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Attorney General Steve Marshall Joins National Coalition to Shut Down Massive Charity Fraud Telefunding Operation

*Defendants placed more than 1.3 billion deceptive fundraising calls—most illegal
robocalls— claiming to support veterans, children, firefighters*

(MONTGOMERY) – Attorney General Steve Marshall, along with the Federal Trade Commission and 46 agencies from 38 states and the District of Columbia, has stopped a massive telefunding operation that bombarded 67 million consumers with 1.3 billion deceptive charitable fundraising calls, which were mostly illegal robocalls. The defendants collected more than \$110 million using their deceptive solicitations.

Associated Community Services (ACS) and a number of related defendants have agreed to settle charges by the FTC and state agencies that they duped generous Americans into donating to charities that failed to provide the services they promised. The agencies filed a complaint that names ACS and its sister companies Central Processing Services and Community Services Appeal; their owners, Dick Cole, Bill Burland, Barbara Cole and Amy Burland; and ACS senior managers Nikole Gilstorf, Tony Lia, John Lucidi and Scot Stepek. In addition, the complaint names two fundraising companies allegedly operated by Gilstorf and Lia as spin-offs of ACS, Directele and The Dale Corporation.

“It is reprehensible that these defendants preyed upon the generosity of good people who donated their hard-earned money, thinking it would benefit homeless veterans, victims of house fires, breast cancer patients, children with autism, and other worthy causes,” said Attorney General Marshall. “In actuality, only a pittance went to those needs, and the overwhelming bulk of contributions lined the pockets of these unscrupulous solicitors.”

“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.”

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According to the complaint, the defendants knew that the organizations for which they were fundraising spent little or no money on the charitable causes they claimed to support—in some cases as little as one-tenth of one percent. The defendants kept as much as 90 cents of every dollar they solicited from generous donors on behalf of the charities.

The complaint alleges that the defendants made their deceptive pitches since at least 2008 on behalf of numerous organizations that claimed to support homeless veterans, victims of house fires, breast cancer patients, children with autism, and other causes that well-meaning Americans were enticed to support through the defendants' high-pressure tactics. ACS was also the major fundraiser for the sham Cancer Fund charities that the FTC and states shut down in 2015.

In many instances, the complaint alleges, ACS and later its spin-off Directele knowingly violated the FTC's Telemarketing Sales Rule (TSR) by using soundboard technology in telemarketing calls. With that technology, an operator plays pre-recorded messages to consumers instead of speaking with them naturally. Use of such pre-recorded messages in calls to first time donors violates the TSR. Use of the technology in calls to prior donors also violates the TSR unless call recipients are affirmatively told about their ability to opt out of all future calls and provided a mechanism to do so; the defendants did not make that disclosure. Most of Directele's soundboard calls originated from call centers in the Philippines and India.

The complaint also charges ACS with making harassing calls, noting that ACS called 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 ACS defendants were the subject of 20 prior law enforcement actions for their fundraising practices. The ACS defendants stopped operating in September 2019. Gilstorf purchased Directele and Dale Corp in October 2019 and, with Lia, the Directele defendants allegedly continued the deceptive fundraising and illegal telemarketing practices. The complaint alleges the defendants violated Alabama's Deceptive Trade Practices Act, the FTC Act, the TSR and numerous other state laws.

The terms of the settlements with the defendants, which are now pending court approval, are as follows:

Associated Community Services Defendants

Each of these defendants will be permanently prohibited from conducting or consulting on any fundraising activities and from conducting telemarketing of any kind to sell goods or

services. In addition, they will be prohibited from using any existing donor lists and from further violations of state charitable giving laws, as well as from making any misrepresentation about a product or service. The defendants will be also be subject to the following monetary judgments:

- Associated Community Services Inc.; Community Services Inc.; Central Processing Services Inc.; and Richard “Dick” Cole are subject to a monetary judgment of \$110,063,843, which is suspended due to an inability to pay.
- Community Services Appeal Inc. and Barbara Cole are subject to a monetary judgment of \$110,063,843, which is partially suspended due to an inability to pay. Barbara Cole also will be required to turn over the proceeds of the sale of a vacation home in Michigan.
- Robert W. “Bill” Burland and Amy J. Burland are subject to a monetary judgment of \$110,063,843, which is partially suspended due to an inability to pay. Amy Burland will be required to turn over \$450,000.

Directele Defendants and ACS Senior Managers Scot Stepek and John Lucidi

Each of these defendants will be permanently prohibited from any fundraising work or consulting on behalf of any charitable organization or any nonprofit organization that claims to work on behalf of causes similar to those outlined in the complaint. They will also be prohibited from using robocalls for any form of telemarketing, using abusive calling practices, or making any misrepresentation about a product or service. In addition, the defendants will be required to clearly and conspicuously disclose when a donation they are requesting is not tax deductible.

In addition, the two corporate defendants – Directele Inc. and The Dale Corporation – will be required to cease operations and dissolve.

The defendants will also be subject to the following monetary judgments:

- Scot Stepek will be subject to a monetary judgment of \$110,063,843, which is partially suspended due to an inability to pay. Stepek will be required to sell a ski boat in his possession and turn over the net proceeds from the sale.
- Directele Inc., The Dale Corporation, Nikole Gilstorf and Antonio Lia will be subject to a monetary judgment of \$1.6 million. Gilstorf and Lia also will be subject to a judgment of \$110,063,843. The judgments are partially suspended due to an inability to pay. Gilstorf and Lia will each be required to turn over \$10,000.
- John Lucidi will be subject to a judgment of \$110,063,843, which is partially suspended due to an inability to pay. He will be required to turn over \$25,000.

Other state agencies joining in the case with the Alabama Attorney General and the FTC include the attorneys general of California, Colorado, Connecticut, Delaware, the District of Columbia, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin and Wyoming; the secretaries of state of Colorado, Georgia, Maryland, North Carolina and Tennessee; the Florida Department of Agriculture and Consumer Services, and the Utah Division of Consumer Protection.

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.

The case was filed in the U.S. District Court for the Eastern District of Michigan.

*FTC contact for consumers to report fraud: [FTC Consumer Response Center](https://reportfraud.ftc.gov/#)
(<https://reportfraud.ftc.gov/#>)*

FTC contact for news media: Jay Mayfield, FTC Office of Public Affairs, 202-326-2656