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**STATE OF WASHINGTON  
KING COUNTY SUPERIOR COURT**

STATE OF WASHINGTON,

Plaintiff,

v.

ROY BRONSIN HAUETER, et al.,

Defendants.

NO. 17-2-33035-3 SEA

PLAINTIFF'S MOTION FOR  
PARTIAL SUMMARY JUDGMENT  
ON LIABILITY

For years the Haueter family deceived Washingtonians into donating to their sham charities. Using numerous businesses to hide their activities, they violated the law and breached the public trust. The Haueter's deceptive scheme raised more than \$3.6 million from unwitting donors between 2011 and 2017. The scope of their deception is broad: the Haueters made more than 15 million calls and disseminated tens-of-thousands of solicitations telling donors their nonprofits were local, that donations benefitted the local community, and helped particularly vulnerable people like cancer victims, foster children, and war widows. The Haueters, however, largely failed to honor donors' intent and funneled the majority of donations into their own pockets. Their nonprofits provided only \$720,000 to charitable causes while retaining approximately \$1.4 million for themselves.

The Haueter entities used 23 official names and 19 dbas, and from at least 2010, the Haueter for-profit defendants' *sole* clients were the Haueter-nonprofit defendants. Using generic,

1 but compelling, “charity” names (Emergency Relief Services, Children’s Safety Society, Cancer  
 2 Exam Network, Children’s Hospital Emergency Fund, etc.) and operating seasonal fund-raising  
 3 campaigns, the Haueters preyed on donors multiple times a year without donors realizing they  
 4 were repeatedly giving to the *same* family and the *same* organizations. The relevant facts are not  
 5 in dispute and this Court should grant the state’s motion for partial summary judgment on the  
 6 issue of liability. *(Please note that the State will move separately on the issue of penalties and*  
 7 *fees).*

8 **I. STATEMENT OF FACTS**

9 The facts here are complicated because the entity defendants used multiple identities and  
 10 dbas. For clarity, the state refers to entity defendants as follows:

	Refers to
12 CHRA	The dissolved Washington nonprofit corporation and registered charity assigned FEIN 91-1720940; pka: Tournament of All-Stars, Cancer Exam Network, Children’s Hospital Emergency Fund; currently known as <b>Children’s Hunger Relief Aid.</b>
15 CSS	The Washington nonprofit corporation and registered charity assigned FEIN 94-3110915; pka: Children’s Safety Bureau; currently known as <b>Children’s Safety Society</b>
18 ERN	The Washington nonprofit corporation and registered charity assigned FEIN 91-1193400; pka Senetta Walton Christian Educational Society of Tacoma, Emergency Relief Services; currently known as <b>Emergency Relief Network</b>
21 SRC	The Washington nonprofit corporation and registered charity assigned FEIN 94-3110195; pka Washington State Crime Education Task Force, United States Crime Education Task Force, U.S. Crime Education Task Force (AKA Holiday Relief Fund); currently known as <b>Search and Rescue Charities.</b>
24 Family Entertainment	Roy Haueter’s solely owned Washington for-profit corporation currently known as <b>Family Entertainment Corporation</b> aka Universal Publishing Company

23 **A. Roy Haueter’s Friends and Family Formed the Nonprofit Defendants.**

24 Defendant ERN incorporated as Senetta Walton Christian Educational Society of  
 25 Tacoma in 1982. Attachment A: Declaration of Studor (“Attach.A”), Exhibit (“Ex.”) 1,  
 26 Attachment D: Declaration of Roy Haueter (“Attach.D”) Pg.5. Roy Haueter (aka Bronsin

1 Haueter) involved himself early on when the founder asked his company, Family Entertainment,  
2 to produce fund-raising events. Attach.D at 2. In 2008, ERN was renamed “Emergency Relief  
3 Services” Attach.A, Ex.2. In 2010, Roy Haueter recruited long-time acquaintances Jan and Linda  
4 Lee to serve as ERN’s president and secretary. Attach.A, Ex.3. In January 2011, Jan Lee named  
5 Roy Haueter ERN’s executive director. Attach.A, Ex.4. During the Lees stint as board members,  
6 they relied heavily on Roy Haueter “who was the hands on executive director who managed  
7 [ERN].” Attach.A, Ex.3.

8 In 1988, David Tingey incorporated Children’s Safety Bureau (now known as Children’s  
9 Safety Society). Attach.A, Ex.5; Attach.D, Pg.2. Shortly after CSS formed, it contracted Family  
10 Entertainment to produce its fund-raising events. Attach.D at 2. Roy Haueter introduced Justine  
11 and Robert Hacken to CSS in the 1990s. Attach.A, Ex.6 at 8. In approximately 2003, Justine  
12 Hacken became CSS’s president. Attach.A, Ex.7. During the same period, Tracee Richardson  
13 served as secretary and Roy Haueter as Treasurer. *Id.* Justine Hacken appointed Roy Haueter  
14 CSS’s executive director/manager in 2003. Attach.A, Ex.8. Roy Haueter has served in that  
15 capacity since.

16 In 1988, Roy Haueter’s friend, Harvey Hawken, incorporated Search and Rescue  
17 Charities. Attach.A, Ex. 9 at (Bates) 1471; Attach.D at 2. According to Harvey Hawken:

18 I was introduced to the charity in 1988 by Mr. Roy Haueter. I was told the  
19 charity was to help children, especially those with drug problems, and Mr.  
Haueter asked me to be the president.

20 Attach.A, Ex.10 at 5515. Family Entertainment contracted to produce SRC’s events shortly after  
21 the nonprofit formed. Attach.D, Pg. 2. In April 2008, Harvey Hawken appointed Roy Haueter  
22 SRC’s executive director. Attach.A, Ex.11.

23 In 1996, Roy Hauer’s daughter Tracee Richardson’s then-husband founded Tournament  
24 of All-Stars, now CHRA. Attach.A, Ex.12; Attach.D, Pg.2. Tracee Richardson and Capri Cheney  
25 (also Roy Haueter’s daughter) served on CHRA’s board. Attach.A, Ex.12. Roy Haueter was  
26 aware of the charity from its beginning. Attachment F: Deposition of Roy Haueter (“Attach.F”)

1 at 215. Sometime later, the nonprofit contracted Family Entertainment to produce its fund-  
2 raising events. Attach.D, Pg.2.

3 **B. Defendant Brandon Haueter's First Commercial Fund-Raiser Informed His Future**  
4 **Business Practices.**

5 Roy Haueter and his sons, Brandon Haueter, and Troy Haueter, formed A Growing  
6 Concern Ltd. (aka Community Services) in 2000. Attach.D at 3, Attach.A, Ex.14. A Growing  
7 Concern was a registered commercial fund-raiser and tele-marketed for various charities,  
8 including the nonprofit defendants. Attachment E: Declaration of Brandon Haueter ("Attach.E")  
9 at 1-2. Brandon Haueter purchased all equipment needed to run a call center including phones,  
10 an auto-dialer, computers, software, a database, and office furniture. Attach.E at 2. In 2006, the  
11 Haueters purchased a building at 9449 Park Ave. S, Tacoma, where A Growing Concern  
12 operated its call center. Attach.E at 2. From 2001 to 2009, A Growing Concern raised about  
13 \$4.14 million and distributed less than 50% of revenue to clients. Attach.A, Ex.15.

14 In 2010, A Growing Concern ceased operations and administratively dissolved in 2011.  
15 Attach.A, Ex.16. Around that time, Roy Haueter stopped producing events through Family  
16 Entertainment. Attach.D at 3. However he continued his fund-raising scheme. By December  
17 2010, Roy Haueter was the executive director of three of the four nonprofit defendants and the  
18 sole proprietor of Family Entertainment. Attach.A, Exs. 8, 11, 13.

19 **C. Despite Obvious Conflicts of Interest, Defendants Entered into Operating**  
20 **Agreements with Each Other.**

21 Following A Growing Concern's failure, Brandon Haueter reorganized his fund-raising  
22 business under the tradename "Turnkey Leasing." Amended Complaint (Sub. #60) and Answer  
23 (Sub #82) ¶3.4. In December 2010, Turnkey Leasing and Universal Publishing, a dba of Family  
24 Entertainment, entered into "Operating Agreements" with each nonprofit defendant. Amended  
25 Complaint/Answer ¶3.5; Attach.A, Ex.17. Under the agreements, Brandon Haueter provided the  
26 nonprofits use of his telemarketing and office equipment and "huge" database, and managed the  
call center operations in return for \$5,600 per month. *Id.* The nonprofits also paid him

1 | \$2,000/month for use of the commercial space at 9449 Park Ave. S. *Id.* In exchange for 20% of  
2 | each nonprofit's gross revenue, Roy Haueter's Universal Publishing agreed to publish and  
3 | distribute magazines relevant to each nonprofit's purpose, process campaign mail, and make the  
4 | nonprofits' bank deposits each week. *Id.* Brandon Haueter signed the contracts for Turnkey  
5 | Leasing, Roy Haueter signed for Universal Publishing, and the four charity "presidents" signed  
6 | for the nonprofits. Attach.A, Ex.17. Less than a month after executing the agreements, Roy  
7 | Haueter was executive director of all four nonprofits and controlled their bank accounts.  
8 | Attach.A, Exs. 4, 8, 11, 13. The nonprofits did not have conflict of interest policies. Attach.A,  
9 | Ex.3 at 3, Ex.6 at 10, Ex.10 at 5517.

10 | Under the agreements' "expense sharing" terms, the nonprofits took turns soliciting for  
11 | their various campaigns. Amended Complaint/Answer ¶3.16; Attach.A, Ex.17. In fall, CSS  
12 | solicited for its holiday event; SRC solicited in winter, etc. Amended Complaint/Answer ¶3.16.  
13 | Regardless of the nonprofit soliciting, Brandon Haueter managed the dialer system, database,  
14 | and software, generated call reports for the nonprofits' year-round fund-raising operations, and  
15 | eventually managed day-to-day fundraising operations including paying employees, ordering  
16 | supplies, directing fund-raising campaigns, and office management. Attachment J: 2018  
17 | Deposition of Brandon Haueter ("Attach.J") at 29-30 and 97-101; Amended Complaint/Answer  
18 | ¶3.17.

19 | Roy Haueter managed incoming mail and all bank accounts with no oversight. In fact,  
20 | Roy Haueter – as executive director of the nonprofits – paid himself – as president of Family  
21 | Entertainment – the contracted 20%. He described the process in a deposition:

22 | Q. So you knew how much was going into the [nonprofits'] bank; right?

23 | A. Yes.

24 | Q. And you knew what 20 percent of that would be; right?

25 | A. Yes.  
26 |

1 Q. So then you would write a check from the charity's account to the Family  
2 Entertainment or Universal Publishing account; right?

3 A. Yes.

4 Q. On the charities side, was there anyone that observed this fund transfer, or  
5 were you doing it on your own?

6 A. Prior to 2012, there was -- when you'd have a meeting of the -- you know,  
7 for the -- like an annual meeting, those were gone over. Since 2012, it has just  
8 been me that has done that.

9 Attachment I: CR 306(b)(6) Deposition of Family Entertainment ("Attach.I") at 40-1.

10 **D. Defendant Brandon Haueter/Turnkey Leasing Directed Millions of Solicitations**  
11 **During its Six-Year Operating Period.**

12 The nonprofits' solicitations all followed the same general model. First, Roy Haueter  
13 determined campaign parameters. Attach.J at 98-99. Then, Brandon Haueter, using "mover lists"  
14 (lists of potential donors' phone numbers purchased from an online distributor) determined call  
15 sessions or cities to target. Attach.J at 30-1. Call center employees then made solicitation calls  
16 to potential donors in Washington, Oregon, Idaho, Montana, California, and Alaska. Amended  
17 Complaint/Answer ¶3.1. The call center operated six days a week, making approximately 8,000  
18 calls per day. Attach.J at 29; Attach.F at 184. At that rate, the call center ostensibly made more  
19 than 15 million solicitation calls during the relevant period.

