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COMMONWEALTH OF PENNSYLVANIA DEPARTMENT OF STATE

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BEFORE THE SECRETARY OF THE COMMONWEALTH

Commonwealth of Pennsylvania,

Bureau of Charitable Organizations

Docket No.

0007-98-03

vs.

File Nos.

03-98-11034 03-98-11039

Save A Child Foundation and

TeleService U.S.A.,

Respondents

:

CONSENT AGREEMENT AND ORDER

The Commonwealth of Pennsylvania, Bureau of Charitable Organizations ("Bureau") and Respondents, Save A Child Foundation ("Save A Child") and TeleService U.S.A. ("TeleService") stipulate as follows in settlement of the above-captioned case.

JURISDICTION

- 1. This matter is before the Secretary of the Commonwealth ("Secretary") pursuant to the Solicitation of Funds for Charitable Purposes Act, Act of December 19, 1990, P.L. 1200, No. 202, as amended ("Act"), 10 P.S. §§162.1-162.24.
- 2. At all relevant and material times, Save A Child was registered with the Bureau as a charitable organization, registration number 28137.
- 3. At all relevant and material times, TeleService was registered as a professional solicitor, registration number 28969.

STIPULATED FACTS - SAVE A CHILD AND TELESERVICE

4. Save A Child and TeleService admit that the following allegations are true:

- a. Save A Child's last known business address on file with the Department of State is 5154 Miller Road, Suite D, Flint, MI 48507.
- b. Bernhardt "Bud" "B.D." Christenson ("Christenson") serves as the Chief Executive Officer, President and Executive Director of Save A Child.
- c. TeleService's last known business address on file with the Department of State, is 100 N. Crooks, Suite 102, Clawson, MI 48017.
- d. Thomas Cahillane ("Cahillane") serves as the President of TeleService.
- e. On or about March 30, 2000, Save A Child and TeleService entered into an agreement for fundraising services to be provided by TeleService on behalf of Save A Child. The term of the contract was April 1, 2000, until March 31, 2001.
- f. By Addendums executed by Save A Child and TeleService, the term of the contract was extended to March 31, 2003.
- g. On December 2, 2002, TeleService filed its initial registration statement with the Bureau.
- h. On December 24, 2002, TeleService filed with the Bureau its Solicitation Notice, Bureau Form BCO-170, which stated, among other things, that TeleService would be soliciting charitable contributions in the Commonwealth on behalf of Save A Child for the period of January 7, 2003, to March 31, 2003.
- i. On December 24, 2002, TeleService filed with the Bureau, copies of the March 30, 2000, Agreement, the addendums extending the terms to March 31, 2003, and a Contract Addendum dated December 17, 2002, which provided, among

other things, that TeleService would be soliciting in the Commonwealth on behalf of Save A Child for the period of January 7, 2003, to March 31, 2003.

- j. Solicitation activity commenced in early January, 2003, by TeleService on behalf of Save A Child within the Commonwealth of Pennsylvania.
- k. The Contract and all addendums between TeleService and Save A Child expired on March 31, 2003.
- 1. As of April 1, 2003, TeleService did not have an approved contract on file with the Bureau to solicit charitable contributions on behalf of Save A Child.
- m. On June 13, 2003, TeleService filed with the Bureau an Amendment to the March 30, 2000, contract, dated March 14, 2003, which purported to extend the contract term to March 31, 2004.
- n. The March 14, 2003, Amendment was rejected by the Bureau on June 27, 2003.
- o. On July 24, 2003, a Contract Addendum dated July 16, 2003, was submitted to the Bureau.
- p. The July 16, 2003, Contract Addendum provided that TeleService would not begin soliciting charitable contributions on behalf of Save A Child until July 28, 2003.
- q. On August 7, 2003, the July 16, 2003, Contract Addendum was rejected by the Bureau.
- r. On September 17, 2003, TeleService and Save A Child executed a Contract Addendum which documented that solicitation activity commenced on

April 1, 2003, within the Commonwealth of Pennsylvania by TeleService on behalf of Save A Child, and that the solicitation activity and contract between those parties will terminate on March 31, 2004.

