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March 13, 2025

Minnesota House Judiciary and
Civil Law Committee

Re: HF2566

Dear Committee Members:

I am writing in support of House File 2566, the Minnesota Business Filing Fraud Prevention Act.

As a partner and co-head of the Mergers & Acquisitions practice at Faegre Drinker Biddle & Reath in Minneapolis, I and my firm's clients rely on the integrity of Minnesota's business filing system maintained by the Office of the Secretary of State.

Under current statutes, the Secretary of State must record business-entity filings as presented, so long as they satisfy minimal statutory requirements. Filings cannot be removed from the public database without a court order. An individual who brings claims of fraudulent activity to the Office of the Secretary of State must engage with law enforcement and the judicial process before a filing can be removed, which is needlessly expensive and time consuming.

The proposed legislation would deter fraud and would provide a more streamlined and efficient way to protect victims from business-identity theft by creating a process to remove fraudulent filings without needing a court order. This would protect Minnesota businesses of all sizes and would inform the public about entities that have been victims of fraudulent acts.

I urge you to support the proposed legislation.

Very truly yours,



Michael A. Stanchfield

MAS/sljn

To: Minnesota Legislature

Date: March 14, 2025

This is in support of Minnesota Business Filing Fraud Prevention Act (HF2566/SF1734)

My history with Fraudulent Filing by a person with no association with my company, Unlimited Horizons Inc. commenced with a notice of the filing from the MN Secretary of State on March 28, 2023.

We were notified that an individual had filed a new registered agent for the company. This person had charged the filing cost with a charge card.

In my attempts to correct this, I was told by the State Department of MN that I would have to pay for a filing fee to correct the records for my company due to regulations set by the MN Legislature.

I notified the Attorney General's office but as there had not been any monetary fraud at that time, they were not interested in pursuing the fraud.

I also filed a notice with the IRS to avoid any filings regarding the ERC credits or taxes.

I did pay the fee for another filing to correct the problem.

I checked on this later in 2023 and found my company was not in good standing as the charge card used in the fraudulent filing was stolen and denied. In order to close the company to avoid these problems, I had to also pay the fee for the stolen charge card.

It seems that the State of Minnesota is not interested in assisting companies that are victims of fraud until I heard of this proposed legislation. Hopefully the MN Legislature will pass this bill so this type of fraud will not plague reputable businesses in Minnesota.

Sincerely,

Tom Baker

Re: **PRO** Amendments to proposed Minnesota Business Filing Fraud Prevention Act - **HF2566**

Dear Members of the Minnesota House and Senate:

I am writing to support amendments to the long-needed proposed Minnesota Business Filing Fraud Prevention Act (the “Bill”).

I have practiced law as a business litigator and counselor for over 38 years with the firm of Ballard Spahr (formerly Lindquist and Vennum). The majority of my practice has focused on ownership and governance disputes in Minnesota companies. I have personal experience with the fraudulent filing of business records with the Minnesota Secretary of State’s office.

Many years ago, I litigated this issue in a governance dispute involving a non-profit corporation. Without authorization, two rogue board members filed new Articles of Incorporation in an attempt to wrest control from the majority on the board. Our client commenced a lawsuit for fraud, breach of fiduciary duty and various other claims. The court issued an injunction invalidating the fraudulent Articles of Incorporation and preventing the wrongdoers from submitting further unauthorized filings with the Secretary of State.

I then searched for the process to remove the improper filing from public records. Finding no applicable removal statute, I communicated with a senior staff member at the Minnesota Secretary of State’s office and provided him with a copy of the injunction. The staff member was very sympathetic, but advised that the Minnesota Government Data Practices Act required a court order directing the Secretary of State to delete the record before it could do so. This was problematic because the Secretary of State was not a party to the lawsuit. Eventually, the Secretary of State’s office provided an affidavit stating that it did not oppose an order requiring it to delete the unauthorized filing and that it waived the right to appear as a party in the pending lawsuit. It was only after following these steps that the Court ordered the Secretary of State to delete the fake Articles of Incorporation.

I strongly support the Bill both to deter fraudulent filings and to provide a clear process for the removal of fraudulent filings. I invite the Legislature to consider following tweaks to the Bill so that it will cover the fact pattern discussed above.

1. The scope of “wrongful filing” in § 300.71, Subd. 1(2) should expressly include documents that modify a business’s “governance” or “control.”
2. § 300.77, providing for judicial review, should permit appeals of final orders issued under § 300.76 to be brought in any district court action between the filer and the complainant in which the subject filing is relevant to the issues in the case.
3. The Act should expressly provide that it is not the exclusive remedy for fraudulent filings and that district courts may directly adjudicate fraudulent filing claims. This is important to prevent a wrongdoer from claiming that the aggrieved corporation must first exhaust its administrative remedy under the Act before seeking injunctive relief

against a fraudulent filer. This is particularly important in situations where fraudulent filings constitute a breach of fiduciary duty by the filer and an injunction is crucial to establish who has control of the subject company.

Thank you very much for considering my comments and proposed amendments.

Regards,

Wally Hilke