20 When potential donors pledged donations, call center employees logged the pledge in the  
21 database. Attach.J at 29-30. At the end of each day, Brandon Haueter generated a pledge report  
22 and forwarded it to his sister-in-law Brooke Haueter who printed and mailed "pledge kits" to  
23 potential donors. Attach.J at 43-44. Pledge kits generally consisted of a pledge receipt and  
24 invoice, a flier related to the solicitation, and a return envelope. *Id.* The nonprofits mailed  
25 approximately 100-200 pledge kits per day. Attach.J at 41. Pledge kits instructed potential  
26 donors to mail donations to an address local to the potential donor. Attach.D, Pg.5. These  
addresses were always post office boxes or commercial mail drops. Attach.D, Pg.5.  
Occasionally, Roy Haueter or his daughter Mindee Graver called the regional mail boxes and

1 asked them to forward mail to a single P.O. Box in Tacoma. Attachment K: Deposition of  
2 Mindee Graver (“Attach.K”) at 13.

3 From 2010 to 2017, solicitations generally did not bear the identity of the nonprofit that  
4 was fund-raising. Rather, the nonprofits used Back to School Helping Hands (ERN), Needy  
5 Children’s Shopping Spree (CSS), and Holiday Relief Fund (SRC) on pledge kits. Attachment  
6 C: Declaration of Hagerty-Shaw (“Attach.C”), Ex. 2-3, 6; Attachments M-AP (“Attachs.M-  
7 AP”): Declarations of Consumers. The nonprofits were, at times, inconsistent about which one  
8 solicited for which campaign. For example, CSS occasionally solicited for Back to School  
9 Helping Hands. Attach.C, Ex.2, Pg.4, 8. All solicitations contained noble claims about the  
10 campaign’s charitable purpose. CHRA’s Cancer Exam Network solicitations claimed it provided  
11 cancer screening for poor people and funded cancer research. Attach.C, Ex.4. Its Children’s  
12 Hospital Emergency Fund solicitations claimed it helped families pay for necessities during a  
13 child’s hospitalization. Attach.C, Ex.5. Back to School Helping Hands said it helped foster kids  
14 purchase school supplies; Needy Children’s Shopping Spree said it gave presents to poor kids;  
15 and Holiday Relief Fund claimed to provide food to needy families during the holidays.  
16 Attach.C, Ex. 2-3, 6.

17 **E. Despite the State’s Investigation and Lawsuit, Solicitations Continued Without**  
18 **Modification.**

19 Plaintiff initiated an investigation into the nonprofits in 2015. Attach.C. As a part of the  
20 investigation, Roy Haueter, Brandon Haueter, and Tracee Richardson were deposed and each of  
21 the nonprofits responded to investigative requests. Attach. F-H. Although defendants were aware  
22 of the investigation and lawsuit, very little in their operation changed. In fact, the nonprofits  
23 continued soliciting until this Court issued a preliminary injunction on August 24, 2018.  
24 Attach.E, Pg.4.

25 The state filed this lawsuit on December 21, 2017. Complaint (Sub #1). Six days earlier,  
26 Emergency Relief Services formally changed its name to Emergency Relief Network and named

1 Roy Haueter's daughter and son-in-law, Mindee and Benjamin Graver, officers and board  
2 members. Attach.A, Ex.18-19. The filings listed "Rescue Equipment Drive," "Back to School  
3 Children's Fund," and "Children in Need Shopping Spree as dbas. Attach.A, Ex.18 at 2. On  
4 January 3, 2018, Children's Safety Bureau changed its name to Children's Safety Society, named  
5 Mindee Graver registered agent, and named Valerie and Bill Kerr as officers. Attach.A, Ex.21.  
6 The Kerrs are Brandon Haueter's in-laws. CSS's filing included dbas of "Children's Hunger  
7 Emergency Fund," "Back to School Children's Relief," "Poverty Children's Shopping Spree,"  
8 and "Holiday Relief Meal Fund." Attach.A, Ex.20. In January 2018, CHRA and SRC dissolved.  
9 Amended Complaint/Answer ¶¶1.13, 1.15. Roy Haueter and his daughter Mindee initiated the  
10 dissolution process. Attach.A, Ex.22-23.

11 **F. The Haueters' Activities Netted Them Nearly \$1.5 million.**

12 Between 2011 and 2017, the call center made approximately 15 million unsolicited calls  
13 to consumers in the Northwest.<sup>1</sup> In 2016 and 2017 alone those calls netted 14,817 pledge kits  
14 mailed to potential donors. Attach.A, Exs. 24-27. Additionally, an unknown number of  
15 consumers visited their websites.

16 The nonprofits' IRS filings report \$3,618,414 raised from solicitations between 2011 and  
17 2017. Attach.A, Exs.28-31. Of that, about \$720,000 (about 20%) went toward their represented  
18 charitable purposes. *Id.* The nonprofits also reportedly received at least \$306,150 in grants  
19 between 2011 and 2017. Attach.A. Ex.53. Assuming grant money went toward charity, the  
20 nonprofits distributed only about 11% of donations to fulfill a charitable purpose.

21 The Haueters' personally benefited under the operating agreements. Assuming Roy  
22 Haueter took only the 20% outlined in the operating agreements, he was personally enriched by  
23 approximately \$723,683.<sup>2</sup> Over the same period, under the agreements with Turnkey Leasing,  
24  
25

26 <sup>1</sup> 8,000 calls per day (Attach.F at 202, 204, 212) x 1927 work days = 15,416,000 calls.

<sup>2</sup> \$3,618,414 x .2 = \$723,682.80

1 Brandon Haueter would have taken in \$699,200.<sup>3</sup> Family members Brooke Haueter and Mindee  
2 Graver also received money from the nonprofits.

## 3 II. ARGUMENT

4 Summary judgement is appropriate when “there is no genuine issue as to any material  
5 fact and that the moving party is entitled to judgment as a matter of law.” CR 56(c). The moving  
6 party bears the burden to show no genuine issue of material fact. In deciding the motion, the  
7 Court may consider filed pleadings, depositions, answers to interrogatories, admissions, and  
8 affidavits. *Id.*, *State v. LA Investors, LLC*, 2 Wn.App. 2d 524, 536-7, 410 P.3d 1183 (2018). A  
9 material fact bears on the outcome of the litigation in whole or in part. *Id.* at 537. Here, plaintiff  
10 asserts 10 causes of action nine of which can be determined as a matter of law.

### 11 A. The Haueters’ Charitable Solicitations and Other Conduct Had the Capacity to 12 Deceive Ordinary Consumers.

13 The Consumer Protection Act (CPA) forbids “unfair or deceptive acts or practices in the  
14 conduct of any trade or commerce.” RCW 19.86.060. The CPA is “liberally construed that its  
15 beneficial purposes may be served,” and courts are explicitly directed not to limit their inquiry  
16 to the territorial boundaries of Washington State. RCW 19.86.920. To sustain a claim under the  
17 CPA, the state “must prove (1) an unfair or deceptive act or practice, (2) occurring in trade or  
18 commerce, and (3) public interest impact.” *In re Breast Cancer Prevention Fund (BCPF)*, 574  
19 B.R. 193, 223 (Bankr. W.D.Wash. 2017); *LA Investors*, 2 Wn.App 2d at 540; *State v. Mandatory*  
20 *Poster Agency, Inc.*, 199 Wn.App. 506, 518, 398 P.3d 1271 (2017). The state need not prove  
21 injury or causation. *State v. Kaiser*, 161 Wn. App. 705, 716, 254 P.3d 850 (2001). Here, there is  
22 no dispute of material fact that defendants’ solicitations occurred in trade or commerce, or that  
23 millions of solicitations impact the public interest. Accordingly, the only question is whether the  
24 defendants’ conduct had the capacity to deceive.

25  
26 

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<sup>3</sup> 92 months x \$7,600 contract value = \$699,200.

1 “Whether conduct is [ ] deceptive is a legal question rather than a factual issue.” *Panag*  
2 *v. Farmers Ins. Co. of Wash.*, 166 Wn.2d 27, 50, 204 P.3d 885 (2009); *BCPF*, 574 B.R. at 223.  
3 The state must prove that the act or practice has “the *capacity* to deceive a substantial portion of  
4 the public.” *BCPF*, 574 B.R. at 223. (quoting *Hangman Ridge Training Stables, Inc. v. Safeco*  
5 *Title Ins. Co.*, 105 Wn.2d 778, 785, 719 P.2d 531 (1986) (emphasis in original)). “The purpose  
6 of the capacity-to-deceive test is to deter deceptive conduct *before* injury occurs.” *Hangman*  
7 *Ridge*, 105 Wn.2d at 785 (emphasis in original). An act or practice’s capacity to deceive “is  
8 measured by its ‘net impression’” on the ordinary or “least sophisticated consumer.” *LA*  
9 *Investors* 2 Wn.App at 540, (quoting *Panag*, 166 Wn.2d at 50); *see also F.T.C. v.*  
10 *Cyberspace.com LLC*, 453 F.3d 1196, 1200 (9th Cir. 2006). Even an accurate and truthful  
11 statement can “be deceptive if the net impression it conveys is deceptive.” *LA Investors*, 2  
12 Wn.App at 540. To prevail on its CPA claim, the state need only show that defendants’ conduct  
13 had the capacity to deceive the least sophisticated consumer.

14 Charitable organizations are subject to the Charitable Solicitations Act’s (“CSA”)  
15 regulations and restrictions. A “charitable organization” is any organization that solicits or  
16 collects donations from the public claiming donations will used for charitable purposes. RCW  
17 19.09.020(2). “Charitable purpose” is broadly defined as any purpose “beneficial to the  
18 community.” RCW 19.09.020(3). “‘Solicitation’ means any oral or written request for a  
19 contribution...” and is “deemed complete when made, whether or not the person making it  
20 receives any contribution...” RCW 19.09.020(19).

21 Activities in the charity sector are “matters vitally affecting the public interest...” RCW  
22 19.09.340. And the purposes of the CSA and the CPA match: “prevent deceptive and dishonest  
23 practices...” before they happen. RCW 19.09.010. Consequently, violations of the CSA are *per*  
24 *se* violations of the CPA. RCW 19.09.340. The CSA, however, goes beyond the CPA to prevent  
25 improper use of charitable contributions, provide increased “transparency and accountability,”  
26 and “build public confidence and trust” in the charity sector. RCW 19.09.010.

1 To keep deception out of charitable solicitations, the CSA prohibits certain conduct and  
2 confers affirmative responsibilities. RCW 19.09.100. Specifically, solicitations may not be false,  
3 misleading, or deceptive. RCW 19.09.100(15). An employee who solicits may not misrepresent  
4 himself or herself as a volunteer. RCW 19.09.100. And, “any entity that directly solicits  
5 contributions from the public” must disclose (a) the name of the person soliciting; (b) the name  
6 and city of the charitable organization; and (c) the Secretary of State’s phone number and  
7 website. RCW 19.09.100(1). Disclosures must be “clear and conspicuous” and made “at the  
8 point of solicitation.” *Id.* Failure to comply with RCW 19.09.100 violates the CSA *and* the CPA.

9 The CSA unambiguously prohibits charitable organizations from misrepresenting their  
10 identities. Charitable organizations must affirmatively identify themselves at the point of  
11 solicitation. RCW 19.09.100(1)(b). When a charitable organization contracts with a commercial  
12 fund-raiser, the fund-raiser must identify both itself and the organization for which it raises  
13 money. RCW 19.09.100(2). Separately, the CSA requires that, “all solicitations, advertising  
14 materials, and promotional plans must fully and fairly disclose the identity of the entity on whose  
15 behalf the solicitation is made.” RCW 19.09.100(15).

16 The undisputed facts show that defendants violated RCW 19.09.100. They  
17 misrepresented their identities, purposes, location, the portion of a donor’s gift that went to  
18 charitable purposes, and more. Additionally, the nonprofits violated the CSA by failing to make  
19 the required disclosures. Consequently, each defendant also violated the CPA.

20 **1. The Haueters’ “Charitable Enterprise” Had the Capacity to Deceive**  
21 **Ordinary Consumers.**

22 The Haueters created – and controlled – an interrelated network of charitable  
23 organizations designed to broadly appeal to consumers’ charitable interests: cancer, sick  
24 children, hungry children, and search and rescue operations. The nonprofits, however, were all  
25 part of a single deceptive charitable solicitation scam.  
26

1           Rather than operating simultaneous fund-raising campaigns, the nonprofits operated on  
2 a rotating basis, each soliciting for approximately three months. Amended Complaint/Answer  
3 ¶3.16. Their meager “charitable” activities, with minor exceptions, were basically identical: the  
4 nonprofits used a small portion of donations and grant money (some of which came from Wal-  
5 Mart) to buy Wal-Mart gift cards which they either gave directly to children at “shopping sprees”  
6 or gave to Head Start programs to distribute. Attach.F, at 140-145.

