

MEAGHER, TOM

To: MEAGHER, TOM**Subject:** FW: Unique draft 5/24

From: MEAGHER, TOM**Sent:** Tuesday, May 25, 2010 4:48 PM**To:** TRAVERS, SUZANNE**Subject:** RE: Unique draft 5/24

Suzanne,

My edit. My notes in all caps. Let me know if you have any questions.

Tom

By Suzanne Travers

For The Star-Ledger

The newest big-box chain to hit New Jersey sells second-hand goods.

Since late 2007, eight Unique Thrift Stores have opened in the Garden State, filling vast retail spaces on Route 22 and in Elizabeth, Paterson, and Union City. Ardent customers have made the store a weekly stop, praising it for affording them bargains in a still shaky economy.

The stores have reached many more New Jerseyans by soliciting donated goods for charities like the Vietnam Veterans of America and the United War Veterans' Council. Last year, the Lupus Foundation of America.

WE NEED A SOLID NUT GRAF HERE. WHAT IS THIS STORY ABOUT? POPULAR NEW BUSINESS MODEL OR SHADY FOR-PROFIT HIDING BEHIND CHARITIES?

MOVE DOWN The stores' charitable partners use their non-profit status to get reduced bulk mail rates to solicit for donations. They pay Unique's for-profit parent company, Apogee Retail of Little Canada, Minn, and its affiliates to handle nearly every aspect of their donation programs - from mailers to call-center to curbside pick-up. The charities then sell the collected goods to Apogee; Apogee in turn sorts and prices the items for resale in its stores and packs unwanted inventory into bales for recycling. The non-profit organizations wind up with a portion of the proceeds from donated goods, but the lion's share goes to Apogee.

Route 22 between Newark and Somerville offers a checklist of national brands, and behemoths like Target and Home Depot have two stores along

the highway. So does Unique. With one store thriving in Watchung, last fall Apogee Retail opened another in Union, a rare display of commercial growth in a landscape gaping with vacant retail properties. With an average store size of 25,000 square feet, the Unique stores dwarf nearby Goodwill and Salvation Army stores.

Employees in blue smocks are busy with constant restocking; 80 to 100 workers in each store put out 50,000 new items per week, said Apogee CEO Dave Kloeber.

Celine Wise, 44, a South Orange resident and former Hoffman LaRoche employee, has been a regular at Unique "since the recession started," she said.

PARAPHRASE "I' ve never been to a thrift store until I got laid off in 2008." She ignores "gently-used" merchandise in favor of apparently brand-new items, like a bread machine priced at \$14.99.

Mondays bring the faithful out to Unique Thrift locations. The store' s weekly "Customer Appreciation Day" means 25 percent off all merchandise, and customer traffic doubles ACCORDING TO WHO?.

"Everything is clean, neat, and labeled," said shopper Anna Abbey, 57, a retired South Bound Brook resident. "It' s such a blessing for all of us. You get tired of wearing the same thing all the time, but you can' t pay the prices - you can come here."

SHOULD THIS SENTENCE BE THE NUT GRAF? NOT CERTAIN Even for shoppers who spend hours in the aisles, however, the store' s methods - where it gets the items it sells; how they are priced; and which, if any, charities benefit - are a mystery.

Unique stores give few clues to the provenance of their vast merchandise. Its website lists only non-specified "charity partners," and the stores make no mention of such affiliation.

In 2009, the Lupus Foundation of America collected 880,000 cubic feet of donated items in New Jersey, enough to fill the concert hall of the Sydney Opera House, according to president and CEO Sandra Raymond. The LFA NO ABBREVIATIONS UNLESS ITS IRS also works with Apogee in Maryland and Virginia, and the partnership brought the non-profit organization some \$700,000 last year, some of which was distributed as grants to LFA chapters in NJ, she said. Proceeds funded a national research program as well as local services like support groups, Raymond said.

The LFA writes the text for mailers and collection bags, and Raymond said she considers the heavy volume part of a campaign to raise public awareness of lupus, an auto-immune disease that affects some 1.5 million Americans. She said the organization spent a year on due diligence before agreeing to a contract with the thrift chain and spends time each week monitoring the flow of goods and payments to and from Apogee.

IS THIS THE NUT GRAF? Few setting out collection bags stamped with charities' names realize their donations will also aid a massive for-profit enterprise. Founded in March 2007, Apogee Retail is led by Dave Kloeber, a Minnesota-based businessman who through his holding company runs several dozen corporations, including some that support the operations of Apogee's 29 mega-thrift stores. Among them are a \$3.6-million call center housed in a former Wal-Mart in Nebraska, and Apogee Trucking, whose fleet collects goods in vehicles emblazoned with the logo of the United War Veterans' Council and a phone-number to schedule pick-ups.

