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**HEARING ON ASSESSING VETERANS'**

**CHARITIES-PART II**

**Thursday, January 17, 2008**

**House of Representatives**

**Committee on Oversight and**

**Government Reform,**

**Washington, D.C.**

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## **Committee Hearings**

**of the**

**U.S. HOUSE OF REPRESENTATIVES**



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4 CHARITIES-PART II

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7 Committee on Oversight and

8 Government Reform,

9 Washington, D.C.

10 The committee met, pursuant to call, at 10:00 a.m., in  
11 Room 2154, Rayburn House Office Building, the Honorable Henry  
12 A. Waxman [chairman of the committee] presiding.

13 Present: Representatives Waxman, Davis of Virginia,  
14 Cummings, Tierney, Watson, Lynch, Yarmuth, Braley, Norton,  
15 Van Hollen, Sarbanes, Burton, Shays, Platts, Cannon, Duncay,  
16 Issa, Bilbray, Sali

17 Staff Present: Phil Schiliro, Chief of Staff; Phil  
18 Barnett, Staff Director/Chief Counsel; Karen Lightfoot,  
19 Communications Director and Senior Policy Advisor; David  
20 Rapallo, Chief Investigative Counsel; John Williams, Deputy

21 Chief Investigative Counsel; Suzanne Renaud, Counsel; Susanne  
22 Sachsman, Counsel; Earley Green, Chief Clerk; Teresa Coufal,  
23 Assistant Clerk; Caren Auchman, Press Assistant; Ella  
24 Hoffman, Press Agent; Leneal Scott, Information Systems  
25 Manager; Kerry Gutknecht, Staff Assistant; Miriam Edelman,  
26 Staff Assistant; Matt Siegler, Special Assistant; Stacia  
27 Cardille; David Marin, Minority Staff Director; Larry  
28 Halloran, Minority Deputy Staff Director; Keith Ausbrook,  
29 Minority General Counsel; Grace Washbourne, Minority Senior  
30 Professional Staff Member, Nick Palarino, Minority Senior  
31 Investigator & Policy Advisor; Patrick Lyden, Minority  
32 Parliamentarian & Member Services Coordinator; Brian  
33 McNicoll, Minority Communications Director; Benjamin Chance,  
34 Minority Clerk; Ali Ahmad, Minority Deputy Press Secretary,  
35 Todd Greenwood, Minority Research Assistant

36 Chairman WAXMAN. The meeting of the Committee will  
37 please come to order.

38 This is the second hearing our Committee is holding on  
39 how veterans' charities raise and spend their money.

40 This issue matters a great deal. More than 4,000  
41 Americans have been killed in Iraq and Afghanistan and  
42 thousands more are coming home with debilitating physical and  
43 psychological injuries. Our Country owes these heroes honor  
44 and genuine gratitude. If these soldiers and their families  
45 face crippling financial burdens as a result of their  
46 service, we owe them generous help there, too.

47 Our December hearings show that countless Americans are  
48 ready and willing to help. They are selflessly donating  
49 hundreds of millions of dollars to charities that purport to  
50 help veterans. They are trying to help those who gave such  
51 tremendous sacrifice for us all. Many of the charities are  
52 doing invaluable work and spend most of the dollars they  
53 receive directly on veterans. Other organizations, however,  
54 engage what I think is an intolerable fraud. Most of the  
55 millions they receive never reach veterans or their families.  
56 Instead, the groups waste those contributions on bloated  
57 overhead costs and self-enrichment.

58 We were privileged at our December hearing to receive  
59 testimony from Ed Edmundson, the father of a soldier who was  
60 seriously wounded in Iraq. He told us about the great

61 challenges families like his face as they try to get their  
62 loved ones the care they deserve. He told us this: "My son,  
63 as well as the other thousands of injured soldiers from this  
64 war or any other war, they are not a commodity.  
65 Organizations come to us to offer assistance. We gladly  
66 welcome them to aid in our quest. But I don't think it is  
67 right that you can use these soldiers as commodities to raise  
68 funds and, as an organization, to say that you are raising  
69 funds to aid all of the thousands of soldiers and then turn  
70 around and give a small percentage of that to what you are  
71 saying that you are going to do with the contributions."

72 Well, Mr. Edmundson's concern is why we held our first  
73 hearing and why we are holding our hearing today. Although  
74 we had invited Roger Chapin, who has operated a number of  
75 veterans' and military charities over the past 40 years to  
76 join us in December, he refused to attend voluntarily and he  
77 evaded service of a subpoena by Federal marshals. I am glad  
78 Mr. Chapin reconsidered his position for this hearing. His  
79 charities raised over \$168 million from 2004 to 2006. But  
80 our analysis reveals that only 25 percent of that money was  
81 spent on veterans.

82 During those three years, Mr. Chapin and his wife  
83 received over \$1.5 million in compensation from his groups  
84 and received hundreds of thousands of dollars more in  
85 reimbursements. My staff prepared a memorandum that provides

86 | an analysis of the funds received by Mr. Chapin's charities  
87 | and how they were used. Without objection, that memorandum  
88 | and the documents it cites will be made part of the hearing  
89 | record.

90 | [The referenced information follows:]

91 | \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

92 Chairman WAXMAN. Mr. Chapin believes there is another  
93 side to this story, so it is important that we have an  
94 opportunity to share his perspective with us. I look forward  
95 to his testimony and the testimony of all of our witnesses on  
96 this very important issue.

97 Our actions, not our words, are the true measure of our  
98 commitment to our veterans. And this Committee will continue  
99 to try to honor their service through fair and thorough  
100 oversight. My colleague and friend, Tom Davis, has done  
101 exactly that, and I want to recognize him for his statement.

102 [Prepared statement of Chairman Waxman follows:]

103 \*\*\*\*\* INSERT \*\*\*\*\*

104 Mr. DAVIS OF VIRGINIA. Thank you, Mr. Chairman.

105 Members of the Committee understand the great needs of  
106 our Nation's wounded veterans. We have heard first-hand  
107 accounts of the pain and the suffering endured by hundreds of  
108 individual service members and their families, too often  
109 trapped in bureaucracy, mired in disjointed administrative  
110 processes and inertia.

111 We have seen a stubborn failure to acknowledge and  
112 effectively treat traumatic brain injuries and post-traumatic  
113 stress disorder. We have been to Walter Reed and met  
114 America's heroes and their families trying to heal and go  
115 home.

116 For many veterans, an important part of their journey  
117 back involves critical help provided by charities. Those  
118 charities are supported by millions of generous, patriotic  
119 Americans. So this Committee's effort to assess the reach  
120 and effectiveness of veterans' charities is a legitimate and  
121 timely exercise of our oversight responsibilities.

122 While it is well settled law that charitable  
123 solicitations merit broad protection from Government  
124 interference under the First Amendment, it is just as clear  
125 Article I of the Constitution charges us to guard the  
126 integrity of commerce and protect the general welfare. There  
127 should be no doubt our investigation is a sincere effort to  
128 understand what can be done by Congress, by States and

129 individuals to protect donors from wasteful, fraudulent and  
130 abusive charities that exploit public support for veterans  
131 and siphon precious resources from truly worthy causes.

132 At our first hearing in December, we learned about  
133 Federal and state oversight of charities, and we discussed  
134 some of the standards developed by private watchdogs and  
135 others to assess charitable operations and help donors make  
136 informed choices about how to best help veterans. At that  
137 time, I said there is no per se test, no magic ratio of  
138 program expenditures to fund-raising costs that automatically  
139 distinguishes good charities from bad ones.

140 Other factors have to be considered--transparency,  
141 governance, track record. But we have to be concerned about  
142 complex business models and business practices that  
143 consistently direct as much of the money raised to insiders  
144 and captive well-paid vendors as to veterans. Wrapping a  
145 commercial activity in the flag and parking it behind the  
146 First Amendment can't shield sharp practices indefinitely  
147 from responsible public scrutiny. Sooner or later donors  
148 will see through flowery direct mail rhetoric to the base  
149 realities of exploitative self-serving charities. We just  
150 want to make sure well-meaning contributors have the tools to  
151 do so.

152 Today the Committee looks specifically at the management  
153 and governance of charities operated by Mr. Roger Chapin.

154 His biggest charity, Help Hospitalized Vets, has been praised  
155 by some, criticized by others. He was the focus of a series  
156 of articles in Forbes magazine that questioned whether fund  
157 transfers across the network of veterans' charities and  
158 advocacy arms were being used to disguise high salaries,  
159 illegitimate expenses and other fiscal trickery.

160 After some initial difficulties in scheduling his  
161 appearance, Mr. Chapin has agreed to testify and has provided  
162 substantial documentation in response to the Committee's  
163 request. We appreciate his cooperation and hope to learn in  
164 more detail how he runs his veterans' charities.

165 Testimony by direct mail vendors and others will also  
166 help us understand the operational realities and legal  
167 principles that sustain this important segment of our  
168 national support systems for veterans.

169 Without question, veterans' charities, including Mr.  
170 Chapin's, have provided help of inestimable value to American  
171 heroes. Now we ask him and others to help us be sure no one  
172 is taking advantage of the generosity of Americans who also  
173 care deeply about our Nation's wounded. Thank you very much.

174 [Prepared statement of Mr. Davis of Virginia follows:]

175 \*\*\*\*\* INSERT \*\*\*\*\*

176 Chairman WAXMAN. Thank you very much, Mr. Davis.

177 I wanted to give members a chance to make an opening  
178 statement before we hear from our witnesses. On this side,  
179 Mr. Cummings.