7           Although each nonprofit claimed separate charitable missions, they functioned as one:  
8 they, at times, exchanged funds amongst themselves (Attachment B: Declaration of Atkins  
9 (“Attach.B”), Ex.1 at 28-34, 37, 41-64; Ex.2 at 10, 21, 24, 27) and deposited donations made to  
10 one nonprofit into accounts held by another. Attach.B, Ex. 1 at 35-36, 38-40, 65-66, 91; Ex. 2 at  
11 15. They had the same tax-preparer (Attach.A, Ex.28-31), bookkeeper (Attach.J, at 73), and  
12 bank. Attach.A, Ex.40. Roy Haueter controlled all of their bank accounts and had sole signatory  
13 authority over all accounts. Attach. A, Ex.40. If a consumer’s donation went to a charitable  
14 purpose at all, the donor could have no confidence that it would be used as the donor intended.  
15 For example, consumer’s donation to CEN to help pay for cancer research might be used to buy  
16 gift cards for children. These practices created the deceptive net impression that a consumer’s  
17 donation would help one cause, when in fact it helped another, if any.

18           Operating this way enabled the Haueters to avoid regulatory and public scrutiny. First,  
19 tax-exempt organizations raising more than \$200,000 a year must file IRS 990 tax returns and  
20 comply with more stringent reporting requirements. Attachment L: Deposition of Richard Green  
21 (“Attach.L”), at 26. Organizations raising less than \$200,000 may file less onerous IRS 990-EZ  
22 forms, as the Haueters did. Attach.L, at 26-27. Operating four ostensibly separate nonprofits  
23 allowed the Haueters, generally, to remain under the \$200,000 threshold and avoid the  
24 substantial reporting requirements placed on larger nonprofits. Appearing as four separate  
25 nonprofits, the Haueters could, and did, solicit the same potential donors several times a year  
26 without donors knowing they were giving to the same organization. For example, the nonprofits

1 solicited Sumner resident Rick Austin eight times in 12 months using six different names.

2 Attach.N.

3 The illusion of separate nonprofits with divergent missions was unfair and deceptive. It  
4 created the deceptive net impression that consumers were solicited by, and donating to, different  
5 charities, when, actually, the nonprofits were a single enterprise organized to benefit primarily  
6 the Haueter family.

7 **2. The Nonprofits' Solicitations Had the Capacity to Deceive Ordinary Donors.**

8 **a. CHRA's Solicitations Deceptively Claimed the Nonprofit Provided  
9 Cancer Screening, Assistance to Families of Hospitalized Children,  
and Fed the Poor.**

10 **i. Cancer Exam Network**

11 Between 2008 and 2015, CHRA solicited as Cancer Exam Network. Attach.A, Ex.39.  
12 During at least 2015, Cancer Exam Network's solicitations to the public, deceived consumers  
13 into believing the nonprofit funded cancer research, when instead, donations went to an illusory  
14 education campaign and to "supply health guides" and "health magazines" (copies included in  
15 Attach.A, Ex.42). Attach.A. Ex. 28, Pg. 4849.

16 Figure 1 (below) represents a typical pledge kit. Attach.F at 389.



# CANCER EXAM NETWORK

PO BOX 13381 - SEATTLE, WA 98198

Fictitious Address

Toll Free 1-800-305-3338

ANSWER TO CANCER:

- 1. "RESEARCH" is Winning!
  - 2. "EARLY DETECTION" by regular exams is succeeding!
- Thank you for your donation!

Deceptive Implications



We want to thank you for your generous support and tell you how important it is. With early detection and treatment the chance of surviving breast cancer is over 95%. Despite this fact, we are tragically losing someone to breast cancer every 12 minutes. The Cancer Exam Network dedicates the net proceeds to saving lives through research and educational help.

Deceptive Implication

Deceptive Claim

Many are without access to health insurance and cannot afford lifesaving diagnostic tests such as mammograms. Breast Cancer is the leading cause of death for women 35 to 50. A shocking report from The New England Journal of Medicine stated "women who have no insurance have a 49% greater risk of dying from breast cancer than women who have insurance."

Your gift provides another chance at life.

Deceptive Implication

Deceptive Claim

Please send your gift today. Local individuals are waiting for assistance now!

Gift Amount \_\_\_\_\_ Date 3/24/2015

Cancer Exam Network is a 501(C)3 Nonprofit Foundation; your gift is tax deductible. Retain this portion for your tax preparer.

[www.cancerexamnetwork.org](http://www.cancerexamnetwork.org)

(Please cut along dotted line and return this portion with your gift.)



CANCER EXAM NETWORK  
PO BOX 13381  
SEATTLE, WA 98198

Fictitious Address

- Phone pledge of \$50.00
- Other: \$\_\_\_\_\_
- Add \$2 to help pay for printing and postage?

Contacted By: Brent Bailey

*Rawest*

Tracking No. 1719 Date: 3/24/2015

TOTAL GIFT AMOUNT:



Exhibit 43  
Witness Haweter  
Date 03/04/16  
Buell Realtime Reporting  
(206) 287-9066

Please make checks payable to: Cancer Exam Network OR pay by credit card at [www.cancerexamnetwork.org](http://www.cancerexamnetwork.org)

WA Secretary of State 800-332-GIVE 7000367

Figure 1: Attach.F, Ex.43.

1 CEN Solicitations included numerous deceptive misrepresentations including claims that  
2 it helped fund cancer research and provided examinations like mammograms. It used statements  
3 like, "The Cancer Exam Network dedicates the net proceeds to saving lives through research..."  
4 see also Attachs.C, Ex.4, Pgs. 1-4; S, Ex.6; V, Ex.1; Y, Ex.2; AC, Ex.3. Cancer Exam Network's  
5 website also claimed the nonprofit supported research. Attach.C, Ex.9.

6 Cancer Exam Network additionally deceptively claimed it would use donations to pay  
7 for cancer screening for economically distressed people. Some claims were unambiguous:

8 "We are wrapping up our 'save-a-life-fundraiser' that provides **free cancer**  
9 **exams** to local residents." Attach.Y, Ex.1, Pg.2 (emphasis added).

10 "Your gift today will support 'research' and help **provide cancer 'exams'** for  
11 local individuals in need." Attach.C, Ex.4, Pg.6 (emphasis added).

12 "Your gift will also support research **and help provide mammogram, pap**  
13 **test, clinical exam and pelvic 'exam'** for local individuals in need." Attach.S,  
14 Ex.6 (emphasis added).

15 Even when the nonprofit did not expressly claim it helped fund cancer examinations, other  
16 representations implied as much. For example, solicitations typically reported that women  
17 without medical insurance "have a 49% greater risk of dying from breast cancer than women  
18 who have insurance." Figure 1. The solicitation also implied a donor's contribution would fund  
19 research and examinations:

20 ANSWER TO CANCER:  
21 1. "RESEARCH" is Winning!  
22 2. "EARLY DETECTION" by regular exams is succeeding!  
23 Thank you for your donation

24 Figure 1. The solicitation claimed the donor's gift "provides another chance at life." Figure 1.

25 Cancer Exam Network never provided cancer examinations or research, and, according  
26 to its IRS filings, donated only 0.4% of its revenue to cancer research. Attach.A, Ex.28; Attach.F,  
at 398, 403-4. Tracee Richardson, the nonprofit's president for years, testified she was unaware  
of anything Cancer Exam Network had done to support cancer research. Attachment H: 2016  
Deposition of T. Richardson ("Attach.H") at 165, 188.

1 Q. Are you aware of anything that Cancer Exam Network has done to support  
2 cancer research?

3 A. I'm not.

4 ...

5 Q. Do you know if Cancer Exam Network has ever been involved with [Fred  
6 Hutchinson Cancer Research Center]?

7 A. I don't know.

8 Attach.H at 165. She also admitted she was "not aware" of how the nonprofit helped uninsured  
9 women. Attach.H at 189. Roy Haueter also admitted Cancer Exam Network did not regularly  
10 fund exams or research. Attach.F at 391-7.

11 Q. [Reading] "Many are without access to health insurance and cannot afford  
12 lifesaving diagnostic tests, such as mammograms."

13 That implies to me or leaves me with the impression that if you donated to  
14 Cancer Exam Network you'd be funding -- **you'd be helping people fund  
15 their diagnostic tests. Was that one of your projects?**

16 A. No [...]

17 Attach.F. at 395-6 (emphasis added). By its principals' admissions, Cancer Exam Network's  
18 solicitations were false.

19 Cancer Exam Network also deceptively described itself as local. Some solicitations told  
20 donors that gifts would be used to provide examinations for "local individuals in need." Attach.S,  
21 Ex.6. Others implied that donors' gifts would be used to help local people. Figure 1. The  
22 nonprofits' solicitations additionally misrepresented themselves as "local" by using mailbox  
23 addresses near potential donors. For example, a solicitation faxed to Wenatchee Valley Medical  
24 Center indicated the nonprofits' address was in East Wenatchee. Attach.C, Ex.4. Regardless of  
25 the address used, none of the solicitations disclosed the physical location of the nonprofit because  
26 it never had a principal place of business. Amended Complaint/Answer ¶10.2.

Cancer Exam Network's solicitations actually deceived consumers. Seattle Resident  
Rebecca Miller said she believed "the donations were to help local women in need to receive

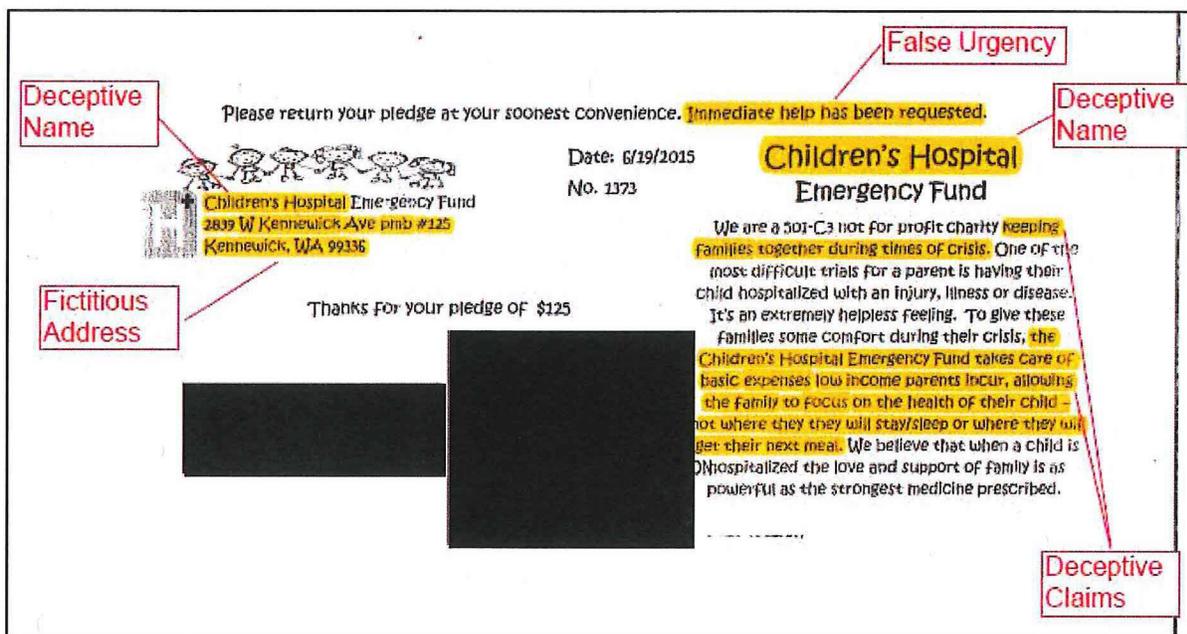
1 | mammograms.” Attach.AF. California resident Ruth Wallace said she “made a pledge because  
2 | they represented themselves as helping local citizens... I was under the impression the donation  
3 | was for cancer research and to help local women with cancer.” Attach.AO. Seattle resident  
4 | Benjamin Chotzen donated \$50 based on the representation that the nonprofit provided cancer  
5 | screenings to “local individuals in need.” Attach.S. Montana resident Alana Cruse said she tries  
6 | “to give locally and noticed [Cancer Exam Network’s] return address was located in Missoula”  
7 | and decided to donate \$25. Attach.V. Marylea Marquardt of Puyallup, Washington, said:

8 | I do not remember the details of the solicitation but I remember the caller said  
9 | that the donation will help local women. **As someone battling cancer myself,  
10 | this seemed to be an important cause to contribute to.**

11 | Attach.AC. (emphasis added).