- s. Commencing on or about January 2003, TeleService contacted numerous individuals in the Commonwealth of Pennsylvania by telephone for the purpose of attempting to raise charitable contributions on behalf of Save A Child.
- t. From April 1, 2003, through September 17, 2003, TeleService did not have a valid approved contract on file with the Bureau.
- u. TeleService and Save A Child solicited charitable contributions within the Commonwealth from April 1, 2003, forward.
- v. On or about, June 9, 2003, the Bureau sent an investigative subpoena to TeleService.
- w. A member of Copilevitz & Canter, LLC, who is Counsel for TeleService, engaged in numerous telephone discussions with Counsel for the Bureau to further refine the scope of the subpoena. The scope of the subpoena was refined to a request for information relating to all telephone solicitations made in the Commonwealth of Pennsylvania by TeleService on behalf of Save A Child that resulted in a recipient of a telephone solicitation agreeing to make a pledge. The dates covered by the subpoena were limited to telephone solicitations from January 17 through January 21, 2003; February 5 through February 7, 2003; February 10 through February 12, 2003; and, April 20 through May 15, 2003.

- x. On or about August 27, 2003, Copilevitz & Canter, LLC, produced, via Federal Express, a list of persons solicited that was represented to be responsive to the subpoena.
- y. An analysis of that list disclosed that from April 20, 2003, through May 15, 2003, at least 2,368 telephone solicitations were made in the Commonwealth of Pennsylvania by TeleService on behalf of Save A Child, during the time period in which there was no valid and approved contract in place.
- z. As a result of those 2,368 telephone solicitation calls, Pennsylvania residents pledged \$51,435.00 or an average of \$21.72 per pledge.
- aa. TeleService made these 2,368 telephone solicitation calls, and countless others from April 1, 2003, forward, without having a valid and approved contract in place.
- bb. Save A Child was required to establish and exercise control over the fundraising activities of its agent, TeleService, during these 2,368 telephone solicitations.

STIPULATED FACTS - SAVE A CHILD FOUNDATION

- 5. In addition, Save A Child admits that the following allegations are true:
- a. On or about August 22, 2002, pursuant to the requirements of 10 P.S. §162.5 (b), Save A Child filed with the Bureau a calendar year 2001 Internal Revenue Service Form 990, calendar year 2001 BCO-10 Registration Statement and calendar year 2001 Audited Financial Statement.
 - b. On Form BCO-10, Question 24 requires the disclosure of any

blood, marriage, or adoption relationships between officers, directors, trustees, or employees, to, among others, any supplier or vendor providing goods or services.

- c. In specific answer to the third subpart of Question 24, "Any supplier or vendor providing goods or services?", the answer of Save A Child was "no".
- d. According to Note 2: <u>Related Party Transactions</u> set forth in the Audited Financial Statements, Save A Child paid First Americorp \$52,000.00 for 'personal services of Bernhardt Christenson as Social Work Supervisor'.
- e. Save A Child leased its office space under a one-year, renewable lease from First Americorp.
- f. According to Note 2 of the Audited Financial Statements, "First Americorp is an entity owned by Bernhardt Christenson".
- g. Save A Child used the services of the Florida Car Company to "sell vehicles, for a fee, which had been donated to the Foundation during the year".
- h. According to Note 2 of the Audited Financial Statements,

 Christenson also served as "Executive Director" of Save A Child Foundation in a "volunteer capacity".
- i. According to Note 2 of the Audited Financial Statements,

 Christenson "is the sole owner of the Florida Car Company", and fees paid in
 these transactions are recorded as a reduction to contribution revenue.
 - j. Based upon the information contained in the Audited Financial

Statements, the answer "no" to Question 24 on the BCO-10 was a material false statement.

