounting services and maintenance of books; preparation of monthly and annual profit and loss statements, income statements and other financial statements; preparation and processing of [Refocus’] invoices, receivables and payables and the management of receipts; assistance in the handling and preparation of payroll; assistance with cash management, bank

reconciliation and banking relations; assistance with Budget preparation and services; and to the extent applicable or required by law, management of the lockbox and deposit functions.”

36. Under the MSA, Kyros was supposed to “have limited, revocable signatory power over [Refocus Recovery’s] bank account” which was to be regularly swept, “at [Refocus Recovery’s] direction and with [Refocus Recovery’s] approval, to an account controlled by [Kyros].” Under the contract, Refocus Recovery was required to pay Kyros’ “actual costs of providing the Administrative Services + five and one-quarter percent (5.25%) administrative fee.”

37. The second contract that Refocus Recovery entered into was a Staffing Services Agreement (“SSA”) with Kyros, under which Kyros agreed to “provide access to certain Support Personnel to provide peer recovery support services to the clients of [Refocus] . . . upon request by Organization.” Among other tasks, Kyros was required to “obtain and maintain general and professional liability insurance for the Support Personnel,” and ensure that its support personnel “possess[ed] the training, skills, and experience necessary” to provide services to Refocus, and “perform[ed] RCO Services in accordance with all applicable Laws and regulations and all professionally recognized standards of Organization, and in accordance with Organization’s policies and procedures.” Refocus Recovery paid Kyros for these staffing services despite the fact that Refocus Recovery was responsible for training the staff that Kyros employed.

38. Refocus Recovery outsourced these critical functions to Kyros without sufficient supervision and oversight. As shown above, the Kyros contracts constitute the vast majority of Refocus’ work. The sheer scope and specific nature of the organizational control outsourced indicate a lack of independence that Kyros exploited.

A. Financial Mismanagement.

39. On the financial side, Refocus Recovery allowed an outsider to the organization unfettered access to their accounts that Refocus Recovery directors themselves had no access to in their capacity as directors. Only Larson, in his capacity as the former Executive Director of Refocus Recovery and a board member, had access to Refocus Recovery accounts until his access was terminated when he resigned from the Board of Refocus Recovery in December of 2023. Refocus Recovery did not maintain any bank accounts separate from Kyros. Until the AGO's investigation, no Refocus Recovery officer or director had access to Refocus' own money, other than Daniel Larson pursuant to his Kyros roles, whose access was terminated after the AGO initiated its investigation.

40. Kyros was granted this level of financial control over Refocus Recovery despite the fact that it was not qualified or experienced in nonprofit financial management or other related duties.

41. To illustrate, in 2023 Refocus Recovery obtained an independent audit of its financial statements that revealed a material weakness and significant risks related to Refocus' finances, which were managed by Kyros. Among other things, it noted the potential for "[f]raudulent revenue recognition" and an over-"[r]eliance on Kyros."

42. With respect to the concerns about Refocus Recovery's reliance on Kyros, Refocus Recovery's auditors stated that since Refocus Recovery "contracts with Kyros through its subsidiaries to provide all peer recovery support services and the majority of related management services to support the Organization," the "[l]oss of this contract and resource would adversely affect the Organization."

43. With respect to the potential for "fraudulent revenue recognition," Refocus Recovery's auditors noted as a material weakness that "the detail of accounts receivable was not

reconciled to the total of accounts receivable recorded in the general ledger during the year and as of year-end.” The auditors noted that the “[l]ack of reconciling accounts receivable at the end of a period can allow a material error to occur and go undetected.” The auditors estimated that “these errors projected to an approximate \$170,000 misstatement” in Refocus Recovery’s financials, requiring Refocus Recovery to record a corresponding adjustment as bad debt.

44. According to the auditors’ evaluation of Refocus’ finances, these bad debt expenses were “uncollectible for reasons such as: not meeting timely filing requirements, no eligible insurance, insurance payor denials, and missing documentation.” These all implicate activities that Kyros was contracted to perform on behalf of Refocus Recovery, indicating that the nonprofit failed to hold Kyros accountable, as would be the case in an arms-length relationship.

45. Because of the combination of Refocus’ overreliance on Kyros and failure to appropriately recognize revenue, auditors also noted a risk of Kyros overinflating Refocus Recovery’s revenue, thereby potentially inflating the receivables owed to Kyros under the MSA.

46. Kyros also incurred numerous overdraft fees in managing Refocus’ accounts. Kyros further maintained assets in an account that exceeded FDIC insurance levels.

47. Refocus Recovery admitted to the AGO that its financial controls were inadequate, stating that they “were not aware of the requirements in place” related to the proper separation, protection, expenditure, and transfer of its funds.