12 | **ii. Children’s Hospital Emergency Fund (CHRA)**

13 | Once Cancer Exam Network rebranded as Childrens (sic) Hospital Emergency Fund in  
14 | 2015 (Attach.A, Ex.41) its solicitations still made misrepresentations. Figure 2 exemplifies  
15 | solicitations sent to potential donors. Attach.F, at 405.



26 | Figure 2: Attach.F, Ex.44

1 Defendants' solicitations had the capacity to deceive consumers. First, they claimed  
2 donations assisted needy families during medical emergencies. Attach.AP, Ex.4; Figure 2.  
3 Specifically:

4 [T]he Children's Hospital Emergency Fund **takes care of basic expenses low**  
5 **income parents incur**, allowing the family to focus on the health of their child  
– not where they will stay/sleep or where they will get their next meal.

6 *Id.* (emphasis added). But according to tax filings, Children's Hospital Emergency Fund did not  
7 provide any support to families experiencing medical emergencies. Attach.A, Ex.28, Pg.4849.  
8 Furthermore, their president, Tracee Richardson, was not aware of any assistance provided to  
9 families experiencing medical emergencies:

10 Q. [Reading] 'Children's Hospital Emergency fund takes care of basic expenses  
11 low-income parents incur allowing the family to focus on the health of their  
child not where they will stay/sleep or where they will get their next meal.'

12 That sounds pretty great. So are you aware of Children's Hospital Emergency  
13 Fund doing any of that?

14 A. I'm not aware.

15 ...

16 Q. So are you aware of whether or not Children's Hospital Emergency Fund has  
helped any families?

17 A. I'm not aware.

18 Attach.H, at 205-6. According to Roy Haueter, the dream of providing emergency assistance  
19 "died in April" 2015. Attach.F, at 406. Moreover, the nonprofit was never associated with any  
20 hospital and has not specified any method it used to identify those in need. Attach.H, at 147-149,  
21 209-212.

22 Moreover, the name "Childrens Hospital Emergency Fund" created the deceptive net  
23 impression the nonprofit was associated with one or more Children's Hospitals in the Northwest.  
24 It furthered this deception by asking donors to "make checks payable to Children's Hospital."  
25 Attach.AF, Ex.3.



1 filings report \$4,000 of “hunger relief aid.” Attach.A, Ex. 28, Pg. 4962-3. Assuming this is true,  
2 only 13% of CHRA’s revenue that year provided “relief aid.” *Id.* In 2017 it reported \$14,200 in  
3 aid – 20% of its total revenue. Bates 5048-5049.

4 CHRA’s solicitations also misrepresented that the nonprofit was local. Its solicitation to  
5 a Walla Walla donor asked “Will you help feed a hungry child today *here in our community?*”  
6 and provided a Walla Walla return address. Figure 2; Attach.C, Ex.6. In reality, CHRA had no  
7 principal place of business. Amended Complaint/Answer ¶10.2.

8 As a whole, CHRA’s solicitations were both facially deceptive and had the capacity to  
9 create deceptive net impressions. An ordinary consumer would likely believe CHRA provided  
10 tangible benefits to specific groups of needy individuals in his or her community. The facts do  
11 not support this impression. Since Roy Haueter was named executive director in April 2010,  
12 CHRA has provided only \$20,121 in aid to the community; approximately 4% of the \$497,354  
13 raised through charitable solicitations. Attach.A, Ex.28. The fact that none of the 4% provided  
14 cancer examinations or helped needy families with medical emergencies exacerbates the  
15 deception.

1                   **b. CSS's Solicitations Created the Deceptive Net Impression That It**  
2                   **Provided Charity to Donors' Local Communities When It Did Not.**

3                   For years, CSS solicited as "Needy  
4 Children Shopping Spree," claiming to  
5 provide impoverished children funds for a  
6 Christmas shopping spree. Attach.F, at 136-  
7 7. Potential donors were sent a "pledge kit,"  
8 which generally included a flier (Figure 3), a  
9 pledge receipt (Figure 4), and a return  
10 envelope (Figure 5). Each pledge kit item  
11 contained statements that created the  
12 deceptive net impression that the nonprofit  
13 was local and benefited local, poor children.  
14 Specifically, CSS misrepresented (1) the  
15 identity of the entity soliciting, (2) the  
16 location of the nonprofit, and (3) the portion  
17 of a donor's gift supporting its stated  
18 charitable purpose. These  
19 misrepresentations violated the CSA and  
20 CPA.

21                   Similar to Figure 4, most  
22 solicitations for Needy Children's Shopping  
23 Spree identified its sponsor as CSS.  
24 However, other solicitations failed to  
25 identify the nonprofit at all See e.g.  
26 Attach.AE, Ex.4.

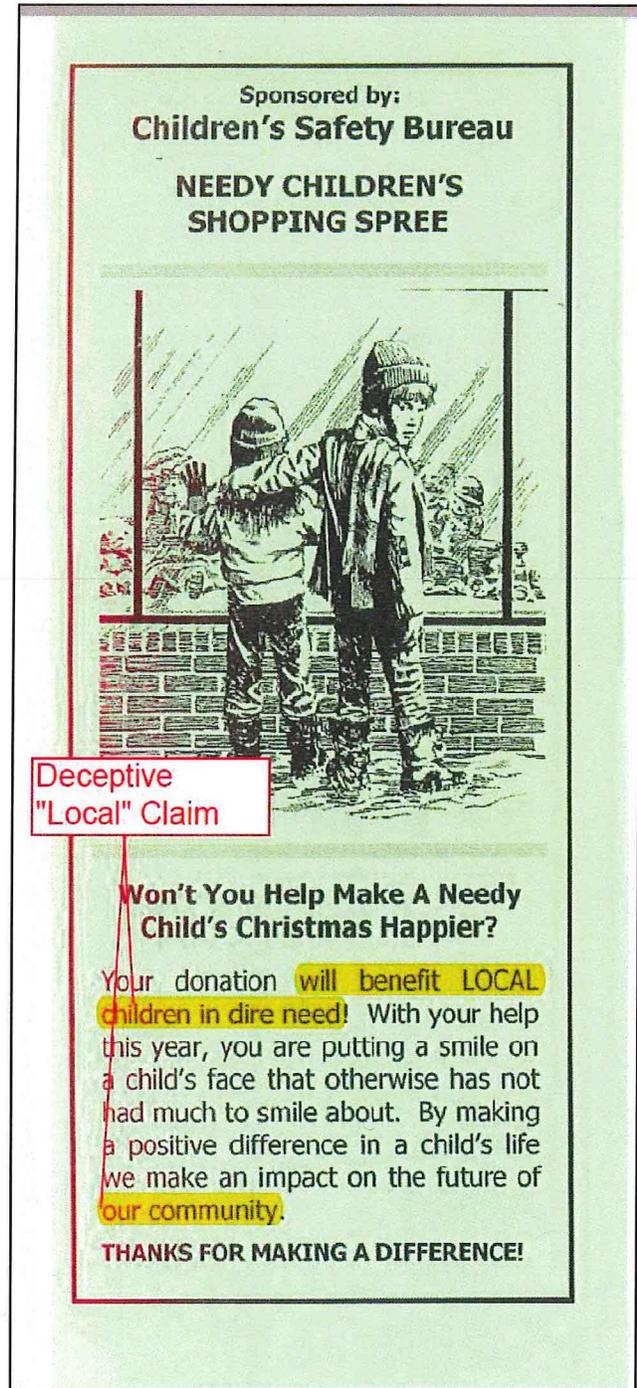


Figure 4: Attach.Y, Ex.5

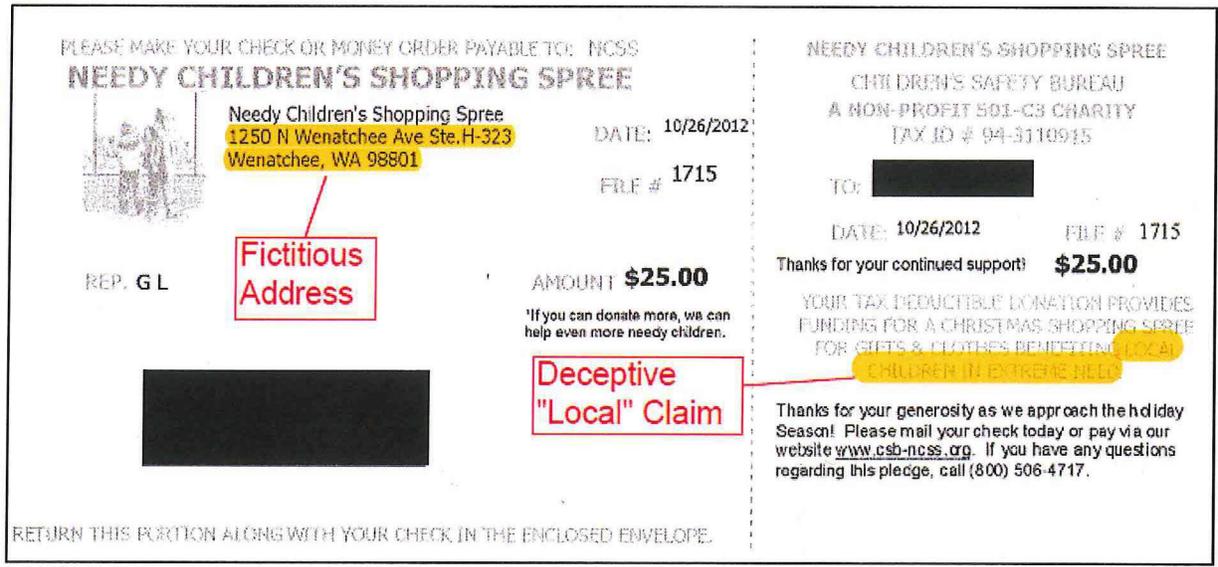


Figure 6: Attach.C, Ex.3, Pg. 6

Adding to the confusion, solicitations instructed donors to make checks out to NCSS – not the nonprofit’s actual name. Attach.N., Ex.7. Return envelopes were also addressed to Needy Children’s Shopping Spree. Figure 6.



Figure 5: Attach.C, Ex.3, Pg. 7

After the State initiated this lawsuit, CSS began soliciting as Children’s Hunger Emergency Fund. Attachs.Q, AN. The February, 2018, solicitation in Figure 7 (below) continued misrepresenting the identity of the soliciting organization. While Children’s *Hunger* Emergency Fund is a registered alias of CSS, the solicitations do not identify the nonprofit’s true name or location. Attach.Q; Figure 7. The solicitations asked donors to make checks out to “C.H.E.F.,” the same initials as the defunct Children’s *Hospital* Emergency Fund. Figure 7. In both Children’s Hunger Emergency Fund and Needy Children’s Shopping Spree solicitations, CSS failed to fully disclose its identity, which had the capacity to deceive ordinary consumers and violates the CSA’s requirement to fully and fairly disclose the identity of the organization soliciting charitable contributions.

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Please return your pledge by 3/8/2018 - Immediate help has been requested.

**False Urgency**

**Children's Hunger Emergency Fund**

Children's Hunger Emergency Fund  
2839 W Kennewick Ave #125  
Kennewick, WA 99336

**Fictitious Address**

No. 1579  
2/21/2018

**Misleading Name**

**Deceptive Claim**

We appreciate your help in feeding local hungry children! We're a 501-C3 charity working on our annual fundraiser. Local advocates know the neediest kids that go to bed most nights hungry. Our charity simply provides food vouchers to feed these children now, the need is great.

Thanks for your donation of \$10

If you have any questions we can be reached at 888-270-7262.

----- PLEASE CUT ALONG HERE AND RETURN THE LOWER SECTION -----

Mail to: Children's Hunger Emergency Fund  
2839 W Kennewick Ave #125  
Kennewick, WA 99336

**Fictitious Address**

Make your check payable to: C.H.E.F.

Thanks for helping hungry kids in the greater Tri Cities area. Net proceeds sent to our mail drop are used here locally. Headquarters are PCB 98822, Seattle, WA 98198. Your help stays local to you.

