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United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

KOLAN DAVIS, STAFF DIRECTOR AND CHIEF COUNSEL
RUSSELL SULLIVAN, DEMOCRATIC STAFF DIRECTOR

March 16, 2005

Jack Abramoff, Managing Member
Pamela Abramoff, Managing Member
Capital Athletic Foundation, LLC.
1101 Pennsylvania Avenue NW
Washington, DC 20004

Re: Tax-exempt Status of Capital Athletic Foundation ("CAF")

Dear Mr. & Ms. Abramoff:

The Senate Finance Committee ("the Committee") is currently considering various reforms in the charitable sector and the activities of the Capital Athletic Foundation ("CAF") have recently come to our attention. Having reviewed the organization's Forms 990-PF for years 2000 through 2002, the Committee requests the following information as to the CAF to assist in the Committee's review of the Internal Revenue Code ("IRC") provisions governing §501(c)(3) status.

- 1) Internal Revenue Service ("IRS") and State Filings
 - a. The entire application for exemption of CAF, including Form 1023 and all supporting documents including organizing documents and by-laws with all amendments
 - b. IRS determination letter
 - c. Forms 990-PF for each year from inception to the present, including Schedules B, and schedules of contributions, gifts and grants paid as reported on Form 990-PF, Part I, Line 25
 - d. Forms 990-T for the most recent three years
 - e. Charitable solicitation and registration or similar filings required by state or local authorities

- 2) IRC §4941 – Taxes on Self-Dealing
 - a. Provide a list of all past and present officers, directors, and key employees including those with significant responsibilities without regard to their titles. Include salaries, wages, benefits, and other compensation provided to these individuals for all years from inception to the present time. Provide copies of any employment contracts as well as copies of legal opinions or minutes from board meetings discussing such compensation arrangements.
 - b. Provide copies of any conflicts of interest or similar policies that may have been adopted.

- c. For each year from inception to present, provide a list of all transactions conducted with disqualified persons or key employees of CAF or with other tax-exempt organizations that are related through common board members, directors and trustees. Provide copies of legal opinions or minutes from board meetings discussing how these transactions meet the exceptions described in §53.4941(d)-3 of the Treasury Regulations.
 - d. Provide a detailed description and accounting for the “Home School Program Expenses” claimed on 2001 Form 990, Part I, Line 23.
 - e. For each year from inception through the present, provide a detailed description and accounting for “Travel, conferences, and meetings” expenses claimed on CAF’s Form 990-PF, Part I, Line 21. Include programs or agendas for any conferences and meetings, names of CAF directors, trustees, or employees who attended, and invoices, expense vouchers or other documentation supporting the expenses.
 - f. Explain why CAF’s 2001 Form 990-PF, Part XV indicates that Eshkol, Inc. is a controlled organization while CAF’s 2002 Form 990-PF claims no relationship with Eshkol Inc. Eshkol Inc.’s 2002 Form 990 indicates that Mr. Abramoff is the President and Treasurer of the school. For all years from inception to the present time, provide the following information regarding Eshkol, Inc.: (1) the number of students enrolled in the seventh through twelfth grades; (2) the number of students involved with the hockey team or program at the school; and (3) the number of students related to any of the directors, trustees, independent contractors or contributors.
 - g. The Form 990 of CAF’s third largest contributor, the National Center for Public Policy Research (“NCPPR”), indicates that Mr. Abramoff is a director of this organization. Provide a detailed schedule of all transactions among CAF and NCPPR including transactions with board members or trustees of these entities. Explain what services NCPPR received for the \$1,275,000 paid to Kaygold LLC for consulting fees (per NCPPR’s 2003 Form 990, Schedule A, Part II) and provide details on the relationship between Kaygold LLC and CAF and NCPPR. In addition, provide a detailed description and accounting for the \$4,114,576 claimed as Direct Mailing expense on NCPPR’s 2003 Form 990, Part II, Line 43.
- 3) IRC §4943 – Excess Business Holdings & IRC §4944 – Jeopardy Investments
- a. Provide copies of any investment strategy policies or other similar documents that may have been adopted to ensure compliance with these IRC provisions.
 - b. Provide a summary of the categories of investments held, e.g. publicly traded securities, limited partnerships, real estate. Include the total dollar amount invested in these categories and the average rate of return for each category of investments for the most recent three years. Include your methodology for calculating the rate of return these categories of investments.
- 4) IRC §4945 – Taxable Expenditures
- a. Provide a schedule of expenditures for all activities described in IRC §4945(d).

- b. Provide copies of legal opinions or minutes from board meetings discussing the tax impact to the organization of participating in these activities.
- c. Explain why CAF solicited contributions from various Indian Tribal governments and why they should not be deemed payments for attempts to influence Federal and state laws and regulations regarding gaming.
- d. Provide documentation that Kollel Ohel Tiferet ("KOT") meets the exception provided by §4945(d)(4)(A) or, if KOT meets the exception provided by §4945(d)(4)(B), provide documentation showing CAF's compliance with §4945(h).

Thank you for your time and attention to this matter.

Please provide this requested information within thirty days given as the Finance Committee plans to propose changes to exempt organizations laws in the near future. Please contact the Committee staff at (202) 224-4515 with any questions.

Sincerely,


Charles E. Grassley
Chairman


Max Baucus
Ranking Member