Apogee Retail, which combined three existing thrift store operators, has ties to the grandfather of the thrift department business, the Salvation Army. The great-uncles of Apogee's vice president of development, Orlo Ellison, are credited with creating the first large Salvation Army thrift stores in California before leaving to create for-profit thrift stores in the early 1950s. They and dozens of descendants went on to create large for-profit thrift store chains throughout the country. The largest, TVI, Inc. of Bellevue, WA, operates more than 200 stores in the western U.S. and Canada under the names Value Village and Savers, which recently began expansion into former Circuit City and CompUSA stores in the northeast, although not in New Jersey.

FASTER TRANSITION HERE In recent weeks, more than a dozen people, several identifying themselves as from New Jersey, posted queries on the website Military-Money-Matters concerning solicitations FOR UNIQUE? by the United War Veterans Council. According to its website, the UWVC "strives to uphold the words of Abraham Lincoln, who urged all Americans to 'care for him who shall have born the battle.' " The group exists to host an annual Veterans' Day parade up Fifth Avenue in New York City at a cost of some \$90,000. The organization's parade chairman promised a response to questions about the group and its relationship to Apogee, but did not provide one AFTER HOW MANY CALLS? HOW MUCH TIME?. One poster to Pearson's website called the UWVC solicitations "misleading." Another wrote: "If all they do is plan an annual parade, then I doubt we'll donate any more items."

Pearson's site also includes analysis of the Vietnam Veterans of America, determining that the group uses 69 percent of its money on fundraising costs. For-profit thrift operations provide donors with a service, Pearson notes, since most charities lack the resources to do curbside pickups or run a thrift store. More goods are likely donated as a result, she adds. Most veterans' groups that work with professional fundraising organizations argue that "without them, they wouldn't be able to raise the amount of money they get by using them."

But, she continued, "far too much of the money that is intended to assist veterans ends up in the coffers of professional fundraising organizations, and most donors would be appalled."

NEED TO REACH OUT AGAIN FOR RESPONSE FROM APOGEE AND UWVC

- I need to find out (if possible) what percentage of the proceeds the charities get (may vary).
- I think it would be helpful to call Daniel Borochoff, president of the American Institute of Philanthropy, to get his take on these charities' fundraising practices
- Ask Apogee CEO why they don' t advertise any charity connections on site at the stores
- Did Dave Kloeber CEO start out working for Savers, Inc.? Is he related to the Ellisons?
- Confirm Orlo Ellison' s title as vice president of development
- Vietnam Veterans of America - so many branches, clarify the one Pearson has looked at

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From: TRAVERS, SUZANNE
Sent: Monday, May 24, 2010 12:34 PM
To: MEAGHER, TOM
Subject: Unique draft 5/24

Hi Tom,

Hope you had a good weekend. Thanks so much for the GuideStar info. I gleaned what I could from their forms. Not sure what to say about all those Vietnam Veterans of America chapters - I think Unique is working with the national org but will have to check.

So here is the new draft. It is still long, but much more coherent and organized. I was on track for length until the end, when my murky grasp of things leaves me fumbling for precision. I tried to present What I Can Say For Sure Right Now but there are still a few holes as I think you'll see.

At this point it would be very helpful if you read it and could help me sort through some of the charity stuff towards the end - that part can definitely be significantly condensed once I am a little clearer on a few facts like what percentage the charities get of the proceeds. The story also still needs a kicker.

Of course call with any questions or thoughts.

Thanks!

Suzanne

The newest big-box chain to hit New Jersey sells second-hand goods. Since late 2007, eight Unique Thrift Stores have opened in the Garden State, filling vast retail spaces on Route 22 and in Elizabeth, Paterson, and Union City. Thousands of ardent customers have made the thrift department store a weekly stop, praising its organized and varied merchandise for affording them bargains in a still-shaky economy.

The stores' operations have reached many more New Jerseyans with phone calls and cellophane-wrapped cards and plastic bags soliciting donated goods for charities like the Vietnam Veterans of America and the United War Veterans' Council. Last year, the Lupus Foundation of America, one of four charities operating with Unique in the state, sent 10 million mailers to New Jersey homes requesting clothes and household items destined for Unique's shelves, the foundation's president said.

