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For More Information, contact:

Mike Lewis (334) 353-2199

Joy Patterson (334) 242-7491

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**AG STRANGE ANNOUNCES THAT ALL 50 STATES, D.C, AND FTC  
CHARGE SHAM CANCER CHARITIES WITH BILKING \$187 MILLION**

***Settlements with Two Corporations and Three Individuals Net Judgments  
of Nearly \$137 Million, Litigation Proceeds Against Others***

(MONTGOMERY) – Attorney General Luther Strange, together with state law enforcement partners in every other state in the nation, the District of Columbia, and the Federal Trade Commission, have jointly filed a federal civil lawsuit against four phony cancer charities and their operators. The defendants allegedly scammed more than \$187 million from consumers throughout the country.

The joint complaint alleges that the defendants portrayed themselves to donors as legitimate charities with substantial nationwide programs whose primary purposes were to provide direct support to cancer patients, children with cancer, and breast cancer patients in the United States. In fact, the overwhelming majority of consumers' contributions benefitted only the perpetrators, their families and friends, and professional fundraisers, who often received 85 percent or more of every donation.

The Attorneys General charge that consumers' donations were wasted and misused, cancer victims were not helped, and the representations that defendants were legitimate charities were false. Among other things, defendants or their telemarketers often told donors that their contributions would be used to provide pain medication to children suffering from cancer, transport cancer patients to chemotherapy appointments, or pay for hospice care for cancer patients.

"The claims defendants made to consumers were lies. Quite simply, they did not operate programs that provided these services," said Attorney General Strange. "I am pleased that this action presents a united front to combat this shameful charity fraud. Working together, we have stopped these deceptive solicitations throughout Alabama and all states in the nation, which falsely claimed to help children with cancer and breast cancer patients. Litigation continues against Cancer Fund of America to end its despicable practices as well."

The federal court complaint names Cancer Fund of America Inc., Cancer Support Services Inc., and the president of these two corporations, James Reynolds Sr.; as well as the CFO of both and the former president of Cancer Support Services, Kyle Effler; Children's Cancer Fund of America Inc., and its president and executive director, Rose Perkins; and The Breast Cancer Society Inc., and its executive director and former president, James Reynolds II.

Specifically, the complaint alleges that the organizations were sham charities, "operated as personal fiefdoms characterized by rampant nepotism, flagrant conflicts of interest, and excessive insider compensation, with none of the financial and governance controls that any *bona fide* charity would have adopted." The individual defendants allegedly hired family members and friends,

501 Washington Avenue • Montgomery, AL 36104 • (334) 242-7300

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whether qualified or not, and used the organizations to provide them with steady, lucrative employment. The sham charities spent more money on salaries than on the goods and services they provided to cancer patients.

The complaint also alleges that the defendants spent donations on things like cruises, jet ski outings, concert tickets and dating site memberships – actions made possible by corporate boards who rubber-stamped the decisions of the individual defendants. The complaint alleges that in order to hide their high administrative and fundraising costs from donors and regulators, Cancer Fund, Children’s Cancer Fund and Breast Cancer Society wrongly reported certain gifts-in kind (GIK) as donated revenue and program services in their financial statements. By doing so, these defendants created the illusion that they were much larger and much more efficient with donors’ dollars than they actually were.

In the eight-count complaint, the FTC and all the plaintiff states charged the defendants with misrepresenting that contributions would be used for charitable purposes, misrepresenting specific program benefits, misrepresenting revenue and program expenses related to international gifts-in kind (GIK), and misrepresenting that the primary focus of their reported programs was to provide direct assistance to individuals in the U.S. Thirty-six states also charged defendants with making false and misleading filings with state charities regulators. The FTC and 36 states charged Cancer Fund, Children’s Cancer Fund and the Breast Cancer Society with providing their professional fundraisers with deceptive fundraising materials. And the FTC and the plaintiff Attorneys General charged defendants with violating the FTC’s Telemarketing Sales Rule (TSR).

In settlements filed along with the complaint, five defendants agreed to leave the charity business and to stop fundraising. Children’s Cancer Fund of America and Rose Perkins agreed to entry of a judgment for \$30,079,821, the amount that consumers donated to Children’s Cancer Fund between 2008 and 2012. The judgment against Children’s Cancer Fund will be partially satisfied by payment of the proceeds of the liquidation of all its assets by a receiver. Perkins will be banned from fundraising, from managing a charity, and from oversight of charitable assets.

Breast Cancer Society agreed to entry of a judgment for \$65,564,360, the amount consumers donated to it between 2008 and 2012. Breast Cancer Society also agreed to the appointment of a liquidating receiver who will close its operations and dissolve its corporate existence. Reynolds II will be banned from fundraising, from managing a charity, and from oversight of charitable assets. Finally, Kyle Effler agreed to entry of a \$41,152,231 judgment, the amount that consumers donated to Cancer Support Services between 2008 and 2012. Effler will be banned from fundraising, from managing a charity, and from oversight of charitable assets.

“These aggressive enforcement actions are necessary to protect consumers, so that they may have confidence in donating to true and worthy charities,” said Attorney General Strange. “This case is a sad example, however, of how important it is to be aware of where your contributions are going and to research to ensure the integrity of charities.”

The action was filed in the U.S. District Court for the District of Arizona. The settlement agreements will not be final until approved by the Court. Litigation will proceed against Cancer Fund of America, Cancer Support Services, and James Reynolds Sr.