



Herbert H. Slatery III Attorney General & Reporter

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AG SLATERY AND THE SECRETARY OF STATE'S OFFICE HALT FRAUDULENT CHARITY TELEFUNDING OPERATION IN MULTISTATE ACTION WITH FTC

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

Nashville- Attorney General Herbert H. Slatery III, the Secretary of State's office, along with the Federal Trade Commission and multiple state agencies, has stopped a massive fundraising operation that collected more than \$110 million through deceptive robocalls.

Associated Community Services (ACS) and a number of related defendants have agreed to settle charges by the FTC and state agencies. 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.

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 90 cents of every dollar they solicited on behalf of the charities.

"The defendants used illegal robocalls to take advantage of the generosity of Tennesseans," said General Slatery. "We appreciate the opportunity to work together with our Secretary of State, multiple other state agencies and the FTC to put a stop to it."

"This type of fraud will not be tolerated in our state or anywhere else," Secretary of State Tre Hargett said. "This settlement is about protecting Tennesseans from people or organizations determined to scam them out of their hard-earned dollars intended to help others in need."

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. 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. With that technology, an operator plays pre-recorded messages to consumers. Using pre-recorded messages in calls to first time donors violates the TSR.



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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 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 terms of the settlements, which are not pending court approval, include the following:

Associated Community Services Defendants

Defendants are prohibited from fundraising and telemarketing and are 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

Defendants are prohibited from fundraising and consulting on behalf of any charitable or non-profit 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.

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



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\$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 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, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, and Wyoming; the secretaries of state of Colorado, Georgia, Maryland, and North Carolina; and the Florida Department of Agriculture and Consumer Services and the Utah Division of Consumer Protection.

The funds being surrendered 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.

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