Though the stores' charitable partners technically do the solicitation, using their non-profit status to get reduced bulk mail rates, they pay Unique's for-profit parent company, Apogee Retail of Little Canada, MN, and its affiliates to handle nearly every aspect of their donation programs – from mailers to call-center to curbside pick-up. The charities then sell the collected goods to Apogee at an agreed-upon price per cubic foot; Apogee in turn sorts and prices the items for resale in its stores and packs unwanted inventory into bales for its recycling affiliate. The non-profit organizations wind up with a portion of the proceeds from donated goods, but the lion's share goes to Apogee.

Route 22 between Newark and Somerville offers a checklist of national brands, and a few behemoths like Target and Home Depot have two stores along the highway. So does Unique. With one store thriving in Watchung, last fall its parent company, Apogee Retail of Little Canada, MN, opened another in Union Twp, a rare display of commercial growth in a landscape gaping with vacant retail properties. With an average store size of 25,000 square feet, the Unique stores dwarf nearby Goodwill and Salvation Army stores. In Paterson, the Unique store occupies three renovated floors of a former department store on Main Street.

Inside the stores, under fluorescent lights and whirring fans, long racks of clothing and rows of shelving stretch down wide aisles across the open floor. Unique's website says it aims to create "an enjoyable and organized shopping atmosphere." Merchandise is neatly arranged in departments like linens and electronics, and clothes are hung precisely according to size. With nothing in packaging, customers are free to test and prod, and the toy aisles are filled with playing children. Employees in blue smocks are busy with constant restocking; 80 to 100 workers in each store put out 50,000 new items per week, said Apogee CEO Dave Kloeber.

The stores' openings coincided with a recessionary zeitgeist: a flailing economy and high unemployment have brought down commercial rents and made frugality in. Celine Wise, 44, a South Orange resident and former Hoffman LaRoche employee, has been a regular at Unique "since the recession started," she said. "I've never been to a thrift store until I got laid off in 2008." She ignores "gently-used" merchandise in favor of evidently brand-new items, like a bread machine priced at \$14.99.

Mondays bring the faithful out to Unique Thrift locations. The store's weekly "Customer Appreciation Day" means twenty-five percent off all merchandise, and customer traffic doubles. Unique also offers Thursday discounts and occasional 50 percent off sale days that leave store shelves stripped. Among the regulars are Onita Harrison, 69, a nurse from Plainfield, who outfits her home and the four children in her care almost entirely with Unique purchases. Among the items in her cart on a recent Monday was a girl's bathing suit, \$3.99 before her Monday and senior discounts. Jeffrey Whitcomb, 27, a CVS Pharmacy manager from Middlesex, another regular, praised the store's cooking gear and camping supplies and the fact that it keeps goods out of landfills. Joe Kenny, 43, an ironworker from North Plainfield who has lost 70 pounds this year, said he and his wife have relied on the store for clothes as they drop sizes.

"Everything is clean, neat, and labeled," said shopper Anna Abbey, 57, a retired South Bound Brook resident. "It's such a blessing for all of us. You get tired of wearing the same thing all the time, but you can't pay the prices - you can come here."

Closet and basement purgings have brought forth items practical and quirky: bath towels, blue jeans, shop-vacs and jogging strollers share space with vinyl records like John Fitzgerald Kennedy: A Memorial Album – Highlights of Speeches Made by Our Beloved President (99 cents). The curtain racks offer everything from vintage café curtains to Pokemon prints to drapes from JCPenny Home Collection. The clothes aisles are filled with imports recently bought new at nearby big-box retailers, but the shelves abound with vestiges of U.S. manufacturing – dishes from Steubenville Pottery; ribbon from C.M. Offray & Sons in Chester, NJ. Hand-knit afghans and framed embroidery ("A Sister is a Forever Friend") reinforce the store's name and its promise of "distinctive" finds.

Even for shoppers who spend hours in the aisles, however, the store's methods – where it gets the items it sells; how they are priced; and which, if any, charities benefit – are a mystery. "I like coming here, but I wonder how they price their things," said Antoine Tucker, 41, a school bus driver from East Orange. Lynda Jones, 46, of Montclair, has seen two identical items marked different prices; others complain prices have risen or are higher at certain locations.

Apogee said it trains the 8 to 10 pricers who work at each store marking goods with black grease pencils by familiarizing them with other stores' catalogues and advertisements, educating them in brands, materials, and conditions of items, as well as what merchandise would sell for new. Store employees, many of whom earn just above minimum wage and receive health and dental benefits, are forbidden to shop at the Unique branch where they work to avoid conflicts of interest in pricing, CEO Kloeber said.

