DECEPTIVE FUNDRAISING BY CHARITIES

HEARING BEFORE THE
SUBCOMMITTEE ON
TRANSPORTATION AND HAZARDOUS MATERIALS
OF THE
COMMITTEE ON
ENERGY AND COMMERCE
HOUSE OF REPRESENTATIVES
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(III)
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FRIDAY, JULY 28, 1989

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ENERGY AND COMMERCE,
SUBCOMMITTEE ON TRANSPORTATION
AND HAZARDOUS MATERIALS,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:45 a.m. in room 2123, Rayburn House Office Building, Hon. Thomas A. Luken (chairman) presiding.

Mr. Luken. We will proceed with the hearing this morning on deceptive fundraising for charity in these United States. Charitable solicitation is a big business, a very big business. In 1987, for example, Americans gave over $75 billion to charities. Many organizations soliciting contributions have thrived as a result of this enormous generosity.

Moreover, legitimate organizations fulfill an important need. In a time of huge Federal budget deficits and cutbacks in government spending for social programs, charities provide a substantial part, and they will need to provide an increasing part the way the legislation is going, for funding for health services, scientific research, colleges, universities, and many other causes.

However, this public generosity has attracted some less than charitable activity. Deceptive practices and outright fraud have become increasingly prevalent. Unscrupulous professional fundraisers obtained millions in the name of charity with only a minuscule amount of the total actually going to feed the poor or to conduct scientific research.

Moreover, look-alike charities, look-alike charities with names that sound like well-known, respectable organizations, prey on unsuspecting donors. We are finding cases where professional fundraisers offer big prizes in exchange for a donation to a charity with only one catch. There is no prize. It is a fraud. It is a scam. Although it says there will be a major award, the person sends in his $5 to $25 or more, thinking that there is a guaranteed large bonus which has been specifically referred to, and that is an illusion. These modern peddlers of deceit use sophisticated technology. They are cheating many people, particularly the elderly, and injuring legitimate charities by siphoning off much needed money.

Complaints from consumers and State regulators have been flooding in. In 1988 the number of complaints received by the FTC alone increased by an astonishing 1,000 percent over the average for each of the previous 4 years.
Under existing law, however, the FTC, which has the power to investigate and prosecute consumer fraud, has jurisdiction over only-for-profit organizations, not the not-for-profit organizations, and therein lies the tale that we will be considering today.

We will consider whether to give the FTC jurisdiction over not-for-profit organizations. We have to ask ourselves whether it makes sense for the Federal Government's watchdog to continue to turn a blind eye to the multi-million-dollar interstate commerce in charitable solicitation scams.

At the same time we will be looking for ways to ensure that States are not preempted from prosecuting these cases on a local level. It is clear that we need more enforcement, not less. One thing is clear at this point, however, our current laws are not adequate to deal with the problem of deceptive charitable fundraising.

We are going to be looking at the postal laws also. Although the committee doesn't have direct jurisdiction over postal laws, as Members of Congress, we are very much interested in looking at the whole picture, and the Postal Service is involved.

They will be testifying here today, and if mail fraud is anything, this sounds like it. We are going to be asking why it isn't being handled as mail fraud, and if the present laws are inadequate, that is what we are here for. It is virtually impossible for an individual to discover whether any given charity is legitimate today.

Under the tax laws, charitable organizations must at least register and meet certain requirements to obtain tax exempt status, but as one attorney general said, you can probably get your dog exempted as a charity under IRS rules.

Our hearing today focuses on the activities of a particular professional fundraiser, Watson & Hughey, which has been sued by at least 15 States for violating State laws and by the Postal Service for deceptive practices; sued but not prosecuted. However, we are not trying to judge the merits of the particular allegations. That is a job for the court.

Both legitimate charities and donors are being injured by these fraudulent practices. We share their concern, and we look forward to the advice of the State and Federal law enforcement agencies who will be testifying today so that Congress can look at effective and constitutional means for redress.

The gentleman from Kansas is recognized for any opening statement.

Mr. Whittaker. Thank you, Mr. Chairman. I want to commend you for holding the hearing on the problems of fraudulent and deceptive practices in the field of charitable fundraising.

The American people are in many ways generous to a fault, devoting almost $100 billion annually to various forms of charity. Unfortunately, a small but increasing number of bad apples have crept into the field. By engaging in fraud and deception and taking an unconscionable amount of the collections for themselves, a relatively small number of disreputable operators can undermine the credibility of the large number of overwhelmingly honest and conscientious charities that our citizens support with their hard-earned dollars.

Although it certainly hurts to lose funds through fraud and deception that could otherwise support a variety of worthwhile
causes, the threat to the reputation of the charitable sector can harm the charities and the Nation far more seriously in the long run.

Mail that I have received from my own constituents confirms that these unscrupulous fundraisers continue to defraud the public in the name of charity. As Shakespeare put it, Mr. Chairman:

He who steals my purse steals trash, but he who filches from me my good name robs me of that which not enriches him and makes me poor, indeed.

I look forward to seeing what is being done and what can be done to make sure that the integrity of our charitable organizations is protected from this menace. Thank you.

Mr. LUKE. The gentleman from North Carolina is recognized, and welcome to the proceedings this morning, recognized without any prompting.

Mr. McMILLAN. You are showing great progress. Thank you. I am pleased to be here this morning and that we are holding these hearings. We have had hearings on telemarketing fraud recently and have seen how the public is taken advantage of by shysters that have developed very sophisticated schemes of bilking the public.

Some of these telemarketing schemes are being employed by exploiting well-intended people in organizations in charitable fundraising around the country. I am glad we have this forum and many people are experienced in what is going on to inform us.

This subject is of particular interest to me because of a charity group in my district, the Humane Society of Charlotte, which recently fell victim to an out-of-State fundraising corporation which had been licensed in North Carolina to raise funds. In short, a temporary employee of the fundraising concern, who was a local real estate agent, began acting as an agent for the humane society before the contract was ever signed by the society.

The agent opened a post office box in the name of the society, began fundraising efforts 2 days before the contract was ever signed, and then proceeded to exert pressure on the organization to go ahead and sign the contract.

Additionally, the fundraising agent manipulated a system whereby she could take contributions received at the new post office box and deposit receipts in another State. With a desperate call from the humane society we were able to get the Post Office to freeze the post office box, pending securing a temporary restraining order in court in behalf of the humane society, requiring all fundraising activities be ceased and the contents of the rented post office box be frozen. That case is now in the discovery process and pending before the North Carolina Superior Court, but this is, you know, 5 or 6 weeks later.

And with the laws that exist on the books we were relying upon that process, calling your Congressman, getting a restraining order in the court.

I mean, the deed is done before any action is taken, so I think that is illustrative. I understand this type of activity is not uncommon, and there are many instances in a number of States where the same type of situation has occurred that has resulted not only in the loss of funds, but the substantial loss of good will that
Shakespeare referred to on the part of individuals and fundraising, legitimate fundraising efforts.

I understand that perhaps we have another humane society here today that is going to offer testimony on their particular situation.

Mr. Chairman, I congratulate you on holding these hearings. I hope we can arrive at some resolution soon to this problem. It may be a relatively small amount of money per person, but when $100 billion is raised for charitable purposes each year in this country and a significant portion is being raked off in illegal schemes, I think it is vital that we take appropriate and quick action in this matter. Thank you very much.

Mr. Luken. I thank the gentleman.
The gentleman from Alabama.
Mr. Callahan. No opening remarks.
Mr. Luken. We will proceed with the first panel.
Dr. Marvin Bierenbaum, Dr. Jerome Goodman, and Ms. Linda Wilson, and Steven Stratemeyer, Dr. Stratemeyer, accompanying Ms. Wilson.
Dr. Bierenbaum, we will ask you to lead off. Do we have your written testimony? You may proceed in any way that you think will be helpful.

STATEMENTS OF MARVIN BIERENBAUM, EXECUTIVE DIRECTOR, AMERICAN HEART DISEASE PREVENTION FOUNDATION; JEROME GOODMAN, SCIENTIFIC COORDINATOR, AMERICAN HEALTH FOUNDATION; AND LINDA WILSON, PRESIDENT, THE LITTLE ORPHANS, CINCINNATI, OHIO, ACCOMPANIED BY STEVEN STRATEMEYER, VICE PRESIDENT

Mr. Bierenbaum. Mr. Chairman, I am Dr. Bierenbaum. I am a practitioner of medicine and cardiology since 1957, and this is the method that I earned a living. I have also been associate professor of medicine at the University of Medicine and Dentistry in New Jersey for the past 25 years as a volunteer.

I have also been the director of the Kenneth L. Jordan Cardiac Research Group since 1958, also as a volunteer. I know you are interested in the history of the American Heart Prevention Foundation, and I will try to give that to you within my 5-minute allotted time.

The Kenneth L. Jordan Group has been funded through the course of the years studying the prevention of heart attack by various agencies, including the National Institute of Health, New Jersey State Heart Association Industry, and the like.

In 1983, with the closure of the hospital, St. Vincent’s Hospital in Montclair to become, under whose aegis Jordan was present, there became a serious shortage of funds in the continued operation. An organizing committee was formed for advisory to help raise money, and they were unsuccessful in doing that.

I wouldn’t bore you with the details of that. In 1985 an attempt at fundraising by the foundation itself was undertaken and was unsuccessful, losing money. Just at that time a letter was received in the mail from a fundraising company called Watson & Hughey, apparently, one that has been mailed to a number of foundations.
They advised us that they would be interested in helping to raise monies for the foundation. A group meeting of the advisers was held and a decision, both legally and with accounting advice was made to go ahead and pursue further Watson & Hughey.

They appeared, gave us a very good prospective program for raising funds, and early in 1986 a decision was made to go ahead with Watson & Hughey as fundraisers. Since the Jordan Foundation had assets of its own, owning a building and had some monies for operation left, a decision was made on the advice of counsel and on the advice of accountants to form a new foundation called the American Heart Disease Prevention Foundation, which would have a different goal, that goal being to raise—to be involved with public education and to fund appropriate research in the prevention of heart attack.

Now, I think in essence that is the background material of the formation of the American Heart Disease Prevention Foundation. fundraising began nearly in 1987. I am open to any questions which the committee may have.

Mr. Lukken. Thank you, Mr. Bierenbaum.

Dr. Goodman.

STATEMENT OF JEROME GOODMAN

Mr. Goodman. Thank you. I am a Ph.D., unlike Dr. Bierenbaum, who is an M.D. Our organization is perhaps a little different from some of the other organizations that try to raise funds by direct mail, and I will take a minute or two to explain why we felt we had to try direct mail and what kind of organization we are.

We were started about 20 years ago by a Dr. Winder, who at that time realized he had to start his own organization in order to devote it to the prevention of disease. It was Dr. Winder who was one of the people in the 1950's who first recognized at Memorial Hospital, the relationship between smoking and lung cancer, and many people don't remember that back then this was not taken for granted as it is today.

And he started the American Health Foundation to investigate that, and today we have programs and have had ongoing programs on the effect of smoking. We have contributed a great deal of information to the Surgeon's reports annually, and about 10 years ago we started working in the effects of nutrition cancer.

Today that is a recognized—the effect of fat in the diet is recognized as an important factor in carcinogenesis. Much of this work originated at the American Health Foundation. Today we have about 200 employees, of whom about 60 or 70 are at the doctorate level, Ph.D.'s and M.D.'s. We publish about 125 papers a year in professional journals. We are supported probably about 85 percent by the National Institutes of Health, mostly from the National Cancer Institute, so that we are funded by legitimate—I shouldn't say legitimate. We are funded as a result of peer-reviewed grant applications that are subject to scientific review, and you may know that the National Institutes of Health currently of the grant applications that they approve scientifically are able to fund only about one out of five of those. So there are many scientific programs which the Government simply does not have the money to
fund, and we have to go elsewhere to work on these other problems, and I hope after my remarks some of you will feel the urge to contribute some funds to the American Health Foundation.

I might as well throw that in here. Now, we or I saw in 1984, became aware that the American Institute for Cancer Research had money available for organizations doing research in cancer. I contacted them. They were aware of the American Health Foundation's work in nutrition and cancer, and they invited a grant application from us and gave us $50,000 to do research.

This occurred in the matter of a few weeks. We were very happy to have that money. We then wondered where they got their funds and found that their fundraiser was Watson & Hughey Association. We contacted Watson & Hughey and said can you raise that kind of money for us. At that time it seemed that this was a reasonable thing to do.

Unfortunately, we found in the 2 years that we were active with Watson & Hughey that although perhaps a million dollars was contributed by the public, very little of it actually went for research at our organization.

Now, to be fair about it, we were told at the beginning that a lot of that money would go toward building up a file of contributors initially, a lot of the contributions, and that there would not be very much—that administrative expenses would eat up most of those funds at the beginning, but that eventually we would build up this list of contributors much more readily than the general public.

However, after 2 years we found that we still only received about $30,000 for research. We felt that even if the future improved that ratio quite a bit, we still felt that the public was not being served promptly by an organization such as ours where our name and our reputation are extremely important.

We decided that we did not want to continue this kind of fund-raising, even though we did badly need the official funds, so 2 years later we advised Watson & Hughey that we would no longer continue to work with them, and have given up the direct mail.

I might say—add one comment with regard to the perhaps easing the administrative burden of any charitable organization, and that is that most of the States require registration by charitable organizations, and unfortunately there is no uniform way to register with the States, and it is an onerous administrative procedure to register with the various States that require registration using different kinds of forms, requiring different kinds of information, and if some kind of uniform State registration were required, it might be very useful, both from an oversight point of view and in cutting down administrative costs by charities.

Thank you.

[The prepared statement of Mr. Goodman follows:]

PREPARED STATEMENT OF DR. JEROME GOODMAN, SCIENTIFIC COORDINATOR, AMERICAN HEALTH FOUNDATION

The American Health Foundation is a not-for-profit corporation having a tax exempt status pursuant to section 501-C-3 of the Internal Revenue Code. The Foundation was created some 20 years ago and presently has an annual budget of approximately $14 million and 225 fulltime employees. It leases 18,000 square feet of office space from the Ford Foundation in New York City and owns a 55,000 square
feet freestanding research facility in Westchester County, New York. The Foundation publishes some 125 scientific papers in peer-reviewed journals around the world.

The goal of the American Health Foundation is to prevent chronic disease—primarily cancer and heart disease—through the conduct of basic research and the dissemination of educational materials to the general public.

In 1985, the Board of Trustees of the American Health Foundation determined to engage in a direct mail campaign for the first time. This decision was based on a need to raise additional funds for new research initiatives and to develop a network for the distribution of information to the public about preventive medicine.

Based on presentation made by Watson & Hughey, their apparent knowledge of the field and the fact that they agreed to finance the effort solely out of contributions received, a contract with Watson & Hughey was entered into.

In 1985, representatives of Watson & Hughey met with members of the American Health Foundation's staff to learn more about our work and goals. Very few mailings were undertaken.

In 1986 and 1987, however, the number of donor prospect mailings and house file mailings were increased significantly. We were discouraged at the costs involved, despite the fact that Watson & Hughey repeatedly warned that the cost of prospecting for new donors often lost money or did little more than a "break-even". In fact, our cost for each $1 from a new donor was $1.08. Mr. Watson had also stressed the fact that only when a donor list had been developed would the Foundation begin to reap the benefits of its investment. In point of fact, in 1987 "housefile" mailings only generated $177,472 at a cost of $93,077. Of equal importance, approximately 80 percent of the contributions were less than $10. We were also concerned about the educational value of the mailings because there were very few requests for additional information. This led us to believe that using direct mail as a communications technique is not effective vis-a-vis yielding a public health benefit.

When we expressed our concerns to Mr. Watson regarding the foregoing, we were advised by him that in order to appreciably increase the percentage of returns [and thereby lower the cost per unit] we should use either a "premium" or a "sweepstakes" format. In fact, he had urged us to adopt these formats early in our relationship. At all times, we had advised him that this form of fundraising was inconsistent with our image as a scientific research organization and was generally inappropriate.

In light of the foregoing, in December 1987, the American Health Foundation determined to terminate its relationship with Watson & Hughey and a formal agreement was signed on February 8, 1988.

Mr. Lukens. Ms. Wilson, Linda Wilson.

STATEMENT OF LINDA WILSON

Ms. Wilson. The Little Orphans is a very small organization. It was started in 1983 by Mr. Jerry Herman. It operated out of his pet shop and grooming salon. It consisted mainly of three trustees and a host of volunteers that came in to help with the animals. In the summer of 1985 Watson & Hughey contacted Mr. Herman, after seeing his picture in the paper for winning a national pet award.

In August 1985 Mr. Herman entered into a contract with Watson & Hughey in order to raise funds to build a shelter in the Cincinnati area to house homeless animals. Our main goal was to house these animals, place them in homes, and provide spay and neuter education to the public.

After Mr. Herman signed the contract he continued as president for about 6 months and died of a heart attack in January 1986. The two remaining board members elected a third member to the board, and we decided to continue on with the contract with Watson & Hughey. At that time we were satisfied with the results of their first mailing.

As the year went on and it got further along, we discovered that our mailings no longer met our goals as far as education and had
basically become sweepstakes, which we were not interested in doing and we did not feel we wanted to be associated with this any-
more.

In May 1987 we terminated our contract with Watson & Hughey.

[The prepared statement of Ms. Wilson follows:]

PREPARED STATEMENT OF LINDA WILSON, PResIDENT, THE LITTLE ORPHANS, CINCINNATI, OHIO

I. The Little Orphans, Inc.
   A. Founded in December 1983 by Jerry Herman
      1. Numerous litters of puppies and kittens left on doorstep of Jerry's grooming
         salon/pet shop
   B. Donations to a fishbowl in pet shop by adoptive families and pet shop visitors
      fund the organization

II. Summer of 1985
   A. Watson & Hughey contact Jerry Herman after seeing Jerry's picture in papers
      for winning various awards for work with animals
   B. Jerry signs contract with Watson & Hughey August 29, 1985
      1. Contract reviewed by Attorney John McElwee for personal liability
         a. Only The Little Orphans, Inc. (a nonprofit organization incorporated in Ohio)
            may be held liable
         b. Has exclusive rights in Ohio for The Little Orphans trade name

III. Fall of 1985
   A. Numerous meetings to fill in papers to register with all 50 states
      1. Funds collected from donations to The Little Orphans locally used to pay registration fees
      2. No help from Watson & Hughey to file with states
   B. Unprepared for amount of paperwork to register with states to solicit funds
      1. Frequent correspondence sent to Jerry by Federal Express for approval of mailings
         a. Original brochure informational in nature
         b. Sweepstakes included in first mailing
      2. Approvals requested on rush basis in order to make printing dates
         a. Responses must be returned by Federal Express
         b. Charged to The Little Orphans' account

IV. January 1986
   A. Jerry Herman dies January 16, 1986
      1. Decision made by remaining board members to continue organization
      2. Meeting in February 1986 requested by Chat Hughey to discuss contract
         a. Board members given very little notice
      b. Meeting held at Delta Crown Room at Greater Cincinnati International Airport
      c. Meeting conducted by Chat Hughey on a hard sell basis in very limited time
      d. Board members initial original contract to continue with fundraising

V. Spring and Summer 1986
   A. Local donations decrease due to closing of pet store and display window for or-
      phans
      1. Registrations continue with states
         a. Funds for registration fees becoming low
         b. Paperwork overwhelming for such small organization

VI. Winter 1986-87
   A. Donations being collected by Watson & Hughey
      1. Debts for printing, postage, mailing lists, caging company, "office space" in
         Washington far outnumber amounts being collected
      B. Accounting check
         1. Many generic-type invoices with same street address as Watson & Hughey
            a. Are these companies (Washington Lists, The Art Department, etc.) owned by
               Watson & Hughey?
      C. Board members question receiving no money from what has been collected
         1. Watson & Hughey sends total of $2500.00 to cover registration expenses with
            states

VII. January-February 1987
   A. Realization that organization can't continue
1. Paperwork overwhelming
2. Amount of money collected versus amount of money spent by Watson & Hughey

B. Approach Watson & Hughey to break contract
1. Offer to set up office in Cincinnati with monthly expense money made by Chat Hughey to Dr. Steve Stratemeyer
2. Sunday evening call by Chat Hughey to Linda Wilson
   a. Wants commitment to continue contract or Watson & Hughey will sue on personal level
   b. Debt of $240,000.00 owed at this time
C. Adopt-A-Pet
1. Agrees to take on liabilities of The Little Orphans’ contract with Watson & Hughey
2. The Little Orphans agrees to forfeit claim to any monies collected by Watson & Hughey

1. Outstanding liabilities of $243,000.00 to be assumed by Adopt-A-Pet
2. National Animal Protection Foundation name to be used by Adopt-A-Pet

Mr. LUKEN. Is Dr. Stratemeyer going to add something to it?
Dr. Goodman, you indicated that you received about $30,000; is that right?
Mr. GOODMAN. I had mentioned $30,000, yes.
Mr. LUKEN. Do you know what expenses were or down what total amount collected? That was the amount you actually received; is that right?
Mr. GOODMAN. Yes, that we received as an organization.
Mr. LUKEN. Right.
Mr. GOODMAN. Yes. Our total expenses, the total money I contributed over that 2-year period was approximately $1 million.
Mr. LUKEN. There was $1 million contributed, of which the organization—for the purpose of your charitable organization, your specific research organization, you received approximately 3 percent?
Mr. GOODMAN. Again, to be fair about it, a house file listing, a contributor listing about 150,000 names had been built up.
Mr. LUKEN. What happened to that? Or how do you know that that has occurred? Did you receive the list?
Mr. GOODMAN. Yes, we received the list, but of course we are not in a position to use that to make mailings to 150,000 people, but what happened to that was that at that point we still had a contract with Watson & Hughey. And we told them we did not want to continue with this kind of fundraising, but we owed them money, you see.
One reason we went with——
Mr. LUKEN. Explain that. Owed them money. How do you know you owed them money? How were you told that?
Mr. GOODMAN. First, let me say that in the beginning we went into this with Watson & Hughey because they agreed that they would pay all expenses until revenues were sufficient to cover that.
They would actually put up funds to do this fundraising. On the basis of their information, we did not at any point assume that their figures were not correct, but in any case what happened at our decision to not continue with this is that our executive vice president negotiated with Watson & Hughey to wipe out any debt that had accumulated in exchange for their taking this list of contributors and using it——
Mr. LUKEN. Now, this list of contributors had been built up in the name of what organization? What is the name?
Mr. Goodman. Well, it is the American Health Foundation, and they used the term "Cancer Prevention Project."

Mr.卢肯. So people made checks payable—contributors made checks payable to whom, to what?

Mr. Goodman. It was mostly Cancer Prevention Project, in some cases—

Mr.卢肯. All right. So that Watson & Hughey assisted in developing a mailing list of contributors, contributor paying to the Cancer Prevention Project.

Mr. Goodman. Yes.

Mr.卢肯. And when you decided to terminate the relationship with them, Watson & Hughey suggested, negotiated with your organization for that mailing list developed in the name of Cancer Prevention Project as a marketable commodity, the mailing list; is that right?

Mr. Goodman. Yes.

Mr.卢肯. And what about the name itself, was that also a commodity to be bargained for, the Cancer Prevention Project?

Mr. Goodman. Well, that was the agreement. I mean—but, our agreement with Watson & Hughey at that point was that it would be clear if that mailing list were used for another organization that it would be clear that it was the other organization whose name would be in any solicitation going out to that mailing list.

Mr.卢肯. How would you control that? Was there any control set up in the agreement?

Mr. Goodman. No, I would imagine that a control is as it is in any agreement. If you find somehow that there is a lack of—that the agreement is not followed, you have to take some kind of legal action.

Mr.卢肯. Well, in any agreement, there are agreements and agreements. It depends upon the nature of the agreement, and in entering that agreement the parties will have to decide whether it was enforceable or not.

As a matter of fact, it wasn’t enforceable, then Watson & Hughey could have used that name as far as you know.

Mr. Goodman. If we didn’t we didn’t know about it, if we weren’t aware of it, of course.

Mr.卢肯. You wouldn’t necessarily know about it, would you?

Mr. Goodman. That’s correct.

Mr.卢肯. More than likely they could use a name that was very, very similar, couldn’t they, but not the same?

Mr. Goodman. Yes, they do. Of course they could.

Mr.卢肯. Did your contract prevent them from using a similar name?

Mr. Goodman. I would have to read the letter. It is part of the record, but we certainly—the intent of our agreement was that the American Health Foundation not be associated with the use, with further use of that mailing list.

Mr.卢肯. Do you have any knowledge as to whether Watson & Hughey used this name or a similar name later?

Mr. Goodman. I was told that they did use the Cancer Prevention Project in further mailings.

Mr.卢肯. That is in violation of the tenor of your agreement?
Mr. Goodman. It very well may have been. I wasn't involved with the legal aspects of the agreement, unfortunately.

Mr. Klarburg, who is our general counsel and executive vice president, is out of the country, which is why I am here. I was involved with the actual operations of the direct mail, and the reason I was doing that is that I am involved in general with fundraising for our organization.

Mr. Luke. Well, this gets to be a rather sordid business, doesn't it, dealing in marketing names or titles such as Cancer Prevention Project. We are bargaining and selling names which evoke scientific, medical relief to people which are considered—which everybody considers to be and, in fact they are, legally exempt from taxation. The contributions are exemptions. The organizations are tax exempt organizations, and then the names that are developed are bought and sold in this way.

This gets to be a perversion of the intent of the system as it is established, isn't it?

Mr. Goodman. I agree that it is unfortunate that there is that kind of need for funds that leads organizations or any advertising organizations to go after the least common denominator, in effect and to in some cases oversimplify their description of their organizations, maybe for purposes of trying to raise funds from less sophisticated potential contributors, and again this is one reason we eventually got out of direct funds, direct mailing.

Mr. Luke. I am advised by staff that in fact Watson & Hughey used the Cancer Prevention Project name in 1988 as part of a solicitation for the Cancer Fund of America and actually received subscriptions of $8 million under that name.

Had you heard that?

Mr. Goodman. I wasn't aware of the kind of contributions that had been made in that name.

Mr. Luke. I have here, and I will ask unanimous consent that it be introduced in the record part of a solicitation which is entitled, Cancer Prevention Project, 1988—and as a subheading, a program of the Cancer Fund of America, which is a solicitation, 1988 annual membership statement, suggested contribution, $10.

It says, "I am happy to renew my commitment to the Cancer Prevention Project." So these were sent out, and as far as we know were sent out to the same mailing list which was developed for your organization, right?

[The material follows:]
TO:  Jim Reynolds  
President  
Cancer Fund of America  
1120 Connecticut Avenue, NW  
Suite 940  
Washington, D.C. 20069-2024

Dear Jim:

☐ YES, I am pleased and proud to accept membership for 1988.

☐ I am happy to renew my commitment to the Cancer Prevention Project for another year. I know that my 1987 contributions have been hard at work helping the Cancer Prevention Project to continue to do valuable research to prevent and treat cancer.

1988 Suggested Contribution: ** $10 ** Other $________

Please make your check payable to: Cancer Fund of America.

From: Edward M. King  
595 Shotwell  
Memphis, TN 38111  
H84FU3  

Membership #38111KING595E  
Statement # 144118
Mr. Goodman. It is very likely.
Mr. Luken. Just might be a little fraudulent, in your opinion?
Mr. Goodman. Well, I would say I don’t know if I want to make a legal opinion, but it is certainly not the way I would like to see funds raised.

Mr. Luken. Not kosher?
Mr. Goodman. It is not the way things should be done. I think it is unfortunate that—

Mr. Luken. It is a misrepresentation?
Mr. Goodman. It is very possible.

Mr. Luken. Is that a similar experience that you had, Ms. Wilson. Would you described it.

Ms. Wilson. When we terminated our contract, we went ahead and signed over the name that Watson & Hughey was using, the National Animal Protection Fund, when we terminated our contract with Watson & Hughey.

Mr. Luken. Why did you sign it over?
Ms. Wilson. We wanted to terminate the contract and the relationship.

Mr. Luken. Who suggested you sign it over?
Ms. Wilson. Watson & Hughey did.

Mr. Luken. You signed it over in settling any obligation you had with them?


Mr. Luken. Somehow we are dealing with it as a commodity?

Ms. Wilson. Yes.

Mr. Luken. What was the name?


Mr. Luken. And that became Adopt-a-Pet, is that your name also?

Ms. Wilson. No, it is not our name. It is the name of the group that assumed our contract with Watson & Hughey.

Mr. Luken. And they assumed your mailing list? They assumed it, you sold it to them, in effect, so we are buying and selling the name. What was the Firestone Animal Foundation?


Mr. Luken. And then with a look-alike name it was used later, the mailing list of Adopt-a-Pet, is that right?

Ms. Wilson. To my knowledge, I have never seen anything from Adopt-a-Pet. If they were using—

Mr. Luken. Did they use the name National Animal—

Ms. Wilson. If they were using the name it was unbeknownst to us at the time. Once we terminated the contract we didn’t know.

Mr. Stratemeyer. I am sorry, I didn’t make a statement before, I am Dr. Stratemeyer, a veterinarian. I got involved with Jerry at puppies and kittens were sick and a few of them showed up at the practice I was working at. So I went up and I met Jerry, and then I started volunteering services because they had distemper, and I started vaccinating puppies and kittens.

What we did, they told us—

Mr. Luken. Who is they?

Mr. Stratemeyer. Watson & Hughey picked the name. Actually Mr. Hughey picked the name the National Animal Foundation be-
cause Little Orphans sounded too much like people, you know. They were thinking orphans as far as kids.

Mr. LUKEN. Little Orphans was the name you previously used?
Mr. STRATEMEYER. Little Orphans is our name in Ohio. We are a not-for-profit organization.

Mr. LUKEN. Meaning little orphan animals, pets?
Mr. STRATEMEYER. We take puppies and kittens and vaccinate them and find homes for them. So when we terminated the contract, frankly at that point we were—we felt quite intimidated to give them the name which is something we could do to get out of the contract.

Chad Hughey wrote the contract, and we signed.

Mr. LUKEN. Did Watson & Hughey tell you what you had to pay to get out of the contract?
Mr. STRATEMEYER. They told us $243,000.

Mr. LUKEN. How much had they paid in?
Mr. STRATEMEYER. Nothing. Well, I take that back. No, we got $2,500, but it wasn’t net. It was from future fundraising, and we were scared to spend it.

Mr. LUKEN. How much was raised in your name?
Mr. STRATEMEYER. $430,000, something like that.

Mr. LUKEN. $430,000, of which you received, the organization received about $1,000, is that right?
Mr. STRATEMEYER. Well, $2,500 total.

Mr. LUKEN. Or less, $2,500 or less, right?
Mr. STRATEMEYER. Yes.

Mr. LUKEN. Then you were told at the conclusion when you wanted to terminate by Watson & Hughey that you owed how much?
Mr. STRATEMEYER. $243,000.

Mr. LUKEN. And that was presumably—I am trying to shorten this. I am not suggesting—I don’t want to suggest your testimony, but as I understand what you are saying, that you were told that that was the intention or that was the cost of developing this mailing list; is that right?
Mr. STRATEMEYER. Yes, right.

Mr. LUKEN. Were you given any itemized statement at that time?
Mr. STRATEMEYER. We got copies of invoices and——

Mr. LUKEN. From Watson & Hughey?
Mr. STRATEMEYER. Right.

Mr. LUKEN. Did you bring them with you?
Mr. STRATEMEYER. We have a few. We got copies of bank statements, things like that. Everything was after the fact. They had already spent—they had already paid for everything, and——

Mr. LUKEN. But what about the bottom line, what you owed, did you get a written statement as to what you owed them?
Mr. STRATEMEYER. The statement we have is the assumption agreement basically.

Mr. LUKEN. What is that? Do we have that?
Mr. STRATEMEYER. You have got it. The assumption agreement with Adopt-a-Pet.

Mr. LUKEN. Does that state what you owe?
Mr. STRATEMEYER. Yes.
Mr. Luken. And that stated you owed how much?
Mr. Stratemeyer. $243,030.24.
Mr. Luken. Does the statement agree that obligation is wiped out?
Mr. Stratemeyer. Yes.
Mr. Luken. In consideration of what, of you turning over the mailing list?
Mr. Stratemeyer. Well, it didn't say anything about the mailing list, did it?
Ms. Wilson. Yes, it did.
Mr. Luken. I have it here. This is April 21, 1987. Is that what we are talking about?
Mr. Stratemeyer. Yes.
Mr. Luken. A letter to you from Chat Hughey, it says:

Please ask the president of Little Orphans to sign this agreement. The total liability for printing, mailhouse fees, mailing lists, et cetera are $243,000. Once you sign the assumption agreement, these liabilities are shifted to Adopt-a-Pet and W&H, which will have no further claims on the assets of the Little Orphans.

So your original organization was relieved in consideration of giving them the rights to the organization, to the mailing list and the name, right?
Mr. Stratemeyer. Right. Not the Little Orphans, Inc., but the name—
Mr. Luken. But the name that had been developed?
Mr. Stratemeyer. Yes. Right.
Mr. Luken. However, that is in conflict, is it not, with their agreement with you, which said initially that you would have no obligations; isn't that right?
Mr. Stratemeyer. Yes.
Mr. Luken. So the original agreement said you would not incur any obligations, but when you got out of the contract you were told you had a big obligation, right?
Mr. Stratemeyer. We signed a 5-year contract, and we terminated it after 2 years.
Mr. Luken. All right, Dr. Bierenbaum, I just have one question for you. I think your general experiences have been the same. You have been shown, I think, today, a letter from O'Connor & Hannan dated July 21, 1989, addressed to this committee; is that right?
Mr. Bierenbaum. Yes, sir.
Mr. Luken. Now, that is in reference to Cancer Fund of America, right? Or Adopt-a-Pet?
Mr. Bierenbaum. Adopt-a-Pet and also Cancer Fund of America.
Mr. Luken. Is that right?
Mr. Bierenbaum. That's correct.
Mr. Luken. Which one of those were you involved with?
Mr. Bierenbaum. Neither, sir.
Mr. Luken. All right. But with reference to the statements contained in there which statements are by Attorney Thomas R. Jolly, who was answering on behalf of Watson & Hughey, right, isn't that what that letter says?
Mr. Bierenbaum. Yes.
Mr. Luken. Mr. Jolly says they can't testify, but he is answering specific questions from this committee, right?
Mr. Bierenbaum. Yes.
Mr. LUKEN. One question is how much money did Watson & Hughey raise for Adopt-a-Pet in 1988 and what expenses were incurred. That is the question, right? His answer is:

According to Watson & Hughey's unaudited records, it raised $2,900,000 for Adopt-a-Pet. For audited finances showing revenue and expenses, you may wish to contact Adopt-a-Pet directly.

Now this is the important part:

Watson & Hughey does not bill by the hour or use any cost-plus billing systems, therefore, it does not accurately allot its expenses to specific charity accounts or maintain expense records such as overhead, telephone, et cetera, by individual client account.

Does that surprise you?

Mr. BIERENBAUM. Yes, sir.

Mr. LUKEN. Why?

Mr. BIERENBAUM. Because our financial reports which we have put out have listed specific items which were given to us from the records of Watson & Hughey.

Mr. LUKEN. Watson & Hughey gave you specific charges against your account for expenses, is that right?

Mr. BIERENBAUM. Well, the vendors who provided service for all our mailing gave us specific bills which were paid after approval through an account under the guidance of Watson & Hughey.

Mr. LUKEN. The vendors' bills were sent to you by whom?

Mr. BIERENBAUM. Bills were sent to us by the Washington Intelligence Bureau.

Mr. LUKEN. Which is what?

Mr. BIERENBAUM. A cashiering agency.

Mr. LUKEN. How did they get into it?

Mr. BIERENBAUM. The Washington Intelligence Bureau handled the receipt of all of the mail that was directed to the American Heart Disease Prevention Foundation.

Mr. LUKEN. Were you billed or were you advised by Watson & Hughey that you owed money for expenses; is that right?

Mr. BIERENBAUM. Yes, sir.

Mr. LUKEN. Are you surprised by this statement that they don't keep a record of your experiences?

Mr. BIERENBAUM. Yes.

Mr. LUKEN. How surprised are you?

Mr. BIERENBAUM. Well, I heard it first yesterday, and I was very surprised.

Mr. LUKEN. Are you outraged? I mean, does it——

Mr. BIERENBAUM. My initial response when I was asked how I felt, I said I was nauseated.

Mr. LUKEN. You are nauseated to hear you were led to believe by Watson & Hughey that they were charging you for expenses, a lot of money? What was it, hundreds of thousands of dollars?

Mr. BIERENBAUM. Millions, sir.

Mr. LUKEN. $18 million. To find out they kept no record according to this statement, upon which to base that charge of millions of dollars.

Mr. BIERENBAUM. Yes, sir. I agree, sir.

Mr. LUKEN. You are nauseated?

Mr. BIERENBAUM. Yes.
Mr. LUKEN. I can understand why you would be.
    The gentleman from Kansas.
Mr. WHITTAKER. Thank you, Mr. Chairman.
Dr. Bierenbaum, a number of our witnesses have stressed in
their prepared testimony the threat of unscrupulous fundraisers to
the public trust that underlies American charitable institutions.
I am going to ask, do you see any single policy change at the
State or Federal level that could help prevent or deter some of this
fraudulent and deceptive activity?
Mr. BIERENBAUM. You are asking actually for an opinion, sir?
You are asking for my opinion in this regard?
Mr. WHITTAKER. Yes. Yes, I am.
Mr. BIERENBAUM. Okay, well, one of the things that I think
would make the task much easier of controlling problems such as
this and in making it easier for the foundations to operate legiti-
mately would be that there should be some Federal program.
The current setup of having each individual State setup its
myriad of complaints and regulations and filings makes it virtually
impossible for anybody like myself to understand really what is
going on with each of the States.
There is just too much bureaucracies involved in that. In addi-
tion to that, there is too much ad-libbing by the regulators in the
States. They don't have set policies themselves and many times I
almost threw up my hands in utter confusion trying to comply with
the regulations of all the States.
The appearance of the Postal Service, for instance, upon the
scene gave a certain calmness to me because at least there ap-
ppeared to be a uniform decisionmaking process occurring, and I
think the way to go in controlling problems like this, and in fact
helping the charities to get through the morass of bureaucracies is
to have some kind of Federal law specifically established so that
the foundations could follow.
Mr. WHITTAKER. All right. Dr. Goodman, I understand that your
organization severed its relationship with Watson & Hughey after
determining that fundraising tactics that the firm proposed were,
in your words, inappropriate.
Looking back on your experiences, do you see any particular re-
source or source of information that your charity or similar organi-
zations could check before contracting with a fundraising firm?
Mr. GOODMAN. Well, I suppose that at the moment I can't think
of any that currently exist. I could understand that some sort of
information resource could be established that would allow an or-
ganization considering fundraising to check on fundraisers, but as
far as I know such a resource did not exist when we went into this,
and we only judged by the success of one organization with Watson
& Hughey, that is the American Institute of Cancer Research, in
causing us to contact Watson & Hughey. But there is—I am not
aware of any resource that would tell people about the problems a
direct fundraiser might have had in the past.
Mr. WHITTAKER. Thank you, Mr. Chairman.
Mr. LUKEN. The gentleman from North Carolina.
Mr. McMILLAN. Thank you, Mr. Chairman. According to the
letter from the law firm of O'Connor & Hannan in response to cer-
tain questions that might have been promulgated by this commit-
Christee, and I suppose these answers are submitted as a matter of record in the letter from——

Mr. LUKEN. I'm sorry, I didn't——

Mr. McMILLAN. Are we accepting the letter from O'Connor & Hannan——

Mr. LUKEN. Without objection, I will ask unanimous consent that it be introduced.

[The letter follows:]

O'CONNOR & HANNAH,

HON. THOMAS A. LUKEN,

Attn: Mr. Benjamin Cohen
Re: Watson & Hughey

DEAR MR. CHAIRMAN: I am in receipt of your letter dated July 10, 1989 in which you invited Mr. Byron C. Hughey to testify at a hearing before the Subcommittee on Transportation and Hazardous Materials ('Subcommittee') and requested submission of responses to four specific requests for information.

Regrettably, Mr. Hughey is presently confronted with a conflict that precludes him from accepting your invitation. As I informed you in my letter dated May 18, 1989, both Mr. Hughey and Mr. Jerry Watson are inclined to testify before the Subcommittee. However, Mr. Hughey and Mr. Watson have been advised by attorneys representing them in several civil law suits not to make any public statements until those cases have been completed. While those cases are moving towards final resolution, certain cases remain pending at this time thereby precluding Mr. Hughey's appearance before the Subcommittee.

Despite this inability to testify at a hearing before the Subcommittee, Mr. Hughey, Mr. Watson and the firm of Watson & Hughey desire to be as cooperative as possible within the limitations set by the attorneys handling their pending legal matters. Therefore, in the spirit of cooperation Mr. Watson, Mr. Hughey and Watson & Hughey submit the following written responses to the information you have requested:

1) How much money did Watson & Hughey raise for Adopt-A-Pet in 1988 and what expenses were incurred in 1988 by Watson & Hughey in connection with this fundraising?

According to Watson & Hughey's unaudited records, it raised $2,912,192.31 for Adopt-A-Pet in 1988. For audited financials showing revenue and expenses, you may wish to contact Adopt-A-Pet directly. Watson & Hughey does not bill by the hour or use any cost plus billing systems, therefore, it does not accurately allot its expenses to specific charity accounts or maintain expenses records, such as overhead, telephone, etc. by individual client account.

2) How much money did Watson & Hughey raise for Cancer Fund of America in 1988 and what expenses were incurred in 1988 by Watson & Hughey in connection with this fundraising?

According to Watson & Hughey's unaudited records, it raised $7,578,954.81 for Cancer Fund of America in 1988. For audited financials showing revenue and expenses, you may wish to contact Cancer Fund of America directly. Watson & Hughey does not bill by the hour or use any cost plus billing systems, therefore, it does not accurately allot its expenses to specific charity accounts or maintain expense records, such as overhead, telephone, etc. by individual client account.

3) Watson & Hughey advertised in Science magazine. What were the approximate dates of these advertisements? Please give the name of any organization (or person) which contacted Watson & Hughey in response to any of these advertisements and for which Watson & Hughey subsequently raised money.

Watson & Hughey ran an advertisement intermittently in Science magazine from May 28, 1988 to February 3, 1989. Upon information and belief, Watson & Hughey never raised money for any organization which contacted it in response to the advertisement.

4) For each organization listed in response to (3), please give the name and telephone number of the principal person in the organization with whom Watson & Hughey dealt.

Not applicable. See answer to question No. 3 above.
Hopefully, this information will be helpful to your Subcommittee. If you or your staff have any additional questions I will attempt to answer them to the fullest extent possible.

Very truly yours,

THOMAS R. JOLLY.

cc: Mr. Benjamin Cohen

Mr. McMillan. It is appropriate then to raise questions with respect to that letter?

Mr. Lukken. Yes, without objection it is introduced.

Mr. McMillan. I wanted to clarify that in response to questions. The attorney for Watson & Hughey says that in the name of the Cancer Fund of America in 1988 they raised $7,579,000. Was that the same name under which you testified that you raised $1 million?

Mr. Goodman. No, sir. It was not. The name of American Health Foundation was in our mailings, although it was not—the Cancer Prevention Fund was the main name, but I believe the American Health Foundation's name did occur in the mailings, and——

Mr. McMillan. You have retained the mailings that were made in your name?

Mr. Goodman. Yes.

Mr. McMillan. Have you seen mailings that were perhaps mailed at the same mailing list under the name of Cancer Fund of America?

Mr. Goodman. No, sir, I have not seen any of those mailings.

Mr. McMillan. Do you have any reason to believe that they were mailed to the same list?

Mr. Goodman. I would be surprised if they were not mailed to the same list, but I do not know.

Mr. McMillan. You are a rather substantial organization. Do you feel compelled to explore that for the protection of your own organization in your own institution and the integrity of the process in which you are engaged?

Mr. Goodman. You mean to explore the unwarranted use of our name in mailings?

Mr. McMillan. Right.

Mr. Goodman. Well, unfortunately we are not really in a position to explore it in terms of carrying on an investigation. We certainly would appreciate any information about the misuse of our name. I don't know how one would go about exploring that without going through some sort of legal interrogation process.

Mr. McMillan. Have you consulted an attorney about that as to what legal rights you may have, what you may have against the fundraiser with respect to the whole relationship with your institution?

Mr. Goodman. Well, I am sure that Mr. Klarburg, who is the executive vice president and general counsel, is aware of the problem and may be taking some action in that direction.

Mr. McMillan. Do you personally think your organization, however it is structured—board of trustees or however, feels intimidated and hesitates to take action against something like this because you basically are embarrassed because you may have been had and because of the sensitivity with respect to your reputation you may
be inclined not to take aggressive action against someone that has taken you to the cleaners?

Mr. GOODMAN. I don't think so. I think if someone has taken us to the cleaners, we want to make sure that there are no spots on what came back. I don't think it is a matter of embarrassment. I think it is really a matter of our limited facilities in terms of administration and the course that would be involved in this kind of operation.

We try to keep our overhead and administration down as much as possible. We are a small organization with respect to our administration. We are a research organization.

Mr. MCMILLAN. I am not suggesting otherwise, but I am suggesting that in entering into a contract and then in following through on it, you have got a $30,000 return out of a $1 million fundraising effort. Then when the organization that raised the funds has the potential to use the same list for a modified name to subsequently raise $8 million, something is amiss. It seems absolutely unconscionable.

Mr. GOODMAN. I agree with that.

Mr. MCMILLAN. And yet from your testimony you all apparently accepted that and accepted the notion that those expenses were justified and gave up your mailing list as a settlement of all pending matters under the contract.

Mr. GOODMAN. Well, the conclusion we came to, we did not automatically assume that there was something nefarious going on. We simply came to the conclusion that people were being bombarded from all sides with requests for funds and that our mailing was—many of our mailings were being ignored by the public and that simply that direct mail is not an efficient way to raise money for now that everybody is trying to get into the act.

Mr. MCMILLAN. I would tend to agree with you on that, but it is not an inefficient way for the fundraising professional to raise money for themselves.

One of the reasons why it is an inefficient way of raising money is that the fundraisers are raking so much off that the ultimate beneficiary doesn't receive anything. That is exactly what we are faced with, I think.

Mr. GOODMAN. I think one has to determine whether these costs that the fundraisers, you say, rake off, whether—they may be complete legitimate costs which simply result from the fact that all these mailings do have to be paid for. It just may be that no one, when they get these mailings, pays very much attention to them.

Now, with respect to your initial question, we are very interested in preserving the integrity of our name, and we certainly would like to know of any misuse of our name in these mailings.

Mr. MCMILLAN. Well, I think one of the things that we are probably working toward here is some kind of a system of disclosure so that the fundraising track record of a firm like Watson & Hughey is publicly disclosed with respect to all of their activities and specifically disclosed with respect to their success or failure in each fundraising effort they undertake so that when you go to engage in a contract with a fundraising organization, you can then examine publicly what their track record has been and see whether they are being successful or not and what the rate of charges is and have a
bench mark to go by. I think that might be useful to private organizations.

Mr. GOODMAN. I think that would be very useful. There is another approach which I hesitate to suggest, and that is that in a particular mailing a charitable organization has to state what proportion of contributions made to it go for administrative expenses.

Mr. McMILLAN. Well, that is what I mean by disclosure. You would state what the total cost of the mailings were, what the total proceeds for the mailing were, what proportion went back to the purpose for which it was undertaken.

Mr. GOODMAN. Well, you are referring to information about the fundraising consultants such as Watson & Hughey. What I am saying is that if an organization such as American Health Foundation sent out a mailing, we would have to say that our record over the last year has been that such and such a percent went for administrative costs.

Now, the thing that is—that could be considered unfair about such a system would be that an organization, a very well-known organization like the American Cancer Society, has very low administrative costs because people know the organization.

They repeat contributions on a regular basis. When a small, but legitimate charitable organization tries to raise funds, it would have to say in its initial mailings that its administrative expenses were very high, because that is the way it always is at the beginning, and in such a case this would discourage further contributions or any contributions to that organization, so you have a problem of how such a regulation would affect a legitimate, but small or new charitable organization.

That is just something that would have to be considered.

Mr. McMILLAN. Well, I would accept that as generally true, but I think that the fact that you have to disclose those would then give some parameters so that no one would certainly presume that in your case 3 percent return on a $1 million success rate is something that you can pass off as startup costs on a long-term fundraising effort or that you can raise through your efforts—whatever it was, $450,000—and still have the organization come back to you and say we have done that, but you owe us $250,000 for the efforts we have made to get you started.

I think maybe one of the constructive things we can pursue. Are you—what happened to the name Adopt-a-Pet? Was that your name?

Mr. STRATEMEYER. Adopt-a-Pet is an organization and there are a not-for-profit organization. They were with Watson & Hughey about the same time we were.

When we wanted to break our contract, Chat Hughey filled out an assumption agreement and they assumed the animal, the National Animal Protection Foundation's name which we were collecting under Little Orphans and the debt and that got us out of the contract.

Mr. McMILLAN. Did you have a fundraising track record prior to entering into the agreement with this firm?

Mr. STRATEMEYER. No.

Mr. McMILLAN. So you didn't have an existing mailing list of proven contributors?
Mr. Stratemeyer. Not existing, no. They were generating one.
Mr. McMillan. They developed the list then from scratch?
Mr. Stratemeyer. Yes.
Mr. McMillan. How many names were developed in that list during that contract with you?
Mr. Stratemeyer. We don't know.
Mr. McMillan. But you entered into an agreement to let them keep it? In September for a presumed indebtedness of some $250,000?
Mr. Stratemeyer. That is right. We were just a little bit intimidated.
Mr. McMillan. Why were you intimidated?
Mr. Stratemeyer. Well, the size of our organization. We are just volunteers trying to do this part time.
Mr. McMillan. And did you have a concern that if the people that you had asked to support your organization knew that you had ended up with a fundraising drive of $250,000 in the hole that it would have destroyed the reputation of the organization, therefore, the efforts you were trying to——
Mr. Stratemeyer. No.
Mr. McMillan. It would have bothered me, I tell you. I am not being critical, I am trying to get to the heart of the matter.
Mr. Stratemeyer. At the time we didn't know how much we were in debt until we got the letter.
Mr. McMillan. Do you feel like you are in debt?
Mr. Stratemeyer. I don't feel like I am in debt.
Mr. McMillan. Do you feel like you were at the time you settled with them?
Mr. Stratemeyer. At the time I felt the fundraiser was in debt and the name of the Little Orphans. And the Little Orphans had signed a 5-year contract and we wanted out of the contract after 2 years.
So they kept saying that they were building up the house file and they were going to turn around and eventually mail the house file and that is the only file we would get any income from, and 50 percent of the house file could be put back into generating more names.
At the time we did the contract we had no idea the funds or the amount of money we were talking about, we had no idea how much would come in.
Mr. McMillan. Did you have a goal?
Mr. Stratemeyer. Yes. Not moneywise——
Mr. McMillan. You didn't sit down with them in advance and say our objective is to raise $250,000 next year?
Mr. Stratemeyer. No. We had no idea.
Mr. McMillan. How did you meet these people?
Mr. Stratemeyer. Jerry Herman, and through his pet store, started adopting puppies and kittens through the front window, and I called them the Little Orphans, and someone saw Jerry doing this and got a little involved and said Jerry, you should incorporate, so he incorporated in the State of Ohio.
After he had won an award and had been in the newspapers he received a letter from Watson & Hughey soliciting for their services. Jerry was interested, he mailed a postcard back to them. He
talked on the phone maybe to Mr. Hughey, I am not sure, I think it was Chat Hughey, and they sent him more information, they sent him a list of references.

He had a lawyer look into it to see if we were under any obligation. At that time I wasn’t a trustee. Okay? Then he called a couple of references, they gave him good references. I checked with the lawyer, he said to go ahead and do it if you want to.

Jerry signed it. Six months later Jerry died. In that 6 months time they had developed a nice brochure, they had come down and taken pictures of people, they saw how they were vaccinating them. They were really upbeat and doing what we thought we wanted to do; we wanted to educate people. It is a national problem.

We should spay and neuter our pets. So at that point when Jerry died it suspended everything because we didn’t have the pet store anymore. And Chat Hughey wanted, even though the Little Orphans at the time elected a new trustee, which was myself, to fulfill, because Jerry died and Linda became president, Chat Hughey wanted a meeting at the airport, and it was kind of a rushed meeting.

He had the contract there, we were to discuss it, and we did. He led us to believe we were under no obligation, they were going to put the funds up, they were going to try to collect funds for us and if they collected funds great, if they didn’t, we weren’t out anything. And we had no idea. We were kind of caught up with the idea of doing this for Jerry because it was his dream and he started it.

You never know how these things start. So we elected to continue. I lost my train of thought.

Mr. McMillan. I think you have given us a good description of the way something like this might take place with a good appealing idea with an organization that didn’t have a long history of fundraising.

Mr. Stratemeyer. We had no history. We had a fishbowl and people came in and threw a buck in the fishbowl and Jerry used that to buy the cat food. The vaccines were free, you know.

Mr. McMillan. Would you be interested in public disclosure of how Adopt-a-Pet raised money and dispensed money in 1988?

Mr. Stratemeyer. Yes.

Mr. McMillan. If you knew that, would that provide you with some good guidelines as to what to expect if you encountered something like this in the future?

Mr. Stratemeyer. Yes.

Mr. McMillan. I mean something that would say how much money they raised, how many creditors they had, what their expenses were and what they, in fact, distributed to the purpose for which they were created?

Mr. Stratemeyer. Right.

The other thing, you mentioned making that disclosure and how much would be under administrative costs. Well, we were told you can put a certain percentage of that underneath educational expense. So some of those administrative costs get put under the 990 form, get put underneath educational because they try to put
enough educational material in with the sweepstakes to say it is education.

So even though you are telling them to list the numbers, they are smart enough to put the numbers down where they don’t hurt as bad maybe, you know.

Mr. LUKEN. Will the gentleman yield?

Mr. MCMILLAN. Yes, sir.

Mr. LUKEN. I have been doing a little rummaging around over here so I haven’t heard all the gentleman’s questions but I have in hand here, this is one of the reasons I was not listening because I was looking for this, a 990 IRS form for Adopt-a-Pet for 1988 which may have some of the answers the gentleman, what you are interested in. Without objection, I will offer these into the record so that that will be publicized. Does the gentleman want it at this time.

Mr. MCMILLAN. I would like to look at it. I may not have time in the allotted time——

Mr. LUKEN. Perhaps the gentleman would want to come back to it?

Mr. MCMILLAN. Let me yield back my time and let me look at that.

Mr. LUKEN. The gentleman from Alabama.

Mr. CALLAHAN. Is this the only source of revenue you have? What do you have a trust foundation that funds your organization, or do you have any other type of fundraisers?

Mr. BIERENBAUM. When the Jordan group was started in 1958 there was a significant amount of research money so it was never difficult to get funding at that time.

Mr. CALLAHAN. That was Federal funding.

Mr. BIERENBAUM. Our first grant was for over $1 million from the National Heart Institute. That lasted for 10 years. During that peak period, we had 16 people working in our research facility. During the course of the 30 years, we have had more than 100 publications which are considered to be some of great significance, and it became, starting in the 1970’s it became a little more difficult, the competition for dollars.

The National Institutes of Health seemed to concentrate on placing grants at universities at that time so the competition was keener. Fortunately, we were in an area where industry was interested in the work that we did so that we had considerable research support from Unilever Corporation and did some of the early work with one of their margin preparations, a number of drug companies supported us. The Heart Association supported us in a number of the animal studies.

Mr. CALLAHAN. This would be your first venture in direct fundraising to individuals then?

Mr. BIERENBAUM. The first time that we did that we tried ourselves in the town of Montclair after a large publicity campaign, we went out 1,000 pieces of mail. We did everything wrong, sent it to the wrong people, sent it at the wrong time. So with the donation and services and everything, that fundraising effort cost us about $2,500 with a net of $375.

So we learned we were really amateurs at that, never had done any fundraising before that.
Mr. Callahan. Keep in mind I am not being critical of you or your organization.

Mr. Bierenbaum. I understand, sir.

Mr. Callahan. I am just trying to make a point. I agree that we need to do something about abuse of the charity of the people of this country who fall into these traps. But in your case, where you had your own fundraiser, your figures are worse than Watson & Hughey's because it cost you whatever you lost, it might have cost you 2,000 percent, you actually lost money.

Mr. Bierenbaum. We did, sir.

Mr. Callahan. How do we draft legislation that would give you the right to make that mistake, for example, to give you the right to spend $1,000 to send out 1,000 letters when you have no fundraising history. You would be a new organization getting started and your first mailing, through errors, could produce no results but could actually cost you something.

So there is going to be great difficulty in establishing legislation that will attack the Watson & Hugheys and at the same time give organizations the right to attempt to raise money for noble causes.

Mr. Bierenbaum. I agree with you, sir.

When the American Heart Disease Prevention Foundation started with fundraising with Watson & Hughey in the first year I thought it was terrible also. We had a 3 percent yield on the money that they raised. But, in fact, in the second year when they raised a huge amount of money, they gave us almost 11 percent for the purpose that it was intended, that is to do research and to supply worthwhile groups with research funding. So it was my intention after seeing the money appear before I saw the expenses that occurred that this would be according to the schedule which they had proposed.

I agree with you all wholeheartedly when you come with a new game, even though you are a worthwhile and well-intended foundation, if you start out with no background, it is very costly via direct mail to do anything. And I do not envy any of you in putting forth legislation which will be fair to new foundations which may be worthwhile.

You will have to be careful that you do not favor established foundations such as the National Cancer, or the American Cancer Society or the American Heart Association which have a small expense in comparison to revenue, because as good as they are there is area for improvement in all foundations and there are new ideas, and new foundations are certainly to be supported.

Mr. Callahan. I think in disclosure forms, for example, if you sent out $300,000 worth of mail, direct mail, and you didn't have an attractive mailing and you didn't get any results, you got back in say $1,000. Here in Congress we have to raise money to run for office and we are constantly having fundraisers of different natures of our own here, but it cost the average Congressman somewhere between 35 and 40 percent of every dollar we raise to run for Congress, it costs us that in fundraising activities.

We have to pay for the steaks we feed to our contributors when they come to our fundraisers, we have to rent a hall to have them, we have to have direct mail. So the costs of fundraising generally
are very high. I would say you couldn’t possibly have a professional fundraising activity that would cost less than 60 percent.

Mr. Bierrenbaum. Well, I had hoped by the end of the fifth year, which is what the contract was signed for, that we would be in that 35 to 40 percent expense rate.

Mr. Callahan. That is right. But, you see, after your initial mailing, then you make a second mailing to those people that responded. So you have one list of 1,000 people who already have sent you money because they believe in your cause, then I could take that list and just mail to those and my percentage factors would be probably 70 percent return. It is going to be very difficult to draft legislation. And while I think we should be concerned, we ought to send a strong message to people such as the Adopt-a-Pet program be careful about signing contracts, get legal counsel, strong legal counsel.

In your case, Dr. Stratemeyer, I know the founder of your group is deceased but he would have one heck of a malpractice suit because he got legal advice and the attorney evidently told him to go ahead and sign it—it can’t cost us anything. Then you learn you owe that company $243,000. So I think that is education. There must be a national group, there is a national group for everything—charitable fundraising people or charitable organizations, and we ought to encourage them to educate their people as to some national standards.

Because there is just no way this Congress can legislate to protect everyone against any opportunity. When you have people like Watson & Hughey who are going to take advantage of the good name of charity and the willingness of people, even the greed of people. Someone walks in your office and says, Doctor, I can raise you millions of dollars. We grab that, we sign that, we anticipate millions will come in. They don’t come in and in retrospect we find out we have made mistakes.

So I think the national organizations are really going to have to police this thing more aggressively than they have and maybe they have been policing it now.

Thank you very much for your testimony.

Mr. Lukken. I thank the gentleman. Following up the lines that have been explored by the gentleman from North Carolina and the gentleman from Alabama, in previous questioning, it was introduced into the record the document which I talked to Dr. Goodman about, which is the Cancer Prevention Project, which shows, and this was obtained from the American Cancer Society because of their problems with the use of cancer. You can imagine the American Cancer Society is not happy about solicitations of this kind for the Cancer Prevention Project, especially when it has been transferred to the Cancer Fund of America, which is a very questionable organization which we have been talking about.

But this is a solicitation to accept membership for 1988, and specifically this is a solicitation of Cancer Prevention Project, a program of the Cancer Fund of America—that is the ones who bought out your name, right, the Cancer Prevention Project?

Mr. Goodman. Yes, sir.

Mr. Lukken. You sold it to them around the end of 1987, right?

Mr. Goodman. Yes, that is correct.
Mr. LUKEN. And it says in part, "I am happy to renew my commitment to the Cancer Prevention Project." So there is every reason to believe that this was sent to the same list, namely your list, which was transferred to the Cancer Fund of America, wouldn't you say?

Mr. GOODMAN. Yes, I would say.

Mr. LUKEN. Without objection, I will ask the staff to direct a communication to the Cancer Fund of America to specifically ask the question as to whether or not the mailing list of the Cancer Prevention Project which was transferred to the Cancer Fund of America by the assumption agreement dated February 8, 1988, whether that list was used for the solicitation under the name of Cancer Prevention Project in 1988 so that we can verify that.

Without objection, it will be so ordered.

[The following information was received:]

CANCER FUND OF AMERICA, INC.,

THOMAS A. LUKEN,
Chairman, Subcommittee on Transportation, Washington, DC.

DEAR CONGRESSMAN LUKEN: In response to your request for information regarding mailings under our name Cancer Prevention Project, I can offer the following:

In February 1988 our organization obtained, through contract from American Health Foundation a transfer of all rights, title and interest it may have in the tradename "Cancer Prevention Project" with certain understandings, one of which was to never make mention of name American Health Foundation in any of its printed materials or otherwise.

In return CFA became responsible for AHF's financial liabilities to its fundraising consultants Watson & Hughey and third party vendors.

The Board of Directors of American Health Foundation approved of this assignment to Cancer Fund of America. To my information a partial list of their board includes: George McGovern, Lane Adams, former ACS National EVP; Don Johnson, actor; Humphrey Taylor, president of Harris Poll.

For over a year, CFA has made no mailings using the name Cancer Prevention Project. We did mail in 1988 using the CPP name. To the best of my knowledge, we mailed to approximately 127,000 of the American Health Foundation names using the attached fund raising appeal having only a 5 percent response.

Please advise should you require additional information that I may be able to provide.

Kindest regards,

JAMES T. REYNOLDS, President.

cc: McKenzie Canter, Counsel

Mr. LUKEN. In this tawdry business of trafficking in the name of a charitable organization, I also want to introduce this assumption agreement dated February 8, 1988, between the American Health Foundation, the assigner, and the Watson & Hughey, a partnership, a for-profit partnership obviously.

And this raises the question about the legitimacy at least of selling for a consideration the name of a charitable organization which is operating under an IRS tax exemption. I think the subcommittee is going to have to consider that. Obviously, it has been done by the parties who are present here, the charitable organizations, at the suggestion of Watson & Hughey, and I am not suggesting any wrongdoing on the part of those who have been put upon, who are here and have been put in that vulnerable position which they have been put in here, but I don't think it is the intent of the laws of the United States that the charitable names which identify organizations, not-for-profit organizations, charitable organizations
which are exempt for that reason under the IRS laws, that those names be transferred for consideration and then used by another organization.

The fraud just sticks out. Trafficking in these names I think is something we should be very concerned about. I also will ask unanimous consent to introduce the form 990 of the Cancer Fund of America for 1988.

But we also have the 990 form of Adopt-a-Pet. Without objection, they will both be received into the record.

[Testimony resumes on p. 71.]

[The forms follow:]
Return of Organization Exempt From Income Tax

Under section 501(c) (except blacklung benefit trust or private foundation) of the Internal Revenue Code or section 4947(a)(1) trust

Note: You may be required to use a copy of this return to satisfy state reporting requirements. See Instruction O.

Department of the Treasury
Internal Revenue Service

For the calendar year 1988, or fiscal year beginning

19

V NCCEP FUND OF AMERICA INC
TON CENTRAL
TV 37917

C E R A N I N U M S T RAC T I O N

Do check type of organization—Exempt under section 501(c) (3) (insert number), OR, ☐ section 4947(a)(1) trust
☐ Accounting method: ☐ Cash, ☐ Accrual ☐ Other (specify)
☐ Is this a group return (see Instruction J) filed for affiliates? ☐ Yes ☐ No
☐ If "Yes," enter the number of affiliates for which this return is filed
☐ Is this a separate return filed by a group affiliate? ☐ Yes ☐ No

☐ Check here if application for exemption is pending

☐ Check here if gross receipts are normally not more than $25,000 (see Instruction B11). You do not have to file a completed return with IRS but should file a return without financial data if you were mailed a Form 990 Package (see Instruction A). Some states may require a completed return.