**Deceptive "Local" Claim**

\*Tax ID #94-3110915\*

Donor: [Redacted]  
RICHLAND, WA 99354-2300

No. 1579 Amount: \$10 Date: 2/21/2018  
Contacted by: Laurie Bauer

**Urgent Donation\***  
2839 W. Kennewick Ave #125  
Kennewick, WA 99336

**False Urgency**

**Fictitious Address**

**Misleading Name**

**Children's Hunger Emergency Fund**  
2839 W. Kennewick Ave #125  
Kennewick, WA 99336

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Figure 7

CSS's solicitations also misrepresented that the nonprofit was local by consistently claiming that its services benefited children *local* to the potential donor's community. All of the solicitations mailed for Needy Children's Shopping Spree included the flyer depicted in Figure

1 4; Attach.Y, Ex.5. Each of the fliers contained the sentence “Your donation will benefit LOCAL  
2 children in dire need!” and asserted the donation would benefit children in “our community.”  
3 Other solicitations included a pledge receipt that claimed the donation helped provide “funding  
4 for local Christmas shopping sprees.” Attach.AA, Ex. 1; Attach.C, Ex.3, Pg.23. Additionally,  
5 the solicitations for Children’s Hunger Emergency Fund claimed that donations benefited  
6 children “in the greater Tri-Cities” area. Figure 7. The evidence does not support their claims.  
7 Attach.A, Ex.54.

8 CSS solicitations also falsely implied it had a physical presence in the community in  
9 which it solicited. Like CHRA, CSS used mailboxes throughout the Northwest as return  
10 addresses, which had the capacity to deceive potential donors into believing the nonprofit was  
11 in his or her community. The use the phrase “our community” in CSS’s solicitations exacerbates  
12 the misrepresentation. Figure 5. Some of CSS’s solicitations claim to have a “charity  
13 headquarters” in Seattle. Figure 7; Attach.X, Ex. 1, AB, Ex.1. But defendants do not have *any*  
14 headquarters, let alone one in Seattle. Amended Complaint/Answer ¶10.2. CSS’s  
15 misrepresentations that it was a local charity benefiting local children violated the CSA and CPA.

16 Past solicitations for CSS’s Needy Children Shopping Spree also misrepresented the  
17 portion of the donor’s gift that would go toward charitable purposes. The solicitation claimed  
18 every child who participated in the shopping spree would receive

19 \$50 to buy merchandise. Attach.C, Ex.3, Pg.2. Then it told  
20 potential donors that a gift of \$50 would help one child. Figure 8.

21 Taken together, these claims would lead an ordinary consumer to  
22 believe that all of his or her donation would be given to needy

23 children. In reality, CSS reported to the IRS that only 35% – not the implied 100 – of its 2011  
24 revenue provided shopping sprees.

25 CSS’s Children’s Hunger Emergency Fund solicitations also created the deceptive  
26 impression among donors that donations provided food vouchers to children in immediate need.

<b>20 children: \$1000.00</b>
<b>10 children: \$500.00</b>
<b>4 children: \$200.00</b>
<b>2 children: \$100.00</b>
<b>1 child: \$50</b>

Figure 8

1 Pledge kits used the phrase, “\*Urgent Donation\*” on its envelopes and claimed “Immediate  
2 help has been requested.” Figure 7. These claims created a false sense of urgency. CSS did not  
3 provide “food vouchers.” Attach.D at 6, ¶6. To the extent CSS provided anything, it was Wal-  
4 Mart gift cards given to various Head Start programs to distribute to families participating in  
5 Head Start. Attach.A, Ex. 44, 45; Attach.F, at 140-145. They are not provided on an “urgent”  
6 basis. Moreover, the claim that “immediate help has been requested” is false -- Head Start  
7 programs that received gift cards did not request them. Attach.A, Ex.44, 45.

8 CSS’s solicitations clearly had the capacity to create a deceptive net impression in an  
9 ordinary consumer thus violating the CSA and CPA.

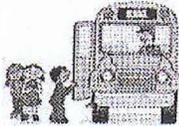
10 **c. ERN’s Solicitations Misrepresented Its Charitable Purpose and**  
11 **Location.**

12 During the relevant period, ERN solicited as Back to School Helping Hands. Its  
13 solicitations deceptively represented that it helped foster children buy school supplies and  
14 created the deceptive net impression it was a local charity that benefited local children. Its  
15 solicitations consistently and explicitly claimed that donations helped needy “foster kids” buy  
16 clothes, shoes, and school supplies. Figure 9 (Below); Attach.C, Ex.2, Pgs.1-4; Attach.S, Ex.12.  
17 Foster children, however, were unlikely to benefit from donations to Head Start programs. Head  
18 Start is a federally-funded program that promotes school readiness for low-income children but  
19 is not specifically focused on children in the foster care system. U.S. Department of Health &  
20 Human Services, *What We Do*, Office of Head Start (Nov. 1, 2018, 3:30 PM),  
21 <https://www.acf.hhs.gov/ohs/about/what-we-do>. In fact, foster children are probably the least  
22 likely children to be served by giving gift cards to Head Start programs. In Washington, licensed  
23 foster parents must be financially secure. Department of Youth and Family Services, *Become a*  
24 *Foster Parent*, (Nov. 1, 2018, 3:35 PM), [https://www.dcyf.wa.gov/services/foster-](https://www.dcyf.wa.gov/services/foster-parenting/become-a-foster-parent)  
25 [parenting/become-a-foster-parent](https://www.dcyf.wa.gov/services/foster-parenting/become-a-foster-parent). Once a foster child is placed, the state pays foster parents a  
26 set amount and provides clothing vouchers for the child. *Id.* Since Head Start works with families

1 (not foster families) and foster children are cared for at the state's expense, the gift cards ERS  
2 purportedly provides are unlikely to reach *foster* children even if they do help support  
3 impoverished ones.  
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Thank You!



Children's Safety Bureau  
Back to School Helping Hands Event  
1500 E College Way Ste. A PMB 267  
Mount Vernon, WA 98273

### Children's Safety Bureau Back to School Helping Hands Event



Thank you for your financial pledge to help foster kids with the annual Back to School Helping Hands Event.

There are children in the area living in poverty that have worn out clothes and shoes that are, in most cases, the wrong size. These "at risk" foster children are starting a new school year soon and with your help they will start with dignity and confidence. Children will be given new clothes, shoes and supplies for the upcoming school year.

Children's Safety Bureau, a non-profit 501 C3 charity focusing on helping children that really need help.

Thanks again for your support!!

---

Please make checks payable to: BSHH  
**BACK TO SCHOOL HELPING HANDS**  
1500 E College Way Ste A PMB 267  
Mount Vernon, WA 98273



**AMOUNT PLEDGED: \$25.00**

Contacted By: Jonathan Cady

Date: 6/19/2014    Invoice # 1107    Return this portion with check

If you have any questions regarding this pledge call (800) 216-2715.

**BACK TO SCHOOL HELPING HANDS**  
1500 E College Way Ste A PMB 267  
Mount Vernon, WA 98273

A nonprofit service organization  
501-C3 91-1193400



Thanks for your donation which helps LOCAL foster kids in NEED, receive brand new clothes and school supplies to start the upcoming school year.

HELPFUL DONATION PLACED BY:  
[Redacted]

**Amount Paid \$25.00**  
Invoice # 1107  
Date 6/19/2014

Receipt for your records - WA Secretary of State 800-332-GIVE

Figure 9

1 Like the other nonprofit defendants, ERN's Back to School Helping Hands campaign  
2 consistently misrepresented itself as local and claimed it benefited local children. Figure 9. Many  
3 of its pledge receipts said, "Thanks for your donation which helps LOCAL foster kids in  
4 NEED..." Attach.C, Ex.10, Pg.4-5. Attach.N, Ex.7; Attach.T, Ex.1; Attach.AM, Ex.1. Even  
5 when its solicitations did not include explicit claims that it was local, the solicitations  
6 nevertheless had the capacity to deceive ordinary consumers. Pledge kits sent to North Idaho  
7 contained an address in Coeur d'Alene, ID. Attach.T, Ex.1. Pledge kits to potential donors in  
8 Burlington and Bow, Washington, contained a return address in Mount Vernon. Attach.C, Ex.2,  
9 Pg. 1-3, 12-13; Attach.U, Ex.1 Bates 899. The solicitations created the deceptive net impression  
10 that donations to the nonprofit benefitted the local community.

11 The Back to School Helping Hands solicitations not only had the capacity to deceive, but  
12 actually deceived well-intentioned donors. For example, Rick Austin, who runs a pharmacy in  
13 Sumner, said he donated because he "was under the impression the donation was for local  
14 children in need." Attach.N. Coeur d'Alene, Idaho, resident Jennifer Christensen said she  
15 donated because she was told "that donations made to this charity would help local foster  
16 children receive brand new clothes and school supplies." Attach.T. Albert Coghill in Burlington  
17 said, "I remember [the phone solicitor] telling me the donation goes toward foster kids who need  
18 support for school. I was under the impression from what he said that the foster kids are local."  
19 Attach.U. Before Mr. Coghill donated, he discovered ERN was not based in Mount Vernon and  
20 decided not to donate because, "I prefer to donate to local charities." *Id.*

21 Many of ERN's solicitations to Oregon did not claim that Back to School Helping Hands  
22 was a local charity benefiting local children. Instead, the Oregon solicitations claimed that the  
23 nonprofit had a "Charity Headquarters" located at P.O. Box 98822, Seattle, WA, 98198.  
24 Attach.X, Ex.1, 2; Attach.AD, Ex.3; Attach.AH, Ex.2, 4. ERN's claim is false. It does not  
25 maintain any physical presence in Seattle. In fact, the same year it sent solicitations to Oregon  
26

1 (2015), it filed registration paperwork with the Secretary of State claiming a street address in  
2 Yakima. Attach.A, Ex.46.

3 ERN's solicitations also failed to fully and fairly disclose the nonprofit's identity. Its  
4 Back to School Helping Hands campaign misidentifies the charitable organization purportedly  
5 responsible for it. Most solicitations for the campaign do not identify the name of the nonprofit  
6 associated with the campaign at all. See e.g. Attach.A, Ex.47. Instead, the solicitations claimed  
7 "Back to School Helping Hands is a non-profit 501 C3 charity focusing on helping children that  
8 really need help" and use ERN's FEIN. *Id.* It also failed to identify the nonprofit behind  
9 www.backtoschoolhelpinghands.org and www.btscf.org. Attach.C, Ex.10, Pg.1-7. The websites  
10 call the organization "Back to School Helping Hands" and do not identify its real name, FEIN  
11 or location. *Id.* Some solicitations misidentify Back to School Helping Hands as sponsored by

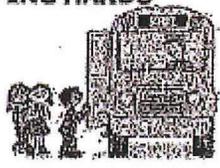
12 CSS. Figure 9; Attach.AJ, Ex.1. Other  
13 solicitations use tax identification  
14 numbers belonging to CHRA.  
15 Attach.S, Ex.12; Figure 10. The Back  
16 to School Helping Hands solicitations  
17 fail to fully and fairly identify the  
18 nonprofit that is actually soliciting,  
19 making it nearly impossible for  
20 potential donors to obtain further

21 information from the Secretary of *Figure 10*  
22 State.

If you have any questions regarding this pledge call (800) 216-2715.

**BACK TO SCHOOL HELPING HANDS**  
PO Box 98822  
Seattle, WA 98198

A nonprofit service organization  
501-C3 91-1720940



Thanks for your donation which helps LOCAL foster kids in NEED, receive brand new clothes and school supplies to start the upcoming school year.

HELPFUL DONATION PLACED BY:  
ATTN: BENJAMIN CHOTZEN  
Amount Paid \$25.00  
Invoice #1511  
Date 7/15/2013

Receipt for your records

*Handwritten:* 13280  
7/25/13

1 On Back to School Helping Hands's  
2 website, ERN repeated misrepresentations  
3 regarding their identity and purpose and  
4 included a deceptive "MESSAGE FROM  
5 THE PRESIDENT." Figure 11; Attach.C,  
6 Ex.10, Pg.3. While the message itself is not  
7 necessarily misleading, the "source" of the  
8 quote is deceptive. There is no "Dr. Bronsin"

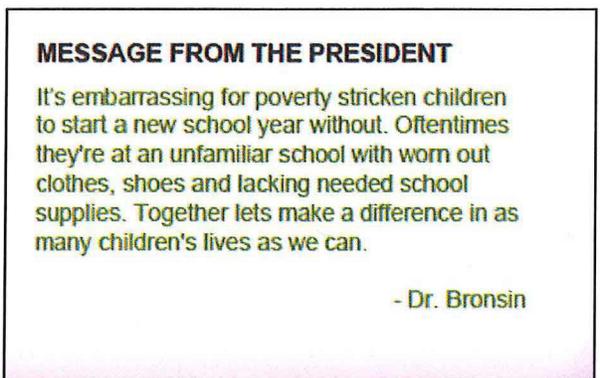


Figure 11

9 associated with any of the nonprofits. Instead, "Bronsin" is Roy Haueter's middle name and  
10 alias. The reference to "Dr. Bronsin" on the webpage misleads potential donors into believing a  
11 medical doctor or Ph.D. was involved, lending credibility to the organization.