180 Mr. CUMMINGS. Thank you very much, Mr. Chairman.

181 I join my colleagues in thanking you and our Ranking  
182 Member for holding this hearing. Those of us, and I am sure  
183 most members of Congress do have occasion to visit with our  
184 veterans and to also to go to the various hospitals and we  
185 also have opportunities to have them come into our offices  
186 and talk about the issues that concern them.

187 I find it very difficult to understand why it is that  
188 folks can raise money for these veterans, these men and women  
189 who have given their blood, sweat and tears, and in some  
190 instances, in the long run, their lives, trying to lift up  
191 our Country, and when the American people come forward and  
192 say that we want to be supportive of them, that anyone would  
193 do anything that would cause a reasonable amount of those  
194 funds that should flow to them not to.

195 So it is our duty as the Congress to look into this  
196 matter. I am sitting here because I am very, very curious as  
197 to what the counter-argument is to the article that appeared  
198 in the Washington Post this morning, written by Philip  
199 Rucker, that says between 1997 and 2005, the Chapin charity  
200 paid \$3.8 million in salary and benefits to Chapin and his

201 wife, and spent more than \$200 million on fund-raising and  
202 public education campaigns.

203       The public records also show that the charity awarded at  
204 least \$19 million in contracts during that period to  
205 companies owned by Richard Viguerie, who is with us, a  
206 prominent conservative political commentator and advertising  
207 consultant based in Virginia.

208       So today we take a moment to try to figure this out, not  
209 to accuse anybody of wrongdoing if they haven't done wrong,  
210 but simply to try to figure out, how do you take the American  
211 people's generosity and make sure that it gets to the very  
212 people who have given so much and continue to give, and make  
213 sure that nobody is getting a part of that money, an  
214 unreasonable part of that money that they should not be  
215 getting. Hopefully from this hearing, Mr. Chairman, we will  
216 be able to figure out how, if necessary, to create or revise  
217 the laws of this Nation so that these things do not happen.

218       I think that if true, we have a lot of work to do, and  
219 it is very, very disturbing, as it should be, for every  
220 single American. I think it is un-American if one takes that  
221 money and takes an unreasonable amount of it and steers it in  
222 another direction when our veterans sit waiting and hoping  
223 that someone will not only recognize them but do them right.

224       With that, Mr. Chairman, I yield back.

225       [Prepared statement of Mr. Cummings follows:]

226

\*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

227 Chairman WAXMAN. Thank you, Mr. Cummings.

228 Mr. Shays?

229 Mr. SHAYS. Thank you, Mr. Chairman.

230 There are thousands of veterans coming home who will  
231 need our assistance. Ultimately, we are all accountable to  
232 our Country's wounded veterans and their families. Whether  
233 we are in Government, business or charities, or just private  
234 citizens, we are responsible for Americans who defend and  
235 protect us, particularly those who have been maimed and  
236 wounded in service to our Country.

237 The Department of Defense and the Department of Veterans  
238 Affairs need to continue with their major overhaul of the  
239 services provided to our wounded and veterans, and our  
240 Committee will continue its comprehensive oversight of these  
241 departments that ensure that these much needed changes are  
242 made.

243 But our society is also in need of other venues of  
244 giving and caring for veterans. I know there is a common  
245 expectation that charities, by their very altruistic nature,  
246 will function at a high level of effectiveness in providing  
247 services and use donations efficiently.

248 This Committee is learning this is not always the case.  
249 At our first hearing on veterans' charities, it was  
250 disconcerting to hear the amount of donations that were  
251 recycled into fund-raising costs versus used to provide

252 | services to veterans these charities were claiming to help.  
253 | This practice does a great dis-service to Americans who think  
254 | their pennies and dollars are providing aid and comfort to  
255 | our Nation's veterans. It is appalling to use veterans as  
256 | poster children to keep poorly-run charities in business,  
257 | while claiming to provide substantial services to this large  
258 | and needy population. If charities are failing or are not  
259 | providing proper assistance, then it is our role to identify  
260 | and make transparent to the public those charities who are  
261 | not reputable.

262 |         Today we will hear Mr. Roger Chapin, whose veterans'  
263 | charities have been negatively rated by some charity watchdog  
264 | groups, and whose practices have been the subject of negative  
265 | investigation reports in Forbes magazine. But Mr. Chapin's  
266 | veterans' charities have collected and millions and millions  
267 | of dollars over the years, the vast majority of which are not  
268 | reaching veterans or their families. That fact alone merits  
269 | his appearance before this Committee.

270 |         The U.S. Supreme Court has restricted the ability of  
271 | States and the Federal Government to require charities to  
272 | divulge fund-raising costs to donors or to limit the  
273 | percentage charities may spend on fund-raising. The court  
274 | noted that for many charities the process of raising money is  
275 | often intertwined with advocacy and education, so  
276 | fund-raising should be considered a form of free speech

277 | protected by the First Amendment.

278 |         Some causes are hard to raise money for, but groups like  
279 | veterans, policemen and firemen are the subject of the most  
280 | instances of charity fraud and broad direct solicitation,  
281 | because it is easy to exploit feelings of patriotism and  
282 | community to solicit money for those hard-to-say-no-to  
283 | heroes. I question the content of some direct mail appeals  
284 | and the costs associated with direct mailings. I question  
285 | the promises and allusions to programs made by charities in  
286 | direct mail solicitations that are not kept, and language  
287 | that is purposely confusing.

288 |         I question the use of sweepstakes and free trinkets as a  
289 | proper use of donations to secure more donations. I question  
290 | repeated mailings directed to our seniors on limited incomes,  
291 | exploiting their patriotism and generosity. I question the  
292 | reasoning behind the number of mailings sent to the same  
293 | people, month after month after month.

294 |         I look forward to hearing from Mr. Richard Viguerie and  
295 | Mr. Geoffrey Peters, whose direct mail companies have  
296 | contracts with Mr. Chapin's charities. It is important to  
297 | understand the nature of the direct mail business, what  
298 | contracts contain, who drives mail content, and why  
299 | fund-raising costs are so high.

300 |         I have specific questions about the management practices  
301 | of the Chapin veterans' charities, Help Hospitalized

302 Veterans, the Coalition to Salute American Heroes Foundation  
303 and Help Wounded Heroes. Internal Revenue Service 990 forms  
304 and board of director minutes from these charities indicate  
305 that over the years, Mr. Chapin and his wife have received  
306 millions of dollars in salaries supplemented by large expense  
307 accounts. I question the merit of Mr. Chapin's high salary  
308 and lack of adequate documentation for expenses paid by the  
309 donors in the name of veterans.

310 I question the movement of funds and loans between these  
311 charities. It disguises real fund-raising costs in an effort  
312 to achieve higher ratings by charity watchdog groups,  
313 ultimately deceiving donors.

314 I look forward to working with my colleagues on this  
315 Committee on a bipartisan basis and in the Congress to see  
316 what might be done to stop waste, abuse and fraud by  
317 charities so that Americans will continue to give with the  
318 confidence their donations actually make a difference.

319 Mr. Chairman, again, and Mr. Ranking Member, thank you  
320 for holding this hearing.

321 [Prepared statement of Mr. Shays follows:]

322 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

323 Chairman WAXMAN. Thank you very much, Mr. Shays.

324 Ms. Watson?

325 Ms. WATSON. Thank you so much, Mr. Chairman. As usual,  
326 you are right on point for these issues that are so critical.

327 Mr. Chairman, Americans have given millions of dollars  
328 to help thousands of veterans wounded in Iraq and  
329 Afghanistan. Americans are known as a giving people who will  
330 open up their hearts and wallets for just causes. It is  
331 therefore all the more disconcerting when we learn that some  
332 philanthropic groups spent relatively little money on the  
333 wounded while collecting millions.

334 According to an article in last December's Washington  
335 Post, the American Institute on Philanthropy reported that 20  
336 to 29 military charities that were studied were managing  
337 their resources poorly, paying high overhead costs and direct  
338 mail campaigns and excessive salaries. The Institute gave Fs  
339 to 12 of the 29 military charities reviewed and Ds to 8.  
340 That is nearly a 70 percent failure rate.

341 According to the same article, one of the most egregious  
342 failures is Help Hospitalized Veterans, founded in 1971 by  
343 Roger Chapin, who belatedly has decided to cooperate with the  
344 Committee and present his testimony today. And I am very  
345 pleased that Mr. Chapin has come forth.

346 Mr. Chapin, as president of Help Hospitalized Veterans,  
347 we understand you received \$426,000 in salary and benefits,

348 | and your wife received an additional \$113,000. Mr. Chairman,  
349 | I don't want to begrudge anyone earning a livable wage or  
350 | profiting from their endeavors, but profiting in excess on  
351 | the backs of those who are in need does not strike me as very  
352 | American or at least the way Americans view themselves. Such  
353 | practices do not benefit veterans, veterans' organizations  
354 | nor the public at large and don't speak well of us as a  
355 | society.

356 |       So I look forward to your testimony, Mr. Chapin. But  
357 | what I have read about these charities appears to me to  
358 | represent a pattern of decades of abuse, maybe not in law,  
359 | but in the spirit of charitable enterprises.

360 |       Thank you again, Mr. Chairman, and I yield my remaining  
361 | time.