☐ Check here if gross receipts are normally more than $25,000 and line 12 is $29,000 or less. Complete Parts I (except lines 13-15), IV, VI, and VII and only the indicated items in Parts II and V (see Instruction J). If line 12 is more than $25,000, complete the entire return.

Statement of Support, Revenue, and Expenses and Changes in Fund Balances

Part I

Contributions, gifts, grants, and similar amounts received:

a. Direct public support (2,763,850)
b. Indirect public support
c. Government grants
d. Total (add lines 1a through 1c) (attach schedule—see instructions)

Program service revenue (from Part IV, line 0)

Membership dues and assessments

Interest on savings and temporary cash investments

Dividends and interest from securities

Gross rents

Minus: rental expenses

Net rental income (loss)

Other investment income (describe)

a. Gross amount from sale of assets other than inventory
b. Minus: cost of goods sold (attach schedule)

Gain (loss) (attach schedule)

Special fundraising events and activities (attach schedule—see instructions)

Gross revenue (not including $ of contributions reported on line 1a)

Minus: direct expenses

Net income (line 9c minus line 8b)

Gross sales minus returns and allowances

Minus: cost of goods sold (attach schedule)

Gross profit (loss)

Other revenue (from Part IV, line 0)

Total revenue (add lines 1d, 2, 3, 4, 5, 6, 7, 8c, 9c, 10c, and 11)

Program services (from line 44, column B1) (see instructions)

Management and general (from line 44, column C1) (see instructions)

Fundraising (from line 44, column D1) (see instructions)

Payments to affiliates (attach schedule—see instructions)

Total expenses (add lines 16 and 44, column A1)

Excess (deficit) for the year (subtract line 17 from line 12)

Fund balances or net worth at beginning of year (from line 74, column A1)

Other changes in fund balances or net worth (attach explanation)

Fund balances or net worth at end of year (add lines 18, 19, and 20)

For Paperwork Reduction Act Notice, see page 1 of the instructions.

Form 990 (1993)

07.16 98 03:52 PM 02
<table>
<thead>
<tr>
<th>NAME OF ORGANIZATION</th>
<th>CITY</th>
<th>STATE</th>
<th>GRANT AMOUNT</th>
<th>YEAR AWARDED</th>
<th>TYPE OF AID</th>
</tr>
</thead>
<tbody>
<tr>
<td>HOSPICE OF THE BLUEGRASS</td>
<td>LEXINGTON</td>
<td>KY</td>
<td>10,000.00</td>
<td>1988</td>
<td>PATIENT ASSIST</td>
</tr>
<tr>
<td>UNITED HOSPITAL HOSPICE</td>
<td>GRAND FORKS</td>
<td>ND</td>
<td>3,000.00</td>
<td>1988</td>
<td>PATIENT ASSIST</td>
</tr>
<tr>
<td>OHIO HOSPICE</td>
<td>COLUMBUS</td>
<td>OH</td>
<td>15,000.00</td>
<td>1988</td>
<td>PATIENT ASSIST</td>
</tr>
<tr>
<td>NEW MEXICO ASSOC. FOR HOME CARE</td>
<td>SANTA FE</td>
<td>NM</td>
<td>15,000.00</td>
<td>1988</td>
<td>PATIENT ASSIST</td>
</tr>
<tr>
<td>MESILLA VALLEY HOSPICE</td>
<td>LAS CRUCES</td>
<td>NM</td>
<td></td>
<td>1988</td>
<td></td>
</tr>
<tr>
<td>HOSPICE OF WILKES, INC</td>
<td>W. WILKESBORO</td>
<td>NC</td>
<td>2,000.00</td>
<td>1988</td>
<td></td>
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<tr>
<td>EAST VALLEY HOSPICE</td>
<td>MESA</td>
<td>AZ</td>
<td>3,000.00</td>
<td>1988</td>
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<tr>
<td>CAMELOT COMMUNITY HOSPICE</td>
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<td>AZ</td>
<td>3,000.00</td>
<td>1988</td>
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<tr>
<td>HOSPICE WEST</td>
<td>MALTHOM</td>
<td>MA</td>
<td>12,000.00</td>
<td>1988</td>
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<tr>
<td>CATSKILL AREA HOSPICE, INC</td>
<td>ONEONTA</td>
<td>NY</td>
<td>6,000.00</td>
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<tr>
<td>VISITING NURSE ASSOCIATION HOSPICE</td>
<td>BURLINGTON</td>
<td>VT</td>
<td>3,000.00</td>
<td>1988</td>
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<tr>
<td>RICE HOSPICE PROGRAM</td>
<td>WILLMAR</td>
<td>PA</td>
<td>2,000.00</td>
<td>1988</td>
<td></td>
</tr>
<tr>
<td>CALIFORNIA STATE HOSPICE ASSOCIATION</td>
<td>LOS ANGELES</td>
<td>CA</td>
<td>15,000.00</td>
<td>1988</td>
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<tr>
<td>SOYRA P. SOLLINS</td>
<td>NEW ROCHELLE</td>
<td>NY</td>
<td>8,000.00</td>
<td>1988</td>
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<td>HOSPICE OF THE VALLEY</td>
<td>PHOENIX</td>
<td>AZ</td>
<td>3,000.00</td>
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<tr>
<td>C. J. HARRIS COMMUNITY HOSPITAL</td>
<td>SYLVA</td>
<td>NC</td>
<td>2,000.00</td>
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<td>RICHMOND HOSPICE</td>
<td>BROOKLYN</td>
<td>NY</td>
<td>8,000.00</td>
<td>1988</td>
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<td>BROOKLYN HOSPICE</td>
<td>BROOKLYN</td>
<td>NY</td>
<td>12,000.00</td>
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<td>LUTHERAN HEALTHCARE</td>
<td>MESA</td>
<td>AZ</td>
<td>3,000.00</td>
<td>1988</td>
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</tr>
<tr>
<td>NAME OF ORGANIZATION</td>
<td>CITY</td>
<td>STATE</td>
<td>GRANT AMOUNT</td>
<td>YEAR AWARDED</td>
<td>TYPE OF AID</td>
</tr>
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<td>--------------------------</td>
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<td>--------------</td>
</tr>
<tr>
<td>VISITING NURSE ASSN. OF</td>
<td>DALLAS</td>
<td>TX</td>
<td>20,000.00</td>
<td>1988</td>
<td>PATIENT ASSIST.</td>
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<td>TEXAS HOME HOSPICE</td>
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</tr>
<tr>
<td>NORTH DAKOTA HOSPICE</td>
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<td>ND</td>
<td>7,000.00</td>
<td>1988</td>
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<td>BAPTIST HOSPICE OF</td>
<td>MONTGOMERY</td>
<td>AL</td>
<td>9,000.00</td>
<td>1988</td>
<td>*</td>
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<td>MONTGOMERY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HOSPICE OF VICTORIA, INC.</td>
<td>VICTORIA</td>
<td>TX</td>
<td>6,000.00</td>
<td>1988</td>
<td>*</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>TOTAL</td>
<td>241,000.00</td>
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</tr>
</tbody>
</table>
### Part I: Depreciation

**Use Part III for automobiles, certain other vehicles, computers, and property used for entertainment, recreation, or amusement.**

<table>
<thead>
<tr>
<th>Description of Property</th>
<th>Cost</th>
<th>Expense Deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Description of property</td>
<td>(b) Cost</td>
<td>(c) Expense deduction</td>
</tr>
<tr>
<td>Listed property</td>
<td>33,333</td>
<td>11,111</td>
</tr>
<tr>
<td>Total (add lines 1 and 2, but do not enter more than $10,000)</td>
<td>33,333</td>
<td>11,111</td>
</tr>
</tbody>
</table>

**Part II: Depreciation**

- **Section A:** Election to Expense Depreciable Assets (Section 179)
  - Purpose: Expense certain types of property immediately, rather than deducting its cost over time.

- **Section B:** Depreciation
  - **(a) Class of property**
  - **(b) Date placed in service**
  - **(c) Basis for depreciation**
  - **(d) Recovery period**
  - **(e) Method of figuring depreciation**
  - **(f) Deduction**

- **Section C:** ACRS and/or Other Depreciation
  - **(g) Property subject to section 168(K)(1) election (see instructions)**
  - **(h) ACRS deduction for assets placed in service prior to 1988 (see instructions)**

- **Section D:** Summary
  - **(i) Total (add deductions on lines 3 through 11)**
  - **(j) Total for assets placed in service during current year, enter the portion of the basis attributable to section 263A costs (see instructions)**

### Amortization

- **Section A:** Amortization
  - **(a) Description of property**
  - **(b) Date amortized**
  - **(c) Basis or other basis**
  - **(d) Code section**
  - **(e) Amortization for the year**

- **Section B:** Amortization for property placed in service only during the tax year beginning in 1988

- **Section C:** Amortization for property placed in service during the current year

- **Section D:** Total: Enter here and on Other Deductions or Other Expenses line of your return.
PART III

Automobiles, Certain Other Vehicles, Computers, and Property Used for Entertainment, Recreation, or Amusement (Listed Property).

If you are using the standard mileage rate or deducting vehicle expense, complete columns (a) through (l) of Section A, all of Section B, and Section C if applicable.

Section A.—Depreciation (If automobiles and other listed property placed in service after June 18, 1984, are used less than 50% or in a trade or business, the section 179 deduction is not allowed and depreciation must be taken using the straight line method over 5 years. For other limitations, see Instructions.)

<table>
<thead>
<tr>
<th>Property (Enter here and on line 2, page 1.)</th>
<th>Depreciation for other property (Enter here and on line 6, page 1.)</th>
<th>Section 179 Expense</th>
<th>Depreciation</th>
<th>Depreciation</th>
<th>Section 179</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Date property placed in service (b) Percent used (c) Cost (d) Basis (e) Cost or basis after dispos. deduction (f) Depreciation (g) Section 179 deduction (h) Section 179 deduction (i) Section 179 deduction (j) Section 179 deduction (k) Section 179 deduction (l) Section 179 deduction</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total (Enter here and on line 2, page 1.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total (Enter here and on line 6, page 1.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Section B.—Information Regarding Use of Vehicles

Complete this section as follows. If you deduct expenses for vehicles:
- Always complete this section for vehicles used by a sole proprietor, partner, other than a 5% owner or related person.
- If you provided vehicles to employees, first answer the questions in Section C to see if you meet an exception to completing this section for those items.

<table>
<thead>
<tr>
<th>Vehicle 1</th>
<th>Vehicle 2</th>
<th>Vehicle 3</th>
<th>Vehicle 4</th>
<th>Vehicle 5</th>
<th>Vehicle 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Total miles driven during the year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Total business miles driven during the year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Total commuting miles driven during the year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Total other personal (noncommuting) miles driven</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Was the vehicle available for personal use during off-duty hours?</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>6 Was the vehicle used primarily by a more than 5% owner or related person?</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>7 Is another vehicle available for personal use?</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Section C.—Questions for Employers Who Provide Vehicles for Use by Employees.

(Answer these questions to determine if you meet an exception to completing Section B. Note: Section B must always be completed for vehicles used by sole proprietors, partners, or other more than 5% owners or related persons.)

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>8 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? (See instructions for vehicles used by corporate officers, directors, or 1% or more owners.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 Do you treat all use of vehicles by employees as personal use?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11 Do you provide more than five vehicles to your employees and retain the information received from your employees concerning the use of the vehicles?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12 Do you meet the requirements concerning qualified automobile demonstration use (see instructions)?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: If your answer to 8, 9, 10, 11, or 12 is "Yes," you need not complete Section B for the covered vehicles.
SCHEDULE A (Form 990) 1988

Organization Exempt Under 501(c)(3) (Except Private Foundation), 501(e), 501(h), 501(o), or Section 4947(a)(1) Trust

Supplementary Information

Attach to Form 990.

Cancer Fund of America, Inc.

Part I
Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees
(See specific instructions.) (List each one. If there are none, enter "None.")

<table>
<thead>
<tr>
<th>Name and address of employee</th>
<th>Name and address of persons paid more than $50,000</th>
<th>Type of service</th>
<th>Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Professional fund raiser</td>
<td>71,976</td>
</tr>
</tbody>
</table>

Total number of other employees paid over $50,000

Part II
Compensation of the Five Highest Persons for Professional Services
(See specific instructions.) (List each one. If there are none, enter "None.")

<table>
<thead>
<tr>
<th>Name of person</th>
<th>Type of service</th>
<th>Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Doe</td>
<td>Professional fund raiser</td>
<td>71,976</td>
</tr>
</tbody>
</table>

Total number of others receiving over $50,000 for professional services

Part III
Statements About Activities

1. During the year, have you attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum?
   - Yes [X]
   - No [ ]

2. During the year, have you, either directly or indirectly, engaged in any of the following acts with a trustee, director, principal officer, or creator of your organization, or any taxable organization or corporation with which such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary:
   - a. Sale, exchange, or leasing of property?
   - b. Lending of money or other extension of credit?
   - c. Furnishing of goods, services, or facilities?
   - d. Payment of compensation (or payment or reimbursement of expenses if more than $1,000)?
   - e. Transfer of any part of your income or assets?
   - f. If the answer to any question is "Yes," attach a detailed statement explaining the transactions.

3. Do you make grants for scholarships, fellowships, student loans, etc.?
   - Yes [X]
   - No [ ]

4. Attach a statement explaining how you determine that individuals or organizations receiving disbursements from you in furtherance of your charitable programs qualify to receive payments. (See specific instructions.)

For Paperwork Reduction Act Notice, see page 1 of the Instructions to Form 990.
35

Part IV: Reason for Non-Private Foundation Status

The organization is not a private foundation because it is: 
- A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i).
- A school. Section 170(b)(1)(A)(ii). (Also complete Part V, page 3.)
- A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).
- A Federal, state, or local government or governmental unit. Section 170(b)(1)(A)(iv).
- A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(v). Enter name, city, and state of hospital.

10. An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(vii). (Also complete Support Schedule.)

11. An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(viii). (Also complete Support Schedule.)

12. An organization that normally receives: (a) no more than 1/3 of its support from gross investment income and unrelated business taxable income (Pass section 511(a) from businesses acquired by the organization after June 30, 1975, and (b) more than 1/3 of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., purposes. Section 509(a)(2). (Also complete Support Schedule.)

13. An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in (1) below through 12 above or (2) section 501(c)(4), (5), or (c) if they meet the test of section 509(a)(2). Section 509(a)(2). Provide the following information about the supported organizations. (See instructions for Part IV, box 15.)

(a) Name of supported organizations

(b) Box number from above

14. An organization organized and operated to test for public safety. Section 509(a)(4). (See specific instructions.)

Support Schedule

(Calendar year or fiscal year beginning in)

<table>
<thead>
<tr>
<th>Year</th>
<th>(a)</th>
<th>(b)</th>
<th>(c)</th>
<th>(d)</th>
<th>(e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
</tr>
</tbody>
</table>

New Organization

15. Enter 2% of amount in column (e), line 17:

16. Enter 1% of the total gifts in row 22:

17. Enter 1% of the total gifts in row 22:

18. Enter 1% of the total gifts in row 22:

19. Enter 1% of the total gifts in row 22:

(Continued on page 2)
Part III Support Schedule (continued) (Complete only if you checked box 10, 11, or 12 on page 2.)

27 Organizations described in box 12, page 2:
   a. Attach a list for amounts shown on lines 15, 16, and 17, showing the name of, and total amounts received in each year from, each "disqualified person," and enter the sum of such amounts for each year:
      (1987) $0; (1986) $0; (1985) $0; (1984) $0.
   b. Attach a list showing, for 1984 through 1987, the name and amount included in line 17 for each person other than "disqualified persons" from whom it received more, than the larger of: the amount on line 25 for the year or $5,000. Include organizations described in boxes 5 through 11 as well as individuals. Enter the sum of these excess amounts for each year:
      (1987) $0; (1986) $0; (1985) $0; (1984) $0.

28 For an organization described in box 10, 11, or 12, page 2, that received any unusual grants during 1984 through 1987, attach a list (open to public inspection) for each year showing the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not include these grants in line 15 above. (See specific instructions.)

Part IV Private School Questionnaire
   (To be completed only by schools that checked box 6 in Part IV)

29 Do you have a racially nondiscriminatory policy toward students by statement in your charter, bylaws, governing instrument, or in a resolution of your governing body?
   Yes (Y) No (N)

30 Do you include a statement of your racially nondiscriminatory policy toward students in all your brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?
   Yes (Y) No (N)

31 Have you publicized your racially nondiscriminatory policy by newspaper or broadcast media during the period of solicitation for students, or during the registration period if you have no solicitation program, in a way that makes the policy known to all parts of the general community you serve?
   Yes (Y) No (N)

32 Do you maintain the following:
   a. Records indicating the racial composition of the student body, faculty, and administrative staff? Yes (Y) No (N)
   b. Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis? Yes (Y) No (N)
   c. Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships? Yes (Y) No (N)
   d. Copies of all material used by you or on your behalf to solicit contributions? Yes (Y) No (N)
   e. If you answered "Yes" to any of the above, please explain. (If you need more space, attach a separate statement.)

33 Do you discriminate by race in any way with respect to:
   a. Students' rights or privileges? Yes (Y) No (N)
   b. Admissions policies? Yes (Y) No (N)
   c. Employment of faculty or administrative staff? Yes (Y) No (N)
   d. Scholarships or other financial assistance? Yes (Y) No (N)
   e. Educational policies? Yes (Y) No (N)
   f. Use of facilities? Yes (Y) No (N)
   g. Athletic programs? Yes (Y) No (N)
   h. Other extracurricular activities? Yes (Y) No (N)
   i. If you answered "Yes" to any of the above, please explain. (If you need more space, attach a separate statement.)

34a Do you receive any financial aid or assistance from a governmental agency?
   Yes (Y) No (N)

34b Has your right to such aid ever been revoked or suspended?
   Yes (Y) No (N)

35 Do you certify that you have complied with the applicable requirements of sections 401 through 405 of Rev. Proc. 75-50, 1975-2 CB 587, covering racial nondiscrimination? If "No," attach an explanation. (See Instructions for Part IV)
   Yes (Y) No (N)
**Part VI: Lobbying Expenditures by Public Charities (see instructions)**

(Lobbying Expenditures by Public Charities (see instructions)

(To be completed ONLY by an eligible organization that filed Form 5768)

Check here □ □ if the organization belongs to an affiliated group (see instructions).
Check here □ □ if you checked a and "limited control" provisions apply (see instructions).

### Limits on Lobbying Expenses

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>AFFiliated group total</th>
<th>All eligible organizations total</th>
</tr>
</thead>
<tbody>
<tr>
<td>36</td>
<td>Total (grassroots) lobbying expenses to influence public opinion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>37</td>
<td>Total lobbying expenses to influence a legislative body</td>
<td></td>
<td></td>
</tr>
<tr>
<td>38</td>
<td>Total lobbying expenses (add lines 36 and 37)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>39</td>
<td>Other exempt purpose expenses (see Part VI instructions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>40</td>
<td>Total exempt purpose expenses (add lines 38 and 39) (see instructions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>41</td>
<td>Lobbying nontaxable amount. Enter the smaller of $1,000,000 or the amount determined under the following table—</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>if the amount on line 40 is —</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Not over $500,000</td>
<td>$50,000 plus 10% of the amount over $500,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Over $500,000 but not over $1,000,000</td>
<td>$150,000 plus 10% of the amount over $1,000,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Over $1,000,000 but not over $1,500,000</td>
<td>$75,000 plus 10% of the amount over $1,500,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Over $1,500,000</td>
<td>$150,000 plus 5% of the amount over $1,500,000</td>
<td></td>
</tr>
<tr>
<td>42</td>
<td>Grassroots nontaxable amount (enter 25% of line 41)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>43</td>
<td>Excess of line 35 over line 42</td>
<td></td>
<td></td>
</tr>
<tr>
<td>44</td>
<td>Excess of line 38 over line 41</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the columns below. See the instructions for lines 45-50 for details.)

<table>
<thead>
<tr>
<th>Calendar year (or fiscal year beginning in)</th>
<th>(a) 1958</th>
<th>(b) 1967</th>
<th>(c) 1966</th>
<th>(d) 1965</th>
<th>(e) Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>45  Lobbying nontaxable amount (see instructions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>46  Lobbying ceiling amount (150% of line 45) :</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>47  Total lobbying expenses (see instructions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>48  Grassroots nontaxable amount (see instructions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>49  Grassroots ceiling amount (150% of line 48) :</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50  Grassroots lobbying expenses (see instructions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Part VII: Information Regarding Transfers, Transactions, and Relationships With Other Organizations**

Did the organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527, relating to political organizations?

<table>
<thead>
<tr>
<th>Did the organization directly or indirectly</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
</table>

a) Transfers of:
   (i) Cash: 
   (ii) Other assets: 
   (iii) Rental of facilities or equipment: 
   (iv) Purchases of assets: 
   (v) Reimbursement arrangements: 
   (vi) Performance of services or membership or fundraising solicitations: 

b) Transactions:
   (i) Sales of assets: 
   (ii) Loans or loan guarantees: 

If "Yes," to any of the above, complete the following schedule. The "Amount involved" column below should always indicate the value of the goods, other assets, or services given. In addition, if the organization received less than fair market value in any transaction or sharing arrangement, the column should include the value of the goods, other assets, or services received.

<table>
<thead>
<tr>
<th>Line no.</th>
<th>Amount involved</th>
<th>Name of noncharitable organization</th>
<th>Description of transfers, transactions, and sharing arrangements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**92a** If the organization directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527:  

b) If "Yes," complete the following schedule.

<table>
<thead>
<tr>
<th>Name of organization</th>
<th>Type of organization</th>
<th>Description of relationship</th>
</tr>
</thead>
</table>
Instructions for Part VII.

— Information Regarding Transfers, Transactions, and Relationships With Other Organizations

Note: Part VII was added to provide for the reporting of the information specified in section 6033(a)(9) of the Code, as amended by section 1001(a) of Public Law 100-203, effective for return years beginning after December 31, 1987.

The reporting instructions given below should be used to complete Part VII for 1988. IRS may issue further guidance in future years. Any comments or suggestions regarding the instructions or the reporting required in Part VII should be addressed to: Assistant Commissioner (Employee Plans and Exempt Organizations), Internal Revenue Service, Room 4408, 111 Constitution Avenue, N.W., Washington, D.C. 20224.

In General

Part VII is used to report all direct and indirect transactions (line 51) and relationships (line 52) with any other section 501(c) organization (not including section 501(c)(4) organizations) and with any political organization described in section 527. A relationship that existed with another organization at any time during the year must be reported on line 52 even if the relationship was terminated before the end of the year. A transaction generally must be reported on line 51 even if the transaction itself constitutes the only connection with the other organization involved. However, certain transactions unrelated to the reporting organization's exempt purposes (or both) need not be reported. Thus, for example, a one time only transaction with an otherwise unrelated section 501(c)(4) organization would not need to be entered on line 52 but the transaction may be reportable on line 51.

Line 51.—Reporting of certain transactions and transfers

between the reporting organization and any section 501 organization (including section 501(c)(4) organizations) that is not described in section 501(c)(3). The types of transactions and transfers that need not be reported are:

1. Contributions or grants received by the reporting organization, and
2. Certain transactions with unrelated organizations (see the next paragraph).

The effect of the reporting requirement is that all direct and indirect transactions and transfers between the reporting organization and its related or affiliated organizations must be reported on line 51 except for contributions or grants retained by the reporting organization.

For purposes of line 51, an "unrelated organization" is one which:

1. Shares no element of common control with the reporting organization, and
2. Does not have a historic and continuing relationship with the reporting organization.

For guidance in determining whether an organization shares common control or has a historic and continuing relationship with another organization, see the Instructions for line 52. A transaction between the reporting organization and an unrelated organization need not be reported on line 51 if the transaction is specifically described in (1) or (2) below:

1. Transactions with any one unrelated organization that total $500 or less during the year do not have to be reported on line 51 if there is adequate consideration. There is adequate consideration where the value of the goods, other assets, or services furnished by the reporting organization is not more than the value of the goods, other assets, or services received from the unrelated organization.

2. Even where the transactions with an unrelated organization total more than $500, certain transactions need not be reported. If the transactions described in (a) or (b) below do not total more than one percent of the reporting organization's gross receipts, then no reporting is necessary for:

(a) Payments for subscriptions, conferences, or seminars issued or conducted by the unrelated organization, so long as the amounts charged are not more than those charged the general public; or
(b) Transfers that involve the provision of goods, other assets, or services by the reporting organization, but only where such provision is functionally related (within the meaning of section 4942(f)(4) and the applicable regulations) to the accomplishment of the reporting organization's exempt purposes and where the goods, other assets, or services are actually made available to and utilized by the general public on at least as favorable a basis as they are made available to and utilized by the unrelated organization.

None of the line 51 reporting exceptions applies to any contribution, gift, grant, or other transfer of assets or services by the reporting organization for less than fair market value.

Line 52.—Reporting of certain relationships

For purposes of line 52, a section 501(c)(3) organization is considered to be affiliated with another non-section 501(c)(3) organization if it shares some element of common control with another non-section 501(c)(3) organization. An element of common control exists when one or more of the officers, directors, or trustees of one organization are elected or appointed by the officers, directors, or trustees of the other organization. Similarly, an element of common control is present when more than 25 percent of the officers, directors, or trustees of one organization serve as officers, directors, or trustees of the other organization.

A historic and continuing relationship exists when two organizations participate in a joint effort or work in concert toward an accomplishment of one or more common purposes on a continuous or recurring basis rather than on the basis of one or several isolated transactions or activities. There is a historic and continuing relationship when the two organizations share facilities, equipment, or paid personnel during the year, regardless of the length of time the arrangement is in effect.

When the control factor or the historic and continuing relationship factor (or both) is present at any time during the year, the relationship must be reported on line 52.
### Part II: Program Service Revenue and Other Revenue (State nature)

<table>
<thead>
<tr>
<th>Description</th>
<th>Program Service Revenue</th>
<th>Other Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees from government agencies</td>
<td>7,761,588</td>
<td></td>
</tr>
</tbody>
</table>

**Total program service revenue (enter here and on line 2)**

### Part IV: Balance Sheets

**Note:** Columns (C) and (D) are optional. Columns (A) and (B) must be completed to the extent applicable. Wherever required, attached schedules should be for end-of-year amounts only.

<table>
<thead>
<tr>
<th>Assets</th>
<th>(A) Beginning of year</th>
<th>(B) Total</th>
<th>(C) Unrestricted/Expansible</th>
<th>(D) Restricted/Nonexpansible</th>
</tr>
</thead>
<tbody>
<tr>
<td>48 Cash (non-interest-bearing)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>49 Savings and temporary cash investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>47 Accounts receivable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>48 Pledges receivable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>49 Grants receivable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50 Receivables due from officers, directors, trustees, and key employees (attach schedule)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>51 Other notes and loans receivable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>55 Investments—land, buildings, and equipment, less basis</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>56 Investments—equity, less basis</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>57 Land, buildings, and equipment, less basis</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>58 Other assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total assets (add lines 45 through 58)</strong></td>
<td>1,123,307</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>60 Accounts payable and accrued expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>61 Grants payable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>62 Support and revenue designated for future periods (attach schedule)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>63 Loans from officers, directors, trustees, and key employees (attach schedule)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>64 Mortgages and other notes payable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>65 Other liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities (add lines 60 through 65)</strong></td>
<td>33,604</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Fund Balances or Net Worth**

Organizations that use fund accounting check here [ ] and complete lines 67 through 70 and lines 74 and 75.

<table>
<thead>
<tr>
<th>Description</th>
<th>(A)</th>
<th>(B) Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>67a Current unrestricted fund</td>
<td></td>
<td>1,089,203</td>
</tr>
<tr>
<td>67b Current restricted fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>67c Endowment fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>70 Other funds (Describe [ ] )</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities and fund balances/net worth (see Instructions)</strong></td>
<td></td>
<td>1,123,307</td>
</tr>
<tr>
<td>NAME OF ORGANIZATION</td>
<td>CITY</td>
<td>STATE</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>-------------</td>
<td>-------</td>
</tr>
<tr>
<td>HOSPICE OF CATAMBA</td>
<td>HEDONTY</td>
<td>NC</td>
</tr>
<tr>
<td>VALDORF, INC.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HOSPICE OF HURRIC COUNTY</td>
<td>VALDIESE</td>
<td>NC</td>
</tr>
<tr>
<td>HOSPICE OF IREDELL COUNTY</td>
<td>STATESVILLE</td>
<td>NC</td>
</tr>
<tr>
<td>RACHAEL ADelson HOSPICE</td>
<td>LAS VEGAS</td>
<td>NV</td>
</tr>
<tr>
<td>ORSON HOSPICE INC</td>
<td>JACKSONVILLE</td>
<td>NC</td>
</tr>
<tr>
<td>LOUISIANA HOSPICE</td>
<td>BATON ROUGE</td>
<td>LA</td>
</tr>
<tr>
<td>ORGANIZATION</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HOSPICE OF CHATHAM COUNTY</td>
<td>PITTSBURGH</td>
<td>NC</td>
</tr>
<tr>
<td>CALDWELL COUNTY HOSPICE, INC</td>
<td>LENOIR</td>
<td>NC</td>
</tr>
<tr>
<td>HOSPICE OF SUMRY COUNTY, INC</td>
<td>MOUNT AIRY</td>
<td>NC</td>
</tr>
<tr>
<td>LOWER CAPE FEAR HOSPICE</td>
<td>WILMINGTON</td>
<td>NC</td>
</tr>
<tr>
<td>TRIANGLE HOSPICE, INC.</td>
<td>DURAM</td>
<td>NC</td>
</tr>
<tr>
<td>HOSPICE OF CLEVELAND</td>
<td>SHELBY</td>
<td>NC</td>
</tr>
<tr>
<td>COUNTY HOSPICE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HOSPICE OF HENDERSON</td>
<td>HENDERSONVILLE</td>
<td>NC</td>
</tr>
<tr>
<td>COUNTY, INC.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CADOREY St. Mary's</td>
<td>TUCSON</td>
<td>AZ</td>
</tr>
<tr>
<td>HOSPICE OF CADOREY</td>
<td>CONCORD</td>
<td>NC</td>
</tr>
<tr>
<td>COUNTY, INC.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>YANKEE COUNTY HOSPICE PROGRAM</td>
<td>YANKEEVILLE</td>
<td>NC</td>
</tr>
</tbody>
</table>
### Part I: Statement of Functional Expenses

All organizations must complete column (A). Columns (B), (C), and (D) are required for most sections 501(c)(3) and 501(c)4 organizations and 501(c)(5) trusts but optional for others. (See instructions.)

<table>
<thead>
<tr>
<th>Description</th>
<th>(A) Total</th>
<th>(B) Program Services</th>
<th>(C) Management and General</th>
<th>(D) Fundraising</th>
</tr>
</thead>
<tbody>
<tr>
<td>22 Grants and subsidies (attach schedule)</td>
<td>$42,130</td>
<td>$24,130</td>
<td></td>
<td></td>
</tr>
<tr>
<td>23 Specific assistance to individuals</td>
<td>$22,747</td>
<td>$22,747</td>
<td></td>
<td></td>
</tr>
<tr>
<td>24 Benefits paid to or for members</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25 Compensation of officers, directors, etc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26 Other salaries and wages</td>
<td>$12,809</td>
<td>$29,779</td>
<td>$3,959</td>
<td>$810</td>
</tr>
<tr>
<td>27 Pension plan contributions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28 Other employee benefits</td>
<td>$6,628</td>
<td>$7,620</td>
<td>$277</td>
<td>$431</td>
</tr>
<tr>
<td>29 Payroll taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30 Professional fundraising fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 Accounting fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>32 Legal fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>33 Supplies and miscellaneous</td>
<td>$11,562</td>
<td>$5,928</td>
<td>$1,132</td>
<td>$4,504</td>
</tr>
<tr>
<td>34 Telephone</td>
<td>$3,248</td>
<td>$5,806</td>
<td>$4,192</td>
<td>$15,948</td>
</tr>
<tr>
<td>35 Postage and shipping</td>
<td>$2,345</td>
<td>$3,778</td>
<td></td>
<td>$2,273</td>
</tr>
<tr>
<td>36 Occupancy</td>
<td>$1,450</td>
<td>$1,967</td>
<td></td>
<td>$1,372</td>
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<tr>
<td>37 Equipment rental and maintenance</td>
<td>$764</td>
<td>$572</td>
<td></td>
<td>$238</td>
</tr>
<tr>
<td>38 Printing and publications</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>39 Travel</td>
<td>$12,247</td>
<td>$6,174</td>
<td>$4,939</td>
<td>$1,224</td>
</tr>
<tr>
<td>40 Conferences, conventions, and meetings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>41 Inside Utilities</td>
<td>$782</td>
<td>$587</td>
<td>$11</td>
<td></td>
</tr>
<tr>
<td>42 Depreciation, depletion, etc. (attach schedule)</td>
<td>$925</td>
<td>$795</td>
<td>$83</td>
<td>$77</td>
</tr>
<tr>
<td>43 Other expenses (continue Column D, begin new Column E)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Depreciation, depletion, etc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Rent and insurance</td>
<td>$1,893</td>
<td>$1,245</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Cleaning and sanitation, utilities</td>
<td>$2,019</td>
<td>$3,241</td>
<td>$1,579</td>
<td>$1,247</td>
</tr>
<tr>
<td>d) Mail and telecommunication</td>
<td>$3,241</td>
<td>$3,241</td>
<td></td>
<td></td>
</tr>
<tr>
<td>e) Maintenance, repairs, maintenance</td>
<td>$1,648</td>
<td>$1,648</td>
<td></td>
<td></td>
</tr>
<tr>
<td>f) Salaries, wages, and benefits</td>
<td>$1,189</td>
<td>$1,189</td>
<td></td>
<td></td>
</tr>
<tr>
<td>g) Supplies, books, and postage</td>
<td>$1,189</td>
<td>$1,189</td>
<td></td>
<td></td>
</tr>
<tr>
<td>h) Other supplies, books, and postage</td>
<td>$1,189</td>
<td>$1,189</td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) Office supplies</td>
<td>$1,189</td>
<td>$1,189</td>
<td></td>
<td></td>
</tr>
<tr>
<td>j) Other supplies, books, and postage</td>
<td>$1,189</td>
<td>$1,189</td>
<td></td>
<td></td>
</tr>
<tr>
<td>44 Total functional expenses (add lines 2 through 43)</td>
<td>$10,718,532</td>
<td>$9,718,532</td>
<td>$1,028,519</td>
<td>$1,971,484</td>
</tr>
</tbody>
</table>

### Part III: Statement of Program Services Rendered

List each program service title on lines A through D; for each, identify the service output(s) or product(s), and report the quantity produced. Enter the total expenses attributable to each program service and the amount of grants and allocations included in that total. (See instructions for Part III.)

<table>
<thead>
<tr>
<th>Description</th>
<th>Expenses (Dollar for non-regulated expenses, total for regulated expenses)</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Patient services—financial aid to assist cancer patients with immediate and non-emergency needs; equipment, medications, transportation, medical supplies, nutrition, supplements, oxygen, chemotherapy, rent, procedures, utilities, and other related items. There were approximately 375 patients being served at 12-31-89. (Grants and allocations $24,000)</td>
<td>$52,627</td>
</tr>
<tr>
<td>b) Public education: dissemination of information dealing with prevention, detection, and treatment of cancer. (Grants and allocations $1,437,053)</td>
<td></td>
</tr>
<tr>
<td>c)</td>
<td></td>
</tr>
<tr>
<td>d)</td>
<td></td>
</tr>
<tr>
<td>e) Other program services activities (attach schedule)</td>
<td></td>
</tr>
</tbody>
</table>

Total (add lines A through D) should equal line C, column (A) |

| Total | $24,000 |

| Other | $7,109,520 |
Application for Extension of Time To File Fiduciary and Certain Other Returns

INITIAL RETURN

Application ( or Extension of Time To File Fiduciary and Certain Other Returns)

Application for Form 1040 and Trusts filing either Form 1041 or Form 1041-A, see Form 8236.

In the case of the initial return of this organization, a taxpayer has not established to this organization, and has not earned income, or if requested in his file (check only one):

☐ Form 706 (d) ☐ Form 990-BL ☐ Form 990-PL ☐ Form 990-PF ☐ Form 1066 ☐ Form 6730 ☐ Form 8613
☐ Form 706 (f) ☐ Form 990-PF ☐ Form 1041 (estate) ☐ Form 1120 (S) ☐ Form 5227 ☐ Form 8613
☐ Form 990 ☐ Form 990-A (S corporation) ☐ Form 1041-A ☐ Form 3365-A ☐ Form 8609 ☐ Form 8725

If organization does not have an office or place of business in the United States, check this box:

☐ For calendar year 1999, or other tax year beginning, ending:

☐ Yes ☐ No

☐ Has an extension of time to file been previously granted for this tax year?

☐ Yes ☐ No

☐ In detail why you need the extension. This is the initial return for this organization, and insufficient time has not enabled the organization to record accounts payable, receivable, and balances on the accounting system. In addition, out-of-town bank statements were received. An

Add the tentative tax. See the instructions:

☐ If this form is for Form 709, 709-A, or 539-A, Form 990-PL, 990-PF, 990-T, 990-PPL, 990-PPL-1, 709, 6069, 8612, 8613, or 8725, enter the tentative tax. See the instructions:

☐ If this form is for Form 990-PF, 990-T, or 1041 (estate), enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit. See the instructions:

☐ Balance due (subtract line 5d from line 5c). Include your payment with this form, or deposit with FDIC Coupon II required. See the instructions:

☐ If tax must be withheld on any tax not paid by the regular due date of the returns filed on forms listed above until the tax is paid. Signature and Verification

Under penalties of perjury, I declare that I have enclosed this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete; and I am authorized to prepare this form.

Signature: [Signature]

Date: [May 11, 1999]

File original and one copy, IRS will show below whether or not your application is approved and will return the copy.

Notice to Applicant— To Be Completed by IRS

☐ We HAVE approved your application. (Please attach this form to your return.)

☐ We HAVE NOT approved your application. (Please attach this form to your return.) However, because of your reasons stated above, we have granted a 10-day grace period from the date shown below or due date of your return, whichever is later. This 10-day grace period is considered to be a valid extension of time for purposes of elections otherwise required to be made on timely filed returns.

☐ We HAVE NOT approved your application. After considering your reasons stated above, we cannot grant your request for an extension of time to file. (We are not granting the 10-day grace period.)

☐ We cannot consider your application because it was filed after the due date of your return.

☐ Other

[Signature of IRS]

[Signature]

If the copy of this form is to be returned to an address other than that shown above, please enter the address where the copy should be sent.

Frederick L. Trotter, CPA

Address

[Address]

[Signature]

[Signature]

For Paperwork Reduction Act Notice, see back of form.
**Return of Organization Exempt From Income Tax**

Under section 501(c)(3) (except black lung benefit trust or private foundation) of the Internal Revenue Code or section 4947(a)(1) trust

**Note:** You may be required to see a copy of this return to satisfy state reporting requirements. See instruction D.

**For the calendar year 1988, or fiscal year beginning , 1988, and ending , 1988.**

<table>
<thead>
<tr>
<th>A. Employer Identification number (see instruction 1)</th>
<th>73-1162181</th>
</tr>
</thead>
<tbody>
<tr>
<td>B. State registration number (see instruction D)</td>
<td>1801181</td>
</tr>
<tr>
<td>C. Section 4947(a)(1) trust filing this form in Part 1 (see instruction E)</td>
<td>TULSA OK 74101</td>
</tr>
</tbody>
</table>

**Official Use Only**

- D. Check type of organization (see section 501(c)(3) (present number), or | X | 501(c)(3) (present number), or |
- E. Accounting method: | □ | Cash | □ | Accrual | □ | Other (specify) | |
- F. Is this a group return (see instruction I) filed for affiliates? | □ | Yes | □ | No |
- G. If “Yes,” enter the number of affiliates for which this return is filed | |
- H. Is a separate return filed by a group affiliate? | □ | Yes | □ | No |

**Check here if your gross receipts are normally not more than $25,000 (see instruction B1). You do not have to file a completed return with IRS but should file a return without financial data if you were mailed a Form 990 Package (see instruction A). Some states may require a completed return.**

**Check here if gross receipts are normally more than $25,000 and line 12 is $25,000 or less. Complete Parts II and V only. Complete Parts I, II, and V only if your gross receipts are normally more than $25,000 and line 12 is more than $25,000. Complete the entire return.**

**501(c)(3) organizations and 4947(a)(1) trusts must also complete and attach Schedule A (Form 990). (See instructions.)**

**PART I Statement of Support, Revenue, and Expenses and Changes in Fund Balances**

<table>
<thead>
<tr>
<th>Item</th>
<th>(A) Total</th>
<th>(B) Un.examined/ Expenditures</th>
<th>(C) Restricted/ Nonexemptible</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Contributions, gifts, grants, and similar amounts received:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Direct public support</td>
<td>2,916,240.34</td>
<td>2,454,060.00</td>
<td>462,180.00</td>
</tr>
<tr>
<td>b. Indirect public support</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Government grants</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Total (add lines 1a through 1d)</td>
<td>2,916,240.34</td>
<td>2,454,060.00</td>
<td>462,180.00</td>
</tr>
<tr>
<td>2. Program service revenue (from Part IV, line 10)</td>
<td>1,600.00</td>
<td>1,600.00</td>
<td></td>
</tr>
<tr>
<td>3. Membership dues and assessments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Interest on savings and temporary cash investments</td>
<td>1947.89</td>
<td>1,948.00</td>
<td></td>
</tr>
<tr>
<td>5. Dividends and interest from securities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6a. Gross rents</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Minus: rental expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Net rental income (loss)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Other investment income (describe)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8a. Gross amount from sale of assets other than inventory</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Minus: cost or other basis and sales expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Gain (loss) (attach schedule)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Special fundraising events and activities (attach schedule—see instructions):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Gross revenue (not including $ of contributions reported on line 1a)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Minus: direct expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Net income (line 9a minus line 9b)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10a. Gross sales minus returns and allowances</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Minus: cost of goods sold (attach schedule)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Gross profit (loss)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Other revenue (from Part IV, line 14)</td>
<td>2917988.23</td>
<td>2,457,608.00</td>
<td>462,180.00</td>
</tr>
<tr>
<td>12. Total revenue (add lines 16, 23. 4, 5, 6c, 7, 8c, 9c, 10c, and 11)</td>
<td>2917988.23</td>
<td>2,457,608.00</td>
<td>462,180.00</td>
</tr>
<tr>
<td>13. Program services (from line 44, column (B) (see instructions)</td>
<td>995,400.52</td>
<td>12,400.00</td>
<td></td>
</tr>
<tr>
<td>14. Management and general (from line 44, column (C) (see instructions)</td>
<td>1,092,940.00</td>
<td>1,092,940.00</td>
<td></td>
</tr>
<tr>
<td>15. Fundraising (from line 44, column (D) (see instructions)</td>
<td>14,532,311.57</td>
<td>1,453,232.00</td>
<td></td>
</tr>
<tr>
<td>16. Payments to affiliates (attach schedule—see instructions)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17. Total expenses (add lines 16 and 44, column (A))</td>
<td>2,427,104.19</td>
<td>12,430.00</td>
<td></td>
</tr>
<tr>
<td>18. Excess (deficit) for the year (subtract line 17 from line 12)</td>
<td>478245.04</td>
<td>20,126.00</td>
<td>457,750.00</td>
</tr>
<tr>
<td>19. Fund balances or net worth at beginning of year (from line 74, column (A))</td>
<td>134,938.13</td>
<td>49,607.00</td>
<td>85,113.00</td>
</tr>
<tr>
<td>20. Other changes in fund balances or net worth (attach explanation)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21. Fund balances or net worth at end of year (add lines 16, 19, and 20)</td>
<td>612602.45</td>
<td>69,733.00</td>
<td>542,869.00</td>
</tr>
</tbody>
</table>

**For Paperwork Reduction Act Notice, see page 1 of the instructions.**

---

**Note:** The document contains financial information for the year 1988, including contributions, gross sales, expenses, and fund balances. It also includes instructions for completing the form and provides a summary of the organization's financial performance.
### Part II: Statement of Functional Expenses

All organizations must complete columns (A), (B), (C), and (D) are required for most sections 951(f)(3)(B) and (V)(A). Organizations and 4947A(XII) trusts but optional for others. (See instructions.)

**Do not include amounts reported on lines 6a, 8b, 9h, 10b, or 16 of Part I.**

<table>
<thead>
<tr>
<th>Expense Description</th>
<th>(A) Total</th>
<th>(B) Program Services</th>
<th>(C) Management and General</th>
<th>(D) Fundraising</th>
</tr>
</thead>
<tbody>
<tr>
<td>22 Grants and allocations (attach schedule)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23 Specific assistance to individuals</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24 Benefits paid to or for members</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25 Compensation of officers, directors, etc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26 Other salaries and wages</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27 Pension plan contributions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28 Other employee benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29 Payroll taxes</td>
<td>1,361.70</td>
<td>759.03</td>
<td>602.67</td>
<td>576,460.80</td>
</tr>
<tr>
<td>30 Professional fundraising fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 Accounting fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>32 Legal fees</td>
<td>7,720.44</td>
<td>5,820.44</td>
<td>1,900.00</td>
<td></td>
</tr>
<tr>
<td>33 Supplies</td>
<td>440.49</td>
<td>440.49</td>
<td></td>
<td></td>
</tr>
<tr>
<td>34 Telephone</td>
<td>1,924.41</td>
<td>1,895.43</td>
<td>28.98</td>
<td></td>
</tr>
<tr>
<td>35 Postage and shipping</td>
<td>1,924.41</td>
<td>1,895.43</td>
<td>28.98</td>
<td></td>
</tr>
<tr>
<td>36 Occupancy Utilizations, Clean-up &amp; Equipment Rental</td>
<td>70,046.04</td>
<td>68,946.04</td>
<td>1,000.00</td>
<td></td>
</tr>
<tr>
<td>37 Printing and publications</td>
<td>1,725,281.73</td>
<td>848,510.96</td>
<td>876,720.77</td>
<td></td>
</tr>
<tr>
<td>38 Travel</td>
<td>1,762.26</td>
<td>1,762.26</td>
<td></td>
<td></td>
</tr>
<tr>
<td>39 Conferences, conventions, and meetings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>40 Interest</td>
<td>1,429.79</td>
<td>3,329.79</td>
<td>30,000.00</td>
<td></td>
</tr>
<tr>
<td>41 Other expenses (labelize): a. Auto</td>
<td>626.62</td>
<td>626.62</td>
<td></td>
<td></td>
</tr>
<tr>
<td>42 Depreciation, depletion, etc. (attach schedule)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>43 Other expenses (labelize): b. Veterinary</td>
<td>4,572.00</td>
<td>4,572.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>44 Animal Care</td>
<td>2,390.02</td>
<td>2,290.02</td>
<td>100.00</td>
<td></td>
</tr>
<tr>
<td>45 Insurance</td>
<td>8,382.00</td>
<td>8,382.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>46 Contract Labor</td>
<td>2,191.24</td>
<td>1,864.00</td>
<td>327.24</td>
<td></td>
</tr>
<tr>
<td>47 Equipment rental and maintenance expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>48 Other expenses (attach schedule) (Grants and allocations)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>49 Total expenses (add lines 22 through 43)</td>
<td>2,441,533.91</td>
<td>974,832.43</td>
<td>13,459.91</td>
<td>1453,231.57</td>
</tr>
</tbody>
</table>

### Part III: Statement of Program Services Rendered

List each program service title on line a through d; for each, identify the service output(s) or product(s), and report the quantity provided. Enter the total expenses attributable to each program service and the amount of grants and allocations included in that total. (See Instructions for Part III.)

<table>
<thead>
<tr>
<th>Program Service Title</th>
<th>(Grants and allocations $)</th>
<th>Expenses (Optional for some organizations—see instructions)</th>
</tr>
</thead>
</table>
| a Animal
taken up for adoption | 126,321.47 |                                                          |
| b Public education — information on pet care, A humane treatment | 948,510.96 |                                                          |
| c | |                                                          |
| d | |                                                          |
| e Other program service activities (attach schedule) | |                                                          |
| f Total (add lines a through e) should equal line 44, column (E) | | 974,832.43 |
**PART IV**

Program Service Revenue and Other Revenue (State nature.)

- a) Fees from government agencies
- b) Fees for service, auxiliary
- c) Payments in kind
- d) Other revenue
- e) Total program service revenue (enter here and on line 11)

<table>
<thead>
<tr>
<th>Program service revenue</th>
<th>Other revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,600.00</td>
<td>1,600.00</td>
</tr>
</tbody>
</table>

**PART V**

Balance Sheet

Note: Columns (C) and (D) are optional. Columns (E) and (F) must be completed to the extent applicable. Where required, attached schedules should be for end-of-year amounts only.

<table>
<thead>
<tr>
<th>Assets</th>
<th>(A) Beginning of year</th>
<th>(B) Total</th>
<th>(C) Unrestricted/Expendable</th>
<th>(D) Restricted/Nonexpendable</th>
</tr>
</thead>
<tbody>
<tr>
<td>45 Cash—monetary-bearing</td>
<td>14,978.</td>
<td>27,468.</td>
<td>27,468.</td>
<td></td>
</tr>
<tr>
<td>46 Savings and temporary cash investments</td>
<td>34,628.</td>
<td>42,265.</td>
<td>42,265.</td>
<td></td>
</tr>
<tr>
<td>47 Accounts receivable</td>
<td>1,600.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>48 Pledges receivable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>49 Grants receivable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50 Receivables due from officers, directors, trustees, and key employees (attach schedule)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>51 Other notes and loans receivable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>52 Inventories for sale or use</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>53 Prepaid expenses and deferred charges</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>54 Investments—securities (attach schedule)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>55 Investments—land, buildings, and equipment (attach schedule)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>56 Investments—other (attach schedule)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>57 Land, buildings, and equipment: basis</td>
<td>134,264.</td>
<td>109,009.</td>
<td>109,009.</td>
<td></td>
</tr>
<tr>
<td>58 Other assets</td>
<td>48,410.</td>
<td>433,860.</td>
<td>433,860.</td>
<td></td>
</tr>
<tr>
<td>59 Total assets (add lines 45 through 58)</td>
<td>134,348.</td>
<td>612,602.</td>
<td>69,733.</td>
<td>542,869.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>(A) Beginning of year</th>
<th>(B) Total</th>
<th>(C) Unrestricted/Expendable</th>
<th>(D) Restricted/Nonexpendable</th>
</tr>
</thead>
<tbody>
<tr>
<td>60 Accounts payable and accrued expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>61 Grants payable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>62 Support and revenue designated for future periods (attach schedule)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>63 Loans from officers, directors, trustees, and key employees (attach schedule)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>64 Mortgages and other notes payable (attach schedule)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>65 Other liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>66 Total liabilities (add lines 60 through 65)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Fund Balances or Net Worth

Organizations that use fund accounting, check here ☐ and complete lines 67 through 70 and lines 74 and 75.

<table>
<thead>
<tr>
<th>(A) Beginning of year</th>
<th>(B) Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>67 Current unrestricted fund</td>
<td>49,607.</td>
</tr>
<tr>
<td>68 Current restricted fund</td>
<td>85,119.</td>
</tr>
<tr>
<td>69 Endowment fund</td>
<td></td>
</tr>
<tr>
<td>70 Other funds (Describe)</td>
<td></td>
</tr>
<tr>
<td>71 Capital stock or trust principal</td>
<td></td>
</tr>
<tr>
<td>72 Paid-in or capital surplus</td>
<td></td>
</tr>
<tr>
<td>73 Retained earnings or accumulated income</td>
<td></td>
</tr>
<tr>
<td>74 Total fund balances or net worth (see instructions)</td>
<td></td>
</tr>
<tr>
<td>75 Total liabilities and fund balances/net worth (see instructions)</td>
<td>134,348.</td>
</tr>
</tbody>
</table>
Part VI

List of Officers, Directors, and Trustees (List each one whether compensated or not. See instructions.)

(A) Name and address (B) Title and average hours per week devoted to position (C) Compensation (if paid, total payments) (D) Contributions to employee benefit plans (E) Expenses and other allowances

JOSEPH KECHL, D.O. P.O. BOX 323, CEDARLAKE, OK. 71055

PRESDENT/DIRECTOR 0 0 0 0

WILLIE J. NEAL, ATTORNEY/C.P.A. 5001 E. 68, #200, TULSA, OK. 74136

DIRECTOR 0 0 0 0

JOHN MACE 2316 N. ATLANTA PL., TULSA, OK. 74101

EXECUTIVE DIRECTOR $17,940. 0 0 0

Part VII

Other Information

76 Has the organization engaged in any activities not previously reported to the Internal Revenue Service? Yes No

77 Have any changes been made in the organizing or governing documents, but not reported to IRS? Yes No

78 If the organization had income from business activities, such as those reported on lines 2, 9, and 10 (among others), but NOT reported on Form 990-T, attach a statement explaining your reason for not reporting the income on Form 990-T.

a Did the organization have unrelated business gross income of $1,000 or more during the year covered by this return? Yes No

b If "Yes," have you filed a tax return on Form 990-T, Exempt Organization Business Income Tax Return, for this year? Yes No

79 Was there a liquidation, dissolution, termination, or substantial contraction during the year? (See instructions.) Yes No

80 Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization? (See instructions.) Yes No

81 Did the organization have unrelated business gross income of $1,000 or more during the year covered by this return? Yes No

a Enter amount of unrelated business gross income of $1,000 or more during the year covered by this return. $...

b Enter any amounts in line 8 if the organization had more from unrelated business gross income on lines 2, 9, and 10 (among others), but NOT reported on Form 990-T.

82 Did you file Form 1120-POL, U.S. Income Tax Return for Certain Political Organizations, for this year? Yes No

83 Section 501(c)(3) or (6) organizations.—Did the organization spend any amounts in attempts to influence public opinion about legislative matters or referendums? (See instructions and Regulations section 1.162-20(c)).

a Enter the name of the organization.

84 Section 501(c)(4) or (5) organizations.—Enter: Amounts and capital contributions included on line 12.

85 Section 501(c)(7) organizations.—Enter amounts of:

a Amounts received from members or shareholders.

b Amounts received from other sources (do not net amounts due or paid to other sources against amounts due or received from them).

86 Public interest law firm.—Attach information described in the instructions.

87 List the states with the return is filed for: See schedule attached.

88 During this tax year did you maintain any part of your accounting/tax records on a computerized system? Yes No

89 The books are in the custody of: Telephone no.: (918) 525-1699.

Located at: P.O. BOX 1181, TULSA, OKLAHOMA 74101.

90 Section 4947(a)(1) trusts filing Form 990 in lieu of Form 1041.—Enter the amount of tax-exempt interest received or accrued during the tax year.

Please Sign Here

Signature of officer Date Title

Preparer's Signature Date Check if self-employed Yes

Preparer's Name and Address WILLIE J. NEAL, ATTORNEY/C.P.A. 5001 E. 68, #200, TULSA, OKLAHOMA 74136
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotion</td>
<td>$527.24</td>
</tr>
<tr>
<td>Dues &amp; Subscriptions</td>
<td>$51.00</td>
</tr>
<tr>
<td>Taxes &amp; Licenses</td>
<td>$1,243.00</td>
</tr>
<tr>
<td>Exterminator</td>
<td>$370.00</td>
</tr>
<tr>
<td><strong>Total Other Expenses</strong></td>
<td>$2,191.24</td>
</tr>
</tbody>
</table>
## SCHEDULE A
(Form 990)
Organization Exempt Under 501(c)(3)  
(Except Private Foundation), 501(c)(5), 501(c)(6), or Section 4947(a)(1) Trust

### Part I: Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees
(See specific instructions.) (List each one. If there are none, enter "None").

<table>
<thead>
<tr>
<th>Name and address of employees paid more than $30,000</th>
<th>Hours per week devoted to position</th>
<th>Compensation</th>
<th>Contributions to employee benefit plans</th>
<th>Expense account and other allowances</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total number of other employees paid over $30,000

### Part II: Compensation of the Five Highest Paid Persons for Professional Services
(See specific instructions.) (List each one. If there are none, enter "None").

<table>
<thead>
<tr>
<th>Name and address of persons paid more than $30,000</th>
<th>Type of service</th>
<th>Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADAPT - A. Pet, Inc. 1349-0047</td>
<td>Fund Preme</td>
<td>570,461</td>
</tr>
</tbody>
</table>

Total number of others receiving over $30,000 for professional services

### Part III: Statements About Activities

1. During the year, have you attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the legislative activities $.

2. During the year, have you, either directly or indirectly, engaged in any of the following acts with a trustee, director, principal officer, or creator of your organization, or any taxable organization or corporation with which such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary:
   - Sale, exchange, or leasing of property?
   - Lending of money or other extension of credit?
   - Furnishing of goods, services, or facilities?
   - Payment of compensation (or payment or reimbursement of expenses if more than $1,000)?
   - Transfer of any part of your income or assets?

   If the answer to any question is "Yes," attach a detailed statement explaining the transactions.

3. Do you make grants for scholarships, fellowships, student loans, etc.? Attach a statement explaining how you determine that individuals or organizations receiving disbursements from you in furtherance of your charitable programs qualify to receive payments. (See specific instructions.)

For Paperwork Reduction Act Notice, see page 1 of the Instructions to Form 990.

Schedule A (Form 990) 1988

1988
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotion</td>
<td>$527.24</td>
</tr>
<tr>
<td>Dues &amp; Subscriptions</td>
<td>$51.00</td>
</tr>
<tr>
<td>Taxes &amp; Licenses</td>
<td>$1,243.00</td>
</tr>
<tr>
<td>Exterminator</td>
<td>$370.00</td>
</tr>
<tr>
<td><strong>Total Other Expenses</strong></td>
<td><strong>$2,191.24</strong></td>
</tr>
</tbody>
</table>
Part I: Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees
(See specific instructions.) (List each one. If there are none, enter "None.")

Name and address of employees paid more than $30,000:

- [employee name and address]
- [employee name and address]
- [employee name and address]
- [employee name and address]
- [employee name and address]

Total number of other employees paid over $30,000:

Part II: Compensation of the Five Highest Paid Persons for Professional Services
(See specific instructions.) (List each one. If there are none, enter "None.")

Name and address of persons paid more than $30,000:

- [organisation name and address]
- [organisation name and address]
- [organisation name and address]
- [organisation name and address]
- [organisation name and address]

Total number of others receiving over $30,000 for professional services:

Part III: Statements About Activities

1. During the year, have you attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum?
   - Yes [X] No [ ]

2. During the year, have you, either directly or indirectly engaged in any of the following acts with a trustee, director, principal officer, or creator of your organization, or any taxable organization or corporation with which such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary:
   a. Sale, exchange, or leasing of property [X]
   b. Lending of money or other extension of credit [X]
   c. Furnishing of goods, services, or facilities [X]
   d. Payment of compensation (or payment or reimbursement of expenses if more than $1,000) [X]
   e. Transfer of any part of your income or assets [X]

   If yes to any question is "Yes," attach a detailed statement explaining the transactions.

3. Do you make grants for scholarships, fellowships, student loans, etc.?
   - Yes [X] No [ ]

4. Attach a statement explaining how you determine that individuals or organizations receiving disbursements from you in furtherance of your charitable programs qualify to receive payments. (See specific instructions.)

For Paperwork Reduction Act Notice, see page 1 of the instructions to Form 990.
The organization is not a private foundation because it is (check applicable box; please check only ONE box):

5 A church, convention of churches, or association of churches. Section 170(c)(1)(A)(i).
6 A school. Section 170(c)(1)(A)(v). (Also complete Part V, page 3.)
7 A hospital or a cooperative hospital service organization. Section 170(c)(1)(A)(vi).
8 A federal, state, or local government or governmental unit. Section 170(c)(1)(A)(vii).
9 A medical research organization operated in conjunction with a hospital. Section 170(c)(1)(A)(viii). Enter name, city, and state of hospital in .
10 An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(c)(1)(A)(v). (Also complete Support Schedule.)
11 An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(c)(1)(A)(vii). (Also complete Support Schedule.)
12 An organization that normally receives (a) no more than 1/3 of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975, and (b) more than 1/3 of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions—subject to certain exceptions. See section 509(a)(2). (Also complete Support Schedule.)
13 An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in (1) boxes 5 through 12 above or (2) section 501(c)(4), (5), or (6) if they meet the test of section 509(a)(2). See section 509(a)(3).

Provide the following information about the supported organizations. (See instructions for Part IV, box 13.)

(a) Name of supported organizations (b) Box number from above

14 An organization organized and operated to test for public safety. Section 512(a)(4). (See specific instructions.)

Support Schedule (Complete only if you checked box 10, 11, or 12 above.) Use cash method of accounting.

<table>
<thead>
<tr>
<th>Calendar year (or fiscal year beginning in)</th>
<th>(a)</th>
<th>(b)</th>
<th>(c)</th>
<th>(d)</th>
<th>(e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987</td>
<td>11,914</td>
<td>8,390</td>
<td>77,346</td>
<td>42,456</td>
<td>1,019,114</td>
</tr>
<tr>
<td>1986</td>
<td>11,914</td>
<td>8,390</td>
<td>77,346</td>
<td>42,456</td>
<td>1,019,114</td>
</tr>
<tr>
<td>1985</td>
<td>11,914</td>
<td>8,390</td>
<td>77,346</td>
<td>42,456</td>
<td>1,019,114</td>
</tr>
<tr>
<td>1984</td>
<td>11,914</td>
<td>8,390</td>
<td>77,346</td>
<td>42,456</td>
<td>1,019,114</td>
</tr>
</tbody>
</table>

15 Gifts, grants, and contributions received. (Do not include unusual grants. See line 28.)

16 Membership fees received .

17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is not a business unrelated to the organization's charitable, etc., purpose .

18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(b)(3)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975 .

19 Net income from unrelated business activities not included in line 18 .

20 Tax revenues levied for your benefit and either paid to you or expended on your behalf .

21 The value of services or facilities furnished to you by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge .

22 Other income. Attach schedule. Do not include gain (or loss) from sale of capital assets .

23 Total of lines 15 through 22 .

24 Line 23 minus line 17 .

25 Enter 1% of line 23 .

26 Organizations described in box 10 or 11 .

(Continued on page 3)
### Support Schedule (continued) (Complete only if you checked box 16, 11, or 12 on page 2.)

#### 27 Organizations described in box 12, page 2:
- a. Attach a list for amounts shown on lines 15, 16, and 17, showing the name of, and total amounts received in each year from, each "disqualified person," and enter the sum of such amounts for each year:
  - (1987) ...................................
  - (1988) ...................................
  - (1989) ...................................
  - (1990) ...................................

- b. Attach a list showing, for 1984 through 1987, the name and amount included in line 17 for each person (other than "disqualified persons") from whom the organization received more, during that year, than the larger of: the amount on line 25 for the year or $5,000. Include organizations described in boxes 5 through 11 as well as individuals. Enter the sum of these excess amounts for each year:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987</td>
<td></td>
</tr>
<tr>
<td>1988</td>
<td></td>
</tr>
<tr>
<td>1989</td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td></td>
</tr>
</tbody>
</table>

#### 28 For an organization described in box 10, 11, or 12, page 2, that received any unusual grants during 1984 through 1987, attach a list (not open to public inspection) for each year showing the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not include these grants in line 15 above. (See specific instructions.)