B. Program Mismanagement.

48. In late 2023, public reports indicated that “Kyros-Refocus partnership billed taxpayers for services they did not receive,” sponsored “taxpayer-funded movie nights and

contests to see who could bill Medicaid the most,” and instructed employees “to bill for things the law does not allow, such as phone calls and group outings.”²

49. These allegations led to various publicly reported state and federal investigations into billing fraud.

50. Kyros’ practices resulted in negative publicity and reputational harm for Refocus Recovery.

51. Further, on September 6, 2024, citing “a credible allegation of fraud” related to the Kyros’ services, DHS stopped payments to Refocus Recovery. DHS specifically alleged that Refocus Recovery through Kyros had billed for services not provided, submitted claims not entitled to reimbursement, and failed to provide supervision as required.

52. Shortly thereafter, Kyros abruptly shut down and terminated hundreds of employees without notice. Kyros entered into an Assignment for the Benefit of Creditors, a state court alternative to bankruptcy proceedings. As a part of this process, Kyros sold the remainder of its assets. Even with the sale of its assets, Kyros remained insolvent and was unable to pay large debts to many creditors.

53. Without Kyros to perform services, and without revenue from DHS, Refocus Recovery was unable to continue its programs. As cautioned by its auditors, Refocus Recovery’s lack of independence and overreliance on Kyros was ultimately catastrophic for Refocus Recovery, which ceased operations in September 2024.

² See “KARE 11 Investigates: Addiction recovery company Kyros shuts down amid fraud allegations” (Sept. 19, 2024), available at <https://www.kare11.com/article/news/investigations/kare-11-investigates-addiction-recovery-kyros-shuts-fraud-allegations/89-49415428-2826-4570-8bc6-8b34fa3db2f0> *archived* at <https://perma.cc/MFT9-84V6>

54. These events, actions, and inactions demonstrate how Larson and Refocus Recovery flagrantly and repeatedly violated the laws governing Minnesota nonprofit corporations and charitable trusts.

COUNT I
VIOLATIONS OF THE MINNESOTA NONPROFIT CORPORATION ACT
WARRANTING EQUITABLE RELIEF
(REFOCUS RECOVERY)

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

2. The Minnesota Nonprofit Corporation Act (“Nonprofit Act”) is set forth in Minn. Stat. ch. 317A. Minn. Stat. § 317A.751, subd. 5 states that a court may grant equitable relief in an action by the attorney general when it is established that:

(1) the articles and certificate of incorporation were obtained through fraud;

(2) the corporation should not have been formed under this chapter;

....

(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; [or]

....

(13) the corporation has fraudulently used or solicited property.

3. Multiple, disjunctive grounds for equitable relief exist here. First, Refocus Recovery violated more than one provision of the Nonprofit Act, violated a provision of the chapter more than once, and flagrantly violated the Act, providing grounds remedies including equitable remedies under Minn. Stat. § 317A.751. Violations include:

a. Refocus Recovery was not managed or under the direction of a board of directors as mandated by Minn. Stat. § 317A.201.

b. Refocus Recovery's board of directors failed to meet at least once a year to conduct the business of the corporation, failed to record and maintain meeting minutes for board meetings for those years, as mandated by Minn. Stat. § 317A.231, subd. 1.

c. Refocus Recovery failed to address the blatant conflict of interest in transferring nonprofit assets to a for-profit company founded and owned by Daniel Larson, in violation of Minn. Stat. § 317A.255. Refocus Recovery did not entertain competing bids, it did not require that Larson's interest in the transaction be disclosed, it did not obtain a vote from only the non-interested members of the board, and it was not established that the transaction was fair and reasonable as to the corporation.

d. Refocus Recovery failed to maintain adequate books and records as required by Minn. Stat. § 317A.461, subd. 1.

e. Refocus Recovery diverted its assets away from its charitable purpose, in violation of Minn. Stat. § 317A.671.

4. Refocus Recovery also fraudulently obtained its articles and certificate of incorporation by falsely representing that it was "organized exclusively for charitable and educational purposes." In reality, its purpose was to act as a vehicle to obtain Medicaid funds for Kyros' for-profit purposes, thereby providing grounds for equitable relief under Minn. Stat. § 317A.751, subd. 5(1).

5. Given its true intended "purpose involving pecuniary gain" to for-profit interests contrary to Minn. Stat. § 317A.011, subd. 6, Refocus Recovery is a corporation that should not have been formed under chapter 317A, separately providing grounds for equitable relief under Minn. Stat. § 317A.751, subd. 5(2).

6. Refocus Recovery also has no incoming stream of revenue since Kyros filed for bankruptcy due to its overreliance on Kyros, has no ongoing activities, and has expressed its desire to shut down operations, constituting "abandonment of the corporate purpose" and providing grounds for equitable relief under Minn. Stat. § 317A.751, subd. 5(6).

7. Because Refocus Recovery obtained property while falsely representing that it would be used for charitable purposes, the corporation “fraudulently used or solicited property,” providing grounds for equitable relief under Minn. Stat. § 317A.751, subd. 5(13).

8. Refocus Recovery’s conduct, practices, and actions described in this Complaint constitute multiple, flagrant violations of the Nonprofit Act.

