DEPARTMENT OF THE ATTORNEY GENERAL

News Release

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"OPERATION FALSE CHARITY" LAW ENFORCEMENT SWEEP

HONOLULU – In a nationwide, federal-state joint crackdown on fraudulent charitable solicitors and charities claiming to help police, firefighters, and veterans, Attorney General Mark Bennett today joined the Federal Trade Commission (FTC) and 60 other attorneys general, secretaries of state, and other law enforcers in 48 states and the District of Columbia in "Operation False Charity." The federal and state enforcers together announced 76 law enforcement actions against fundraising companies, nonprofits, and individuals nationwide. The FTC also released new education materials to help consumers recognize and avoid charitable solicitation fraud.

The Department of the Attorney General participated in Operation False Charity by joining at least 35 other states in reaching a settlement with professional solicitor/telemarketer Community Support, Inc. (CSI). CSI, which is based in Milwaukee, Wisconsin, solicits funds from consumers in Hawai`i and almost every other state on behalf of more than 35 charitable clients. In general, CSI kept no less than 83 percent of all money it collected on behalf of the charities, and in many contracts CSI kept 90 percent of the money, leaving only 10 percent for the charity.

The Department of the Attorney General alleged that CSI had a pattern of consistently violating Hawai`i laws over many years. The complaint alleged that CSI often (1) misrepresented how much of the funds actually go to the charity, (2) misrepresented what would be spent in the call recipient's local community, (3) harassed call recipients, (4) its callers falsely claimed to be law enforcement or veterans, and (5) falsely claimed a person had made a pledge when the person had not done so.

In a stipulated judgment under the settlement, CSI has agreed to cease every illegal and objectionable tactic discovered in the multi-state investigation and in the complaints received by the participating states. In addition, CSI has agreed to regularly report information to the states and be more responsible for its employees' training, conduct, and representations made to consumers. Violations of the settlement may result in penalties of $10,000 per violation. CSI has also agreed to reimburse the states $200,000 for the costs of the investigation.

"Donors want to be sure their contributions benefit the causes they support, but unfortunately some false charities and telemarketers try to take advantage of consumers' goodwill and generosity," Attorney General Mark Bennett said. "We encourage donors to make informed decisions about their charitable giving, and we will continue to vigorously enforce the laws that help protect consumers."

The Department of the Attorney General also participated in Operation False Charity by taking enforcement action against two professional solicitors, MJ888M Productions, Inc. and LJM Productions, which conducted telemarketing in Hawai`i on behalf of Children's Cancer Assistance Network, Disabled Firefighters Foundation, Most Wanted Law Enforcement Organization, and Regular American Veterans. Financial reports filed by the solicitors indicate that the charities received between 16 and 20 percent of all donations collected by the solicitors, and that donations to Most Wanted Law Enforcement Organization were not tax deductible. Violations by the solicitors included hiring convicted felons to solicit funds, aiding and abetting in the unregistered solicitation of funds, failing to make required disclosures to donors, and failing to deposit funds in a bank account controlled by the charitable organizations. LJM Productions admitted to violations of Hawai`i's charitable solicitation law. MJ888M Productions, Inc. was found in violation of the law after exhausting administrative appeals.

The FTC cases announced today involve several defendants who allegedly tricked consumers into giving by claiming they were affiliated with law enforcement or veterans groups or misleading consumers about how much of the money would go to those groups. According to the FTC, the defendants used legitimate sounding names to give their sham organizations a veneer of credibility. Their real goal, however, was to trick consumers into contributing money that the defendants used overwhelmingly just to support themselves and their fundraisers. Information about the FTC cases is available at www.ftc.gov/opa/2009/05/charityfraud.shtm.

The FTC today issued a consumer alert providing tips about charities that solicit donations on behalf of veterans and military families. According to the alert, which is available at www.ftc.gov/charityfraud, while many legitimate charities solicit donations to support the nation's military veterans, not all "charities" are legitimate. Some are operators whose only purpose is to make money for themselves. Others are paid fundraisers whose fees use up most of the donations.

The new alert, "Supporting the Troops: When Charities Solicit Donations on Behalf of Vets and Military Families," offers the following tips to help consumers ensure that their donations go to a legitimate charity. Many of these tips apply to other charitable giving as well.

- Recognize that the words "veterans" or "military families" in an organization's name do not necessarily mean that veterans or the families of active-duty personnel will benefit from your donation.

- Donate to charities with a track record and a history. Charities that spring up overnight may disappear just as quickly.

- If you have any doubt about whether you have made a pledge or a contribution, check your records. If you do not remember making the donation or pledge, resist the pressure to give.

- Check out an organization before donating. Some phony charities use names, seals and logos that look or sound like those of respected, legitimate organizations.

- Call the office that regulates charitable organizations in your state (in Hawai`i, the Department of the Attorney General) to see whether the charity or fundraising organization is required to register in your state.

- Do not send or give cash donations. For security and tax record purposes, it is best to pay by check made payable to the charity.

- Ask for a receipt showing the amount of your contribution.

- Be wary of promises of guaranteed sweepstakes winnings in exchange for a contribution. You never have to give a donation to be eligible to win a sweepstakes.

Some of the sites where consumers can check out a charity include:

- Hawai`i charity registry: ag.ehawaii.gov/charity

- Hawai`i Attorney General's charity resources site: hawaii.gov/ag/charities (View financial reports filed by professional solicitors who telemarket or send direct mail on behalf of charitable organizations.)

- American Institute of Philanthropy: www.charitywatch.org

- Better Business Bureau Wise Giving Alliance: www.bbb.us/charity

- CharityNavigator: www.charitynavigator.org

- Federal Trade Commission: www.ftc.goc/charity/fraud

- Guidestar: www.guidestar.org

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