362 |       [Prepared statement of Ms. Watson follows:]

363 | \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

364 Chairman WAXMAN. Thank you, Ms. Watson.

365 Mr. Bilbray?

366 Mr. BILBRAY. Mr. Chairman, I thank you for holding this  
367 hearing.

368 As you know, San Diego County is ground center when it  
369 comes down to veterans and active duty military. And this  
370 issue is obviously a very important issue to the community of  
371 San Diego.

372 The fact is that Mr. Chapin served for six years as one  
373 of my constituents during my previous stint in Congress.  
374 Though I have no personal knowledge of his involvement with  
375 veterans' organizations of any kind, I did have the  
376 opportunity to work professionally with him on an issue that  
377 I think you agree strongly on, Mr. Chairman, and that was to  
378 perpetuate a national program of health prevention. Because  
379 of my previous personal relationship with Mr. Chapin I will  
380 not be asking him any questions today.

381 But I do appreciate the fact that this hearing is being  
382 held and that we get these issues. At that, I will yield  
383 back, Mr. Chairman.

384 [Prepared statement of Mr. Bilbray follows:]

385 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

386 Chairman WAXMAN. Thank you, Mr. Bilbray.

387 Mr. Lynch?

388 Mr. LYNCH. Thank you, Mr. Chairman. I want to thank the  
389 Chairman and the Ranking Member for their persistence in  
390 investigating these questionable fund-raising practices,  
391 especially given the fact that Mr. Chapin resisted the first  
392 subpoena.

393 Number one, I think that it is disgraceful that anyone  
394 might capitalize on the good will and the support of the  
395 American people to support our men and women in uniform for  
396 their own personal benefit. As have many of the members on  
397 this Committee, I have just come back from my seventh trip to  
398 Iraq. I have been in Afghanistan quite a few times as well.  
399 To see the sacrifice of our men and women in uniform close up  
400 and on a daily basis, having been to Walter Reed Army Medical  
401 Hospital far too many times to visit our soldiers, it is  
402 disgraceful that anyone would capitalize on those  
403 circumstances and on the goodwill of the American people to  
404 rally behind our troops for ulterior motives.

405 I think it is a dis-service to the memory of those who  
406 have made the ultimate sacrifice on behalf of our Country,  
407 both in Iraq and Afghanistan. I think it is a dis-service to  
408 those brave Americans who continue their brave service. I  
409 think it is a dis-service as well, and most dangerously, to  
410 the legitimate veterans' support organizations that are out

411 | there who are legitimate, who are operating transparently,  
412 | and who are trying to do their very best on behalf of our  
413 | veterans. Because I fear that when the facts of these  
414 | irregularities come out and the circumstances that we are  
415 | investigating today, that Americans might grow hesitant or  
416 | reluctant to support certain charities, even though their  
417 | programs are up to snuff and are legitimate and are intended  
418 | and used for the best interests of veterans and their  
419 | families.

420 |         So Mr. Chairman, since Mr. Chapin resisted the last  
421 | subpoena, I am eager to hear his testimony, as you said, to  
422 | hear his side of the story. I yield back.

423 |         [Prepared statement of Mr. Lynch follows:]

424 | \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

425 Chairman WAXMAN. Thank you very much, Mr. Lynch.

426 Mr. Sali?

427 Mr. SALI. Nothing at this time, Mr. Chairman.

428 Chairman WAXMAN. Mr. Burton?

429 Mr. BURTON. I have no questions.

430 Chairman WAXMAN. Opening statement?

431 Mr. BURTON. No opening statement.

432 Chairman WAXMAN. Mr. Van Hollen.

433 Mr. VAN HOLLEN. Thank you, Mr. Chairman. Let me thank  
434 you and Mr. Davis for bring us together again around a very,  
435 very important issue.

436 The American people are a very generous people. And  
437 they are willing to give to help those in need, and I think  
438 the American people are especially concerned about our  
439 veterans and those who have served our Country overseas and  
440 their families, who have made sacrifices, many of whom return  
441 here wounded and deserve all the support that we can possibly  
442 give them.

443 And I hope out of these hearings two things will emerge.  
444 One is, we need to make sure that the American people have  
445 confidence that when they are giving to organizations,  
446 non-profits, that serve our veterans, that their money really  
447 is going to benefit the veterans, and that the money is not  
448 going instead to benefit just those organizations and the  
449 people who are involved in raising the money. Because having

450 that confidence is very important. We want the American  
451 people to continue to give and support our veterans, and they  
452 need to have a confidence that when they make that  
453 contribution, it is in fact going to the people that they  
454 want to support, the veterans.

455 Of course out of that we are also helping the veterans,  
456 because the whole purpose of making those contributions is to  
457 help those who we intend to help. I do think that we need to  
458 do a lot more to protect the public that wants to give and at  
459 the same time protect our veterans in that process and make  
460 sure that they get the benefit of what the American people  
461 want to give them.

462 So I really hope that both in terms of the education  
463 process that these hearings provide, but also if we can look  
464 at other measures that we might take to make sure that people  
465 have to fully disclose how much of what they raise goes to  
466 the veterans, and how much goes simply to finance the  
467 operations of the non-profit and to benefit those who are  
468 running the non-profit instead of the veterans, so that the  
469 American people can make sound choices about how best to help  
470 our veterans, as we go forward.

471 So I thank you, Mr. Chairman, for holding these  
472 hearings.

473 [Prepared statement of Mr. Van Hollen follows:]

474 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

475 Chairman WAXMAN. Thank you very much, Mr. Van Hollen.

476 Mr. Tierney?

477 Mr. TIERNEY. I have no opening statement, Mr. Chairman.

478 I think we should proceed and I appreciate the work that you  
479 are doing here.

480 Chairman WAXMAN. Thank you.

481 Mr. Yarmuth?

482 Mr. YARMUTH. Thank you, Mr. Chairman.

483 I would just like to reinforce the comments that have  
484 been made concerning our resolve to make sure that veterans  
485 are paid all the respect that they deserve and they are not  
486 exploited. I have been in the private sector running  
487 businesses and I have been involved with a lot of legitimate  
488 non-profit organizations. Some clearly operate as public  
489 services and some clearly operate as businesses.

490 Unfortunately, we have seen too many instances here where  
491 organizations look a lot like businesses and are using our  
492 veterans as basically a raw material and a marketing tool.

493 And I think that is what we are all concerned about,  
494 uncovering and correcting if that is the problem. So I thank  
495 you for this hearing and I look forward to the testimony of  
496 the witnesses. I yield back.

497 [Prepared statement of Mr. Yarmuth follows:]

498 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

499 Chairman WAXMAN. Thank you, Mr. Yarmuth.

500 Mr. Sarbanes?

501 Mr. SARBANES. Thank you, Mr. Chairman.

502 I know we are all anxious about whether there needs to  
503 be stricter regulation of charities to see how they spend  
504 their money. I would just say this. I think that any  
505 charity has a duty and obligation, they have a trust that is  
506 being placed in them when they go out and they make their  
507 pitch. But it seems to me that charities that serve our  
508 veterans have an extra obligation because there is a deeper  
509 trust placed in them, a broader trust than with respect to  
510 just about any other charitable endeavor.

511 So the standard, the expectation is even higher in this  
512 arena. And I think that is why we are here today for this  
513 hearing.

514 I look forward to hearing this testimony and asking the  
515 questions that need to be asked.

516 [Prepared statement of Mr. Sarbanes follows:]

517 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

518 Chairman WAXMAN. Thank you very much.

519 Mr. Issa, your opening statement?

520 Mr. ISSA. Thank you, Mr. Chairman. I will be very  
521 brief.

522 One is an administrative matter that I hope to air, in  
523 the spirit of doing better in the future. Mr. Chairman,  
524 there is a developing pattern that I object to, that we think  
525 we are ready for a hearing, but in fact rather than three  
526 days before the hearing receiving the scope and the  
527 intention, which obviously the people testifying today have  
528 to be equally informed of why we brought them here and what  
529 we expect, the members on the dais need it.

530 So once again, we received a draft supplement last night  
531 and to this moment have not, even though it is in the record,  
532 have not received our official copy of that statement. It is  
533 an administrative matter. I realize that although your  
534 leadership is critical, that it is a staff matter, that in  
535 the future, I will have to object if we don't have legitimate  
536 statements from the majority three days before. Otherwise, I  
537 will have to ask, at least attempt, to postpone hearings  
538 until we have that.

539 And I would hope that now is the right time to say it  
540 for future hearings, because I want these hearings like this  
541 one, which is very bipartisan, to be about getting to the  
542 meat of it. And three days is not a lot to ask for to make

543 | sure our staff is prepared as much or more than anyone else  
544 | here on the dais.

545 | Chairman WAXMAN. Thank you, Mr. Issa. I will take your  
546 | concerns into consideration.

547 | Mr. ISSA. I appreciate that, Mr. Chairman.

548 | Chairman WAXMAN. I have been informed that there was a  
549 | distribution of the memo three days in advance. Was that to  
550 | members? Well, rather than--

551 | Mr. ISSA. We will deal with this offline.

552 | Chairman WAXMAN. You raise a good point, and we will try  
553 | to make sure that we do better.

554 | Mr. ISSA. And then in order to get to our panel, I just  
555 | want to add one thing, that between the first go-round on  
556 | this, in which I spoke, like many of us here on the dais,  
557 | very strongly as a veteran about how bad it is that you are  
558 | using people who have been injured in their service to our  
559 | Country as a way to often line the pockets of individuals who  
560 | have no interest in that, I would hope when we conclude this  
561 | that we also expand this. Because ever since the first  
562 | hearing, my office has been widely informed of other abuses,  
563 | abuses very similar to the veterans' ones, dealing with the  
564 | homeless, dealing with food banks, and dealing with  
565 | environmental groups.

