

STATE OF WISCONSIN

CIRCUIT COURT

DANE COUNTY

BOARD OF REGENTS OF THE
UNIVERSITY OF WISCONSIN
SYSTEM,
1860 Van Hise Hall
1220 Linden Drive
Madison, WI 53706,

2012 JUL 13 AM 10:48

CIRCUIT COURT
DANE COUNTY, WI

Plaintiff,

v.

Case No. **12CV2775**

ADIDAS AMERICA, INC.,
5055 North Greeley Avenue
Portland, OR 97217,

Declaratory Judgment: 30701

Defendant.

SUMMONS

THE STATE OF WISCONSIN

To each person named above as a defendant:

You are hereby notified that the plaintiff named above has filed a lawsuit or other legal action against you. The Complaint, which is attached, states the nature and basis of the legal action.

Within twenty (20) days of receiving this Summons, you must respond with a written answer, as that term is used in Wis. Stat. ch. 802 to the Complaint. The Court may reject or disregard an answer that does not follow the requirements of the statutes. The answer must be sent or delivered to the Court, whose address is Dane County Courthouse, 215 South Hamilton Street, Madison, Wisconsin 53703, and to plaintiff's attorney, Charlotte Gibson, Assistant Attorney General, whose address is Wisconsin Department of Justice, 17 West Main Street, Madison,

Wisconsin 53703 or Post Office Box 7857, Madison, Wisconsin 53707-7857. You may have an attorney help or represent you.

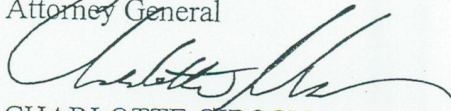
If you do not provide a proper answer within twenty (20) days, the Court may grant judgment against you for the award of money or other legal action requested in the Complaint, and you may lose your right to object to anything that is or may be incorrect in the Complaint. A judgment may be enforced as provided by law. A judgment awarding money may become a lien

against any real estate you own now or in the future, and may also be enforced by garnishment or seizure of property.

Dated this 13th day of July, 2012.

Respectfully submitted,

J.B. VAN HOLLEN
Attorney General



CHARLOTTE GIBSON
Assistant Attorney General
State Bar #1038845

F. MARK BROMLEY
Assistant Attorney General
State Bar #1018353

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COMPLAINT FOR DECLARATORY JUDGMENT

NOW COMES the plaintiff, by its attorneys, Attorney General J.B. Van Hollen and Assistant Attorneys General Charlotte Gibson, F. Mark Bromley, and Daniel P. Lennington, and alleges:

1. This is a declaratory judgment action seeking to establish Adidas America, Inc.'s ("Adidas") obligation under its sponsorship and licensing agreements with the Board of Regents of the University of Wisconsin System ("Board of Regents"), including Adidas's obligation to guarantee legally mandated benefits to the workers who manufacture the goods that bear the mark of the University.
2. Plaintiff Board of Regents is a government agency of the State of Wisconsin under Wis. Stat. ch. 36.

3. Defendant Adidas is a Delaware corporation with its principal place of business shown beneath its name in the caption.
4. This Court has jurisdiction pursuant to Wis. Stat. § 806.04.
5. Under Wis. Stat. § 801.50, venue is proper because the claims asserted arose in Dane County and because Adidas does substantial business in Dane County, as described in paragraph 6.
6. Adidas has substantial, ongoing contacts with the State of Wisconsin, including, without limitation:
 - a. the presence of fulltime representatives of Adidas on the campus of the University of Wisconsin-Madison;
 - b. frequent and sustained visits by Adidas employees and representatives at the University of Wisconsin-Madison;
 - c. provision and delivery of goods by Adidas to the University of Wisconsin-Madison having a wholesale value in excess of \$1.3 million per year through 2016; and
 - d. sideline apparel agreements with University coaches and staff.
7. On November 22, 2010, the Board of Regents and Adidas executed a contract called the Athletic Apparel, Equipment and Sponsorship Agreement (“the Contract”).
8. The Contract requires that Adidas enter into and operate according to a Standard Retail Product Licensing Agreement.
9. The Contract also incorporates Labor Codes of Conduct (“the Codes”) as material terms. The purpose of the Codes is to ensure the socially responsible manufacture of goods

subject to the Contract. The Contract requires Adidas to comply with the requirements of the Codes.