#### Part IV Private School Questionnaire
(To be completed ONLY by schools that checked box 6 in Part IV)

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>29</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31</td>
<td></td>
<td></td>
</tr>
<tr>
<td>32a</td>
<td></td>
<td></td>
</tr>
<tr>
<td>32b</td>
<td></td>
<td></td>
</tr>
<tr>
<td>32c</td>
<td></td>
<td></td>
</tr>
<tr>
<td>32d</td>
<td></td>
<td></td>
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<tr>
<td>33a</td>
<td></td>
<td></td>
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<tr>
<td>33b</td>
<td></td>
<td></td>
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<tr>
<td>33c</td>
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<td>33d</td>
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<td>33e</td>
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<td>33f</td>
<td></td>
<td></td>
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<tr>
<td>33g</td>
<td></td>
<td></td>
</tr>
<tr>
<td>33h</td>
<td></td>
<td></td>
</tr>
<tr>
<td>34a</td>
<td></td>
<td></td>
</tr>
<tr>
<td>34b</td>
<td></td>
<td></td>
</tr>
<tr>
<td>35</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Schedule VI

**Lobbying Expenditures by Public Charities (see instructions)**

(To be completed ONLY by an eligible organization that filed Form 990)

<table>
<thead>
<tr>
<th>Check here</th>
<th>Check here</th>
<th>If the organization belongs to an affiliated group (see instructions)</th>
</tr>
</thead>
</table>

#### Limits on Lobbying Expenses

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>36</td>
<td>Total (grassroots) lobbying expenses to influence public opinion</td>
</tr>
<tr>
<td>37</td>
<td>Total lobbying expenses to influence a legislative body</td>
</tr>
<tr>
<td>38</td>
<td>Total lobbying expenses (add lines 36 and 37)</td>
</tr>
<tr>
<td>39</td>
<td>Other exempt purpose expenses (see Part VI instructions)</td>
</tr>
<tr>
<td>40</td>
<td>Total exempt purpose expenses (add lines 38 and 39) (see instructions)</td>
</tr>
<tr>
<td>41</td>
<td>Lobbying taxable amount, Enter the smaller of $1,000,000 or the amount determined under the following table:</td>
</tr>
</tbody>
</table>

- If the amount on line 40 is:
  - Less than $500,000: 0% of the amount on line 40
  - $500,000 but not over $1,000,000: 10% of the excess over $500,000
  - $1,000,000 but not over $1,500,000: 25% of the excess over $1,000,000
  - Over $1,500,000: 30% of the excess over $1,500,000

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>42</td>
<td>Grassroots non-taxable amount (enter 25% of line 41)</td>
</tr>
<tr>
<td>43</td>
<td>Excess of line 36 over line 42</td>
</tr>
<tr>
<td>44</td>
<td>Excess of line 38 over line 41</td>
</tr>
</tbody>
</table>

#### 4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 45-50 for details.)

<table>
<thead>
<tr>
<th>Calendar year or fiscal year beginning in</th>
<th>1988</th>
<th>1987</th>
<th>1986</th>
<th>1985</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>45 Lobbying non-taxable amount (see instructions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>46 Lobbying ceiling amount (10% of line 45(e))</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>47 Total lobbying expenses (see instructions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>48 Grassroots non-taxable amount (see instructions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>49 Grassroots ceiling amount (10% of line 48(e))</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50 Grassroots lobbying expenses (see instructions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

**SCHEDULE 1**

**ADOPT-A-PET, INC**

1988 FORM 990 SCHEDULE A

TULSA, OKLAHOMA 73116-2181

**PART III, 2c**

JOAN MACE, FOUNDER AND EXECUTIVE DIRECTOR

SALARY $17,940.00

J. C. BRYSON, D.V.M., PRESIDENT AND DIRECTOR

VETERINARY SERVICES AND SUPPLIES $4,572.00

HYLIE J. NEAL, ATTORNEY/C.P.A., SECRETARY TREASURER AND DIRECTOR

LEGAL AND ACCOUNTING SERVICES AND STATE REGISTRATION FEES ADVANCED $4,026.24
## PART I - DEPRECIATION

### SECTION A - Election to expense recovery property (SEC 179)

1. a. Class of property b. Date Acq. c. Cost d. Deduction

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2.795.</td>
<td>3 yr</td>
<td>DDB</td>
<td>232.</td>
</tr>
<tr>
<td>26,890.</td>
<td>5 yr</td>
<td>DDB</td>
<td>5,381.</td>
</tr>
</tbody>
</table>

2. Listed property - From Part III, Sec A, col (h).

3. Total (add lines 1 & 2, but do not enter more than $10,000).

4. Enter the amount by which the cost of all SEC 179 property placed in service during this year is more than $200,000.

5. Subtract line 4 from line 3. If less than zero, enter zero.

### SECTION B. - Depreciation of recovery property

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>ACRS - Assets placed in service in 1988</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a)</td>
<td>3-year property</td>
<td>2,795.</td>
<td>3 yr</td>
<td>DDB</td>
<td>232.</td>
</tr>
<tr>
<td>(b)</td>
<td>5-year property</td>
<td>26,890.</td>
<td>5 yr</td>
<td>DDB</td>
<td>5,381.</td>
</tr>
<tr>
<td>(c)</td>
<td>7-year property</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(d)</td>
<td>10-year property</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(e)</td>
<td>15-year property</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(f)</td>
<td>20-year property</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(g)</td>
<td>Rental Prop.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(h)</td>
<td>Nonres. real prop. See Schedule</td>
<td></td>
<td></td>
<td></td>
<td>720.</td>
</tr>
</tbody>
</table>


<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>54,018.</td>
</tr>
</tbody>
</table>

8. Listed property - From Part III, Sec A, col (g).

9. MACRS deduction for assets placed in service prior to 1980.

10. Property subject to section 186(e)(2) election.

11. ACRS/other depreciation.

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2,033.</td>
</tr>
<tr>
<td>5,385.</td>
</tr>
</tbody>
</table>

### SECTION C. - Depreciation of nonrecovery property

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2,033.</td>
</tr>
<tr>
<td>5,385.</td>
</tr>
</tbody>
</table>

### SECTION D. - Summary

12. Total (add deductions on lines 5 through 10).

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>15,151.</td>
</tr>
</tbody>
</table>

13. For assets placed in service in the current year, enter portion of basis due to Sec 263 costs.

## PART II - AMORTIZATION

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Amortization for property placed in service in 1988</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


3. Total.
## PART III - AUTOMOBILES, CERTAIN OTHER VEHICLES, COMPUTERS, AND PROPERTY USED FOR ENTERTAINMENT, RECREATION, OR AMUSEMENT (LISTED PROPERTY)

### Section A. Depreciation of Automobiles and Other Listed Property
Do you have evidence to support business use? Y N If yes, is it written? Y N

<table>
<thead>
<tr>
<th>Description</th>
<th>Date</th>
<th>Acq</th>
<th>Bus %</th>
<th>Cost</th>
<th>Deprec</th>
<th>Math</th>
<th>Sec</th>
<th>Period Deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>(b)</td>
<td>(c)</td>
<td>(d)</td>
<td>(e)</td>
<td>(f)</td>
<td>(g)</td>
<td>(h)</td>
<td></td>
</tr>
</tbody>
</table>

Total (Enter here and on line 2, page 1)

Total (Enter here and on line 5, page 1)

### Section B. INFORMATION REGARDING USE OF VEHICLES

<table>
<thead>
<tr>
<th>Vehicle 1</th>
<th>Vehicle 2</th>
<th>Vehicle 3</th>
<th>Vehicle 4</th>
<th>Vehicle 5</th>
<th>Vehicle 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Total miles driven.....</td>
<td>2 Total business miles...</td>
<td>3 Total commuting miles..</td>
<td>4 Total other person miles.</td>
<td>Yes/No</td>
<td>Yes/No</td>
</tr>
<tr>
<td>5 Was vehicle available for person use off-duty?</td>
<td>6 Was vehicle used by disqualified person?</td>
<td>7 Is another vehicle available for person use?...</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Section C. QUESTIONS FOR EMPLOYERS WHO PROVIDE VEHICLES FOR EMPLOYEES

8 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by employees?....
9 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by employees?....
10 Do you treat all use of vehicles by employees as personal use?....
11 Do you provide more than 5 vehicles and retain information received from employees concerning use of vehicles?....
12 Do you meet requirements concerning fleet vehicles or demo use?...

For Paperwork Reduction Act Notice, see Form 4562 instructions
### Part I, Section B, line 6a - Three year Property

<table>
<thead>
<tr>
<th>Description</th>
<th>Date</th>
<th>Basis</th>
<th>Life</th>
<th>Method</th>
<th>Deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>MOWER</td>
<td>9/02/88</td>
<td>2,795</td>
<td>3 yr</td>
<td>DDD</td>
<td>932.</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>2,795</td>
<td></td>
<td></td>
<td>932.</td>
</tr>
</tbody>
</table>

### Part I, Section B, line 6b - Five year Property

<table>
<thead>
<tr>
<th>Description</th>
<th>Date</th>
<th>Basis</th>
<th>Life</th>
<th>Method</th>
<th>Deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>BLUE FORD VAN</td>
<td>6/11/88</td>
<td>11,188</td>
<td>5 yr</td>
<td>DDB</td>
<td>2,200.</td>
</tr>
<tr>
<td>FURNACE GARAGE</td>
<td>2/03/88</td>
<td>950</td>
<td>5 yr</td>
<td>DDB</td>
<td>100.</td>
</tr>
<tr>
<td>FURNACE INSTALL</td>
<td>5/23/86</td>
<td>253</td>
<td>5 yr</td>
<td>DDB</td>
<td>191.</td>
</tr>
<tr>
<td>OTASCO</td>
<td>6/09/88</td>
<td>881</td>
<td>5 yr</td>
<td>DDB</td>
<td>170.</td>
</tr>
<tr>
<td>ALLIED PLUMBING</td>
<td>6/24/88</td>
<td>640</td>
<td>5 yr</td>
<td>DDB</td>
<td>120.</td>
</tr>
<tr>
<td>MOUNT WAREHOUSE</td>
<td>6/27/88</td>
<td>439</td>
<td>5 yr</td>
<td>DDD</td>
<td>92.</td>
</tr>
<tr>
<td>MISC</td>
<td>6/15/88</td>
<td>96</td>
<td>5 yr</td>
<td>DDD</td>
<td>19.</td>
</tr>
<tr>
<td>OFFICE FURNITURE</td>
<td>7/15/88</td>
<td>3,365</td>
<td>5 yr</td>
<td>DDB</td>
<td>673.</td>
</tr>
<tr>
<td>OFFICE FURNITURE</td>
<td>9/24/88</td>
<td>140</td>
<td>5 yr</td>
<td>DDB</td>
<td>28.</td>
</tr>
<tr>
<td>MOUNT</td>
<td>10/01/88</td>
<td>500</td>
<td>5 yr</td>
<td>DDB</td>
<td>100.</td>
</tr>
<tr>
<td>COMPUTER</td>
<td>10/21/88</td>
<td>2,223</td>
<td>5 yr</td>
<td>DDB</td>
<td>445.</td>
</tr>
<tr>
<td>FURNITURE</td>
<td>11/15/88</td>
<td>4,444</td>
<td>5 yr</td>
<td>DDD</td>
<td>803.</td>
</tr>
<tr>
<td>FURNITURE</td>
<td>12/18/88</td>
<td>1,059</td>
<td>5 yr</td>
<td>DDD</td>
<td>212.</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>26,098</td>
<td></td>
<td></td>
<td>5,301.</td>
</tr>
</tbody>
</table>

### Part I, Section B, line 9 - Pre 1907 ACRE Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Date</th>
<th>Basis</th>
<th>Life</th>
<th>Method</th>
<th>Deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESCORT WAGON</td>
<td>11/15/87</td>
<td>5,350</td>
<td>5 yr</td>
<td>DDD</td>
<td>2,033.</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>5,350</td>
<td></td>
<td></td>
<td>2,033.</td>
</tr>
</tbody>
</table>

### Part I, Section C, line 11 - ACR6/Other Deprec.

<table>
<thead>
<tr>
<th>Description</th>
<th>Date</th>
<th>Basis</th>
<th>Life</th>
<th>Method</th>
<th>Deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUILDING</td>
<td>7/10/85</td>
<td>32,130</td>
<td>18 yr</td>
<td>SL</td>
<td>1,705.</td>
</tr>
<tr>
<td>VAN (UCED DONATION)</td>
<td>12/21/88</td>
<td>9,875</td>
<td>3 yr</td>
<td>PRE</td>
<td>3,500.</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>41,005</td>
<td></td>
<td></td>
<td>5,365.</td>
</tr>
</tbody>
</table>
**Part I, Section B, line 6h - Nonresidential Real Property**

<table>
<thead>
<tr>
<th>Description</th>
<th>Acq. Date</th>
<th>Basis</th>
<th>Life</th>
<th>Method</th>
<th>Deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>MARTIN PROPERTY</td>
<td>4/27/00</td>
<td>20,000.00</td>
<td>30 yr</td>
<td>SL</td>
<td>333.50</td>
</tr>
<tr>
<td>REED PROPERTY</td>
<td>9/27/00</td>
<td>12,450.00</td>
<td>30 yr</td>
<td>SL</td>
<td>193.33</td>
</tr>
<tr>
<td>STRIPLIN PROPERTY</td>
<td>9/15/08</td>
<td>22,468.00</td>
<td>30 yr</td>
<td>SL</td>
<td>194.64</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>54,916.00</td>
<td></td>
<td></td>
<td>720.57</td>
</tr>
</tbody>
</table>

**Nonresidential Real Property**

<table>
<thead>
<tr>
<th>Description</th>
<th>Acq. Date</th>
<th>Basis</th>
<th>Life</th>
<th>Method</th>
<th>Deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>MARTIN PROPERTY</td>
<td>4/27/00</td>
<td>20,000.00</td>
<td>30 yr</td>
<td>SL</td>
<td>333.50</td>
</tr>
<tr>
<td>REED PROPERTY</td>
<td>9/27/00</td>
<td>12,450.00</td>
<td>30 yr</td>
<td>SL</td>
<td>193.33</td>
</tr>
<tr>
<td>STRIPLIN PROPERTY</td>
<td>9/15/08</td>
<td>22,468.00</td>
<td>30 yr</td>
<td>SL</td>
<td>194.64</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>54,916.00</td>
<td></td>
<td></td>
<td>720.57</td>
</tr>
</tbody>
</table>
**Form 990**

**Return of Organization Exempt From Income Tax**

**Department of the Treasury**

**Internal Revenue Service**

**Note:** You may be required to use a copy of this return to satisfy state reporting requirements. See Instruction B.

**For the year ending 1987, or fiscal year beginning 1987, and ending**

**1987**

---

### Part I

**Statement of Support, Revenues, and Expenses and Changes in Fund Balances**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions, gifts, grants, and similar amounts received:</td>
<td></td>
</tr>
<tr>
<td>Direct public support</td>
<td>1,430,050</td>
</tr>
<tr>
<td>Indirect public support</td>
<td></td>
</tr>
<tr>
<td>Government grants</td>
<td></td>
</tr>
<tr>
<td>Program service revenue (from Part IV, line 1)</td>
<td>3,335</td>
</tr>
<tr>
<td>Membership dues and assessments</td>
<td></td>
</tr>
<tr>
<td>Interest on savings and temporary cash investments</td>
<td></td>
</tr>
<tr>
<td>Dividends and interest from securities</td>
<td></td>
</tr>
<tr>
<td>Gross rents</td>
<td></td>
</tr>
<tr>
<td>Minus: rental expenses</td>
<td></td>
</tr>
<tr>
<td>Net rental income (loss)</td>
<td></td>
</tr>
<tr>
<td>Other investment income (Describe)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,430,050</td>
</tr>
</tbody>
</table>

**Support and Revenue**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>a Gross amount from sale of assets other than inventory</td>
<td></td>
</tr>
<tr>
<td>b Minus: cost or other basis and sales expenses</td>
<td></td>
</tr>
<tr>
<td>c Gain (loss) (attach schedule)</td>
<td></td>
</tr>
<tr>
<td><strong>Special fundraising events and activities (attach schedule—see instructions):</strong></td>
<td></td>
</tr>
<tr>
<td>a Gross revenue (not including $ of contributions reported on line 1a)</td>
<td></td>
</tr>
<tr>
<td>b Minus: direct expenses</td>
<td></td>
</tr>
<tr>
<td>c Net income (line 9a minus line 9b)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,430,050</td>
</tr>
</tbody>
</table>

**Gross sales minus returns and allowances:***

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>a Minus: cost of goods sold (attach schedule)</td>
<td></td>
</tr>
<tr>
<td>b Gross profit (loss)</td>
<td></td>
</tr>
<tr>
<td>Other revenue (from Part IV, line 2)</td>
<td></td>
</tr>
<tr>
<td><strong>Total revenue (add lines 1a, 2, 3, 4, 5, 6, 7, 8, 9c, 10c, and 11)</strong></td>
<td>1,445,950</td>
</tr>
</tbody>
</table>

**Expenses**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program services (from line 44, column (D)) (see instructions)</td>
<td>527,983</td>
</tr>
<tr>
<td>Management and general (from line 44, columns (C)) (see instructions)</td>
<td>3,581</td>
</tr>
<tr>
<td>Fundraising (from line 44, column (D)) (see instructions)</td>
<td>820,654</td>
</tr>
<tr>
<td>Payments to affiliates (attach schedule—see instructions)</td>
<td>857,276</td>
</tr>
<tr>
<td><strong>Total expenses (add lines 15 and 44, column (A))</strong></td>
<td>1,352,219</td>
</tr>
</tbody>
</table>

**Excess (deficit) for the year (subtract line 17 from line 12)**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Excess</td>
<td>93,730</td>
</tr>
<tr>
<td>b) Minus: cost of goods sold (attach schedule)</td>
<td>45,692</td>
</tr>
<tr>
<td>c) Gross profit (loss)</td>
<td>40,617</td>
</tr>
<tr>
<td><strong>Other changes in fund balances or net worth (attach explanation)</strong></td>
<td>3,908</td>
</tr>
<tr>
<td><strong>Fund balances or net worth at end of year (add lines 18, 19, and 20)</strong></td>
<td>134,348</td>
</tr>
</tbody>
</table>

---

For Paperwork Reduction Act Notice, see page 1 of the Instructions.
### Statement of Functional Expenses

All organizations must complete column (A). Columns (B), (C), and (D) are required for most sections 501(c)(3) and 501(c)(4) organizations and 4947(a)(11) trusts but optional for others. (See Instructions.)

<table>
<thead>
<tr>
<th>Item</th>
<th>(A) Total</th>
<th>(B) Program Services</th>
<th>(C) Management and General</th>
<th>(D) Fundraising</th>
</tr>
</thead>
<tbody>
<tr>
<td>22</td>
<td>2,625</td>
<td>2,125</td>
<td>500</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td></td>
<td></td>
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<td>24</td>
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<td>26</td>
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<td>27</td>
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<tr>
<td>28</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>30</td>
<td>77,245</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>2,557</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>1,934</td>
<td>1,734</td>
<td>200</td>
<td></td>
</tr>
<tr>
<td>34</td>
<td>2,136</td>
<td>2,036</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>36</td>
<td>1,239,014</td>
<td>495,605</td>
<td>743,408</td>
<td></td>
</tr>
<tr>
<td>39</td>
<td>2,681</td>
<td>2,681</td>
<td></td>
<td></td>
</tr>
<tr>
<td>41</td>
<td>5,729</td>
<td>5,729</td>
<td></td>
<td></td>
</tr>
<tr>
<td>43</td>
<td>1,037</td>
<td>1,037</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4,738</td>
<td>4,738</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>7,050</td>
<td>7,050</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,394</td>
<td>1,394</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>323</td>
<td>323</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>878</td>
<td>878</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Statement of Program Services Rendered

List each program service title on lines a through d; for each, identify the service output(s) or product(s), and report the quantity provided. Enter the total expenses attributable to each program service and the amount of grants and allocations included in that total. (See Instructions for Part III.)

| a. Animals recovered, treated, boarded, spayed or neutered and placed for adoption | (Grants and allocations $) 32,378. |
| b. Public Education - Information on Pet Care provided to the public | (Grants and allocations $) 527,983. |
| c. | (Grants and allocations $) |
| d. | (Grants and allocations $) |
| e. Other program service activities (attach schedule) | (Grants and allocations $) |
| f. Total (add lines a through e) (should equal line 44, column (B)) | (Grants and allocations $) |
### Program Service Revenue and Other Revenue (State nature)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Program Service Revenue</th>
<th>Other Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Fees from government agencies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Fines charged for violation of unenforced laws</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Other (attach schedule)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Total program service revenue (enter here and on line 2)</td>
<td>3,335</td>
<td></td>
</tr>
<tr>
<td>e. Total other revenue (enter here and on line 11)</td>
<td>3,335</td>
<td></td>
</tr>
<tr>
<td>f. Total program service revenue</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Balance Sheet

<table>
<thead>
<tr>
<th>Date</th>
<th>Beginning of year</th>
<th>End of year</th>
<th>(C) Unrestricted Expendable</th>
<th>(D) Restricted/ Non-expendable</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>45 Cash</td>
<td>1,649</td>
<td>14,978</td>
<td>14,978</td>
<td></td>
</tr>
<tr>
<td>46 Savings</td>
<td>5,426</td>
<td>34,628</td>
<td>34,628</td>
<td></td>
</tr>
<tr>
<td>47 Accounts receivable &amp; minus allowance for doubtful accounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>48 Notes receivable &amp; minus allowance for doubtful accounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>49 Other notes and loans receivable &amp; minus allowance for doubtful accounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50 Loans &amp; notes receivable &amp; minus allowance for doubtful accounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>51 Loans &amp; notes receivable &amp; minus allowance for doubtful accounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>52 Accounts payable &amp; accrued expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>53 Accounts payable &amp; accrued expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>54 Accounts payable &amp; accrued expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>55 Accounts payable &amp; accrued expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>56 Accounts payable &amp; accrued expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>57 Accounts payable &amp; accrued expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>58 Accounts payable &amp; accrued expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>59 Total assets (add lines 45 through 58)</td>
<td>10,825</td>
<td>36,709</td>
<td>36,709</td>
<td></td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>60 Accounts payable &amp; accrued expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>61 Accounts payable &amp; accrued expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>62 Accounts payable &amp; accrued expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>63 Accounts payable &amp; accrued expenses</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>64 Accounts payable &amp; accrued expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>65 Accounts payable &amp; accrued expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>66 Total liabilities (add lines 60 through 65)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>67 Current fund balances or net worth</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>68 Current restricted fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>69 Endowment fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>70 Other funds (Describe)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>71 Current restricted fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>72 Endowment fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>73 Other funds (Describe)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>74 Total fund balances or net worth (see Instructions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>75 Total liabilities (add lines 67 through 74)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### List of Officers, Directors, and Trustees

<table>
<thead>
<tr>
<th>Name and address</th>
<th>Position</th>
<th>Compensation</th>
<th>Contributions to employee benefits</th>
<th>Other Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>J. C. HARTS, D.V.M.</td>
<td>President</td>
<td>$0</td>
<td>$0</td>
<td>None</td>
</tr>
<tr>
<td>JAMES L. BEER</td>
<td>Vice Pres.</td>
<td>$0</td>
<td>$0</td>
<td>None</td>
</tr>
<tr>
<td>200 S. SHADYDALE, TULSA, OK</td>
<td>Sec./Treas.</td>
<td>$0</td>
<td>$0</td>
<td>None</td>
</tr>
<tr>
<td>JOHN J. MACE</td>
<td>Director 40-Plus</td>
<td>$2,400</td>
<td>$0</td>
<td>None</td>
</tr>
</tbody>
</table>

#### Other Information

- **76** Has the organization engaged in any activities not previously reported to the Internal Revenue Service? 
- **77** Have any changes been made in the organizing or governing documents, but not reported to IRS? 
- **78** If the organization had income from business activities, such as those reported on lines 2, 9, and 10 (among others), but NOT reported on Form 990-T, attach a statement explaining your reason for not reporting the income on Form 990-T.
  - a. Did the organization have unrelated business gross income of $1,000 or more during the year covered by this return? 
  - b. Have you filed a tax return on Form 990-T, Exempt Organization Business Income Tax Return, for this year? 
- **79** Was there a liquidation, dissolution, termination, or substantial contraction during the year? (See Instructions.) 
- **80** Is the organization related (other than by association with a statewide or nationwide organization) to any other exempt or non-exempt organization? (See Instructions.) 
- **81** Enter amount of political expenditures, direct or indirect, as described in the instructions.
  - a. Did you file Form 1120-POL, U.S. Income Tax Return for Certain Political Organizations, for this year? 
  - b. Have you received any unrestricted contributions or grants from any governmental entity, or from any private foundation, or from any foreign government, organization, or individual? (See Instructions.)
- **82** Does your organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value? 
- **83** Section 501(c)(5) or (6) organizations.—Old the organization spend any amounts in attempts to influence public opinion about legislative matters or referendums? (See Instructions and Regulations.) 
- **84** Section 501(c)(7) organizations.—Enter: a. Initiation fees and capital contributions included on line 12. 
  - b. Gross receipts, included on line 12, for public use of club facilities (See instructions.)
- **85** Section 501(c)(12) organizations—Enter amount of: 
  - a. Gross income received from members or shareholders. 
  - b. Gross income received from other sources (do not net amounts due or paid to other sources against amounts due or received from them). 
- **86** Public interest law firms.—Attach information described in the instructions.
- **87** List the states with which a copy of this return is filed: 
  - a. New York, Virginia, S.C., Georgia...
- **88** During this tax year did you maintain any part of your accounting/tax records on a computerized system? (See Instructions.) 
- **89** The books are in care of: 
  - a. Telephone number. (911) 585-1688...
- **90** Section 4947(a)(1) trusts filing Form 990 in lieu of Form 1041.—Enter the amount of tax-exempt interest received or accrued during the tax year.

#### Please Sign Here

- **Signature of officer**
- **Date**
- **Title**

#### Preparer's Use Only

- **Preparer's signature**
- **Unemployment insurance number**
- **Social Security number**
- **State**
- **Date**
- **Check if self-prepared**
### Part I Compensation of Five Highest Paid Employees

<table>
<thead>
<tr>
<th>Name and address of employees paid more than $30,000</th>
<th>Title and average hours per week devoted to position</th>
<th>Compensation</th>
<th>Contributions to employee benefit plans</th>
<th>Expense account and other allowances</th>
</tr>
</thead>
<tbody>
<tr>
<td>NONE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
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<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total number of other employees paid over $30,000: 

### Part II Compensation of Five Highest Paid Persons for Professional Services

<table>
<thead>
<tr>
<th>Name and address of persons paid more than $30,000</th>
<th>Type of service</th>
<th>Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>WATSON &amp; MUIRHEY</td>
<td>Fund-raising</td>
<td>77,245</td>
</tr>
<tr>
<td>510 King Street, Suite 515, Alexandria, Va.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>22314</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total number of others receiving over $30,000 for professional services: 

### Part III Statements About Activities

1. During the year, have you attempted to influence national, state, or local legislation including any attempt to influence public opinion on a legislative matter or referendum?  
   - **Yes** (1)  
   - **No** (2)
   - X

2. During the year, have you, either directly or indirectly, engaged in any of the following acts with a trustee, director, principal officer or creator of your organization, or any organization or corporation with which such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary:
   - Sale, exchange, or leasing of property?  
   - Lending of money or other extension of credit?  
   - Furnishing of goods, services, or facilities?  
   - Payment of compensation (or payment or reimbursement of expenses if more than $1,000)?  
   - Transfer of any part of your income or assets?  
   - If the answer to any question is "Yes," attach a detailed statement explaining the transactions.
   - **Yes** (1)  
   - **No** (2)
   - X

3. Do you make grants for scholarships, fellowships, student loans, etc.?  
   - **Yes** (1)  
   - **No** (2)
   - X

4. Attach a statement explaining how you determine that individuals or organizations receiving disbursements from you in furtherance of your charitable programs qualify to receive payments. (See specific instructions.)

---

**Schedule A (Form 990) 1987**
### Schedule 1

<table>
<thead>
<tr>
<th>Description</th>
<th>Working Trial Balance</th>
<th>Local Adopt-A-Pet</th>
<th>Watson &amp; Henry</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH-ONLY INTEREST BEARING</strong></td>
<td>$1,400.10</td>
<td>$337,121.10</td>
<td>$223,782.30</td>
</tr>
<tr>
<td><strong>SAVINGS AND TEMPOARY INVESTMENTS</strong></td>
<td>$5,428.12</td>
<td>-</td>
<td>$337,206.44</td>
</tr>
<tr>
<td><strong>LAND, BUILDINGS AND EQUIPMENT: BASIS</strong></td>
<td>$41,000.50</td>
<td>-</td>
<td>$23,350.00</td>
</tr>
<tr>
<td><strong>INVESTMENTS ACCUMULATED Depreciation</strong></td>
<td>$5,000.25</td>
<td>-</td>
<td>$21,723.90</td>
</tr>
<tr>
<td><strong>OTHER ASSETS (WATSON &amp; HENRY NET)</strong></td>
<td>$3,107.10</td>
<td>-</td>
<td>$161,077.18</td>
</tr>
<tr>
<td><strong>CURRENT UNRESTRICTED FUNDS</strong></td>
<td>$3,988.10</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT RESTRICTED FUND (BUILDINGS)</strong></td>
<td>$30,700.22</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$40,400.00</td>
<td>$337,318.50</td>
<td>$161,077.18</td>
</tr>
</tbody>
</table>

#### RECEIPTS

<table>
<thead>
<tr>
<th>Description</th>
<th>Local Adopt-A-Pet</th>
<th>Watson &amp; Henry</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LOCAL DONATIONS</strong></td>
<td>$3,338.00</td>
<td></td>
</tr>
<tr>
<td><strong>WATSON &amp; HENRY INTERESTS</strong></td>
<td>$3,000.00</td>
<td></td>
</tr>
<tr>
<td><strong>NON-CASH DONATIONS</strong></td>
<td>$31,700.44</td>
<td></td>
</tr>
<tr>
<td><strong>WATSON &amp; HENRY RECEIPTS</strong></td>
<td>$31,422,537.39</td>
<td></td>
</tr>
</tbody>
</table>

#### EXPENSES

<table>
<thead>
<tr>
<th>Description</th>
<th>Watson &amp; Henry</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>COMPENSATION OF DIRECTOR</strong></td>
<td>$117,245.21</td>
</tr>
<tr>
<td><strong>PROFESSIONAL FUNDRAISING FEES</strong></td>
<td>$33,957.36</td>
</tr>
<tr>
<td><strong>ACCOUNTING FEES</strong></td>
<td>$11,334.78</td>
</tr>
<tr>
<td><strong>SALARIES</strong></td>
<td>$945.57</td>
</tr>
<tr>
<td><strong>POSTAGE &amp; SHIPPING</strong></td>
<td>$62,158.34</td>
</tr>
<tr>
<td><strong>OCCUPANCY</strong></td>
<td>$12,029.53</td>
</tr>
<tr>
<td><strong>ARTS</strong></td>
<td>$2,605.50</td>
</tr>
<tr>
<td><strong>DEPRECIATION</strong></td>
<td>$16,729.83</td>
</tr>
<tr>
<td><strong>VETERINARY</strong></td>
<td>$11,837.00</td>
</tr>
<tr>
<td><strong>ANIMAL FOOD</strong></td>
<td>$8,736.44</td>
</tr>
<tr>
<td><strong>LITTER &amp; SUPPLIES</strong></td>
<td>$17,500.00</td>
</tr>
<tr>
<td><strong>LOWERANCE</strong></td>
<td>$1,314.30</td>
</tr>
<tr>
<td><strong>MEDICAL BILLS</strong></td>
<td>$323.00</td>
</tr>
<tr>
<td><strong>RECEIPTAIONS</strong></td>
<td>$813.67</td>
</tr>
<tr>
<td><strong>PRINTING POSTAGE MAILING LISTS</strong></td>
<td>$1,229,614.25</td>
</tr>
</tbody>
</table>

**TOTALS**                                        | $107,833.78     | $107,833.78    | $21,827.30    | $41,422,827.95


<table>
<thead>
<tr>
<th>Description</th>
<th>As of 12/31/07</th>
<th>Income Statement Year Ended 12/31/07</th>
<th>Balance Sheet As of 12/31/07</th>
</tr>
</thead>
</table>
| CASH-
INTEREST REVENUE                             | $11,928.70     | $111,336.50                          | $11,928.70                   |
| EAVINGS AND TEMPORARY CASH INVESTMENTS          | $354,009.01    | $24,228.81                           | $354,009.01                  |
| LAND, BUILDINGS AND EQUIPMENT: BASIC             | $147,183.00    | $147,183.00                          | $147,183.00                  |
| NETS ACCUMULATED DEPRECIATION                   | ($118,023.31)  | ($118,023.31)                        | ($118,023.31)                |
| OTHER ASSETS INTRUTION & PROJECT NET             | ($40,410.03)   | ($40,410.03)                         | ($40,410.03)                 |
| CURRENT UNRESTRICTED FUNDS                      | $2,999.19      |                                      | $2,999.19                    |
| CURRENT RESTRICTED FUNDS (BUILDING)             | ($36,708.22)   |                                      | ($36,708.22)                 |
| RECIPIENT FEES                                  |                |                                      | $3,233.02                    |
| LOCAL DONATIONS                                 | $2,328.00      |                                      | $2,328.00                    |
| UNITED & PROJECT                               | $2,328.00      |                                      | $2,328.00                    |
| INTERESTS                                      | $2,328.00      |                                      | $2,328.00                    |
| NON-CASH DONATIONS                             | $2,328.00      |                                      | $2,328.00                    |
| UNITED & PROJECT RECEIPTS                      | $1,422,837.68  |                                      | $1,422,837.68                |
| EXPENSES                                        |                |                                      | $1,026,15                   |
| EXECUTIVE OF DIRECTORS                          | $2,820.15      | $2,820.15                            | $2,820.15                    |
| PROFESSIONAL FUNDRAISING FEES                   | $177,245.91    | $177,245.91                          | $177,245.91                  |
| ACCOUNTING FEE                                 |              $2,820.15 | $2,820.15 | $2,820.15                    |
| SUPPLIES                                        | $1,235.00      |                                      | $1,235.00                    |
| TELEPHONE                                       | $644.07        |                                      | $644.07                      |
| CUSTODIAL & SHIPPING                           | $2,138.34      |                                      | $2,138.34                    |
| OCCUENCY                                       | $2,026.85      |                                      | $2,026.85                    |
| LTD                                           | $2,026.85      |                                      | $2,026.85                    |
| DEPRECIATION                                   | $5,725.03      |                                      | $5,725.03                    |
| VETERINARY                                    | $1,037.00      |                                      | $1,037.00                    |
| LIVESTOCK                                      | $4,239.44      |                                      | $4,239.44                    |
| LITTER AND SUPPLIES                            | $7,050.00      |                                      | $7,050.00                    |
| INSURANCE                                      | $1,394.24      |                                      | $1,394.24                    |
| PHYSICAL BILLS                                 | $323.00        |                                      | $323.00                      |
| DELLONANCE                                      | $678.47        |                                      | $678.47                      |
| PRINTING POSTAGE MAILING LISTS                 | $1,239,014.38  |                                      | $1,239,014.38                |

**TOTALS**

$1,497,352.30 $1,497,352.30 $1,352,215.99 $1,445,356.59

$93,729.72 $93,729.72

$1,445,994.59 $1,445,994.59
### Section A - Election to Expense Recovery Property (Section 179)

1. **Class of property**
   - (a) Cost
   - (b) Expense deduction

2. Listed property - Enter total from Part III, Section A, column (b) ......................................................... $0.00

3. **Total** (see instructions for limitations). (Partnerships or S corporations - see the Schedule K and Schedule K-1 Instructions for Form 1065 or 1120S) ......................................................... $0.00

### Section B - Depreciation of Recovery Property

1. **Class of property**
   - (a) Date placed in service
   - (b) Cost or (c) Depreciation
   - (d) Recovery Property

2. **Accelerated Cost Recovery System (ACRS)** (see instructions): For assets placed in service only during taxable year beginning in 1997.

   - (a) 4-year property
     - (i) 4-year property
     - (ii) 4-year property
     - (iii) 4-year property
     - (iv) 4-year property
     - (v) 4-year property
     - (vi) 4-year property
     - (vii) 4-year property

3. Listed property - Enter total from Part III, section A, column (c) ......................................................... $0.00

4. ACRS deduction for assets other than automobiles and other listed property placed in service prior to 1997.

### Section C - Depreciation of Direct Recovery Property

1. Property subject to section 168(f)(1) election (see instructions) ......................................................... $0.00

2. Other depreciation (see instructions) ......................................................... $0.00

### Section D - Summary

1. Depreciation from Form 4562-A (see instructions) ......................................................... $0.00

2. Total (add deductions on lines 1 through 9). Enter here and on the Depreciation Line of your return (Partnerships and S corporations - Do not include any amounts entered on line 3.1) ......................................................... $0.00

### Part II - Amortization

1. **Class of property**
   - (a) Date placed in service
   - (b) Code
   - (c) Amortization

2. Amortization for property placed in service only during the tax year beginning in 1997.

3. Total Enter here and on Other Deductions or Other Expressions Line of your return ......................................................... $0.00

See Passover Deduction Act Notice on page 1 of the separate instructions. Form 4562 (1997)
Section A. - Depreciation of Automobiles and Other Listed Property

<table>
<thead>
<tr>
<th>Property Type</th>
<th>Initial Cost</th>
<th>Salvage Value</th>
<th>Estimated Life</th>
<th>Method</th>
<th>Depreciation Basis</th>
<th>Depreciation Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Do you have evidence to support the business use claimed? 

Total (Enter here and on line 8, page 1) ........................................ 10.00

Section B. - Information Regarding Use of Vehicles

1. Total miles driven during the year ..............................................
2. Total business mileage driven during the year ..................................
3. Total commuting mileage driven during the year ..............................
4. Total other personal (non-commuting) mileage driven ........................

5. Was the vehicle available for personal use during off-duty hours? 

6. Was the vehicle used primarily by a disqualified person? 

7. Is another vehicle available for personal use? ..............................

Section C. - Questions for Employers Who Provide Vehicles for Use by Employee

8. Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees? 

9. Do you maintain a written policy statement that prohibits all personal use of vehicles, except commuting, by your employees? 

10. Do you track all use of vehicles by employees on personal use? 

11. Do you provide more than five vehicles to your employees and retain the information received from your employees concerning the use of the vehicles? 

12. Do you meet the requirements concerning fleet vehicles or qualified automobile demonstration use (see instructions)?
**For the calendar year 1986, or fiscal year beginning , 1986, and ending , 1986.**

**Return of Organization Exempt From Income Tax**

Under section 501(c)(3) (except block long benefit trust or private foundation) of the Internal Revenue Code or section 4947(a)(13) trust

Note: You may be required to use a copy of this return to satisfy state reporting requirements. See Instruction D.

**A M E N D E D**

<table>
<thead>
<tr>
<th>Name of organization</th>
<th>ADOPT-A-PET, INC.</th>
</tr>
</thead>
<tbody>
<tr>
<td>EIN identification</td>
<td>73-1162181</td>
</tr>
<tr>
<td>Address (number and street)</td>
<td>P.O. Box 1181</td>
</tr>
<tr>
<td>City, state, and ZIP code</td>
<td>Tulsa, Oklahoma 74101-1181</td>
</tr>
</tbody>
</table>

**Statement of Support, Revenue, and Expenses and Changes in Fund Balances**

<table>
<thead>
<tr>
<th>Part</th>
<th>Statement of Support, Revenue, and Expenses and Changes in Fund Balances</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Contributions, gifts, grants, and similar amounts received:</td>
</tr>
<tr>
<td></td>
<td>a Direct public support</td>
</tr>
<tr>
<td></td>
<td>b Indirect public support</td>
</tr>
<tr>
<td></td>
<td>c Government grants</td>
</tr>
<tr>
<td></td>
<td>d Total (add lines 1a through 1c) (attach schedule—see instructions)</td>
</tr>
<tr>
<td>2</td>
<td>Program service revenue (from Part IV, line 9)</td>
</tr>
<tr>
<td>3</td>
<td>Membership dues and assessments</td>
</tr>
<tr>
<td>4</td>
<td>Interest on savings and temporary cash investments</td>
</tr>
<tr>
<td>5</td>
<td>Dividends and interest from securities</td>
</tr>
<tr>
<td>6</td>
<td>Gross rents</td>
</tr>
<tr>
<td></td>
<td>a Minus: rental expenses</td>
</tr>
<tr>
<td></td>
<td>b Net rental income (loss)</td>
</tr>
<tr>
<td>7</td>
<td>Other investment income (Describe—see instructions)</td>
</tr>
<tr>
<td>8</td>
<td>Gross amount from sale of assets other than inventory</td>
</tr>
<tr>
<td></td>
<td>a Minus: cost or other basis and sales expenses</td>
</tr>
<tr>
<td></td>
<td>b Gain (loss) (attach schedule)</td>
</tr>
<tr>
<td>9</td>
<td>Special fundraising events and activities (attach schedule—see instructions)</td>
</tr>
<tr>
<td></td>
<td>a Gross revenue (excluding $ of contributions reported on line 1a)</td>
</tr>
<tr>
<td></td>
<td>b Minus: direct expenses</td>
</tr>
<tr>
<td></td>
<td>c Net income (line 9a minus line 9b)</td>
</tr>
<tr>
<td>10</td>
<td>Gross sales minus returns and allowances</td>
</tr>
<tr>
<td></td>
<td>a Minus: cost of goods sold (attach schedule)</td>
</tr>
<tr>
<td></td>
<td>b Gross profit (loss)</td>
</tr>
<tr>
<td>11</td>
<td>Other revenue (from Part IV, line 11)</td>
</tr>
<tr>
<td>12</td>
<td>Total revenue (add lines 1 through 11)</td>
</tr>
<tr>
<td></td>
<td>a Unrestricted/Expendable</td>
</tr>
<tr>
<td></td>
<td>b Restricted/Nonexpendable</td>
</tr>
<tr>
<td>13</td>
<td>Program services from line 44, column (B) (see instructions)</td>
</tr>
<tr>
<td>14</td>
<td>Management and general (from line 44, column (C)) (see instructions)</td>
</tr>
<tr>
<td>15</td>
<td>Fundraising (from line 44, column (D)) (see instructions)</td>
</tr>
<tr>
<td>16</td>
<td>Payments to affiliates (attach schedule—see instructions)</td>
</tr>
<tr>
<td>17</td>
<td>Total expenses (add lines 16 and 44, column (A))</td>
</tr>
<tr>
<td></td>
<td>a Excess (deficit) for the year (subtract line 17 from line 12)</td>
</tr>
<tr>
<td></td>
<td>b Fund balances or net worth at beginning of year (from line 74, column (A))</td>
</tr>
<tr>
<td>18</td>
<td>Other changes in fund balances or net worth (attach explanation)</td>
</tr>
<tr>
<td></td>
<td>b Fund balances or net worth at end of year (add lines 18, 19, and 20)</td>
</tr>
</tbody>
</table>

**For Paperwork Reduction Act Notice, see page 1 of the Instructions.**

**Form 990**

**1986**

**CMB**

**1545-0017**

**OCT 20 1986**

**724.032**
### Part II Statement of Functional Expenses

All organizations must complete column (A). Columns (B), (C), and (D) are required for most sections 501(c)(3) and (c)(4) organizations and 4947(a)(1) trusts but optional for others. (See instructions)

<table>
<thead>
<tr>
<th>Expenses</th>
<th>(A) Total</th>
<th>(B) Program Services</th>
<th>(C) Management and general</th>
<th>(D) Fundraising</th>
</tr>
</thead>
<tbody>
<tr>
<td>22 Grants and allocations (attach schedule)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23 Specific assistance to individuals</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24 Benefits paid to or for members</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25 Compensation of officers, directors, etc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26 Other salaries and wages</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27 Pension plan contributions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28 Other employee benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29 Payroll taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30 Professional fundraising fees</td>
<td>55,008.14</td>
<td></td>
<td>55,008.14</td>
<td></td>
</tr>
<tr>
<td>31 Accounting fees</td>
<td>1,278.11</td>
<td>250.00</td>
<td>1,028.11</td>
<td></td>
</tr>
<tr>
<td>32 Legal fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>33 Supplies</td>
<td>270.79</td>
<td>70.00</td>
<td>200.79</td>
<td></td>
</tr>
<tr>
<td>34 Telephone</td>
<td>722.48</td>
<td>700.00</td>
<td>22.48</td>
<td></td>
</tr>
<tr>
<td>35 Postage and shipping</td>
<td>79.50</td>
<td>12.00</td>
<td>67.50</td>
<td></td>
</tr>
<tr>
<td>36 Occupancy</td>
<td>7,064.04</td>
<td>6,000.00</td>
<td>1,064.04</td>
<td></td>
</tr>
<tr>
<td>37 Equipment rental and maintenance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>38 Printing and publications</td>
<td>1,433.34</td>
<td>1,433.34</td>
<td></td>
<td></td>
</tr>
<tr>
<td>39 Travel</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>40 Conferences, conventions, and meetings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>41 Interest</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>42 Depreciation, depletion, etc. (attach schedule)</td>
<td>4,203.78</td>
<td>4,203.78</td>
<td></td>
<td></td>
</tr>
<tr>
<td>43 Other expenses (dame)</td>
<td>1,129.00</td>
<td>1,129.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a Animal Food &amp; Supplies</td>
<td>6,418.90</td>
<td>6,418.90</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b Insurance</td>
<td>1,005.28</td>
<td>1,005.28</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c Medical Bills (volunteer)</td>
<td>245.00</td>
<td>245.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d Furniture for shelter</td>
<td>1,332.00</td>
<td>1,206.00</td>
<td>126.00</td>
<td></td>
</tr>
<tr>
<td>e Postage and supplies</td>
<td>79.61</td>
<td>79.61</td>
<td></td>
<td></td>
</tr>
<tr>
<td>f Miscellaneous</td>
<td>22,673.30</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Part III Statement of Program Services Rendered

List each program service title on lines a through d, for each, identify the service output(s) or product(s), and report the quantity provided. Enter the total expenses attributable to each program service and the amount of grants and allocations included in that total. (See instructions for Part III.)

<table>
<thead>
<tr>
<th>Expenses</th>
<th>(Grants and allocations $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>a Animals Recovered, Boarded, Treated, and Placed for Adoption</td>
<td>22,673.30</td>
</tr>
<tr>
<td>b</td>
<td></td>
</tr>
<tr>
<td>c</td>
<td></td>
</tr>
<tr>
<td>d</td>
<td></td>
</tr>
<tr>
<td>e Other program service activities (attach schedule)</td>
<td>22,673.30</td>
</tr>
</tbody>
</table>
### Part IV: Program Service Revenue and Other Revenue (State Nature)

<table>
<thead>
<tr>
<th>Description</th>
<th>Program service revenue</th>
<th>Other revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Fees from government agencies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>e.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>f. Total program service revenue (enter here and on line 2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>g. Total other revenue (enter here and on line 11)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Part V: Balance Sheets

If line 12 or Column (B) of line 59 is more than $25,000, complete the entire balance sheet. If line 12, Part I, and Column (B) of line 59 are $25,000 or less, you may complete only lines 59, 66, 74, and 75. See instructions.

<table>
<thead>
<tr>
<th>Note: Column (C) and (D) are optional. Column (A) and (B) must be completed to the extent applicable. Where required, attached schedules should be for end of year amounts only.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
</tr>
<tr>
<td>45. Cash---non-interest bearing</td>
</tr>
<tr>
<td>46. Savings and temporary cash investments</td>
</tr>
<tr>
<td>47. Accounts receivable</td>
</tr>
<tr>
<td>48. Pledges receivable</td>
</tr>
<tr>
<td>49. Grants receivable</td>
</tr>
<tr>
<td>50. Receivables due from officers, directors, trustees, and key employees (attach schedule)</td>
</tr>
<tr>
<td>51. Other notes and loans receivable</td>
</tr>
<tr>
<td>52. Inventories for sale or use</td>
</tr>
<tr>
<td>53. Prepaid expenses and deferred charges</td>
</tr>
<tr>
<td>54. Investments—securities (attach schedule)</td>
</tr>
<tr>
<td>55. Investments—land, buildings and equipment basis</td>
</tr>
<tr>
<td>56. Investments—other (attach schedule)</td>
</tr>
<tr>
<td>57. Land, buildings and equipment basis</td>
</tr>
<tr>
<td>58. Other assets</td>
</tr>
<tr>
<td>59. Total assets (add lines 45 through 58)</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
</tr>
<tr>
<td>60. Accounts payable and accrued expenses</td>
</tr>
<tr>
<td>61. Grants payable</td>
</tr>
<tr>
<td>62. Support and revenue designated for future periods (attach schedule)</td>
</tr>
<tr>
<td>63. Loans from officers, directors, trustees, and key employees (attach schedule)</td>
</tr>
<tr>
<td>64. Mortgages and other notes payable (attach schedule)</td>
</tr>
<tr>
<td>65. Other liabilities</td>
</tr>
<tr>
<td>66. Total liabilities (add lines 60 through 65)</td>
</tr>
</tbody>
</table>

#### End-of-Year Fund Balances or Net Worth

Organizations that use fund accounting, check here □ and complete lines 67 through 70 and lines 74 and 75.

<table>
<thead>
<tr>
<th>Description</th>
<th>(A) Beginning of year</th>
<th>(B) Total</th>
<th>(C) Unrestricted/Expendable</th>
<th>(D) Restricted/Honependable</th>
</tr>
</thead>
<tbody>
<tr>
<td>67a. Current unrestricted fund</td>
<td>6276.74</td>
<td>3908.19</td>
<td>3908.19</td>
<td></td>
</tr>
<tr>
<td>67b. Current restricted fund</td>
<td>31238.00</td>
<td>36709.22</td>
<td>36709.22</td>
<td></td>
</tr>
<tr>
<td>68. Land, buildings and equipment fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>69. Endowment fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>70. Other funds (Describe □)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Organizations that do not use fund accounting, check here □ and complete lines 71 through 75.

<table>
<thead>
<tr>
<th>Description</th>
<th>(A) Beginning of year</th>
<th>(B) Total</th>
<th>(C) Unrestricted/Expendable</th>
<th>(D) Restricted/Honependable</th>
</tr>
</thead>
<tbody>
<tr>
<td>71. Capital stock or trust principal</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>72. Paid in or capital surplus</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>73. Retained earnings or accumulated income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>74. Total fund balances or net worth (see instructions)</td>
<td>37514.04</td>
<td>40517.41</td>
<td>3908.19</td>
<td>36709.22</td>
</tr>
<tr>
<td>75. Total liabilities and fund balances/net worth (see instructions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Part VI**

### List of Officers, Directors, and Trustees (List each officer, director, and trustee whether compensated or not.) (See instructions.)

<table>
<thead>
<tr>
<th>(A) Name and address</th>
<th>(B) Title and average hours per week devoted to position</th>
<th>(C) Compensation (if any)</th>
<th>(D) Contributions to employee benefit plans</th>
<th>(E) Expenses (if any) and other allowances</th>
</tr>
</thead>
<tbody>
<tr>
<td>J. C. Bryson, DVM</td>
<td>President</td>
<td>0</td>
<td>NONE</td>
<td>NONE</td>
</tr>
<tr>
<td>James L. Edger</td>
<td>Vice Pres.</td>
<td>0</td>
<td>NONE</td>
<td>NONE</td>
</tr>
<tr>
<td>Kenneth W. East</td>
<td>Secretary/Treas.</td>
<td>0</td>
<td>NONE</td>
<td>NONE</td>
</tr>
<tr>
<td>Joan Mace</td>
<td>Director</td>
<td>40+</td>
<td>NONE</td>
<td>NONE</td>
</tr>
</tbody>
</table>

### Other Information

- **76** Has the organization engaged in any activities not previously reported to the Internal Revenue Service? [ ] Yes [ ] No
  - If "Yes," attach a detailed description of the activities.

- **77** Have any changes been made in the organizing or governing documents, but not reported to IRS? [ ] Yes [ ] No
  - If "Yes," attach a conformed copy of the changes.

- **78a** Did the organization have unrelated business gross income of $1,000 or more during the year covered by this return? [ ] Yes [ ] No
  - If "Yes," have you filed a tax return on Form 990-T, Exempt Organization Business Income Tax Return, for this year? [ ] Yes [ ] No
  - If the organization has gross sales or receipts from business activities not reported on Form 990-T, attach a statement explaining your reason for not reporting them on Form 990-T.

- **79** Was there a liquidation, dissolution, termination, or substantial contraction during the year? (See instructions.) [ ] Yes [ ] No
  - If "Yes," attach a statement as described in the instructions.

- **80** Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization? (See instructions.) [ ] Yes [ ] No
  - If "Yes," enter the name of the organization and check whether it is an exempt or nonexempt.

- **81a** Enter amount of political expenditures, direct or indirect, as described in the instructions. [ ] □ exempt OR □ nonexempt.
  - b Did you file Form 1120-POL, U.S. Income Tax Return for Certain Political Organizations, for this year? [ ] Yes [ ] No

- **82** Did your organization receive donated services or the use of facilities at no charge or at substantially less than fair rental value? [ ] Yes [ ] No
  - If "Yes," you may indicate the value of these items here. Do not include this amount as support in Part I or as an expense in Part II. See instructions for reporting Part III.

- **83** Section 501(c)(3) or (6) organizations—Did the organization spend any amounts in attempts to influence public opinion about legislative matters or referenda? (See instructions and Regulations section 1.162-20(c).) [ ] Yes [ ] No
  - b Enter the total amount spent for this purpose.

- **84** Section 501(c)(7) organizations—Enter amount of: a Initiation fees and capital contributions included on line 12 [ ] Yes [ ] No
  - b Gross receipts, included in line 12, for public use of club facilities (see instructions).
  - c Does the club’s governing instrument or any written policy statement provide for discrimination against any person because of race, color, or religion? (See instructions.) [ ] Yes [ ] No

- **85** Section 501(c)(12) organizations—Enter amount of: a Gross income received from members or shareholders [ ] Yes [ ] No
  - b Gross income received from other sources (do not net amounts due or paid to other sources against amounts due or received from them).

- **86** Public interest law firms—Attach information described in the instructions.

- **87** List the states with which a copy of this return is filed. [ ] Oklahoma, New York, Virginia, S.C.

- **88** During this tax year did you maintain any part of your accounting/tax records on a computerized system? [ ] Yes [ ] No

- **89** The books are in care of: [ ] Joan Mace Telephone no. 918-585-1689 located at [ ] P.O. Box 1181, Tulsa, Oklahoma 74101

### Please Sign Here

- **Signature of officer**
  - Preparer’s signature
  - Date 1/4/87
  - Check if self employed [ ]

- **Preparer’s Name**
  - W. L. Neal, Attorney/C.P.A.
  - 5001 E. 56th, Suite 200, Tulsa, Ok. 74136
Mr. Luken. Anything further of these witnesses? If not, we thank you very much. We realize all of you folks are and have been in honorable situations attempting to work in the eleemosynary and scientific areas you have worked in and that you are doing a public service by coming here and giving us your time and being willing to submit your activities to public examination as you have.

We thank you very much.

All right, the next panel is Mr. Hearst—we will have everybody testify now. We will take the second panel, Mr. Hearst, Mr. MacLeod, Attorney General Webster, Acting Attorney General Clarine Nardi Riddle of Connecticut.

Before I forget it General Riddle, I think the Cancer Foundation of America's case is one your office has worked on. You don't have any answers to the questions we have been kicking around here about the use of that particular—I assume you would not have that, as to the use—would it establish whether or not the mailing list was used in 1988?

Ms. Riddle. I don't believe I have that.

Mr. Luken. I wouldn't think that that would have come before your purview, what you were doing. If you have occasion to find that it is in your records, I know that you will forward that information to us.

Mr. Hearst, the Assistant Chief Inspector of the U.S. Postal Service. We have your testimony. If you will proceed for approximately 5 minutes any way you see fit to help us.

STATEMENTS OF K.M. HEARST, ASSISTANT CHIEF INSPECTOR FOR CRIMINAL INVESTIGATIONS, U.S. POSTAL SERVICE; WILLIAM WEBSTER, ATTORNEY GENERAL, STATE OF MISSOURI; WILLIAM C. MACLEOD, DIRECTOR, BUREAU OF COMPETITION, FEDERAL TRADE COMMISSION; AND CLARINE NARDI RIDDLE, ACTING ATTORNEY GENERAL, STATE OF CONNECTICUT

Mr. Hearst. Thank you, Mr. Chairman.

Good morning. My name is Kenneth M. Hearst. I'm Assistant Chief Postal Inspector for Criminal Investigations. I am accompanied this morning by Postal Service attorney, Elizabeth Martin from our Consumer Protection Division; also with me is Donald Davis in the back row from our fraud branch. Both of these people have experience concerning the subject of this hearing this morning.

With your permission, I would like to submit my written testimony for the record and just briefly summarize the main points here. The Postal Inspection Service is the law enforcement and audit arm of the Postal Service. We are one of the oldest investigative agencies of the U.S. Government and, under legislation enacted by the last Congress, we also serve as the Inspector General of the Postal Service.

Among many other statutes, we enforce two of the Federal Government's oldest consumer protection laws, each of which was enacted in 1872: the Mail Fraud Statue (18 U.S.C. 1341), and the Postal False Representations Statute (39 U.S.C. 3005). Any scheme intentionally to deprive someone of his or her property through
false or fraudulent pretenses or representations, where use of the mails is an essential aspect of the scheme, violates the mail fraud statute. Any attempt to obtain money or property through the mails by false representations or the operation of a lottery violates the postal false representations statute.

Violations of the mail fraud statute are felonies punishable by fines and imprisonment. The penalties for violation of the civil misrepresentation statute include administrative orders that prevent violator from receiving mail in response to a misrepresentation or lottery scheme and direct that they cease and desist from continuing the scheme. Violations of the cease and desist orders may result in civil penalties of up to $10,000 per day.

The schemes involved in our fraud and misrepresentations cases reflect the full range of greed and indifference to the welfare of others and include false or misleading appeals for funds.

I have mentioned in my written statement some of the fund solicitation cases we have investigated in recent years. At the close of fiscal year 1988, we had 67 open investigations involving fund solicitations. Most recently, we initiated civil proceedings against Pacific West Cancer Fund, Robert R. Stone, and the Watson & Hughey Co. concerning a solicitation that purports to be a prize award notification from an attorney, Robert R. Stone. In fact, the "prize" most recipients receive is a check for approximately 10 cents. Our complaint focused upon alleged misrepresentations concerning the prize, the allocation of the funds raised, and the operation of a lottery.

We obtained a temporary restraining order against the delivery of the mail in response to the Robert Stone notification solicitation, based upon the court's determination that probable cause existed to believe that the civil misrepresentation statute was being violated.

Following this action we entered into settlement discussions with attorneys for Pacific West, Watson & Hughey, and Robert Stone, which embraced solicitations conducted by Watson & Hughey on behalf of Pacific West Cancer Fund, Cancer Fund of America, Cancer Association of Tennessee, and the Walker Cancer Research Institute. On June 20, consent agreements were filed pursuant to which these organizations and Watson & Hughey agree to cease and desist from using an attorney’s name in connection with any sweepstakes unless the solicitation has been approved by the Postal Service. In any future sweepstakes they must disclose that no payment is necessary to enter. They must also disclose the value of the prizes, the odds of winning, and when and how prize awards are determined.

The agreement also provides that the organizations must cease and desist from falsely representing that they use funds raised through the solicitation primarily for the States' charitable purposes. The organizations agreed to notify all persons whose response to the attorney notification letter was detained of the actual uses to which donated funds have been put and offer to refund their contribution.

It is understandable that the public is misled by deceptive sweepstakes. They are designed to look like legitimate sweepstakes and the only way to avoid being taken in by one of these solicitations is
carefully to read the entire document, exercising care in inverse proportion to the size of the print.

The investigation of questionable appeals for funds is one of the most difficult challenges our inspectors encounter. We lack authority under our civil misrepresentation statute to demand access to the books and records of questionable organizations, and it is more difficult in these types of cases to obtain sufficient probable cause for the issuance of subpoenas than in typical mail fraud cases. The victims of phony fund appeals generally do not know they are victims, while victims of other mail fraud schemes fail to receive something they were supposed to receive, suspect they have been cheated, and bring the facts to our attention.

No law specifically prohibits an organization from claiming to be a charity simply because no substantial portion of the contributions it received actually goes to the intended beneficiaries. And, contrary to many complaints we receive from the public and articles I have seen in the press, the mere fact that a nonprofit organization uses all or most of the contributions it receives to cover the costs and fees of professional fundraisers does not mean that the charity is fraudulent.

Perfectly legitimate organizations can experience very high start-up costs. Initial mailing lists may not be sufficiently specific in targeting donors, or the solicitation may not be drafted in a manner best designated to achieve maximum contributions.

While I believe that the majority of organizations soliciting funds by mail are honest, there are several steps prospective donors may take to protect themselves from questionable charities: first, read the solicitation very carefully, particularly the small print; second, don’t give out credit card numbers to people you don’t know; third, learn as much as you can about any organization that asks for your money. Some States require charities to file annual reports which become available to the public. In addition, the Philanthropic Advisory Service of the Better Business Bureau maintains a voluntary system under which it determines whether particular charities meet guidelines for responsible solicitation practices. Anyone who has questions about what a charity is doing with contributions, should have those questions answered before giving.

In my written testimony, I suggested the following areas of possible legislation to provide better controls over undesirable practices by charitable organizations: enactment of legislation to provide pre-complaint discovery under 39 U.S.C. 3005; review of the IRS standards for tax exempt status; review of the restrictions upon IRS sharing with law enforcement agencies information concerning possibly illegal activities by tax exempt organizations; and, possible expansion of the jurisdiction of the Federal Trade Commission over nonprofit organizations.

More than a decade ago we suggested that legislation be enacted that would require persons using the mails to solicit charitable contributions include with their appeal a summary financial statement of receipts and expenditures. The legislation did not pass, and the Supreme Court’s 1988 decision in Riley v. National Federation of the Blind of North Carolina, places restrictions upon the extent to which such requirements may constitutionally be imposed. We continue to believe that such disclosures would reduce consumer
deception and should be required to the extent consistent with the constitution.

That concludes my summary remarks.

Mr. Luken. Thank you.

[The prepared statement of Mr. Hearst follows;]

PREPARED STATEMENT OF KENNETH M. HEARST, ASSISTANT CHIEF POSTAL INSPECTOR FOR CRIMINAL INVESTIGATIONS, U.S. POSTAL SERVICE

Mr. Chairman, I am Kenneth M. Hearst, Assistant Chief Postal Inspector for Criminal Investigations. I am pleased to participate in your inquiry concerning some of the solicitation practices of charitable—or allegedly charitable—organizations.

Because we seldom have the privilege of testifying before this subcommittee, it may be helpful to explain the functions of the Postal Inspection Service.

We are the law enforcement and audit arm of the Postal Service. Having investigated crimes against the Postal Service and our customers for more than 200 years, we are one of the oldest investigative agencies of the United States Government. Postal Inspectors have statutory authority to serve Federal warrants and subpoenas and to make arrests for postal related offenses.

The Inspection Service investigates, and seeks to prevent, criminal assaults against the Postal Service or its employees and misuse of the nation’s postal system. Our investigative responsibilities include such offenses as: armed robberies; murder of, or assaults upon, our employees; burglaries; theft of mail; mailings of obscene matter, bombs, drugs; and, use of the mails to swindle the public. Under legislation enacted by the last Congress, we also serve as the Inspector General of the Postal Service with enhanced responsibility and authority to detect and prevent fraud, waste and abuse within the Postal Service.

The magnitude of our responsibilities is proportional to the size of the Postal Service. In the postalfiscal year which ended on October 1, 1988, the Postal Service delivered about 160 billion pieces of mail, employed over 763,000 career employees in more than 34,000 postal facilities, and generated revenue of about 36 billion dollars.

To meet our law enforcement and audit responsibilities, and to provide security for our employees, our facilities, and our customers’ mail, we employ 1,946 Postal Inspectors, 1,568 postal police officers, and about 800 professional, technical, and support employees. Among our inspectors are lawyers, certified public accountants, statisticians, economists, criminologists and members of other professional disciplines.

During our last fiscal year, Postal Inspectors conducted over 15,500 criminal investigations and made over 10,000 arrests. Last year we devoted approximately 610,000 workhours to the investigation of mail fraud schemes. We conducted over 1,600 mail fraud investigations and made more than 1,400 arrests.

Among my other duties, I am responsible for the development and national implementation of the efforts of the Postal Inspection Service to enforce two of the Federal Government’s oldest consumer protection laws: the Mail Fraud Act of 1872—now codified as section 1341 of title 18, United States Code; and, the Postal False Representation statute, also enacted in 1872—now codified as section 3005 of title 39, United States Code.

Any scheme designed to intentionally deprive someone of his or her property through false or fraudulent pretenses or representations, where use of the mails is an essential aspect of the scheme, violates the mail fraud statute. Persons who violate the statute are guilty of a felony and are subject to fines and imprisonment. Where we have reason to believe that the statute is being violated we present evidence to the appropriate United States Attorney. The authority to prosecute violators resides with the Attorney General and his delegates.

Any attempt to obtain money or property through the mails by false representations or the operation of a lottery violates the postal false representation statute. Where we identify an apparent violation of this statute, we present evidence of the violation to the General Counsel of the Postal Service with a request that administrative proceedings be initiated before the Judicial Officer of the Postal Service. In such cases, we seek administrative orders that require that mail in response to a misrepresentation or lottery scheme be returned to the senders, and direct the operator of the scheme to cease and desist from continuing unlawfully to use the mails. Pursuant to section 3012 of title 39, United States Code, the Federal courts may
impose civil penalties of up to $10,000 per day upon persons who violate these cease and desist orders.

