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**HB 1129 Strengthening Enforcement Against Charitable Fraud**

**Sponsored by:**

**Representative McCann and Representative Lawrence**

**Supported by:**

**Colorado Attorney General and the Colorado Non-profit Association**

The bill does the following in order to strengthen enforcement against those who knowingly commit charitable fraud in violation of the Colorado Charitable Solicitations Act ("CCSA"):

- Creates enhanced penalties for charitable fraud (up to \$10,000 per violation with no cap);
- Holds charities accountable when they knew or reasonably should have known that a third party paid solicitor, acting on its behalf, intentionally misrepresented information to the public in the course of soliciting donations;
- Requires paid solicitors to post a \$25,000 bond upon registration with the Secretary of State;
- Requires third party paid solicitors to file a disclosure form regarding conflicts of interest when someone who participates in the oversight and operations of the charity has a financial interest in a third party paid solicitor;
- Clarifies that it is charitable fraud to intentionally misrepresent or mislead with regard to a membership based nonprofit in the course of soliciting charitable donations.

**WHY COLORADO NEEDS THIS LEGISLATION:**

I. "Boobies Rock" is an egregious example of charitable fraud and why we need to give the AG's office the ability to enhance penalties. In 2013, the AG sued Adam Shryock and his companies, Boobies Rock and Say No to Cancer, for committing charitable fraud in selling merchandise at bars and sporting events and misrepresenting that the proceeds of these sales were going to charity when the money was really being used to pay for Shryock's personal expenses, including rent on a palatial home in Castle Pines, membership to various dating websites, and his personal vehicles. The court ultimately found that Shryock had defrauded the public out of \$1,890,000.00 in donations. Even after the courts ruled, Shryock continued fraudulent charitable solicitations in violation of court orders. Shryock was finally thrown in jail for contempt.

II. Cancer Fund of America ("CFA") is an example of why we need increased oversight of third party paid solicitors: The AG joined 49 states, the Federal Trade Commission and the District of Columbia in filing a lawsuit against a group of cancer-related charities that purported to raise money for cancer patients, and instead remitted the vast majority of funds raised to their paid solicitors and themselves. From 2008 to 2012, these charities raised \$187 million in donations from the public, oftentimes paying as much as 70% of funds raised back to paid solicitors. One of the third party paid solicitors was controlled by the same people that operated CFA.

III. Why now? The federal government has decreased its oversight of charities in recent years, meaning there is a need for increased enforcement on the state law to ensure that bad actors know that charitable fraud will not be tolerated in Colorado.