12 ERN also made several misrepresentations when it solicited under its own name and  
13 claimed it benefited the Civil Air Patrol. Figure 12 (Below).

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**EMERGENCY RELIEF SERVICES**

Benefiting **Our Local "CIVIL AIR PATROL"**



From: *Duff Larson*

Company: *Wenatchee Valley Medical CTR*

Date: *1-17-12*

Re: **FUNDING**

*Thanks for your years of support, it has been a big help & greatly appreciated.*

Thank you for your help to Emergency Relief Services (ERS) and Civil Air Patrol (CAP). Both of these nonprofits are volunteer 501-C3 service charities. ERS was founded in 1982 & CAP in 1941.

Your recent phone conversation with one of our representatives resulted in this correspondence. In an effort to promote emergency preparedness, **a public awareness campaign will happen throughout the county.**

An "Emergency Preparedness Calendar" will be **sold to households** around the state. **ALL BUSINESSES SUPPORTING THIS CAUSE WILL RECEIVE A FREE ADVERTISEMENT** on these calendars.

Your advertisement in this calendar will receive tremendous exposure day after day all year long in households around the county. In addition, the **net proceeds from this project will help pay for rescue equipment, first aid supplies, training and emergency preparedness materials.**

To continue our valuable service in **this community** we need your financial help. Thank you for your consideration. If you have any questions you can reach us at 800-216-2715.

**Emergency Relief Services**  
**331 Valley Mall Parkway #133**  
**East Wenatchee, WA 98802**

Figure 12

25  
26

1 ERN also deceptively claimed association with the Civil Air Patrol and included a  
2 “United States Air Force Auxiliary Civil Air Patrol” logo on solicitations. Figure 12; Attach.C,  
3 Ex.8. These solicitations targeted regional areas to create the impression ERN was a local  
4 charity. For example, ERN sent a fax to Wenatchee Valley Medical Center that claimed  
5 donations would benefit “Our Local ‘CIVIL AIR PATROL’” and contained an address in East  
6 Wenatchee. *Id.* Another solicitation claimed a donation would benefit the Civil Air Patrol  
7 squadron in Port Orchard. Attach.C, Ex.8, Pg.2. The solicitation also claimed it would sell  
8 “Emergency Preparedness Calendars” to households in Washington and give free advertisement  
9 to any business that donates. Figure 12. Finally, the nonprofit asserted donations would “help  
10 pay for rescue equipment, first aid supplies, training and emergency preparedness materials.”  
11 Figure 12.

12 ERN’s claims had the capacity to deceive ordinary consumers. ERN did not sell  
13 calendars with advertising in them. Attach.A, Ex.34 It did not donate proceeds to the Civil Air  
14 Patrol, use funds to help buy rescue equipment, and was not local to the area in which it solicited.  
15 In fact, the nonprofit’s 2012 and 2013 tax returns (when it sent out the solicitation in Figure 12)  
16 do not disclose *any* donations to Civil Air Patrol or similar organizations. Attach.A, Ex.30, Pg.1-  
17 9. Moreover, in responses to the state’s discovery requests for all documents memorializing gifts  
18 and/or donations given by ERN to anyone between 2008 and the present show no donations to  
19 Civil Air Patrol organizations. Attach.A, Ex.34.

20 ERN’s use of the name Civil Air Patrol, and a logo bearing the same name, has the  
21 capacity to deceive an ordinary donor into believing ERN is associated with actual civil air patrol  
22 units. Moreover, the nonprofit’s claims created the deceptive net impression that ERN’s  
23 activities benefited local communities. ERN’s solicitations both as Back to School Helping  
24 Hands and using its own name violate the CSA and CPA.

1                    **d.        SRC's Solicitations Misrepresented its Charitable Purpose by Falsely**  
2                    **Claiming It Gave out Food Aid to the Elderly and War Widows.**

3                    SRC claimed its purpose was to provide funding for search and rescue teams including  
4 helping them purchase equipment and supplies, and paying for training. Figure 13; Attach.C.,  
5 Ex.1, Pgs.1, 6, 10, 13; Attach.N, Ex.1, 5; Attach.AE, Ex.1. Like the other nonprofits, SRC  
6 asserted that it assisted local communities and implied it was local to the donor. *Id.* Taken as a  
7 whole, the nonprofit's solicitations created the deceptive net impression that its activities  
8 benefited local search and rescue teams. SRC asserted that it helped fund search and rescue  
9 groups in the potential donor's community. For instance, it claimed it needed "[the] community's  
10 financial support to provide services." *Id.* On its website, www.sarcharities.org, it claimed,  
11 "Search and Rescue Charities financially helps local search and rescue units to purchase search  
12 and rescue equipment, supplies, and training." Attach.C, Ex.10, Pg.35. These claims are  
13 misleading and have the capacity to deceive. Based on SRC's 2010-2017 tax forms 990-EZ, the  
14 public donated more than \$1 million to SRC. Attach.A, Ex. 31. During that same period, SRC  
15 reported it gave only \$62,215 – 6% – to search and rescue teams. *Id.* These IRS figures are likely  
16 inaccurate and are probably the most charitable view of SRC's activities. For example, Roy  
17 Haueter claimed SRC gave "financial support [to] search & rescue units" \$4,700 in 2016 and  
18 \$12,200 in 2017 for a total of \$16,900. Attach.A, Ex.31, Pgs 4947, 5064. However, Holiday  
19 Relief Fund, a dba of CSS and an SRC campaign, received \$10,000 of the \$16,900. Attach.A,  
20 Ex.48. The rest of the money spent on SRC's "charitable purpose" was paid to Roy Haueter as  
21 Universal Publishing and Brandon Haueter as Turnkey Leasing. Attach.A, Ex.31, Pgs 4947,  
22 5064. No ordinary consumer would believe, based on SRC's representations, that a mere 6%  
23 would be used toward supporting search and rescue efforts.  
24  
25  
26

Please make your check payable to: Search & Rescue Charities.  
Visit us and make your pledge online at www.sarchanties.org



Search and Rescue Charities  
1250 N Wenatchee Ave Ste H-323  
Wenatchee, WA 98801

Fictitious Address

No. 3005

Contacted By: DOUG ROBERTS Thank you for your pledge of \$0.00

[Redacted]  
[Redacted]  
[Redacted]  
WENATCHEE, WA 98807

\*Please return this portion and check in the enclosed envelope within ten days, thank you.

Search & Rescue Charities  
"Prepare today for a safe tomorrow"

Date 1/29/2013 No. 3005

\$0.00

ATTN: [Redacted]

[Redacted]

Search & Rescue Charities is a 501-C4 nonprofit charity. Thanks for your support!

Secretary of State 800-332-GIVE

If you have any questions regarding this invoice please call toll free 866-568-8669.

Detach along dotted line

Thank you so much for your financial support. Your money will help pay for:



- Search & rescue equipment, supplies and training
- A public education campaign teaching about outdoor safety
- The publishing and distribution of an outdoor safety magazine

Deceptive Claim

How well search & rescue teams are trained and equipped can determine how quickly victims are found and rescued.

The SAR C receives no government funding; therefore, we rely on the community's financial support to provide all the services listed above.

For most of us, how well prepared we are with knowledge and supplies can determine our own safety. Anyone of us, a relative or friend may need the services of search and rescue. Let's prepare today for a safe tomorrow.



Thank You for Your Support!

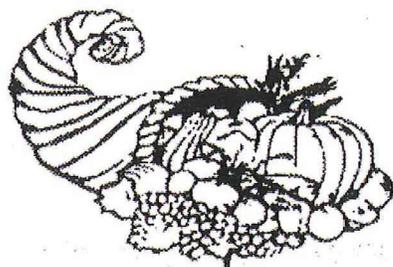
Benefiting: LOCAL

SAR Unit, SAR K-9 Unit, Marine Unit, Air Support Unit and High Angle Ropes Team.

Deceptive "Local" Claim

Figure 13

1 SRC's Holiday Relief Fund solicitations were even worse. See, e.g. Figure 14. In 2014 -  
2 2016, SRC claimed it would provide food to needy families during the holidays. Attach.M, Ex.1;  
3 Attach.N., Ex.2, 3, 9; Attach.S, Ex.1, 4, 14, Attach.AE, Ex.2; Attach.F at 375-6.



## Holiday Relief Fund

Thanksgiving and Christmas meals  
to families in extreme need.

Contribution: \$30.00

Due to the generosity of people like yourself, we have been able to help those in need for over 20 years. We are a non-profit organization and have been distributing food and clothing to needy people since 1988.

Last year, thanks to pledges like yours and others we fed hundreds of local hungry and needy people during the Thanksgiving and Christmas holidays. Your donation will again help feed needy families. As last year, we will focus on elderly and local military families that have lost their family's provider in the War and are severely struggling to meet needs.

PLEASE SEND MORE THAN PLEDGED IF ABLE  
Our suggested tax-deductible gifts are as follows:

- \$120 - FULL BASKET (feeds a family of five for 10 days)
- \$ 90 - 3/4 BASKET
- \$ 60 - 1/2 BASKET
- \$ 30 - 1/4 BASKET

If you are able to help with only part of a basket then we will combine your gift with others. God bless you for sharing! Please send pledge check as soon as possible so that we can reach even more hungry families.

Thanks again,

H. Hawken -President

IRS TAX ID #94-3116195  
Our phone # 800-305-3338

\*We Have Combined To One Mailing Center.

Figure 14: Attach.C, Ex.6, Pg.2.

SRC's Holiday Relief Fund solicitations were entirely false, misleading, and deceptive in multiple ways. First, Holiday Relief Fund falsely claimed it was a nonprofit organization that

1 distributed food and clothing to needy people. Figure 14. The solicitations claimed Holiday  
2 Relief Fund “fed hundreds of local hungry and needy people” and “as last year, we will focus on  
3 elderly and local military families severely struggling to meet needs.” Attach.N, Ex.9. Some  
4 solicitations claimed they would focus on military families “with a spouse deployed...”  
5 (Attach.AE, Ex.2) or “that have lost their family’s provider in the War...” Attach.C, Ex.6, Pg.2.  
6 However, there is no evidence Holiday Relief Fund actually provided meals to anyone, let alone  
7 the elderly and war widows. Attach.F at 376-377, 383-385. Roy Haueter testified that the  
8 nonprofits might have given out some extra gift cards during Wal-Mart shopping sprees but did  
9 not provide baskets of food. *Id.* Moreover, none of SRC’s tax filings identified providing food  
10 aid as one of its activities. Attach.A, Ex.31.

11 Second, SRC’s solicitations mislead consumers by claiming it had been helping “needy  
12 people since 1988” and implying that the help had come in the form of food and clothing.  
13 Attach.C, Ex.6, Pg.2. In truth, SRC began as the Washington Crime Education Task Force,  
14 which formed to “provide instruction materials to help youth realize the important benefits from  
15 living good and productive lives, establishing good values, building strong character.” Attach.A,  
16 Ex.9, Pg.1469. It did not become SRC until 2008. Attach.A, Ex.49. Even after the name change,  
17 there is no evidence that SRC provided food and clothing assistance to needy children between  
18 1988 and 2016.