Our civil authority also includes a very useful injunction statute. Section 3007 of title 39, United States Code, allows the Federal courts to order the Postal Service to withhold from delivery mail which the court finds probable cause to believe is in response to a false representations or lottery scheme. The withheld mail is retained by the Postal Service until the conclusion of administrative proceedings initiated under section 3005 and any judicial review of those proceedings. Where the Postal Service prevails, the mail is returned to the senders. Where the person against whom the proceeding was initiated prevails the mail is delivered to him.

During fiscal year 1988, we initiated 633 false representation proceedings, obtained 123 false representation orders, and accepted 494 consent agreements under which the respondent consented to the entry of a cease and desist order and agreed to discontinue the challenged scheme.

At the end of fiscal year 1988, we had in progress 67 investigations involving possibly false or fraudulent charitable solicitations. The schemes involved in our fraud and misrepresentation cases reflect the full range of greed and indifference to the welfare of others. They involve fraudulent land sales, investment schemes, medical treatments, insurance claims, travel schemes, get-rich schemes of all sorts, merchandise misrepresentations, and false or misleading appeals for funds.

Often, our cases involving charitable solicitations involve misuse of funds by individuals having management responsibilities in the organization. Several years ago we investigated a mail fraud case involving an individual who diverted to his own use funds solicited by the Palatine Missions. More recently, we participated with other agencies in a task force, supervised by the Department of Justice, to investigate the use of funds solicited by the PTL organization.

Our civil misrepresentation statute has been used a number of times against organizations claiming to be charities.

Last year, we obtained a temporary restraining order against the League of St. Anthony, an organization in Cleveland, Ohio purporting to consist of Roman Catholic Friars engaged in service to the public. The nationwide solicitations requested money for repairs to the friary and to enable continuation of good works. In fact, the league consisted of a rock-and-roll singer and some of his friends. The "friary" was a house in which he and his friends had lived before it was sold to his brother. The contributions he received were devoted to advancing his recording career.

This year we concluded civil litigation against an individual who claimed to represent Senator Phil Gramm and solicited campaign funds on his behalf without Senator Gramm's consent and against his objections. We ultimately lost this case on jurisdictional grounds, the court concluding that the Federal Election Commission had exclusive jurisdiction over practices of this type.

During the past few years we brought several misrepresentation cases against various promoters, all from the Sarasota, Florida area, who stage circuses or other shows, in conjunction with fraternal or charitable organizations. They sell tickets by telephone, representing that for every so many dollars in tickets sold, a handicapped or underprivileged child will attend the show. In these cases, there is no real correlation between the amounts received for tickets and the number of children who attend the performance. Very few, if any, free performances are provided to the children.

Most recently, we initiated civil proceedings against Pacific West Cancer Fund, Robert R. Stone, and the Watson & Hughey Company. The proceedings concerned a solicitation used by Pacific West that purported to be a prize award notification from an attorney, Robert R. Stone. In fact the "prize" most recipients received was a check for approximately ten cents. Our action against this organization focused on alleged misrepresentations concerning the size and awarding of the prize, the use of a participant's name, and the allocation of the funds raised for the espoused charitable purposes and, an allegation of an illegal lottery.

In these proceedings we initially obtained a temporary restraining order against the delivery of the mail in response to the attorney notification type solicitation that was being delivered in Topeka, Kansas. In granting this relief the court did not determine that any of the defendants violated the law. Rather, the court only determined that probable cause existed to believe that the civil misrepresentation statute was being violated.

Following this action we entered into settlement discussions with attorneys for Pacific West, Watson & Hughey, and Robert Stone, which embraced solicitations conducted by Watson & Hughey on behalf of Pacific West Cancer Fund, Cancer Fund of America, Cancer Association of Tennessee, and the Walker Cancer Research Institute. On June 20, consent agreements were filed pursuant to which
these organizations and Watson & Hughey agree to cease and desist from using an attorney's name in connection with any sweepstakes unless the solicitation has been approved by the Postal Service. In any future sweepstakes they must disclose that no payment is necessary to enter. They must also disclose the value of the prizes, the odds of winning, and when and how prize awards are determined.

The agreement also provides that the organizations must cease and desist from falsely representing that they use funds raised through the solicitation primarily for the stated charitable purposes. The organizations agreed to notify all persons whose response to the attorney notification letter was detained. The actual uses to which donated funds have been put and offer to refund their contribution.

Pursuant to section 3012 of title 39, failure to comply with a cease and desist order can result in the imposition of civil penalties of up to $10,000 for each day the violation continues.

Mr. Chairman, you have asked that I comment with respect to how an individual can tell whether a "sweepstakes" is legitimate. Normally, the term "sweepstakes" denotes a contest where a prize is awarded based upon chance, but participants are not required to pay a fee in order to be eligible to win. If payment of consideration is required in order to be eligible to win a prize awarded by chance, the contest is a "lottery" and the mailing of matter concerning it generally is unlawful under Federal criminal and civil statutes (18 U.S.C. 1302; 39 U.S.C. 3005).

Sweepstakes have long been used by merchants to expose their products to the public. Perhaps among the most well-known sweepstakes are those operated by Readers Digest and Publishers Clearing House. Many merchants use similar promotional devices. Solicitations touting the merchant's product and advising the reader that he may have won a valuable prize—whether or not he buys the product—are very familiar.

In recent years, this device has been modified to become a deceptive method of marketing products or soliciting funds. We have brought several civil cases against promoters of cheap jewelry or other junk merchandise who use a postcard to advise the public that they have been selected as a winner in a nonexistent contest. The valuable prize they have won is the merchant's product. All they have to do to receive this "prize" is remit "shipping and handling charges" that are, of course, in excess of the fair market value of the product.

Recently, the "sweepstakes" format also has been used in connection with soliciting charitable contributions. This is a primary feature of the attorney notification letter format used in the Watson & Hughey solicitations I previously mentioned. Based upon complaints we have received from the public, this device often is misleading. Many recipients believe they have won a significant prize when, in fact, they have won a prize less valuable than the postage stamp they must use to claim the prize.

It generally is not possible to distinguish misleading sweepstakes from legitimate sweepstakes. The misleading solicitations are, of course, designed to look like they involve a legitimate sweepstakes. The only clear protection the public has from being taken in by one of these solicitations is to carefully read the entire document. The degree of care to be taken in reading one of these solicitations should be in inverse proportion to the size of the print.

The investigation of possibly false or fraudulent appeals for funds by ostensibly nonprofit organizations is one of the most difficult challenges our inspectors encounter. Whether an organization is using the funds the public contributes for the purposes described—or, sometimes, implied—in its solicitations usually can only be determined by examination of the organization's financial books and records. Only by careful study of the organizations' finances can we determine whether, and to what extent, contributions actually find their way to the ostensible beneficiaries of the appeal. Our ability to acquire access to such records prior to initiating proceedings is limited. We have no authority under our false representations statute to demand access to records. Because our administrative law judges lack contempt powers, they have limited ability to compel access to such materials. The most critical need for such knowledge is at the very beginning of a questionable fundraising campaign. Unless we initiate proceedings, it is at this stage that any knowledge exists before we initiate proceedings. It is at this stage that initial controversy inquiry is warranted, that ability to examine the organization's use of funds is deferred, the greater the public's loss.

And we cannot initiate proceedings to hope that during the proceedings we will be like other Federal agencies, is subject to the Equal Access to Justice Act (5 U.S.C. 2412) which allows the recovery of attorney fees and other expenses incurred based upon bunched or mere suspicion in the ill develop some evidence. The Postal Service, to the extent that during the proceedings we will develop some evidence. The Postal Service, to the Equal Access to Justice Act (5 U.S.C. 2412) which allows the recovery of attorney fees and other expenses incurred based upon bunched or mere suspicion in the ill develop some evidence. The Postal Service, to the Equal Access to Justice Act (5 U.S.C. 2412) which allows the recovery of attorney fees and other expenses incurred based upon bunched or mere suspicion in the ill develop some evidence.
agency without substantial justification. Where an agency initiates an action based upon scanty evidence in the hope of being able to obtain adequate evidence through postcomplaint discovery, conflict with the requirements of the Equal Access to Justice Act—not to mention basic concepts of fairness—is likely.

Accordingly, lack of investigative authority to obtain necessary information prior to filing of an action typically means that we are unable to use the civil false representations statute in cases where the use of contributions is in question.

We have somewhat better ability to acquire financial records under the Criminal Mail Fraud statute. Where we have sufficient evidence to convince the Department of Justice and, in turn, a Federal grand jury, that probable cause exists to believe that a charity is not using the contributions it solicits for the purposes declared in the solicitation, and the case falls within the priorities of the United States attorney, we can obtain subpoenas to obtain the necessary records. But, obtaining sufficient probable cause is more difficult in these types of cases than any other.

In the typical mail fraud case, the victims know they are victims. Because they failed to receive from the defendant something they were supposed to receive, they know they have been cheated and bring the facts to our attention. Contributors to alleged charities, on the other hand, generally have no personal experience upon which to base a conclusion that the charity has cheated them. The only information they receive concerning what the defendant is doing with their contributions typically comes from the charity.

Not surprisingly, the information they receive is very carefully designed to give the impression that the charity is using their contributions to further the cause. In some of the solicitations we have reviewed, for example, the only real activity of the organization seems to be fundraising. Virtually all of its contributions go to professional fundraisers. Yet, potential contributors are told that a significant portion of their contribution goes to the "educational" activities of the organization. So far as we can tell, these "educational" activities consist of no more than a few lines of print in multiple fundraising appeals. I seriously doubt that the public perception of this type of conduct is that the organization is performing a real "educational" function and should, therefore, be entitled to tax exempt status.

And public perceptions of how charities use their contributions may not square with the realities of the business of conducting charitable solicitations. Based upon my experience, I would conclude that the majority of charities soliciting funds by mail are honest, well-intentioned and efficiently managed. But, I would suggest that many people would question this conclusion if they knew that many charities I would consider legitimate absorb most of the contributions they initially received on fundraising costs and overhead. Many completely legitimate charities experience initial costs which absorb most of the contributions they receive. There is no clear legal standard, to my knowledge, that forecloses an organization from claiming to be a charity simply because no substantial portion of the contributions it received actually found its way to the intended beneficiaries.

Complaints we receive from the public and articles I have seen in the press appear to assume that if a nonprofit organization uses all or most of the contributions it receives to cover the costs and fees of outside, professional fundraisers, the charity is not legitimate and the government ought to do something to prevent the public from being further ripped off. I certainly cannot quarrel with the common sense underlying this view. But, the mere fact that an organization spends most—if not all—of the contributions it receives on its professional fundraiser does not necessarily constitute mail fraud, nor do these facts necessarily amount to probable cause to believe the mail fraud statute has been violated.

Perfectly legitimate organizations can experience very high start up costs. In some cases, mailing lists are initially used which are not sufficiently specific in targeting donors interested in the cause for which the organization is seeking funds. Similarly, the solicitation may not be drafted in a manner best designed to achieve maximum contributions.

But, what happens after the first solicitation becomes very relevant. Presumably, a legitimate organization will refine its mailing list and, thereby, proportionally increase its allocation to beneficiaries and reduce its allocation to costs. In my opinion, an organization which continues, year after year, to allocate most of its contributions to professional fundraisers warrants scrutiny by the law enforcement community and skepticism by the public.

To the best of my knowledge, no Federal agency has a program which monitors the performance of nonprofit organizations, except for such reviews of annual reporting returns as the Internal Revenue Service may perform to determine whether an organization continues to be entitled to tax exempt status.
Unfortunately, however, where the Internal Revenue Service identifies possible fraudulent practices, there are statutory restrictions which prevent disclosure of that information to law enforcement agencies. It is entirely understandable that tax information developed by the Internal Revenue Service concerning individuals should be treated as confidential information. However, I believe a case can be made for requiring that an organization that claims tax exempt status should have its financial affairs open to scrutiny by law enforcement agencies.

In my opinion, many charities fail to provide the public a forthright, candid statement of the realities of their operation. Perhaps fearing loss of scarce funds to competitors, they imply that every dollar contributed will go to the cause and often exaggerate the urgency of the cause and their ability to bring about improvement. I fear that this situation, unless it is controlled, will alienate the public from providing needed support to worthwhile causes.

And, I cannot help but compare these practices with the commercial misrepresentation with which we deal every day. For example, Postal Inspectors who interview persons selling diet pills by mail typically are told that if the seller had informed the public that the pills would work only if the buyer went on a diet and exercised, the pills wouldn’t sell. And they invariably are told that exaggeration and lack of candor in advertising is necessary because the competition does it. The usual consequences of these practices in the commercial sphere is that we or some other agency will ultimately force the advertiser drastically to change his ways or to go out of business.

I certainly am not an expert on laws administered by other Federal agencies, but you may wish to examine whether the provisions of the Internal Revenue Code relating to tax-exempt organizations adequately limit this privileged status to organizations that are entitled to it. Similarly, you may wish to examine the Federal Trade Commission’s apparent lack of jurisdiction over the fundraising practices of nonprofit organizations. I am unaware of any reason why false and deceptive practices of nonprofit organizations should be tolerated when the same practices by profitmaking organizations are subject to the Commission’s jurisdiction. Conceptually, it would seem that, if anything, an organization claiming to use funds solicited from a trusting public for charitable purposes should be held to a higher standard than an organization whose practices are profit motivated.

In any event, the lack of a standard for determining the legitimacy of an organization’s claim to be nonprofit by reference to its actual use of contributions—as distinguished from its claimed, or proposed use—is a limiting factor in developing probable cause to believe that a particular solicitation is fraudulent. And, to repeat, without probable cause we are not able to obtain the necessary subpoenas to get to the truth.

The committee’s staff has asked that we suggest to the public ways in which they may protect themselves from fraudulent charities. As I mentioned earlier, victims of fraudulent charities may never learn that they have been victimized. Accordingly, great caution and exercise of good judgment is needed in deciding whether to contribute to a particular appeal. Read the solicitation very carefully, including all of the small print. If a cursory reading tells you that you have won a big cash prize, careful attention to the small print may suggest that the 25 cent stamp you need to use to claim the prize may be twice as valuable as the prize you actually will receive. As in the case of telemarketing of products or services, don’t give out your credit card number to people you don’t know. If you live in a state that requires charities to file annual reports you may wish to obtain copies of them. The philanthropic advisory service of the Better Business Bureau, 4200 Wilson Boulevard, Arlington, Va. 22203, maintains a voluntary system under which it determines whether particular charities meet guidelines for responsible solicitation practices. In many cases this organization can provide additional information about a particular charity. If you have questions about what a charity is doing with its contributions, ask them to answer your questions before you give. In other words, “give but give wisely”.

Your staff has also asked for recommendations for legislation to provide better controls over undesirable practices by charitable organizations. During the course of my testimony, I suggested that it may be desirable to provide for precomplaint discovery under 39 U.S.C. 3005; that the standards for tax exempt status might be reviewed; that the restrictions upon IRS sharing with law enforcement agencies information concerning possibly illegal activities by tax exempt organizations might be relaxed; and that the jurisdiction of the Federal Trade Commission over nonprofit organizations might be expanded.

More than a decade ago, we suggested that legislation be enacted that would require persons using the mails to solicit charitable contributions include with their
appeal a summary financial statement of receipts and expenditures. Failure to provide such information or the providing of false information would have allowed us to demand access to the organization's books and records to determine whether the mail fraud or false representations statute had been violated. The legislation did not pass. However, the record of hearings may be instructive in your current efforts. (Hearings before the Subcommittee on Postal Modernization of the Committee on Post Office and Civil Service, House of Representatives, 98th Congress, 1st Session, on H.R. 41, Serial No. 95–49) incidentally, legislation requiring that a statement of the percentage of gross receipts actually turned over to charities must accompany solicitations was found unconstitutional in Riley, et al. v. National Federation of the Blind of North Carolina, Inc. et al., 56 U.S.L.W. 4869 (1988). This decision, and the North Carolina statute with which it was concerned, should be instructive to this committee in that primary focus was the practices of professional fundraising organizations.

That concludes my prepared remarks. We would be pleased to try and respond to any questions you may have.

Mr. Luken. Attorney General Webster of Missouri.

STATEMENT OF WILLIAM WEBSTER

Mr. Webster. Thank you, Mr. Chairman.

Before I begin my testimony, I first of all on behalf of my fellow attorneys general would like to thank you for your personal leadership on H.R. 1056, the immunity end of the RCRA legislation. We were very gratified by the support we received in the House, 330 to 39, and this is our first opportunity to express our appreciation to you.

Mr. Luken. We didn't do as well as the attorneys general did. You got 50 out of 50. You did better.

Mr. Webster. We appreciate your help.

My name is William Webster. I am currently serving my second term as attorney general of the State of Missouri.

I am also the former chairman of the Consumer Protection Committee of the National Association of Attorneys General, and I have been involved in the charitable solicitations committee of the national association.

I certainly appreciate the opportunity to appear before you today to discuss some of the enforcement activities and frankly the enforcement problems that we faced in the area of charitable solicitations and sweepstakes, charities in particular.

As has already been indicated here this morning, Americans, as you acknowledge in your opening statement, are the most charitable people on earth, over $100 billion last year, but as we all know, anytime there is that much money involved there is always going to be an unscrupulous few who want to get their hands on the money.

I am sure that there are charities which have used this particular technique which are legitimate, but we would certainly contend, as I think most of our colleagues would in the ranks of attorneys general, that no charity no matter how benevolent or deserving the cause may be is entitled to defraud or deceive members of the public in order to obtain donations. And this is the problem that we believe has occurred, and in fact we filed suit against a number of entities.

Our recent investigations in the Missouri attorney general's office have focused on the so-called charities sweepstakes. Some of those so-called charities devote, as the testimony this morning indi-
cated, up to 97 cents on the dollar to overhead and direct mail costs. I believe one of the entities which has submitted testimony indicates that it has actually cost them $1.08 for every dollar they received when you factor in all of the various costs. Tens of millions of pieces of direct mail through solicitations have been dropped nationwide over the last few years in such sweepstakes.

Consumers have frequently been duped, I would say, by the lure of a large cash prize only to invariably be disappointed. In some cases the cash prize they have won is worth a dime or less and won't cover the cost of postage to redeem the so-called cash prize.

The State response over the last few years has been to enact legislation. For the period of time during the 1960's and 1970's many of the States adopted statutes attempting to regulate charitable solicitations. These statutes frequently aimed at registration and also a scheme which would require, as you have heard this morning, full disclosure as to what portion of costs go to overhead and what portion actually goes to the purported charitable purpose.

Most of these statutory schemes have been struck down by the U.S. Supreme Court in a series of recent rulings. While States may arguably require certain types of registration, professional fundraisers, for instance, under the recent Riley decision, in particular, States have been dramatically limited in what they can do and what sort of disclosure can be required to curb perceived excessive fundraising costs.

When it comes to insuring that a substantial portion of the funds that go to the stated purpose of the organizations actually happens, the States' hands have been tied under those traditional charitable solicitation statutes and consumers have unfortunately been left with little or no meaningful information about the organization that is ultimately taking their hard earned dollars. As a result of that endorsement problem, the States in the past couple of years have turned to less traditional charitable solicitation remedies, specifically the consumer protection statutes of our respective States.

Missouri in particular, along with I think almost every other State, has a statute which deals with misrepresentation, deception and fraudulent sales practices. We have common law powers requiring charitable organizations to fulfill fiduciary responsibilities.

We filed lawsuits against a number of the charities you have heard about this morning on the traditional common law theory they have a fiduciary responsibility to the people that actually contribute to them. And that is a theory which is now working its way through the courts. In our office in particular, we have taken legal action against Pacific West Cancer Foundation, the Cancer Fund of America, the Walker Cancer Research Institute, the American Heart Disease Prevention Foundation and Project Cure doing business as the Center for Alternative Cancer Research. And a couple of other instances may be instructive.

One example comes to mind where our office first became aware of a problem in October of last year involving the Pacific West Cancer Fund. A letter from a lawyer was sent which indicated the consumers had in fact received a prize, and I believe you have seen copies of that in testimony which has been submitted.
We alleged in our lawsuit that was filed it was a sweepstakes but that no one actually entered the contest. The solicitation letter we argue leaves the impression recipients have in fact won a large prize. As you have heard already today, that prize is all too often just a dime. The sweepstakes frequently requires you to send in a redemption certificate or letter of acknowledgment, the postage stamp of which is greater than the purported prize.

Another problem that has been identified by States' attorneys general is the bookkeeping procedures which are used, the accounting procedures which allow charities of all types to allocate substantial portions of their overhead to education. The recipient of many of the pieces that we have challenged will frequently be advised his or her dollars are going to public education.

All too often that education, however, turns out simply to be a statement on the solicitation piece itself with such words as don't smoke or when going out in the summer, wear suntan lotion or be cautious for radon. We have a list of these and the education piece, and the educational effort is primarily that language which is actually contained on the piece. Here is one from the Walker Cancer Research Institute which says, checkup, get one each year, healthy air, stop smoking, eat foods that help fight cancer risks. And my guess is if we go into the bookkeeping procedures of this particular entity, we will find that that is part of that educational component that they are claiming in how they spend their dollars.

Finally, we have seen claims of research, and one of the very common themes is that the funds which are raised are very important because they are going to vital research functions, and one piece in particular we filed suit on because at least we found it offensive, and that is from the Center for Alternative Cancer Research. We have a piece here that was sent to a citizen in Springfield, MO, and at the bottom it says:

To claim your prize, please enclose a personal check or cash in the amount of $7 or more to help fund our research programs to find a cure for cancer.

Now that is right on the front page. Not only is there "research" in the title of the organization but there's research programs which they claim to fund on the front of the piece. If you turn over to the back of the piece in what we affectionately call the mistype, the microscopic type, you will see that they again talk about research, but in very small type down at the bottom they say that we are not a laboratory, a research laboratory, nor do we conduct research. We are an educational program. So on the front side you have consumers thinking that they are funding research for cancer and on the back in very small type you see maybe that is really not where the money is directly going after all.

We don't think that they can have it both ways, we feel that that is deceptive under our traditional statutes and that is one of the allegations that we have in litigation which is currently pending.

Finally I would suggest just two things. First of all, we think it is important and we applaud this committee for addressing a problem that has become very frustrating for the States. We have received hundreds of complaints on our consumer fraud hotline, lots of letters, people looking at this saying is it legitimate? Because of the Supreme Court rulings, we have to proceed under fraud theories
and perhaps that is the way it should be, but we would like help from the Federal Trade Commission. We would urge that you consider broadening their jurisdiction. I believe that they are in support of such an effort, and we certainly encourage every possibility to encourage cooperation between the U.S. Postal Service and the States and the Federal Trade Commission. This is a multimillion dollar business, the people that contribute are all too often the very most vulnerable. When somebody has just lost a family member to cancer or to heart disease and they get a solicitation in the mail, the heart strings are tugged and they want to help, they want to think they are doing something meaningful for cancer research, and I think the test has graphically indicated today that the promoters often do pretty well but that very few dollars actually end up in that purported charitable purpose.

There is just one other variable that we have seen which I think is very much related to this, and there are other problems with charities and charitable solicitations and they don't all come just in the form of charitable sweepstakes. I think everybody in this room has received a call from somebody attempting to sell tickets before for a purported charitable enterprise, and the principles are very much the same; they frequently involve charities for children, for law enforcement officers, and the money doesn't end up going to the purported charity. We certainly hope that the States can be of some constructive benefit in trying to craft a solution to this problem and we appreciate the opportunity to be here today.

Mr. Lukën. Thank you very much, General Webster.

Mr. MacLeod.

STATEMENT OF WILLIAM C. MacLEOD

Mr. MacLeod. Thank you. My name is William MacLeod and I am the director of the Bureau of Consumer Protection of the Federal Trade Commission. I appreciate the opportunity to appear before you today to testify on behalf of the Federal Trade Commission concerning questionable solicitation campaigns undertaken by charities.

I must confess a little jealousy hearing the testimony of some of my colleagues in law enforcement because they are able to do things we are not able to do here at the Federal Trade Commission, and I certainly commend to you not only the subject that you are examining at the hearings today but also the subject that has been raised concerning the Federal Trade Commission's jurisdiction over nonprofit enterprise.

Let me give you just a brief background on our activity here. These hearings have been going on for a while so I will try to be brief. I would like my total statement to be recorded in the record if that is possible.

First of all, I think it is worthwhile noting a caution that we are indeed talking about a small proportion of a very large and vibrant activity in the United States. The Congress has created and protected a strong public policy favoring charitable and benevolent organizations in our society and I think that that is an admiral public policy.
We estimate right now there are some 420,000 charitable organizations currently operating in the United States and in the last 5 years we have received complaints or inquiries concerning fewer than 20 of these organizations. Now, maybe some of these complaints and inquiries aren’t coming to the Federal Trade Commission because people know we have no jurisdiction over charities, but still that is a surprisingly small number. What is troubling is the statistics that you stated at the outset of these hearings, Mr. Chairman, and that is that the vast majority of these complaints have come far more recently and have involved far fewer actors.

I can describe some of the steps we have taken in pursuing leads of questionable practices in this area but I think I will spare the committee that today and answer any questions that you may have on that subject. In the end there are two obstacles that we face here at the Federal Trade Commission that I think are far more important. First of all, as you mentioned, Mr. Chairman, there is a statutory exemption from the Federal Trade Commission Act accorded to not-for-profit organizations. Under sections 4 and 5 of the act we have jurisdiction only of corporations organized to carry on business for their own profit or their members’ profit. This restriction has been on the Commission’s jurisdiction in the FTC Act since the act was first enacted.

A determination of whether a corporation falls within the Commission’s jurisdiction is usually made on a case-by-case basis and although other agencies’ interpretations under other statutes—for example, the IRS—are not controlling, they are some of the factors we look into for a corporation’s tax exempt status. However, most charities and a number of the organizations that we have been discussing today are organizations that would very likely fall into that category that are beyond the jurisdiction of the Federal Trade Commission.

In your February 10 letter to Chairman Oliver you asked for our views on possible changes to the FTC Act. We do have jurisdiction over some nonprofit organizations under other statutes but those statutes don’t help us much here. As a general matter, we oppose special interest provisions that prevent the Commission from—

Mr. LUKEN. Would you give us those for instances?

Mr. MACLEOD. In the Fair Debt Collections Practices Act [FDCPA], there is an independent basis for jurisdiction. It allows us to go after debt collections practices and does not require section 5 for assertion of our jurisdictional authority. Therefore, we have construed, and thus far we have not been challenged successfully in that construction, that the FDCPA does not limit our jurisdiction to for-profit corporations. But under our own general jurisdiction under section 5, our jurisdiction against deception and misrepresentation, there is the exemption for nonprofit activity, and that is an exemption which the Commission commends to Congress to reconsider.

I should also note an issue that comes up in a number of these cases, an issue that has already been brought to the subcommittee’s attention, and that is the first amendment considerations that law enforcers regardless of their jurisdiction must keep in mind. The most recent case in that regard is Riley v. National Federation of the Blind of North Carolina. We have heard some recommenda-
tions today, for example, that charities and solicitations indicate in their solicitations to consumers that the amount of overhead be disclosed in those contacts with consumers. That is something the Supreme Court under the first amendment has decided is not available to regulators or law enforcers as a means of addressing consumer protection problems here. We have to be a little more creative and ingenious now under the Riley ruling.

The court did hold however that antifraud laws could be enforced against charitable fundraising but the fact that a large proportion of the funds retained by the fundraisers standing alone would probably not be enough. We do need more evidence, we do need more theories, and I think General Webster described some promising theories today.

In conclusion, the current statutory uncertainties of first amendment boundaries articulated by the court have required the staff to move cautiously in our attempts to deal with problems created by activities of nonprofit entities.

We must make sure that any actions that we take do not contain some of the infirmities that caused the Supreme Court to overturn regulations in its first amendment cases. On the other hand, I would like to remind the committee that we share your interest in telemarketing fraud and investment fraud. This is an area in which the Federal Trade Commission is today proceeding in record numbers and devoting more resources than we ever have in the past, an area in which we have had cooperation from the States, especially under the leadership of General Webster. I would like to extend that kind of success record we have achieved in those areas to this area as well, and if the committee sees fit to consider giving us the authority to do so I would be very delighted.

Mr. Chairman, that concludes my oral presentations. I would be glad to respond to any questions you may have.

Mr. LUKEN. Thank you, Mr. MacLeod.

[The prepared statement of Mr. MacLeod follows:]

PREPARED STATEMENT OF WILLIAM C. MACLEOD, DIRECTOR, BUREAU OF CONSUMER PROTECTION, FEDERAL TRADE COMMISSION

Mr. Chairman and members of the Subcommittee, my name is William MacLeod and I am the Director of the Bureau of Consumer Protection of the Federal Trade Commission. I appreciate this opportunity to appear before you today to testify on behalf of the Federal Trade Commission concerning questionable solicitation campaigns undertaken by both legitimate and bogus charities.

Let me begin by sounding a note of caution as we discuss, in essence, different and potentially burdensome ways of policing philanthropic fundraising. The Congress has created and protected a strong public policy preference for charitable and benevolent organizations in our society. As a result of this policy, a myriad of vital services, life-saving programs, and uplifting benefits are delivered to those persons among us whose needs might well go unmet without the work of charitable organizations. The Commission is concerned that we not engage in overregulation of charities, to the effect that fewer resources are available for these good works.

I make this point because it is important to bear in mind that the overwhelming majority of these charitable organizations conduct their activities year after year without ever becoming the subject of a complaint or inquiry to the Federal Trade Commission. For example, we estimate that there may be as many as 420,000 charitable organizations currently operating in the United States. Yet, from 1984

1 This figure was provided by the American Association of Fundraising Counsel, and includes only those organizations that are exempt from federal income tax under Section 501(c)(3) of the Continued
through 1988, the Commission received complaints or inquiries concerning fewer than 20 of these organizations. This is an impressively small number of complaints.

What is troubling, however, is the considerable jump in complaints and inquiries during 1988. Of the 159 total inquiries we received from 1984 through 1988, the vast majority—110—were received in 1988. This dramatic increase in the volume of complaints received in 1988 is directly related to the activities of a few for-profit corporations that solicit funds on behalf of charities.

The for-profit corporations that have generated most of the consumer complaints and inquiries typically solicit funds through the use of a “sweepstakes” giveaway promotion that also includes a request for a donation to the charity. Based on the inquiries we have received, it appears that some consumers have been seriously misled by this approach. First, many consumers have written to express their dismay that a charitable endeavor would use the same approach to raising funds that magazine publishers and timeshare promoters employ. Second, other consumers, apparently jarred by the sweepstakes approach to charitable fundraising, have written to ask us whether these charities are indeed legitimate.

Let me describe the kinds of steps we take in pursuing leads in cases of questionable practices relating to charities. One source of information we consult is the Better Business Bureau’s Philanthropic Advisory Service (“PAS”), which has established voluntary standards to promote ethical practices by philanthropic organizations. To monitor whether a particular organization meets these standards, PAS requests basic information from the charity—information regarding its general purpose and public accountability, its governing structure and the use of its funds, and its fundraising practices and solicitations. PAS then provides this information, and provides consumers about the legitimacy of specific charities. PAS also collects complaints about charities and confirms the existence of these complaints in response to inquiries. Finally, PAS assesses the performance of charitable organizations according to its standards, which include a requirement that no more than 35 percent of contributions received be used for fundraising and that no more than 50 percent be used for all overhead expenses.

The National Charities Information Bureau (“NCIB”) also has established standards for evaluating charities and serves as a source of information for Commission staff. NCIB maintains that charities should allocate at least 60 percent of contributions received to program funding; in other words, charities should not spend more than 40 percent of contributions received on fundraising, management, and general expenses. NCIB monitors complaints about charities and provides consumers with information very similar to that provided by PAS. Neither PAS nor NCIB provides recommendations or endorsements about charities; rather, they both make information available to consumers who can then make their own choices concerning charitable donations.

Our staff also may contact the Internal Revenue Service (“IRS”) to determine the tax-exempt status of charities that are the subject of complaints. As you know, Section 4 of the FTC Act gives the Commission jurisdiction over corporations that are operated for their own profit or that of their members. Although the Commission has successfully asserted jurisdiction over various nonprofit entities, purely charitable organizations have been considered outside the Commission’s jurisdiction under the FTC Act. Absent some other grounds for jurisdiction, we are unlikely to open an investigation into charities that have been granted tax-exempt status by the IRS under Section 501(c)(3) of the Internal Revenue Code. On the other hand, if we find evidence to support the assertion of jurisdiction—such as the involvement of for-profit entities—we may pursue an investigation. As you know, we currently are looking into allegations concerning for-profit fundraising.

Internal Revenue Code for operating exclusively for religious, charitable, educational, scientific, public safety testing, literary or educational purposes.

The Commission has interpreted Section 4 of the FTC Act to permit it to assert its jurisdiction over any nonprofit association whose activities engender a pecuniary benefit to its members, if that activity is a substantial part of the total activities of the association, rather than merely incidental to some noncommercial activity. American Medical Association, et al., 94 F.T.C. 701, 982-93 (1979), aff’d, 638 F.2d 443 (2d Cir. 1980), aff’d mem. by an equally divided Court, 455 U.S. 675 (1982).

See Community Blood Bank of Kansas City, Inc. v. FTC, 405 F.2d 1011 (8th Cir. 1969); American Medical Association, 94 F.T.C. at 983-85.

See Community Blood Bank of Kansas City, Inc. v. FTC, 405 F.2d 1011 (8th Cir. 1969); American Medical Association, 94 F.T.C. at 983-85.

Nonpublic information about our investigation is exempt from public disclosure. In accord with Commission procedures, information was provided to the Sub. committee in response to
As a more general matter, the Commission staff regularly confers with both the IRS and the U.S. Postal Service to share information concerning various charitable organizations and for-profit fundraisers that solicit on behalf of these charities. Both the IRS and the Postal Service have an important role to play in monitoring questionable solicitation practices by, or on behalf of, charitable entities. For example, the Exempt Organizations Ruling Branch of the IRS, which is responsible for conferring tax-exempt status on charitable organizations, also has the authority to revoke a tax exemption if it learns that the organization is, in fact, acting for profit. The Branch recently has created a "Charitable Solicitation Compliance Improvement Program" to examine charitable entities whose solicitations and/or expenditures appear suspect for any reason. The Program also provides consumer education and assistance to charitable organizations regarding compliance.

The Postal Service enforces the False Representation and Lottery Statute, 39 U.S.C. Section 3005, and the Mail Fraud Statute, 18 U.S.C. Section 1341. As you may be aware, the Postal Service recently entered into a Consent Agreement with Watson and Hughey, for-profit fundraisers, the Cancer Fund of America ("CFA"), and Robert Stone, prohibiting certain misrepresentations in the solicitation of charitable donations. The consent agreement also requires respondents to notify consumer donors of their right to a refund in the event they do not find the CFA to be a proper steward of the funds contributed, and to make refunds upon notice by the consumers.

Mr. Chairman, let me turn now to a more detailed discussion of the statutory exemption from the FTC Act accorded to not-for-profit corporations. As I mentioned earlier, under Sections 4 and 5 of the Act, we have Jurisdiction only over corporations organized to carry on business for their own profit or for their members' profit. However, these sections have never been interpreted to deny the Commission jurisdiction over all nonprofit organizations, and we could take action against any ostensible nonprofit corporations that were, in fact, acting for their own profit or any nonprofit corporations acting for the profit of their members. The Commission in the past has taken enforcement action against entities whose nonprofit status appeared to be a sham.

This restriction on the Commission's jurisdiction has been in the FTC Act since it was first enacted. In fact, some sort of restriction was included in every version of the proposed legislation considered by the 63rd Congress, which created the FTC. Although the legislative history does not provide a discussion of why the exemption was necessary, it is clear that Congress was aware it was not providing a blanket exemption for all nonprofit corporations. An early version of the proposed legislation would have exempted all nonprofit corporations from the Commission's jurisdiction. However, in an August 1914 letter, Joseph Davies, Commissioner of the Bureau of Corporations (predecessor to the FTC), wrote a letter to Senator Newlands, Chairman of the Committee on Interstate Commerce and author of the Senate version of the Act, pointing out that under this definition, many trade associations would be exempt. Commissioner Davies described how these associations were often used by manufacturers to restrain trade. Perhaps as a result of this letter, the definition of corporation was expanded to include those organizations carrying on business for the profit of their members.

In more recent years, Congress has enacted legislation granting the Commission specific enforcement authority, in addition to the FTC Act, that does not include exemptions for nonprofit organizations. For example, the Commission now enforces

Chairman Luken's letter of November 28, 1988, along with a request that the Subcommittee maintain the confidentiality of the information. Of course, we would be pleased to provide the Subcommittee with additional information on a confidential basis should you so desire.

Section 5(a)(2) of the FTC Act states: "The Commission is hereby empowered and directed to prevent persons, partnerships, or corporations * * * from using unfair or deceptive acts or practices in or affecting commerce.

Section 4 defines "corporation" to include: "any company, trust, so-called Massachusetts trust, or association, incorporated or unincorporated, which is organized to carry on business for its own profit or that of its members * * * ."

* Community Blood Bank of Kansas City, Inc. v. FTC, 405 F.2d 1011, 1018 (8th Cir. 1969).

* In the Matter of the Complaint Against Cancer Fund of America, Robert R. Stone, Watson and Hughey, Byron C. Hughey, and Jerry C. Watson, Postal Service Docket No. 33/186 (June 20, 1989).

* See Ohio Christian College, 80 F.T.C. 815 (1972) (Commission determined that the allegedly nonprofit Ohio Christian College was in fact a diploma mill).


* This letter is quoted in Community Blood Bank of Kansas City, Inc. v. FTC, 405 F.2d 1011, 1017-18 (8th Cir. 1969).

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sections of the Consumer Credit Protection Act,\textsuperscript{12} which includes the Truth in Lending Act,\textsuperscript{13} the Fair Credit Reporting Act,\textsuperscript{14} the Equal Credit Opportunity Act,\textsuperscript{15} and the Fair Debt Collection Practices Act.\textsuperscript{16} Each of these acts prohibits unfair or deceptive practices involved in credit transactions, but none of these acts restricts the Commission from bringing an enforcement action against a nonprofit corporation.\textsuperscript{17}

Any determination of whether a corporation falls within the Commission's jurisdiction is usually made on a case-by-case basis. Although other agencies' interpretations under other statutes are not controlling, one of the factors we look at is a corporation's tax-exempt status. It is useful for us to know whether a corporation operates exclusively for religious, charitable, scientific, literary, or educational purposes and is tax-exempt under Section 501(c)(3) of the tax code\textsuperscript{18} or whether its tax-exempt status comes from Section 501(c)(6), which provides tax-exempt status to an association of individuals having a common business interest if the association's purpose is to promote that common interest rather than to make a profit.

For example, in American Medical Association, the Commission found jurisdiction over the American Medical Association, a Section 501(c)(6) organization.\textsuperscript{19} The Commission also successfully sued the National Commission on Egg Nutrition ("NCEN"), a nonprofit corporation owned by egg producers and organized to advertise the nutritional benefits of eggs.\textsuperscript{20} The Commission had jurisdiction because NCEN was organized for the profit of its members, even though it pursued that objective indirectly.

In your February 10th letter to Chairman Oliver, you also asked for views on possible changes to the FTC Act. Even though the Commission has jurisdiction over some nonprofit corporations, the statutory exemption at issue here deserves careful scrutiny. As a general matter, special interest provisions may prevent the Commission from fully carrying out its statutory mandate to protect the American consumer from unfair methods of competition and unfair and deceptive practices and permit some corporations to use practices that are forbidden to others. Generally, therefore, the Commission opposes special interest exemptions on principle, and supports efforts to determine if the current statutory exemption is overbroad.

Although expanding the Commission's jurisdiction over nonprofits in general could aid our efforts to protect consumers,\textsuperscript{21} as a practical matter, its effect on our jurisdiction over charitable fundraising matters may be seriously limited by the First Amendment. In \textit{Riley v. National Federation of the Blind of North Carolina},\textsuperscript{22} the Supreme Court held that soliciting for a charity, whether done directly by a charity or by a professional fundraiser on its behalf, is fully protected "speech" under the First Amendment. The Court also held that although antifraud laws could be enforced against charitable fundraising, the fact that a large percentage of funds is retained by the fundraiser, standing alone, cannot serve as the basis for a fraud allegation.\textsuperscript{23} Further, the Court held that neither a charity nor a fundraiser could be compelled to disclose in its solicitations the percentage of funds actually used for charitable purposes in the preceding year.\textsuperscript{24} Thus, even though the Commission now has jurisdiction over professional fundraisers, and even with jurisdiction over charities, it is doubtful that we could take action based solely on excessively high fees. Any such limitation on the Commission's authority would appear to apply to rulemaking as well as case-by-case enforcement efforts.

\textsuperscript{12} 15 U.S.C. secs. 1601 et seq.
\textsuperscript{13} 15 U.S.C. secs. 1601-1614.
\textsuperscript{14} 15 U.S.C. sec. 1691.
\textsuperscript{15} 15 U.S.C. sec. 1691.
\textsuperscript{17} On one occasion the Commission found it necessary to enforce the Fair Debt Collection Practices Act against an allegedly nonprofit corporation. See \textit{FTC v. Don Sly, Universal Church of Jesus Christ and Bureau of Collections}, CV 81-H-427-E (N.D. Ala. 1982) (reported in 16 FTC Court Decisions 219), aff'd without opinion, 729 F.2d 1466 (11th Cir.), cert. denied, 469 U.S. 832 (1984).
\textsuperscript{18} 26 U.S.C. sec. 501(c)(3).
\textsuperscript{19} 94 F.T.C. 701, 982-993 (1979), aff'd, 638 F.2d 443 (2d Cir. 1980), aff'd by an equally divided court, 455 U.S. 676 (1982).
\textsuperscript{21} The practical effect of Section 4 is to make more difficult the Commission's assertion of jurisdiction in areas other than charitable fundraising. As a result, the Commission may be precluded from pursuing fraudulent or anticompetitive practices by not-for-profit firms that we clearly would pursue if undertaken by for-profit firms.
\textsuperscript{22} 108 S. Ct. 2667 (1988).
\textsuperscript{23} Id. at 2675.
\textsuperscript{24} Id. at 2678.
In conclusion, current statutory uncertainties and the First Amendment boundaries articulated by the Supreme Court have required the Commission's staff to move cautiously in their attempts to deal with the problems caused by the activities of nonprofit entities, both those that are charitable and those that are not. We must be sure that our orders do not contain the same flaws as did the state regulations at issue in Riley. Of course, legislative repeal of the not-for-profit exemption to the FTC Act would not override First Amendment limitations on our authority. But the Subcommittee's consideration of our jurisdictional limitation could be an important step toward enabling the Commission to ensure that consumer contributions to charitable entities are based upon fair and honest solicitation practices.

I am pleased that I have had this opportunity to appear before you today to discuss the types of questionable solicitation practices we have observed, as well as the limits on the Commission's authority, and welcome any questions you might have.

Mr. LUKEN. Ms. Riddle.

STATEMENT OF CLARINE NARDI RIDDLE

Mr. LUKEN. Ms. Riddle.

Ms. RIDDLE. Thank you.

Mr. LUKEN. Try to keep to 5 minutes. The schedule will be that after your testimony we will recess for 10 minutes for the vote. Then we should have enough time after that to conclude with this panel and the other panel remaining in very short order after that. We will have a 10-minute recess as soon as you conclude.

Ms. RIDDLE. Thank you, Mr. Chairman.

My name is Clarine Nardi Riddle and I am acting attorney general of the State of Connecticut. I am also chair of the Charitable Trusts and Solicitations Subcommittee of the National Association of Attorneys General. It is a pleasure for me to be here today to address you on this very important subject.

It is important not only to the American public which last year generously contributed over $100 billion to charitable causes; but it is also important in a much more profound sense. The proliferation of fundraising scams threatens the very fabric of our philanthropic traditions. The health of the country's vital nonprofit institutions is directly related to public confidence in the integrity of those institutions and in the fundraising process itself. Unfortunately, the dark side of charitable fundraising is threatening that confidence. If it is shaken too badly, the real losers will be the beneficiaries of charity who so desperately depend on it.

That is why Connecticut and many other States around the country are stepping up efforts to expose and prosecute those who abuse the public trust in the name of charity. To be sure, our job has not been made any easier by recent U.S. Supreme Court decisions. Ironically, however, it has been those very decisions which have galvanized the resolve of attorneys general and instilled in us a clearer sense of mission.

Let me give you a brief overview of how States regulate fundraising for charity.

Approximately 40 States have comprehensive laws regulating charitable organizations which solicit from the public. Typically, these laws require soliciting charities to register with a State agency. Registration entails the filing of basic information about the charity, including the purpose for which it will raise funds and whether it is tax exempt. Each registered charity must also file an annual financial report. To my knowledge, all but one State accepts a copy of the charity's IRS form 990, Return of Organization
Exempt from Income Tax, in full or partial fulfillment of this requirement. The 990 form provides fairly comprehensive information on the organization's sources of revenue and expenditures.

Regulatory requirements are also imposed on outside persons and firms which are retained by the charity to solicit the public on the charity's behalf or to provide advice and counsel to the charity on the conduct of fundraising campaigns. The requirements include registration, bonding and the filing with the State of contracts between the charity and the solicitor or fundraising counsel.

The State laws also contain a list of acts and practices in which the charity, paid solicitor and fundraising counsel are prohibited from engaging. These include misrepresenting the purpose for which solicited money will be used, making false and misleading statements while soliciting, failing to file an annual financial report and soliciting without being registered with the State.

These State laws described are designed to serve two equally important purposes. First, the registration material and financial reports are public. Potential donors may refer to them for information that will aid in the gift-giving decision. Second, State law enforcement agencies may use the information and investigatory authority to detect and prosecute illegal conduct.

While the Supreme Court struck a blow to State regulation of fundraising with its Schaumburg, Munson and Riley decisions, I have outlined those in my full testimony, it was by no means a fatal blow. The States still have at least two powerful weapons available to them which, I am glad to report, they are beginning to use effectively.

First, we are helping to educate the public by releasing reports on charities and fundraising. My office has recently issued two such reports. One is a comprehensive report on Watson & Hughey and the groups it solicits. The second is our most recent annual report on special event paid telephone soliciting in Connecticut. I will submit both of these reports for the record, if that is permitted.

Both reports elicited an overwhelming response from a shocked public. And indeed, the public has every right to be shocked. People should have little reason to suspect that so little of the money they generously give actually finds its way to the charitable cause. In the case of special event telephone soliciting in 1988 in Connecticut, totaling approximately $9 million, only 25 cents out of every dollar contributed reached the charity.

Second, while the Supreme Court has sanctioned high fundraising costs, it has not sanctioned lying. Charitable solicitation laws, unfair and deceptive trade practice statues and common law fraud actions are increasingly being used. Indeed, most of our allegations against Watson & Hughey and the groups that hired them involve misrepresentations about such things as the value of the prizes, the deceptive use of the word "winner" and the role of Attorney Robert Stone.

However, despite our vigorous efforts, we could use help from Congress. In my opinion, one very effective potential weapon is the Federal tax laws. And I have three recommendations in that regard. I will try to brief my testimony.
First, the life-blood of any general appeal is the ability to claim nonprofit and tax exempt status. It proclaims to the public that the people behind the organization are selflessly motivated and that the government has placed its imprimatur on their noble efforts. Make no mistake, most people in philanthropy are caring, selfless and committed to bettering humanity. Those who are not, and there are more than a few, need the cloak of respectability which government—particularly the IRS, which it has the authority to convey.

Tax exemption is a privilege, not a right. An organization’s feet should be held to the fire when seeking exemption. The organization should be periodically audited to verify that it deserves to keep its exemption. Just because there are no stockholders does not mean that enormous profits cannot be made in the business of nonprofits. This is particularly true where the organization’s program service is primarily or exclusively “public education.” Full service direct mail houses, which prepare, print, package and mail fundraising/public education material, are sometimes limited in their profitmaking potential only by the level of contributions. The more mailings sent out, the greater the contributions. The greater the contributions, the more mailings sent out. When the directors of the charity are well intentioned and in control of the appeal activity, there is less cause for concern. But State regulators are well aware that this is not always the case. In some instances, it appears that the “charity” is the creature of a direct mail house or a telephone solicitation firm. In other instances, the charity gives carte blanche authority to the fundraisers to control the fundraising process. In either case, the result is charity for profit—the fundraiser’s profit. This is my first recommendation.

My second recommendation is that charities should be required to objective and strict accounting rules when preparing their form 990 return. The IRS permits a charity to file its 990 forms, using the charity’s usual method of accounting. The accounting rules, which were set by the accounting profession with the assistance of the charities themselves, permit a charity to shift, on paper, a generous portion of costs associated with fundraising into the program service category on its expense statement. The charities justify this shell game by saying that the act of fundraising also educates the public about the cause and, therefore, qualifies as an expense which furthers a charitable purpose. The end result is that an organization can make itself look great on paper, while its benefit to society is illusory.

Lastly, there must be better cooperation between the IRS and the States. In 1984, the IRS established a form 990 advisory committee on which there were four State representatives.

Mr. Luken. Ms. Riddle, I think I am going to have to go to vote. So we will give you a minute when I return.

What I passed out to you just now, just to take half a second, is obviously a scam kind of communication which my wife received. It was addressed to my wife at our home in Cincinnati, and the reason I am bringing it up is that we just now made the telephone call which this suggests that she should call and receive either a Cadillac or $2,000 cashier’s check or 10 carat diamond or $1,000 savings bond.
Staff just called and the response was as soon as we give the credit card number and the expiration of the credit card of my wife, then they would talk to us about giving us the Cadillac. So what do you suppose they would want to do with that credit card number? Maybe you would want to tell us when we come back.

Ms. RIDDLE. Okay. Thank you.

[Brief recess.]

Mr. LUKEN. Attorney General Riddle, you may conclude.

Mr. RIDDLE. Thank you.

Third, there must be better cooperation between the IRS and the States. In 1984 the IRS established a form 990 advisory committee on which there were four State representatives. After meeting only three times, the IRS abandoned the committee and established a new advisory committee on which there is no State representation.

In June 1988 the National Association of Attorneys General passed a resolution calling again on the IRS to include State representation on the new committee.

To date the IRS has failed to act favorably on that resolution. Instead, the IRS has opted for informal contact with us, which has not been entirely satisfactory. I would also like to comment in the FTC because I know that is where your jurisdiction is. The National Association of Attorneys General resolution just again supported the reauthorization of the Federal Trade Commission.

Though at least for the past 8 years we have not seen as an effective and aggressive enforcement out of the FTC as is necessary in the area of consumer protection in the area that we are talking about today, there is no reason the FTC could not investigate professional fundraisers currently because they are for-profit organizations.

We do, however, support a State-Federal cooperation with this specific caveat, so long as State activity is not preempted. As an additional piece of information that I would like to submit under separate cover, in 1986 the National Association of Attorneys General adopted model registration law for all the States to adopt, but it did not universally receive the enthusiastic support of the major charities, and in many cases there were opposition from others.

So we would hope that if the committee is looking at possible registration or uniform registration laws that the NAAG motto be referred to, and I will submit it under separate cover. In conclusion, the Supreme Court decisions and the accounting rules have created an uneven playing field.

Our citizens who are constantly bombarded with requests for money have no realistic way to distinguish the efficient charity from the inefficient, the well-intentioned from the fraudulent. States' attorneys general will continue to litigate and educate in order to protect the public.

Congress can play an important role by closely examining why it is that obtaining and keeping tax exemption depends more on how you fill out the forms than on whether you provide a benefit to society. Thank you.

Mr. LUKEN. Thank you very much, and thanks to the panel. What is your timing, General Webster?

Mr. WEBSTER. I have enough time to answer a question, certainly, Mr. Chairman.
Mr. Luken. Let me start off with Mr. Hearst, and I think that will lead into some other questions.

Incidentally, anybody have any thoughts about how my wife can collect her Cadillac?

Mr. Hearst. I would suggest you not give them your credit card number, Mr. Chairman.

Mr. Luken. What do you think they might do with it, Mr. Hearst?

Mr. Hearst. Likely they would charge something to it or there might be some fee charged with the solicitation.

Mr. Luken. Fee associated with the solicitation. I presume you have all seen similar cards.

Mr. Hearst. Hundreds of them.

Mr. Luken. Hundreds of them.

Did you ever follow up on any of them.

Mr. Webster. Absolutely.

Mr. Luken. Our telemarketing bill is going to help this kind of thing if we get it passed?

Mr. MacLeod. We have already sued solicitations that are virtually identical to this one.

Mr. Luken. Will the telemarketing bill help you?

Mr. MacLeod. So far we are doing quite well with the authority we have.

Mr. Luken. What have you managed to do against scams like this?

Mr. MacLeod. Well, when we sue them, we stop them, we freeze their assets and we shut them down. This is a new one. I can’t tell you whether or not I will open up and investigate, but I can assure you it is scams that look like this that get me on the phone with attorneys general and get us putting together evidence and often have us going into court.

Mr. Luken. I guess as fellow lawyers we would have to say that there is no cause of action that my wife would have to collect her Cadillac, is there?

Mr. Webster. Well, I can’t speak——

Mr. Luken. One of the staff said someone did file a suit to redeem this pledge. I mean, for those of us in the audience who are in attendance here who have not seen what we are talking about, this is one of the postcards, which apparently are fairly common which says official notification, addressed to my wife, Mrs. Shirley Luken, and it says:

We have tried to contact you concerning your award. We have had no response. We will secure one of the awards listed below for you.

The awards listed are a 1989 Cadillac, $2,000 cashiers check, 10-carat diamond, $1,000 U.S. savings bond. "Call now." It gives the telephone number. As I said, while we were here, one of our staff called this number and the reaction was give us your credit card number and the expiration date, then we will talk to you about how you get your Cadillac.

When we insisted that all we wanted was the Cadillac as per instructions, they said, we are not going to talk to you until we get your credit card number.
Mr. Webster. Mr. Chairman, we have sued, as has the FTC, literally dozens of these operations. We have received instructions, individual citizens, depending on the State, may have a personal cause of action, but as I practical matter the odds are, I would say, 99 percent plus that this is not a legitimate organization; that it is merely a credit card scam to get the credit card number and that they have no intention of getting the prize.

Sometimes you will see a variation where there will be three substantial awards and one which has no value or which has minimal value with a hidden handling charge, but when they call and the first claim is they want your credit card number, the odds of that are very remote.

Even if a person does bring a private cause of action, they are in all likelihood judgment-proof and will disappear. When a company operates by initials, that is a a pretty good clue that it is nothing more than a telephone boiler room.

Mr. Hearst. Mr. Chairman, it is possible this solicitation would be a lottery under the lottery statute in view of the fact there are several prizes listed here, a fee is charged and it is sent through the mail.

If so, that would be a violation of the lottery statute as well.

Mr. Luken. Federal lottery statute?

Mr. Hearst. Yes, sir.

Mr. Luken. Okay. We will make sure that this is an official complaint.

Now, Mr. Hearst, getting off of this particular matter and to the other actions or the other conduct that has been described here, you filed a suit you described in your testimony, right, on one of them, is that right?

Mr. Hearst. Yes, sir.

Mr. Luken. Under what statute did you file that suit? What was the cause of action and what was the remedy prayed for?

Mr. Hearst. The statute was civil statute, 39 U.S. Code, section 3005.

Mr. Luken. Which is what, the civil what?

Mr. Hearst. Civil misrepresentation statute. And it allows the Postal Service—when there is an appearance that this statute is being violated to file an action which results in a consenting agreement with the violators.

Mr. Luken. Which case was that?

Mr. Hearst. The Watson & Hughey case.

Mr. Luken. Watson & Hughey what? Watson & Hughey has several of them.

Mr. Hearst. Four specific ones.

Mr. Luken. You mentioned four different transactions, four different—

Mr. Hearst. Yes, sir, there was Pacific West Cancer Fund, Cancer Fund of America, Cancer Association of Tennessee, and the Walker Cancer Research Institute.

Mr. Luken. I think they have all been mentioned here today.

Mr. Hearst. Yes, sir.

Mr. Luken. Now, what I would like to get to, we have a limited amount of time, as we always do. Why isn’t this a criminal case? It
is fraud as far as I am concerned. These matters are fraudulent. I have reference to what we have been talking about here to following up the purchase of the list and then the letter with the use of the Cancer Prevention Project name which is a different organization entirely but still using that name. That is a misrepresentation in itself, but in any event many of these, it appears to me, are fraudulent, and we do have a fraud by wire and a fraud by mail, mail fraud statute which is criminal in nature.

The one way to really nail these people would be to send them to jail or to get them criminally. Have you considered that?

Mr. HEARST. Yes, sir. As I mentioned, we do have——

Mr. LUKEN. This stuff has been going on a long time. Have you brought any criminal actions?

Mr. HEARST. Yes, we have. We currently have 67 criminal investigations, as I mentioned in my testimony.

Mr. LUKEN. Have you indicted anybody?

Mr. HEARST. Yes, sir. Certainly, yes, sir.

Mr. LUKEN. You have? Who?

Mr. HEARST. I don’t have that information right available with me, but I can certainly provide that to you later.

Mr. LUKEN. On what kinds of cases?

Mr. HEARST. Normally, if I might, the primary——

Mr. LUKEN. You didn’t bring criminal actions in any of these cases.

Mr. HEARST. We do currently have an investigation of Watson & Hughey and some of their fundraising and solicitation actions. If I might, the criminal statute that we enforce, the mail fraud statute, title 18, section 1341 is a statute that has two basic elements.

It requires intent to defraud and use of the mails to defraud. Of course intent to defraud in a criminal statute requires that the proof that we present meets the standard of beyond a reasonable doubt and as you well know, that is a difficult standard to achieve.

The nature of charitable solicitations is such that many of our fraud causes are generated as a result of complaints. In charitable solicitations you tend not to get as many complaints because the way it works is if someone is skeptical of a charity, they tend not to donate to it, and they tend not to complain.

If they trust the charity, if they send their money, that tends to indicate that they lack that skepticism which would cause them to complain. As a result, we don’t receive as many complaints in these as we do in other clearcut frauds where someone sends money for a product or a service and absolutely does not receive that product or service.

Mr. LUKEN. Well, didn’t you file a suit against Attorney Stone?

Mr. HEARST. Yes, we did, under section 3005, which I mentioned earlier.

Mr. LUKEN. In this letter he says—this is signed by an attorney. I hope the bar association has taken this up. I think they have taken it up, haven’t they? This letter is notification you have won a cash prize in the WCRI $5,000 sweepstakes:

WCRI is very pleased you are a winner and shall look forward to you returning the enclosed winner’s release form so your prize check can be sent. Also as a winner in the $5,000 sweepstakes by returning the enclosed form you will automatically be entered in the All American $50,000 sweepstake.
Now, have you investigated that? Have people followed up on that? What did they get?

Mr. HEARST. My understanding is we have investigated or are in the process of investigating Watson & Hughey and some of their solicitations.

Mr. LUKEN. Can anybody answer?

Mr. WEBSTER. I can answer on that letter which was apparently used in a number of solicitations with the $5,000 giveaway and the $50,000 giveaway. We have not been able to verify that the $50,000 giveaway was ever actually given away one way or the other, but we sued on this particular piece and named that attorney as a party on the Pacific West Cancer Solicitation.

That is the one that we referenced where we felt there were a number of problems with that particular piece, but it was a civil action, not a critical action, again because most of the State consumer laws do not carry criminal penalties.

Mr. LUKEN. I understood that the only award that was ever made from these letters from Dr. Stone was 10 cents. Can anybody verify that?

Mr. WEBSTER. Yes, maximum.

Mr. LUKEN. The maximum is 10 cents?

Mr. WEBSTER. Maximum of 10 cents.

Mr. LUKEN. And the representation would appear to be at least $5,000. If that is not fraud, maybe we ought to rewrite our statutes. Let's get back to that. Mr. Hearst, when is the last time an indictment has been brought under this kind of a transaction?

Mr. HEARST. We recently had—in April 1989 I have before me information that a Federal jury at New Bern in the eastern district of North Carolina returned a verdict of guilty on all counts in a mail fraud trial of an individual down there who was guilty of soliciting, fraudulent soliciting.

Mr. LUKEN. Can you give us the set of facts?

Mr. HEARST. Yes, sir. Mr. Wilson was a postal clerk at the North Hill Station of the Raleigh, NC, Postal Office. He had been indicted on seven counts of——

Mr. LUKEN. Postal clerk?

Mr. HEARST. Yes, sir.

Mr. LUKEN. This isn't a postal clerk kind of——

Mr. HEARST. No, he set up a false charity and solicited contributions for it. There was no such charity in essence is what occurred in this case. As I say, in order to prove violations——

Mr. LUKEN. That doesn't sound like the MO we are talking about here, does it?

Mr. HEARST. Not specifically, but I thought that you——

Mr. LUKEN. Let's talk about that MO, modus operandi, have you indicted anybody under that MO, such as the Stone letter or the sweepstakes kinds of things?

Mr. HEARST. We haven't in the case of Watson & Hughey or the solicitations they are involved in. However we do have an investigation——

Mr. LUKEN. Sir, I understand that. Please, let us concentrate on have you brought any indictments?

Mr. HEARST. We have not received any indictments in this case.
Mr. Luken. Any other case, similar case, similar MO, you understand MO; you are in the criminal business, aren't you?

Mr. Hearst. No, we haven't.

Mr. Luken. You haven't. Then why not? Is it because the law is inadequate, you don't think that these cases are really fraudulent or what is the reason, so we can address it?

Mr. Hearst. We do have the mail fraud statute, as I said. The standard of proof in that is a very difficult standard of proof beyond a reasonable doubt. We also have the administrative statutes which we use to——

Mr. Luken. Would you try to stick to the question, if you can? If you can't answer it, just say so, but don't answer another question. Do you want me to repeat it? I don't have to repeat it. Why is it that you haven't brought any indictments? Is it because you don't think there is any fraud here in this kind of situation, the Stone matter and the sweepstakes matters were obviously the solicitation says one thing and it is misrepresented and it is obviously intended and there is a consideration that flows in some of them like the Stone matter, and we have had no indictments.

The question is what is the reason as far as you know, the facts aren't sufficient or haven't gotten around to it or is the law inadequate or what?

Mr. Hearst. As I say, in this specific situation that we are talking about, the Watson & Hughey Stone matter we do have an investigation in process, but we have not yet achieved——

Mr. Luken. But this thing didn't just — this Watson & Hughey matter isn't something new under the sun, is it? This kind of thing has been going on for a long time and you haven't brought any indictments. That is what we want to look at. Why? What can we do? It seems to me that we are not using our best weapon, criminal prosecution.

Mr. Hearst. As I said, we are investigating this matter that we have been talking about this morning.

Mr. Luken. If I were Watson & Hughey, I wouldn't be too frightened because the record is that a lot of people before them have done exactly the same thing and you haven't indicted them.

For that reason. I don't mean that I am exonerating Watson & Hughey. I am just saying that they aren't doing anything different than what has been done many times before, and no one has been indicted or convicted. If you are saying you turn over a new leaf, I guess we will accept that.

Mr. Hearst. These are very difficult cases to investigate. They are difficult to put together the standard of proof and sometimes difficult to get the interest of U.S. attorneys in actually prosecuting the case because of the difficult standard and the complications of these matters.

Mr. Luken. I know, I used to be a U.S. attorney. It is not always — how many of them are there, General Webster? There must be at least a hundred of them or so?

Mr. Webster. U.S. attorneys? I believe there are 93.

Mr. Luken. They can't all be difficult to get their attention. I wouldn't think. Well, the recommendations are — Mr. MacLeod, do you have any specific legislation? Are you drafting any legislation that we might use as a model?
Mr. MacLeod. I would be glad to work together with your staff. I do not have a draft of legislation with me today.

Mr. Luken. All right. We will take you up on that offer. I think we are going to try to focus this and make it as narrow as possible to get the job done so as not to run into any objections of any kind that are unnecessary, constitutional or otherwise.

I mean, could we, for example, in addition to expanding the scope of legislative coverage or that is narrowing the exemption, the not-for-profit exemption, in addition to doing that, could we consider legislation which would require those who send out certain types of mail solicitations to offer to give information on request, that is charitable solicitations, to give information on request of expenses, expenditures?

Mr. MacLeod. That is a scheme which I believe has just been adopted in Illinois and perhaps some other States as well, and that might be worth looking into.

Mr. Luken. I don't know if I make myself at all clear. What do you think, General Webster?

Mr. Webster. In a charitable solicitation law—

Mr. Luken. I think the Supreme Court has recently held, has it not, that we can't put in legislation a requirement that the solicitation itself contain information as to the expenditures, but as far as requiring that solicitation itself say that information is available on request, you think that might be possible?