566 | I would hope that we use this as a springboard for a  
567 | broader reform of the whole charitable giving, versus the

568 lining of pockets of those who solicit. I know that is a  
569 bipartisan effort that we can do, and I would, once again,  
570 hope that we would do it. I look forward to completing this  
571 cycle though, because we need to get to the bottom of it and  
572 find real solutions so that fund-raisers not prey upon our  
573 veterans.

574 With that, I yield back and thank the Chairman for this  
575 hearing.

576 [Prepared statement of Mr. Issa follows:]

577 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

578 Chairman WAXMAN. Thank you, Mr. Issa.

579 We have before us Roger Chapin, from San Diego,  
580 California, who operates several different veterans'  
581 charitable organizations.

582 Richard Viguerie is president of American Target  
583 Advertising, a direct mail business located in Manassas,  
584 Virginia.

585 Geoffrey W. Peters is president of Creative Direct  
586 Response, a direct mail business, located in Bowie, Maryland.

587 Belinda J. Johns, Senior Assistant Attorney General for  
588 the State of California. She heads the Charitable Trust  
589 Section of the California Attorney General's office.

590 We are pleased to welcome each of you to this hearing  
591 today. Your prepared statements will be made part of the  
592 record in its entirety. What I would like to ask each of you  
593 to do, because it is the practice of this Committee that all  
594 witnesses testify under oath, is if you would please rise and  
595 raise your right hand.

596 [Witnesses sworn.]

597 Chairman WAXMAN. The record will indicate that each of  
598 the witnesses answered in the affirmative.

599 As I indicated, the statements will be in the record in  
600 full if you submit it to us. For your oral presentation, we  
601 are going to limit the presentation to five minutes. We will  
602 have a timer. It will be green during the five minute period

603 and it will turn yellow in the last minute, and then red when  
604 the five minutes are up. When the red appears, we would like  
605 you to conclude your statement.

606 Mr. Chapin, there is a button on the base of the mic  
607 that is in front of you to turn it on, and I would like to  
608 hear from you first.

609 STATEMENT OF ROGER CHAPIN, PRESIDENT, HELP HOSPITALIZED  
610 VETERANS, INC. AND COALITION TO SUPPORT AMERICA'S HEROES  
611 FOUNDATION; RICHARD A. VIGUERIE, CHAIRMAN, AMERICAN TARGET  
612 ADVERTISING, INC.; GEOFFREY W. PETERS, CHAIRMAN, CREATIVE  
613 DIRECT RESPONSE; BELINDA J. JOHNS, SENIOR ASSISTANT ATTORNEY  
614 GENERAL, CHARITABLE TRUSTS SECTION, CALIFORNIA ATTORNEY  
615 GENERAL'S OFFICE

616 STATEMENT OF ROGER CHAPIN

617 Mr. CHAPIN. Mr. Chairman, Representative Davis, members  
618 of the Committee. On November 26th, the Committee sent us a  
619 letter requesting the voluntary production of thousands of  
620 documents, and inviting me to testify at a hearing 16 days  
621 later, on December 13th. I was consumed with our third Road  
622 to Recovery Conference in early December, an inspiring event  
623 where we invite severely wounded heroes from the War on  
624 Terror and their families to Walt Disney World at our  
625 expense.

626 Because of the conference, because my wife was  
627 recovering from back surgery, because we had moved out of our  
628 home for scheduled renovations and because I did not have  
629 time to prepare, I declined the Committee's invitation to  
630 appear. I have written a personal letter of apology to Mr.

631 Waxman and Mr. Davis for the inconvenience I caused the  
632 Committee. I have done what I can to make it clear that so  
633 long as I have adequate time to prepare, I have no problem  
634 cooperating with the Committee.

635 I voluntarily appeared for a transcribed interview with  
636 the Committee staff that took all day Friday. I am proud to  
637 report that Help Hospitalized Veterans, HHV, which I founded  
638 in 1971, has generated \$470 million in donations and  
639 distributed \$362 million worth of products and services based  
640 on their market value. This represents 77 percent of total  
641 donations, proof positive that HHV does right by its donors,  
642 as long as they are hospitalized vets. HHV has distributed  
643 23 million craft kits and millions of greeting cards signed  
644 by donors helping boost the morale of hospitalized veterans.

645 Charity Navigator, the leading internet charity rating  
646 service, gave HHV two stars, the same as numerous  
647 well-respected charities, including the American Cancer  
648 Society, American Diabetes Association, National Wildlife  
649 Federation, the Boy Scouts, the YMCA, VFW and Paralyzed  
650 Veterans of America. Special Olympics only got one star. You  
651 might say HHV is in very good company.

652 The Coalition to Salute America's Heroes has distributed  
653 over 3,000 \$500 Christmas gift checks to needy, disabled War  
654 on Terror veterans and their families, in addition to helping  
655 over 6,000 families with direct emergency cash assistance,

656 | hosting over 1,200 disabled veterans and their family members  
657 | in our life-changing four-day all expense paid Road to  
658 | Recovery conferences at Disney World, providing six nearly  
659 | cost-free homes to catastrophically disabled vets, assisting  
660 | hundreds in finding jobs, furnishing counseling to many more,  
661 | and picking up the travel expenses of many families visiting  
662 | their wounded loved ones in military hospitals.

663 |         The bottom line on direct mail is that if you disregard  
664 | allocations for educational and programmatic content, direct  
665 | mail generally nets us approximately 35 cents on the dollar  
666 | and administration costs generally average another 10  
667 | percent. That is true for my charities, and it is true for  
668 | the thousands of charities in the United States that raise  
669 | \$60 billion annually by direct mail, although most other  
670 | charities have higher direct mail costs than we do. The same  
671 | numbers apply to political fund-raising by direct mail, and  
672 | also to state lotteries who raise tens of millions of  
673 | dollars.

674 |         Throughout my life, I have endeavored to do well for my  
675 | family while I try and do some good in this world. I have  
676 | been working for HHV for 21 years, 8 of those as a volunteer,  
677 | before HHV's board paid me more than \$74,000 a year. In  
678 | 1993, the first year I made over \$100,000 in salary, I was 60  
679 | years old and I had no retirement plan. I am grateful that  
680 | HHV's board voted for a retirement plan in 1998, benefiting

681 me and other full-time employees. Because I was 66 when the  
682 plan began, HHV had to make very high annual contributions to  
683 fund my retirement benefits. I am grateful for the board's  
684 generosity, but I still make less than the average of  
685 non-profit executives of similar-sized organizations.

686 Before closing, I have one request. I would hope that  
687 we can work together in helping to ensure that Congress  
688 finally fulfills its solemn obligation to over 300,000  
689 veterans of the War on Terror who are afflicted with PTSD  
690 and/or TBI. By the Pentagon's own admission, Government  
691 hospitals are woefully ill-equipped to treat them, yet the  
692 vast majority are still denied the opportunity to seek  
693 necessary therapy in the private sector at Government  
694 expense. I consider this to be a national scandal of the  
695 worst sort. I know, Mr. Chairman, that you and the Committee  
696 have held hearings designed to focus attention on this  
697 problem, but Congress still has not appropriated the funds  
698 necessary to provide the necessary care.

699 Thank you, and I look forward to a full and fair  
700 opportunity to answer your questions.

701 [Prepared statement of Mr. Chapin follows:]

702 \*\*\*\*\* INSERT \*\*\*\*\*

703 Chairman WAXMAN. Thank you very much, Mr. Chapin. Mr.  
704 Viguerie?

705 STATEMENT OF RICHARD VIGUERIE

706 Mr. VIGUERIE. Chairman Waxman, Ranking Member Davis, and  
707 Members of the Committee. I am here today at your so-called  
708 ``invitation.'' I must say this is the first invitation I  
709 have ever received from members of Congress that wasn't for  
710 one of your fund-raising events.

711 In 1960, just five years before I started my marketing  
712 Agency, I estimate there were only about 60,000 donors to the  
713 Kennedy/Nixon presidential campaigns. Americans received  
714 their news and information from very limited sources who  
715 controlled, filtered and limited what Americans knew about  
716 what really happens in Washington.

717 Applying commercial marketing principles to  
718 cause-related fund-raising, I pioneered direct mail for  
719 political and ideological causes. JFK's late son's magazine,  
720 George, credited this as one of the defining political  
721 moments of the 20th century.

722 I developed ways to communicate with, involve and raise  
723 money from millions of everyday citizen supporters, rather  
724 than the few traditional fat cat donors. Today, the  
725 Democratic Congressional Campaign Committee, chaired by

726 | Congressman Van Hollen of this Committee, markets its lists  
727 | of 282,000 names. So he is a beneficiary of what I  
728 | pioneered. I estimate over 8 million people will make a  
729 | contribution in this presidential election cycle to some  
730 | campaign or political cause.

731 |         The Founding Fathers added the First Amendment to our  
732 | Constitution because it is inevitable that political elites  
733 | will seek to silence their critics and competitors in the  
734 | marketplace of ideas. This hearing is one of those attempts.

735 |         Four times in the past 27 years, the United States  
736 | Supreme Court has ruled that charitable fund-raising with  
737 | high cost is fully protected by the First Amendment and is  
738 | not fraud. However, Mr. Chairman, at the December 13th  
739 | hearing on veterans' charities, you defamed certain charities  
740 | for their high fund-raising costs by calling that fraud.  
741 | That hearing was based on the false premise that the sole  
742 | purpose of a charitable solicitation is to raise money.  
743 | Charities' advertising mailings do far more than just solicit  
744 | and dole out money.