19 SRC also routinely mislead consumers about its identity by soliciting under aliases and  
20 failing to identify itself in its solicitations. Its solicitations for Holiday Relief Fund did not  
21 provide SRC’s name, tax identification number, or any other identifying information. Attach.M,  
22 Ex.1; Attach.N., Ex.2, 3, 9; Attach.S, Ex.1, 4, 14. Solicitations asked donors to make checks out  
23 to H.R.F. and the return addresses were non-descript mailboxes. *Id.*

24 Even soliciting under its own name, SRC routinely misrepresented its identity either by  
25 falsely implying connections to other organizations or using names that were deceptively similar  
26 to other nonprofits. Immediately below its name on one version of its solicitations, SRC included



**SEARCH & RESCUE CHARITIES**  
Benefiting Chelan County Search & Rescue



Figure 15: Attach.C, Ex.1, Pg.1

the phrase “Benefiting Chelan County Search & Rescue.” Figure 15. While this phrase does not expressly claim that SRC *is* Chelan County Search & Rescue, it implies a connection. The deception is aggravated by SRC’s use of a logo that reads “Washington State SEARCH & RESCUE” with “Chelan County” written in small print. Attach.C., Ex.1, Pg 13.



As recently as 2017, SRC claimed it was – or was associated with – Northwest Bloodhounds Search & Rescue. Attach.N., Ex.5; Attach.AE, Ex.1. The solicitation states:

Northwest Bloodhound members are all volunteers. We respond to calls from law enforcement agencies to assist searching for lost or overdue hunters, fishermen, and hikers, children, and walk-a-ways from nursing homes.

Attach.C, Ex.1, Pg.17. SRC even used a logo with the name. Figure 16. SRC had no connection to Northwest Bloodhounds Search and Rescue, which has existed as an independent Washington public benefit corporation since 1973. Moreover, the charitable organization that went by Northwest Bloodhounds Search and Rescue has not been registered since 1997. Attachment P: Declaration of Blacksmith.



Figure 16: Attach.C, Ex.1, Pg. 17-18.

Not only did SRC’s solicitations have the capacity to deceive, but they actually deceived donors. Barbara Alling of Gig Harbor, who pledged \$15 based on the phone solicitation she received:

The solicitor asked for a donation to feed hungry families in need. I assumed it was local because I had never heard of this charity before. The solicitor did not

1 provide any education about poverty or needy families in need. It was merely a  
2 solicitation to help feed hungry families.

3 Attach.M. Linda Mendenhall, a business owner in Fife said her business “received repeated  
4 solicitations from SRC through the years” and routinely gave. Attach.AE. She went on:

5 Our business also receives solicitation calls from Holiday Relief Fund. Holiday  
6 Relief Fund is an aka of Search and Rescue Charities but that was not  
7 represented to me in the telephone solicitation or the solicitation paperwork I  
8 received. I only recently discovered this and I would not have donated to  
9 Holiday Relief Fund if I was aware that it was an aka of Search and Rescue  
10 Charities. *Id.*

11 The defendants have repeatedly violated the CSA and CPA. Independently, their  
12 solicitations had the capacity to deceive or created the deceptive net impression that they were  
13 (1) legitimate charities, (2) that they provided benefits to needy people and organizations, and  
14 (3) that they provided a charitable benefit to the donor’s community. Together, defendants’  
15 solicitations also created the deceptive net impression that the nonprofits were four different  
16 nonprofits run by different people and serving different populations. In truth, the Haueters  
17 enriched themselves via *one* enterprise that routinely preyed on the kind hearts and generosity  
18 of the public.

19 **3. The Nonprofit Defendants Did Not Make Required Disclosures on Their**  
20 **Charitable Solicitations.**

21 In addition to misrepresentations to potential donors in their solicitation materials,  
22 defendants also failed to include disclosures required by the CSA. The CSA requires that  
23 charitable solicitations include “the published number and website of the office of the [S]ecretary  
24 [of State]” and the city of the charitable organization’s principal place of business. RCW  
25 19.09.100(1)(b), (c). The disclosures must be made “at the point of solicitation” and must be  
26 “clear and conspicuous.” RCW 19.09.100(1). Failure to make the required disclosures violates  
the CSA. RCW 19.09.100(19).

Defendants admit they failed to include the Secretary of State’s information and the city  
of their principal place of business on their solicitations. Amended Complaint/Answer ¶7.2.

1 They also admit that the solicitations were distributed to the public. *Id.* Defendants also admit  
2 their websites did not include the Secretary of State’s information or the city of the nonprofit’s  
3 principal place of business. *Id.* Because each mailer and the websites solicited charitable  
4 contributions (Attach.C, Ex.10), the nonprofits were required to include the disclosures. Their  
5 failure to make the required disclosures violated the CSA and CPA.

6 **B. Turnkey Leasing Failed to Register as a Commercial Fund-raiser.**

7 “Commercial fund-raiser” is broadly defined by the CSA as “any entity that for  
8 compensation or other consideration directly or indirectly solicits or receives contributions ...  
9 for or on behalf of any charitable organization...” RCW 19.09.020(5). Commercial fund-raisers  
10 must register with the Secretary of State and are subject to numerous disclosure requirements.  
11 RCW 19.09.065, .079, .100. An individual may be a commercial fund-raiser if the person  
12 soliciting on behalf of the nonprofit is a contract employee, independent contractor, or is not a  
13 “bona fide officer[] or employee[] of a commercial fund-raiser...” WAC 434-120-210. Failure  
14 to register prior to soliciting and failure to provide the required disclosures violates the CSA and  
15 CPA. RCW 19.09.065(1), (2); .340.

16 Defendant Brandon Haueter, as Turnkey Leasing, was a commercial fund-raiser because  
17 the business received compensation for directly or indirectly soliciting charitable contributions  
18 on the nonprofit defendants’ behalf and directed the fund-raising activities of the nonprofits.  
19 Under the 2010 agreements, Turnkey Leasing, provided call center space and equipment  
20 necessary for telephone solicitations, purchased and managed call lists, maintained a donor  
21 database, managed the direct-dial system and software, generated fund-raising reports detailing  
22 pledged donations, and submitted pledge reports for processing. Attach.A, Ex.17; Attach.J at 29,  
23 42-3. Using the nonprofits’ checkbooks and operating from a single location, Brandon Haueter  
24 purchased postage and office supplies and paid utility bills and rent. Attach.J at 127. He even  
25 wrote the monthly \$5,600 checks to himself (dba Turnkey Leasing) on behalf of the nonprofits.  
26 Attach.J at 137.

1           Brandon Haueter also participated in the nonprofits' business decisions and assisted in  
2 selecting fund-raising campaigns. Attach.J at 116-7. He helped layout campaign literature and  
3 pledge kits. Attach.J, at 49. He participated in the decisions to change the name of Cancer Exam  
4 Network and Children's Hospital Emergency Fund to Children's Hunger Relief Aid and to  
5 consolidate four nonprofits into two. Attach.J at 47, 49, 105-07, 115-16, 119.

6           Turnkey Leasing is a superficial recasting of A Growing Concern, Brandon Haueter's  
7 previous commercial fund-raising company. After dissolving A Growing Concern in 2010,  
8 Brandon Haueter/Turnkey Leasing signed the operating agreements. Attach.J at 38, 83-84.  
9 Brandon Haueter used A Growing Concern's assets to conduct virtually identical activities under  
10 a new name. As Turnkey Leasing, Brandon Haueter used the same office equipment, computer  
11 hardware and software, lead database, office space, and employees to help raise funds for A  
12 Growing Concern's former clients. Attach.J at 66-7.

13           Brandon Haueter had significant motivation to restructure. First, under the new  
14 agreement(s), his reorganized venture provided a steady, predictable income instead of the  
15 unpredictable commission rate in place with A Growing Concern. Second, the fictional  
16 restructuring evaded legal and statutory requirements for commercial fund-raising. Commercial  
17 fund-raisers are subject to annual registration requirements, must register their contracts, and  
18 execute a surety bond. RCW 19.09.062, .191. Registration also subjects the commercial fund-  
19 raiser to additional public scrutiny not otherwise required of charitable organizations that raise  
20 funds on their own.

21           Brandon Haueter operated a commercial fund-raiser that was required to register. He  
22 directed solicitations on behalf of the nonprofit defendants for more than seven years - making  
23 as many as 15 million calls - without registering.

24 **C.     The Nonprofit Defendants Did Not Maintain Records Required by the CSA.**

25           Charitable organizations are required to maintain "maintain accurate, current, and readily  
26 available books and records at their usual business locations" for at least three years. RCW

1 19.09.200(2). The books and records must be sufficient to “support[] the information contained  
2 in the solicitation report.” RCW 19.09.200. A “solicitation report” is required when an  
3 organization registers with the Secretary of State and must contain:

4 (i) Types of solicitations conducted;

5 (ii) The gross revenues received from all sources by or on behalf of the  
6 charitable organization before any expenses are paid or deducted;

7 (iii) The total value of contributions received from all solicitations for or on  
8 behalf of the charitable organization before any expenses are paid or deducted;

8 (iv) The total value of funds expended for charitable purposes; and

9 (v) Total expenses, including expenditures for charitable purposes, fund-raising  
10 costs, and administrative expenses.

11 RCW 19.09.075(h).

12 Record keeping and financial reporting requirements serve the purposes of the act to: (1)  
13 provide information to the public to prevent deception and improper use of donated funds; (2)  
14 increase transparency and accountability; and (3) build public confidence and trust in the charity  
15 sector. RCW 19.09.010. When a charitable organization misrepresents its activities or fails to  
16 maintain adequate records, it erodes public trust in the sector and frustrates regulatory oversight.  
17 The statutory obligations match the common-law duties for trustees of charitable trusts to “keep  
18 and render clear and accurate accounts with respect to the administration of the trust...” *State v.*  
19 *Taylor*, 58 Wn.2d 252, 257-8, 362 P.2d 247 (1961) (see Section E below).

20 Here, the nonprofit defendants solicited from one location, received donations at 46  
21 different mailboxes, mailed pledge kits from different location, and performed all banking and  
22 accounting from another location – they admit they did not maintain a principal place of business  
23 and they did not maintain required records for the three-year retention period. Amended  
24 Complaint/Answer ¶10.2: Attach.A, Ex.38, Pg.10. The purpose of the statutory record keeping  
25 requirement is to facilitate oversight and transparency and make it easy to ascertain whether a  
26 charitable organization is legitimate. Operating as the nonprofit defendants did, with no principal

1 place of business, meant that the required records could not be kept, and were not kept, at a usual  
2 place of business. Thus, each defendant violated the CSA.

3 **D. After Dissolving Two of the Nonprofit Defendants, the Boards Failed to Properly**  
4 **Distribute the Nonprofits' Assets As Required by the Nonprofit Corporations Act.**

5 When a nonprofit corporation dissolves, it must distribute its assets as defined by the  
6 Nonprofit Corporations Act. RCW 24.03.225. First, it must satisfy outstanding liabilities and  
7 obligations. *Id.* (1). Second, it must return borrowed assets. *Id.* (2). Third, if the nonprofit had  
8 assets held "subject to limitations permitting their use only for charitable... purposes" it must  
9 redistribute those assets to another entity that "engages in activities substantially similar to those  
10 of the dissolving corporation..." *Id.* (3). Any other assets may be distributed according to the  
11 nonprofit's governing documents. *Id.* (4). If the corporation plans to distribute any assets per  
12 RCW 24.03.225(3), (4), or (5), it must adopt a "plan of distribution." RCW 24.03.230.  
13 Furthermore, if the assets are held for charitable purposes, the corporation must provide the  
14 Attorney General notice of the proposed plan of distribution at least 20 days before the plan is  
15 adopted. RCW 24.03.230.

16 Here, all of the nonprofit defendants incorporated under the Nonprofit Corporations Act.  
17 Amended Complaint/Answer at ¶1.12-15. When two of them – CHRA and SRC – dissolved,  
18 they did not adopt a plan of distribution nor did they provide notice to the Attorney General; a  
19 particularly grievous "oversight" given that this lawsuit was already pending. On January 23,  
20 2018, SRC and CHRA filed articles of dissolution with the Secretary of State. Attach.A, Ex.22-  
21 23. According to the filings, members of SRC met on December 14, 2017, and, with a quorum,  
22 two-thirds of the members voted to dissolve. Attach.A, Ex.22. Similarly, CHRA's members  
23 reportedly met on December 15, 2017, and voted to dissolve. Attach.A., Ex.23. Roy Haueter  
24 signed each filing as president of the respective nonprofit and attested that the corporation's  
25 debts were paid and its assets transferred in accordance with RCW 24.03.225. Attach.A, Ex.22-  
26 23. Further, Roy Haueter attested "that there are no suits pending against the corporation..." *Id.*

1 Two of Roy Haueter's three attestations were objectively false. First, the state filed this  
2 action on December 21, 2017. Complaint (Sub #1). On January 3, 2018, attorney Daniel Frohlich  
3 filed a notice of appearance on behalf of all of the defendants. Notice of Appearance (Sub #17).  
4 Clearly, Roy Haueter was aware of this lawsuit on January 23, 2018, when he attested that there  
5 were no pending lawsuits against SRC and CHRA.