10. The Contract, with its referenced and incorporated exhibits, has been in force since its execution and remains in effect.
11. A dispute has arisen between the parties with respect to the interpretation and application of the Contract.
12. The Contract mandates that Adidas “comply with all applicable legal requirements of the country(ies) of manufacture” and “shall provide legally mandated benefits” to workers where Adidas’s apparel is produced.
13. Under the Contract, Adidas may subcontract with a manufacturer for the production of Licensed Articles, but it remains “fully responsible for ensuring that the Licensed Articles are manufactured in accordance with the License Agreement, including the codes.” Adidas must “ensure that all Manufacturers comply” with the Codes.
14. As part of monitoring compliance with the Contract, the Board of Regents requires that Adidas periodically provide lists of factories producing Adidas goods.
15. Through and including its April 2011 disclosure, Adidas identified PT Kizone, located in Tangerang, Indonesia, as a producer of its collegiate apparel. Adidas also reported PT Kizone as an active supplier factory on Adidas’s website.
16. PT Kizone was a contractor, subcontractor, or manufacturer producing, assembling, or packaging finished licensed articles for the consumer on behalf of Adidas.
17. The Board of Regents has authorized the Worker’s Rights Consortium (“WRC”), a monitoring agency, to monitor compliance with the workers’ rights provisions in the

Contract. Under the Contract, the WRC's determination that a Licensee is in violation of the Codes is an event of default.

18. The WRC investigated conditions at PT Kizone, which assembled apparel for several brands, including Adidas, Nike, and the Dallas Cowboys. The WRC reported its findings in a report dated January 18, 2012.
19. PT Kizone failed to pay workers' severance wages beginning in September 2010 and stopped paying wages altogether on January 5, 2011. PT Kizone also failed to pay death benefits to the families of several workers who died during the time that PT Kizone manufactured products on behalf of Adidas.
20. Indonesia's Act Concerning Manpower of 2003 provides that wages, severance, and death benefits are legally mandated benefits. The Act also requires that employees receive standard terminal compensation if the employee is laid off for economic reasons or if the employer is bankrupt.
21. The Indonesian regional government calculated the amounts owed to 2,686 PT Kizone workers and determined that they were owed \$3.4 million in total compensation.
22. Other apparel manufacturers have contributed toward payment of the compensation that is owed, reducing the balance of the unpaid compensation to \$1.8 million. Adidas has not.
23. Adidas has not disputed that the amounts owed to the PT Kizone workers are legally mandated benefits under Indonesian law and were properly calculated.
24. The Board of Regents asserts that the Contract obligates Adidas to pay the legally mandated benefits owed the PT Kizone workers.

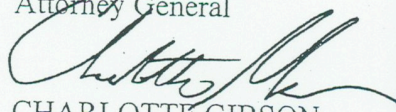
25. Adidas has asserted that the Contract does not require it to guarantee the unpaid benefits.
26. As required by the Contract, the parties attempted to mediate the issue that gives rise to this proceeding, but mediation failed to resolve the matter.
27. A judgment or decree in this action will remove the uncertainty as to the Contract that gives rise to this proceeding, and will facilitate the preservation of the parties' contractual relationship.

WHEREFORE, the Board of Regents asks this Court to declare that the Contract obligates Adidas to guarantee the legally mandated benefits owed to the PT Kizone workers.

Dated this 3rd day of July, 2012.

Respectfully submitted,

J.B. VAN HOLLEN
Attorney General



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Assistant Attorney General
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