745 |         I remember all too well, Mr. Chairman, that many Vietnam  
746 | veterans were spit on when they returned to the United  
747 | States. However, hundreds of millions of advertising mail,  
748 | which includes the American Flag, car magnets, Support Our  
749 | Troops car ribbons, bumper stickers, decals, et cetera, has  
750 | helped veterans of the unpopular Iraq war be received back

751 | home very differently than returning veterans from the  
752 | unpopular Vietnam war.

753 |         Rather than providing enough Federal funds for our  
754 | veterans, too many members of Congress have spent billions on  
755 | earmarks and pet projects in their districts. That abuse of  
756 | Congressional power is a major reason why veterans and their  
757 | families are getting the short end of the stick.

758 |         But that is not the only abuse of power I want to  
759 | discuss today. Today is just the beginning of a very public  
760 | national airing about issues that Congress for too long has  
761 | swept under the rug. It is a debate about hypocrisy, legal  
762 | fraud and quid pro quo money-laundering, or call it what you  
763 | will, and political fund-raising conducted by members of  
764 | Congress. Americans are angry because of the abuse of power  
765 | by Congress and other elites in Washington. Your ratings are  
766 | at their lowest level because now more than ever Americans  
767 | have access to information from the new and alternative media  
768 | about what really goes on in Washington.

769 |         Some of the most effective and most outspoken critics of  
770 | Congress are charities and other non-profit organizations.  
771 | Many of the landmark First Amendment cases, such as the NAACP  
772 | v. Alabama, and New York Times v. Sullivan, involve attempts  
773 | by the Government to intimidate and silence non-profits  
774 | because they are such effective critics of Government. This  
775 | Committee is investigating charities that have received bad

776 | grades from one individual whose methods are not accepted by  
777 | other charity rating systems nor the standards of the  
778 | American Institute of Certified Public Accountants.

779 |         Also surprisingly, even shocking, he does not grade nor  
780 | evaluate the effectiveness of a charity. Members of Congress  
781 | aren't required by law to hire independent certified public  
782 | accountants and file detailed reports about your own cost of  
783 | fund-raising under American Institute of Certified Public  
784 | Accountant rules. But charities must. Your contracts with  
785 | fund-raisers aren't regulated by state attorney generals, but  
786 | charities are. Nor are your contracts on file for public  
787 | inspection. But the contracts for charities are.

788 |         And charities can't strong-arm lobbyists and corporate  
789 | PACs in exchange for access, influence and legislative  
790 | favors. In other words, the playing field is not level. I  
791 | say, level the playing field. Whatever charities must do to  
792 | report and comply with the law, members of Congress should do  
793 | the same.

794 |         Mr. Chairman, over the past 10 years, your own personal  
795 | campaign committee has raised money ostensibly for your own  
796 | re-election, yet you have passed through almost exactly 50  
797 | percent to other political candidates and committees. Fifty  
798 | percent over 10 years looks less like a campaign than a  
799 | money-laundering enterprise.

800 |         You also formed this thing called LA-PAC to solicit and

801 | pass through even more money. You give that money to  
802 | candidates with whom your donors may disagree on issues  
803 | important to the donors and candidates to whom the donors  
804 | would not have made a contribution. That sounds like what is  
805 | called bait and switch in a commercial context. Any way you  
806 | look at it, it appears wrong and unseemly.

807 |       There are a host of rotten issues in Congressional  
808 | fund-raising, yet this Committee is not merely chilling First  
809 | Amendment rights of non-profits and other citizen-backed  
810 | organizations, but is attempting censorship in direct  
811 | contravention with what the United States Supreme Court has  
812 | said repeatedly. There are plenty of outstanding or very  
813 | influential charities with high fund-raising costs.

814 |       Mr. Chairman, your agenda here is political,  
815 | anti-competitive, unconstitutional, and if I may be frank,  
816 | mean. You grab cheap headlines at the expense and in  
817 | defamation of some very worthy charities. You have caused  
818 | harm for the unconstitutional purpose of limiting the amount  
819 | of information that the public receives.

820 |       Chairman WAXMAN. Mr. Viguerie, your time has expired.  
821 | You ought to complete your remarks.

822 |       Mr. VIGUERIE. I have one paragraph. What you have said  
823 | and what you are trying to do has and will continue to result  
824 | in harm to, not help for, veterans. As part of that process,  
825 | you are abusing the powers of this institution. Shame on

826 | you, Mr. Chairman. And shame on any member of this Committee  
827 | who would participate in such an agenda.

828 | [Prepared statement of Mr. Viguerie follows:]

829 | \*\*\*\*\* INSERT \*\*\*\*\*

830 Chairman WAXMAN. Mr. Peters?

831 STATEMENT OF GEOFFREY W. PETERS

832 Mr. PETERS. Thank you, Mr. Chairman, Mr. Davis, who  
833 happens to be my Representative, and also members of the  
834 Committee.

835 When Mr. Williams contacted me and invited me to  
836 testify, I asked what information I could provide that would  
837 be of use to the Committee. Mr. Williams indicated perhaps  
838 information concerning costs of fund-raising. A number of  
839 you have asked about that. Mr. Sarbanes and Mr. Issa in  
840 particular have mentioned that they are concerned about the  
841 possibility for how regulation might be formulated.

842 Let me start by giving you a hypothetical. Which  
843 charity deserves our support? The one that raises \$100,000,  
844 spends 90 percent of it feeding the poor, has 10 percent  
845 administration cost, and overhead and fund-raising cost, and  
846 feeds 90 people, or the one that raises \$100,000, spends 25  
847 percent on fund-raising and administration, but manages  
848 through innovative management and creativity of its staff, to  
849 feed 180 people?

850 Clearly, if your goal is to have an effect, the second  
851 charity is more effective than the first, yet it has a higher  
852 cost of fund-raising ratio. Cost of fund-raising ratio has

853 | been looked at within our industry for decades. Scholars  
854 | have looked at it, people within the industry have looked at  
855 | it, state regulators have focused upon it, and we have had  
856 | four Supreme Court decisions on it.

857 |         One of the things that I can tell you from the  
858 | literature is that costs of fund-raising ratio as a measure  
859 | of the effectiveness or as the measure of an efficiency of  
860 | the charity have been widely debunked by nearly everybody in  
861 | the industry.

862 |         Let me give you another example. Mothers Against Drunk  
863 | Driving is a charity that sends out millions of direct mail  
864 | letters every year. Every year those direct mail letters  
865 | include an appeal for funds, yet they get joint costs  
866 | allocated and, contrary to what Mr. Shays implied, having to  
867 | do with shuffling money, that joint cost allocation under the  
868 | accounting rules that the charity is required to abide by,  
869 | yet allocated in part to public education and in part to  
870 | fund-raising. Does that make sense?

871 |         Well, if you ask the people from Mothers Against Drunk  
872 | Driving, which reporters have done and regulators have done,  
873 | their response is, those letters save lives. They remind  
874 | people in their daily life at home, when they are sitting  
875 | down to dinner with their teenagers, don't drink and drive.

876 |         So how should we account for that? If we don't account  
877 | for that was part of their mission fulfillment, how do we

878 | account for it? And won't that charity that uses those  
879 | letters that way end up receiving a poor rating from Mr.  
880 | Borochoff and AIP because he doesn't allow for joint cost  
881 | allocation in his rating system?

882 |         Ms. Watson, you mentioned that you relied on Mr.  
883 | Borochoff's study when you read the Washington Post article.  
884 | Let me ask you what you think of Harvard University, one of  
885 | our great educational institutions, but an institution which  
886 | has a huge endowment? Should other charities be denied the  
887 | opportunity to raise money for an endowment because Mr.  
888 | Borochoff says that charities that have reserves should be  
889 | downgraded in their grade that they receive? It doesn't make  
890 | sense.

891 |         Mr. Borochoff's rating system that then goes after all  
892 | of these charities that receive failing grades is not only  
893 | not agreed to by most of the industry, it is not even agreed  
894 | to by all the other charity watchdog groups. If you try to  
895 | do a study of this, which has been done by the National  
896 | Association of Non-Profit Agencies, that study shows that the  
897 | ratings systems are inconsistent. So who should we follow?

898 |         If you are the manager of a charity, should you follow  
899 | GAAP guidelines in doing your accounting? Or should you  
900 | follow the charity watchdog's that make up their own way of  
901 | looking at things?

902 |         I would hope that the Committee is interested more in

903 | public policy and in legislative opportunities than they are  
904 | in going after Mr. Borochoff's failing grade charities. If  
905 | so, I would be delighted to answer questions about what  
906 | recommendations we might have for legislation that could be  
907 | helpful to the charitable community and the veterans, and to,  
908 | as Mr. Issa suggested, members of other charitable  
909 | communities, including cancer victims and unwed mothers and  
910 | the homeless and so forth.

911 |         Thank you, Mr. Chairman.

912 |         [Prepared statement of Mr. Peters follows:]

913 | \*\*\*\*\* INSERT \*\*\*\*\*

914 Chairman WAXMAN. Thank you Mr. Peters. Ms. Johns?

915 STATEMENT OF BELINDA J. JOHNS

916 Ms. JOHNS. Good morning, Chairman Waxman, and  
917 distinguished members of the Committee. Thank you for  
918 inviting me here to speak.