- k. Part V of Form 990 requires that officers, directors, trustees and key employees be disclosed along with their compensation.
- l. In its 2001 Form 990, Save A Child listed Bernhardt Christenson on Part V, Schedule 6, and claimed that he was the "Executive Director" and was paid no compensation during the year.
- m. According to the Audited Financial Statements, Christenson served as Executive Director in a "volunteer capacity".
- n. According to the Audited Financial Statements, Save A Child paid First Americorp \$52,000.00 for the "personal services of Bernhardt Christenson as Social Work Supervisor".
- o. Save A Child failed to disclose Christenson's compensation of \$52,000.00 as a Social Work Supervisor on Part V of Form 990.
- p. In the 2001 Form 990, on Schedule A, Part III, Question 2, Save A Child was required to disclose certain related party transactions.
- q. Save A Child failed to indicate in its answer to Question 2a its contract service transactions and related payments of \$52,000.00 to First Americarp and the transactions and related payments to the Florida Car Company.
- r. These transactions were required to be disclosed because both First

 Americorp and the Florida Car Company are owned by Christenson.

DISPUTED FACTS

- 6. The Commonwealth alleges, but Save A Child and Teleservice deny, the following additional facts:
 - a. From on or about January 20, 2003, to May 1, 2003, TeleService, by and through its agents, servants and employees (solicitors), placed telephone solicitation calls to Pennsylvania residents.
 - b. During the course of the telephone solicitations, the TeleService solicitor did not disclose that the solicitor worked for TeleService.
 - c. During the course of the telephone solicitations, the TeleService solicitor did not disclose that the solicitor was raising money for Save A Child.
 - d. During the course of the telephone solicitations, the TeleService solicitor misrepresented that the solicitation was for the benefit or on behalf of Make-A-Wish Foundation.
 - e. Make-A-Wish Foundation has never given permission to

 TeleService or Save A Child to use its name, symbol or likeness for any purpose.

 Make-A-Wish Foundation has never given permission to TeleService or Save A

 Child to solicit funds on its behalf.
 - f. Following the telephone solicitations, TeleService forwarded pledge confirmations which directed payment to be forwarded to Save A Child.

VIOLATIONS

7. TeleService agrees that, based upon the stipulated facts in paragraph 4, the Secretary is authorized by the Act at 10 P.S. §162.17(a)(1) to suspend or revoke, or otherwise restrict

TeleService's registration and/or impose an administrative fine in that TeleService violated the Act at 10 P.S. §162.9(e) by conducting a telephone solicitation campaign involving at least 2,368 telephone solicitations without having a valid and approved contract in place with the Bureau.

- 8. Save A Child agrees that, based upon the stipulated facts in paragraph 4, the Secretary is authorized by the Act at 10 P.S. §162.17(a)(1) to suspend or revoke, or otherwise restrict Save A Child's registration and/or impose an administrative fine in that Save A Child violated the Act at 10 P.S. §162.13(e) by failing to establish and exercise control over fundraising activities conducted for its benefit.
- 9. Save A Child agrees that, based upon the stipulated facts in paragraphs 4 and 5, the Secretary is authorized by the Act at 10 P.S. §162.17 to suspend or revoke, or otherwise restrict Save A Child's registration and/or impose an administrative fine in that Save A Child violated the Act at 10 P.S. §162.17(a)(3) by making a material false statement in an application, statement or report required to be filed under the Act.
- 10. Without admitting or denying any specific violation of the Act, TeleService agrees that if the Commonwealth were able to prove the allegations of paragraph 6, in addition to the stipulations in paragraph 4, at a formal hearing, the Secretary would be authorized by the Act at 10 P.S. §162.17 to suspend or revoke, or otherwise restrict TeleService's registration and/or impose an administrative fine in that TeleService violated the Act at 10 P.S. §162.9(h)(1) by failing in a telephone solicitation to disclose the name of the professional solicitor as on file with the Department and that the solicitation was being conducted by a professional solicitor who is being paid for his services.