Mr. Webster. In a statute that was passed in our State in 1987 we put in a requirement that if requested fundraisers, professional fundraisers in these kinds of solicitations must disclose this information. At that point—must disclose financial information and what percentage is going to the purported charity and what percentage to overhead and costs of fundraising. That statute is currently being enforced and has not been successfully challenged, so it is still up and running. We think that is a permissible tool.

Mr. Luken. So that is a weapon?

Mr. Webster. Yes, even within the context of the Riley decision, but the consumer or the recipient has to make an affirmative request, and it is certainly not information that is volunteered by charities with high fundraising costs.

Mr. Luken. Do you think we can do anything like that federally, Mr. MacLeod?

Mr. MacLeod. I think it is something worth talking about.

Mr. Luken. Put that on your list to talk to us about. Any other comments? General Riddle?

Mr. Riddle. Yes, Chairman Luken, there is a case right now, the Telco case, that is raising some of those same issues, and it is on appeal. It has just been argued in the fourth circuit, and it is 700 Fed. Supp. 94, one of the first post-Riley decisions, but it is dealing with some of those decisions you have asked for possible consideration, so we will hope to get a decision out of that circuit and see where it goes.

It is not in our circuit. It is in the eastern district of Virginia.

Mr. Luken. I am just going to ask one more question, then ask any of you to add anything you want that you can think of to help us right now. Mr. Hearst, you have seen the answers of Attorney Jolly on behalf of Watson & Hughey?
Mr. HEARST. No, sir, I am not familiar with them.

Mr. LUKEN. You have got an agreement with Watson & Hughey, right?

Mr. HEARST. Yes, sir.

Mr. LUKEN. Is there some resolution?

Mr. HEARST. Yes, sir.

Mr. LUKEN. That resolves the civil matters that you have with them; is that right?

Mr. HEARST. Yes, sir.

Mr. LUKEN. Does it resolve all of the civil matters as far as the future is concerned?

Mr. HEARST. No. It relates specifically to that one situation, that one solicitation, involving——

Mr. LUKEN. In other words, they can sort of squirm out from under it and still abide by it and continue basically the same course of conduct, can't they?

Mr. HEARST. They have agreed to a cease and desist order that I think will restrict their future behavior in some ways, certainly.

Mr. LUKEN. That didn't answer my question. Maybe my question wasn't the best, either. But you certainly didn't get to it. Did you really accomplish anything with that? I mean, they have been skirting the law and deliberately evading responsibility, and now you come in and try to define and proscribe a certain course of conduct by definitions of that course of conduct.

Aren't they going to be able to get around that, too? Of course, the next question would be what I already asked before, there is one way they can't get around it and that is if you prosecute them criminally, and I think that is part of the same question.

Mr. HEARST. As I mentioned, Mr. Chairman, we do have a criminal investigation proceeding against them.

Mr. LUKEN. I guess what I am saying is we have got a letter from Watson & Hughey yesterday, which was remarkable for its lack of substance, and part of the frosting on that cake, you might say, is they said that:

To that end, we believe that the concerns of the subcommittee should be alleviated through the voluntary agreement into by and between Watson & Hughey and the U.S. Postal Service.

Without going into all the details, I don't think that our concerns should be alleviated. Do you?

Mr. HEARST. Nor do I.

Mr. LUKEN. Okay. That answers that question. Our concerns aren't alleviated at all. If they want to squirm out from under it or even if you are able to bring another suit you have just got another tool, you could bring a suit, but you could bring a suit anyway.

I have got another minute or so. Does anybody want to add anything?

Mr. Mc MILLAN. Do you think we ought to go vote and come back? I missed most of the testimony, I apologize. I had a conflict, but I do have a few questions.

Mr. LUKEN. Okay. We have got to come back anyway, so when we come back, the gentleman from North Carolina has some questions.

[Brief recess.]
Mr. Luken. The subcommittee will reconvene. The gentleman from North Carolina is recognized. The gentleman asked about the forms. We have introduced into the record form 990 from Adopt-a-Pet, and we also have the Cancer Fund of America, Inc., which was supplied by whom? By Cancer Fund of America, Inc., so those have been voluntarily submitted by those taxpayers.

The gentleman is recognized.

And the Chair notes that according to a prior notice and agreement, Attorney General Webster was excused.

Mr. McMillan. Some of you, I understand, have testified with respect to the issue of disclosure, and a number of States, I think, have tried to use IRS form 990 as somewhat of a standard of disclosure.

We have that. That has been submitted as part of the record disclosures with respect to two funds which in a way were related to testimony that we heard earlier. One, I am looking at is Adopt-a-Pet, which is a client apparently of one of the consultants that we have been discussing today.

But in 1988, their 990 form indicated that they raised a total of $2,916,000, and the way I read this, after accounting for expenses the excess for the year which, as I read it, is an estimate of what, in effect, they raised through their fundraising effort net was $478,000 or some 16 percent.

In the prior year, without going into the total numbers, they netted some 7 percent out of their fundraising effort. Now, admittedly there are some items in there that would be somewhat disputed probably, but let's just highlight a few of them. Out of $2,916,000 raised, $567,000 went to professional fundraisers; $1,725,000 went to printing and publications, of which about half was what they entitle “program services.” Now, program services, I would assume some would argue in defense, would include materials mailed out that may inform the public about their purpose.

Another interpretation would have to be looking at the evidence to determine this. Another interpretation might be it's fundraising material. I think we would have to look at that on a case-by-case basis, but it seems to me what we have here is a basis for possibly disclosure, and indication that, in this situation, from 7 to 15 percent over 2 years of fundraising was what you might call net funds raised for the purpose of the organization.

I haven't had a chance to examine the other one—the Cancer Fund of America of Knoxville, TN—but they raised a total of $7,763,000, and the excess for the year was approximately $1 million, maybe 13 or 14 percent, something like that.

What I am getting to is trying to come back to what appears to be the pattern of State disclosure, as we examine that in terms of what, if anything, we might want to consider in materials of a national disclosure. In how many States roughly is the 990 form used as a basis for disclosure? Does anyone have that information?

Mr. Riddle. There is approximately 38 or 39 of the States that use the 990 form.

Mr. McMillan. So it is accepted as a fairly common pattern?

Mr. Riddle. Yes.
Mr. McMillan. How is that affected by the Supreme Court ruling in the North Carolina case that made certain parts of the North Carolina statute unconstitutional?

Mr. Riddle. Well, the 990 form had a prior interpretation in the 1960's and the 1970's, and that was before we then had the Schaumberg case in 1980 and then Munson in 1984 and Raleigh in 1988.

Prior to the current interpretation of the 990 form, which I in my testimony noted that there are new accounting rules since 1979 that became official in 1987. It used to be that if you sent out a mailer fundraising solicitation that might have had education in it, if it was a separate sheet that you could charge that additional cost, not your postage and not your main solicitation, that additional cost to your fundraising costs.

I mean to your education component, excuse me, but the rest of it, which is the bulk of it would go to your fundraising costs. What is now allowed is greater flexibility on the 990 form, as you have noted. To allow a big component of the fundraising costs to be whatever the imagination really is in a certain way of the charity to be able to attribute, say, they do a letter that is two-sided.

The first half is your tips on health and exercise, your second half is what we are going to use the money for and why we are soliciting to you, say their fundraising costs are $4 million, say they raise $4 million. On their form they can, under the current guidance, they can say because half of the mailer was public education, $2 million of their costs can be chalked into the program component and $2 million can be fundraising, so that is why we are advocating stricter rules with respect to accounting, the IRS on the 990 form.

Mr. McMillan. The important thing is that the public making contributions to these organizations knows that a substantial portion is going to come back to them in the form of solicitation and educational material, which I think may be something they want to support, but they should know that is what they are doling.

In this case, we don't know from the form 990 filing that out of the $884,000 listed as program costs in this return out of a total of $2,961,000, what it was used for. We don't know that. It is pretty substantial. There is no schedule required in the 990 form that requires a detailing of program costs, is there?

Mr. Riddle. No.

Mr. McMillan. So that is the one potential problem of the use of that data.

When was the basis for the Supreme Court's ruling in the North Carolina case? Because when it declared these sections invalid—one, requiring solicitors when asking for donations for a contribution to disclose percent of funds raised or allotted to the charity; two, limiting the percent of funds raised that may be kept by the solicitor; and three, various licensing procedures for professional solicitors—on what grounds did they rule that unconstitutional?

Mr. Riddle. They basically ruled them unconstitutional on free speech grounds under the first amendment. A court has not bought the argument that this is true commercial speech. They supported the arguments of the charities involved that these are first amendment issues of the charities and that the State regulation had to
meet the higher standard when you are dealing with a first amend-
ment standard, and they said these were content based violations.
Mr. McMillan. Tough. I find that very difficult.
Mr. Riddle. So did we, and we lost.
Mr. McMillan. We don't have any problem with free speech in
requiring firms issuing securities to register with the SEC, do we?
Well, I think that is one of the things that we have to address in
that.
Mr. Riddle. We tried the SEC analogy and the court didn't buy
it.
Mr. McMillan. That analogy has been used?
Mr. Riddle. We tried it.
Mr. McMillan. Were you a part of arguing the case before the
court?
Mr. Riddle. We have been part of the amicus of these cases.
Mr. McMillan. That is certainly something we have to revisit in
considering legislation at this level, but I think I could turn around
and make the argument that the failure to disclose is an inhibition
of free speech, for the reverse argument.
Mr. Riddle. We tried that, too.
Mr. McMillan. Freedom of speech is also the right to know. Did
you try that?
Mr. Riddle. We tried silence and forced course speech, requiring
the professional solicitors to disclose what portion of their money
will go to the charity and which portion to the fundraiser, and we
tried to silence versus required speech and the court didn't buy it.
Mr. McMillan. Well, given your experience with the litigation
on this issue, do you have any particular things—perhaps you in-
cluded them in your testimony and I missed that, and I apologize
for that—that we should be on guard about with respect to the con-
stitutionality of what we do?
Mr. Riddle. That is what we mentioned. We are really looking to
improved scrutiny at the IRS of current exemptions, because there
is no review once you get the exemption, there is no second look,
no resources dedicated to ensuring that the fledgling operation is
being checked.
We have talked about stricter guidelines on the 990 form. We
have talked about the IRS including us on the advisory committee
that had been established and then they abandoned. I think the
FTC will face the same problems that we faced if you expand their
jurisdiction with respect to first amendment issues. So they are
going to have some of those same problems.
But we will be happy to brainstorm with our staff to think about
other things. But we view our commendation very seriously, the
ones that tighten up at the IRS level. And we love State-Federal
cooperation. So if you want to have the FTC involved in this area,
we will work with them and maybe have that extra clout from the
Federal Government to help us out in our enforcement activities.
Mr. McMillan. Can you think of other things that we might do
that would heighten the awareness on the part of charitable insti-
tutions and the public with respect to some of the things that are
going on so that people who are being asked to contribute on the
one hand and legitimate charities that are perhaps being manipu-
lated by others in terms of raising funds for them, can be alerted to
what is taking place and the kind of caution that they should bring to their decisions?

What, in your view, could possibly be a governmental role in that education process?

Mr. RIDDLE. I agree with some of the questioning that has gone on today, that I think criminal enforcement is a very important deterrent in this area. I think it would be very helpful in the broad range of endorsement to see some criminal activity, some criminal indictments.

I do feel that the registration is very important in getting out public reports in all the States, maybe with the assistance of the Federal Government. We are one of a handful of States that put out the information about who paid telephone solicitors. There is not that much information that is gotten out to the public systematically, so there is a lot of public education to do.

I would also think it would be good for charities to work with government so that the broad brush doesn't hit the ones that are very legitimate and worthwhile, and that is the sad part about our enforcement activities. But the enforcement activities are very necessary. So I think there is a partnership with the nonprofit sector to have them involved in encouraging these registration laws that are not tight in all the States.

We fortunately in Connecticut have a very tight statute, but in other States it is not as tight. That is maybe where some of these people start and try to come into our States and find out we have some tools to go after them. So I think there is a lot of help that the government and the not-for-profit sector can work with.

Mr. McMILLAN. I think we have a panel that needs to catch a flight. Thank you very much.

Mr. LUKEN. Good. I mean, we are all winding down toward catching a plane here in the next couple of hours. Thank you very much.

We will now call upon the final panel, Mr. George A. Brakeley III, chairman, American Association of Fund Raising Counsel; Mr. William Van't Hof, chairman of the board of the American Heart Association; Mr. Keith Greiner, American Cancer Society; and Ms. Joyce Waite, deputy managing director, American Lung Association.

Without objection, their written testimony is accepted into the record. You may proceed. We will start off with Mr. Greiner. If you keep to 5 minutes, we will catch our planes.

STATEMENTS OF KEITH A. GREINER, CHAIRMAN, AMERICAN CANCER SOCIETY; GEORGE A. BRAKELEY III, CHAIRMAN, AMERICAN ASSOCIATION OF FUND RAISING COUNSEL; JOYCE WAITE, DEPUTY MANAGING DIRECTOR, AMERICAN LUNG ASSOCIATION; AND WILLIAM VAN'T HOF, CHAIRMAN, AMERICAN HEART ASSOCIATION

Mr. GREINER. My name is Keith Greiner. I want to express my appreciation to you for the diligent way you have pursued this topic today. I think the thing I might add that hasn't been discussed is I am strictly a volunteer with the American Cancer Society. The testimony I submitted is a volunteer's view about the prob-
lem, not some staff person's view, and I will just summarize what I had in that written testimony.

I have been a volunteer with the American Cancer Society for the past 22 years at various levels, State, national, and I am general practicing attorney in a small town in eastern Kansas. That is my background of my remarks.

The American Cancer Society, as you probably know, is a national nonprofit organization, which is mostly made up of volunteers. It has been in existence for 76 years. We have made a great effort over those years to offer a program that is in good faith and consists of research, education, and service to the public. We have State and local divisions and approximately 3,200 local units around the country.

The backbone of our organization is the volunteers who participate. There are approximately 2½ million of those. Their efforts are coordinated by a paid staff, which is relatively small in connection with the volunteers.

The problems we see with the "look-alikes" could be summarized as their effect on our organization, their effect on the public, and the way they use their funds. We have already discussed at great length this morning what they generally are. A comparison of them to our organization would show the following: First, their fundraising costs are extremely high in comparison to our fundraising costs. Our fundraising costs are 15.9 percent of gross revenue, based on our August 31, 1988 yearend. Their costs typically exceed 50 percent and sometimes get close to 100 percent, and as we heard this morning, actually exceed 100 percent in some cases.

Typically they use a topic like cancer as their alleged purpose. That seems to be a buzz word that gets the public very excited, so they use a word like that, or heart, or some other major health problem.

Third, they use a name which is similar to our name and has words in it similar to our name. Sometimes they even use our literature to make people think that they are us. They try to convey the idea that the services they are going to perform for the public are essentially the same as our services.

It is our estimate the look-alike organizations raised approximately $32 million last year. From the testimony that has gone into the record today, it is clear very little of that money actually went to beat a problem like cancer, or any of the other major health problems that most of these organizations have geared their approach to.

In our case, at least 25 cents of every dollar is spent on bona fide, qualified research projects. So what it means to us, when a look-alike takes a dollar that somebody thought they gave to us, or somebody thought they gave to an organization that was doing research the way we do it, it means that it is costing us 25 cents out of every one of those dollars.

We have every year a number of qualified research applications that we are unable to fund that are sitting there. We are going to fund them if we have the funds available. So to lose our research dollars to a look-alike organization is an important loss to us.

We think the public, as indicated by their response to our programs, they want to fund research to cure a problem like cancer,
they want education for themselves and health care providers, and
they want services to those people who contract cancer and their
families. It is clear that the look-alike organizations do not meas-
ure up to what the public wants with the money they give.

In contrast to the American Cancer Society, the look-alikes prey
on the general public by using a terrifying disease such as cancer,
and by using the credibility of an organization such as the Ameri-
can Cancer Society to deceive the public into thinking that dona-
tions to the look-alikes are donations to the society or to the pro-
grams which match those of the American Cancer Society. The
look-alikes are taking advantage of the charitable and voluntary
impulses of the American public in response to the threat of
cancer.

The unfortunate result of fundraising by the look-alike organiza-
tions is that most of the money which has been charitably given by
the general public to these organizations is spent on fundraising
costs and on the administrative costs of the look-alikes. After these
expenditures, there is little left to use for the public good.

The view of the American Cancer Society is this type of fundrais-
ing ought to be stopped. It appears that the legislation is a better
means than anything else at this point for these reasons: (1) Litiga-
tion, for instance, on our part would take away important time and
resources which ought to be devoted to our programs; (2) it appears
at least some type of legislation would be within the legislative au-
thority of Congress; (3) it appears clear that the fundraising by
American Cancer Society's is a nationwide problem in scope. It
crosses interstate boundaries. It is mostly done by mail solicitation.
It is extremely difficult, for instance, for the attorney general in
Kansas to prosecute a fundraising organization, or some look-alikes
in Virginia, and (4) it appears that the best interests of the public
are not being served by what look-alikes do, and therefore, some
legislation ought to be in order.

Thank you very much for allowing us to present our views.

Mr. Luken. Thank you.

Mr. Brakeley.

STATEMENT OF GEORGE A. BRAKELEY III

Mr. Blakeley. Thank you, sir.

I apologize in advance if I have to leave before these proceedings
are concluded. I assure you I would rather have you mad at me
than my wife.

Mr. Luken. My wife just won a Cadillac. She ought to be happy.

Mr. Blakeley. To answer an earlier question, I think one of the
things that they are after is the names of people who have certain
kinds of credit cards, and your wife, if she responded to that, would
find her name being sold to a mailing list to a lot of other organiza-
tions. That may well be behind that.

I am here on behalf of the American Association of Fund Raising
Counsel, the AAFRC, of which I am chairman. I would liked to
thank the committee for these hearings on the question on the
ethics of charitable fundraising and for inviting us to speak.

For your information, I am president of Brakeley, John Price
Jones, Inc., a founding member firm of the AAFRC. American As-
sociation of Fund Raising Counsel is an association of fundraising counseling firms, the only such organization in existence. It was found more than half a century ago specifically to formulate and to advance ethical practices in fundraising counseling. In fact, our first official act was to develop a code of ethical behavior. That code has served for a long time, ever since then, as the nationwide standard, and I believe you will find that most, if not all responsible organizations in fundraising counseling and in fundraising or development work in general, subscribe to its basic tenets.

Without this code, it is not difficult to discern the differences between ethical and unethical practice. All you need to do is ask yourself a few questions. Has the campaign raised money without recourse to deception?

Have the funds been solicited in such a way as to build long term support for the institution and to gain goodwill?

Are the donors to the campaign likely to give at the next campaign?

And relevant to today's proceeding particularly, are the costs of raising those funds disclosed, and, if they are, are they palatable?

If you can answer yes to those questions, you are most likely an ethical practitioner.

Before I describe the specific ethical principles which guide us, I would like to assure this committee that in our opinion, the vast majority of people in the field, both the independent counseling firms who work with volunteers to raise philanthropic contributions, and the solicitors who are paid to request donations, do so in an ethical, up front manner.

Last year, thanks in large part to these professionals, and as the committee has already noted, Americans contributed more than $140 billion to charitable and other philanthropic organizations. Most of that money went to the purposes intended by the donors.

By comparison, the money raised unethically or fraudulently, as best we can measure, the amounts to at most less than 1 percent of voluntary donations. I mention this in response to the committee's request we provide some sense of the scope of the problem.

While any degree of fraud or deception is abhorrent, we believe the Nation's philanthropic sector is overwhelmingly ethical. Unfortunately, all it takes is a few widely publicized incidents of unethical or fraudulent behavior by some practitioners—what fundraisers for Harvard University nearly a century ago referred to as vermin—to cast doubt about the entire process of seeking charitable contributions.

Allow me to outline the ethical principles subscribed to by American Association of Fund Raising Counsel, its member firms and much of the field of philanthropic fundraising.

Mr. LUKEN. Could I interrupt?

Since I understand that you may have planes to catch, it is up to you, if each one of you wants to take 3 minutes, we can wave you good-bye without any serious questions.

Does anybody object?

Could you finish in a minute and a half?

Mr. BRAKELEY. I am close to being finished, sir.

Mr. LUKEN. Okay.
Mr. Brakeley. I am simply going to describe the basic ethical principles by which our association and its member firms conduct their business and which the rest of the world of philanthropy generally embraces.

First, compensation to the fundraiser or solicitor should be made only on the basis of a predetermined reasonable salary, compensation to Fund Raising Counsel such as ours should be strictly on a basis of fee-for-services rendered.

In both cases, commission or percentage of money raised should be avoided as a basis for compensation.

Second, all conflicts of interest, such as overlapping board memberships and business relationships, should be avoided.

Third, Fund Raising Counsel should never collect—never collect—contributions or have custody of contributed moneys at any time. Our role as counselors is advisory only.

Fourth, charitable organizations must have complete independence from the counseling firm or direct mail company.

Fifth, all pertinent financial and programmatic information should be voluntarily disclosed to prospective donors, including the names of governing board members and officers.

Next, fundraising expenses should be identified and listed separately from educational and other expenses.

Counseling firms should serve charities whose purposes and practices are deemed to be in the public interest; and finally, charities should not engage in fundraising methods which are misleading or harmful to the long-range interests of the public.

I was prepared, Mr. Chairman, to describe a few such fraudulent practices, but in the interest of time and at your request, I simply thank the committee for its attention.

Mr. Luken. You will submit them for the record?

Mr. Brakeley. Yes sir.

[Testimony resumes on p. 152.]

The prepared statement and attachments of Mr. Brakeley follow:

Prepared Statement of George A. Brakeley III, Chairperson, American Association of Fund-Raising Counsel, Inc.

This country's charitable sector is a vital part of American life. Donations help support our universities, hospitals, houses of worship, human service providers, cultural institutions, and innumerable other nonprofit organizations. In 1988, professionals and volunteers helped raise over $104 billion from private sources for our charitable institutions, as estimated by Giving USA, the authoritative source of charitable giving statistics published annually by AAFRC Trust for Philanthropy.

The vast majority of the professionals and volunteers adhere to ethical principles in their fundraising and counseling endeavors. The money they raise is used primarily for the purposes intended by the donors.

However, a few highly publicized incidents of unethical and fraudulent behavior have raised much concern among donors, charity watchdog groups, federal & state officials, media and ethical fundraisers as well. Unfortunately, all it takes is a few such instances to cast doubt upon the entire process of seeking charitable gifts. Notwithstanding the prominence of fundraising in our society, it remains largely a misunderstood process, and therefore open to abuse.

As chairperson of the American Association of Fund-Raising Counsel, I want to explain for the benefit of the public, at the request of Chairman Luken and the Subcommittee on Transportation and Hazardous Materials, the accepted principles of ethical behavior in the field of fundraising. These principles were developed by the American Association of Fund-Raising Counsel (AAFRC), an organization of fundraising consulting firms that came into being in 1935 for the
purpose of promoting fair practices among firms advising on fundraising, and to advance ethical fundraising principles. I would like to add, for the committee's information, that I am President of Brakeley, John Price Jones, Inc., one of the Association's founding member firms.

These principles have since been adopted, in the main, by other professional societies of fundraising professionals, including the National Society of Fundraising Executives, and are considered standard for the fundraising industry.

Following this, I will address the issue of certain methods of fundraising which raise serious ethical, if not legal, concerns among those in the charitable fundraising field.

Finally, I will suggest some means through which the abuses found in questionable methods of fundraising might be regulated through enforcement of existing law by government authorities. I would like to state at the outset that, although we have not had an opportunity to review any proposals which might be before the Subcommittee, it is the opinion of the AAFRC that new legislation at the federal level is probably not necessary.

I have attached examples of an ethical fair practice code, samples of solicitation letters and contracts and the most current charts available to illustrate the size of the private charitable contributions world.

Stated briefly, the AAFRC advocates the following ethical practices in all forms of charitable fundraising: (1) Compensation to the fundraiser or counsel should be only on the basis of a predetermined reasonable salary or fee for services rendered, and avoid commission or percent of money raised; (2) All conflicts of interest should be avoided; (3) Because of inherent lack of accountability, counsel should never collect contributions or have custody of contributed monies at any time; (4) Charitable organizations must have complete independence from the counseling firm or direct mail company; (5) All pertinent financial and programmatic information should be voluntarily disclosed to prospective donors, including the names of governing officers and board members; (6) Fundraising counsel should appeal to the generosity of donors, rather than stressing that the charity will financially reward the donor more than the value of his or her contribution; (7) True education expenses should be listed separately from fundraising expenses; (8) Counseling firms should serve charities whose purposes and practices are deemed to be in the public interest; and (9) Charities should not engage in fundraising methods which are misleading to the public or harmful to their long-term interests.

It is not difficult to determine whether one's fundraising appeals and campaigns are ethical. All that need be done is for the fundraiser and charitable organization to ask: Has our campaign raised money without recourse to deception? Have the funds been solicited in such a way as to build support for the institution and generate good will for the cause? Are the donors to our last campaign likely to give to the next one? Will they number among our loyal supporters in the years to come? Or to be even more subjective, will they feel good about what they've done?

A fundraising campaign that tricks people into sending in contributions will not build a roster of loyal contributors. The future of the charity is in no way served by fundraising methods that treat potential donors as chumps to be milked of cash. Nor do fundraising costs decrease over the years, if each campaign must start from the beginning, because former donors "won't fall for the same line" a second time around.

In reviewing samples from some sweepstakes campaigns, it is clear that the sweepstakes methods employed here are not in the best interest of the charity. Leaving aside the financial arrangements between the solicitors and the client charity, this type of mailing, in our judgment, is not useful in building up a core of support for the charity. Here's why:

The material is designed to have the recipient respond to the sweepstakes, not the charity or the cause.

There is little or no identification of the charitable organization. Indeed, several "charities" appear to be interchangeable. For example, the text of letters and accompanying inserts sent by United Cancer Council are identical to those sent by The Center for Alternative Cancer Research (Project CURE).

No specific information on history, staff and/or governing board, or programs of the organization is included.

The "pitch" seems duplicitous. As an example, Attorney Robert Stone's letter on behalf of Pacific West Cancer Fund reads: "You are not obligated to make a contribution to WCRU in order to claim your cash prize, but since this is a 'charity' sweepstakes, we do hope that as a cash prize winner you will wish to contribute at least $5." Mr. Stone does not specify the cash prize amount—which reportedly could be a low as 9 or 10 cents—but he is very specific in requesting
"at least $5." How could the "cash prize winner" know that he is going to lose $4.90 on the deal?

The structure of the appeal is not designed to engender future donations. The practice of promising each respondent a valuable prize and then sending "bank checks" for 10 cents to almost all respondents virtually guarantees that previous donors will not give again. The need is created to find new donors for each campaign. This is an extremely expensive way to raise money, and manifestly unprofessional by the standards long accepted by major groups of philanthropic fundraisers.

The commercial aspect of the sweepstakes mailings is damaging to genuine philanthropy, because it confuses two different transactions in the eyes of the public: giving money to a cause and expecting nothing in return, and sending money to assure one's eligibility for a sweepstakes drawing. In fact, we would be hard pressed to call the sweepstakes charitable fundraising at all—the pitch of the letters is clearly commercial in nature. Identical letters from the United Cancer Council and Center for Alternative Cancer Research state: "To qualify for the Second Round prizes, simply complete and return the enclosed Official Sweepstakes Entry Coupons along with your suggested contribution of $5 to help in our fight against cancer."

It may be of some significance, in this respect, to note that while the word "charity" is used throughout the literature, no mention of the "tax-deductibility" of these contributions is made in any of the mailings. What this shows is that this particular firm wants to stay just within the limits of the law. While the entire appeal connotes "charity," there is nothing legally charitable about these donations: People are not sending in a contribution out of disinterested generosity. They are purchasing an opportunity to play the sweepstakes. By omitting the "tax-deductibility" message in what otherwise appears to be a charitable solicitation, groups appear to be trying to avoid prosecution by the IRS for tax fraud.

We would also like to comment on specific letters from Watson & Hughey charities and share with the members of the Subcommittee our misgivings about the techniques used by this company to solicit gifts, above and beyond the "sweepstakes sales pitch."

While I may not be able to pinpoint deceptive or misleading practices in a strict legal sense, there is much in these methods that is beyond the pale and entirely unacceptable to the vast majority of nonprofit institutions and conscientious fundraising professionals.

The plea to send cash when returning reply coupons. This is highly irregular in my experience and that of my colleagues. Personal checks are considered the standard medium of payment. What charity would want to open up the possibility for abuse that could arise with the processing of cash contributions? As the Watson & Hughey reply envelopes are returned to what is assumed to be a "caging operation" at zipcode 20069, what assurance does the charity have that cash coming in is being properly accounted for?

The requirement that noncontributors send voided checks found in several mailings. This is highly unusual in the experience of the legitimate fundraising community. One can only guess that they intend the recipient of the letter to open her checkbook, betting that she will just as soon write out a check for the requested amount, rather than void and send in a blank check. The easy alternative of a box to check marked "I do not wish to contribute" is not available. This is another example of Watson & Hughey apparently trying to stay just inside the law, in this case, the state lottery regulations.

Misleading addresses and organizational names. In several cases the location and perhaps even the nature of the soliciting organization, as given on the sweepstakes letter, are misleading to donors. How many donors to the National Animal Protection Fund, for example, could tell from the sweepstakes letter that the group is not an organization headquartered in Washington, D.C., but is in fact the Adopt-a-Pet animal shelter located in Tulsa, Oklahoma?

Other organizations, such as United Cancer Council, display a Washington, D.C. address on the letters and envelope. The fine print, however, instructs one to contact the organization's headquarters in Carmel, Indiana, for an annual report.

All the Washington addresses give a 20069 zip code. It is my understanding that this is akin to a post office box, rather than an actual street address. All correspondence would then presumably go to the caging operation. Also, there are no telephone numbers that connect interested parties with the charity, or in the case of Robert Stone, the attorney himself, only an "Instant Cash Hotline" or similar number. These, we feel, are misleading.
Manipulation to force a contribution. Attorney Robert Stone's letter on behalf of Pacific West Cancer Fund is on legal letterhead and encloses a legal-looking document entitled "Winners Release Form." The form of this document is designed to shame the recipient into sending a contribution "of $5 or more". How many of us here like to think of elderly parents or other vulnerable relatives confronted with the sentence: "Although I know this is a charity, I cannot afford to contribute at this time," and be required to sign the form before returning it. Manipulation of this sort is unconscionable in the field of ethical fundraising.

Unnecessary use of lawyer's letterhead. The recipient of a Stone letter is misled into thinking the letter contains official, personal, legal business, when it does not. This technique is not legitimate. The recipient of one such letter, known to me, said her immediate thoughts on seeing the letter in her mailbox were that someone was trying to sue her.

According to charity officials in several states, Watson & Hughey refer to themselves "fundraising counsel." 1 In our opinion, there is much to suggest that their method of operation goes far beyond the boundaries of counsel's proper role, and that they should be considered in the eyes of state and federal officials as "paid solicitors" and regulated as such.

Ethical fundraising counsel works in an advisory capacity to the charitable organization. It in no way supersedes the charity's authority, or interferes with its autonomy, especially in areas that involve the processing of contributions received by mail. Also, all donor lists should be property of the charity and held in strictest confidence by counsel; they should not be the property of the counsel or the mailing house. Likewise, counsel should not profit from materials or services provided by others but billed through the firm, so that the firm may make an additional charge.

Financial arrangements between Watson & Hughey and their clients, as we understand them, are not appropriate for ethical counsel. Their arrangements are that Watson & Hughey own the charities' donor lists, and that Watson & Hughey keep them when any contract between the firm and a charity is not renewed.

Under such an arrangement, the charity does not have the right to solicit its own donors, unless the mailing is provided by Watson & Hughey. Watson & Hughey also maintain the right to use the charities' donor lists for other charities and other purposes. This violates the confidentiality of the relationship between the charity and its donors.

It is also our understanding that charities must pay Watson & Hughey for the use of their own donor lists. This is also highly unusual and unethical, and is certainly not to the advantage of the charity.

It illustrates the essential problems with the Watson & Hughey arrangements with client charities, and why Watson & Hughey are not acting as legitimate, ethical fundraising counsel. The role of Watson & Hughey appears not to promote the charities and seek financial support for them, but appears to be to seek financial support for Watson & Hughey, at the expense of misleading the donor public and hurting the charities it is supposed to serve.

Where does the ultimate burden of responsibility for fundraising lie? With the fundraising firm? Or with the charitable organization that enters into an arrangement which, from all appearances, offers few advantages for the organization? This responsibility of the charity should be taken seriously. The charitable status of an organization should be investigated, if it devotes most of its budget to direct mail costs rather than program.

The Watson & Hughey-produced sweepstakes letters devote the largest portion of space to the details of the sweepstakes—what the prizes are and how to enter and win. There is little in these appeals of educational value.

IRS 990 forms filed by the Watson & Hughey client charities show that the vast majority of funds raised via these mailings are used to meet fundraising operations, with precious little spent on the programs for which they were solicited. If the

1 Although Watson & Hughey are registered in New York State as "paid fundraisers," the definition of "fundraising counsel" varies widely from state to state. Thus a firm like Watson & Hughey could be regarded as counsel in some states, and subject to lesser regulation than paid fundraisers.

The Model Charitable Solicitation Act, developed by the National Association of Attorneys General and the National Association of State Charity Officials in consultation with the Private Sector Advisory Group, defines fundraising counsel as "a person who for compensation plans, manages, advises, consults, or prepares material for, or with respect to, the solicitation in this state of contributions for a charitable organization, but who does not solicit contributions and who does not employ, procure, or engage any compensated person to solicit contributions."
Watson & Hughey letter for United Cancer Council ² is an example of education costs, then even these modest program expenses should be counted as fundraising. The education provided by a small message like this one is highly dubious.

The IRS appears to have grounds on which to investigate and to revoke the tax-exempt status of these organizations; the relevant state, to investigate and to revoke their nonprofit corporation charters; and likewise, the U.S. Postal Service, to revoke mailing permits. Since these organizations appear not to be operating as charities, but to engender profit for a for-profit business, it also seems possible to us that they then fall under the jurisdiction of the Federal Trade Commission, as corporations which operate to gain profit for their membership.

The Attorneys General of the various States enforce state statutes prohibiting deceptive or fraudulent charitable solicitation practices. We believe almost all (if not all) states have general consumer protection legislation, prohibiting fraudulent or deceptive practices, and gambling statutes prohibiting or regulating the use of lotteries or sweepstakes for fundraising. Furthermore, 41 states have specific legislation regulating the solicitation of charitable contributions. These statutes generally prohibit fraud, require registration of soliciting charities, and impose reporting requirements on them. Paid fundraisers and paid fundraising consultants often also are subject to registration, reporting, and regulation under these statutes. Specific rules forbidding deceptive practices and requiring disclosure to donors are imposed by many state laws.

We understand the National Association of Attorneys General will testify before the Subcommittee regarding the efforts of the States to enforce the laws against fraudulent or misleading charitable solicitation. It has been our experience that, although the specific laws and enforcement efforts vary from State to State, on the whole the State Attorneys General are actively involved in policing charitable solicitation practices within their borders. For example, the newspaper articles which have come to our attention concerning the practices of Watson and Hughey report that at least 10 State Attorneys General have instituted investigations or lawsuits concerning these solicitations.³

On the federal level charities have long been subject to the oversight and regulation of the Internal Revenue Service. The IRS’ role in the tax-exempt organization area has been stated by Congress to go way beyond financial audit and revenue production and to involve true oversight to assure that charities are fulfilling the public purposes which justify their tax exemption.

Tax exempt charities must be operated exclusively for one of the tax exempt purposes specifically listed in the Internal Revenue Code. The income and assets of such organizations must not inure to the benefit of any private shareholder or other individual. Violation of these rules results in the revocation of tax exempt status, the collection of back taxes and the treatment of the organization as an ordinary taxable business.

IRS monitors compliance with its requirements by auditing information reporting forms submitted annually by charities. The IRS reporting Form 990 requires, among other things, a detailed statement of revenues and expenses, balance sheets, names of Board members, names and amounts paid to highly compensated employees and service vendors, information about related organizations, names of contributors of over $5,000, and a detailed explanation of program services rendered. The organization is required to itemize separately expenses for its program services and management and general operations from expenses for fundraising. Charitable organizations (with a de minimus exception) are required to make this IRS Form 990 (as well as the material which sets forth the justification for their tax exemption) available to members of the general public.

The IRS monitors charitable solicitation materials in connection with its oversight of the tax deductibility of charitable contributions to these organizations. Where contributions are solicited and items of value are given to the donor by the charity in return for the contribution, the IRS requires the organization to disclose in its charitable solicitation the dollar value of all items, services or privilege given in return for a contribution (including the cost of entry in a lottery or sweepstakes.) Where nondeductible payments might be confused in the public mind with contributions, tax exempt organizations which are not qualified charities are required to disclose in writing to the person making payment the nondeductibility of such payments. Penalties may be imposed on nonprofit organizations for violation of the dis-

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² "9 cancer warning signals" appears in a box 1 ½" x 4 ½" in very small type.
³ Among them, Connecticut, Minnesota, New York, Iowa, California, Illinois, Missouri, Virginia, Pennsylvania.
closure provisions or for aiding and abetting tax fraud through their charitable solicitation practices.

To our knowledge, the IRS has active and effective audit and education programs in the tax exempt organizations area. The Subcommittee may want to hear directly from the IRS concerning the level of its enforcement efforts and the success which it has had in providing Federal oversight to charities and charitable solicitation.

It is our understanding that the United States Postal Service has a wide range of authority to prevent charitable organizations from using the mail in connection with misleading or fraudulent solicitations. If an organization makes false representations in order to obtain charitable contributions through the mail or if an organization is involved in a lottery operation, then the Postal Service can: (1) stop delivery of the organization's mail, (2) return the mail to the sender, (3) refuse to honor any money order or postal order made payable to the organization, or (4) order the organization to cease and desist from engaging in its fraudulent solicitation scheme or lottery.

Furthermore, an organization that uses the mail in connection with a solicitation that involves false or fraudulent pretenses may be in violation of the Federal Mail Fraud statute. A violation of the mail fraud statute is a federal offense punishable by either a fine or imprisonment. Finally, charitable organizations are eligible for special reduced postage rates. These low postage rates are very important in the financial success of mail solicitations. The Postal Service can revoke an organization's reduced rate privileges if it finds that the organization is no longer operated for public charitable purposes.

The Subcommittee, we understand, will hear from the Postal Service concerning its evaluation of its effectiveness in controlling fraudulent or misleading charitable solicitations which use the mail.

The Federal Trade Commission's jurisdiction extends only to a corporation which is organized to carry on business for its own profit or that of its members. We understand that the courts have refused to extend FTC jurisdiction to legitimate nonprofit organizations. On the other hand, the Commission has determined that it does possess jurisdiction over nonprofit organizations whose profit-related activities comprise "a substantial part of the total activities of the organization, rather than being merely incidental to some noncommercial activity."4 Where a nonprofit organization is a sham, or is really being used to obtain a profit, the FTC believes that it does have jurisdiction. In the Ohio Christian College case, the FTC stated: "Section 4 of the Federal Trade Commission Act operates as a shield for legitimate, bona fide eleemosynary institutions to protect them from unwarranted governmental interference. . . . In such a case, piercing the nonprofit corporate veil and recognizing the . . . for what it is—a device by which individual(s) . . . for private gain, seek to deceive the public—does no violence to the Congressional design embodied in Section 4 of the Federal Trade Commission Act; failure to pierce the veil, indeed, would elevate form over substance to an unreasonable degree, and lay the path to invasion of the Act wide open."5

This Subcommittee and the FTC are, of course, the best judges of the current jurisdiction of the Federal Trade Commission. However, it appears to us that in cases where a nonprofit charity is used merely as a device by which individuals seek private gain, the FTC already has the ability to regulate fraudulent trade practices.

We believe that current laws provide governmental agencies involved in their enforcement with sufficient tools to deal with fraudulent and misleading solicitations and that these agencies by and large have sufficient interest to deal with abuses. Thus, we see no need for additional federal laws.

Everyone concerned with public philanthropy in this country, including AAFRC, agrees that solicitations for charities should contain only truthful information, that no material information should be omitted, and that both the information and the way it is presented should not be deceptive or misleading. There is general agreement that there should be governmental remedies and enforcement if the prohibitions against fraudulent or misleading charitable solicitations are violated.

In the particular circumstances before the Subcommittee this morning it may very well be that existing laws against fraudulent or misleading charitable solicitations have been violated. The hearings of the Subcommittee are useful in bringing this to the attention of the public.

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5 Ohio Christian College, 80 FTC 815, 840 (1972). This case involved a "diploma mill" in Ohio where an individual used the guise of nonprofit corporations to further his own gain and the corporations were completely dominated by him.
The Subcommittee may be considering whether current laws prohibiting fraudulent and misleading solicitations and disqualifying charities which spend only a small percentage of their revenue on program are sufficient to curb any future abuses. Since this Subcommittee has responsibility for oversight of the Federal Trade Commission, it must be assumed that the subcommittee is considering whether the Federal Trade Commission's jurisdiction should be expanded to include not-for-profit as well as for-profit organizations. We submit that the extension of the jurisdiction of the FTC is not necessary to protect the public.

We caution the Subcommittee that special care is required in drafting legislation regulating charitable solicitation. A statutory scheme which works to regulate fraudulent business practices may be inappropriate as well as unconstitutional when applied to charities. In 1988, the U.S. Supreme Court decided Riley v. National Federation of the Blind of North Carolina. The Court held that any disclosure requirements imposed on charitable solicitation must be narrowly tailored to achieve the state's legitimate interests. The court invalidated as a violation of free speech protected by the First Amendment of the U.S. Constitution a number of provisions of North Carolina law, including a schedule for determining the reasonableness of professional fundraisers' fees based on a percentage of the amount collected, a provision requiring disclosure of the percentage of contributions that ultimately reach a charity, and a requirement that professional fundraisers apply for and obtain an annual license before acting as such.

Any effort to discourage or punish charitable solicitation fraud should be undertaken with care and sensitivity to the role of charities in our society, the multiple purposes of charitable solicitation, which include not only fundraising but also the dissemination of ideas and information, and the high priority given to the free expression of such ideas by charities in our society. The wholesale extension of the federal law relating to business trade practices to the field of charitable fundraising, if that is under consideration by this Subcommittee, should not be undertaken without careful investigation of the sufficiency of existing laws and governmental agencies which have historically had an oversight role and experience with charities and charitable fundraising.

The legitimate philanthropic sector should not be unnecessarily burdened by an additional set of laws and regulations and registration and reporting requirements, because of the occasional abuse by a very few who would cloak themselves under the mantle of charity to make money.

## APPENDIX

"Fundraiser" is a term loosely applied to a wide variety of individuals associated with nonprofit organizations. Knowing who actually comprises the fundraising field, and how they work for cause or nonprofit organizations, can help individuals decide how best to contribute money.

The Governing Board: Governance of a nonprofit organization, including responsibility for deciding how much money needs to be raised, and how the fundraising shall be conducted, ultimately rests with the voluntary Board of Directors, Trustees, and/or officers. In most states, the Board is also charged with fiduciary (financial) responsibility. Boards typically set policy, establish long range goals, and hire the top staff member—the Executive Director or Chief Executive Officer.

Directors and Trustees also serve a more direct fundraising function. Since the founding of this country's first charitable institutions, Board members not only have given their own money, but have asked their friends and business associates to provide volunteer assistance and financial support to the organization.

Development Staff: Salaried employees of the nonprofit organization who are responsible for fundraising support functions are known as the development staff, supervised by a fundraising executive. Typical development activities include conducting the annual membership or donation drive, seeking renewal of gifts from previous donors, planning mail appeals, preparing for special events, researching and writing proposals for foundations, corporations and government, and working with volunteers.

Fund-Raising Counsel. Nonprofit organizations often engage a fundraising counsel, or consultant, to ensure that efforts to raise money are efficiently developed and professionally supervised. In effect, counsel is the "behind the scenes" manager, working with the organization to devise, structure, research and execute a fundraising plan.

Counsel may train volunteers in the "art of asking," but they do not do the asking themselves. Nor do they retain custody of the funds raised, or deposit the proceeds in their own bank accounts.
Counsel is brought in to advise the Board and the development staff on a broad range of fundraising and related activities, including capital campaigns, annual fund and membership drives, public relations and executive search, among others.

Capital campaigns are undertaken to raise large sums of money to finance major projects, such as construction of new buildings. In general, capital campaigns target a select group of donors. Annual drives, by contrast, help to finance ongoing expenses, and usually seek smaller donations from a more broadly based population.

Paid Solicitors. With the exception of the development staff, most people who solicit prospective donors for contributions to nonprofit organizations are volunteers. However, if volunteers are scarce, or if a nonprofit does not yet have a strong board of directors, the organization may hire individual solicitors, or contract with a solicitation firm. Paid solicitors often utilize the telephone as their primary means of requesting donations.

State charity officials are most concerned with this group. Paid or “professional” solicitors may be in charge of collecting contributions, processing checks, selling tickets, or asking for donations by telephone, with little or no supervision by the charitable organization. Numerous instances have been documented in which charities employing solicitation firms have received only a small percentage of the proceeds from ticket sales.

Fee-based Compensation. Professional and trade associations representing fundraising counsel, and fundraising or development executives, have for decades maintained that services provided by these professionals should be compensated by a flat fee (or salary), mutually agreed upon prior to the start of the campaign. Neither solicitors nor counsel should receive a commission, or a percent of the money raised.

Why? Because donors who give their money to a cause or charity have a right to expect that 100 percent of their donation does, in fact, go to support that organization.

To be sure, fundraising assistance is an expense that must be met. But it should be met in the same manner as all other expenses: through the organization’s normal budgeting process. It is up to the board of directors to determine how the organization’s budget shall be divided among fundraising fees and salaries, other administrative expenses, and program expenses. In this regard, nonprofit boards are advised to consider the budgetary guidelines promulgated by such watchdog organizations as the National Charities Information Bureau and the Philanthropic Advisory Service of the Council of Better Business Bureaus.

Commission-based fundraising misleads donors, who give in response to an appeal to help an organization or cause, not to help a solicitor. (Donors also believe that the organization, in turn, will spend most of its proceeds on its program—the charitable purpose for which the organization was established. Organizations that divert a substantial part of their budgets to solicitors or counsel might ask themselves if their donors would approve. Or if the donors must be kept in the dark, for fear of their reaction.)

In addition, commission-based fundraising does a disservice to the client organization. For example, some prospective donors should not be solicited until they are ready to give at their maximum. But a consultant dependent on a commission may not want to wait for some future date when his or her services may have terminated. Such a consultant has a financial incentive to rush the prospect and collect the percentage.

Further, fundraisers motivated by their own wallets may pressure prospective donors into giving by misrepresenting the organization, or the use of the funds. The charity may receive the gift that one time, but it is unlikely to cultivate long-term support through such tactics.

Conflicts of Interest. This concept is fairly self-explanatory. Volunteering time and expertise to a nonprofit organization should be motivated primarily by a desire to help the organization, not one’s own personal or business income.

There is nothing wrong with a director selling goods or services to an organization on whose board he or she serves, so long as the director refrains from influencing the organization to forego dealing with the director’s competitors. All offers to sell such goods and services should be made by a sealed bid, and the final decision to purchase shall be based solely on the best submitted offer.

The only legitimate “self-interest” in volunteering is the good will generated by the voluntary act. Such good will may well reflect on the volunteer’s company. For example, a corporation may offer, as a gift, the service of its executives and employees as volunteer board members (or management consultants, or whatever). As a consequence, the reputation of the corporation may be enhanced within the community, an entirely acceptable outcome.
Independence. Charitable and other nonprofit organizations that receive tax deductible gifts exist to provide a public service. To the extent that they are an adjunct of a mail order house or counseling firm, they most likely serve as a facade for the channeling of funds to a private enterprise. Donors are advised to consider the independence of the charity or other nonprofit organization before making a gift.

Disclosure. Wise giving depends on information voluntarily released by the recipient organization. (Certain types of mandatory disclosure, however, have been ruled unconstitutional by several United States courts, including the Supreme Court. See Riley v. North Carolina Federation of the Blind.) An organization that refuses to provide, on request, information about the expenditure of its revenues, the people who serve on its board, the composition of its staff, the nature of its programs, or other aspects of the organization that are reasonably required to make an informed choice, probably has something to hide, and is therefore unworthy of donations from the public.

Honesty. Just as it is possible to "lie with statistics," so it is possible to lie with facts. A direct mail letter informing readers that they have "won a cash prize in a $10,000 sweepstake" may be factually correct, but is also deceptive. Charity watchdog agencies have indicated that this type of wording often misleads readers into believing they have won the entire $10,000. Winners actually receive a tiny sum, if any. Further, sweepstakes letters often imply that to collect, readers have to submit a donation; legally, a sweepstakes contest requires no purchase or donation.

Techniques of deception and manipulation are as innumerable in fundraising as in any other field of human endeavor. Their absence in fundraising campaigns is the mark of ethical counsel and solicitors.

Education versus Fundraising. Some organizations disguise fundraising as a form of public education. Their annual reports and other financial documents thus appear to show that fundraising expenses comprise a much smaller part of their budget than is truly the case.

A typical example is a solicitation letter or advertisement which lists, in small type or in an innocuous place, "Five warning signs of cancer" or "Four ways to care for your pet." Such notices have little if any educational value. Their purpose is to mislead inquiring donors about the true expenditures of the organization.
The American Association of Fund-Raising Counsel was founded more than half a century ago to advance the philanthropic cause and the ethical approach to fund raising.

Early AAFRC leaders were intimately aware of what philanthropy had accomplished for America and for Americans. They wanted to ensure that fund-raising counseling firms contributed positively to the cause that has been so important to the nation's churches and community funds, cultural and arts institutions, as well as colleges and universities, hospitals, character-building agencies and health organizations.

The leaders who formed AAFRC in 1935 sought to bring order to a field that was disorganized and sometimes misunderstood and mistrusted. Thus, the AAFRC founders' first act was to develop a Fair Practice Code. The code today (see page 28) is accepted widely as the standard for professional conduct in fund-raising counsel.

The Association's other commitment — promoting the philanthropic cause — also has expanded through the years, leading to the birth of the AAFRC Trust for Philanthropy in 1985. Through programs in higher education, defining major issues, and rewarding stellar research in the field, the Trust quickly has become one of the foremost contributors to the philanthropic cause.

Two publications, Giving USA and Giving USA Update, born under the aegis of the Association and today published by the Trust, are recognized as leading information sources by counseling firms, fund-raising and development officers, volunteer leaders, governmental officials, trustees of not-for-profit organizations, the media, students and the general public.

The AAFRC Code and Membership Requirements: tenets of exemplary ethics in fund-raising counsel

The Association's Fair Practice Code is a document of remarkable clarity. For example, it says: "Member firms do not engage in methods which are misleading to the public or harmful to their clients, do not make exaggerated claims of past achievements, do not guarantee results or promise to help clients achieve unrealistic goals."

In addition to pledging adherence to tenets of the Fair Practice Code, prospective member firms also must abide by equally clear and stringent requirements for membership.

AAFRC firms must have a record of continuity and of successful campaigns — as indicated by comprehensive reference checks with past and current clients. Membership also requires long-term continuous experience for the firms' leadership, a suitable level of professional staff support, and appropriate financial references.

The Fair Practice Code and membership requirements are reprinted in this booklet as a substantive indication of AAFRC member firms' support for the highest ethical standards in fund-raising counsel.

Member firms follow the concept that careful investigation and analysis of pertinent facts provide the foundation upon which successful fund-raising programs can be based.

A preliminary study often is recommended to develop a professional opinion on the feasibility of the client's fund-raising goals and to determine the best plan for attaining them.

As stated in their Fair Practice Code, Association members counsel on a fee basis. In advance of the fund-raising program, they provide a detailed budget of campaign expenses, including professional fees. Total cost varies with the amount of service and time required to attain specific goals.

AAFRC members are pleased to confer with prospective clients to determine whether they can help institutions and organizations take advantage of all fund-raising opportunities.

These initial consultations are conducted confidentially and usually without cost. Reputable counsel recommends services only if he or she believes that real benefits will be realized by the client.

To identify counsel qualified for a particular kind of assignment, please consult the following listing of member firms of the American Association of Fund-Raising Counsel, Inc.
Member firms respect the American Philanthropic tradition and the central role of men and women who founded our voluntary organizations, govern them, and are responsible for their financial support.

The member firms view the role of professional consultants in serving eleemosynary organizations as one of assisting and supporting the volunteers in their fund-raising responsibilities and strengthening their capabilities as leaders and solicitors.

**Purpose**
The purpose of the Code is to set forth fund-raising tenets which member firms are expected to follow.

**Membership**
Firms which are exclusively or primarily organized to provide fund-raising counsel and direction are eligible for membership in the AAFRC. To qualify, firms must meet and maintain high standards of performance and demonstrate a record of success.

**Service Provided**
Member firms provide fund-raising counsel, conduct feasibility and planning studies, and offer campaign management, public relations and other related services.

Services are provided to 501(c)(3) organizations whose purposes and practices are deemed to be in the public interest.

Member firms do not engage in methods which are misleading to the public or harmful to their clients; do not make exaggerated claims of past achievement; and do not guarantee results or promise to help clients achieve unrealistic goals.

**Payment of Services**
Member firms believe it is in the best interest of clients that:

- fees be mutually agreed upon in advance and that they be based on the level and extent of services provided, except that initial meetings with prospective clients are not usually construed as services for which payment is expected;

- contracts providing for a contingent fee, commission or percentage of funds raised be avoided; and,

- the services of professional solicitors who receive a contingent fee, commission or percentage of funds raised be avoided.

Further:
Member firms also believe it is in the best interest of clients that solicitation of gifts should generally be undertaken by volunteers.

Member firms should not profit directly or indirectly from materials provided by others but billed through the member firms.

No payment should be made to an officer, director, trustee, employee or advisor of a non-profit organization as compensation for influencing the selection of fund-raising counsel.

Any potential conflict of interest should be disclosed to clients and prospective clients.
Membership in the American Association of Fund-Raising Counsel, Inc. is a hallmark of the ethical approach to fund-raising.

Primary membership qualifications are:

- The firm exclusively or primarily provides fund-raising counseling services, including feasibility studies, campaign management and related public relations to nonprofit institutions and agencies seeking philanthropic support. Firms may provide other related services to nonprofit institutions or agencies, but clients served solely for such purposes may not constitute a majority of the firm's clients;

- Any firm applying for membership must accompany its application with a request from two member firms that the application be considered by the Association's Membership Committee;

- The active executive head of the firm must have at least six years' continuous experience in the fund-raising management field;

- The firm must have been in business continuously for at least three years and have a record of generally successful campaigns;

- The firm must employ no fewer than three professional staff including at least one administrative officer for the past three years;

- The firm must maintain permanent headquarters for conducting its business;

- The firm should show satisfactory references both from clients and from one or more banks;

While the Association does not prescribe any particular method for calculating fees for its members, the firm should base its fees on services provided and avoid contingency, commissions or a percentage of funds raised for the client.

- The firm should base its fees on high standards of service, and should not profit, directly or indirectly, from materials or services billed to the client by a third party. Member firms should not offer or provide services of professional solicitors;

- The firm must conform to the standard of assigning as executive-in-charge of a campaign only those experienced in fund-raising, and campaigns must be conducted only under active supervision of a senior officer of the firms;

- The firm must agree to the bylaws of the American Association of Fund-Raising Counsel, Inc., and conduct its business in accordance with the Association's Fair Practice Code.

The activities of the Association are supported by the dues paid by members. Firms pay dues equal to 1.2 percent of their annual billings for professional services.

 Officers

<table>
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<th>Position</th>
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<tr>
<td>Chair</td>
<td>George A. Brabley III</td>
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<td>Treasurer</td>
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GIVING 1988: $104.37 Billion

Sources

- Individuals ($88.70) 83.1%
- Corporations ($4.75) 4.6%
- Foundations ($8.19) 5.9%
- Bequests ($6.79) 6.5%
Table 2: The Growth of Philanthropy 1955-1988 (in Billions Current Dollars)

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<th>Giving as % of GDP</th>
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<td>Year</td>
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<td>Education Change</td>
<td>Health Change</td>
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<td>------</td>
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Table 5: Giving by Use: 1955-1995 (in billions, current dollars)
<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>% Religion</th>
<th>% Education</th>
<th>% Health</th>
<th>% Human Servs</th>
<th>% Public/Social</th>
<th>% Other</th>
<th>% All Other</th>
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<tr>
<td>1955</td>
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<td>51.44</td>
<td>12.87</td>
<td>5.97</td>
<td>5.89</td>
<td>3.36</td>
<td>3.17</td>
<td>3.09</td>
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<tr>
<td>1956</td>
<td>31.05</td>
<td>4.44%</td>
<td>14.72%</td>
<td>9.55%</td>
<td>5.30%</td>
<td>3.60%</td>
<td>1.71%</td>
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<tr>
<td>1957</td>
<td>33.55</td>
<td>6.69%</td>
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<td>3.99%</td>
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<tr>
<td>1958</td>
<td>33.23</td>
<td>0.65%</td>
<td>15.23%</td>
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<td>2.29%</td>
<td>0.87%</td>
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</tr>
<tr>
<td>1959</td>
<td>35.43</td>
<td>0.79%</td>
<td>18.25%</td>
<td>0.80%</td>
<td>5.36%</td>
<td>4.32%</td>
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<tr>
<td>1960</td>
<td>36.49</td>
<td>2.03%</td>
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<td>5.23%</td>
<td>4.90%</td>
<td>2.32%</td>
<td>2.04%</td>
</tr>
<tr>
<td>1961</td>
<td>37.46</td>
<td>2.19%</td>
<td>17.04%</td>
<td>2.90%</td>
<td>5.30%</td>
<td>5.19%</td>
<td>3.07%</td>
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<tr>
<td>1962</td>
<td>37.87</td>
<td>0.58%</td>
<td>17.28%</td>
<td>1.60%</td>
<td>5.09%</td>
<td>4.00%</td>
<td>3.31%</td>
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</tr>
<tr>
<td>1963</td>
<td>41.51</td>
<td>2.98%</td>
<td>18.35%</td>
<td>3.17%</td>
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</tr>
<tr>
<td>1964</td>
<td>41.95</td>
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<td>18.20%</td>
<td>3.12%</td>
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<td>4.01%</td>
<td>3.53%</td>
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<tr>
<td>1965</td>
<td>41.61</td>
<td>4.74%</td>
<td>20.24%</td>
<td>7.14%</td>
<td>5.09%</td>
<td>4.03%</td>
<td>3.19%</td>
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</tr>
<tr>
<td>1966</td>
<td>44.15</td>
<td>3.99%</td>
<td>21.11%</td>
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<td>5.09%</td>
<td>4.00%</td>
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<tr>
<td>1967</td>
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<td>21.47%</td>
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<td>3.98%</td>
<td>3.17%</td>
<td>2.09%</td>
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<tr>
<td>1968</td>
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<td>5.09%</td>
<td>3.96%</td>
<td>3.16%</td>
<td>2.09%</td>
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<tr>
<td>1969</td>
<td>53.73</td>
<td>2.49%</td>
<td>23.37%</td>
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<td>5.09%</td>
<td>4.00%</td>
<td>3.16%</td>
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</tr>
<tr>
<td>1970</td>
<td>51.65</td>
<td>2.80%</td>
<td>22.65%</td>
<td>2.20%</td>
<td>5.09%</td>
<td>4.00%</td>
<td>3.16%</td>
<td>2.09%</td>
</tr>
<tr>
<td>1971</td>
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<td>23.38%</td>
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<td>0.43%</td>
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<td>3.16%</td>
<td>2.09%</td>
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<tr>
<td>1973</td>
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<tr>
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<td>3.16%</td>
<td>2.09%</td>
</tr>
<tr>
<td>1976</td>
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<td>0.35%</td>
<td>29.71%</td>
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</tr>
<tr>
<td>1977</td>
<td>54.72</td>
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<td>32.30%</td>
<td>2.92%</td>
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<td>1979</td>
<td>56.73</td>
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<td>3.23%</td>
<td>5.09%</td>
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</tr>
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<td>1980</td>
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<td>28.68%</td>
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<td>31.75%</td>
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<tr>
<td>1986</td>
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<td>32.07%</td>
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<td>1987</td>
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<td>6.17%</td>
<td>5.09%</td>
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<td>3.16%</td>
<td>2.09%</td>
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<tr>
<td>1988</td>
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<td>34.83%</td>
<td>7.72%</td>
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<td>3.16%</td>
<td>2.09%</td>
</tr>
<tr>
<td>1989</td>
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<td>2.85%</td>
<td>36.09%</td>
<td>3.30%</td>
<td>5.09%</td>
<td>4.00%</td>
<td>3.16%</td>
<td>2.09%</td>
</tr>
</tbody>
</table>
#5. Examples of Watson & Hughey sweepstakes letters referred to in the Statement to the Subcommittee

Mrs. Gerard Karagheusian
74 Wolcott Rd
West Hartford, CT 06110

Dear Mrs. Karagheusian,

Congratulations! You're one of the First Round prize winners in the $5,000.00 "Instant Cash" Sweepstakes.

Your First Round prize check payable to MRS. GERARD KARAGHEUSIAN will be sent to you by return mail after the drawing on or about February 17, 1987 when you send us the enclosed First Round Winners Prize Claim Coupon in the reply envelope I've included with my letter.

Plus, as a First Round winner you are now eligible to win a Chrysler LeBaron and over 2000 other prizes in the Second Round $50,000.00 Sweepstakes (See official rules for details).

To qualify for the Second Round prizes, simply complete and return the enclosed Official Sweepstakes Entry Coupons along with your suggested contribution of $5 to help in our fight against cancer.

The UCC and its regional members have been instrumental in promoting, encouraging, and assisting in programs of direct service to cancer patients, public and professional education with regard to cancer prevention, and research to find the causes and cures of cancer.

As I write to you today, I have on my desk many requests for funds for research and educational projects -- projects which have the potential to save over, please
tens of thousands of lives.

Unfortunately, we simply don't have the funds to carry out these projects.

That's why I'm hoping you will send us your check today for $5.

You're already a First Round prize winner in the $5,000.00 "Instant Cash" Sweepstakes. The exact amount of your cash prize will be determined in a random drawing. And no contribution is required to enter the Second Round $50,000.00 Sweepstakes. All you have to do is return the enclosed Official Sweepstakes Entry Coupons.

However, if you'll send us your contribution for $5 or more along with your Coupons, I'll include a special free "Mystery Gift" along with your First Round prize check. It's a special gift I know you'll enjoy.

So send your Coupons and your $5 check today.

... and good luck!

Sincerely,

Randall B. Grove
Executive Director

P.S. If you only make one contribution to fight cancer each year, please make your gift now and I'll send you a free Mystery Gift along with your First Round prize check.

* CANCER WARNING SIGNS *

Here is a list of the following signs which may be an early warning of cancer:

1. Unusual bleeding or discharge from anywhere
2. A lump or thickening in the breast or anywhere
3. Any sore that does not heal
4. Persistent cough or hoarseness
5. Painless, increasing, lump or sore in the mouth
6. Persistent hoarseness, cough or sore throat
7. Persistent cough with blood or hoarseness
8. Persistent change in voice or hoarseness
9. Persistent change in voice or hoarseness
10. Persistent change in voice or hoarseness
11. Persistent change in voice or hoarseness
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As I write to you today, I have on my desk many requests for funds for research and educational projects -- projects which have the potential to save
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That's why I'm hoping you will send us your check today for $5.

You've already a First Round prize winner in the $5,000.00 "Instant Cash" Sweepstakes. The exact amount of your cash prize will be determined in a random drawing. And no contribution is required to enter the Second Round $50,000.00 Sweepstakes. All you have to do is return the enclosed Official Sweepstakes Entry Coupons.

However, if you'll send us your contribution for $5 or more along with your Coupons, I'll include a special free "Mystery Gift" along with your First Round prize check. It's a special gift I know you'll enjoy.

So send your Coupons and your $5 check today.

... and good luck!

Sincerely,

Randall B. Grove
Executive Director

P.S. If you only make one contribution to fight cancer each year, please make your gift now and I'll send you a free Mystery Gift along with your First Round prize check.

