



June 26, 2014

The Honorable Lori Swanson  
Attorney General of Minnesota  
1400 Bremer Tower, 445 Minnesota Street  
St. Paul, MN 55101

Dear Attorney General Swanson:

I urge you to investigate the recent suspicious, and potentially illegal, behavior from the trustees of the Otto Bremer Foundation. Last week [Minnesota Public Radio](#) revealed the three trustees, S. Brian Lipschultz, Charlotte Johnson and Daniel Reardon, pushed out the foundation's executive director and announced their intention to become co-CEOs. This new structure gives complete oversight, management and fiduciary control to the three individuals, completely removes accountability and violates many [principles of good governance](#) set forth by nonprofit sector leadership organizations like Independent Sector.

The move is especially dubious because their compensation has increased by more than 1000 percent in less than ten years, totaling nearly \$1.2 million in 2012. During many of those years, the nation and the foundation's nonprofit grantees were struggling with the effects of a recession.

As Attorney General, you have an obligation to protect the public's interest in this matter. The foundation holds more than \$800 million of tax exempt assets designated to help the poor and rural residents of Minnesota, North Dakota and Wisconsin. You must move aggressively if you hope to protect the legacy of Otto Bremer, who established his foundation with the intention to "assist people in achieving full economic, civil and social participation in and for the betterment of their communities."

As you know, private foundations are legally allowed to compensate their trustees. However, some foundations offer no compensation to their trustees, preferring to direct the funds to worthy nonprofits. Even among larger private foundations, a [recent report](#) by the *Chronicle of Philanthropy* shows that median compensation is \$24,000, a miniscule sum when compared to the payments provided to the Otto Bremer Foundation trustees. This chart shows the egregious increases in payments to these trustees over time:

	<b>William Lipschultz,</b> replaced in 2012 by his son, <b>S. Brian Lipschultz</b>	<b>Charlotte Johnson</b>	<b>Daniel Reardon</b>	<b>Total</b>
2004	\$41,500	\$41,500	\$41,500	\$124,500
2005	\$85,000	\$85,000	\$85,000	\$255,000
2006	\$85,000	\$85,000	\$85,000	\$255,000
2007	\$89,500	\$89,500	\$89,500	\$268,500
2008	\$115,000	\$115,000	\$115,000	\$345,000
2009	\$295,000	\$120,000	\$295,000	\$710,000
2010	\$411,250	\$120,000	\$411,250	\$942,500
2011	\$450,000	\$216,250	\$450,000	\$1,116,250
2012	\$456,468	\$284,417	\$453,151	\$1,194,036

The trustees are also separately compensated by Bremer Bank for their roles with the financial institution. Otto Bremer made his fortune in finance, and his foundation continues to own 92 percent of Otto Bremer stocks. How much the trustees are paid by the bank is not public information, but I recommend you use your authority to find out.

The foundation's tax forms claim that trustees work 35 or 40 hours per week for the foundation, but knowledgeable philanthropy professionals I consulted have never seen the trustees at the foundation's offices or at other philanthropy meetings around the Twin Cities.

Given the millions involved, another question begs to be answered: Are the trustees diverting other foundation assets for personal use? A [well-known exposé in the Boston Globe](#) in 2003 revealed numerous abuses of philanthropy, including a foundation executive who used \$200,000 meant for charities to finance his daughter's wedding. Have abuses similar to those been occurring at the Otto Bremer Foundation?

Furthermore, while the choice to have only three trustees is not illegal, it violates a well-known best practice. The organization I lead, the [National Committee for Responsive Philanthropy](#) (NCRP), as well as organizations like [Independent Sector](#), recommend that foundations have at least five trustees to ensure a diversity of perspectives in governance.

All of this is especially disconcerting because the foundation has been exemplary in many ways for several decades. Under the leadership of outgoing executive director Randi Roth and her predecessors John Kostishack and Valerie Lies, Otto Bremer Foundation has developed a stellar reputation for prioritizing and empowering Minnesota's underserved and marginalized communities, as well as those in eastern North Dakota and western Wisconsin. The foundation consistently devoted more than 70 percent of its grant dollars for the intended benefit of economically disadvantaged people and others who have been left out of mainstream society. That level is well above the national average for similar foundations, and easily exceeds the recommendations put forward by NCRP in [Criteria for Philanthropy at Its Best](#).

The trend line is clear, and more than troubling. The trustees' decision to become co-CEOs is the biggest – and I hope, the last – red flag. These three individuals have seized power and are looking to enrich themselves with tax-exempt dollars meant for disadvantaged communities in the cities served by Bremer Bank. You are the only person with the legal authority to do something about this escalating situation. I urge you to open an investigation soon.

Sincerely,



Aaron Dorfman  
Executive Director