- 11. Without admitting or denying any specific violation of the Act, TeleService agrees that if the Commonwealth were able to prove the allegations of paragraph 6, in addition to the stipulations in paragraph 4, at a formal hearing, the Secretary would be authorized by the Act at 10 P.S. §162.17 to suspend or revoke, or otherwise restrict TeleService's registration and/or impose an administrative fine in that TeleService violated the Act at 10 P.S. §162.9(h)(3) by failing in a telephone solicitation to disclose the name of the charitable organization as registered with the Department.
- that if the Commonwealth were able to prove the allegations of paragraph 6, in addition to the stipulations in paragraph 4, at a formal hearing, the Secretary would be authorized by the Act at 10 P.S. §162.17 to suspend or revoke, or otherwise restrict TeleService's registration and/or impose an administrative fine in that TeleService violated the Act at 10 P.S. §162.15(a)(4) by utilizing a name, symbol or statement so closely related or similar to that used by another charitable organization that the use thereof would tend to confuse or mislead a solicited person.
- 13. Without admitting or denying any specific violation of the Act, Save A Child agrees that if the Commonwealth were able to prove the allegations of paragraph 6, in addition to the stipulations in paragraph 4, at a formal hearing, the Secretary would be authorized by the Act at 10 P.S. §162.17 to suspend or revoke, or otherwise restrict Save A Child's registration and/or impose an administrative fine in that Save A Child violated the Act at 10 P.S. §162. 13(e) by failing to establish and exercise control over fundraising activities conducted for its benefit.

PROPOSED ORDER

- 14. In an effort to more quickly and amicably resolve disputed issues in this matter and to avoid the burden and expense of a hearing, Save A Child and TeleService agree to not contest the issuance of the following Order in settlement of this matter:
 - a. TeleService violated the Act at 10 P.S. §§162.9(e), (h)(1) and (h)(2).
 - b. Save A Child violated the Act at 10 P.S. §§162.13(e) and 162.17(a)(3).

ADMINISTRATIVE FINE

- c. An **ADMINISTRATIVE FINE** of fifty thousand dollars (\$50,000) is levied upon Save A Child and TeleService, jointly and severally, with each paying a minimum of ten thousand dollars (\$10,000). The full sum of fifty thousand dollars (\$50,000) shall be paid by **certified check**, **cashier's check**, **attorney's check**, or **U.S. Postal money order made payable to the "Commonwealth of Pennsylvania,"** as follows:
 - (1) Fifteen thousand dollars (\$15,000) shall be tendered with this executed Consent Agreement;
 - (2) Eleven thousand six hundred sixty-seven dollars (\$11,667) thirty (30) days after the execution of this Consent Agreement;
 - (3) Eleven thousand six hundred sixty-seven dollars (\$11,667) sixty (60) days after the execution of this Consent Agreement; and
 - (4) Eleven thousand six hundred sixty-six dollars (\$11,666) ninety (90) days after the execution of this Consent Agreement.

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Failure to make any of the foregoing payments shall (1) render this Agreement null and void; (2) constitute a forfeiture by Respondents of any payments made pursuant to this Agreement and (3) result in the immediate rescheduling of this matter on the charges set forth in the Commonwealth's Order to Show Cause

PERMANENT VOLUNTARY SURRENDER OF REGISTRATION AND CEASE & DESIST

- d. Save A Child agrees to a PERMANENT VOLUNTARY SURRENDER of its registration as a charitable organization registration number 28137. Upon adoption of this Consent Agreement and Order, Save A Child shall immediately cease and desist from soliciting charitable contributions in the Commonwealth of Pennsylvania.
- e. TeleService agrees to a PERMANENT VOLUNTARY SURRENDER of its registration as a professional solicitor registration number 28969. Upon adoption of this Consent Agreement and Order, TeleService shall immediately cease and desist from soliciting charitable contributions in the Commonwealth of Pennsylvania on behalf of Save A Child or any other charitable organization.

ADDITIONAL CEASE & DESIST ORDER

f. In addition to the cease and desist by Save A Child and TeleService, Christenson and Cahillane, individually, agree to permanently refrain from soliciting charitable contributions in the Commonwealth of Pennsylvania, either directly or indirectly, for any entity as an owner, director, officer or control person. If either

Christenson or Cahillane become an employee or agent of any entity which solicits charitable contributions in Pennsylvania, Christenson and Cahillane agree not to solicit charitable contributions in Pennsylvania on behalf of that entity. Christenson and Cahillane, individually, further understand and acknowledge that permanently refraining from soliciting contributions in Pennsylvania includes not attempting to circumvent the terms of this settlement agreement through the use of any related or unrelated third party to incorporate or otherwise form and/or operate a business to solicit charitable contributions in Pennsylvania, for or on behalf of any purported charitable organization. This agreement to permanently refrain from soliciting charitable contributions in Pennsylvania includes agreeing not to circumvent the letter or spirit of this settlement through any such arrangement.

