

Cancer Fund of America

Opening Statement by Jessica Rich

Thank you Peter, and welcome to everyone in the room and on the phones. I am honored to be joined by Virginia Attorney General Mark Herring, South Carolina Secretary of State Mark Hammond, and the District of Columbia's Chief Deputy Attorney General Natalie Ludaway.

Today the Federal Trade Commission and 58 law enforcement partners—representing every state and the District of Columbia—are announcing a joint law enforcement action against four sham cancer charities and their principals. This is an historic moment -- the first time that the federal government and the state charity regulators have joined together to present a united front against charity fraud.

Named in our complaint are Cancer Fund of America, Inc. (CFA) and Cancer Support Services (CSS), the president of both organizations, James Reynolds, Sr., and the former chief financial officer of both organizations, Kyle Effler; Children's Cancer Fund

of America Inc. (CCFOA), and its president and executive director, Rose Perkins; and The Breast Cancer Society Inc. (BCS) and its executive director, James Reynolds II.

American consumers are generous, giving, and eager to support a worthy cause—helping cancer patients is just such a cause. Cancer is a debilitating disease that affects millions of Americans and their families every year. In response to the defendants’ requests for funds to help cancer patients, caring consumers contributed a combined total of more than 187 million dollars to the defendants.

Prospective donors were told their contributions would directly help cancer patients, including children with cancer and women suffering from breast cancer. Our complaint alleges defendants falsely portrayed themselves as legitimate charities with substantial programs that provided direct support to cancer patients throughout the United States, and falsely promised to provide patients with pain medication, transportation to chemotherapy, and hospice care, among other things. Defendants

solicited contributions through direct mail, websites, and in phone calls such as this one, made on behalf of defendant Children's Cancer Fund: **[Play recording of telephone call]. [NEED TRANSCRIPT.]**

Those were outright lies. Donations to Childrens Cancer Fund NEVER paid for hospice care for sick children or supplied suffering cancer patients with pain medication. The company did send a small number of families of children with cancer a small amount of money. In 2012, they spent just 0.71% or \$45,000 of consumer's donations doing that. CCFOA paid defendant Rose Perkins \$231,672 that same year.

Instead of supporting patients battling the ravages of cancer, the overwhelming majority of donations benefitted the individual defendants, their families and friends, and the fundraisers hired to solicit contributions. Defendants spent consumer donations on cars, vacations, cruises, college tuition, gym memberships, jet ski outings, sporting event and concert tickets, and dating site memberships, among other things. In addition, the fundraisers

they hired typically received 85% or more of every donation. Consequently, millions of dollars intended for cancer patients never reached the patients, depriving legitimate cancer charities and cancer patients of much-needed funds and support.

As if that weren't enough, we allege that the defendants concocted more lies to hide their high administrative and fundraising costs. In an accounting ruse, they falsely reported receiving and distributing to international recipients more than \$223 million in donated gifts in kind (GIK). In fact, they did not own or direct distribution of these goods. But by claiming the monetary value of international GIK programs, defendants created the illusion that they were both larger and more efficient with donors' dollars than they actually were.

Defendants' conduct triggered the historic law enforcement partnership behind the joint investigation and federal court complaint we are announcing today. This enforcement partnership includes 48 state Attorneys General, 8 Secretaries of State, the District of Columbia Attorney General, and the FTC. In addition

to our complaint, we have jointly filed proposed court settlements with two of the defendant charities, Children's Cancer Fund and Breast Cancer Society, and with Mr. Effler, Ms. Perkins, and Mr. Reynolds II. Under these proposed settlements, the charities will be dissolved and Effler, Perkins and Reynolds II are banned from charitable fundraising, charity management, and oversight of charitable assets.

Not surprisingly, given defendants' fundraising costs and pattern of spending, there's little money remaining in the settling defendants' accounts to remedy this alleged misconduct.

However, our state partners do have the authority under their laws and the settlements to distribute the funds we have obtained to legitimate charities.

CFA, CSS and James Reynolds Sr. are not settling and our case against them will continue in litigation.

Before turning the podium over to Attorney General Herring and Secretary of State Hammond, I want to recognize **other**

partners and representatives who are here with us today:

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Attorney General Herring

Thank you.

Secretary of State Hammond

Thank you.

We are pleased to take your questions. Joining us at the podium will be FTC attorney Tracy Thorleifson, who is from the FTC's Seattle office. Tracy is the lead attorney for the FTC in this matter and was instrumental, with much help from her state colleagues, in coordinating the law enforcement partnership that investigated and filed today's action.