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SUPERIOR COURT OF CALIFORNIA
COUNTY OF SAN FRANCISCO

**BILL LOCKYER, in his official capacity as
Attorney General of the State of California,**

Plaintiff,

v.

**PIPEVINE, INC., a California nonprofit public
benefit corporation, and DOES 1 through 200,**

Defendants.

NO.

**COMPLAINT FOR
INVOLUNTARY
DISSOLUTION,
ACCOUNTING, AND
APPOINTMENT OF
RECEIVER**

GENERAL ALLEGATIONS

1. Bill Lockyer is the Attorney General of the State of California. As such, he is charged with the general supervision of nonprofit public benefit corporations and all organizations and individuals who obtain, hold, or control property in trust for charitable or eleemosynary purposes in this state. The Attorney General is authorized to enforce the provisions of the Supervision of Trustees and Fundraisers for Charitable Purposes Act (Gov. Code, §§ 12580-12599.5) and the provisions of the Nonprofit Corporations Law pertaining to nonprofit public benefit corporations (Corp. Code, §§ 5000-6910). Corporations Code 5142 authorizes the Attorney General to bring actions to remedy a breach of charitable trust.

2. Defendant PipeVine, Inc. (PipeVine) is a nonprofit public benefit corporation

1 that was incorporated in the State of California in February 1993 under the name “United
2 Nonprofit Operations, Inc.” In May 2000, the corporation’s name was changed to “PipeVine,
3 Incorporated.” PipeVine’s stated charitable purpose is “to provide cost-effective services
4 to independent United Ways and other nonprofit entities which have established their tax-
5 exempt status under section 501, subdivision (c)(3) of the Internal Revenue Code, and to
6 engage in such other activities as may be deemed in the general interest of charity in the
7 State of California.” PipeVine’s principal business office is located in the City and County
8 of San Francisco.

9 3. In carrying out its corporate purposes, PipeVine processed charitable
10 contributions solicited through employer charitable campaigns, United Way campaigns and
11 the Internet. As set forth in contracts with employers, United Ways, and websites, PipeVine
12 receives funds from employees and other persons and entities that are designated for
13 donation to specified charities and provides those funds to the designated charities. All
14 donations received by PipeVine that are designated for specific charities are charitable trust
15 assets of those charities. PipeVine and its officers, directors, and employees have a fiduciary
16 obligation to the specified charities and their beneficiaries in managing these trust funds.

17 4. Defendant Does 1 through 100 are the fictitious names of defendants who acted
18 as directors, officers, trustees, advisors, agents, or employees of PipeVine, or who have
19 participated or acted in concert with one or more of the named defendants, or who have acted
20 on behalf of an agent, servant, or employee of one or more of the named defendants, but
21 whose true names and capacities, whether individual, corporate or otherwise, are presently
22 unknown to plaintiff. Plaintiff is informed and believes and therefore alleges that defendants
23 Does 1 through 100 are liable for breaches of fiduciary duties owed to PipeVine, to
24 charitable donors whose donations were received by PipeVine, and to charitable
25 organizations of any kind that were designated recipients of funds received or processed by
26 PipeVine. Because plaintiff is presently uninformed as to the true names and capacities of
27 these defendants, plaintiff sues them by fictitious names and will seek leave to amend this
28 complaint when their true names are discovered.

5. Defendants Does 101 through 200 are the fictitious names of defendants who in various capacities had business dealings with PipeVine, but whose true names and capacities, whether individual, corporate or otherwise, are presently unknown to plaintiff. Plaintiff is informed and believes and therefore alleges that defendants Does 101 through 200 are liable for breaches of various fiduciary duties owed to PipeVine, to charitable donors whose donations were received by PipeVine, and to charitable organizations of any kind that were designated recipients of funds received or processed by PipeVine. Because plaintiff is presently uninformed as to the true names and capacities of these defendants, plaintiff sues them by fictitious names and will seek leave to amend this complaint when their true names are discovered.

FIRST CAUSE OF ACTION (Involuntary Dissolution)

6. Plaintiff re-alleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 5 above.

7. PipeVine's board of directors reportedly discovered in February 2003 that certain of its officers, agents, and employees had, since at least May 2002, been diverting and commingling funds that had been designated by donors for specific charities into the general operating accounts of PipeVine. The diverted funds were improperly used to pay PipeVine's general operating expenses. The PipeVine board of directors began an investigation of this diversion and commingling of funds.

8. In May 2003, the PipeVine board reportedly determined that PipeVine's operating costs were significantly greater than PipeVine's operating revenues. It also determined that its available assets were significantly less than the amount of charitable trust funds that it was required to pay to designated charities. On June 2, 2003, PipeVine terminated most of its employees and shut down its regular business operations. On or about June 12, 2003, Bank of America froze PipeVine's bank accounts.