15. This case shall be deemed settled and discontinued upon the Secretary issuing an Order adopting this Consent Agreement and the Respondents' successful completion of any ordered discipline.

ACKNOWLEDGEMENT OF NOTICE AND WAIVER OF HEARING

Respondents knowingly and voluntarily waives the right to an administrative hearing in this matter, and to the following rights related to that hearing: to be represented by counsel at the hearing; to present witnesses and testimony in defense or in mitigation of any sanction that may be imposed for a violation; to cross-examine witnesses and to challenge evidence presented by the Bureau; to present legal arguments by means of a brief; and to take an appeal from any final adverse decision.

AGREEMENT NOT BINDING ON OTHER PARTIES

17. This Consent Agreement is between the Bureau and Respondents only. It does not bind any other administrative entity of the Commonwealth of Pennsylvania, including any other bureau within the Department of State. Except as otherwise noted, this Agreement is to have no legal effect if a) the Office of General Counsel expresses an objection to the Agreement's form or legality and/or b) unless and until the Secretary issues the stipulated Order.

EFFECT OF SECRETARY'S REJECTION

18. Should the Secretary not approve this Consent Agreement, presentation to and consideration of this Consent Agreement and other documents and matters by the Secretary shall not prejudice the Secretary from further participation in the adjudication of this matter. This paragraph is binding on the participants even if the Secretary does not approve this Consent Agreement.

ENTIRE AGREEMENT

19. This Agreement contains the whole agreement between the parties; provided, however, that the captions printed in the various provisions of this agreement are for ease of reading only and are not to be interpreted as forming any part of this agreement. There are no other terms, obligations, covenants, representations, statements or conditions, or otherwise, of any kind whatsoever, concerning this Agreement.

AGREEMENT DOES NOT PREVENT REFERRAL TO OTHER AGENCIES

20. The parties acknowledge that other federal, state, and/or local agencies may have jurisdiction over the activities of, or representations made by, Respondents and their officers, directors, agents, employees or independent contractors. Nothing in this Consent Agreement or the Order based upon this Consent Agreement shall preclude representatives of the Bureau from BCO.CA0301

referring any information or data produced as a result of this matter to any federal, state, or local agency or governmental unit having jurisdiction over the activities of Respondents or any officer. director, agent, employee or independent contractor of the Respondents.

VERIFICATION OF FACTS AND STATEMENTS

21. Respondents verify that the facts and statements set forth in this Agreement are true and correct to the best of Respondents' knowledge, information and belief. Respondents understands that statements in this Agreement are made subject to the criminal penalties of 18 Pa.C.S. §4904 relating to unsworn falsification to authorities.

Tracy L. McCurdy, Esquire

Processuring Attorney

Prosecuting Attorney Department of State

DATED: 5-5-04

Attorneys for Respondents

SAVE A CHILD FOUNDATION

Title:

Respondent

DATED:

TELESERVICE U.S.A.

Title: PresidenT

Respondent

DATED:

Theodore A. Adler, Esquire Reager & Adler, P.C. 2331 Market Street Camp Hill, PA 17011

Greg B. Lam, Esquire Copilevitz & Canter, LLC 423 W. Eighth Street, Suite 400 Kansas City, MO 64150



IN THE MATTERS OF SAVE A CHILD FOUNDATION AND TELESERVICE U.S.A., FILE NOS. 03-98-11034 AND 03-98-11039

ORDER

AND NOW, to wit, on this _______ 2004, the terms of paragraph 14 of the foregoing Consent Agreement are hereby adopted and incorporated as the Order of the Secretary of the Commonwealth in resolution of this matter. This Order shall take effect immediately.

BY ORDER

Pedro A. Cortés

Secretary of the Commonwealth