919 The California Attorney General represents the public  
920 beneficiaries of charity, who cannot sue in their own right.  
921 He has broad supervisory and investigative powers over the  
922 activities of charitable organizations and their  
923 fund-raisers. The Charitable Trusts Section carries out this  
924 oversight role. Our mandate is to detect fiscal abuse and  
925 mismanagement that results in a loss of charitable assets and  
926 to take the necessary action to return diverted assets to  
927 charity.

928 We are divided into two parts: the Registry of  
929 Charitable Trusts and the Legal and Audit Unit. The Registry  
930 is responsible for administering California's registration  
931 and reporting law, and for responding to the high volume of  
932 complaints and inquiries received from this sector and from  
933 members of the public.

934 The Registry's three auditors review and investigate  
935 complaints and provide audit support to our attorneys. The  
936 legal and audit unit, 11 attorneys and 7 auditors State-wide,

937 carries out the enforcement component of the Attorney  
938 General's jurisdiction. We conduct audits and investigations  
939 into allegations of fiscal abuse, fraud, diversion,  
940 mismanagement of assets with regard to both charitable  
941 organizations and fund-raising professionals, whether  
942 registered or unregistered. Based on the results of those  
943 inquiries, we take corrective action to recover diverted  
944 charitable assets, remove trustees and board members,  
945 restrain solicitation activity, involuntarily dissolve  
946 corporations and restore assets to charity.

947 Cases relevant to this inquiry include our civil  
948 prosecution of Mitch Gold, a series of cases which eradicated  
949 storefront solicitation, a criminal case filed against an  
950 executive director who embezzled funds from a small veterans'  
951 charity.

952 We face three major challenges. One is our limited  
953 ability to address compliance because our registry is still  
954 paper-based. We are in the final phase of an automation  
955 project, which when completed will allow us to more  
956 comprehensively supervise and systematically address  
957 compliance. For example, we have over 92,000 registrants.  
958 We estimate 50,000 of them are delinquent. Another 90,000  
959 which have incorporated in California are not registered, and  
960 we think at least half of them should be.

961 Our second challenge is related to the first. Case

962 selection is primarily complaint-driven. Once we are  
963 automated, we will be able to track abuses in a more  
964 sophisticated fashion and target specific issues.

965 Our third challenge is to protect charitable assets  
966 effectively given our limited staff and budget resources, a  
967 challenge faced by many state charity offices. We encourage  
968 compliance by offering guidance on our website and in  
969 community outreach. We offer charities the opportunity to  
970 take corrective action before we take legal action. We form  
971 relationships with other government agencies so that we can  
972 triage complaints and refer them to other agencies that may  
973 be able to more effectively deal with them.

974 We participate in multi-agency task forces and  
975 multi-State litigation in order to extend our enforcement  
976 capability. We publish guidance to assist donors in  
977 gathering the information they need to make wise giving  
978 choices.

979 Our ability to address high fund-raising costs is  
980 limited by the Supreme Court cases that have been discussed.  
981 Our response was to amend our supervision act to require  
982 fund-raising professionals to register and file annual  
983 reports. We post them on our website. We publish an annual  
984 report summarizing their content. We have also added  
985 provisions that require specific contract terms and prohibit  
986 non-voidable contracts.

987           With regard to addressing fund-raising abuse, we  
988 primarily rely upon complaints. Our guide to charitable  
989 giving includes a primer to help donors find relevant  
990 information on the 990, and a checklist of questions donors  
991 can ask and factors they may consider to assure their  
992 contributions are used in the way they intend.

993           Problem areas in solicitation in our experience include  
994 tele-marketing and direct mail appeal, because of  
995 misrepresentations. Again, donors are the first level of  
996 defense, because if they are educated, they can make wise  
997 choices and they can refuse to give to organizations that do  
998 not fit the profile they set.

999           We have found no mechanism to quantify fraud in this  
1000 area. Fraudulent schemes will not necessarily come to our  
1001 attention, and if they do, it is after the fact and generally  
1002 after the assets are lost. For these reasons, donors must be  
1003 vigilant and willing to take the time to assure they know who  
1004 will benefit from their contribution and how it will be used.

1005           The bottom line is that, in order to minimize waste and  
1006 diversion, donors, members of board of directors and State  
1007 charity regulators all have a role in controlling abuses in  
1008 the solicitation of contributions and in the operation of the  
1009 charities themselves.

1010           Thank you.

1011           [Prepared statement of Ms. Johns follows:]

1012

\*\*\*\*\* INSERT \*\*\*\*\*

1013 Chairman WAXMAN. Thank you very much, Ms. Johns.

1014 I will now proceed to questions by members of the  
1015 Committee who will have five minutes each. I will start out  
1016 with my questions first.

1017 Mr. Chapin, in your written testimony, you stated your  
1018 groups use most of their contributions to provide services to  
1019 veterans. You say Help Hospitalized Veterans uses two-thirds  
1020 of its funds to serve veterans. You claim that the Coalition  
1021 to Salute America's Heroes uses more than 90 percent of its  
1022 budget to help veterans.

1023 That sounds pretty good, but it is not true. It is not  
1024 accurate. The Committee staff examined your group's  
1025 financial statements and found that if you removed all the  
1026 grants from one group to the other, and if you don't count  
1027 your mass mailings as a service to veterans, your numbers are  
1028 actually much, much lower.

1029 Here is what we found. And let me put up a chart. In  
1030 the last three years, 2004, 2005 and 2006, your two groups  
1031 combined received donations of \$168 million, but only a  
1032 quarter of these revenues went to providing actual goods and  
1033 services for veterans. That means only one out of every four  
1034 dollars you received ended up directly assisting veterans.  
1035 That is a very different story than what you said in your  
1036 testimony.

1037 But it does match what you told our Committee staff when

1038 | you met with them last week during your interview. Last week  
1039 | you confirmed that three-fourths of the donations do not  
1040 | result in the delivery of goods or services to veterans.

1041 |       I want to quote from what you said: ``I told you what  
1042 | our costs are. Direct mail is, you know, 65 percent range,  
1043 | not any given mailing, but the whole mix of a program, 60, 65  
1044 | percent. You put 10 percent on top of that for  
1045 | administration and overhead, this is without any, you know,  
1046 | allocation business, you are pushing 75 percent, so you got  
1047 | 25 cents goes to charity. I will be very up-front with you  
1048 | about that.`` That is what you said to our interviewers.

1049 |       So last week you told the Committee that you were  
1050 | pushing 75 percent and only 25 cents goes to the charity.  
1051 | But today, in your written testimony, you are saying you use  
1052 | more than two-thirds and more than 90 percent to help  
1053 | veterans. Which is it?

1054 |       Mr. CHAPIN. So, what is your question, Mr. Chairman?

1055 |       Chairman WAXMAN. Well, you said in your testimony that  
1056 | 90 percent and 75 percent actually goes to help veterans.  
1057 | But in your interview and according to the records of your  
1058 | company, it looks like 75 percent actually goes to  
1059 | fund-raising and only 25 percent to veterans. Which is  
1060 | which?

1061 |       Mr. CHAPIN. Well, the difference has to do with the  
1062 | allocations. I mentioned in my prepared remarks this morning

1063 that if you disregard allocations, only about 25 percent of  
1064 the donor dollar actually goes to the cause. I was very  
1065 forthright in acknowledging that to you. That is if you  
1066 disregard allocations. If you consider allocations,  
1067 which--let's look at the--

1068 Chairman WAXMAN. What do you mean by allocations?

1069 Mr. CHAPIN. Well, the American Institute of Certified  
1070 Public Accountants, sir, has set forth the ground rules by  
1071 which charities must report. We don't make the rules, we  
1072 follow the rules.

1073 Chairman WAXMAN. What do you mean when you say an  
1074 allocation?

1075 Mr. CHAPIN. Okay. If we make a--our marketing costs are  
1076 divided into two categories, per the Institute. One has to  
1077 do with what is known as program services, and the other has  
1078 to do with fund-raising. This is a very arbitrary and  
1079 subjective and discretionary matter. Now, we have a very  
1080 conservative accountant, who happens to be a very good friend  
1081 of mine. Because of that, I respect him and I go along with  
1082 him. We get, and I would like to put this up on the chart,  
1083 if I may, we get a very small allocation towards program  
1084 services, and we get a very high towards fund-raising.

1085 And by that, I mean--can we put that up, please? So, in  
1086 other words, a very small percentage, compared to other  
1087 organizations, compared to other veterans' charities and many

1088 others, a very small percentage of our marketing costs are  
1089 allocated to program services and a very high percentage are  
1090 allocated to fund-raising costs. It makes us look bad.

1091 Chairman WAXMAN. So your own accountant then allocates  
1092 more to fund-raising than to actual services?

1093 Mr. CHAPIN. That is right. Because we play by the  
1094 rules.

1095 Chairman WAXMAN. Okay. Now let me ask you this. The  
1096 Committee staff asked you why you used inflated numbers in  
1097 your mailings rather than the real figures. In response,  
1098 this is what you said: ``Because we wouldn't raise any money.  
1099 I mean, that's a pretty straight answer.``

1100 You are right, that was a straight answer, but the  
1101 question is whether it is an acceptable one, because you  
1102 falsely inflated the numbers to raise more money by telling  
1103 them more money is actually going to go to veterans, but in  
1104 fact, your own accountant and your own figures show that less  
1105 money is going to the veterans. You are not telling them the  
1106 truth. It is unethical, it is wrong. It is really a fraud  
1107 against Americans who agree to give you their hard-earned  
1108 dollars, isn't it?

