

March 4, 2021

**ATTORNEY GENERAL RAOUL ANNOUNCES SETTLEMENT IN MASSIVE CHARITY FRAUD
TELEFUNDING OPERATION**

***Defendants Made More Than 1.3 Billion Deceptive Fundraising Calls that Bilked More Than \$110
Million from Donors***

Chicago — Attorney General Kwame Raoul and the Federal Trade Commission, along with regulators from 38 states and the District of Columbia, today announced a settlement with 13 defendants over a national charitable fundraising operation that bombarded 67 million individuals across the country with approximately 1.3 billion deceptive fundraising calls, most of which were illegal robocalls. Raoul and the coalition allege the defendants collected more than \$110 million that did not go toward the charitable programs and services donors believed they were supporting.

Raoul's office was part of the negotiating committee that reached the settlement with Michigan-based professional fundraiser Associated Community Services (ACS) and its sister companies, Central Processing Services and Community Services Appeal; the companies' owners, Dick Cole, Bill Burland, Barbara Cole and Amy Burland; and ACS' senior managers Nikole Gilstorf, Tony Lia, John Lucidi and Scot Stepek (ACS defendants). The settlement also includes two other related fundraising companies, Directele and The Dale Corporation, allegedly operated by Gilstorf and Lia as ACS spin-off companies (Directele defendants).

"The defendants did more than bombard Illinois residents with tens of millions of fundraising calls – they did so using illegal robocalls and harassment. On top of that, they kept much of the money people donated to support important charitable causes," Raoul said. "I am proud to have partnered with the FTC and bipartisan coalition to hold the defendants accountable and end their fraudulent practices."

"Deceptive charitable fundraising can be big business for scammers, especially when they use illegal robocalls," said Daniel Kaufman, acting director of the FTC's Bureau of Consumer Protection. "The FTC and our state partners are prepared to hold fraudsters accountable when they target generous consumers with lies."

Raoul and the coalition filed the settlement with the complaint in the U.S. District Court for the Eastern District of Michigan alleging that since at least 2008, the defendants made deceptive high-pressure fundraising pitches on behalf of numerous organizations, including those claiming to support homeless veterans, victims of house fires, breast cancer patients and children with autism. The defendants allegedly were aware that the organizations for which they raised funds spent little or no money on the charitable causes they claimed to support – in some cases as little as one-tenth of 1%. Instead, the defendants allegedly kept as much as 90 cents of every dollar they solicited. Additionally, Raoul and the coalition allege ACS made harassing calls, calling more than 1.3 million phone numbers more than 10 times in a single week and 7.8 million numbers more than twice in an hour. More than 500 phone numbers were even called 5,000 times or more.

The complaint also alleges that in many instances ACS, and later Directele, knowingly violated the Telemarketing Sales Rule (TSR) by making telemarketing calls using soundboard technology, which allows an operator to play pre-recorded messages instead of speaking to call recipients. The TSR prohibits the use of such technology in all calls to first-time donors and in calls to prior donors unless call recipients are given the ability to opt out of all future calls. Raoul and the coalition allege the defendants did not make that disclosure. Most of Directele's soundboard calls originated from call centers in the Philippines and India.

The complaint alleges the defendants made approximately 53 million fundraising calls to Illinois residents and violated Illinois' laws governing charities, the FTC Act, the TSR, and numerous other laws in other states.

The settlement permanently prohibits the ACS defendants from conducting or consulting on any fundraising activities and from conducting telemarketing of any kind. In addition, the ACS defendants will be prohibited from using any existing donor lists and from further violations of state charitable giving laws, as well as from making misrepresentations about a product or service. The ACS defendants will also each be subject to a \$110,063,843 monetary judgment.

Additionally, the settlement requires Directele and The Dale Corporation to cease operations and dissolve. The remaining Directele defendants are each permanently prohibited from fundraising or consulting on behalf of any charitable or nonprofit organizations similar to those described in the complaint. They also are permanently prohibited from using robocalls to conduct any form of telemarketing, using abusive calling practices, or making misrepresentations about a product or service. In addition, all of the Directele defendants are subject to a monetary judgment of \$1.6 million, and Directele's operators, defendants Gilstorf and Lia, are also subject to a monetary judgment of \$110,063,843.

The funds being surrendered by the defendants will be paid to an escrow fund held by the state of Florida and, following a motion by the participating states and approval by the court, be contributed to one or more legitimate charities that support causes similar to those for which the defendants solicited.

Bureau Chief Barry Goldberg and Deputy Bureau Chief Kristin Louis handled the case for Raoul's Charitable Trust Bureau.