P.S.
### Second Round Winners Prize

**$50,000.00 Sweepstakes AR**

<table>
<thead>
<tr>
<th>Official Entry Form</th>
<th>Proceeds will be used to support programs of direct service to cancer patients, public and professional education with regard to cancer prevention and research to find the cause and cures of cancer.</th>
</tr>
</thead>
<tbody>
<tr>
<td>A $5.00 contribution to help fight cancer included with your six coupons guarantees you a free special &quot;Mystery Gift.&quot;</td>
<td></td>
</tr>
</tbody>
</table>

**$50,000.00 Sweepstakes AR**

<table>
<thead>
<tr>
<th>Official Claim Coupon</th>
<th>Please make any necessary corrections and return in the reply envelope provided.</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRIZE ISSUED TO: Mrs. Gerard Karagheusian</td>
<td></td>
</tr>
<tr>
<td>74 Molcott Rd</td>
<td>West Hartford, CT 06110</td>
</tr>
</tbody>
</table>

To claim your First Round Prize and qualify for BIG Second Round prizes, mail all coupons back to us in the reply envelope. Your contribution for $5 to United Cancer Council guarantees you get a special Mystery Gift along with your prize check. Remember the exact amount of your prize will be determined in a random drawing. The prize check will be mailed after the drawing date on or about 7/7/95.

---

### First Round Winners Prize

**$5,000.00 Instant Cash Sweepstakes**

<table>
<thead>
<tr>
<th>Official Claim Coupon</th>
<th>MRS. GERARD KARAGHEUSIAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Check will be payable to: Mrs. Gerard Karagheusian</td>
<td>United Cancer Council</td>
</tr>
<tr>
<td>74 Molcott Rd</td>
<td>West Hartford, CT 06110</td>
</tr>
</tbody>
</table>

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**Enclosure pl**

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*United Cancer Council $5000 Instant Cash Sweepstakes*
United Cancer Council $5000 Instant Cash Sweepstakes
Enclosure p2

OFFICIAL RULES

To enter complete the official entry-contribution (or order) form and return it in the appropriate envelopes provided with or without a purchase or contribution. No purchase or contributions is necessary to enter or win. All entries must be received by December 16, 1966. Not responsible for lost, late or misdirected mail. No facsimile or mechanical reproductions accepted.

1. How to enter—Return the official ticket in the appropriate envelopes provided with or without contribution. Either way you are a winner.

2. Winners will be determined in random drawings on or before December 30, 1966, by VENTURA ASSOCIATES, INC., an independent judging organization whose decisions are final. All prizes are guaranteed to be awarded. Winners will be notified by mail and may be required to complete an affidavit of eligibility and release from liability which must be returned within 21 days of date of notification. No substitutions for prizes except as may be necessary due to unavailability. Some travel restrictions may apply to trip. Limit one prize per person or per family. Prizes are non-transferable. All taxes are the responsibility of the winners. Entry constituting permission to use winner’s name and likeness for publicity purposes without additional compensation.

3. Approximate retail value of the prizes as follows: Grand Prize: Choice of One:

- $10,000 Cash
- Hawaiian Vacation for four for two weeks including round trip coach airfare, hotel (double occupancy) and transfers, or:
- 1967 Dodge Caravan
- 1967 General Electric Home Room Air Conditioner, dishwasher, washing machine, dryer, trash compactor, plus $800 remodeling money
- 1967 Chevrolet Camaro or Chevy Craft 17 Mason Boat or:
- Three week trip for two to Europe, mapping in Paris and London, including round trip coach airfare, and hotel accommodations (double occupancy)

- First Prize: Winner’s Choice of One:

- RCA Rear Projection Television
- Merry Home Gym
- AT&T Cellular Telephone
- Rambler against Prizes
- Trip for two (4 days, 3 nights)
- Purchase Island including round trip coach airfare and hotel (double occupancy) and transfers

- Second Prize: Winner’s Choice of One:

- General Electric VCR or 19" Color Television or
- General Electric Programmable Microwave Oven
- Fisher Price System including toy car, turntable, two speakers and music player

- Third Prize: Winner’s Choice of One:

- Nikon 35mm camera
- Lane Recliner Chair
- Vickers Action Bicycle
- 6-Pack of Beer for Two at Charnissay Gas Barbecue
- 8,000 Fourth Prize

- United Goldstone Fashion Chain

- Estimated Retail Value $8,241

FIRST ROUND 50000D INSTANT CASE SWEETPARKES-BI OFFICIAL RULES

PRIZES ARE GUARANTEED TO BE AWARDED

1. To enter—Return the official ticket in the appropriate envelopes provided with or without contribution. Either way you are a winner.

2. Drawing—Winners are selected on or about February 17, 1967 by an independent accounting whose decisions are final. You do not have to be present to win. Winners will be notified by mail and may be required to complete an affidavit of eligibility and release from liability which must be returned within 21 days of date of notification. No substitutions for prizes except as may be necessary due to unavailability. Some travel restrictions may apply to trip. Limit one prize per person or per family. Prizes are non-transferable. All taxes are the responsibility of the winners. Entry constituting permission to use winner’s name and likeness for publicity purposes without additional compensation.

3. Prizes—The total value of Sweepsprizes-BI is $5,000.00. The following First Round prizes are offered:

- 8 checks-$100, 5 checks-$300, 12 checks-$25, 100 checks-$10, 800 checks-$1 and remaining, $5,000 will be split equally between all other individuals who return the First Round Winners Certificate

4. Who is eligible to enter—The Sweepsprizes-BI is open to residents of the U.S. 18 years or older, Sweepstakes, their families, agents, advertising agencies and staff, or employees, who purchase an eligible entry or write checks or stamps. Not responsible for lost, late or misdirected mail. Prizes claim winners will be honored if completed, altered, tampered or stolen or not received through legitimate channels.

5. How to enter—Return the official ticket in the appropriate envelopes provided with or without contribution. Either way you are a winner.

6. Prizes—The total value of Sweepsprizes-BI is $5,000.00. The following First Round prizes are offered:

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7. Who is eligible to enter—The Sweepsprizes-BI is open to residents of the U.S. 18 years or older, Sweepstakes, their families, agents, advertising agencies and staff, or employees, who purchase an eligible entry or write checks or stamps. Not responsible for lost, late or misdirected mail. Prizes claim winners will be honored if completed, altered, tampered or stolen or not received through legitimate channels.

8. Prizes—The total value of Sweepsprizes-BI is $5,000.00. The following First Round prizes are offered:

- 8 checks-$100, 5 checks-$300, 12 checks-$25, 100 checks-$10, 800 checks-$1 and remaining, $5,000 will be split equally between all other individuals who return the First Round Winners Certificate

9. How to enter—Return the official ticket in the appropriate envelopes provided with or without contribution. Either way you are a winner.

10. Prizes—The total value of Sweepsprizes-BI is $5,000.00. The following First Round prizes are offered:

- 8 checks-$100, 5 checks-$300, 12 checks-$25, 100 checks-$10, 800 checks-$1 and remaining, $5,000 will be split equally between all other individuals who return the First Round Winners Certificate

11. Who is eligible to enter—The Sweepsprizes-BI is open to residents of the U.S. 18 years or older, Sweepstakes, their families, agents, advertising agencies and staff, or employees, who purchase an eligible entry or write checks or stamps. Not responsible for lost, late or misdirected mail. Prizes claim winners will be honored if completed, altered, tampered or stolen or not received through legitimate channels.

12. How to enter—Return the official ticket in the appropriate envelopes provided with or without contribution. Either way you are a winner.
Dear Ogden W Dukeley,

Congratulations! You're one of the First Round prize winners in the $5000.00 "Instant Cash" Sweepstakes.

Your First Round prize check payable to:

**OGDEN W DUKELEY**

will be sent to you by return mail after the drawing on or about June 30, 1987 when you send us the enclosed First Round Winners Prize Claim Coupon in the reply envelope I've included with my letter.

Plus, as a First Round winner you are now eligible to win a brand new 1987 Chevy Camero and over 5000 other prizes in the Second Round $50,000.00 Sweepstakes. (See official rules for details).

To qualify for the Second Round prizes, simply complete and return the enclosed Official Sweepstakes Entry Coupons along with your suggested contribution of $5 to help in our fight against cancer.

As you know cancer is one of the leading causes of death in America today.

That's why Center for Alternative Cancer Research has been working to get thousands of opinion leaders and over, please

CENTER FOR ALTERNATIVE CANCER RESEARCH — A program of Project CURE,
2020 K Street, NW, Suite 350, Washington, DC 20069
scientists to take a close look at new promising cancer research programs — programs which might otherwise fall by the wayside.

But none of our important work can be continued without your help and the help of our other friends.

During the past several months I have reviewed many promising treatments for cancer which our government will not evaluate. I have spoken to hundreds of cancer patients who have responded well to these alternative cancer management programs. It is only through your efforts that this information gets to members of Congress and the general public.

Unfortunately, we simply don't have the funds to carry out these programs.

That's why I'm hoping you will send us your check today for $5.

You're already a First Round prize winner in the $5,000 "Instant Cash" Sweepstakes. The exact amount of your cash prize will be determined in a random drawing. And no contribution is required to enter the Second Round $50,000.00 Sweepstakes. All you have to do is return the enclosed Official Sweepstakes Entry Coupons.

However, if you'll send us your contribution for $5 or more along with your Coupons, I'll include a special free "Mystery Gift" along with your First Round prize check. It's a special gift I know you'll enjoy.

So send your Coupons and your $5 check today.

... and good luck!

Sincerely,

Bob DeBragga
Executive Director

P.S. If you only make one contribution to fight cancer each year, please make your gift now and I'll send you a free Mystery Gift along with your First Round prize check.
SECOND ROUND WINNERS PRIZE
$50,000.00 SWEEPSTAKES AR
Official Entry Form

- A $5.00 contribution
to help fight cancer
included with your six
tickets for a suggested $5.00 contribution
Please Make
check payable to
CENTER FOR ALTERNATIVE CANCER RESEARCH

Center for Alternative Cancer Research
21 Eastview Dr
Windsor, CT 06095

Ogden W Dukeley
21 Eastview Dr
Windsor, CT 06095

Ogden W Dukeley
21 Eastview Dr
Windsor, CT 06095

FIRST ROUND WINNERS PRIZE
$5,000 INSTANT CASH SWEEPSTAKES
Official Claim Coupon

CD

PRIZE ISSUED To:

Ogden W Dukeley
21 Eastview Dr
Windsor, CT 06095

Check will be payable to:

OGDEN W DUKLEY
CENTER FOR ALTERNATIVE CANCER RESEARCH — a program of Project CURE
9200 9 Street, NW, Suite 350, Washington, DC 20009

To claim your First Round Prize and qualify for BIG Second Round Prizes, mail all coupons back to us in the reply envelopes. Your contribution for $5 to Center for Alternative Cancer Research guarantees you get a special Mystery Gift along with your prize check. Remember the exact amount of your prize check will be determined in a random drawing. The prize check will be mailed after the drawing date on or about JUNE 30, 1982.
BEYOND THE 대부분

1. **OFFICIAL RULES**

1. **To enter complete the official entry form on a preprinted form and return it in the envelope provided, with or without purchase or contribution. No purchase or contribution is necessary to enter or win. All entries must be received by December 15, 1986. No responsibility is assumed for lost, late or undelivered mail. No solicitations or mechanical reproductions accepted.**

2. **Winners will be determined in random drawings on or before December 20, 1986, by VENTURA ASSOCIATES, INC., an independent judging organization whose decisions are final. All prizes are guaranteed to be awarded. Winners will be notified by mail and may be required to complete an affidavit of eligibility and release of liability which must be returned within 21 days of date of notification. No substitutions for prizes may, at the sole discretion of the agency, be necessary due to availability. Some travel restrictions may apply to trips. Limit one prize per person per family. Prizes are non-transferable. All taxes are the responsibility of the winners.**

3. **Winners will be determined by the total number of entries received. Sweepstakes open to the residents of the U.S. ages 18 years of age or older. Employees and their families of the sponsors, their affiliates, suppliers, advertisers and promotion agencies and VENTURA ASSOCIATES, INC., are not eligible. All federal, state and local rules and regulations apply. Void where prohibited.**

4. **For a list of major prize winners, send a stamped, self-addressed envelope before December 15, 1986 to 350.000 Sweepstakes Winners, P.O. Box 659, Lowell, IN 46399.**

**350.000 SWEEPSTAKES-AR**

<table>
<thead>
<tr>
<th>Prize Structure</th>
<th>Estimated Retail Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>I Grand Prize Winner’s Choice of One</td>
<td></td>
</tr>
<tr>
<td>1) $10,000 Cash</td>
<td>2) Hawaiian Vacation for four for two weeks including round trip coach airfare, hotel (double occupancy) and transfers 3) 1987 Dodge Caravan 4) AMF California Motor Home 5) General Electric Refrigerator including range, microwave oven and washer/dryer; dishwasher; kitchenware; toaster; coffee maker; $500 remodeling money</td>
</tr>
<tr>
<td>II First Prize Winner’s Choice of One</td>
<td></td>
</tr>
<tr>
<td>1) RCA Rear Projection Television 2) Marley Home Gym 3) AT&amp;T Cellular Telephone 4) Kimball Spinet Piano 5) Trip for two (4 days, 3 nights) to Paradise Island including round trip coach airfare and hotel (double occupancy) and transfers</td>
<td></td>
</tr>
<tr>
<td>III Second Prize Winner’s Choice of One</td>
<td></td>
</tr>
<tr>
<td>1) General Motors Buick 2) General Electric VCR plus 19’ Color Television 3) AMF Sailboat 4) General Electric Microwave Oven 5) Shure Stereo System including turntable, speakers and cassette player</td>
<td></td>
</tr>
<tr>
<td>IV Third Prize Winner’s Choice of One</td>
<td></td>
</tr>
<tr>
<td>1) Nikon 35MM camera 2) Lane Recliner Chair 3) Vintechman Enzyme cycle 4) His and Her Saks Fifth Avenue Overcoat 5) Charmglow Gas Grill 6) 1987 Chevy Camaro Firebird 7) Winnebago Motor Home 8) General Electric Kitchen including range, microwave oven, refrigerator/freezer, air conditioner, dishwasher, washing machine, dryer, dish washer, trash compactor, plus $500 remodeling money 9) 1967 Chevy Camaro 10) Three week trip for two to Europe, stopping in Paris and London, including round trip coach airfare and hotel (double occupancy) and transfers</td>
<td></td>
</tr>
<tr>
<td>V Fourth Prize Winner’s Choice of One</td>
<td></td>
</tr>
<tr>
<td>1) Goldtone Fashion Chain</td>
<td></td>
</tr>
</tbody>
</table>

Estimated Retail Value $84,941

**GENERAL RULES**

1. **How to enter—enter the official entry form in the envelope provided with or without a contribution. Enter on any one sheet of paper.**

2. **Drawing—on independent agency where the winners will be determined by random drawings on or before December 30, 1986.**

3. **Prizes—The total value of the Sweepstakes is $350,000. Winners may choose the prize(s) at a retail value of $350,000.**

4. **Winners—The winners will be determined by random drawings on or before December 30, 1986. Winners will be notified by mail and may be required to complete an affidavit of eligibility and release of liability which must be returned within 21 days of date of notification. No substitutions for prizes may, at the sole discretion of the agency, be necessary due to availability. Some travel restrictions may apply to trips. Limit one prize per person per family. Prizes are non-transferable. All taxes are the responsibility of the winners.**

5. **Winners’ permission to use winners’ names and likenesses for publicity purposes without additional compensation.**

6. **For a list of major prize winners, send a stamped, self-addressed envelope before December 15, 1986 to 350.000 Sweepstakes Winners, P.O. Box 659, Lowell, IN 46399.**

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</tr>
<tr>
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<td>1) Nikon 35MM camera 2) Lane Recliner Chair 3) Vintechman Enzyme cycle 4) His and Her Saks Fifth Avenue Overcoat 5) Charmglow Gas Grill</td>
</tr>
<tr>
<td>V Fourth Prize</td>
<td>Goldtone Fashion Chain</td>
</tr>
</tbody>
</table>
December 7, 1988

Mrs. Dorothy Lovaglio
401 E. 5th St.
Brooklyn, NY 11218

Dear Mrs. Lovaglio:

I have been retained by the Walker Cancer Research Institute (WCRI), to notify winning contestants of the results of the organization's sweepstakes campaigns.

This letter is notification that you have won a cash prize in the WCRI $5,000.00 Sweepstakes. WCRI is very pleased you are a winner and shall look forward to you returning the enclosed Winner's Release Form so your prize check can be sent to you.

Please read the enclosed Winner's Release form - then sign and return it to me at once.

Also, as a winner in the $5,000.00 Sweepstakes by returning the enclosed form, you will automatically be entered in the All American $75,000.00 Sweepstakes.

WCRI is very happy that you have won a prize. You are not obligated to make a contribution to WCRI in order to claim your cash prize, but since this is a "charity" sweepstake, we do hope that as a cash prize winner you will wish to contribute at least $5.

Through this sweepstake WCRI is hoping to raise desperately needed funds to help in their research efforts to find the cure for cancer. Regardless of whether you contribute -- your sweepstakes cash prize remains yours to keep no matter what.

Please let me or my client know if you have any questions and we will anxiously await the return of the enclosed Winner's Release Form.

Sincerely,

Robert R. Stone
Attorney

P.S. Please complete and return the enclosed Winner's Release Form at your earliest convenience. Call (601) 629-3777 with any questions you may have.
WINNERS RELEASE FORM
Prepared for Use in New York

Prize Winner
Mrs. Dorothy Lovaglio
401 E. 5th St.
Brooklyn, NY 11218

Please Return No Later Than
January 11, 1989

1. By signing below, I state that I am eligible for the cash prize I have won.
2. I am a U.S. resident, 18 years of age or older.
3. I am not an employee of the Walker Cancer Research Institute, its suppliers or advertising agency.
4. I agree to be responsible for any taxes that may be due on the cash prize I have won.
5. Check one:
   /\  I hereby give permission to use my name for publicity purposes in return for the cash prize I have won.
   \  No, I'm publicity shy, but as a cash winner I am willing to let you use my name or initials in connection with contest publicity, according to arrangements I will make later with your office.
6. To claim my prize and be entered in the $75,000.00 sweepstakes, I have enclosed (check one) and signed my name agreeing to the above terms:
   /\  A personal check or cash in the amount of $5 or more to help in the fight against cancer (make check payable to Walker Cancer Research Institute), or
   \  Although I know this is a charity, I cannot afford to contribute at this time.

Date
Signature of Mrs. Dorothy Lovaglio

Use special enclosed envelope or mail to

ROBERT R. STONE—ATTORNEY-AT-LAW
918 F STREET, N.W. SUITE 412—WASHINGTON, DC 20069
$75,000 SWEEPSTAKES
OFFICIAL RULES

1. To enter complete the official entry/contribution (or order) form and return it in the appropriate envelope provided, with or without a purchase or contribution. No purchase or contribution is necessary to enter or win. All entries must be received by December 31, 1991. To qualify for the Early Bird Prize drawing your entry must be received by a date specified elsewhere in this offer. Not responsible for lost, late or misdirected mail. No facsimiles or mechanical reproductions accepted.

2. Winners will be determined in random drawings on or before January 30, 1992, by an independent judging organization whose decisions are final. All prizes are guaranteed to be awarded. Winners will be notified by mail and may be required to complete an affidavit of eligibility and release from liability which must be returned within 14 days of date of notification. No substitutions for prizes except as may be necessary due to unavailability. Travel prizes are subject to space and departure availability. All travel must be completed by December 31, 1992. On all travel prizes a minor must be accompanied by a parent or guardian. Limit one major prize per person or per family. Prizes are non-transferable. All taxes are the responsibility of the winners. Entry constitutes permission to use winners’ names and likenesses for publicity purposes without additional compensation.

3. Approximate retail values of the prizes are as follows: 1 Grand Prize (up to $25,000), 2 Second Prizes (up to $600 each), 3 Third Prizes (up to $150 each), 4,000 Fourth Prizes ($11.85 each), 1 Early Bird Prize (up to $2,000). Grand Prize winner may choose merchandise offered, $15,000 cash, or a $25,000 annuity payable at $2,500 per year for 10 years with the first payment occurring one year from the date the prize is awarded. Travel prizes include round-trip coach airfare, hotel accommodations, meals and sightseeing.

4. The ($75,000) Sweepstakes is a cooperative sweepstakes which may be presented in different creative presentations by various direct marketing organizations. Circulation will not exceed 300 million letters. Prize choices will be offered at some levels. Winners will have their choice of any prize offered at level won.

5. Odds of winning are determined by the total number of entries received. Sweepstakes open to the residents of the U.S. 18 years of age or older. Employees and their families of the sponsors, their affiliates, suppliers, advertising, promotion and production agencies, are not eligible. All federal, state and local rules and regulations apply. Void where prohibited.

6. For a list of major winners, send a stamped, self-addressed envelope before December 1, 1991 to: $75,000 Sweepstakes Winners, P.O. Box 733, Lowell, IN 46399. DO NOT SEND OTHER CORRESPONDENCE TO THIS ADDRESS. Winners’ lists requests will not be fulfilled until after January 30, 1992.

$5,000.00 SWEEPSTAKES
OFFICIAL RULES

1. How to enter—Return the official entry form in the appropriate envelope provided with or without a contribution. Either way you are eligible to win.

2. Drawing—Winners are selected in a random drawing by an independent agency. Each entry has an equal chance to win the prize. The winner will be drawn at random from all entries received as the result of its promotion. Winners will be selected approximately 45 days after deadline date by an independent accountant whose decisions are final. You do not have to be present to win. The winner's checks will be sent after the drawing date by return mail after full compliance with official rules.

3. Prizes—The total value of the Sweepstakes is $5,000.00. The following prizes are offered: 5 checks—$100; 5 checks—$50; 10 checks—$25; 100 checks—$5; and $3,000 will be split equally between all other individuals who return the Winners Release Form and follow these rules. However, the minimum prize will be ten cents.

4. Who is eligible to enter—The Sweepstakes is open to residents of the United States, 18 years and older, and in possessions. Sponsors of the Sweepstakes, their families, agents, vendors and paid staff are not eligible to win. Winners will be asked to sign an affidavit of eligibility and release from liability and advertising consent. Mutilated or illegible entries are disqualified. Attempts to reproduce or duplicate entries will be disqualified.

5. General—This sweepstakes is a cooperative sweepstakes which may be presented in different creative presentations by various direct marketing organizations. Offer void where prohibited by law. All federal, state and local regulations apply. Taxes on all prizes are the responsibility of winners. This promotion is specifically void in the states of Florida, North Carolina, Vermont and Maryland.

6. Sweepstakes ends—The deadline for entering this sweepstakes is March 31, 1989. Postmark determines date.

7. Winners List—For the names of the major prize winners, write to Sweepstakes Winner List, P.O. Box 19533, Alexandria, VA 22330. Unclaimed prizes will not be awarded. Prizes are non-transferable and there are no substitutes.

8. Odds of winning are determined by the number of official entry forms received. Not responsible for lost, late or misdirected mail. Prize claim coupons will not be honored if mutilated, altered, tampered, or stolen or not received through legitimate channels.
National Animal Protection Fund

Ms. Helen L. Kucma
11 Ronnybrook Trl
Norwalk, CT 06850

Dear Ms. Helen L. Kucma:

This letter will serve as your legal notification that the three individuals named in the Cash Disbursement Box below are Grand Finalists in the $5000.00 Cash Bonanza Sweepstakes.

One of the individuals named below is the Third Round Grand Finalist and is a guaranteed winner of a $1,000.00 certified bank check.

The other two individuals are guaranteed 4th Round Grand Finalists and their prize checks will be mailed to them on or about March 1, 1989.

If your name does not appear in the Cash Disbursement Box above, please disregard this Notice.

PLEASE DETACH HERE AND RETURN CLAIM COUPON BELOW.

OFFICIAL CASH CLAIM COUPON

Ms. Helen L. Kucma
11 Ronnybrook Trl
Norwalk, CT 06850

If your name appears in the Cash Disbursement Box at the left, you are a cash winner in the $5000.00 Cash Bonanza Sweepstakes.

To claim your prize, please enclose (check one)

/ / a personal check or cash in the amount of $7 or more to help save the lives of homeless cats and dogs.
/ / a personal check with the word VOID written across it.

Your check will be mailed to you on or about March 1, 1989.
If your name appears in the Cash Disbursement Box, you must return the Official Cash Claim Voucher below in the enclosed pre-addressed envelopes along with your check for $7 to help save the lives of homeless cats and dogs. OR a blank check with the word "VOID" written across it.

Follow these instructions and on or about March 1, 1989 a bank check will be drafted and sent to you by return mail. Remember, you must send a check to claim your prize.

This massive $5,000.00 Cash Bonanza Giveaway is sponsored by the National Animal Protection Fund (NAPF). NAPF rescues homeless, neglected dogs and cats. We maintain and operate an orphanage, providing food and shelter, bathing, vaccinating and neutering each abandoned dog or cat that's taken in. Through this give-away, we are hoping to raise desperately needed funds to save these helpless animals.

With approximately 10 million cats and dogs being born each year, only 10% will ever find a happy home. The rest are abandoned, abused, starved and left to die in our streets.

To continue our important rescue work we need your help and the help of our other friends.

So, please send your check for $7 or more today.

Remember, to claim the cash prize you have already won you must send your check either made out for $7 or more as a blank check with the word "VOID" written across it.

Either way, on or about March 1, 1989 a bank check will be mailed to you.

Sincerely,

Joan Mace
Executive Director

P.S. If this letter is addressed to you and your name appears in the Cash Disbursement Box, PLEASE NOTE, your Cash Claim Coupon has a certified cash value.

This means if you do not return the Coupon before the deadline date, you forfeit the certified cash value associated with your name. So we recommend you mail your Coupon back to our Redemption Office as soon as possible.

Cats
1. Fresh water and food daily
2. All vaccinations and medications up to age 6 mos.
3. De-worm and nails done on 6 mos.
4. Keep in house and use toilet tray
5. Keep clean and free from odors and parasites
6. Keep calm and cool
7. Use your ear when cleaning, and keep pegs on the mat

Dogs
1. Fresh water and food daily
2. All vaccinations and medications up to age 6 mos.
3. De-worm and nails done on 6 mos.
4. Keep in house and use toilet tray
5. Keep clean and free from odors and parasites
6. Keep calm and cool
7. Use your ear when cleaning, and keep pegs on the dog

Pets are good for you!
- A study of 50 patients in the recovery area and the University of Maryland Hospital showed that pets who see pets may live longer after hospitalization than pets who don't have pets.
- At the University of Pennsylvania it was discovered that patients' blood pressure seems to go down when they see an animal.
- A study in the Park of the Rockies found that when accompanied by their dogs, pets outlive and pass away longer than when they are alone.
- A program at Pennsylvania State University proved that people given "treatment interventions" such as animals to care for above their disability and increased depression, were way better than others.
- At Ohio State University medical patients and other depressed mental patients have vastly improved after being able to spend time with pets.

No buy necessary. Annual today and adopt a pet. It's good for you!

Your His Help Support Your Wails Program

Laxa Huxter's Simple Steps to Sign-Up:
1. Pet rescue operations.
2. Veterinary care—animals rescued are given medical care.
3. Petting and care seeking adoption to approved handlers.
4. Cruelty investigations—report pet animal cruelty cases and bring them to the attention of the proper law enforcement agencies.
5. Human education—teaching the public the responsibilities of pet ownership.

NOTE: ENCLOSE ENVELOPE TO RETURN VOUCHER IN THE ENCLOSED ENVELOPE TO RETURN VOUCHER.

HOW TO ENTER:
1. Complete the coupon for the Official Cash Claim Voucher in the appropriate section provided on your check for a $7 cash prize or a $7 cash prize and a $7 cash prize. If you are a veteran and have been assigned a U.S. registration number, this coupon is good for a $7 cash prize.
2. The first Print Round Prize has been pre-assigned to computer Print Round Prize Prizes will be awarded in the drawing which will take place at 1:00 p.m. on January 10, 1989. All entries must be mailed to us that they are a veteran and have been assigned a U.S. registration number.

The following Print Round Prize Awarded a $10.00 Check. The following Print Round Prize Prizes will be awarded in the drawing which will take place at 1:00 p.m. on January 9, 1989. All entries must be mailed to us that they are a veteran and have been assigned a U.S. registration number.

The following Print Round Prize Awarded a $15.00 Check. The following Print Round Prize Prizes will be awarded in the drawing which will take place at 1:00 p.m. on January 8, 1989. All entries must be mailed to us that they are a veteran and have been assigned a U.S. registration number.

The following Print Round Prize Awarded a $20.00 Check. The following Print Round Prize Prizes will be awarded in the drawing which will take place at 1:00 p.m. on January 7, 1989. All entries must be mailed to us that they are a veteran and have been assigned a U.S. registration number.

The following Print Round Prize Awarded a $25.00 Check. The following Print Round Prize Prizes will be awarded in the drawing which will take place at 1:00 p.m. on January 6, 1989. All entries must be mailed to us that they are a veteran and have been assigned a U.S. registration number.

The following Print Round Prize Awarded a $30.00 Check. The following Print Round Prize Prizes will be awarded in the drawing which will take place at 1:00 p.m. on January 5, 1989. All entries must be mailed to us that they are a veteran and have been assigned a U.S. registration number.

The following Print Round Prize Awarded a $35.00 Check. The following Print Round Prize Prizes will be awarded in the drawing which will take place at 1:00 p.m. on January 4, 1989. All entries must be mailed to us that they are a veteran and have been assigned a U.S. registration number.

The following Print Round Prize Awarded a $40.00 Check. The following Print Round Prize Prizes will be awarded in the drawing which will take place at 1:00 p.m. on January 3, 1989. All entries must be mailed to us that they are a veteran and have been assigned a U.S. registration number.

The following Print Round Prize Awarded a $45.00 Check. The following Print Round Prize Prizes will be awarded in the drawing which will take place at 1:00 p.m. on January 2, 1989. All entries must be mailed to us that they are a veteran and have been assigned a U.S. registration number.

The following Print Round Prize Awarded a $50.00 Check. The following Print Round Prize Prizes will be awarded in the drawing which will take place at 1:00 p.m. on January 1, 1989. All entries must be mailed to us that they are a veteran and have been assigned a U.S. registration number.

The following Print Round Prize Awarded a $55.00 Check. The following Print Round Prize Prizes will be awarded in the drawing which will take place at 1:00 p.m. on December 31, 1988. All entries must be mailed to us that they are a veteran and have been assigned a U.S. registration number.
Examples of contracts between fund-raising counsel and nonprofit organizations:

- Ketchum, Inc., (AAFBC member firm)
- J.C. Geever, Inc. (AAFBC member firm)
- Watson & Hughey, Inc.

CONTRACT

This contract, made and entered into this day of 19__,
by and between KETCHUM, INCORPORATED, a corporation doing business in the City of Pittsburgh, County of Allegheny, State of Pennsylvania, hereinafter known as KETCHUM, party of the first part, and

a corporation in the City of , County of , State of , through its authorized representatives, hereinafter known as CLIENT, party of the second part.

KETCHUM agrees to supply to CLIENT an experienced staff as hereinafter described, for the purpose of organizing, managing and otherwise making effective the solicitation of a fund of approximately Dollars ($ ), by the Board, members, and friends of CLIENT:

The individual board members agree to give KETCHUM their full cooperation in this effort. It is distinctly understood that the final decision in all questions as to the proper methods to be used in advancing the interests of the campaign shall be mutually vested in KETCHUM, or its director, and the Chairman of CLIENT’S Campaign Committee.

Ketchum Inc.
CLIENT agrees that the funds so raised are to be used for

As compensation for KETCHUM's service, CLIENT agrees to pay KETCHUM a service fee of Dollars ($ ), payable as follows:

Payments shall be made within ten (10) days of each of the above scheduled payment dates.

It is understood that this fee includes the living expense of the staff members and their travel expense to and from this assignment.

It is understood that the total expense, exclusive of KETCHUM's fee, shall not exceed the sum of Dollars ($ ) without further specific authority from CLIENT; the necessary part of this sum to be expended for cost of meetings (including lunches or dinners), clerical services, headquarters equipment, headquarters rental, postage, printing, stationery, mailings, telephone, travel expense incident to the campaign, and other similar items. It is further understood that all expenditures are to be made at the suggestion of KETCHUM's director with the approval of CLIENT's Committee, and all bills to be made to CLIENT and approved by the KETCHUM director.
It is further agreed by both parties that all funds shall be handled by, and all subscriptions and pledges made payable to CLIENT, or its legal representatives.

It is understood and agreed that this contract may be subject to cancellation on written notice by either party.

It is further agreed that KETCHUM will not hire any employee of CLIENT and CLIENT will not hire any employee of KETCHUM within three years after the completion of the terms of this contract.

IN WITNESS WHEREOF, KETCHUM and CLIENT have executed this agreement the day and year first above written.

ATTEST: KETCHUM, INCORPORATED

______________________________  ______________________________

ATTEST:

______________________________  ______________________________

3

Ketchum Inc.
January 20, 1989

Dear "F5":

In accord with the decision to retain the firm of J.C. Geever, Inc. to undertake a capital campaign on behalf of "F3", I am pleased to submit this contract for signature. Allow me at this opportunity to indicate how delighted I and my associates are to be embarking on this $4.3 million capital campaign with you. We look forward to a fruitful and rewarding relationship.

J.C. Geever, Inc. will undertake on behalf of "F3" a two year fund raising campaign which will include the following components:

1. structure and implement the solicitation of "the family";
2. assist with the identification and recruitment of campaign leadership: chair and vice chairs;
3. manage the formation of the Fund Raising Committee and its solicitations;
4. assist with the identification and solicitation of advance gifts from foundations, corporations and individuals;
5. develop and implement an approach to foundations, corporations, churches and civic groups not otherwise approached;
6. write all necessary campaign materials including the brochure, proposals for foundations and corporations, and other key letters required by various solicitations.

Fees in remuneration for above noted services will be payable in advance monthly installments as follows:

member, American Association of Fund-Raising Counsel, Inc.
Should our services be required beyond this time frame, full service assistance will be available at the same monthly fee or consulting assistance can be arranged at hourly reimbursement which will be not less than the following:

<table>
<thead>
<tr>
<th>Account Executive</th>
<th>$54.08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assistant</td>
<td>31.60</td>
</tr>
<tr>
<td>Clerical</td>
<td>12.22</td>
</tr>
<tr>
<td>Computer</td>
<td>34.76</td>
</tr>
</tbody>
</table>

Our billing procedure will be as follows:

1. On the 15th of each month, J.C. Geever, Inc. will issue an invoice detailing fee payable for the coming month.

2. If timely payment is not received, a reminder will be sent to "F3" indicating that the agency is now in arrears, and that service will have to be suspended as of the 30th of the month in which payment is due unless payment is received.

3. If payment is not received by the 30th of the month in which it is due, a reminder will be sent stating the service has been suspended and that unless payment is made forthwith, the reminder will constitute thirty days written notice of termination of this contract.

Additional costs include expenses incurred on behalf of "F3" during the execution of the funding plan. Expenses will include an indirect flat charge of $430 per month for costs which are incurred for all clients. These include computer, copier and office supplies, telephone and postage. In addition, "F3" will be billed for direct expenses incurred on your behalf for such items as long distance telephone calls, messenger, printing, transportation and accommodations, whenever required. The total charge for both direct and indirect expenses will not exceed
$800 per month without approval of the Chief Executive Officer.

Fee and out-of-pocket expense balances, billed to "F3" and not paid by the end of the month in which they are due, are subject to interest charges of 1 1/2%.

It is understood that either party may cancel this contract at any time during the period of its duration, January 18, 1989 through January 17, 1991, after providing thirty days notice in writing.

This letter, when endorsed by an authorized representative of "F3", will constitute a binding contract, effective January 18, 1989.

Should "F3" become delinquent in its fee payments (past the 30th of the month in which it is due - see §3, page 2 of this contract), J.C. Geever, Inc. will require a deposit for one month's fee.

Once again, let me say how very pleased all of us at J.C. Geever, Inc. are that we have an opportunity to work with you on this critical fund raising effort.

Accepted and agreed for Accepted and agreed for
by: J.C. Geever, Inc.

(Signature) __________________________ (Signature) __________________________

(Name) ______________________________ (Name) ____________________________

(Title) ______________________________ (Title) ____________________________

(Date) ______________________________ (Date) ____________________________

(Charities Registration #) ____________ (Charities Registration #) ____________

Jane C. Geever

President

25031
ASSUMPTION AGREEMENT

THIS AGREEMENT made and entered into this ___ day of February, 1988, by and among the American Health Foundation, existing under the laws of the State of New York, having its principal address at 320 East 43rd Street, New York, NY 10017 (hereinafter referred to as "Assignor"), Cancer Fund of America, existing under the laws of the State of Delaware, having its principal address at P.O. Box 3335, Knoxville TN 37927 (hereinafter referred to as "Assignee"), and The Watson and Hughey Company, a partnership existing under the laws of the State of Virginia, having its principal place of business at 510 King Street, Alexandria, Virginia 22314 (hereinafter referred to as "W&H").

WITNESSETH:

WHEREAS, Assignor entered into a Full Service Direct Response Fund Raising Agreement with W&H dated January 30, 1983 (hereinafter "the Agreement"), for assistance in the conduct of its direct mail solicitation of contributions, and is presently obligated under the terms of said Agreement; and

WHEREAS, Assignee has also entered into a similar Agreement with W&H dated December 14, 1987; and
In partial consideration of the assumption of Assignor's Obligations under the Agreement, Assignor hereby grants to Assignee all rights, title and interest it may have in the tradename "Cancer Prevention Project" with the understanding that the Assignee's name "Cancer Fund of America" be clearly identified as the organization operating the "Cancer Prevention Project" each and every time that the name "Cancer Prevention Project" is used and that at no time will Assignee or W&H or their respective agents or representatives make or permit to be made any reference to Assignor in any printed materials or otherwise.

Assignor represents and warrants that as of the date hereof it is a corporation duly organized, validly existing and in good standing under the laws of the State of New York, and has full power to assign the Agreement. The execution and delivery of this agreement and the carrying out of the provisions hereof have been duly authorized by the Board of Directors of Assignor and Assignor shall furnish Assignee and W&H with duly certified copies of the authorizing resolution of its Board of Directors at the time of execution of this agreement.

Assignee represents and warrants that as of the date hereof it is a corporation duly organized, validly existing and in good standing under the laws of the State of Tennessee, and has full power and authority to assume the Agreement and the Obligations thereunder. The execution and delivery of this agreement and the carrying out of the provisions hereof have been duly authorized by the Board of Directors of the Assignee and the Assignee shall furnish Assignor and W&H with duly certified copies of the authorizing resolution of Assignee's Board of Directors at the time of execution of this Agreement.
February 19, 1988

Charities Registration
State of New York
Dept. of State
162 Washington Ave.
Albany, NY 12231

Subject: New Contract Entered Into With Charitable Organization by Professional Fundraising Counsel

Dear Sirs:

The Watson & Hughey Company is registered with your offices as a Professional Fundraising Counsel.

Some states require that both new contracts and changes to existing contracts with charities be filed with the state charities office by the Professional Fundraiser.

Enclosed is an Assumption Agreement that was entered into by and between the American Health Foundation, 320 E. 43rd St., New York, NY 10017, the Cancer Fund of America, 715 N. Central, Knoxville, TN 37927 and the Watson and Hughey Company. It is my understanding that both of these charitable organizations are registered with your office.

If you have any questions, please feel free to contact me.

Sincerely,

Jerry Watson

Enclosure
Contracts
FULL SERVICE DIRECT RESPONSE FUNDRAISING
AGREEMENT
BY AND BETWEEN
THE WATSON & HUGHEY COMPANY
AND
AMERICAN HEALTH FOUNDATION

THIS AGREEMENT made and entered into this 30th day of January 1985 by and between The Watson & Hughey Company, a partnership existing under the laws of the State of Virginia, having its principal place of business at 320 King Street, Alexandria, Virginia 22314 (hereinafter referred to as "W&H") and, American Health Foundation, existing under the laws of the state of New York, having its principal place of business at 320 E. 43rd St., New York, NY 10017 (hereinafter referred to as "CLIENT").

WITNESSETH THAT:

WHEREAS, CLIENT is a non-profit organization devoted to promoting preventive medicine, research, public health action, and health economics research.

WHEREAS, CLIENT is in need of counsel and advice on conducting direct mail solicitations, public relations; and

WHEREAS, the parties are desirous that W&H should provide counsel and advice to CLIENT in its conduct of direct mail solicitations of contributions.

NOW THEREFORE, in consideration of the premises and the mutual covenants and promises herein contained; the Parties hereto do hereby agree as follows:

Section 1. Agreement. CLIENT hereby retains W&H as its sole and exclusive consultant and advisor in CLIENT's conduct of its direct mail solicitations of contributions. CLIENT agrees during the term of this Agreement and in consideration of W&H's execution of this Agreement not to retain or use the services of any other person or company to provide counsel and advice to in conducting its direct mail solicitations.

THE WATSON AND HUGHEY COMPANY
320 King Street • Suite 703 • Alexandria, Virginia 22314 • (703) 548-8977
Section 2. W&H Services. W&H agrees to act as a consultant and advisor to CLIENT in CLIENT'S conduct of direct mail solicitations of contributions and memberships, and particularly W&H agrees to provide advice and counsel and to make recommendations in connection with the preparation of all direct mail fundraising and membership solicitations including the determination of class of postage to be used, production of mailings, research, writing, printing, securing of lists and mailings. In addition, W&H will be responsible for the implementation of such work, either directly or through affiliates, and/or other suppliers, subject to the approval of CLIENT. W&H shall perform all donor file maintenance and all follow-up correspondence, and the expense and responsibility associated therewith will be borne by CLIENT. W&H will provide advice and evaluation of these procedures.

Section 3. Material Approval. All material, to include copy, list selection and proposed quantity to be mailed, prepared and recommended by W&H shall be subject to the approval of CLIENT and no such material shall be mailed or made available to the public without such approval.

Section 4. Cashiering. W&H and CLIENT agree that a bank or caging company be selected to act as cashier and escrow agent for the collection and disbursement of funds generated under this Agreement. The bank or company selected will process receipts and disburse payments under a separate Agreement to be arranged by CLIENT and the bank or company and W&H.

Section 5. Invoices. Copies of all invoices received from suppliers of goods and services used by W&H in carrying out its obligations hereunder will be furnished to CLIENT upon receipt by W&H. This includes such items as the purchase of printing envelopes, computer expenses, delivery services, travel expenses directly connected with CLIENT fundraising activities and other items which represent part of the cost of fundraising and membership development for CLIENT.

Section 6. Suppliers. W&H shall, when existing market conditions and time requirements of mailing permit, use reasonable efforts to obtain competitive bids and/or rates for any work subcontracted to suppliers. W&H affiliates shall have the right to perform such work subject to the above requirement. There shall be no mark-up on supplier's or subcontractor's invoices billed to CLIENT.

Section 7. Postage. When cash reserves permit, CLIENT shall advance postage for all mailings.

Section 8. W&H FEES. CLIENT in consideration of services, shall pay to W&H a production fee of Four Cents (4c) for each letter mailed. The fee for all mailings to previous contributors will be Eight Cents (8c) per piece mailed plus creative costs according to the following schedule for each contributor file mailing package created:
For Each Additional File Package Created Per House File

<table>
<thead>
<tr>
<th>Size of Contributor File</th>
<th>Fee for Each Contributor File Package Created</th>
<th>For Each Additional File Package Created Per House File</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to 100,000</td>
<td>$2,500</td>
<td>$1,500</td>
</tr>
<tr>
<td>100,001 and over</td>
<td>$3,500</td>
<td>$1,500</td>
</tr>
</tbody>
</table>

CLIENT will pay W&H an additional retainer of $1,500 per month as a draw against fees for the duration of this agreement. The fees provided herein shall be adjusted each contract year of the term hereof and any renewal thereof by any change in the Consumer Price Index for Urban Wage Earners and Clerical Workers. Fees described in this section will be paid only to the extent that W&H has raised such funds. Artwork is billed separate.

Section 9. Payments to W&H and Suppliers. W&H assumes full obligation and responsibility for the payment of all vendor, suppliers and W&H invoices arising out of the fulfillment of W&H's obligation hereunder, said invoices to be subsequently reimbursed by CLIENT only under the terms and conditions set forth in this Section. CLIENT shall reimburse W&H only to the extent that W&H has raised such funds. W&H shall have no right or claim upon any other funds or accounts of CLIENT. W&H shall be reimbursed for money owed to it only out of funds obtained as a result of W&H's efforts. However, if CLIENT during term of this agreement raises additional funds through their own efforts from names that W&H has generated, these funds shall be considered in the same category as funds raised by W&H.

CLIENT shall make monthly payments to W&H to the full extent that W&H has raised funds to pay the costs incurred by W&H in carrying out its obligations under this Agreement. CLIENT will also pay interest at the annual rate of 1% plus the prime interest rate currently in effect at the Manufacturers Hanover Bank in New York, on all unpaid but owed-invoices that are over six months from issuance by W&H.

For two years beginning on the date of the first mail response, up to 50% of net income from contributor file mailings can be applied to the cost of the donor acquisition mailings. After two years and for the remainder of this Agreement, up to 30% of net income from contributor file mailings can be applied to the cost of non-contributor mailings. CLIENT will only utilize contributor file net income for its projects under the terms and conditions set forth in this Section.

For purposes hereof, net income received by CLIENT shall hereby be defined as all contributions received, less all expenses incurred, pursuant to the terms hereof, including supplier invoices, postage, W&H charges and all other items described in this Agreement.

Section 10. Financial Records. W&H shall be entitled to inspect financial records with respect to receipts and disbursements relating to this Agreement at such reasonable time as W&H may from time to time request. CLIENT shall engage the services of a certified public accounting firm to conduct an annual financial audit of CLIENT. This audit report shall be made available to W&H.
Section 11. Reporting. The names and addresses from all mailings, including contributors and pertinent information, such as date of contribution, amount of contribution, mail code and any other demographic data, as well as identity of non-contributors, which have been developed through the activities of W&H and received by CLIENT shall be sent to W&H within a reasonable time after their receipt by CLIENT for the purpose of establishing a contributor and non-contributor file for CLIENT. The cost of placing these contributors and non-contributors on computer magnetic tape, the cost of postage due on all mailings, the cost of thank-you letters, the cost of opening the mail and caging the contributions, and the cost of all special data processing requests made by CLIENT to W&H, shall be paid for by CLIENT. CLIENT will be responsible for informational and thank-you letter mailings.

Section 12. Ownership of Materials. The Parties agree that all materials, packages and/or ideas developed and prepared by W&H for and on behalf of CLIENT, in accordance with the provisions hereof, shall be and remain the sole property of W&H during the term hereof, and for a period of one (1) year after the term of this Agreement. During the term of this Agreement and a one (1) year period after termination such material may be used only with the prior written consent of W&H. This provision does not extend to materials, packages and/or ideas developed solely by CLIENT.

Section 13. Responses. CLIENT recognizes that daily mail results, i.e., number of responses, number of contributions and non-contributions, dollar amounts collected and tabulated, are required by W&H in measuring the effectiveness of the direct mail programs hereunder. CLIENT therefore agrees to provide such results daily or as soon as reasonably possible to W&H.

Section 14. List Ownership. It is expressly understood, covenanted and agreed upon by and between the Parties here to that any and all names and addresses and amounts contributed, if any, of persons, firms, associations or corporations which are obtained, developed, compiled or otherwise acquired for CLIENT by or through the direct or indirect efforts of W&H in connection with any services rendered by W&H to CLIENT pursuant to the terms hereof shall at all times be and constitute the property solely and exclusively of W&H and CLIENT. These names and addresses are obtained and amounts contributed, if any, can be used at any time by CLIENT in any manner, for any purpose for its own account. CLIENT shall use these names and addresses developed by W&H for no purpose other than in direct connection with CLIENT’s own projects. CLIENT shall not at any time during the life of this Agreement or any time thereafter rent, exchange, lease, sell or give away these names and addresses developed as a result of the efforts of W&H to any other parties for any purpose whatsoever. However, W&H shall be free to use the names and addresses referred to in Section 14 in any way it so desires and for any purpose it may so determine.

Section 15. Data Processing. Any computer work CLIENT desires to have done with any names developed as a result of this contract with W&H must be done at W&H or at a company designated by W&H during the term of the Agreement and three (3) years thereafter. Prices for such computer work will be competitive and charged to CLIENT.
Section 16. **Contracts.** CLIENT represents and warrants that it has the full and unrestricted right and authority to enter into this Agreement and that it has no contractual or other relationships which would in any way impair or affect or be inconsistent or contrary to the terms hereof. CLIENT does hereby agree to indemnify and save W&H harmless from any claim, demand and/or loss or damage which may arise as a result of any such contractual or other relationships.

Section 17. **Term.** The term of this Agreement shall commence **January 30, 1995** and shall terminate on **December 30, 1999**. This Agreement is automatically renewable for Five (5) Years if either Party does not in writing specify the cancelling of this Agreement at least Three (3) Months prior to the expiration of this Agreement.

Section 18. **Performance.** In order for this agreement to be considered in full force and effect, W&H is required to maintain a minimum level of direct mail solicitation activity on behalf of CLIENT defined as follows:

A. New prospect mailing of a minimum of 500,000 names each year of the term of this agreement.

B. Solicitation of subscriber member or contributor lists for special appeals a minimum of four each year of the term of this agreement.

If W&H does not satisfy the minimum performance requirements as outlined above, this agreement can be terminated upon 90 days written notice by CLIENT. Should such mailings be delayed on the part of the CLIENT, it will be as if the mailings did in fact take place. For purposes of this section, the first year begins with the first test mailing. CLIENT agrees that even if the agreement is terminated, reimbursement of W&H invoices outstanding at date of termination will continue pursuant to Section 9 of this agreement as long as net monies continue to be received from names generated as a result of W&H's efforts.

Section 19. It is expressly understood and agreed upon that even if this Agreement is cancelled by either Party, Section 14 and 15 shall survive such termination and remain binding upon the Parties.

Section 20. **Arbitration.** Any controversy or claim arising out of or relating to this contract, or any breach thereof, shall be settled in accordance with the Rules of the American Arbitration Association, with the hearing locale being Washington, D.C., and judgement upon the award may be entered in any court having jurisdiction thereof.

**AGREED AND ACCEPTED**

**AMERICAN HEALTH FOUNDATION**

[Signature]

[Title]

[Date: January 30, 1995]

**AGREED AND ACCEPTED**

**THE WATSON & HUGHEY COMPANY**

[Signature]

[Title]

[Date: February 25, 1995]
Mr. Luken. Ms. Waite, take 3 or 4 minutes.

STATEMENT OF JOYCE WAITE

Ms. Waite. Thank you.

It is my pleasure to be here today. Also, in the interest of time, since you have my prepared testimony, I will refer to two specific examples that have directly affected the American Lung Association and its local operations. One which is referred to occurred in North Carolina, in terms of program activities and association, set up a hypnosis group with which to run programs related to stopping smoking and they referred to themselves as the National Lung Association. They used nonexistent addresses; they used the telephone number of a local office of ours in establishing their business relationships with an employment agency, and with the newspaper.

When they skipped town, not having paid some of their bills, those businesses contacted the American Lung Association expecting us to fulfill those obligations. I think that clearly demonstrates the connection in the public's mind between look-alikes.

Neither the State attorney general in North Carolina nor the American Lung Association were able to trace this group so the local businesses were left holding the bag, if you will, for the bills. The general public had been deceived and misled in terms of the quality of the program that they might expect to receive from an organization. Clearly they associated that program with the American Lung Association.

In another instance related also to the deceptive use of names took place again in New Mexico earlier in this decade—in the 1980's—where an organization changed its original name to the Children's Lung Association of America, and only by filing suit and going through litigation did that organization agree to revert to its original name.

In that context we commissioned a survey to determine what confusion, if any, had in fact been created in the public's mind and the results of that survey clearly indicated that the public by and large was confused, they thought we were related, they thought we were one and the same, they thought the American Lung Association probably dealt with adults and that the Children's Lung Association of America was probably connected with us but dealt with children.

So I think that those two examples in terms of program activities—we have heard a lot about fundraising activities—clearly demonstrate that the use of look-alikes and misleading practices do in fact deceive the American public.

Thank you very much.

Mr. Luken. Thank you.

[The prepared statement of Ms. Waite follows:]

Prepared Statement of Joyce Waite, Deputy Managing Director for Administration, American Lung Association

Mr. Chairman and members of the Subcommittee, I am Joyce Waite, Deputy Managing Director for Administration of the American Lung Association. I would like to thank you for this opportunity to present comments on behalf of the American Lung Association's volunteers, supporters, and the 132 local associations on a matter of great concern to the organization: the increasing number of not-for-profit
organizations as well as for-profit organizations which deliberately mislead the American public through their fundraising and program delivery activities.

The American Lung Association is this nation's oldest voluntary health agency, founded in 1904. Incorporated within its structure is its medical section, the American Thoracic Society, recognized worldwide as the leading medical professional society for pulmonary physicians and scientists. This relationship makes the American Lung Association unique among the voluntary health agencies. It also ensures that the American Lung Association has immediate access to outstanding medical and scientific counsel and respected standards for the prevention, diagnosis, and treatment of lung disease.

For more than 80 years, the American public has looked to the American Lung Association for leadership and assistance in the fight against lung diseases. In the early days of this century and through the 1950's, our organization was known as the National Tuberculosis Association. We led the crusade against tuberculosis playing a critical role in greatly reducing death and illness from that dreaded disease.

In 1973 our name was changed to reflect expanded program areas of concern. The American Lung Association undertook great efforts to establish the connection and continuity of the organization in the minds of the public. Critical to succeeding with our expanded mission was the maintenance of the public trust achieved in our early history. Our success in that endeavor is demonstrated by the ready recognition of our name, the American Lung Association; our identifying marks, “the Christmas Seal People”; and our logo, the double-barred cross. Several generations of Americans have grown up with the American Lung Association and have looked to us in matters related to respiratory diseases.

Because of our long and rich history of serving the public, other organizations have attempted to imply a connection with the American Lung Association. These efforts confuse and mislead the public in matters related to program services and fundraising activities. In recent years, with the American public's increased awareness of the hazards of cigarette smoking, one episode stands out as an example of a blatant attempt to capitalize on the American Lung Association's name and its reputation in smoking cessation programming—specifically our successful “Freedom From Smoking” initiative.

In 1988 a hypnosis group in North Carolina identified itself as the National Lung Association and offered stop smoking programs in a deliberate attempt to confuse itself in the public's mind with the American Lung Association. The operators of this group used the telephone number of the local American Lung Association branch office and the address of a local newspaper as theirs in establishing service with a temporary employment agency. They also used a nonexistent address in dealings with the newspaper and a hotel. When bills sent to the addresses provided were returned to the hotel and temporary employment agency, those companies contacted the local American Lung Association office for payment of the unpaid bills. Neither the American Lung Association nor the Consumer Protection Section of the North Carolina Attorney General's Office were able to trace this group because of their use of false addresses and telephone numbers.

By use of a look-alike name the public was misled into thinking they were attending a seminar sponsored by the American Lung Association. The local businesses were defrauded because they thought they were dealing with a recognized organization which would meet its obligations.

In another instance the American Lung Association prevailed only after commencing litigation in obtaining the agreement of another organization to revert to its original name. The case involved an organization in New Mexico which changed its name to the Children's Lung Association of America. In beginning litigation, the American Lung Association commissioned a study to ascertain whether this change was confusing to the public. The conclusions clearly indicate a degree of confusion arising as a result of the mutual use of the words “lung association”. Moreover, the study arrived at interesting conclusions to the effect that the words “lung association” are specifically connected in the minds of the majority of people with the American Lung Association and are not simply viewed as generic references.

In reviewing fundraising practices, the American Lung Association has found several instances where other organizations have used names, slogans, or fundraising methods similar to ALA's. In one such instance the American Lung Association's successful TREK program was copied and participants were even encouraged to use our name in their fundraising efforts, giving the impression that their activity was connected with the American Lung Association. These organizations may have legitimate purposes. Their actions, however, purposefully mislead the public into thinking they are participating in a joint program and thereby benefiting from the success of previous American Lung Association TREKS.
In recent months there has been a great deal of interest and publicity about the proliferation of fundraising through sweepstakes. In instances cited in the general press, as much as 90 percent of the total income has been used to operate the fundraising program with as little as 10 percent going toward program purposes.

This type of fundraising by look-alike organizations not only misleads the public and causes them to contribute dollars which will not be used for the stated purposes, but also affects the income-producing ability of those organizations which conduct legitimate sweepstakes programs. All such fundraising activities become suspect in the public's mind. Thus, a properly run campaign, such as the American Lung Association's may experience a loss in income which, in our case, was intended for use to prevent the suffering caused by lung diseases. Because of the current climate and results of recent sweepstakes campaigns, the American Lung Association is evaluating whether to continue our current program.

Another indication of how widespread the problem of look-alike organizations is the increase in activity to protect legitimate logos and program activity. A review of the American Lung Association's history with regard to registration and protection of trademarks clearly demonstrates this trend. In 1920 we registered our logo, the double barred cross. In the 1960's we registered three marks. That amounts to four registrations in the first 50 years of our history. In the ten years since 1979 we have registered thirteen marks and have applications pending for an additional four marks.

The American Lung Association is proud of its good standing within the nonprofit sector. It has become increasingly clear to us that to protect our good name and reputation with the American public, we must be vigilant against infringement. An aggressive position must be maintained towards those who seek to capitalize for their own gain on the dedication and work of millions of volunteers and staff. To this end, the American Lung Association began an effort several years ago to develop performance standards for our local Lung Associations to ensure a high level of excellence for program delivery and fundraising. For example, we have defined the level of participation that should be achieved in any program to guarantee that the program reaches the intended audience. We have also developed graphics standards to ensure that our logo, slogans, and tag lines are properly used to identify the programs of the American Lung Association.

In addition to internal standards that are utilized by the American Lung Association to assure the public of continued excellence in our efforts to control and prevent lung disease, the American Lung Association believes that the public should have access to information from independent sources. One such source is the National Charities Information Bureau which has developed Standards for Philanthropy. These standards help the public evaluate whether an organization is fulfilling its obligations to its contributors, individuals who benefit from its programs, and to the general public. One standard relates to the use of funds indicating that an organization's use of funds should reflect reasonable annual program, management, and fundraising expenses, with at least 60 percent of annual expenses applied to program. The American Lung Association is well within this standard.

The volunteers and staff of the American Lung Association and its sister organizations represented here today as well as many other worthy not-for-profit organizations recognize and value the unique role we play in American society. The not-for-profit community is well aware of the trust and confidence placed in our organizations. It is a relationship we cherish and work each day towards continued worthiness. Without the recognition, acceptance, and support of the American public, our country's entire system and spirit of voluntarism would wither and fail.

Mr. Chairman, the American Lung Association believes that look-alike organizations and others who would deliberately mislead and deceive the American public are a problem which must be addressed in an aggressive manner. Too much time, energy, and resources are being spent by all of us in protecting our organization's work and reputation from those who seek to take advantage. The generous American public is being defrauded by their fundraising activities and deceived by their program activity. In addition, our supporters and those who need our services suffer because precious resources are being diverted to defend against dishonest activity.

Again, thank you for the opportunity to discuss this important concern with you. The American Lung Association stands ready to assist the Subcommittee and any other groups in developing solutions to the problems reviewed here today.

Mr. Luken. Mr. Van't Hof.
STATEMENT OF WILLIAM VANT HOF

Mr. Van't Hof. Thank you.

My name is William Van’t Hof, and I am here as chairman of the board of the American Heart Association. Like Mr. Greiner, I am a volunteer who has been with the organization for more than 24 years at local, State and now national levels, and I am here on behalf of our 2.5 million volunteers throughout the country.

I think the issue which we are discussing here today is one which is of increasing concern to the American Heart Association. That is, the proliferation of nonprofit organizations who not only use names that sound like other organizations, but how raise millions of dollars that are never used for the purposes for which they were given by the American public.

The American Heart Association sincerely believes any one or any organization which engages in voluntary action toward a worthwhile cause and without intention of seeking profit, should be encouraged to actively promote its goals and objectives, because to do so is for the betterment of American society, and it is this encouragement that has given rise to some of the expectation status, some of the reduced mailing rates and other legal and tax related benefits that have gone to these organizations.

We are not here to criticize or condemn these organizations that have legitimate purposes, but merely to raise our concerns about those whose objectives really have little to do with charitable gifts but are geared primarily to their own gain.

I think the problem which we face is one of trust. The trust between the American public and the nonprofit corporations we serve that the public is critical to the continued support of our organizations. The Council of Better Business Bureaus has defined standards for charitable solicitations in which they recommend that the fundraising and administrative costs be reasonable, that is, not to exceed 50 percent of total income. Whether this is a correct figure or not, I do not know.

The American Heart Association, for example, spends approximately 23 percent of its income on a combination of fundraising and administrative expenses. This leaves more than 75 percent of the money raised available for the specific purposes of the organization, including 32 percent, which goes to research, more than 28 percent to public and professional education, and more than 15 percent to community service.

I believe we have submitted to you—and I refer to you for more detail, a copy of the American Heart Association’s 1988 annual report, which details our income and expenses.

I guess I just would like to make the point once more that the health of the nonprofit sector depends on the spirit of trust that I referred to earlier without which the American Heart Association and other established charities might some day have to close their doors. Those who would suffer most from a deterioration of this spirit of trust is the American public itself, and those who give to it. And I guess it dismayed me personally that a few individuals find it so easy to take advantage of concerned and committed people who donate their time to what they believe are worthwhile causes.
Let me just—we have submitted a number of materials indicating to you some of the problems that we in the American Heart Association have identified with such organizations. The nub of the problem is the confusion that is taking place with the American public and I want to share with you——

Mr. LUKN. Mr. Van't Hof, we are late for a vote, and I am sorry. We do have your testimony, and I would say that you summed it up: The problem of deceptive, misleading fundraising activities is a national one that is growing in size and may require a national solution.

We offer to work with you, you are working with us by your attendance, and you have so demonstrated. We will be in touch with you. Otherwise, if we could conclude on that basis for today, and look forward to trying to work out solutions.

Thank you for your presence.

Let me thank the witnesses and ask unanimous consent we hold the record open for 30 days so that we might by correspondence raise any further questions with you which could then be entered into the testimony.

Thank you.

We can all catch our planes and we can get over and vote.

Whereupon, at 1:15 p.m., the hearing was adjourned.

The prepared statement and attachments of Mr. Van't Hof, along with other material submitted for the record, follow:

Prepared Statement of William Van't Hof, Esq., Chairman of the Board, American Heart Association

Mr. Chairman and Members of the Subcommittee, I am William Van’t Hof, Chairman of the Board of the American Heart Association. For over 24 years, I have been a volunteer of the AHA, working with the organization at the local, state and national levels. I have been proud to be a part of such an organization, an organization whose sole commitment has been the reduction of cardiovascular disease and stroke, still, this nation’s leading cause of death.

Today, I am here on behalf of the nearly 2.5 million volunteers of the AHA, to discuss an issue which is of increasing concern to the organization, the proliferation of nonprofit organizations who not only use names that sound like other organizations but who raise millions of dollars that are never used for the purposes for which they are given.

Recently, Mr. Chairman, President Bush announced the followup activities of his “thousand points of light” initiative. The essence of the program is reliance on the “spirit of volunteerism”, or to quote the President, “that vast galaxy of people and institutions working to solve problems in their own back yard”. “Volunteerism” is defined by Webster's Dictionary as “the principle or system of doing something by or relying on voluntary action”. It also defines “nonprofit”, obviously, as “not seeking profit”.

We believe that anyone or any organization which engages in voluntary action toward a worthwhile cause, without intention of seeking profit, should be encouraged to actively promote its goals and objectives, because to do so is for the betterment of American society.

The spirit of giving, participation and involvement, whether in the form of monetary contributions or individual commitment of time, is what makes the nonprofit sector function. It is what promotes the concept of mutual trust between those who give and those who serve as the caretakers of contributed money and resources. It is that trust and that willingness to contribute that has resulted in nonprofit organizations being given special tax status, special reduced mailing rates, and other legal and tax-related benefits. Society at large, our politicians and regulators all recognize the important role that nonprofit organizations play in American life.

We are not here to criticize or condemn organizations who have a legitimate purpose or organizations who meet the test of nonprofit status. We are here to raise
our concerns about an unchecked proliferation of organizations whose objectives have little to do with actual charitable goals and whose purpose is only to raise money for their own gain. These organizations have, Mr. Chairman, breached the trust of the American public and have tarnished the entire nonprofit sector. Stories and examples of these organizations, their intentional use of names that sound like other organizations, and their deceptive sweepstakes proposals, abound.

Mr. Chairman, the problems associated with these abuses are national problems. These fly-by-night operations, through the use of computers and other devices are able to reach large segments of our population and to raise millions of dollars, dollars which are expected to be returned to society in the form of important programs. But those dollars in many cases are not being returned. Many of the people solicited are those who may have themselves suffered from cardiovascular disease or know someone close to them who has. They sincerely believe that they are making a real contribution to efforts to prevent cardiovascular disease.