6 Roy Haueter also falsely attested that the assets of the corporations were disbursed in  
7 accordance with the Nonprofit Corporations Act. But bank statements from CHRA's  
8 Washington Federal checking account show that on January 31, 2018 – eight days after it  
9 dissolved – CHRA had \$23,889.96 in its bank account. Attach.A, Ex.50, Pg.1-2. From February  
10 through April 2018, it had just over \$23,000. Attach.A, Ex.50 Pg.4-8. In May, someone withdrew  
11 \$23,255.94, closed the account. Attach.A, Ex.50, Pg.9. Similarly, as of January 31, 2018, SRC's  
12 checking account at Washington Federal had \$42,179 in it. Attach.A, Ex.51, Pg.1-2. In April  
13 2018, someone withdrew \$22,000. Attach.A, Ex.51, Pg.8. Then in May 2018 someone withdrew  
14 the remaining \$19,156.58 from the account. Attach.A, Ex.51, Pg.9-10.

15 Neither SRC nor CHRA adopted a dissolution plan or provided notice to the attorney  
16 general of its intent to dissolve. Rather, the nonprofits simply withdrew more than \$63,000 from  
17 the accounts. All of SRC and CHRA's transaction after January 23, 2018 violated the  
18 requirements of the Nonprofit Corporations Act and are void as *ultra vires*.

19 **E. The Nonprofit Defendants and their Boards Breached Their Duties as Trustees of**  
20 **Charitable Trusts By Allowing Conflicted Transactions and Failing to Account for**  
21 **the Trust Property.**

22 **1. Nonprofit Corporations that Hold Funds Raised for a Charitable Purpose**  
23 **are Trustees.**

24 The nonprofit defendants are trustees of charitable trusts. RCW 11.110.020. "A trust 'is  
25 a fiduciary relationship with respect to property, arising from a manifestation of intention to  
26 create that relationship and subjecting the person who holds title to the property to duties to deal  
with it *for the benefit of charity* or for one or more persons, at least one of whom is not the sole

1 trustee.” *BCPF*, 574 B.R. at 216 (quoting Restat. 3d of Trusts, § 2 (2012) (emphasis added)).

2 There is no requirement that a formal trust instrument be in place for a charitable trust to exist,  
3 no reference to the Charitable Trust Act is required, and Washington law expressly provides that  
4 trusts may be created orally. *See* RCW 11.98.014; *see also BCPF*, 574 B.R. at 216. Indeed, WAC  
5 434-120-025(2)<sup>4</sup> provides a broad definition of “charitable trust”:

6 (2) “Charitable trust” means any real or personal property right held by an entity  
7 or person *that is intended to be used for a charitable purpose(s)*. The trust may  
8 be created by will, deed, articles of incorporation, or other governing instrument.  
*It may be express or constructive.*

9 (emphasis added). Further, “[a] corporation has the capacity to take and hold property in trust  
10 and act as a trustee.” *BCPF*, 574 B.R. at 216 (citing Restat. 3d of Trusts § 33(1)). Moreover, “If  
11 property is transferred to a corporation in trust for a purpose germane to the purpose for which  
12 the corporation is created, it has capacity to administer the trust.” *Id.* (citing Restat. 3d of Trusts  
13 § 33 cmt. b).

14 There is no question that donors transferred property to the nonprofit defendants in trust  
15 for a purpose germane to the purpose for which the corporation was created. They donated with  
16 the express understanding that their donations would be used to fulfill the nonprofit defendants’  
17 stated charitable purposes: to provide specific goods or services to charitable beneficiaries.  
18 Consumer Declarations. Consequently, each nonprofit is the trustee of the charitable trust. *See*  
19 *BCPF*, 574 B.R. at 218.

20 **2. The Nonprofit Defendants Breached Their Fiduciary Duties.**

21 There is no question the defendants breached their fiduciary duties as trustees of the  
22 nonprofits’ trusts. Trustees of a charitable trust owe substantially the same duties to the trust as  
23 trustees of a private trust. *State v. Taylor*, 58 Wn.2d 252, 257, 362 P.2d 247 (1961). Those duties  
24 include good faith, loyalty, care, skill, and diligence. *See generally Id.*; *Cook v. Brateng*, 158

25 \_\_\_\_\_  
26 <sup>4</sup> The definition of “charitable trust” in WAC 434-120-025 is consistent with the definition of “trustee” in RCW 11.110.020.

1 Wn. App. 777, 785, 262 P.3d 1228 (2010). Trustees owe charitable trusts the additional duty to  
2 “keep and render clear and accurate accounts...” *Taylor*, 58 Wn.2d at 257-8. In the case of  
3 closely-held nonprofit corporations, members, governors, directors, and officers of a corporate  
4 trustee are responsible for the duties owed as trustees. *Taylor*, 58 Wn.2d at 257-8 (*citing*  
5 Restatement (Second) Trusts § 379, cmt b).

6 The self-dealing transactions between the Haueters and nonprofits are plain violations of  
7 their fiduciary duties. A trustee

8 has a duty to administer the trust . . . *solely in the furtherance of its charitable*  
9 *purpose* . . . [and] is strictly prohibited from engaging in transactions that involve  
10 self-dealing or that otherwise involve or create a conflict between the trustee’s  
11 fiduciary duties and personal interests.

12 Restat. (Third) of Trusts, § 78 (Duty of Loyalty). “[W]hether acting in a fiduciary or a personal  
13 capacity a trustee has a duty in dealing with a beneficiary to deal fairly and to communicate to  
14 the beneficiary all material facts the trustee knows or should know in connection with the  
15 matter.” *Id.* The duty of loyalty generally prohibits the trustee from engaging in transactions with  
16 persons with whom the trustee is closely related or associated. *Id.* at cmt. b. A corporate trustee  
17 cannot properly engage in transactions with its officers or directors; these transactions involve  
18 individuals so closely associated with the trustee that it may affect the trustee’s judgment in  
19 properly administering the trust solely in the furtherance of its charitable purpose. *See BCPF*,  
20 574 B.R. at 219-20.

21 Here, the 2010 contracts between the nonprofits and the for-profit defendants (owned by  
22 the individual defendants) are failed attempts to legitimize inherently illegitimate, self-dealing  
23 transactions that are unfair to beneficiaries. Under the sham contracts, Roy Haueter is entitled to  
24 20% of the revenue of each nonprofit defendant – ostensibly for publishing and distributing  
25 magazines each year and processing all campaign mail and depositing all funds into bank  
26 accounts each week. Attach.A, Ex.17. However, the last year magazines were published was  
2011. Attach.A, Ex.38, Pg.43-139. Further, there is no evidence that they were distributed

1 annually regardless of when published. Additionally, only the opening of mail, counting the  
2 money, and depositing it was covered by the agreement – not the printing or sending of pledge  
3 kits. Attach.I, Pg.32. The contracts also benefit Brandon Haueter (himself an insider) entitling  
4 him to \$7,600 per month.<sup>5</sup>

5        Though the contracts appear to be signed by the nonprofits' independent presidents,  
6 every "independent" signatory was a Haueter or was asked to serve in that position by Roy  
7 Haueter. Former board members' interrogatory responses illustrate their utter lack of  
8 involvement in governance of the nonprofit defendants. Attach.A, Ex.3, 6, 10. Each nonprofit  
9 relied exclusively on Roy Haueter. These self-serving contracts breached the fiduciary duties of  
10 loyalty and good faith owed to the charitable trusts. Notwithstanding numerous claims to the  
11 contrary, the nonprofit defendants' primary purpose is to enrich the Haueters – not to fulfill  
12 charitable purposes. They do not operate solely in furtherance of their stated charitable purposes.

13        The Haueter nonprofits also violated their duties to keep and render clear and accurate  
14 accounts. They appear to commingle funds (Attach.B, Ex.1 at 28-34, 37, 41-64; Ex.2 at 10, 21,  
15 24, 27) and checks made out to one nonprofit were deposited in the accounts of other nonprofits.  
16 Attach.B, Ex. 1 at 35-36, 38-40, 65-66, 91; Ex. 2 at 15. Roy "Bronsin" Haueter frequently wrote  
17 checks from one nonprofit account and deposited into another without maintaining or producing  
18 records to explain the transaction. *Id.* Moreover, the nonprofits' general accounting practices  
19 were outside accounting norms, at times confusing even their own accountant. Attach.L at 34-  
20 37.

21        Finally, the nonprofits' officers – particularly defendants Billee Haueter, Nancy Haueter,  
22 and Tracee Richardson – breached their duties of skill, care, and diligence by allowing Roy  
23 Haueter to operate without supervision. Although she was a CHRA board member for its entire  
24 existence, Tracee could not provide even the most basic information about the nonprofit during  
25

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26 <sup>5</sup> As outlined above, Brandon Haueter receives \$5,600/month as rent for the dialers and database, as well  
as \$2000 in rent for the property owned by Brandon Haueter in which the call center is located.

1 an investigative deposition. Attach.H at 27-28, 37, 39-42, Despite discovery requests, the  
2 defendants have not produced anything indicating the officers supervised Roy Haueter, obtained  
3 audits of the finances, or even double-checked his work. Attach.A, ¶ 5; Ex.52, Pgs.16-18.

4 Because there is no genuine issue of a material fact as to the defendants' breaches of  
5 trust, the state is entitled to summary judgment as to its claim under the Charitable Trust Act.

6 **F. The Nonprofit Defendants Abused their Legal Authority and Should Be Dissolved.**

7 The state petitioned this Court for an order dissolving the nonprofit corporations on the  
8 basis that they have and will continue to exceed or abuse the authority conferred upon them by  
9 law. RCW 24.03.250. The Nonprofit Corporation Act allows the Court to dissolve a nonprofit  
10 corporation if it finds that "the directors or those in control... have acted, are acting, or will act  
11 in a manner that is illegal, oppressive, or fraudulent" or if the assets are being misapplied or  
12 wasted. RCW 24.03.266(1)(b)(d). Here, the state's evidence – as outlined throughout this motion  
13 – shows waste and illegal and fraudulent activity through misrepresentations, self-dealing, and  
14 conflicts-of-interest. This Court has a substantial basis upon which it could involuntarily dissolve  
15 all of the nonprofit corporations.

16 **G. Because the Haueters Directed the Illegal Conduct They Are Personally Liable**

17 The Attorney General may bring suit against "any person" to enforce the CPA, RCW  
18 19.86.080, and liability is not limited to corporations and other business entities, but also  
19 encompasses "natural persons." RCW 19.86.010(1). Individuals, including corporate officers,  
20 may be personally liable for conduct that violates the CPA if he or she "participate[d] in" or  
21 "with knowledge approve[d] of" the practice that violates the CPA. *State v. Ralph Williams'*  
22 *N.W. Chrysler Plymouth, Inc.*, ("Ralph Williams II") 87 Wn.2d 298, 322, 553 P.2d 423 (1973)  
23 (emphasis added) (holding corporate officer liable for CPA violations because he "was  
24 personally responsible for many of the unlawful acts and practices" of the defendant car  
25 dealership) (emphasis added); see also *Grayson v. Nordic Constr. Co.*, 92 Wn.2d 548, 553-54,  
26 599 P.2d 1271 (1979) (holding that "personal liability" for CPA violations was "properly

1 imposed” on corporate officer who personally directed mailing of deceptive advertising”;  
2 explaining that a corporate officer is liable under the CPA if he or she “participates in wrongful  
3 conduct or with knowledge approves of the conduct”).

4 Here, Brandon Haueter and Roy Haueter bear personal liability for the deceptive conduct  
5 of the entity defendants. The facts established above amply demonstrate that there is no  
6 separation of identity between Roy Haueter or Brandon Haueter and the entities they solely  
7 owned and unilaterally directed – each was aware of and personally directed deceptive acts and  
8 practices that violated the CPA. As such, each is personally liable.

9 **III. CONCLUSION**

10 The Haueters’ long-running scam on Washington consumers presents this Court with  
11 clear grounds for granting the State’s motion for partial summary judgment determining liability  
12 as to all claims.

13 DATED this 2nd day of November, 2018.

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24  
25 I certify that this memorandum contains 11,729 words, in  
26 compliance with the Local Civil Rules.