COUNT II
BREACH OF NONPROFIT DIRECTOR AND OFFICER FIDUCIARY DUTIES UNDER
THE MINNESOTA NONPROFIT CORPORATION ACT
(LARSON)

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

10. The Nonprofit Act imposes upon all directors and officers of a nonprofit corporation the duty of loyalty and care. “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.” Minn. Stat. § 317A.251, subd. 1; *see also* Minn. Stat. § 317A.361 (applying same standard to nonprofit officers).

11. Minn. Stat. § 317A.011, subdivision 7 defines “director” as a member of the board.

12. Minn. Stat. § 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.

13. Minn. Stat. § 317A.321 states, “In the absence of an election or appointment of officers by the board or the members with voting rights, the person exercising the principal functions of the president or the treasurer is considered to have been elected to the office.”

14. Larson was a director of Refocus Recovery because he was a member of the board of directors when the relevant conduct occurred.

15. Larson was an officer of Refocus Recovery because he was designated as an officer and/or exercised the principal functions of president of the corporation when the relevant conduct occurred.

16. Larson violated his fiduciary duty of care to Refocus Recovery to act with “the care an ordinarily prudent person in a like position would exercise under similar circumstances,” including by:

- a. Failing to exercise appropriate oversight over Refocus Recovery and its assets to protect the interests and operations of the corporation;
- b. Failing to maintain Refocus Recovery’s assets separately from Kyros;
- c. Allowing Kyros to provide services for which it had no prior experience or track record;
- d. Using intimidation and coercion to actively prevent board members from managing the corporation;
- e. Impermissibly intertwining Kyros and Refocus Recovery to create a scheme where Kyros ultimately obtained all the funds Refocus Recovery was awarded for its nonprofit services;
- f. Allowing and enabling the nonprofit to engage in billing practices resulting in a “credible allegation of fraud” that ultimately led to government investigations and the termination of the nonprofit’s primary revenue source;
- g. Failing to draft or adhere to policies and procedures to protect the nonprofit’s interests when running Refocus Recovery;
- h. Failing to apply for 501(c)(3) tax-exempt status until directed to do so by the Department of Human Services;
- i. Failing to register and/or maintain registration with the AGO as a soliciting charitable organization as required by Minn. Stat. §§ 309.52 and 309.53.

17. These actions compromised the viability of Refocus Recovery in a way that ordinarily prudent person would do in these circumstances if they were exercising reasonable care.

18. Larson further violated his fiduciary duty of loyalty to Refocus Recovery to act in a manner Larson “reasonably believe[d] to be in the best interests of the corporation,” including by:

- a. Creating Refocus Recovery as a sham for the sole purpose of having a licensed nonprofit entity that was able to bill under the Medicaid program funnel assets to benefit his personal interests through his for-profit corporation, Kyros;
- b. Directing the vast majority of its programs to be completed through services provided by Kyros, thereby directing nearly all revenue collected by Refocus Recovery to Kyros to benefit Larson’s personal interests;
- c. Allowing Refocus Recovery to pay Kyros for services under terms that were not fair and reasonable to the corporation, including (1) initially, funneling Refocus Recovery’s assets to Kyros without any contract or terms, and (2) later, creating contract terms that were based upon a sham valuation and not fair value.

19. Larson’s conduct, practices, and actions described in this Complaint constitute multiple, flagrant violations of the Nonprofit Act.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff State of Minnesota, by its Attorney Keith Ellison, prays that the Court issue its order and judgment as follows:

1. Declaring that Refocus Recovery’s and Larson’s acts and omissions as described in this Complaint constitute multiple, separate, flagrant violations of Minn. Stat. chs. 317A and 501B.41;
2. Awarding injunctive and other equitable relief under Minn. Stat. §§ 8.31, 317A.751, 317A.813, and 501B.41;

3. Awarding monetary relief, including restitution, disgorgement, and all other available legal and equitable monetary remedies under Minn. Stat. §§ 8.31, 317A.751, 317A.813, and 501B.41;

4. Awarding civil penalties pursuant to Minn. Stat. § 8.31 and 317A.813 for each separate violation of Minnesota law;

5. Awarding the State its attorneys' fees, litigation costs, and costs of investigation as authorized by Minn. Stat. § 8.31 and 317A.813;

6. Granting such other and further relief as the Court deems just and appropriate or that is allowed under Minn. Stat. chs. 8, 317A, 501B, or the common law, including the *parens patriae* doctrine; and the general equitable powers of this Court, as necessary to remedy the harm and injury from Larson's acts and omissions described in this complaint; and

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

Dated: October 1, 2026

Respectfully submitted,

KEITH ELLISON
Attorney General
State of Minnesota

JAMES W. CANADAY
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/s/ *Karthik Raman*

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ATTORNEYS FOR 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: October 1, 2026

/s/ *Karthik Raman*

KARTHIK RAMAN
Assistant Attorney General
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