The Council of Better Business Bureaus has defined standards for Charitable Solicitations which, in addition to calling for all informational materials to be accurate, truthful, and not misleading, recommend that fund raising and administrative costs be "reasonable"—that is not to exceed 50 percent of total income. In fiscal year 1988 the AHA spent approximately 23 percent of its income on these expenses. Many of the so-called look-alikes do not come close to the 50 percent mark, spending as much as 90 percent of their revenue on fundraising and administration. In contrast to the 23 percent spent on administrative and funding activities, the AHA spent the remainder of its income as follows: Research, 32 percent; public and professional education, 28.2 percent; and community service, 15.4 percent.

This translates into some $65.3 million going into cardiovascular research, $55 million going into public and professional education and $30.3 million into community services.

I would like at this time, Mr. Chairman, to have included in the record a copy of the 1988 AHA's Annual Report which details these figures and activities.

The health of the nonprofit sector efforts depends upon the trust I referred to earlier. Without the trust of the American people, legitimate organizations, whether they be large or small, may one day have to close their doors. Those who will suffer from this will be the American public itself. Without an adequate funding base, organizations like our own will not be able to fund important cardiovascular research or develop educational programs on smoking, diet, high blood pressure and exercise that now reach the school site, the work site, and the physician's office. It dismays me, personally, as well as our entire organization, that a few individuals find it so easy to take advantage of concerned and committed people who donate their time and money to what they believe are good causes. In many respects, it is a travesty that hearings such as this one today even have to be held.

For the AHA, the problems of look-alike groups are growing. Mr. Chairman, let me highlight some of our concerns: First is the deliberate choice and use of names that sound like the American Heart Association. While we recognize that any organization may develop and use a name, it concerns us where that name is selected with the sole purpose of confusing the public so as to siphon funds from our programs to go into efforts that have very little to do with eradicating cardiovascular disease; second is the confusion caused to the public, to contributors and to our 56 affiliates nationwide, who are increasingly fielding inquiries about these look-alikes. Clearly, the public is confused. Many of our affiliates report receiving checks made out in the name of the look-alike organization but sent to AHA. Likewise, we are also aware of checks made out to AHA that are sent to look-alikes; third, many of these look-alikes use the American Heart Association's, guidelines and materials in their solicitations, which either directly or indirectly imply that the organizations are related; and finally, these look-alikes are conducting fraudulent deceptive sweepstake practices which lead the unwary into believing that they will receive money (in some cases, as much as $10,000) in return for their contribution. When, in fact, they will receive only a token sum, or nothing at all.

Clearly, Mr. Chairman, when organizations like these conduct their business under the guise of being nonprofit organizations like the AHA, their actions destroy the trust which we have built over several decades with the American public.

Mr. Chairman, I would like to submit into the record some of the numerous examples of these abuses: copies of sweepstake solicitations; cease and desist letters we have sent to these organizations; as well as numerous articles on the subject that have appeared in newspapers and magazines nationwide. You are probably aware that "60 Minutes" also recently aired a segment on the issue of look-alike organizations.

While I am submitting these materials, I would like to cite a few examples.
The first one is from our Idaho Affiliate. In response to a mail solicitation from our Idaho Affiliate, one potential donor returned the solicitation materials with the following hand-written note: "I have just read a quote from the Washington Post. ‘The American Heart Disease Foundation collected more than $9 million in charitable donations last year and spent $8 million on fund raising.’ When you spend more on research than on fund raising, we will support you again."

Another, and more egregious example, is of the use of the sound-alike name "Heart Fund" and its $10,000 cash giveaway. Individuals are notified that they are eligible to win $10,000 by contributing $10 to the Heart Fund. In addition, each donor receives a heart shaped pendant necklace in "18 karat gold." The name the "Heart Fund", Mr. Chairman, has been a registered service mark of the AHA since 1952 and many individuals associate that name with the AHA. We have written this sound-alike organization asking them to cease and desist.

The AHA believes, Mr. Chairman, that the problem of deceptive, misleading and fraudulent fundraising activities is a national one that is clearly growing in size and one that may require a national solution. Many state attorney generals and state governments are beginning to address these problems and we commend them. But, until we are able to deal with these problems across state borders these sound-a-like look-alike organizations will simply pick up and move to a locality where state regulations cannot touch them. We believe that any and all organizations who wish to serve the public’s need should be entitled to "nonprofit" status, but only when they demonstrate a high level of honesty and integrity.

We commend the Chairman for holding today’s hearing. We offer our assistance in any way we can as this Committee and other Federal bodies further explore these problems and the solutions for their correction.
American Heart Association

AMERICAN HEART ASSOCIATION
Of Idaho
3939 Elder St., Suite 140
Boise, ID 83706

YES! Enclosed is my gift:
( ) $25 ( ) $50 ( ) $100

000087368 0589
CAR-RT SORT MR CR19
Mr. Walter
648 Lincoln Dr.
Idaho Falls, ID 83401

Hey is the time to get your blood pressure checked... to protect yourself from heart disease and stroke... and to give to your local American Heart Association affiliate!

RI 4330 00158 000019
AMERICAN HEART ASSOCIATION
Of Idaho
3939 Elder St., Suite 140
Boise, ID 83706

I have just read a quote from The Washington Post: "The American Heart Disease Foundation has raised more than $7.5 million in charitable donations last year, and spent $8.5 million on fund raising." When you spend more on research than on fund raising, we will support you again.

Dear Mr. Walter:

I'm alerting you to the fact that heart disease... and stroke... just by learning how to control high blood pressure.

My second request to you today is for a gift of $25.

Your gift will help us alert your friends in Idaho Falls and people across the country to the dangers of high blood pressure.

Please. Help save a life. Help protect your friends and your family from heart attack and stroke. Give generously today.

Mrs. Danby Clark
American Heart Association
Sound-Alike Organizations
American Heart Association
Affiliate Survey Results

Number of calls received:

Of the 36 affiliate respondents, the majority (16) receive less than 25 calls per year. Eleven affiliates receive between 26 and 100 calls per year. Two receive 101 - 250 per year. Seven receive calls in excess of 250 per year. (These figures represent average calls to affiliates as well as divisions.)

- Fewer than 25 calls/year -- (16 affiliates)
- 26 - 100 calls/year -- (11 affiliates)
- 101 - 250 calls/year -- (2 affiliates)
- Over 250 calls/year -- (7 affiliates)

Time of year for calls:

Calls about sound-alike organizations are generally received year-round. However, the heaviest concentrations are from February through April. The number drops in May and then increases slightly in June and again in August and September.

<table>
<thead>
<tr>
<th>Number of Affiliates receiving calls</th>
<th>Months during which calls are received</th>
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<tr>
<td>(1 to 6 affiliates)</td>
<td>January, May and December</td>
</tr>
<tr>
<td>(7 to 10 affiliates)</td>
<td>June, July, August, October, November</td>
</tr>
<tr>
<td>(10 or more affiliates)</td>
<td>February, March, April, September</td>
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Affiliate strategies:

The majority of respondents deal with questions about sound-alike organizations by following general guidelines in the A to Z Guide for Media Inquiries: 1) Assure the caller that the American Heart Association is not affiliated in any way with the organization in question; 2) Suggest that the person write the organization and request financial information before giving; 3) Suggest that the person contact the Better Business Bureau.

Other affiliates have submitted letters to the editor or news releases to local newspapers. Some have published articles about the sound-alike problem in their affiliate newsletters. One affiliate took the situation to a local television consumer affairs advocate who ran a feature story.

Other calls were referred to local government offices such as Social Services Departments, Departments of Justice, Attorneys General Offices, Departments of Public Charities and State Charitable Solicitations Bureaus.

Another affiliate is addressing the issue by limiting the abbreviation of the American Heart Association when possible.
Survey Summary

Page 2

Names of Sound-Alike Organizations -- (number of affiliates receiving calls)

American Heart Disease Prevention Foundation -- 25 affiliates

National Heart Research, a project of the National Emergency Medical Association -- (17 affiliates)

American Heart Research Foundation -- (8 affiliates)

Coronary Heart Disease Research -- (5 affiliates)

Heart Disease Research Foundation -- (3 affiliates)

National Heart Severs Foundation -- (2 affiliates)

Others include:

Heart Foundation
Bob Hope International Heart Research Institute
Open Heart Foundation
National Strokes Association
Emergency Heart Fund
Heart Association of Volusia County
New Hampshire Heart Disease Control Program
McKean County Cardiac Committee
Arizona Heart Institute
Miami Heart Institute
Heart Institute of Nevada
New Hampshire Heart Institute

Types of programs or activities:

Overall, programs were relatively unknown, however there were several mentions of brochures associated with the sound-alike organizations.

Fund-raising methods:

Fund-raising methods mentioned are exclusively direct mail/sweepstakes.
THE HEART FUND
Gift Committee
Box 9643
Newport, CA 92658-9643

$10,000 CASH GIVEAWAY!
FIRST CLASS MAIL

You Have been Chosen by The Heart Fund in the $10,000 CASH Giveaway.

PRIZE CLAIM NUMBER
3104E02U9144

JETTY PHILLIPS
P.O. BOX 305
ST. PETERSBURG, FL 33704-0305

Greetings From The Heart

The Heart Fund is Sponsoring a $10,000.00 Cash Giveaway And You Are Eligible To Win $10,000.00 CASH!

You Have Been Chosen by The Heart Fund To Receive The "Gift From The Heart" and You May Be The Recipient of $10,000.00 CASH.

Your Gift From The Heart Is A Beautiful Solid Golden Heart Shaped Pendant Necklace Layered in 18 Karat Gold with an 18" Serpentine Chain.

You Will Love This Beautiful Gift "A Symbol Of Love."

Your Contribution of $10 or more will bring you This Beautiful Necklace, And You Receive The Greatest Gift of All.

Please Send Your Check Today, "Give From The Heart."

We Thank You Sincerely, Cathy Lane

THE HEART FUND
Gift Committee
Box 9643
Newport, CA 92658-9643

WINNER'S SIGNATURE
This letter will serve as your legal notification that the three individuals named in the Cash Disbursement Box below are Grand Finalists in the $5000.00 Cash Bananas Sweepstakes.

One of the individuals named below is the Third Round Grand Finalist and is a guaranteed winner of a $1000.00 certified bank check.

The other two individuals are guaranteed 4th Round Grand Finalists and their prize checks will be mailed to them on or about March 1, 1989.

<table>
<thead>
<tr>
<th>CASH DISBURSEMENT BOX</th>
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<tr>
<td>Jama Rufinec</td>
<td>UN</td>
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<tr>
<td>Anita B. Mc Cargie</td>
<td></td>
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<tr>
<td>Rosalies K. Ellison</td>
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</tbody>
</table>

If your name does not appear in the Cash Disbursement Box above, please disregard this Notice.

To claim your prize, please enclose (check one):

/ / a personal check or cash in the amount of $7 or more to help in the fight against heart disease;
/ / a personal check with the word VOID written across it.

Your prize check will be mailed to you on or about March 1, 1989.
If your name does appear on the Cash Disbursement Box, you must return the official Cash Claim Voucher, which is enclosed in the addressed pre-addressed envelope addressed to you. These checks are stamped with the word "VOID" and thus cannot be cashed.

Follow these instructions and on or about March 1, 1989 a bank check will be drafted and sent to you by return mail. Remember, you must send a check to claim your prize.

This massive $5,000.00 Cash Banana Giveaway is sponsored by the American Heart Disease Prevention Foundation (AHDFP). As I write to you today, 40 million Americans are suffering from heart disease and over half will eventually die from heart disease. Through this giveaway we hope to raise desperately needed funds to help in the fight against heart disease.

Already AHDFP has been able to let millions of Americans know about nutritional prevention methods - methods that have the potential to save thousands of lives.

But to continue this important work we need your help and the help of our other friends.

So, please send your check for $7 or more today.

Remember, to claim the cash prize you have already won you must send us your check either made out for $7 or more on your blank check with the word "VOID" written across it.

Either way, on or about March 1, 1989 a bank check will be mailed to you.

Sincerely,

Marvin Bierbaum, M.D.
Executive Director

P.S. If this letter is addressed to you and your name appears in the Cash Disbursement Box, PLEASE NOTE, your Cash Claim Voucher has a certified cash value.

This means if you do not return the Coupon before the deadline date, you forfeit the certified cash value associated with your name. So we recommend you mail your Coupon back to our Redemption Office as soon as possible.

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Important Points About Calcium That Can Help Prevent Heart Disease

It is reported that the normal adult should consume about 14-15 grams of calcium per day to help prevent elevated blood levels of calcium. Diet supplements like calcium carbonate help reduce this. They help the body flush excess calcium from the bloodstream and thus lower calcium levels in the body. It appears that adequate calcium intake, either from normal calcium-enriched foods or by mineral supplements can reduce the risk of high serum cholesterol in the blood. And you can reduce your "at risk" by switching from full cream dairy products such as milk, butter and hard cheese to dairy products lower in fat, such as skim or low-fat milk, cottage cheese, low-fat yogurt, part-skim cheeses and cheese.

Most Americans consume 4% of their daily calories from fat. Fat not only puts on weight, but also puts you at a greater risk of developing heart disease.

According to the American Heart Association, you should limit your total fat intake to no more than 30% of your daily calories. Too much fat leads to high levels of serum cholesterol in our bodies. Therefore, dairy intake at low serum cholesterol levels reduces the risk of heart disease as much as 75% over diets that contribute to high cholesterol levels.

Red meat is the largest source of fat in our diets. You can reduce your fat intake of meat by changing to lean meats, like chicken, turkey and fish. Recent tests done in 1984 at the Mannheim and the 7th City Adventist, both of whom consume diets very low in fat, show lower levels of fat in the blood.

Armstrong was fed in the cooking of many foods. To reduce intake of cooking, you should 1) remove skin from poultry, 2) trim all visible fat, 3) bake, broil and steam foods in water, chicken broth or cooking wine, instead of frying in fat, 4) use sunflower or safflower oil, or if you must use fat in cooking, instead of oil or butter.

Another high source of fat in our diets is fast food. And more and more people, today, are offering a "fast food" alternative to fast food. Please read local, instead of a hamburger and baked potatoes without skin. The weights are being seen now. If you do eat fast food or chicken, however, remove the breaded coating before you eat the meat.

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1. Note to editor: The Office of Consumer Protection of the National Bureau of Standards is conducting a survey of consumer complaints to determine the effectiveness of the Savings Bank for the Protection of the Consumer. It has been determined that the Savings Bank has been highly effective in preventing consumer complaints. The consumer complaint is expected to be a combination of the Federal Trade Commission and the Office of Consumer Protection.
Dear Calsta Locke:

One of the computer generated “Lucky Numbers” on the 12 Official Sweepstakes Coupons could make you a $500.00 grand prize winner.

To find out if you’re a winner, simply return your Coupons in the enclosed pre-addressed envelope along with your optional $7 contribution.

With over 1,500,000 Americans every year stricken with heart attacks -- we absolutely must do everything we can to combat this terrible killer.

That's why we're counting on you to return your Official Sweepstakes Coupons today along with your contribution for $7.

Thank you in advance for your help and good luck!

Sincerely,

Fred Ruoff

Take your checks payable to National Heart Research; your cancelled check is your receipt.
of your name and address in the Cash Disbursement Box you must return the official Cash Claim Voucher below in the enclosed pre-addressed envelope along with your check for $7 to help in our fight against heart disease at a blank check with the word "VOID" written across it.

Follow these instructions and on or about March 1, 1989 a bank check will be drafted and sent to you by return mail. Remember, you must send a check to claim your prize.

This massive $5,000.00 Cash Bonanza Giveaway is sponsored by American Heart Disease Prevention Foundation (AHDPF). As I write to you today, 43 million Americans are suffering from heart disease and over half will eventually die from heart disease. Through this give-away we are hoping desperately to raise funds to help in the fight against heart disease.

Already, AHDPF has been able to let millions of Americans know about nutritional preventative methods - methods that save the potential to save thousands of lives.

But to continue this important work we need your help and the help of all our other friends.

So, please send your check for $7 or more today.

Remember, to claim the cash prize you have already won you must send us your check either made out for $7 or more at your blank check with the word "VOID" written across it.

Either way, on or about March 1, 1989 a bank check will be mailed to you.

Sincerely,

Marvin Bierenstein, M.D.
Executive Director

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---

Important Points About Calcium that Can Help Prevent Heart Disease

It is reported that the normal diet should consume about 1400 grams of calcium per day in order to help prevent elevated blood calcium levels. One supplement like calcium carbonate helps reduce risk. They help the body flush excess calcium from the body. It appears that supplemental calcium, rather than natural foods or by mineral supplements can reduce the risk of high serum cholesterol in the blood. And you can reduce cholesterol intake by switching from full cream dairy products such as milk, butter and hard cheese to dairy products with less fat, such as skim or low-fat milk, cottage cheese, low-fat yogurt, part-skin cheeses and ice cream.

Most Americans consume 40% of their daily calcium from milk. Fat not only puts on weight, but also contributes at a greater risk of developing heart disease.

According to the American Heart Association, you should limit your total fat intake to no more than 30% of your daily calories. Too much fat leads to higher levels of serum cholesterol in our bodies. Therefore, dietary intake of low serum cholesterol levels reduces the risk of heart disease. As much as 30% of the fat comes from high cholesterol levels. Red meat is the largest source of fat in our diet. You can reduce your fat intake of meat, by changing to white meats, like chicken, turkey and fish. Recent reports date in 1984, on the Mormons and the 7th Day Adventists, both of whom consume less fat most in their diets, show lower levels of fat in the blood.

Aromatherapy was top in the cooking of many foods. To reduce intake in cooking, you should: 1) remove skin from poultry, 2) trim off edible fats, 3) boost and lean meats in water, chicken broth or cooking wine, instead of frying in fat, 4) use cornstarch or flour in oil, if you must use fat in cooking, instead of oil or butter.

Another high source of fat in our diet is fast food. But many and more cases, states, are offering a low-fat alternative to fast food. Points in the recent past, instead of a hamburger and assets and bedroom potatoes without heavy toppings are being sold. If you do eat fast fish or chicken, however, remove the breeding season before you eat the meat.
Dear Calsta Locke:

One of the computer generated "Lucky Numbers" on the 12 Official Sweepstakes Coupons could make you a $100,000.00 grand prize winner.

To find out if you're a winner, simply return your Coupons in the enclosed pre-addressed envelope along with your optional $7 contribution.

With over 1,500,000 Americans every year stricken with heart attacks - we absolutely must do everything we can to combat this terrible killer.

That's why we're counting on you to return your Official Sweepstakes Coupons today along with your contribution for $7.

Thank you in advance for your help and good luck!

Sincerely,

Fred Ruoff

Make your checks payable to National Heart Research. Your cancelled check is your receipt.
$5,000.00 SWEEPSTAKES-IX

1. **How to Enter** — Return the official entry form in the appropriate envelope provided with or without a contribution. Either way you are eligible to win.

2. **Drawing** — An independent agency selects the winner. Each entry has an equal chance to win the prize. The winner will be selected at random from all entries received at the result of this promotion. The drawing will be conducted approximately 15 days after deadline date by an independent accountant whose decisions are final. Winners do not have to be present to win. The winners check will be sent after the drawing date by return mail after full compliance with official rules.

3. **Prizes** — The total value of the Sweepstakes is $5,000. Winners may choose between $5,000.00 in cash, gold, diamonds, furs or vacations. The winner may choose any of the prizes offered. The value of the one grand prize will be worth $5,000.00 on the day of the selection by the winner.

4. **Who is eligible to enter** — The Sweepstakes is open to residents of the United States, 18 years of age and older, and its possessions. Sponsors of the Sweepstakes, their families, agencies, vendors and paid staff are not eligible to win. Winners will be asked to sign an affidavit of eligibility and release from liability and advertising consents. Misprinted or illegible entries are disqualified. No tries to reproduce or duplicate entries will be disqualified.

5. **General** — This Sweepstakes is a cooperative Sweepstakes which may be presented in different creative presentations by various direct marketing agencies. Offer void where prohibited by law. All federal, state and local regulations apply. Taxes on all prizes are the responsibility of winners.

6. **Sweepstakes Lake** — The deadline for entering the Sweepstakes is May 30, 1966. Postmark determines date.

7. **Winners** — For the names of the major prize winners, write to Sweepstakes Winner List, Department IX, P.O. Box 1955, Alexandria, V.A. 22312. Prized winners will be awarded, in writing, by the Sponsor. Any prize not claimed within 60 days of the date of the drawing will be donated to charity.

8. **Odds of winning** are determined by the number of official entries received. Each entry is entered in the Sweepstakes as a separate entry. Prize, as stated, is non-transferable and there are no substitutions.
March 20, 1989

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Frederick C. Ruof, President
National Emergency Medicine Association
30 W. Pennsylvania Ave.
Towson, MD 21204

Dear Mr. Ruof:

The American Heart Association has received copies of some brochures published by your "National Heart Research" organization. These brochures include statements which begin, "We are the National Heart Association...." The American Heart Association believes that the use of a name so similar to that of the American Heart Association infringes upon its servicemark and trade name. In fact, we have received communications and correspondence that indicate that the public confuses your National Heart Research "project" with the American Heart Association. Additionally, we find that you have mailed American Heart Association brochures under your own name and with your own materials. This only serves to add to the confusion over any affiliation between the American Heart Association and National Heart Research.

Accordingly, the American Heart Association demands that you immediately cease and desist from any and all further unauthorized and misleading use of its name or any suggestion that it has endorsed or is affiliated with your program; and that you print on National Heart Research materials, in prominent typeface, the disclaimer "NATIONAL HEART RESEARCH IS NOT AFFILIATED WITH THE AMERICAN HEART ASSOCIATION. THE AMERICAN HEART ASSOCIATION DOES NOT SPONSOR OR ENDORSE ANY NATIONAL HEART RESEARCH SOLICITATIONS OR ACTIVITIES."

The American Heart Association will vigorously defend its name from any infringing or unauthorized use. Should you fail or refuse to comply with this demand to immediately cease the unauthorized use of its name and the false suggestion that the American Heart Association is affiliated with your organization, we will have no recourse but to file complaints with appropriate agencies and to consider filing suit against you. If forced to file suit against you, the American Heart Association will request that an immediate injunction be issued to prevent the continued unauthorized use and display of its name.

Very truly yours,

Henrietta S. Munoz
Staff Attorney
Henrietta S. Munoz, Esq.
Staff Attorney
American Heart Association
7320 Greenville Ave.
Dallas, Texas 75231-4599

Re: National Emergency Medicine Association

March 29, 1989

Dear Ms. Munoz:


Let me assure you that NEMA has no more desire to be confused with the American Heart Association than your client has to be confused with NEMA. Nonetheless, it is apparent that terms such as "heart" do not belong to any one person, either under state law or the Lanham Act.

To respond specifically to your requests:

1. While NEMA believes that it has a right to use such formulations as "National Heart Association", NEMA quite some time ago decided voluntarily not to use this specific formulation and has no plans to use it again.

2. NEMA will continue to use the mark, "National Heart Research" which it has used for approximately four (4) years. This mark in our view does not infringe upon any rights held by your client to "American Heart Association."

3. NEMA conducts a public service radio program, which is broadcast over several hundred public broadcast system affiliated stations. This program, "The Heart of the Matter", which incidentally won a first prize in 1988 in an international competition for public service radio segments, often results in consumer requests for information regarding the health issues discussed. NEMA has an inventory of informational brochures, most of which have been published by the federal government, which provide health information and inform the consumer how to secure further advice.

NEMA does not now, nor shall it in the future, include American Heart Association literature in this supply.
4. NEMA will not include the disclaimer noted in your letter in its literature. The mark, "National Heart Research" is plainly differentiated from "American Heart Association." The solicitations and literature of NEMA, on behalf of its special project "National Heart Research", are distinctively those of NEMA. Your client does not hold any proprietary rights to the word "heart".

NEMA shares many of the goals of American Heart Association. It is our hope that both organizations could work together in a spirit of good faith to achieve common goals.

Yours very truly,

MacKenzie Center, III

MCI
cc: National Emergency Medicine Association
American Heart Association
National Center
July 29, 1988

American Heart Disease Prevention Foundation
Box 1381
Ridgewood, NJ 07451-1381

re: Foundation's Direct Mail Solicitation

Gentlemen:

The American Heart Association is concerned that in your direct mail solicitations you have included statements about the American Heart Association (AHA). While AHA does not object to the distribution of useful information concerning dietary recommendations for a healthy heart, the use of the AHA name in your solicitation has resulted in much confusion. This is exacerbated by the appearance of "American Heart"—a short-hand designation for AHA—in your name.

The AHA National Center and its Affiliates have received large numbers of letters and telephone inquiries asking if AHA was the source of this solicitation, as well as several complaints to AHA from mailing recipients who objected to the character of the solicitation. To avoid further public confusion as to the identity of the American Heart Disease Prevention Foundation and AHA's involvement with the Foundation, and to spare AHA the burden of having to respond to inquiries and complaints resulting from your direct mail solicitation, please cease and desist from referencing the American Heart Association in your solicitations.

With regards,

David M. Livingston
Corporate Secretary and Counsel

bcc: Gordon McCullough

WE'RE FIGHTING FOR YOUR HE
March 20, 1989

Marvin Bierenbaum, M.D.
Executive Director
American Heart Disease Prevention Foundation
48 Plymouth Street
Montclair, N.J. 07042

Re: Cash Bonanza Sweepstakes

Dear Dr. Bierenbaum:

On July 29, 1988, David Wm. Livingston, American Heart Association Corporate Secretary and Counsel wrote to you regarding the use by the American Heart Disease Prevent Foundation (AHDFF) of the American Heart Association name in its Cash Bonanza Sweepstakes. He explained the confusion which was being created in the mind of the public such that many people believed the American Heart Association was sponsoring your "Sweepstakes". In his letter he asked that you stop referencing the American Heart Association in your solicitations. As of this date we have not had a response from your organization, yet we have continued to receive calls and complaints regarding the continued use of the American Heart Association name in your solicitations.

Your solicitation materials are causing a great deal of public confusion. They lead the unwary to believe that they will receive $5,000 in return for their contribution or their blank check when they are most likely, according to the terms of your solicitation, to receive only ten (10) cents. In light of this "misdirection", the American Heart Association is damaged by any implied relationship with your endeavor.

The American Heart Association hereby demands that you immediately cease and desist from any and all further unauthorized and misleading use of its name or any suggestion that it has endorsed your program; and that you print on American Heart Disease Prevention Foundation materials, in prominent typeface, the disclaimer "THE AMERICAN HEART DISEASE PREVENTION FOUNDATION IS NOT AFFILIATED WITH THE AMERICAN HEART ASSOCIATION. THE AMERICAN HEART ASSOCIATION DOES NOT SPONSOR OR ENDORSE ANY AMERICAN HEART DISEASE PREVENTION FOUNDATION SOLICITATIONS..."

We're fighting for your life
OR ACTIVITIES." AHA further demands that, upon receipt of this letter, you destroy all existing unauthorized materials in your possession which may bear its name and which do not contain the required disclaimer.

The American Heart Association will vigorously defend its name from any infringing or unauthorized use. Should you fail or refuse to comply with this demand to immediately cease the unauthorized use of its name and the false suggestion that the American Heart Association is affiliated with your organization, we will have no recourse but to file complaints with appropriate agencies and to consider filing suit against you. If forced to file suit against you, the American Heart Association will request that an immediate injunction be issued to prevent the continued unauthorized use and display of its name.

Very truly yours,

Henrietta S. Munoz
Staff Attorney

cc: David Wm. Livingston, Esq.
   General Counsel
March 29, 1989

Henrietta S. Munoz, Esquire
Staff Attorney
American Heart Association
7320 Greenville Avenue
Dallas, Texas 75231-4999

Re: American Heart Disease Prevention Foundation

Dear Ms. Munoz:

American Heart Disease Prevention Foundation ("AHDPF") requested that I respond to your letter dated March 20, 1989.

First, let me correct one misunderstanding, Marvin L. Bierenbaum, M.D., Chief Executive Officer of AHDPF, by letter dated September 9, 1988, responded to Mr. Livingston's letter dated July 23, 1988.

A copy of Dr. Bierenbaum's letter is enclosed. I believe this letter answers fully Mr. Livingston's inquiry.

AHDPF has no more desire to be confused with American Heart Association than your client has to be confused with AHDPF.

To respond specifically to your requests:

1. AHDPF will not include the disclaimer requested in your letter in its literature. The mark, "American Heart Disease Prevention Foundation," is plainly differentiated from "American Heart Association." The solicitations and literature of AHDPF are distinctively those of AHDPF.

2. As noted in Dr. Bierenbaum's letter of September 9, 1988, AHDPF has ceased all references to American Heart Association in connection with its dietary recommendations to reduce cholesterol levels and control weight. See, enclosed copy of recent literature.

If you have any questions, please call me.

Yours very truly,

MacKenzie Canter III
September 9, 1988

Mr. David W. Livingston
Corporate Secretary and Counsel
American Heart Association
7320 Greenville Avenue
Dallas, Texas 75231-4399

Dear Mr. Livingston:

I have just received your letter of July 29, 1988, (copy enclosed) and want to apologize for the delay in response and for any confusion that our mailings have caused. First, in regard to the dietary advice that has been offered, we felt it proper to give credit to the appropriate source of the recommendations and so included American Heart Association and its guidelines. I guess this was one of those situations when criticism could have been forthcoming either for giving source credit or omitting it. However, since you have set forth your preference, and in deference to it we will omit referencing the American Heart Association in all future solicitations.

In regard to the matter of telephone and mail inquiries about the American Heart Disease Prevention Foundation, we apologize for any inconvenience they may have caused. If you so desire, you may feel free to direct them to us here at the Montclair, New Jersey address and we will attempt to answer them promptly while sending you a copy of each response. We are certainly sensitive to the work loads born by publicly supported groups and do not wish you to be burdened with any of our responsibilities.

Again, thank you for your indulgence and please accept our apologies.

Sincerely,

Marvin L. Bielenbaum, M.D.
Chief Executive Officer

MLB:c1
enclosure
April 13, 1989
The Heart Fund
Gift Committee
Box 9643
Newport, CA 92658-9643

Attn: Ms. Cathy Love

Dear Ms. Love:

It has come to our attention that you are using the name "Heart Fund" to solicit contributions from the public.

The name "Heart Fund" is a servicemark of the American Heart Association and has been registered with the United States Patent and Trademark Office since 1982. The American Heart Association has a legal obligation to prevent infringement or unauthorized use of its service marks. Your use of the name "Heart Fund" is unauthorized and, therefore, in violation of federal law.

Accordingly, the American Heart Association hereby demands that you immediately cease and desist from any and all unauthorized use of its service mark, name, logo, or any other identifying marks. The American Heart Association further demands that you immediately destroy all unauthorized materials in your possession that may bear its service mark.

Should you fail or refuse to comply with this request, we will have no recourse but to file complaints with appropriate agencies and to consider filing suit against you. If forced to file suit against you, we will request that an immediate injunction be issued to prevent your continued unauthorized use and display of the name "Heart Fund". We will also request compensation for damages suffered as a consequence of your infringement, attorneys' fees and any other remedies available under law.

Please advise us in writing within ten (10) days of your compliance with this demand.

Sincerely,

Henrietta S. Munoz
Staff Attorney

cc: G. McCullough

We're Fighting For
May 9, 1989

Norm & Cindy King
1870 Park Newport
6210
Newport Beach, California 92660

The Heart Fund
Gift Committee
Box 9643
Newport, CA 92658-9643

Attn: Norm and Cindy King

The American Heart Association ("AAA") has received complaints - inquiries regarding your use of AAA's registered servicemark, the "Heart Fund," in mail solicitations. You previously have been requested not to use AAA's registered servicemark, "Heart Fund."

Your use of AAA's registered servicemark is not authorized. It has created confusion. It damages AAA's reputation and public goodwill. It is an unfair and deceptive trade practice. Immediately cease and desist from any and all uses of the HEART FUND. Respond in writing within 2 days or AAA will immediately institute actions for injunctive relief, recovery of wrongfully acquired donations and damages. Complaints are being filed with the California Attorney General and other agencies.

David M. Livingston
Corporate Counsel
American Heart Association, Inc.
7320 Greenville Avenue
Dallas, TX 75231

Original
Certified Mail
Return Receipt Requested

{Signature}
THIS IS A CONFIRMATION COPY OF THE FOLLOWING MESSAGE:

214-769-1292 FAX TOBOY DALLAS TX 75201 05-09 0353P EST
FAX NORM AND CINDY KING RPT OLY HGM, 3LR
1870 PARK NEWPORT 210
NEWPORT BEACH CA 92660

ATTENTION NORM AND CINDY KING:

THE AMERICAN HEART ASSOCIATION ("AMA") HAS RECEIVED COMPLAINTS/INQUIRIES REGARDING YOUR USE OF AMA'S REGISTERED SERVICEMARK, THE "HEART FUND," IN MAIL SOLICITATIONS. YOU PREVIOUSLY HAVE BEEN REQUESTED NOT TO USE AMA'S REGISTERED SERVICEMARK, "HEART FUND."

YOUR USE OF AMA'S REGISTERED SERVICEMARK IS NOT AUTHORIZED, IT WAS CREATED CONFLUENT. IT DAMAGES AMA'S REPUTATION AND PUBLIC GOODWILL. IT IS AN UNFAIR AND DECEPTIVE TRADE PRACTICE, IMMEDIATELY CEASE AND DESIST FROM ANY AND ALL USES OF THE "HEART FUND." RESPOND IN WRITING WITHIN TWO DAYS OR AMA WILL IMMEDIATELY INSTITUTE ACTION FOR INJUNCTIVE RELIEF, RECOVERY OF WRONGFULLY ACQUIRED DONATIONS, AND DAMAGES. COMPLAINTS ARE BEING FILED WITH THE CALIFORNIA ATTORNEY GENERAL AND OTHER AGENCIES.

DAVID N. LIVINGSTON CORPORATE COUNSEL FOR THE AMERICAN HEART ASSN INC
7320 GREENVILLE AVE
DALLAS TX 75231

15112 EST

NSMCOMP
April 13, 1988

The Heart Fund
Gift Committee
Box 9643
Newport, CA 92658-9643

Attn: Ms. Cathy Love

Dear Ms. Love:

It has come to our attention that you are using the name "Heart Fund" to solicit contributions from the public.

The name "Heart Fund" is a service mark of the American Heart Association and has been registered with the United States Patent and Trademark Office since 1952. The American Heart Association has a legal obligation to prevent infringement or unauthorized use of its service marks. Your use of the name "Heart Fund" is unauthorized and, therefore, in violation of federal law.

Accordingly, the American Heart Association hereby demands that you immediately cease and desist from using any and all unauthorized use of its service mark, name, logo, or any other identifying marks. The American Heart Association further demands that you immediately destroy all unauthorized materials in your possession that bear its service mark.

Should you fail or refuse to comply with this request, we will have no recourse but to file complaints with appropriate agencies and to consider filing suit against you. If forced to file suit against you, we will request that an immediate injunction be issued to prevent your continued unauthorized use and display of the name "Heart Fund". We will also request compensation for damages suffered as a consequence of your infringement, attorneys' fees and any other remedies available under law.

Please advise us in writing within ten (10) days of your compliance with this demand.

Sincerely,

Henriette S. Hanas
Staff Attorney

cc: O. McCullough

Greetings From The Heart

The Heart Fund is sponsoring a $10,000.00 Cash Giveaway and you are eligible to win $10,000.00 CASH!

You have been chosen by The Heart Fund to receive the "Gift From The Heart" and you may be the recipient of $10,000.00 CASH.

Your Gift from The Heart is a beautiful solid golden heart-shaped pendant necklace layered in 18 karat gold with an 18" Serpentine Chain.

You will love this beautiful gift: "A Symbol Of Life."

Your contribution of $10 or more will bring you this beautiful necklace, and you receive the greatest gift of all.

Please send your check today. "Give From The Heart."

We thank you sincerely, Cathy Love

THE HEART FUND
Gift Committee
Box 9643
A Sweepstakes Letter for Profit

The Watson and Hughes Co. has used a sweepstakes letter to collect expenses for a nonprofit company, the Social Security Protection Bureau, owned by Jerry C. Watson and Bryan C. (Chad) Hughes.

That group charges a membership fee to Social Security Protection Bureau, a nonprofit organization, and issues an improved Social Security card to members. The company, known as the Social Security Protection Bureau, charges a membership fee of $8 a year for the improved Social Security card and offers a sweepstakes to members.

The sweepstakes letter included a disclaimer, below the sweepstakes rules, stating that the offer was not being made by an agency of the federal government and that some of the services offered are provided free of charge or at a lower price by the federal government. For example, Social Security benefits are available free from the government.

The sweepstakes letter was printed by a printing company, and the sweepstakes letter was sent to members of the Social Security Protection Bureau.

The sweepstakes letter was printed by a printing company, and the sweepstakes letter was sent to members of the Social Security Protection Bureau.

- Sandra Evans
Cost of Finding Money Pulls Budget Into Deficit

Frederick Ruof was first drawn to medicine as a Catholic priest, but he often was called to minister to the dead and dying. The interest stayed with him after he left the priesthood, married and worked for two years with the National Easter Seal Society in Baltimore.

In 1983, he decided to branch out on his own and create the National Emergency Medicine Association (NEMA), a charity based in Towson, Md., with a goal of improving emergency services around the country.

Seven years later, Ruof can point to services that include a well-regarded half-hour radio show on health issues, a grant to Baltimore's St. Agnes Hospital to improve its system of treating heart attacks, and funding for projects ranging from accident prevention to cardiopulmonary resuscitation training.

In 1987, NEMA raised $9.3 million in contributions, with $145,000 going to research and emergency programs. The radio program, called "The Heart of the Matter," cost $315,468 that year. With $6.86 million going to fund-raising and educational materials and $571,391 to management, the group ended up with a $301,529 deficit.

"We were trying to make a national effort, and we were starting with nothing," Ruof said in an interview, explaining why his group decided to sign a direct-mail contract with The Watson and Hughey Co. in January 1984.

NEMA raises money by direct mail using the name National Heart Research. Its financial statements for 1987, the latest year available, give a good example of where all this money goes:

- Among the group's costs were:
  - Making list rentals, $1.64 million, some costing more than 10 times the amount that went to research.
  - Watson and Hughey professional services, $486,339.
- Data processing, $972,648, which the contract specifies must be done at Watson and Hughey or a company it designates.
- Preparing, $1.42 million.
- Postage, $2.34 million.
- Cataloging, $422,767.
- Artwork, $25,016.

"We wouldn't have accomplished what we have (without Watson and Hughey)," Ruof concluded. "...and I also have misgivings about their profit margins.

HOW TO CHECK OUT CHARITIES

Here's how to find more information on charities:

- Ask the charity for a copy of its annual report and IRS 990 financial statement. By law, it must give you the IRS 990.
- For a new organization with no annual report or financial statement, request a budget and information about the charity's goals and programs.
- For a national group, contact the Council of Better Business Bureaus' national consumer advisory service in Arlington (270-0105), which may have a report on the charity.
- Contact the National Charities Information Bureau, (212) 925-6300.
- Check out a local appeal with the local Better Business Bureau or local consumer agencies.
- Watch out for revues that closely resemble those of well-known charitable organizations.
- Take any complaints to the Council of Better Business Bureaus, local consumer agencies, the state attorney general's office or, for most states, the U.S. Postal Service.
Sweepstakes ploys only make sponsors richer

Charities suffer from lack of limitations on fund-raising costs

By Kathleen Iioch

NEW YORK — As appeals for charitable contributions soar during the holidays, government and private consumer protection agencies are warning about nationwide sweepstakes that are raking in millions of dollars for fund raisers who give little to the charities they represent.

The ploy is attractive to charitable officials saying the recipient has won a cash prize in a $20,000 charity "sweepstakes." To claim the prize, the better says, the recipient should return the entry form with $15 or more in cash or a check made out to the charity, usually an organization that says it helps heart or cancer research or treatment.

"If it sounds too good to be true, it is just that too good to be true," said Howard Fair, director of the New York State Charity Registration Office in Albany. The "winner" can wind up with a prize of just 10 cents, he said, while the fund raisers keep 95 percent of the donations for campaign costs. Often the charity receives as little as 3 cents of every dollar donated.

There is no law in New York or any other state limiting the sum that can be charged for fund-raising. Critics have said that ceilings would curtail the free speech of organizations seeking to educate the public, and would particularly threaten little-known charities or those seeking money for unpopular causes.

The Better Business Bureau, which monitors fund-raising organizations across the country, recommends a ceiling of 20 percent on fund-raising costs.

Government agencies frequently look for telemarketing violations as a way to catch a scam. They can make public the records of charities reporting large expenditures for fund-raising.

"In Illinois, many people recently received letters saying they were sweepstakes winners, had a one-in-three chance of winning $1,000 and should send a contribution. The chance of winning, experts say, is 1 in 3,328,000," Illinois and Missouri have filed lawsuits against Watson & Hughey, a fund-raising company in Alexandria, Va., that uses direct mail to solicit for a string of small charities.

"The New York State secretary of state, Carl S. Sharf, identified Watson & Hughey as the fund-raiser last year for a charity that spent 87 cents of every dollar for fund-raising. She said that charity, the American Heart Disease Prevention Foundation, received $2.5 million in contributions but spent only $28,000 for research.

"Illinois has issued reports on eight charitable clients of Watson & Hughey, showing that for six of them, the bulk of the collections went for fund-raising and management. In addition to inquiries by state governments, the U.S. Postal Inspection Service has opened an investigation into the Watson & Hughey charitable sweepstakes." Attorney General Neil F. Hartigan of Illinois has charged Watson & Hughey with deceptive business practices, seeking the courts to prevent further soliciting and impose a $30,000 civil penalty.

"In Missouri, hundreds of complaints were received about the sweepstakes in one week in late October," Assistant Attorney General Simon B. Buckner said.

He said legal action had been taken against Robert S. Stone, a Washington lawyer who signed the solicitation letter for the Pacific West Cancer Fund, a Watson & Hughey client. The fund has an answering service at its Seattle headquarters. There was no answer at telephones in the nation's capital listed on its letterhead.

The New York State Attorney General, Robert Abrams, has temporarily barred the Pacific West Cancer Fund from soliciting funds because it failed to register in Albany.

Jerry Watson, a partner in Watson & Hughey, said the concern had designed the sweepstakes campaign for several charities and was not responsible for their programs. He conceded that Pacific West was not registered in New York to solicit funds and said a computer error had allowed letters to be mailed to New Yorkers.

"Because a number of the charities involved in the sweepstakes campaign have names that can be confused with real and registered charities, these organizations report that they, too, are flooded with inquiries," he said.

For example, a Watson & Hughey client, the Walker Cancer Research Fund, has been confused with Walker Laboratory of Memorial Sloan-Kettering Cancer Center in New York, said Mortimer Chute, a vice president at the center.

"We're getting calls from our donors saying they received letters and we are shocked we are involved in a shady fund-raising effort," Chute said. "It's an enduring scam."
The American Cancer Society is the world's foremost voluntary health agency. No other private organization can match the reputation the American Cancer Society has earned through the dedication and commitment of millions of volunteers working in thousands of communities. It is a reputation built on more than 75 years as the acknowledged leader in cancer control. Our programs of research, education, and service have touched the lives of nearly every American.

Entering the cancer field today in burgeoning numbers are organizations willing to exploit the good name and reputation of the American Cancer Society and other worthwhile legitimate health organizations to raise money for questionable uses. While there are many legitimate cancer organizations doing great work, many more are profiting by deliberately confusing the public.

These look-alike and sound-alike organizations adopt names similar to the American Cancer Society or other reputable charities. Many use titles such as "National," "American," "Institute," "Foundation," or "Society" so they can appear to be well-established national organizations. They use direct mail solicitations ranging from questionnaires to sweepstakes offers. These solicitations siphon millions of dollars from legitimate health organizations.

In the cancer field, look-alikes have discovered that people will donate if they believe the American Cancer Society is behind the fund drive. Long time supporters of the Society and other worthwhile organizations often contribute in the mistaken belief that they are giving to the American Cancer Society.

It is our job to make the name and identity of the American Cancer Society so clear to the public and our supporters that they will no longer be misled into mistaking these imitators for the American Cancer Society.

II. DEALING WITH THE LOOK-ALIKE AND SOUND-ALIKE PROBLEM--ENLIST YOUR VOLUNTEERS

We are a grassroots organization of 2.5 million volunteers taking cancer
control programs to literally thousands of communities. Make sure these volunteers know we are the largest private supporter of cancer research in the world, and make sure they tell our story to others. The volunteers' enthusiasm and commitment is our real strength.

Look-alikes are not just a fund-raising problem. They impact on the ability of each program area to do its job properly. Therefore, each program area should be aware of the problem and take a team approach in creating a solution. The better informed the public is about the Society, the less difficulty we will have with look-alikes. A solid, ongoing campaign to build the image of the American Cancer Society is the key. All program areas should be well represented.

A secondary media campaign, aimed directly at the look-alikes is another option. If you do decide to develop a media response you should be prepared for controversy. There are certain dangers in an active campaign against look-alikes. First and foremost, we do not wish to be perceived as self-serving whistle blowers attempting to bully lesser organizations from the cancer arena. This is not our intent. We are advocating that the public take a careful look at any organization, including the American Cancer Society, to which they intend to contribute money. Our books are audited annually and, unlike many look-alikes', are open to public scrutiny. Invite the public to compare. When they do so, we are comfortable in the knowledge that the American Cancer Society will stand the test.

One way to deal with look-alikes is to bring their activities before the court of public opinion. Remember, it is the prime duty and function of the media to report news to its audiences. When there is the possibility that their readers or listeners may be misled or confused by the direct-mail tactics of look-alikes and sound-alikes, the media should have the opportunity to report on these activities. Therefore, you should take considered, careful, but active pursuit of coverage in your local media.
III. GETTING THE MESSAGE OUT

Firm action toward questionable cancer appeals can be undertaken locally by bringing their mailings to the attention of local review boards, editors, state attorneys general, and other responsible individuals and groups. Let them judge for themselves the quality of those appeals. Many of the claims made are exaggerated beyond reality and the public has every right to be warned. (Some examples of mailings appear in Section VIII of this guide.)

Who tells our story?

You might want to avoid a direct confrontation, which could appear self-serving, by enlisting the support of third parties. Potential allies in building your story with the media can include regional postal officials who may be conducting fraud investigations into organizations that use post office boxes in your area to collect responses to look-alike appeals. The head of your local Better Business Bureau, which monitors and rates charitable organizations, should also be in a position to make a statement on the subject. You may also be able to obtain the cooperation of a representative of your state attorney general’s office, which is responsible for regulating charitable activities. You may even find that staff and volunteers from other major non-profit organizations, like the American Heart Association, may be suffering from a similar problem with look-alikes. They can make convincing allies.

If you choose to mount a media campaign about look-alikes, you will want to organize a group of local spokespersons who are articulate and sufficiently visible in your area to attract media and public interest. These spokespersons will need to be well-versed on the American Cancer Society and its achievements and activities, as well as to understand the look-alike problem in some depth.
GETTING THE MESSAGE OUT

They might be medical researchers, practicing physicians, or even communications industry personnel drawn from the ranks of local ACS volunteers. But whoever they are, they will be the primary vehicle for delivering the look-alike message you want the public to hear. (See Section V for sample questions and answers).

One important potential group of allies are consumers who can relate "case histories" to the media--local residents who believe they have been taken in or confused by what seemed to be a legitimate appeal. The consumer you find should be someone who is willing to show and talk about the letter or direct mail questionnaire that confused him into thinking he was responding to the American Cancer Society...someone who might even be willing to write a letter to the editor, to a consumer affairs editor, or to an advice columnist like "Dear Abby." (Sample letter to editor is in Section V.)

A good way to find people like this is to establish your own local alert system. Assign members of your staff and volunteers to watch their mail for information about questionable fund-raising activities. Backgrounders can be sent directly to key leaders and excerpts can be shared with others through memos and newsletters.

If a "cancer quiz" questionnaire or sweepstakes is among the materials, copies can serve as "evidence" for the media--and their analysis will help galvanize media opinion, and thus public opinion. This is particularly helpful if a locally respected physician or pollster from a local college can demonstrate that such simple surveys won't contribute materially to solving the many problems of cancer. (Samples of questionnaires are included in Section VIII.)
GETTING THE MESSAGE OUT

Who do we tell?

While the traditional media audience for cancer information has been science or medical writers, for the look-alike story you'll find that audience has changed. It's much more effective to discuss look-alikes with investigative reporters, editorial writers, consumer affairs editors, commentators, and columnists such as Sylvia Porter rather than science or medical writers. The look-alike problem is not really a medical issue—it is an ethical and consumer issue, and one in which the public will take an interest.

Your story should have a local angle—what are these other groups doing in your city or town? But there are other local angles as well. For reporters in your area, you may want to add to the materials you adapt from the handbook some statistical information on local ACS contributions, fund-raising activities, and local ACS programs that have benefitted patients in your community. You may want to develop a local or Division Facts & Figures. This can be easily done using the National Facts & Figures and your Division's annual report.

When do we tackle the issue?

The answer will vary for each community. For many, it may make no sense to pitch the story until the issue surfaces.

Regardless of when you choose to contact the media, however, preparation is always the secret to success. A 10-week promotional calendar is included in this material. It can be built into your overall media plan at any time you see fit. As usual, if a local story develops quickly, you should be prepared to react quickly. Much of the news coverage we receive as a result of our efforts will occur at unexpected times.
Sample Promotional Calendar

WEEK 10  Mobilize Division Volunteers

• Discuss problem with Division-level volunteers
• Using guide, build your Division strategy
• Communicate strategy to Units

WEEKS 9-8  Mobilize Unit Volunteers

• With Unit Executive Committee identify activities following the strategy
• Take advantage of special programs of Unit to build local identity
• Mail general releases on Society research programs

WEEKS 7-6  Distribute live copy PSA spot (personal visit). Include background statement and release about patient service programs for use during Weeks 2 and 1.

WEEKS 5-4  *Arrange interviews with radio, TV, newspapers on specific American Cancer Society programs or the look-alike problem.

*Arrange speeches to civic groups, etc.

*Hand deliver or send out radio live copy PSAs

*Send out release about the Cancer Response System (CRS)

WEEK 3  *Mail out op-ed piece

*Continue speeches to groups

Promotional Calendar

WEEKS 2-1  The Promotion

• Have TV and radio run spots

• Conduct mall shows/health fairs, educational seminars, media events to focus on local ACS presence

• Send or deliver releases with local annual report and budget breakdown

After

• Send thank you notes to people who helped: volunteers, journalists

• Mail letters to editor from key volunteers as final reminder to the public about the ACS's excellent work.
V. AMERICAN CANCER SOCIETY MEDIA MATERIALS INCLUDED

The enclosed media materials were prepared for Divisional staff and selected volunteers to use in obtaining local press, radio, and TV coverage for ACS on the look-alike issue. These materials will help you clarify the position of the American Cancer Society with respect to look-alike organizations that are currently raising funds from donors who often believe they are giving to ACS. Not only are they suitable for use in the "external" media, they also contain useful information for inclusion in ACS Divisional and local newsletters and other materials.

These media materials are included:

* "Charitable Giving and the American Cancer Society: A Background Paper"

This backgrounder explains the Society's history and compares its role and scope to those of other national cancer organizations.

* "Questions and Answers About Charitable Giving and the American Cancer Society"

This Q-and-A sheet covers many of the same issues as the backgrounder but in a simpler, more accessible format.

* "Do You Know Where Your Cancer Dollars Go?" - Sample op-ed piece

Two versions are included. One version is a very strong indictment of look-alikes and sound-alikes. You might feel this version is too strong and opt for the second, less adversarial piece.
Charitable Giving and the American Cancer Society:
A Background Paper

ACS is responsible for developing and implementing programs in three distinct areas: research, education, and patient service and rehabilitation. Last year, ACS provided over $86 million to support scientific research by individuals and institutions, making it the largest private supporter of cancer research in the nation and the second largest source in the United States (the National Cancer Institute, a federal agency, is the largest).

Through its education efforts, the Society reaches people everywhere with lifesaving information on how to stop cancer through early detection, diagnosis, and treatment. ACS also develops programs to inform medical professionals of the latest developments in cancer research, detection, treatment, and prevention.

The third component of the Society's program is patient service and rehabilitation. In 1988, over one-half million cancer patients were reached through service and rehabilitation programs, including the patient visitor programs like CanSurmount, in which former cancer patients offer functional and emotional support to cancer patients, and Reach to Recovery, which addresses the needs of women with breast cancer, and many others.

Fund-Raising and ACS
Financial support of the American Cancer Society - which has the largest budget of any private health charity - is derived entirely from private giving, both through direct contributions and legacies. Most of the donations are obtained during the Cancer Crusade, the Society's volunteers raise funds through a variety of activities including personal door-to-door visits in their neighborhoods and communities.

ACS BACKGROUND PAPER

In fact, the Society receives no funding from any government source. The American Cancer Society meets all the standards of the two top charity-rating agencies, the National Charities Information Bureau (19 Union Square West, 6th Floor, New York, NY, 10003-3395) and the Council of Better Business Bureaus, Philanthropic Advisory Service (4200 Wilson Boulevard, Arlington, Virginia 22203-1804). These organisations set standards for ethical promotion and fundraising, financial accountability and disclosure, responsible governing bodies, expenses, and purposes and programs.

In addition to the ratings provided by these two organizations, other guidelines can be used to determine the viability of a charitable organisation:

* Does the charity have available for inspection a budget and annual report independently audited by certified public accountants? An agency's willingness to disclose financial information is important. (The American Cancer Society produces an audited annual report each year, available to anyone who requests it.)
* Are the group's fund-raising and administrative costs reasonable?

The National Charitable Information Bureau suggests that the cost of fundraising usually should not exceed 30 percent of the total funds raised. (The American Cancer Society's costs for fundraising are around 15 percent—well under the suggested limit.) Administrative costs should not exceed 15 percent. (The American Cancer Society's costs in 1988 were 9 percent of its total budget.)

ACS BACKGROUND PAPER

* Does the charity use ethical fund-raising methods? Some organizations use meaningless questionnaires, exaggerated or unsubstantiated claims, unordered merchandise, sweepstakes, or other techniques. Others use paid solicitors—a practice that greatly increases the cost of raising funds, which means fewer dollars are available for the charity. (The American Cancer Society uses only volunteer solicitors—the most cost-effective technique.)

* Does the charity have an identifiable management and board? The board should have several medical professionals—and the board should be active in the charity's work. (The national, state and local levels of the American Cancer Society are all governed by unpaid Boards of Directors.)

* Does the charity have effective and useful programs? This is, by far, the most important criterion for a charitable organization. These programs should be clearly identified and run by competent professionals.
By scheduling their fund-raising drives during the Annual Cancer Crusade, other "charities" prey upon the visibility, respectability, and reputation of the American Cancer Society. And their techniques are often questionable. Many of the organizations that compete with the American Cancer Society use only mail solicitation, with no apparent headquarters other than a post office box (some even change the locale of these post office boxes frequently; one has gone so far as to open an office in Atlanta, Georgia—The American Cancer Society's headquarters city). Several use names similar to the American Cancer Society or inappropriately use the words "National" or "American" in their names to create an impression of a much wider scope—all techniques designed to help these organizations imply a sanction they do not have.

Conclusion

The American Cancer Society has two basic interests: preventing more people from suffering from a disease that strikes three out of four families and helping those who develop cancer. Its efforts—coupled with the efforts of other legitimate and effective groups, like the National Cancer Institute—have helped. The survival rate of cancer patients has risen from less than 20 percent to nearly 50 percent in the past ( ) years. But clearly, the battle is far from over.

ACS's fund-raising efforts are absolutely essential to continuing its work, but those efforts are being threatened by less-respected groups. The American Cancer Society is by far the largest private, nonprofit health organization in the United States and, as such, achieves important economies of scale that enable it to provide a greater percentage of its proceeds to its programs.

Our size is not the only reason for our effectiveness. Our policy of maximizing volunteerism, our long experience, and public cooperation all have combined to make this happen.
Questions and Answers About Charitable Giving and the American Cancer Society

What is the American Cancer Society?
The American Cancer Society is the oldest and largest private nonprofit cancer organization, with 2.5 million members united to conquer cancer through research, education, and patient programs. It is the largest private supporter of cancer research in the nation; last year, it provided over $86 million to support cancer research by institutions and individuals.

How does the American Cancer Society raise money?
Each year, the American Cancer Society conducts its Annual Cancer Crusade. This year, it expects to raise nearly 70 percent of its annual budget through such cost-effective activities as door-to-door visits by volunteers. (The rest of the budget comes from legacies and trusts.)

Aren't there other cancer fighting organizations?
Yes. The American Cancer Society is the oldest such organization in the country, but there are other reputable organizations, like cancer centers and hospitals. Unfortunately, there are also less reputable look-alikes that prey upon the visibility and reputation of the American Cancer Society to raise money for poorly designed or worthless programs. Some of them have names that sound similar to that of the American Cancer Society, and some schedule their fund-raising efforts to coincide with the Society's Annual Cancer Crusade.

How can you tell which charities are disreputable?
There are a number of ways. One of the simplest is to contact one of the two charity-rating services in the country, the National Charities Information Bureau (19 Union Square West, 6th Floor, New York, NY, 10003-3395) or the
Council of Better Business Bureaus, Philanthropic Advisory Service (4200 Wilson Boulevard, Arlington, Virginia 22203-1804). These organizations set standards for ethical promotion and fundraising, financial accountability and disclosure, responsible governing bodies, and programs. They also rate hundreds of charities and provide detailed reports on them. The American Cancer Society meets all the standards of both organizations.

What fund-raising techniques do such organizations use? In addition to attempting to confuse the giving public through similar names or coincidental fund-raising drives, some organizations use unethical methods to gather funds. They may use meaningless questionnaires, ostensibly to gather data for research (but really enabling them to account for the cost of the questionnaire—a fund-raising instrument—as a research expense). A few use sweepstakes to lure contributions. They might make exaggerated or unsubstantiated claims or use scare tactics. Some send unordered merchandise, then request a donation. Some organizations use paid solicitors, which greatly increases the cost of raising funds. And some even send "invoices," perhaps believing that the potential donor assumes he or she must pay. The American Cancer Society uses only volunteer fund-raisers—the most cost-effective technique.

What can you learn from a charity's annual report? The annual report should include several important pieces of information. First, it should show that the accounting was audited by a certified public accountant. Second, it should show the cost of raising funds. The National Charities Information Bureau suggests that the cost of fund-raising usually should not exceed 30 percent of the total funds raised. (The American Cancer Society's fund-raising costs are around 15 percent of the total budget.) And it should reveal the administrative costs of the organization,
which generally should not exceed 15 percent of the budget. (The American Cancer Society's administrative costs are around 9 percent.)

Should you examine the organization's board of directors?
Certainly. The board of a health charity should include medical professionals, and it should be active in the charity's planning and programming. The Board of Directors of the American Cancer Society comprises 124 members, approximately half of whom are members of the scientific or medical professions.

Can you tell something about an organization by looking at its programs?
Yes. A charity's programs are, after all, what it exists to implement, and you should understand what it does before you give. They should be spelled out in any literature produced by the organization, and their value should be made clear. If they aren't, ask your doctor if the programs are important.

The American Cancer Society conducts programs in three areas: research, education, and patient service and rehabilitation. It provides funds for institutions and individuals for medical and scientific research. It works to educate the American public on how to stop cancer through early detection, diagnosis, and treatment. The American Cancer Society also develops programs to inform medical professionals of the latest developments in research and treatment. And the American Cancer Society works to help cancer victims directly, offering emotional and functional support and rehabilitation.
American Cancer Society Op-Ed Piece #1
(Medium Strong)

DO YOU KNOW WHERE YOUR CANCER DOLLARS GO?
(Must be retyped to include local information)

When you donate money to a nonprofit organization, you probably assume certain things. You assume that the money you give goes to help the charity's beneficiaries. You assume that the charity is run efficiently and doesn't spend an exorbitant amount on fund-raising or administration. And you assume that the nonprofit's programs are truly effective in helping others.

But it's not always too safe to make such assumptions. And, in fact, simply giving is not always enough.

It's not enough because sometimes it's hard to tell where your charity dollars go. The world of nonprofit organizations has grown tremendously in recent years. But many organizations have been formed that don't run efficiently or don't fulfill their stated mission, thereby diverting donors' dollars from well-run, effective charities. Like a potential customer for a commercial product, the potential charitable donor also should choose carefully.

As the oldest and largest private nonprofit cancer organization in the country, the American Cancer Society is concerned that the public be informed about its own activities and methods—and that donors should not be confused by look-alikes. The American Cancer Society wants potential donors—and the many who have supported it and its mission over the years—to be aware of the differences in organizations and to know where their cancer dollars are going before they give.
Fundraising for Nonprofit Organizations

The American Cancer Society raises money through its Annual Cancer Crusade, which uses the Society's 2.5 million volunteers to make a variety of personal appeals, such as door-to-door visits in their neighborhoods and communities, to raise approximately 70 percent of its $331,000,000+ budget. Volunteers are the most cost-effective fund-raising vehicle, and the cost of raising funds is an important clue in evaluating a charitable organization.

Many less reputable organizations use such techniques as meaningless questionnaires, unordered merchandise, or scare tactics to entice people to give. Some even use paid solicitors, a practice that greatly increases the cost of raising funds. The National Charities Information Bureau (NCIB), a charity-rating agency in New York, has established a number of guidelines for charities, and it recommends that the cost of fund-raising usually should not exceed 30 percent of each dollar raised. The American Cancer Society's costs for fund-raising are approximately 15 percent, well under the suggested limit.

Guidelines for Givers

Potential givers should ask for such information—and they should be able to find someone responsible who will answer their questions. There are other questions to ask when evaluating the viability and utility of an organization:

- Does the charity have an annual report (including an independent audit by certified public accountants) and a published budget that clearly outlines revenues and expenses—and the amount supporting
its programs? The American Cancer Society provides this information to anyone who requests it.

* What are the organization's administrative costs? The National Charities Information Bureau recommends that administrative costs should not exceed 15 percent of the total budget. In 1988, the American Cancer Society spent 9 percent of its budget on administration—considerably less than the recommended figure. After administrative and fund-raising costs are subtracted from the total budget, the Society devotes more than 75 percent of its funds to support and implement its programs.

* Does the group have an identifiable management and board? For health care charities, the board should have several medical professionals—and the board should be active in the charity's work. Approximately half of the American Cancer Society's 121 board members are medical or scientific professionals.

* Does the group meet the standards imposed by the two top charity-rating agencies, the National Charities Information Bureau and the Philanthropic Advisory Service of the Council of Better Business Bureaus? The American Cancer Society meets all standards of both groups.

A Charity's "Products"

By far, the most important question to ask of a health charity is this: Does it have effective and useful programs? These are the charity's
"products." An organization should be able to tell you exactly what it does and why it is important, and its programs should be run by competent professionals.

The American Cancer Society has developed programs in three areas: research, education, and patient service and rehabilitation. ACS is the largest private supporter of cancer research in the nation (it provided $86 million last year to support research by institutions and individuals). The Society works to educate millions of people about cancer, providing them with life-saving information on how to stop cancer through early detection, diagnosis, and treatment— and to educate medical professionals on the latest developments in cancer research and treatment. And the American Cancer Society provides a variety of services to cancer patients to help them cope and recover, reaching one-half million patients in 1988 alone.

The American Cancer Society receives no federal assistance, and its Annual Cancer Crusade, its sole opportunity to obtain the financial support essential to its mission, is diluted by other, less reputable organizations. Many of them have names and literature similar to that of the American Cancer Society; many schedule their fund-raising efforts during the Society's Crusade. They are, in effect, competing for the donor's dollar. But the reality is that few of these organizations can match the breadth or depth of American Cancer Society programs. Cancer research is slowed; cancer victims suffer; progress toward solving the riddle of this killer is lessened. Charitable organizations deserve public support— but only to the extent that they can provide satisfactory answers to the question: "Where are my dollars going?"
OP-ED PIECE #2—STRONG

BEFORE YOU GIVE, KNOW WHO IS GOING TO GET IT

(Must be retyped to include local information)

Many Americans are givers, and this enables volunteer neighbors to work for the common good. Unfortunately, their work is being threatened by a few less-than-reputable organizations that are soliciting donations and then using most of the money for their own private purposes.

"Look-alike" organizations are springing up across the country and using names like "Foundation," "Research," "Society," "National," "Institute," and "American" to ride upon the reputations of more credible institutions to solicit donations. Often, they pay much more than half of the donations to fund-raising agencies to produce more money and a big chunk of the rest for administrative costs.

The American Cancer Society is having particular problems with look-alikes. People are being misled by the look-alikes that are using stationery, logos, and names similar to those of the American Cancer Society. Consequently, good people are becoming angry after giving to a look-alike unknowingly and then receiving a request for a donation from the American Cancer Society.