1109 Mr. CHAPIN. Absolutely not. We made no representations  
1110 whatsoever to the donor as to the percentage of the money  
1111 that was going to the charity. Not so.

1112 Now, our costs--

1113 Chairman WAXMAN. What representations have you made to  
1114 the donor?

1115 Mr. CHAPIN. What did you say?

1116 Chairman WAXMAN. What representations have you made to  
1117 the donor?

1118 Mr. CHAPIN. We told the donors that we are going to  
1119 provide craft kits and we are going to provide--we are going  
1120 to help turn back on the utilities of our severely disabled  
1121 veterans that have been shut off. We are going to make  
1122 payments on their cars so they don't get repossessed, such as  
1123 many of them are. We are going to pay their mortgage  
1124 payments on their houses, so they don't get evicted from  
1125 their houses. We are going to do everything that Congress is  
1126 not doing to take care of these guys. Unfortunately, we are  
1127 very limited--

1128 Chairman WAXMAN. Well, let me conclude, because my time  
1129 is up, but in the mailing that was produced by Help  
1130 Hospitalized Veterans, it said, "This mailing was produced  
1131 by Help Hospitalized Veterans, which retains 100 percent of  
1132 the contributions made." A hundred percent, it says, and  
1133 then you would think that 100 percent is going to help  
1134 veterans, but that is not the reality, only 25 percent.

1135 Mr. CHAPIN. That is not the--no reasonable person, if  
1136 you will pardon me, Mr. Chairman, would interpret it in that  
1137 way. As a matter of fact, the State of Florida--

1138 Chairman WAXMAN. Well, if you say 100 percent goes to  
1139 veterans, most people who are reasonable would believe that.

1140 Mr. CHAPIN. We didn't say to the veterans, we said to  
1141 the charity, 100--that is not what it says, sir. The State  
1142 of Florida requires us to put that precise language in the  
1143 solicitation. And Mr. Peters, I think, will attest to that.  
1144 As a matter of fact, Mr. Viguerie, his mailings, he  
1145 represents about 75 percent of all the revenues that we  
1146 generate, he doesn't use that statement. Mr. Peters, who has  
1147 CDR, that is the organization's he is the CEO of, his  
1148 attorneys apparently believe that it is necessary to use that  
1149 language--

1150 Chairman WAXMAN. Let me ask Ms. Johns. Is that  
1151 California? Do we require them to say 100 percent is used  
1152 for the charity, even though 100 percent is not used to help  
1153 the veterans?

1154 Ms. JOHNS. We do not.

1155 Chairman WAXMAN. Thank God.

1156 Mr. Davis, your turn.

1157 Mr. DAVIS OF VIRGINIA. Well, I am familiar with the high  
1158 costs of fund-raising. I was chairman of the Campaign  
1159 Committee for the Republicans. We raised a lot of money  
1160 through the mail. But the costs were very high, particularly  
1161 in prospecting and the like. I got criticized for it, but we  
1162 looked at the net that we could end up spending. So, I am

1163 familiar with it.

1164 But I have a couple of questions. Mr. Chapin, I have a  
1165 letter here. It is a copy of a Help Hospitalized Veterans  
1166 mail solicitation dated June 18th, 2007, directed to a  
1167 Harvard-area mailing list. It is focused on a Massachusetts  
1168 wounded veterans fund drive.

1169 This mailing indicates that the donation will support  
1170 Massachusetts' wounded and hospitalized veterans. How do you  
1171 ensure that these donations help veterans in Massachusetts?

1172 Mr. CHAPIN. By providing--

1173 Mr. DAVIS OF VIRGINIA. Do you keep records to make sure  
1174 that those donations go where the mailings come from?

1175 Mr. CHAPIN. We have records showing--

1176 Mr. DAVIS OF VIRGINIA. Or is this just more aspirational  
1177 than specific?

1178 Mr. CHAPIN. Well, we have 288 veterans and military and  
1179 State veterans' homes that we service. And we have records.  
1180 We would be happy to provide them to you, of all the money--

1181 Mr. DAVIS OF VIRGINIA. I am not asking--I am just  
1182 asking, this was a targeted letter into an area basically  
1183 saying, this is targeted to people in Massachusetts, just  
1184 saying, we want to help Massachusetts' hospitalized veterans.  
1185 If you can send your fund drive in the enclosed envelope, it  
1186 would be greatly appreciated.

1187 If the money was mailed from Massachusetts, do you

1188 allocate that back to Massachusetts or do you not keep that?

1189 Mr. CHAPIN. Not necessarily 100 percent of it. It helps  
1190 veterans all across the Country as well as veterans in  
1191 Massachusetts.

1192 Mr. DAVIS OF VIRGINIA. So, it is kind of a--there is not  
1193 a direct linkage? It is a little puffery in there, then.

1194 Mr. CHAPIN. No. If you give that \$10, we can't  
1195 absolutely guarantee you that \$10 will wind up in  
1196 Massachusetts, but a lot of other \$10 will wind up in  
1197 Massachusetts, as you will see by our records.

1198 Mr. DAVIS OF VIRGINIA. From what Mr. Waxman said, if you  
1199 give \$10, \$2.50 goes total, right? And then maybe it goes to  
1200 Massachusetts. But you don't keep a direct allocation?

1201 Mr. CHAPIN. No. You will get a better value than if you  
1202 went down to the store and you bought him a craft kit and  
1203 mail it yourself.

1204 Mr. DAVIS OF VIRGINIA. I am just trying to understand  
1205 it. I am questioning the motive. I am just trying to  
1206 understand. The Better Business Bureau Wise Giving Alliance  
1207 sent a letter to the Coalition to Salute America's Heroes  
1208 Foundation, and stated that the Coalition did not meet its  
1209 charity standards for governance and oversight, finances and  
1210 fund-raising practices. The letter also asks for  
1211 clarification on your organization's related party  
1212 transactions.

1213 Can you tell us more about these standards? The Better  
1214 Business Bureau standards now, not the other standards that  
1215 were referred to earlier.

1216 Mr. CHAPIN. Relative to the Better Business Bureau  
1217 standards, if you take recent years, we meet the financial  
1218 standard. Now, I am not suggesting that we necessarily meet  
1219 all 21 Wise Giving Standards that they have. But we meet the  
1220 two financial standards, which are a maximum of 35 percent of  
1221 fund-raising. The year that ended in 2006, we were at 26.9  
1222 percent, which is lower than most of the other veterans'  
1223 charities and lower than a lot of big name charities all  
1224 across the Country. And the program services is a minimum  
1225 of 65 percent. We also met that. We were slightly over 66  
1226 percent.

1227 Mr. DAVIS OF VIRGINIA. Now, board minutes for the  
1228 Coalition to Salute America's Heroes, 12/29/05 minutes,  
1229 contain a motion to formally evaluate the performance and  
1230 effectiveness of your charity every two years. What  
1231 performance metrics did you use and what assessments were  
1232 made? Can you tell us?

1233 Mr. CHAPIN. I can't tell you precisely. I would be glad  
1234 to provide that information.

1235 Mr. DAVIS OF VIRGINIA. Okay. If you could get that  
1236 back. You did have internal controls?

1237 Mr. CHAPIN. I can elaborate if you want me to. I will

1238 | be happy to.

1239 |       Mr. DAVIS OF VIRGINIA. Sure.

1240 |       Mr. CHAPIN. May I?

1241 |       Mr. DAVIS OF VIRGINIA. Sure.

1242 |       Mr. CHAPIN. Yes. We take a look at how effective our  
1243 | funding has been in terms of meeting the needs of the VA  
1244 | hospitals and the patients. As an example, we are shipping  
1245 | over 65,000 craft kits on the average every single month,  
1246 | which is enough to, if every veteran wanted a craft kit,  
1247 | which is our goal, every hospitalized veteran in a hospital,  
1248 | we would be able to provide it. Now, the fact of the matter  
1249 | is that some of these fellows might use six or eight or ten a  
1250 | month, and others may choose not to do any at all.

1251 |       So that is how effective our are we in that regard, as  
1252 | an example. We provide virtually over 100 percent, well over  
1253 | 90 percent, let me be conservative, of all of the craft kits  
1254 | that are provided in the veterans' hospitals.

1255 |       Mr. DAVIS OF VIRGINIA. Okay.

1256 |       Mr. CHAPIN. Along with, incidentally, we pay the  
1257 | salaries of 51 creative craft specialists who enhance the  
1258 | program enormously. Because the VA was no longer able to do  
1259 | that, so we--

1260 |       Mr. DAVIS OF VIRGINIA. What does a creative craft kit  
1261 | entail? I mean, what is in that kit?

1262 |       Mr. CHAPIN. Well, we have over 350 different kits. We

1263 | have leather, which is extremely popular, we have moccasins,  
1264 | we have wallets.

1265 |       Mr. DAVIS OF VIRGINIA. Okay. I get it. Okay. Thanks.  
1266 | That is fine.

1267 |       Mr. CHAPIN. I would be happy to expound on that. There  
1268 | are lots of them.

1269 |       Mr. DAVIS OF VIRGINIA. That is fine.