9. Because it terminated its business operations, PipeVine cannot process charitable contributions that have been made and continue to be made through its various

1 customers. The freezing of its bank accounts has prevented PipeVine from disbursing funds
2 to specified charities. PipeVine is unable to determine the specific amounts that are due to
3 individual charitable organizations but were improperly diverted to operating revenues. As
4 a result of the foregoing, PipeVine is a failing corporation that is unable to carry out its stated
5 charitable purposes.

6 10. By improperly commingling and diverting charitable trust funds into general
7 operating revenues, officers and employees in control of PipeVine have knowingly
8 countenanced persistent and pervasive mismanagement and abuse of authority.

9 11. Corporations Code sections 6510 and 6511 authorize the Attorney General to
10 bring an action for involuntary dissolution of a nonprofit public benefit corporation. The
11 grounds upon which the Attorney General may seek involuntary dissolution include
12 knowingly countenancing persistent and pervasive mismanagement or abuse of authority
13 (Corp. Code, § 6510, subd. (b)(5)), failure of the corporation to carry out its purposes (Corp.
14 Code, § 6510, subd. (b)(6)), and serious offense against provisions of statutes regulating
15 corporations or charitable organizations (Corp. Code, § 6511, subd. (a)(1)).

16 12. Based on the foregoing, PipeVine should be involuntarily dissolved under
17 Corporations Code sections 6510 and 6511 and its assets distributed in the manner provided
18 by law.

19 **SECOND CAUSE OF ACTION**
20 **(Accounting)**

21 13. Plaintiff re-alleges and incorporates by reference herein each and every
22 allegation contained in paragraphs 1 through 12 above.

23 14. PipeVine and its officers, directors and employees have breached their
24 fiduciary obligations in managing charitable trust funds that it received and that were to be
25 provided to the specified charitable organizations. Because it comingled these trust funds
26 with general operating revenues, PipeVine is unable to determine the amount of charitable

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1 trust funds that should have been provided to specific charitable organizations since at least
2 May 2002.

3 15. The specific charitable organizations that were to receive charitable trust funds
4 from PipeVine and their charitable beneficiaries are entitled to an accounting of the amount
5 of funds due to them since the incorporation of PipeVine.

6 **THIRD CAUSE OF ACTION**
7 **(Appointment of Receiver)**

8 16. Plaintiff re-alleges and incorporates by reference herein each and every
9 allegation contained in paragraphs 1 through 15 above.

10 17. Corporations Code section 6513 provides for the appointment of a receiver
11 upon the filing of a complaint for involuntary dissolution of a nonprofit public benefit
12 corporation to take over, manage the affairs of the corporation, and preserve its property. To
13 protect the interests of the specific charitable organizations and their beneficiaries for which
14 PipeVine has held funds in trust, to prevent further loss of PipeVine's charitable assets, and
15 to carry out the public and charitable purposes of PipeVine, it is necessary to appoint a
16 receiver to take over and manage the affairs of PipeVine, marshal and preserve PipeVine's
17 assets pending the hearing and determination of this complaint for involuntary dissolution,
18 account for all of the charitable trust assets received by PipeVine for the benefit of specific
19 charitable organizations, provide those assets to their intended beneficiaries, and distribute
20 PipeVine's assets after involuntary dissolution in the manner provided by law.

21 **PRAYER FOR RELIEF**

22 Plaintiff prays for a judgment as follows:

23 1. An order appointing a receiver to take over and manage the affairs of PipeVine,
24 marshal and preserve PipeVine's assets pending the hearing and determination of this
25 complaint for involuntary dissolution, account for all of the charitable trust assets received
26 by PipeVine for the benefit of specific charitable organizations, provide those assets to their
27 intended beneficiaries and distribute PipeVine's assets after involuntary dissolution in the
28 manner provided by law.

1 2. An accounting of the amount of charitable fund assets that are due to each of
2 the specific charitable organizations that were to receive charitable trust funds from
3 PipeVine, Inc.

4 3. An order dissolving PipeVine, Inc. and distributing its assets in a manner
5 provided by law.

6 4. For costs of investigation and other costs pursuant to Government Code
7 sections 12597 and 12598.

8 5. For such other relief as the Court may deem just and proper.

9 Dated: July 2, 2003

10 Respectfully submitted,

11 BILL LOCKYER
12 Attorney General of the State of California
13 DENNIS M. EAGAN
14 Senior Assistant Attorney General
15 BELINDA J. JOHNS
16 Supervising Deputy Attorney General

17 MARK J. URBAN
18 Deputy Attorney General
19 Attorneys for Plaintiff
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