The problem is there are other honest and reputable nonprofit organizations that desperately need the public's support. But because a rotten apple or two is in the barrel, it is affecting all the good nonprofits.

The public needs to know that some nonprofit organizations may be operating within the dictates of law, but without the dictates of ethics. And unfortunately, this hurts the common good because money given for research never makes it there.

When anyone asks for money, either at the door or in the mail, be sure you know who's going to get it.
LETTER TO THE EDITOR—STRONG

LOOK-ALIKE NONPROFIT ORGANIZATIONS CHEATING THE PUBLIC

When we were in school, there were always cheaters. While most of the students put in the study time and prepared for the tests, there were a few who tried to take the easy way out and cheat.

From school, the cheaters have moved on to business, politics, and sports. Like the lady who took a short cut in the New York Marathon a few years ago, or the athletes at the Olympics who used steroids.

Now it seems, the cheating element has taken another step downhill and entered the field of nonprofit organizations, particularly in the area of cancer research. You see, I work for the American Cancer Society, and hardly a day goes by that we don't hear about one of these cheaters, or as we call them, "look-alikes," soliciting money from an unsuspecting public.

What's wrong with someone else out collecting money to fight cancer? Not a thing. In fact, there are a number of honest organizations doing just that. But there are also some dishonest look-alikes who are collecting money just to line their pockets. Often, they only spend a dime out of every dollar they collect on research, while the other ninety cents goes into their wallets and toward raising more money.

The National Charitable Information Bureau recommends that the cost of fund raising should not usually be more than 30%.

The (NAME OF UNIT) Unit of the American Cancer Society spent (PERCENTAGE) of its donations locally for rehabilitation for cancer patients and their families, counseling services, public education, and many other community service programs. Only (PERCENTAGE) is for
administrative costs. The rest of the funds are used for cancer research (25%) and fund raising (15%).

These look-alikes are exploiting the public by using names that are similar to those of reputable organizations. For instance, they often stick words like "Foundation," "Research," "Society," "National," or "American" in their titles. The look-alikes have discovered it is easier for them to get donations if people mistake them for a reputable nonprofit organization or are fooled into thinking they are affiliated with one.

"Look-alikes" are taking the public for millions of dollars every year, and the money is going into their bank accounts instead of into cancer research where it could be saving lives. The flim-flam man has found another way to prey upon honest people who want to help others.

Some of their unscrupulous tactics are to promise sweepstakes prizes or other inducements. They also make their mail solicitations look like billings or government mailings and imply that penalties will be levied for not returning a donation.

Many of these so-called "charities" list a man and wife as sole participants and charge exorbitant administration fees. Sometimes high costs are attributed to research which may turn out to be a simple questionnaire that is included in their mailing.

Granted, everybody has the right to give money to whomever they please. But they also have the right to know where their money is going before they give it away. People need to be aware that the "look-alikes" and the cheaters are out there and know how to identify them.

One way to determine if they are reputable is by requesting a copy of an annual report that shows an independent audit by certified public accountants. An organization's willingness to disclose financial information
and show proof of how it spends your money is very important. They should have no problem with sending an annual report since a donation can always be mailed in later after their authenticity is verified.

Another way is by looking at its programs. What they do should be clearly spelled out in any literature produced by the organization. If it isn't, then ask your doctor if the program is important. Also, an organization promising research or services should have recognized medical professionals on its board of directors or its staff.

Despite these reprehensible actions, I would still encourage everyone to give to their favorite charities. Like the American Cancer Society, many charities receive no government funding and depend solely upon donations for pursuing their causes.

Yes, give. But give wisely.

The cheaters haven't changed since high school. They are still looking for a free ride, and it is up to us to decide if they get one.

Signature

Sample Letter to the Editor

Note: This letter is based on an actual circumstance reported to a division of the American Cancer Society. Any letter written to an editor should be based on facts known to the author, but the information contained in this sample may be useful as a guide.
Dear Editor:

Every year since I can remember, I've given $10 to my neighborhood cancer crusade volunteer when she came to call. This year, I got a letter in the mail with what looked like an interesting quiz on nutrition and cancer in it. I filled it out and sent some money to a cancer fund that had a postal box in New Jersey. A few weeks later, when my neighbor came by to collect for this year's cancer crusade, I said, "But I already gave to cancer. I sent my check in the mail." My neighbor told me that the Cancer Crusade is run by the American Cancer Society, which relies on volunteers to keep its fund-raising costs down and let most of the money go to research and education.

Lately, she said, this important fund-raising effort has been diluted by competition from other cancer organizations that schedule their own funding drives to coincide with the Society's crusade. These organizations often have names similar to that of the American Cancer Society, yet most are far less cost-effective than the Society, have no governing body, and are not sanctioned by national charity-rating agencies.

She also told me that the National Charities Information Bureau, a charity-rating agency in New York, recommends that donors exercise caution when making a contribution to organizations that claim to help cancer victims. Anyone who is considering such a contribution should be able to obtain information about the group's budget, administration, and governing body before writing a check.

I'm passing this information along because, as a concerned citizen, I urge donors to be careful. The battle against cancer is far from over and each dollar that goes to fund-raising costs instead of research and education can be a dollar wasted.

Sincerely,
ACS INSTITUTIONAL RADIO COMMERCIALS
(RETYPE ON DIVISION LETTERHEAD)

:30  A DOLLAR PER PERSON

ANNCR.: LAST YEAR, THE AMERICAN CANCER SOCIETY SPENT ABOUT ONE-DOLLAR FOR EVERY PERSON IN AMERICA FOR CANCER RESEARCH, PATIENT AND COMMUNITY SERVICES, AND EDUCATION. THAT WAS OVER TWO HUNDRED AND THIRTY-FIVE MILLION DOLLARS THAT WERE SPENT ON HELPING PEOPLE WITH CANCER, ON EDUCATING MEDICAL PROFESSIONALS ABOUT NEW METHODS OF TREATING PEOPLE WITH CANCER, AND ON Telling PEOPLE WITHOUT CANCER HOW TO REDUCE THEIR RISK OF DEVELOPING IT.

AND OUR EFFORTS ARE WORKING. MILLIONS OF PEOPLE ALIVE TODAY WHO HAVE HAD CANCER WILL TELL YOU THAT.

ANNCR.: THE AMERICAN CANCER SOCIETY...SEVENTY-FIVE YEARS OLD AND STILL WORKING FOR A LIFE'S SAVINGS.

:30  THAT'S WHY

ANNCR.: CANCER IS A TRAUMATIC EXPERIENCE THAT FIVE MILLION AMERICANS HAVE ALREADY HAD. THAT'S WHY THE AMERICAN CANCER SOCIETY KEEPS BUSY. THE AMERICAN CANCER SOCIETY VISITS CANCER PATIENTS IN HOSPITALS AND AT HOME. IT PROVIDES COUNSELING SERVICES SO PEOPLE CAN COPE WITH NEW SITUATIONS AND LEAD FULFILLING LIVES. IT PROVIDES PUBLIC EDUCATION PROGRAMS FOR SCHOOLS AND COMMUNITIES AND SUPPORTS LIFE SAVING RESEARCH.

THE AMERICAN CANCER SOCIETY--75 YEARS OLD AND STILL WORKING FOR A LIFE'S SAVINGS.

:30  IT'S A LIVING

ANNCR.: WHAT DOES THE AMERICAN CANCER SOCIETY DO FOR A LIVING? IT HELPS PEOPLE. THE AMERICAN CANCER SOCIETY DOES MUCH MORE THAN SUPPORT LIFE SAVING RESEARCH. ITS VOLUNTEERS VISIT CANCER PATIENTS AND LET'S THEM KNOW THEY AREN'T ALONE. IT PROVIDES COUNSELING FOR PEOPLE WITH CANCER AND THEIR FAMILIES, AND ITS PUBLIC EDUCATION PROGRAMS HELP PEOPLE LIKE YOU AND ME LEARN HOW TO REDUCE OUR RISK OF CANCER.

THAT'S WHAT THE AMERICAN CANCER SOCIETY DOES FOR A LIVING. WHAT A LIFE!
UNLOCKING THE MYSTERY OF CANCER

LISTEN TO A TRUE STORY OF AN UNSOLVED MYSTERY ABOUT A KILLER, A STORY MORE BAFFLING THAN AN AGATHA CHRISTIE NOVEL. THIS MYSTERY HAS ALL THE CLASSIC INGREDIENTS—INTRIGUE, INTERNATIONAL INVESTIGATIONS, EVEN DEATH ON THE NILE. FOR YOU SEE, THIS MYSTERY BEGINS WITH THE EARLY EGYPTIANS, WHO EVEN THOUGH THEY COULD BUILD ONE OF THE WONDERS OF THE WORLD, THEY COULD NOT STOP THIS KILLER.

DOWN THROUGH THE AGES, THIS KILLER TOOK LIFE ALMOST INDISCRIMINATELY AT WILL...UNTIL MODERN TIMES. IT WAS THEN THAT A PROFESSIONAL ENTERED THE SCENE. BY FOLLOWING THE CLUES, THIS PROFESSIONAL MADE MANY DISCOVERIES THAT HELPED SAVE MANY PEOPLE FROM THE KILLER.

THIS MYSTERY KILLER, KNOWN FOR AGES, IS CANCER. AND THE PROFESSIONAL THAT'S ON ITS TRAIL IS THE AMERICAN CANCER SOCIETY. TODAY, THREE MILLION AMERICANS HAVE BEATEN CANCER...BUT WE WON'T STOP UNTIL EVERYONE HAS, AND WE CAN CLOSE THE BOOK ON CANCER FOR GOOD.

WE'RE THE AMERICAN CANCER SOCIETY—SEVENTY-FIVE YEARS OLD AND STILL WORKING FOR A LIFE'S SAVINGS.

CREATIVE COMMERCIALS

DAVID: MOMMIE, WHAT'S CANCER?
MOTHER: WELL, DAVID, CANCER IS WHEN THE CELLS IN THE BODY GROW TOO MUCH.
DAVID: IF SOMEBODY GETS CANCER, DO THEY DIE?
MOTHER: SOMETIMES, DAVID.
DAVID: MOMMIE, AM I GOING TO DIE?
MOTHER: (PAUSE, THEN JOYOUSLY) NO, HONEY, YOU'RE GOING TO LIVE!
ANNCR.: IN 25 YEARS, THE SURVIVAL RATE OF CHILDREN WITH CANCER HAS MORE THAN DOUBLED, AND MONEY SPENT FOR RESEARCH BY THE AMERICAN CANCER SOCIETY HAS INCREASED TWENTY FOLD.
DAVID: GREAT!
ANNCR.: THE AMERICAN CANCER SOCIETY...SEVENTY-FIVE YEARS OLD AND STILL WORKING FOR A LIVING.

PAUL HARVEY—"THE REST OF THE STORY" SCRIPT ABOUT ACS

ON A DARK, STORMY NIGHT IN 1913, TEN PHYSICIANS MET IN NEW YORK CITY TO DO SOMETHING THAT WOULD BE KNOWN TODAY THE WORLD OVER. AT THIS TIME, WILLIAM HOWARD TAFT WAS IN THE WHITE HOUSE AND WORLD WAR ONE WAS ON THE DOORSTEP.

ON THAT FATEFUL NIGHT, THESE TEN MEN OF MEDICINE COMMITTED THEMSELVES TO FINDING AND DISSEMINATING INFORMATION ABOUT THE PREVENTION AND TREATMENT OF A DEADLY DISEASE. THIS DISEASE THAT THEY HAD
JOINED TOGETHER TO COMBAT HAD BEEN AROUND FOR AGES. IT WAS KNOWN TO THE EGYPTIANS FOUR THOUSAND YEARS AGO. IT WAS A DISEASE SO PUZZLING THAT EVEN THEY, THE BUILDERS OF THE MIGHTY PYRAMIDS, HAD GIVEN UP ON TRYING TO CURE IT.

HOWEVER, LATER PHYSICIANS DID NOT GIVE UP ON IT. ONE SUCH, AETIOS OF AMIDA, WHO LIVED BUT THIRTY-SEVEN YEARS FROM 527 TO 565 A.D., WROTE A MEDICAL ENCYCLOPEDIA CONTAINING A CAREFUL DESCRIPTION OF THE DISEASE. HIS WRITING ALSO INCLUDED DETAILED DIRECTIONS ON HOW HE DEALT WITH THIS DISEASE.

BUT WHAT ABOUT THOSE TEN PHYSICIANS IN NEW YORK? IN THEIR DAY, MOST OF THE MEDICAL COMMUNITY BELIEVED, LIKE THE EGYPTIANS, THAT NOTHING COULD BE DONE ABOUT THIS DISEASE. IN FACT, WHEN THE DISEASE WAS DIAGNOSED, A DOCTOR WOULD OFTEN REPORT HIS FINDINGS TO THE FAMILY...TO THE FAMILY, NOT THE PATIENT. FOR THIS DISEASE WAS ALMOST CERTAIN DEATH, AND IT WAS FEARED THAT THE TRUTH WOULD BE TOO MUCH OF A SHOCK FOR THE PATIENT TO HANDLE.

SOON AFTER THOSE TEN PROFESSIONALS GOT TOGETHER, PROGRESS BEGAN TO BE MADE AGAINST THIS DISEASE. GRANTED, IT WAS VERY, VERY SLOW IN COMING AT FIRST, BUT IT WAS PROGRESS NONETHELESS. AS THE YEARS PASSED, THE MEDICAL DISCOVERIES SOON CAME MUCH FASTER.

ONE SUCH DISCOVERY WAS MADE BY A DR. GEORGE PAPANICOLAOU, THANKS TO THE SUPPORT OF WHAT THOSE TEN PHYSICIANS DID IN 1913. DR. PAPANICOLAOU, A GREEK BIOLOGIST WORKING IN THE UNITED STATES, DISCOVERED HOW TO IDENTIFY THIS DISEASE IN A SPECIFIC LOCATION IN THE ANATOMY OF WOMEN AS IT BEGAN TO FORM, BEFORE IT BECAME FATAL. AND TODAY, THANKS TO DR. PAPANICOLAOU, HIS TECHNIQUE IS 80-90% EFFECTIVE AND IS SAVING COUNTLESS LIVES THE WORLD OVER.

AND MANY OTHER GREAT DISCOVERIES HAVE OCCURRED DUE TO WHAT THOSE TEN MEN DID ON THAT RAINY NIGHT IN 1913. DISCOVERIES THAT MUST BE GIVEN AT LEAST PARTIAL CREDIT FOR THE THREE MILLION PEOPLE WHO HAVE HAD THIS DISEASE AND ARE ALIVE TODAY. FOR YOU SEE, DR. PAP-ANICOLAOU WAS THE DEVELOPER OF THE...PAP SMEAR. AND THE DREAD DISEASE THAT HAS BAFFLED MAN FOR THE AGES IS CANCER. AND MUCH OF WHAT WE KNOW ABOUT WHAT CAUSES THIS MOST MYSTERIOUS DISEASE CAN BE TRACED TO WHAT THOSE TEN PHYSICIANS DID. FOR YOU SEE, THOSE MEN WHOSE NAMES HARDLY ANYONE WOULD RECOGNIZE, ORGANIZED WHAT IS KNOWN TODAY THROUGHOUT THE WORLD AS...THE AMERICAN CANCER SOCIETY. AND NOW YOU KNOW...THE REST OF THE STORY.
CAUTION: DO NOT USE IN PRESENT FORM. RETYPE TO INCLUDE LOCAL DATA.

PATTERN NEWS RELEASE: LOOK-ALIKES

CONTACT: (NAME)

TEL NO.:

Residents of (COMMUNITY, TOWN, CITY) who want to be certain that the money they donate to cancer research is used in the most effective way, should be aware of look-alike cancer organizations.

(FULL NAME), President of the American Cancer Society (UNIT NAME) Unit said, "When you contribute to a charity, it makes good sense to find out exactly where your money is going and how it will be spent. Contributors have the right to know if their donations are being spent in an efficient way."

The term look-alike is used because some organizations may include words such as "National," "Society," "Institute," "Research," or "Foundation" in their names in an attempt to be mistaken for organizations like the American Cancer Society (ACS) or the federal government's National Cancer Institute (NCI). Look-alikes may actually spend an overwhelming proportion of the donations they receive on their fundraising and administrative expenses. ACS relies primarily on volunteer-run fund raising.

According to (PRESIDENT), ACS distributes approximately (PERCENT) of its income in (STATE) to actual cancer control programs.

(PRESIDENT) emphasized that there are many reputable organizations that sponsor legitimate cancer research and offer services to cancer patients. "We do not want to discourage people from contributing to other organizations
but would just like them to take note of how their funds are being distributed," (S/HE) added.

ACS urges all donors to ask questions before writing a check to a charity. The American Cancer Society and the National Charitable Information Bureau (NCIB), a charity-rating agency located in New York, have both developed a set of guidelines for donors to follow:

* Check to see if the organization's fund-raising efforts are cost-effective. The National Charities Information Bureau stipulates that a charity should not spend any more than 30 percent of one dollar on fund raising. The American Cancer Society spends 15 percent.

* Check to see if the organization produces an annual report. This report might be helpful in informing the contributor how much money the organization spends on research, fund raising and other expenditures.

* Find out the organization's administrative costs. The NCIB recommends that these costs should not exceed 15% of the budget. The American Cancer Society's administrative costs are among the most effective at 9%.

* Learn if the group has a solid management and an identifiable board of directors. It's important that the board consists of several medical and scientific professionals.

ACS can be identified by its copyrighted Sword of Hope symbol. The Society works with more than (NUMBER) of volunteers in the (STATE) and approximately 2.5 million volunteers nationwide.

According to (FULL NAME), a (UNIT NAME) Unit volunteer, ACS and other highly respected charitable organizations rely on the generosity of the public in order to continue their work. "If the public knows exactly where its charitable dollars are going, and contributes wisely, we'll all benefit," (VOLUNTEER) said.

###
A CHARITY CASE:

"LOOK-ALIKES" MAKING MONEY AT THE AMERICAN CANCER SOCIETY'S EXPENSE

Rarely does a day go by that (NAME), (TITLE) of the (NAME OF UNIT) Unit of the American Cancer Society doesn't get a complaint from the public because of solicitations from "look-alike" or "sound-alike" charities that have been mistaken for the American Cancer Society. "Look-alikes" and "sound-alikes" are organizations that adopt names similar to the American Cancer Society's (ACS) to raise funds for questionable uses.

Many "look-alikes" choose words like "National," "American," "Foundation," "Research," and "Society" for their titles so they can appear to be a well-established national organization. They also use stationery, logos, and methods similar to the American Cancer Society's. Further, "look-alikes" schedule fund-raising events during the ACS Annual Crusade to ride on its visibility, respectability, reputation, and public awareness.

"These organizations have discovered that people will donate if they believe the American Cancer Society is behind their fund drive," said (LAST NAME OF ABOVE PERSON). "Supporters of the ACS give to look-alikes thinking they are giving to us."

(LAST NAME) is quick to admit there are many legitimate organizations in the cancer field that are dedicated to raising money for
However, it is the "look-alikes" that are causing trouble for the American Cancer Society. Sometimes they stoop to unscrupulous practices.

These practices include promising sweepstakes prizes and giveaways for a donation, which the American Cancer Society never does. High pressure tactics are also used at times to get money. For instance, mail solicitations are sometimes designed to look like billings and others imply penalties will be levied for not returning the requested donation.

"People who mistake the 'look-alikes' for the ACS often call and complain about such tactics and threaten to stop donating," reported (LAST NAME OF ABOVE PERSON).

Many of the officers of these alleged charities are members of the same family. Often, administration costs are unusually high, and a majority of money donated to the "look-alike" is paid to marketing firms for the making of more money.

In the end, only a small percentage of the funds that were solicited for research or patient services are ever used for those purposes. And the "research" may turn out to be a simple questionnaire included in a regular mailing.

Besides taking money dishonestly, "look-alikes" are hurting the image of the American Cancer Society and doing harm to the public itself. Charitable donations that otherwise would have gone for lifesaving research or needed patient services are instead going into someone's pocket.

"It's important that the generous people of America still give to their favorite charities," said (LAST NAME), "but, please, be cautious and be sure you know who you are giving to."

###
Guidelines for Speakers

* Keep the presentation as brief as possible—15 minutes or less, followed by a question-and-answer period.

* Tailor your presentation to your audience. For example, Kiwanis may be interested in how contributions to ACS are used, since they may hold a fund-raising event for ACS themselves. Another club might be more interested in how the look-alikes are managed and administered and how their budgets are allocated.

* Be prepared for someone in the audience to tell you that he or she has donated money to some look-alike organizations. Do not react in a hostile manner if such a person becomes defensive.

* Some members of the audience may want to talk to you privately after the presentation about the look-alike problem; be prepared to stay awhile to chat.

* Bring a brief release along with the speaker's biography and photograph to the meeting. The group may want to use a release in an internal publication or newsletter. Or you may be able to give the release to any reporters who cover the presentation.
### Fund-Raising Organizations in the Cancer Field

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<tr>
<th>Name &amp; Abbreviations</th>
<th>Date Founded</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMC Cancer Research Center and Hospital, Denver, CO</td>
<td>1904</td>
<td>To provide patient care and conduct research and professional education programs.</td>
</tr>
<tr>
<td>American Cancer Society (ACS), Atlanta, GA</td>
<td>1913</td>
<td>To eliminate cancer as a major health problem by preventing cancer, saving lives from cancer, and diminishing suffering from cancer through research, education, and service.</td>
</tr>
<tr>
<td>American Institute for Cancer Research (AICR), Washington, DC</td>
<td>1981</td>
<td>To support research into the relationship between nutrition and diet and cancer and to expand public knowledge of the results of research as it relates to cancer prevention and treatment.</td>
</tr>
<tr>
<td>Cancer Care/National Cancer Foundation, New York, NY</td>
<td>1947</td>
<td>To provide patient services in the New York Tri-State area and referral, educational, and other services nationwide.</td>
</tr>
<tr>
<td>Cancer Fund of America (CFA), Knoxville, TN</td>
<td>1987</td>
<td>To provide funds to medically indigent cancer patients and to provide lifesaving facts concerning cancer's prevention, early diagnosis, and treatment.</td>
</tr>
<tr>
<td>Name &amp; Hqtrs.</td>
<td>Founded</td>
<td>Purpose</td>
</tr>
<tr>
<td>--------------</td>
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</tr>
<tr>
<td>CANCER RESEARCH COUNCIL (FORMERLY U.S. CANCER RESEARCH COUNCIL) BETHESDA, MD</td>
<td>1981</td>
<td>To investigate and promote clinical testing and implementation of hormone-associated therapy for all cancers.</td>
</tr>
<tr>
<td>CANCER RESEARCH FOUNDATION OF AMERICA ALEXANDRIA, VA</td>
<td>1985</td>
<td>To conduct fundraising for the purpose of funding grants to individuals and organizations engaged in research and in educational projects related to cancer.</td>
</tr>
<tr>
<td>CANCER RESEARCH INSTITUTE NEW YORK, NY</td>
<td>1952</td>
<td>To investigate and promote the study of immunology in the treatment of cancer and allied diseases, through the collection and analysis of data, and laboratory and clinical research.</td>
</tr>
<tr>
<td>CENTER FOR ALTERNATIVE CANCER RESEARCH WASHINGTON, DC</td>
<td>1952</td>
<td>See PROJECT CURE.</td>
</tr>
<tr>
<td>THE CHEMOTHERAPY FOUNDATION NEW YORK, NY</td>
<td>1968</td>
<td>To support and stimulate the development of drug treatment to control cancer and allied diseases through research, clinical studies, and application techniques and to promote greater education among professionals.</td>
</tr>
<tr>
<td>NAME &amp; HQTS.</td>
<td>DATE FOUNDED</td>
<td>PURPOSE</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>--------------</td>
<td>---------</td>
</tr>
<tr>
<td><strong>LEUKEMIA SOCIETY OF AMERICA</strong></td>
<td>1949</td>
<td>To provide programs of medical research, education, and service to patients with leukemia and related diseases.</td>
</tr>
<tr>
<td><strong>NATIONAL CANCER CENTER (FORMERLY NATIONAL CANCER CYTOLGY CENTER) PLAINVIEW, NY</strong></td>
<td>1953</td>
<td>To achieve earlier diagnosis of cancer through widespread use of cytology techniques and to further the knowledge of cancer through research.</td>
</tr>
</tbody>
</table>
| **NATIONAL CANCER INSTITUTE (NCI) BETHESDA, MD** | 1937         | The NCI coordinates all cancer research in the country and is part of the National Institutes of Health (NIH); therefore, all of its funding comes from the federal government. It is included in this list to distinguish it from other organizations that might use a similar name or locate themselves in Bethesda. | (*Recently, philanthropist Armand Hammer has begun a fund raising program called the Stop Cancer Foundation and will give the money to NCI.*)  
| **NATIONAL CHILDREN'S CANCER SOCIETY TROY, IL** | 1987         | To help children stricken with life-threatening cancer through patient care, therapy, and research. |  
| **NATIONAL COALITION FOR CANCER SURVIVORSHIP ALBUQUERQUE, NM** | 1986         | To generate a nationwide awareness of cancer survivorship through an information clearinghouse, a network of support groups, advocacy, and a quarterly newsletter. |  
| **NATIONAL FOUNDATION FOR CANCER RESEARCH BETHESDA, MD** | 1974         | To support research efforts of Dr. Albert Szent-Gyorgyi and scientists at institutions doing research based on his bioelectronic theory of cancer. |  


<table>
<thead>
<tr>
<th>NAME &amp; HOTRS.</th>
<th>DATE</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>NATIONAL LEUKEMIA</td>
<td>1979</td>
<td>To provide aid to leukemia patients and their families and to support leukemia research and public education.</td>
</tr>
<tr>
<td>ASSOCIATION</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GARDEN CITY, NY</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PACIFIC WEST</td>
<td>1987</td>
<td>To promote improved rates of survivability for persons with cancer through awareness of the causes of cancer and to support improved methods of treatment.</td>
</tr>
<tr>
<td>CANCER FUND</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SEATTLE, WA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROJECT CURE</td>
<td>1984</td>
<td>To advance and improve the general welfare of the community through promotion and dissemination of information regarding health-related issues. Technically, it is not a charity but a lobbying organization.</td>
</tr>
<tr>
<td>WASHINGTON, DC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DAMON RUNYON/ WALTER WINDHELL</td>
<td>1946</td>
<td>To further the advancement of cancer research through fellowship grants to Ph.D.s and medical school graduates.</td>
</tr>
<tr>
<td>CANCER FUND</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NEW YORK, NY</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNITED CANCER COUNCIL</td>
<td>1963</td>
<td>To promote, encourage, and assist in programs of &quot;applied&quot; cancer research, programs of public and professional education, and service to cancer patients.</td>
</tr>
<tr>
<td>CARMEL, IN</td>
<td></td>
<td></td>
</tr>
<tr>
<td>WALKER CANCER RESEARCH</td>
<td>1981</td>
<td>To conduct and sponsor cancer research and to inform the public and the scientific community about such research and general knowledge about cancer.</td>
</tr>
<tr>
<td>INSTITUTE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EDGWOOD, MD</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Rules of Business Ethics and Practice

Members of the Association are companies or divisions of companies that provide consulting services to non-profit organizations with respect to direct response fundraising. Members do not solicit funds from the public.

Services provided by members include offering advice and counsel; conducting feasibility studies and tests; designing and managing campaigns; developing and producing solicitation materials; and providing mailing lists. All those enjoying membership in the Association subscribe to the following standards and requirements as a condition of that membership. All provisions of these Rules may not pertain to services provided by members to for-profit organizations or certain political or religious organizations.

1. Accountability of Members
   The Association recognizes special obligations of public accountability due to the status enjoyed by the client group it serves. Accordingly, upon the request of a member of the public, a member will:
   (a) Divulge the existence of a client relationship.
   (b) Provide a copy of the contract governing its employment as fundraising counsel or inform the inquirer where the contract may be obtained.
   (c) Provide a list of the member's owners and/or principals.

2. Accountability of Clients
   A member of the Association will not knowingly serve an organization that fails to meet minimum standards of public accountability. A member will take reasonable, affirmative steps to assure that a client organization meets these standards. An organization must:
   (a) Maintain an independent, functioning board of directors (or other governing body).
   (b) Provide detailed information on its finances upon request.
   (c) Provide detailed information on its programs upon request.
   (d) Not permit self-dealing or material conflict-of-interest on the part of its officers, directors, or employees.
   (e) Operate consistently with its stated purpose(s).

3. Obtaining Clients
   Nonprofit organizations deserve an extra degree of care when approached by a business offering fundraising services. Accordingly, a member of the Association will not:
   (a) Exaggerate its performance record or lead a prospective client to a false conclusion that a given result is guaranteed.
   (b) Offer any kind of compensation to an officer, director, employee, or advisor of a prospective client for aid in obtaining the client's business.
   (c) Enter into the business relationship without reasonable assurance that the client understands the economics and processes of direct response fundraising.
   (d) Enter into the business relationship without first stating in writing the reasonable expectations for fundraising income.
   (e) Perform work for compensation for a client without a written contract.
   (f) Execute a contract with any party other than one reasonably appearing to have the authority to commit the client.

4. Contracts
   For the protection of both members of the Association and nonprofit clients, contracts must contain minimum safeguards. Therefore, any contract entered into between a member and a nonprofit organization will contain provisions that:
   (a) Clearly describe the services to be provided and the compensation to be paid.
   (b) Specify the period for which the contract has effect.
   (c) Allow the nonprofit organization ten days from the date of the contract's signing in which to cancel the contract without obligation.
   (d) Require final approval from the client for list selection, copy, and cost projections.
   (e) Promise prompt, detailed reporting of results upon the campaign's conclusion, upon the close of the client's annual accounting period, or upon the client's reasonable request.
   (f) State that the client bears financial responsibility for all services procured in execution of the campaign.
   (g) (i) Clearly state the terms and conditions, if any, for relieving the client of its contractual obligations before the time specified as the contract duration; and (ii) give the client fair notice of any continuing obligations that may exist after a termination by the client.
5. Fees

A member of the Association must base its fee on actual services to be provided at a prearranged, reasonable level of compensation. Necessarily, "reasonable" can only be determined by all the factors involved, including: the time and type of labor involved, the nature and duration of the professional relationship between provider and client, and the ability and experience of the people performing the services.

Fees based on a percentage of fundraising proceeds (however stated) are not favored. A member may enter into such an arrangement only if it is based on an actual, demonstrable, and fair allocation of risk and if the resulting compensation remains within reasonable bounds.

6. Fundraising Methods

Members of the Association owe obligations of truthfulness and integrity directly to the donating public. Accordingly, in conducting a campaign members will not:

(a) Knowingly misrepresent a nonprofit organization's mission, accomplishments, or plans for the future. A member will take reasonable, affirmative steps to avoid such a misrepresentation.

(b) Knowingly impart expectations to the public that cannot be fulfilled. A member will take reasonable, affirmative steps to avoid creating such an expectation.

(c) Knowingly create confusion between the nonprofit client's identity and that of any other nonprofit, governmental, or private organization. A member will take reasonable, affirmative steps to avoid creating such confusion.

(d) Receive donations or exercise control over the expenditure of donations.

(e) Perform work for a client when the member's reasonable judgement indicates that the undertaking in question will clearly jeopardize the client's existence.

7. Conflict of Interest

Strong protections against even an appearance of conflict of interest are necessary. This is so due to the great public trust placed in nonprofit organizations and, by implication, in the businesses that serve them. Accordingly, a member of the Association shall assure that:

(a) All decisions by the nonprofit client affecting its business dealings with the member shall be undertaken without the prospect of undue influence. No officer, director, principal, or fiduciary (or close relative of any of the preceding) of a member may serve a client organization as officer, director, or employee.

(b) A client knows in advance of any material relationship between a member and a third party who provides services related to direct response campaigns. Even after disclosure, a member may not engage in an interested transaction that does not demonstrably benefit the client.

(c) No credit or loans be extended to a client conditioned upon the continuation of the employment relationship between member and client.

8. Confidentiality

All dealings between members of the Association and their clients are confidential, except:

(a) as provided in 1, above;

(b) where the subject matter is a public record; and

(c) where a member is obeying the legitimate disclosure order of a lawful authority.

As Amended, June, 1988.
"Bonanza Sweepstakes" Bags Millions For Cancer Groups — How Much For Cancer?

A group of small, newly established U.S. cancer charity organizations soliciting funds through direct mail sweepstakes campaigns is creating a storm of controversy around cancer fundraising.

The question is: Of the money they raise, how much goes to cancer programs? Bombarding homes across the country with letters promising cash prizes to recipients and asking for donations to help fight cancer, the groups and their fundraising consultant have drawn criticism from consumer watchdog agencies, state legislators, and representatives of established charities.

Questioning their fund-raising tactics, critics contend that the true ratio of the money raised goes toward research and program purposes. Although the groups' actual revenues reach into the millions, most of these dollars are funneled back into direct mail fundraising costs, they say.

In 1987, for example, three cancer organizations represented by the Virginia-based fundraising consultant Watson and Hughley, collected $14,468,500, according to a report from the Office of the Massachusetts Attorney General.

Figure 1. Watson and Hughley Clients

<table>
<thead>
<tr>
<th>Cancer</th>
<th>American Institute for Cancer Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cancer Association of Tennessee</td>
<td></td>
</tr>
<tr>
<td>Cancer Fund of America</td>
<td></td>
</tr>
<tr>
<td>Pacific West Cancer Fund</td>
<td></td>
</tr>
<tr>
<td>Project Cura (Center for Alternative Cancer Research)</td>
<td></td>
</tr>
<tr>
<td>United Cancer Council</td>
<td></td>
</tr>
<tr>
<td>Walker Cancer Research Institute</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>Adopt-A-Pet</td>
</tr>
<tr>
<td></td>
<td>American Heart Disease Prevention Foundation</td>
</tr>
<tr>
<td></td>
<td>National Emergency Medicine Association</td>
</tr>
</tbody>
</table>

Figure 1: Watson and Hughley Clients

Of that, $1,377,165 (9%) was put into research or services for which the money was raised. The largest propor-

The National Charities Information Bureau, a watchdog agency that monitors charities, says fundraising and administrative costs should not exceed 40% of expenses. The Council of Better Business Bureaus, another watchdog agency, says fundraising costs should be no more than 59% of contributions.

Watson and Hughley manage fundraising activities for seven cancer organizations, including the United Cancer Council, the Walker Cancer Research Institute, and the Pacific West Cancer Fund (Figure 1).

Menace to Other Groups

Charities using Watson and Hughley's fundraising tactics threaten to siphon the credibility of other groups who direct much higher percentages of revenues into research and patient services. For example, the American Cancer Society, the nation's largest cancer charity, devotes from 72%-77% of its funds to research and patient services.

Don Henry, ACS vice president for fundraising, said that the Cancer Society spent $506,234,000 in fiscal year 1986-1987; 77% went toward research, education, and community and patient services. Only 19% went to fundraising and 4% to management.

One of the Watson and Hughley groups has been prominently funding ACS officials. Called the Cancer Fund of America, the group sent a mailing address on Pennsylvania Road, the same road at the Atlanta-based ACS.

"People are getting misled and calling into the Cancer Fund," Henry said. The Cancer Fund of America, founded by a former ACS employee, is actually based in Knoxville, Tennessee.

Washington Address

Sweepstakes returns from several other Watson and Hughley clients are directed to a Washington, D.C., address. Critics suggest that this address is chosen to lend "national" appeal to those groups. The letters go either directly to the legislators and media, such as Walker Cancer Research Institute, 928 F Street N.W., Suite 404, Washington, D.C. 20002-1856, or to an attorney, Robert B. Davis, who also has a return address and phone listing at 928 F Street, but neither Davis nor the Walker Cancer Institute have offices.
posted on the P street building directory.

When asked about the mysterious P street address, Jerry Watson, a partner in Watson and Hughey, admitted that letters are actually being delivered by the crowd to a Washington post office box.

Questionable Approaches

Critics of Watson and Hughey say the company uses misleading approaches in its sweepstakes appeals. The letters inform recipients that they are each winners in a $3,000 sweepstakes.

However, the small print of the charities' brochures reveals the $3,000 prize. The largest number of letters and sweepstakes do not have names above $100.

Fourth Round Grand Prize

Fourth Round Grand Prizes receive much smaller offers of the prize: from $25 for $20, $4 for $10, $6 for $5, $25 for $25, $175 for $10. The remaining $3,000 is to be split among other entrants. No one can receive a check for less than $100, the rules say.

Officials at regional ACS chapters, Cancer Information Service offices, and headquarters of the state attorneys general say sources of people are helping complete the contest. "We get calls at least 15 times a day, I have 20 calls here that I haven't had a chance to return," said Sylvia Reed, of the Public Charities Unit of the Connecticut State Attorney General's office.

Checks For 10 Cents

Jerry Tate of the Tennessee division of the ACS said many people who are unhappy about their winnings. "Most of the checks that have actually been sent to people are for 50 or 15 cents," he said. "These people think they're going to win $1,000."

A number of states have issued warnings about the sweepstakes letters, alerting consumers to read the small print. Several states, including New York, Missouri, and Illinois, have been asked to register or to solicit the state.

The U.S. Postal Service is also conducting an investigation into the fundraising activities of Watson and Hughey.

Company Plagued

The company and its backers are plagued by theexperimental. James T. Reynolds, president of the Cancer Fund of America, says his group has been making financial stability to Watson and Hughey. The Cancer Fund of America was established 30 months ago to assist cancer patients with the costs of transportation, medication, and other services.

Reynolds says he is not involved with the fundraising activities, but "the new organization is a lot of them has no alternat-

Big Boost

Steve Emanuel, vice president of the Walker Cancer Research Institute in Ridgefield, Maryland, said that the sweepstakes revenue has been won by the organization a big financial boost. "If it is not won by the direct-mail fundraising, we wouldn't have any money for research," he said.

A November 9 press release from the Walker Institute states that "Charitable organizations, such as the American Cancer Society, March of Dimes, Boys Club of America, the Catholic Church use sweepstakes to raise funds." ACS's Don Henry said, "We have never used a sweepstakes."

Watson said that many people narrowly criticize his company for controlling charities' fundraising activities. "We are helping advertise advertising," he said. "Our responsibility really ends.

United Cancer Council

1997 Total Revenue = $10,762,901


Vol. 81, No. 2, January 18, 1989

NEWS 81
with the design and sale (of a package) to those organizations... we don't touch a dime of the charities' money. We send those a bill for our services."

Watson said that each client works with mail houses, computer houses, and printers who bill the client directly. "We don't have swindlers in any of these companies," he said. However, Watson and Hughey do own a company which critics claim is the source of mailing lists for most of the charities. Charities may spend over $100,000 a year on mailing lists rented, the Missourion report on charities shows.

Attorney Recommended

Watson said that his company also recommends an attorney for its clients. Most of the groups use Washington, DC, attorney Robert R. Stone.

Stone's signature appears on some of the sweepstakes letters. Printed on letterhead stationery with the phrase "P Street address, the letters read "I have been retained by (1) organization to study winning constants of the results of the organization's sweepstakes campaign."

Stone says the District of Columbia Bar Association is conducting an investigation into Stone's letter. A spokes-

man of the Bar Association said he could neither confirm nor deny the investigation.

No Information

Stone, who has a listing in the District of Columbia telephone directory, could not be reached for comment. The number connected to an answering service that disclosed no information about Stone or his office.

The sweepstakes letters themselves are reviewed by attorneys in New York and Chicago who specialize in promotional law, said Watson. The company then submits the solicitation packages to the client for final review. "We cannot complete a package until they okay it," he said. He noted that about 15% are rejected by the client.

Letters

Most of the letters to potential donors include a brief statement about cancer, such as "Over 495,000 Americans will die from cancer in 1988." Critics say these statements printed on fundraising materials are considered "education" by some groups, allowing them to include part of the cost of sweepstakes mailings under program/education expenses.

All of the Watson and Hughey groups report spending sizable portions of their budgets on education, which includes postage, envelopes, mailing services, printing, mailing lists, and data processing.

In at least one case, the educational statements on the letter appear out-of-date or incorrect. Three of the five statements in a letter from the Cancer Fund of America do not correspond with the widely accepted ACS figures for 1988.

The Cancer Fund letter states:

- 55,000 being Americans will eventually contract cancer (ACS estimates 72 million)
- every 75 seconds, someone in America dies of cancer (ACS estimates every 64 seconds)
- caner will strike 2 out of every 3 families (ACS estimates 2 out of 4 families)
- ACS estimates are based on data collected annually by the National Cancer Institute.

Types?

Cancer Fund president James Reynolds admitted that he did not notice these figures were wrong. "It may not have been in my supply it may have happened at the printers," he said. He added that the statistics he is familiar with are from 4 or 5 years ago, and he might not have realized they had changed. Jerry Watson said "it sounds like a typo," adding that his company designs more than 100 different campaigns a year and "We seldom make mistakes." Of the cancer charities represented by Watson and Hughey, three seem to be under the closest scrutiny. They are the Walker Cancer Research Institute, the Cancer Fund of America, and the

<table>
<thead>
<tr>
<th>Charitable Organization</th>
<th>Program</th>
<th>Program</th>
<th>Program</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Education</td>
<td>Research</td>
<td>Service</td>
</tr>
<tr>
<td>Adopt-A-Pet, Inc.</td>
<td>$1.5 million</td>
<td>37%</td>
<td>0%</td>
</tr>
<tr>
<td>American Heart Disease</td>
<td>$2.5 million</td>
<td>64%</td>
<td>5%</td>
</tr>
<tr>
<td>Freedom from Foreclosures</td>
<td>$2.5 million</td>
<td>33%</td>
<td>0%</td>
</tr>
<tr>
<td>National Emergency</td>
<td>$3.7 million</td>
<td>32%</td>
<td>0%</td>
</tr>
<tr>
<td>Medicaes (1987)</td>
<td>$2.5 million</td>
<td>32%</td>
<td>0%</td>
</tr>
<tr>
<td>Project Care, Inc.</td>
<td>$3.6 million</td>
<td>33%</td>
<td>0%</td>
</tr>
<tr>
<td>United Cancer Council</td>
<td>$10.0 million</td>
<td>39%</td>
<td>1%</td>
</tr>
<tr>
<td>Walker Cancer Research</td>
<td>$2.1 million</td>
<td>54%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Notes:
1. Cancer Fund of America's and Pacific West Cancer Fund's financial data were unavailable.
2. The percentages of revenue do not add to 100% because a surplus/deficit column is not shown.

Pacific West Cancer Fund, all of which have blanketed the country with letters this fall. The only link between these groups, according to the group's representatives, is their fundraising consultant Watson and Hughes.

Information about two of these three groups follows. Information about the third, the Walker Institute, is contained in the box on the next page.

Cancer Fund of America

James Reynolds's Cancer Fund of America is an outgrowth of a cancer charity established by Reynolds in his home state of Tennessee – The Cancer Association of Tennessee. Differing dramatically in purpose from the research-oriented groups, the Cancer Fund is strictly a patient-aid organization, raising money to provide indigent cancer patients with funds to cover costs of transportation, medications, medical supplies, and other services.

Established less than a year ago, the Cancer Fund of America has not yet released any financial information, but President Reynolds says his personal goal is for 35% of funds to go toward fundraising and management. He admits that people have told him not to expect to meet his goals this year.

Reynolds is "trying hard to reach the standards of the Better Business Bureau, but meeting all of the BBB's standards may take a number of years," he said. He reported being less concerned about meeting the standards of the National Charities Information Bureau, an organization to which, as of mid-November, he had not responded.

Reynolds noted that the same mass mailings campaign has not only played an important role in fundraising but also has helped boost patient referrals. "We are getting some recognition," he said.

In a new mailing, the Cancer Fund plans to include a special card for recipients to submit names of cancer patients they might need financial assistance that the Fund could provide.

Despite widespread criticism of his group's fundraising efforts, Reynolds is satisfied with results of the same mailings campaign.

Pacific West Cancer Fund

The Pacific West Cancer Fund, based in Seattle, Washington, was incorporated in the fall of 1987 to help develop improved methods for early detection of cancer and to increase
Walker Cancer Research Institute

A paper published in *Perspectives in Biology and Medicine* in 1980 provided the impetus to start the Walker Cancer Research Institute (WCRI) in January 1981, according to its vice president, Steve Blumenthal. The mission of the institute is to test and develop "chemically triggered delayed action chemotherapy" (TDTA), the subject of the 1980 paper authored by Evan Haria Walker, PhD.

The institute does not conduct research at its Edgewood, MD, location. Although initially unwilling to release the names of its institutions WCRI supports, Blumenthal later said that they have agreements with researchers at Battelle Columbus Laboratories in Columbus, Ohio, and at the University of California, San Francisco.

Les Hinsaw, a spokesman for Battelle, confirmed the WCRI contract, but said that the amount and length of the contract were confidential. Blumenthal has said that the research center has already set aside funds for a cancer drug synthesis laboratory to be established in 1980. Other plans include development of a cell biology laboratory and expansion of the WCRI office.

Currently the Walker Cancer Research Institute is run by Blumenthal and Walker, who is president and chairman of the board. Walker, a physicist at the U.S. Army Ballistic Research Laboratory at Aberdeen Proving Grounds in Maryland, devotes his time to the organization without compensation, said Blumenthal.

"The majority of the Board are P.D.s. scientists from major universities," he said. He added, however, that only one, a medical doctor, has a Ph.D. in a field related to medical research. "No M.D.s are on the board," he said.

Blumenthal estimates that in 1980, WCRI spent $123,000 on research-related activities. Much of this money will go toward establishment of the chemistry laboratory next year, he said. Michael Wright, Virginia State Division of Consumer Affairs in Richmond, said organizations using Battelle and Hopps typically collect over $1 million in their first or second year, which is about eight times what the Walker Institute put into research in 1980.

The Council of Better Business Bureaus reports that the Walker Institute has provided information to them, but that a report on the Institute is not yet available. The National Charity Information Bureau has not received any information from WCRI after several mailed requests, three of which the Institute says it never received.
public awareness about cancer signs and risks. Donald Tarver, an adminis-
trator for Pacific West, emphasized that his organization is education and not research oriented.

Three Goals

Tarver said his group has three primary goals: 1) to support scholarships for college students who are survivors of cancer, 2) to establish programs to provide direct assistance to cancer patients, and 3) to work with universities to purchase nuclear magnetic resonance spectroscopy equipment to use in research on early cancer detection. "That, right now, is our biggest hope," Tarver said.

Formerly on the board of the United Cancer Council, Tarver left the Council in January. He said Pacific West Cancer Fund has no relationship to the Council, which is another Watson and Hughey group. The Pacific West Cancer Fund is governed by a board of five persons drawn from the area and business communities and others with a personal interest in cancer, but none of the five has an M.D., said Tarver. A December article in The Chronicle of Philanthropy reported that Tarver's son Steven is the group's secretary. His daughter, Dana R. Johns, is the chairman of the board.

Flash

Tarver said the Pacific West Cancer Fund "has gotten some bad" about the Watson and Hughey mailings, but attributes most of this criticism to an error by the data-processing house, causing letters to be sent to statutes of the foundation. Since the group was not registered to solicit, "We hope we have corrected the mistakes," he said.

Almost all the educational material mailed out so far has been of the "fund-raising type," Tarver said. But Pacific West is planning a mailing about radon in January or February, which they hope will stimulate people to become members of the group and to make donations. Contributions will receive a free radon test kit, he said.

Neither the BBB nor the National Charities Information Bureau has issued a report on the Pacific West Cancer Fund.

By Kate Audodin

Perspective: What Makes a Cell Run Wild?

In the past year, a number of noteworthy studies elucidating the genetic underpinnings of cancer focused attention on this rapidly moving field. Although discoveries in this area have had limited practical payoff until now, significant clinical applications are on the horizon.

"In the absence of recent molecular advances, we had little idea of the genetic changes that underlie the creation of tumor cells," said Robert A. Weinberg, Ph.D., of the Whitehead Institute for Biomedical Research. "And because we didn't know the genes driving the cancer process, most of our therapies were devised purely by empirical means."

He added that "now that we are coming to understand the causes of cancer on a molecular level, we have for the first time a rational basis for designing cancer therapies. I think this understanding is likely to lead to entirely new, hopefully more effective treatments within the next decade."

Although much remains to be explained about how genetic changes can make cells malignant, most researchers now agree on the broad outlines of the process, as well as some details. Two major categories of genes appear to contribute directly to cancer progression: oncogenes, which aid development generally, and tumor suppressor genes (also known as recessive en-
cogenes or anti-oncogenes), which behave as recessives with respect to cancer formation.

Multiple Lesions Required

It is not clear whether the development of cancer always involves changes in groups of both these types. However, progression to malignancy is a multistep process, and most researchers now believe that it requires multiple genetic insults.

Prominent among recent reports was the description by investigators at the Johns Hopkins University Medical School of a clear progression of genetic changes as small human colorectal adenomas grow large and develop into carcinomas.

This is the last of a series of occasional articles on the molecular genetics of cancer.
Columbia, MD 21201

Dear Mr. [Name],

This letter will serve as your legal notification that the three individuals named in the Cash Disbursement Box below are Grand Finalists in the $5000.00 Cash Bonanza Sweepstakes.

One of the individuals named below is the Third Round Grand Finalist and is guaranteed winner of a $1000.00 certified bank check.

The other two individuals are guaranteed 4th Round Grand Finalists and their prize checks will be mailed to them on or about December 30, 1988.

CASH DISBURSEMENT BOX

If your name does not appear in the Cash Disbursement Box above, please disregard this Notice.

OFFICIAL CASH CLAIM COUPON

Columbia, MD 21201

To claim your prize, please enclose (check one)

// a personal check or cash in the amount of $7 or more to help fund our research programs to find a cure for cancer.

// a personal check with the word VOID written across it.

Your check will be mailed to [Address].

[Signature]

CASH DISBURSEMENT BOX

If your name appears in the Cash Disbursement Box at the left, you are a cash winner in the $5000.00 Cash Bonanza Sweepstakes.
FEB 18 '89 11:28 ATTORNEY GENERAL KC P87

Cash Claim Voucher below is the enclosed prepaid envelope along with your check for $7 help in our fight against cancer. In a blank check with the word "VOID" written across it.

Follow these instructions and on or about December 30, 1988 a bank check will be drafted on you by regular mail. Remember, you must send a check to claim your prize.

This massive $5,000,000 Cash Bonanza Giveaway is sponsored by Walker Cancer Research Institute (WCCI). As I write to you, approximately 1,328 people will die from cancer before the sun sets on this day. Through this give-away, we are hoping to raise desperately needed funds to help in the fight against cancer.

Over 495,000 Americans will die from cancer in 1988. And the number of new cases of most major forms of cancer continues to increase about 12% each year.

Through our aggressive research programs at WCCI, we hope to unlock the hidden cure for cancer before the next 495,000 Americans die.

But to continue this important work, we need your help and the help of our other friends.

So, please send your check for $7 or more today.

Remember, to claim the cash prize you have already won you must send us your check either made out for $7 or more or your blank check with the word "VOID" written across it.

Either way, on or about December 30, 1988 a bank check will be mailed to you.

Sincerely,

Dr. Evan Harris Walker
Executive Director

P.S. If this letter is addressed to you and your name appears in the Cash Disbursement Line, PLEASE NULL, your Cash Claim Coupon has a certified cash value.

This means if you lose the Coupon, you forfeit the certified cash value associated with your name. So we recommend you mail your Coupon back to our Distribution Office as soon as possible.

Make Those Cancer Fighting Checks

C Check-up—get one each year
H Healthy Air—STOP smoking
E Eat foods that help fight cancer risk
C Check your home for cancer causing hazards like radon
S Keep your workplace free of cancer hazards
S Sun only in moderation and always use a sunblock
November 16, 1988

Columbia, MO 65203

Dear Mrs. [Name],

I have been retained by the Walker Cancer Research Institute (WCLI), to notify winning contestants of the results of the organization’s sweepstakes campaign.

This letter is notification that you have won a cash prize in the WCLI $5,000.00 Sweepstakes. WCLI is very pleased you are a winner and shall look forward to you returning the enclosed Winner’s Release Form so your prize check can be sent to you.

Please read the enclosed Winner’s Release Form - then sign and return it to me as soon as possible.

Also, as a winner in the $5,000.00 sweepstakes by returning the enclosed form, you will automatically be entered in the All American $50,000.00 Sweepstakes that will be drawn in December.

WCLI is very happy that you have won a prize. You are not obligated to make a contribution to WCLI in order to claim your cash prize, but since this is a “charity” sweepstakes, we do hope that as a cash prize winner you will wish to contribute at least $1.

Regardless of whether you contribute — your sweepstakes cash prize remains yours to keep no matter what.

Please let me or my client know if you have any questions and I will anxiously await the return of the enclosed Winner’s Release Form.

Sincerely,

Robert R. Stone
Attorney

Please complete and return the enclosed Winner’s Release Form at your earliest convenience. Call (301) 629-1777 with any questions you may have.
WINNERS RELEASE FORM
Prepared For Use In Missouri

PRIZE WINNER

Columbia, MO 65203

0007937014 27X2M 12

Please Return No Later Than
December 21, 1988

1. By signing below, I state that I am eligible for the cash prize I have won.

2. I am a U.S. resident, 18 years of age or older.

3. I am not an employee of the Walker Cancer Research Institute, its suppliers or advertising agency.

4. I agree to be responsible for any taxes that may be due on the cash prize I have won.

5. Check one:

/ / I hereby give permission to use my name for publicity purposes in return for the cash prize I have won.

/ / No. I'm publicity shy, but as a winner I am willing to let you use my name or initials in connection with contest publicity, according to arrangements I will make later with our office.

6. To claim my prize and be entered in the $50,000.00 sweepstakes, I have enclosed (check one) and signed my name agreeing to the above terms:

/ / A personal check or cash in the amount of $5 or more to help in the fight against cancer (make check payable to Walker Cancer Research Institute). So

/ / Although I know this is a charity, I cannot afford to contribute at this time.

Date

Signature of Mrs.

Use special enclosed envelope or mail to

ROBERT R. STONE—ATTORNEY-AT-LAW
810 F STREET N.W. 812R WASHINGTON, D.C. 20004
330,000 SWEETSTAKES
OFFICIAL RULES

1. How to enter—Return the official entry form with your name and address provided, or without a purchase. No purchase or payment is necessary to enter or win. All entries must be received by December 15, 1988. No responsible for lost, late, or undelivered mail. No facsimile or mechanical reproductions accepted.

2. Winners will be determined in random drawings as set forth December 20, 1988, by VENTURA ASSOCIATES, INC., independent judging organization whose decisions are final. All prices are guaranteed to be awarded. Winners will be notified by mail and may be required to consummate an affidavit of eligibility and release from liability which must be returned within 21 days of notification. The winners will be responsible for prizes received as may be necessary due to purchase. Some state restrictions may apply to prizes. Limit one prize per person per household. All issues are the responsibility of the winners. EntryContests permission in use winners' names and likenesses for publicity purposes without additional compensation.

3. Approximate retail values of the prizes are as follows: One Grand Prize in the range of $16,229, one First Prize in a range of $33,000, one Second Prize in a range of $11,224 each, three Thirsd Prizes of $5,034 each. No Facsimile or Mechanical reproductions accepted.

4. The 330,000 Sweetstakes is a competitive tournament which is different from any other promotional by various direct marketing organizations. Circulation will not exceed 100 million copies. Winners will have their names and any prize informed at least once.

5. Odds of winning are determined by the total number of entries received. Sweepstakes open to one resident of the U.S. 18 years of age or older. Employees and their families of the sponsors, their agencies, advertising and promotion agencies and VENTURA ASSOCIATES, INC., are not eligible. All federal, state, and local laws and regulations apply. Void where prohibited.

6. For a list of major prize winners, send a stamped, self-addressed envelope before December 15, 1988 to 330,000 Sweetstakes Winners. P.O. Box 659. Lowell, IN 46356.

330,000 SWEETSTAKES
OFFICIAL RULES

1. How to enter—Return the official entry form with the name and address provided, or without a contribution. Either way you are eligible to win.

2. Drawing—Winners are selected in a random drawing by an independent agent. Entries not相符 the rules will be disqualified. Winners will be notified approximately 45 days after conclusion date by an independent agent whose decisions are final. You do not have to be present to win. The winners' checks will be sent prior to the drawing date by return mail subject to any laws or laws which affect the prize.

3. Prizes—The total value of the Sweetstakes is $15,000.00. The following prizes are awarded: $1,000.00; $200.00; $100.00; $50.00; $25.00; $10.00; $5.00; $2.00; $1.00. All prizes are subject to all regulations which return the Winners' Release Form and allow about value. However, the minimum value will be the cash.

4. Who is eligible to enter—The Sweetstakes is open to all residents of the United States. 18 years of age and up is permitted. Selection of the Sweetstakes' demands, agencies, vendors, and their names are subject to sweepstakes, entered, and selected by a random and changing manner. Winner's names are copyrighted. All rights of ownership in the Sweetstakes will be reserved.

5. General—This Sweetstakes is competitive tournaments which may be promoted in different versions, promotions or versions. Taxes on all issues are the responsibility of winners. Taxes may be received to the state of Florida, North Carolina, and Kentucky.


7. Winners List—For the names of the major prize winners, send a stamped, self-addressed envelope (P.O. Box 411115, Arlington, VA 22241). Circulation forms will be available. Prizes are non-transferable and there are no substitutions.

8. Odds of winning are determined by the number of official entries received and the responsibility of others. All entries are subject to the rules of the Sweetstakes. No purchase necessary.
<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>8/12/81</td>
<td>Watson &amp; Hughey founded American Institute for Cancer Research</td>
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<tr>
<td>8/12/81</td>
<td>Watson &amp; Hughey forced to relinquish control of AICR</td>
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<tr>
<td>8/12/81</td>
<td>Watson &amp; Hughey sign Project Cure</td>
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<tr>
<td>8/12/81</td>
<td>Watson &amp; Hughey sign United Cancer Council (Tarver)</td>
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<td>8/12/81</td>
<td>Watson &amp; Hughey sign American Aging Association</td>
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<td>8/12/81</td>
<td>Watson &amp; Hughey sign Curriculum Against Government Waste</td>
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<tr>
<td>8/12/81</td>
<td>American Aging Association severs ties with Watson &amp; Hughey</td>
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<tr>
<td>8/12/81</td>
<td>Watson &amp; Hughey sign American Health Foundation</td>
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<tr>
<td>8/12/81</td>
<td>Watson &amp; Hughey sign Cancer Association of Tennessee (Reynolds)</td>
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<tr>
<td>8/12/81</td>
<td>Watson &amp; Hughey sign Little Orphans</td>
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<tr>
<td>8/12/81</td>
<td>Watson &amp; Hughey sign Adopt-A-Pet</td>
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<tr>
<td>8/12/81</td>
<td>Watson &amp; Hughey signs Walker Cancer Research Institute</td>
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<tr>
<td>8/12/81</td>
<td>Watson &amp; Hughey signs American Heart Disease Prevention Foundation</td>
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<tr>
<td>8/12/81</td>
<td>Little Orphans severs ties with Watson &amp; Hughey</td>
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<tr>
<td>8/12/81</td>
<td>Watson &amp; Hughey signs Pacific West Cancer Fund (Tarver)</td>
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<tr>
<td>8/12/81</td>
<td>Watson &amp; Hughey signs Cancer Fund of America (Reynolds)</td>
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<tr>
<td>8/12/81</td>
<td>Rep. Feighan requests FTC investigate &quot;Sweepstakes&quot; charities and Watson &amp; Hughey</td>
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<tr>
<td>8/12/81</td>
<td>FTC respond to Rep. Feighan's request after 12 hour investigation</td>
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<tr>
<td>8/12/81</td>
<td>Watson &amp; Hughey sign National Leukemia Research Foundation</td>
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<tr>
<td>8/12/81</td>
<td>Missouri sues Robert Stone and Pacific West</td>
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<tr>
<td>8/12/81</td>
<td>Illinois sues Watson &amp; Hughey</td>
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<tr>
<td>8/12/81</td>
<td>New Jersey commences Administrative Action against Watson &amp; Hughey</td>
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<tr>
<td>8/12/81</td>
<td>American Heart Disease Prevention Foundation begins attempt to</td>
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<tr>
<td>8/12/81</td>
<td>sever ties with Watson &amp; Hughey</td>
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<tr>
<td>8/12/81</td>
<td>Iowa sues Watson &amp; Hughey</td>
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<tr>
<td>8/12/81</td>
<td>Missouri amends complaint to include Watson &amp; Hughey</td>
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<tr>
<td>8/12/81</td>
<td>Minnesota sues Watson &amp; Hughey</td>
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<tr>
<td>8/12/81</td>
<td>US Postal Service sues Watson &amp; Hugley</td>
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<tr>
<td>8/12/81</td>
<td>National Institutes of Health instructs National Leukemia Research Foundation to sever ties with Watson &amp; Hughey</td>
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<td>8/12/81</td>
<td>Massachusetts sues Watson &amp; Hugley</td>
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<td>8/12/81</td>
<td>Texas sues Watson &amp; Hughey</td>
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<td>8/12/81</td>
<td>Pennsylvania sues Watson &amp; Hugley</td>
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<tr>
<td>8/12/81</td>
<td>Hawaii sues Robert Stone, Cancer Fund of America, and several John Does including Watson &amp; Hughey</td>
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<td>8/12/81</td>
<td>Kansas sues Watson &amp; Hughey</td>
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<tr>
<td>8/12/81</td>
<td>New Hampshire sues Watson &amp; Hugley</td>
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<tr>
<td>8/12/81</td>
<td>Oregon sues Watson &amp; Hugney</td>
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<tr>
<td>8/12/81</td>
<td>Iowa settles case</td>
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<td>8/12/81</td>
<td>Connecticut sues Watson &amp; Hugney</td>
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<tr>
<td>8/12/81</td>
<td>California sues Watson &amp; Hugney</td>
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<tr>
<td>8/12/81</td>
<td>New York sues Watson &amp; Hugley</td>
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<tr>
<td>8/12/81</td>
<td>US Postal Service settles lawsuit with Watson &amp; Hugley</td>
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## States Which Have Sued Watson & Hughey, Robert Stone, and Charities

<table>
<thead>
<tr>
<th>Entity</th>
<th>CA</th>
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<td>Adopt-A-Pet</td>
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<td>American Heart Disease Prevention Found.</td>
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<td>Cancer Fund of America</td>
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<td>Pacific West</td>
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<td>Watson &amp; Hughey</td>
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<td>Robert Stone</td>
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</table>

* Watson & Hughey personally founded American Institute for Cancer Research (AICR)
** Watson & Hughey personally own the Social Security Protection Bureau (SSPB); DBA Foxhall Corporation, AKA Wahu Corporation SSPB is a “for profit” entity

Funds Raised By Watson & Hughey
And Spent By Charities On Program Services

LITTLE ORPHANS

ADOPT-A-PET

American Heart Disease
Prevention Foundation

Note: FY 1988 is a 6 month
summary, 11/1/87 - 4/30/88.

CANCER FUND OF AMERICA

Source: House Committee on Energy and Commerce, Subcommittee on Transportation and Hazardous Materials, July 28, 1988
Fund Raising And Expenses Of The American Health Foundation
1986-1987

1986

63.38% 34.59% 0.00%

1987

65.48% 36.62% 0.00%

Total funds raised by AHF
Total funds spent by AHF on grants & research
Fund raised by Watson & Hughay
Net funds received from Watson & Hughay by AHF

1986 1987

$14,000,000 $12,000,000 $10,000,000 $8,000,000 $6,000,000 $4,000,000 $2,000,000 $0

$12,265,585 $13,354,329

$7,773,338 $8,711,051

$322,027 $703,696

Watson & Hughey Expenses and Funds Provided Little Orphans For Program Services From Funds Raised in 1986

Watson & Hughey Expenses and Funds Provided Little Orphans For Program Services From Funds Raised in 1987

Watson & Hughey Expenses and Funds Provided Adopt-A-Pet
For Program Services From Funds Raised in 1986

**Watson & Hughey Expenses and Funds Provided Adopt-A-Pet**

*For Program Services From Funds Raised in 1987*

---

**Source:** House Committee on Energy and Commerce, Subcommittee on Transportation and Hazardous Materials, July 28, 1989.
Watson & Hughey Expenses and Funds Provided Adopt-A-Pet For Program Services From Funds Raised in 1988

Watson & Hughey Expenses and Funds Provided Cancer Fund of America For Program Services From Funds Raised In 1988

Watson & Hughey Expenses and Net Funds Provided American Heart Disease Prevention Foundation For Program Services From Funds Raised From 10/1/86-4/30/89

AHDPF Gross % Program Services = 10.81%