Unique stores give few clues to the provenance of their vast merchandise. Its website lists only non-specified "charity partners," and the stores make no mention of such affiliation. "I read online it's donations from Lupus, so how did it end up here?" said Lynda Jones. Dennis Moore, 42, a Scotch Plains resident and country club tennis pro who on brings his son to Unique's toy aisle on rainy days, has also wondered. "Is it for charity? I don't know."

In 2009, the Lupus Foundation of America collected 880,000 cubic feet of donated items in New Jersey, enough to fill the concert hall of the Sydney Opera House, according to president and CEO Sandra Raymond. The LFA also works with Apogee in Maryland and Virginia, and the partnership brought the non-profit organization some 700,000 dollars last year, some of which

was distributed as grants to LFA chapters in NJ, she said. Proceeds funded a national research program as well as local services like support groups, Raymond said. The LFA writes the text for mailers and collection bags, and Raymond said she considers the heavy volume part of a campaign to raise public awareness of lupus, an auto-immune disease that affects some 1.5 million Americans. She said the organization spent a year on due diligence before agreeing to a contract with the thrift chain, and spends time each week monitoring the flow of goods and payments to and from Apogee.

Few setting out collection bags stamped with charities' names realize their donations will also aid a massive for-profit enterprise. Founded in March 2007, Apogee Retail is led by Dave Kloeber, a low-profile Minnesota-based businessman who through his holding company runs several dozen corporations, including some that support the operations of Apogee's 29 mega-thrift stores. Among them are a \$3.6-million call center housed in a former Wal-Mart in Nebraska, and Apogee Trucking, whose fleet collects goods in vehicles emblazoned with the logo of the United War Veterans' Council and a phone-number to schedule pick-ups.

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Some on the receiving end of Apogee's massive Garden State phone and mail campaign have gone online seeking more information about the charities involved and with questions about how those in need benefit. In recent weeks, more than a dozen people, several identifying themselves as from New Jersey, posted queries on the website Military-Money-Matters concerning solicitations by the United War Veterans Council. Publisher Janet Pearson, a former Navy attorney who lives in Arizona, said the site's financial education for military families includes keeping tabs on veterans' groups to "help potential donors make informed decisions," and she scours charity watchdogs, Better Business Bureau charity ratings, and non-profits' 990 tax forms to determine what share of donations helps veterans and what goes to for-profit fundraisers.

According to its website, the UWVC "strives to uphold the words of Abraham Lincoln, who urged all Americans to 'care for him who shall have born the battle.'" The group exists to host an annual Veterans' Day parade up Fifth Avenue in New York City at a cost of some \$90,000. The organization's parade chairman promised a response to reporter's questions about the group and its relationship to Apogee, but did not provide one. Pearson has also received no response to her inquiries to the group, including her request for a 990 form, a failure punishable with a \$10,000 fine. One poster to Pearson's website called the UWVC solicitations "misleading." Another wrote: "If all they do is plan an annual parade, then I doubt we'll donate any more items."

Pearson's site also includes analysis of the Vietnam Veterans of America, determining that the group uses 69 percent of its money on fundraising costs. For-profit thrift operations provide

donors with a service, Pearson notes, since most charities lack the resources to do curbside pickups or run a thrift store. More goods are likely donated as a result, she adds. Most veterans' groups that work with professional fundraising organizations argue that "without them, they wouldn't be able to raise the amount of money they get by using them."

But, she continued, "far too much of the money that is intended to assist veterans ends up in the coffers of professional fundraising organizations, and most donors would be appalled."

Mary Cochran, senior vice president for production operations with Goodwill Industries of Greater New York and Northern New Jersey, said Goodwill's store on Route 22 saw an initial dip in customers when Unique's nearby Union Twp location opened, but customers have returned and donations to the store are up, Cochran said. A Salvation Army spokesman said its Route 22 store has also had steady sales with little impact from Unique.

HERE ARE SOME THINGS I THINK STILL NEED FOLLOW-UP

- NEED TO REACH OUT AGAIN FOR RESPONSE FROM APOGEE AND UWVC
- Each store reportedly grosses about \$5 million annually. I tried to do some basic calculations based on some of my own reporting and can't say with any certainty, but my hunch is the NJ stores make (possibly much) more than that.
- I need to find out (if possible) what percentage of the proceeds the charities get (may vary).
- I think it would be helpful to call Daniel Borochoff, president of the American Institute of Philanthropy, to get his take on these charities' fundraising practices
- Ask Apogee CEO why they don't advertise any charity connections on site at the stores
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