



FEDERAL TRADE COMMISSION  
PROTECTING AMERICA'S CONSUMERS

For Release

# FTC, 38 States, and D.C. Act to Shut Down Massive Charity Fraud Telefunding Operation

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

March 4, 2021 |   

**Tags:** [Consumer Protection](#) | [Regional Offices](#) | [Northwest Region](#) | [Bureau of Consumer Protection](#) | [Charity](#) | [robocalls](#) | [deceptive/misleading conduct](#) | [Advertising and Marketing](#) | [Telemarketing](#)

The Federal Trade Commission, along with 46 agencies from 38 states and D.C., has stopped a massive telefunding operation that bombarded 67 million consumers with 1.3 billion deceptive charitable fundraising calls (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 complaint 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.

"Deceptive 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."

"Robocall technology such as soundboards allows users to reach a significant target population, and when utilized for deceptive or misleading practices – especially in charitable solicitations, it unfortunately means a significant number of potential victims," said Michigan Attorney General Dana Nessel. "We must take swift action to hold accountable those who are unlawfully using this technology to serve their own agendas and preying on unsuspecting, hardworking people. As these strong settlements show, Michigan remains an engaged leader in the national effort to combat illegal robocalls and fraudulent charitable solicitations, and we are grateful for the partnership and support from the FTC, the state attorneys general and others in addressing this increasingly important issue."

"The number of deceptive robocalls made by this operation is truly shocking," said Florida Attorney General Ashley Moody. "For these defendants to automate billions of calls on behalf of charities only to line their own pockets is utterly disgraceful. I am proud to partner with the FTC and other state agencies to shut down this deceitful operation that harassed millions of Americans across the country, including many here in Florida."

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 were shut down by the FTC and states](#) in 2015.

In many instances, the complaint alleges, ACS and later Directele knowingly violated the 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 ten 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 The Dale Corporation in October 2019 and, with Lia, the Directele defendants allegedly continued the deceptive fundraising and illegal telemarketing practices. The complaint alleges the defendants violated the FTC Act, the TSR, and numerous 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 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.

The state agencies joining in the case with the FTC include the attorneys general of Alabama, 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; and 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 FTC has more information for consumers about charitable giving, including tips on how to spot sham charities at <https://ftc.gov/charity>. In addition, consumers are encouraged to let the FTC know about charity fraud, robocalls, and other consumer issues at <https://reportfraud.ftc.gov>.

The Commission vote authorizing the staff to file the complaint and stipulated final orders was 5-0. The FTC filed the complaint and final orders in the U.S. District Court for the Eastern District of Michigan.

The Federal Trade Commission works to promote competition and [protect and educate consumers](#). The FTC will never demand money, make threats, tell you to transfer money, or promise you a prize. Learn more about consumer topics at [consumer.ftc.gov](https://consumer.ftc.gov), or report fraud, scams, and bad business practices at [ReportFraud.ftc.gov](https://ReportFraud.ftc.gov). Follow the [FTC on social media](#), read [consumer alerts](#) and the [business blog](#), and [sign up to get the latest FTC news and alerts](#).

## Contact Information

---

### Contact for Consumers

FTC Consumer Response Center  
<https://reportfraud.ftc.gov>

### Media Contact

[Jay Mayfield](#)  
Office of Public Affairs  
202-326-2656

### Staff Contact

Tracy Thorleifson  
FTC Northwest Region  
206-220-4481