1270 |       I just want to ask a quick question to Mr. Viguerie and  
1271 | Mr. Peters. How many different mailings do you do annually  
1272 | for Mr. Chapin's charities, particularly for Help  
1273 | Hospitalized Veterans? Are the numbers of mailings done  
1274 | dictated by your contracts? How do you make the decision  
1275 | when a mailing is done who it is directed to? I assume you  
1276 | do some prospecting with that, which are not going to have as  
1277 | high yields to try to build. And who owns the list, at the  
1278 | end of the day? I am trying to just get an understanding of  
1279 | that.

1280 |       Mr. VIGUERIE. Who is the question addressed to?

1281 |       Mr. DAVIS OF VIRGINIA. To both you and Mr. Peters. You  
1282 | may have different answers.

1283 |       Mr. VIGUERIE. We mail--I don't have the figures at my  
1284 | hand here or on the tip of my tongue, but something in excess  
1285 | of 50 million letters in the last year, I think, in that  
1286 | neighborhood that we have mailed, which means hundreds of  
1287 | different mailings, mailing thousands and thousands of

1288 | different lists. And we have something in excess of 20  
1289 | people working on this project.

1290 |         Mr. DAVIS OF VIRGINIA. And these are your lists that you  
1291 | own? Is that right?

1292 |         Mr. VIGUERIE. Well, it is a combination. We are--a  
1293 | small, small fraction of what the organization mails is our  
1294 | names. Probably less than 1 percent. The vast majority, we  
1295 | will get names from the Republican National Committees, they  
1296 | will rent our names, we rent theirs.

1297 |         Mr. DAVIS OF VIRGINIA. You buy lists, and everything  
1298 | else?

1299 |         Mr. VIGUERIE. We don't buy. Usually we exchange. We  
1300 | will exchange and rent for one-time use.

1301 |         Mr. DAVIS OF VIRGINIA. Mr. Peters?

1302 |         Mr. PETERS. We don't own any lists ourselves. We manage  
1303 | lists on behalf of charities but we don't own any lists. And  
1304 | then if their list is rented, the revenue goes to the  
1305 | charity. But mostly the names are exchanged with other  
1306 | charities, which is the industry practice in order to keep  
1307 | fund-raising costs as low as possible.

1308 |         I have no idea what the volume of mail we do is. I know  
1309 | that I asked this morning of my staff, we raise about 9  
1310 | percent according to their 990 of the amount of money that  
1311 | they raise in a year. But I don't know what the actual mail  
1312 | volume is.

1313 |       Were you asking, though, about frequency or were you  
1314 | asking about--

1315 |       Mr. DAVIS OF VIRGINIA. I was asking also about  
1316 | frequency.

1317 |       Mr. PETERS. I don't know precisely in this case, but I  
1318 | can tell you typically a charity will have a number of  
1319 | prospect mail drops during a year, somewhere between two and  
1320 | six or maybe even eight, which is an attempt to find new  
1321 | donors. And then they will mail existing donors who have  
1322 | shown an interest in their cause somewhere between 6 and 12  
1323 | times a year. And how often any individual is mailed is a  
1324 | function of that individual's own propensity to give money or  
1325 | otherwise participate with the charity.

1326 |       Sometimes the charities are not asking for money. They  
1327 | are asking for like a petition drive, and I am sure you all  
1328 | have received petitions from constituents that come in very  
1329 | large volumes. Sometimes they are asked to complete a  
1330 | survey, sometimes they are asked to volunteer. Depending  
1331 | upon how the individuals respond, they get different  
1332 | frequency of solicitations.

1333 |       Chairman WAXMAN. Thank you, Mr. Davis.

1334 |       Mr. Cummings?

1335 |       Mr. CUMMINGS. Thank you very much, Mr. Chairman. To all  
1336 | of you, thank you for testifying here today.

1337 |       Mr. Chapin, you know, you started off your written

1338 statement by saying ``I am passionate about veterans'  
1339 issues,`` and I do believe that you are. And I am just  
1340 wondering, as I am sitting here, I am just curious, do you  
1341 see anything wrong with the 25 cents on the dollar going to  
1342 the veteran, and the 75 cents being spent elsewhere? Do you  
1343 see anything wrong with that?

1344 Mr. CHAPIN. Let me tell you. When I started out, I sent  
1345 600,000 gift packs to GIs in Vietnam. Then I went into a  
1346 veterans hospital and somebody asked, a very severely wounded  
1347 fellow asked me, I asked him was there anything I could do to  
1348 help him, he said, yes, give me something to do with my  
1349 hands. That is how the craft kit program started. Initially  
1350 I was horrified at the direct mail expense. I will just tell  
1351 you that flat-out. I was horrified.

1352 Mr. CUMMINGS. Now, I want you to answer the question  
1353 because I have got a lot of questions, and I have only got  
1354 five minutes.

1355 Mr. CHAPIN. Oh, all right. I am trying to answer. Let  
1356 me tell you--

1357 Mr. CUMMINGS. Do you see anything wrong with 25 cents--

1358 Mr. CHAPIN. When somebody can go down to the store, buy  
1359 the craft kit for \$15.00, go to the post office, spend  
1360 another four bucks, that is \$19.00. And we can send a craft  
1361 kit with that \$15.00, they take a tax deduction. It is only  
1362 costing them \$10.50, opposed to \$19.00 that if they sent the

1363 | craft kit on their own. We are giving the donor a good value  
1364 | and at the same time, we are providing a very important  
1365 | service for the hospitalized veterans who otherwise would not  
1366 | receive these craft kits. This is an extremely important  
1367 | program.

1368 |       Mr. CUMMINGS. I got you. So, you see nothing wrong with  
1369 | it?

1370 |       Mr. CHAPIN. I didn't say I see nothing wrong.

1371 |       Mr. CUMMINGS. Well, let me ask you this--

1372 |       Mr. CHAPIN. I would rather have lower fund-raising  
1373 | costs. Yes, we would. I have tried everything under the sun  
1374 | to lower our fund-raising costs.

1375 |       Mr. CUMMINGS. How about reducing your salary?

1376 |       Mr. CHAPIN. Excuse me?

1377 |       Mr. CUMMINGS. How about reducing your salary? Mr.  
1378 | Chapin, let me ask you a series of questions.

1379 |       Mr. CHAPIN. Certainly.

1380 |       Mr. CUMMINGS. Mr. Chapin, the documents the Committee  
1381 | received show that most of what you raise never gets to the  
1382 | veterans you are supposed to be helping. At the same time,  
1383 | however, you appear to be doing quite well for yourself and  
1384 | your wife.

1385 |       Mr. CHAPIN. By whose standards?

1386 |       Mr. CUMMINGS. Let me finish. You have provided the  
1387 | Committee with a spreadsheet detailing your compensation

1388 | history and I would like to walk you through exactly how much  
1389 | you and your wife have received over the past three years  
1390 | from 2004 through 2006.

1391 |         First, both you and your wife receive salaries. Yours  
1392 | was approximately--

1393 |         Mr. CHAPIN. She is now retired.

1394 |         Mr. CUMMINGS. I'm sorry?

1395 |         Mr. CHAPIN. I say she is now retired.

1396 |         Mr. CUMMINGS. When did she retire?

1397 |         Mr. CHAPIN. What say?

1398 |         Mr. CUMMINGS. When did she retire?

1399 |         Mr. CHAPIN. February 28th, 2007. She worked for the  
1400 | first 20 years as a volunteer. She got a salary of a maximum  
1401 | of \$65,000 at her highest point. She is my right hand arm.  
1402 | She has raised over \$7 million with her newsletters.

1403 |         Mr. CUMMINGS. I believe you.

1404 |         Mr. CHAPIN. She has raised more than ten times her  
1405 | salary.

1406 |         Mr. CUMMINGS. I am convinced that she is a great wife  
1407 | and a great asset to the company. We will stipulate to that.  
1408 | Both you and your wife receive salaries. Yours was  
1409 | approximately \$250,000 a year. That is more than the  
1410 | Secretary of Defense or the Secretary of Veterans Affairs  
1411 | receives. Then your wife made about \$60,000 a year.

1412 |         You both also received bonuses during this period. They

1413 varied, but in 2006 you received a \$50,000 bonus.

1414 Mr. CHAPIN. That was for two years.

1415 Mr. CUMMINGS. All right. You received your \$50,000  
1416 bonus, your wife also received thousands of dollars in  
1417 bonuses.

1418 Mr. CHAPIN. Well--

1419 Mr. CUMMINGS. Let me finish. I know you want to get at  
1420 it, but let me get my little piece out. Finally, you have  
1421 generous pensions. I think you referred to that a moment  
1422 ago. When you retire, you will get 75 percent of your salary  
1423 for life, over \$200,000 per year. This costs donors to your  
1424 charity about \$100,000 a year.

1425 So, based on the data you provided to the Committee,  
1426 when you total up all these salaries, bonuses and pension  
1427 contributions for 2004, 2005 and 2006, you and your wife  
1428 received more than \$1.5 million. That is based on your data.

1429 My question is not a legal one. It is not whether you  
1430 broke the law. Because I don't think you did. My question  
1431 is whether you believe this compensation is appropriate for  
1432 someone who works at a charity for veterans.

1433 Mr. Chapin, you and your wife got over a million dollars  
1434 during these three years. The public thought this money was  
1435 going to veterans. But instead it went to you and your wife.  
1436 Over a three year period, you raised \$168 million from the  
1437 public but very little of that made it to veterans. You

1438 | spent an astounding \$124 million in overhead, salaries,  
1439 | mailings, payments to Mr. Viguerie's firm, and you and your  
1440 | wife kept over a million dollars for yourselves.

1441 |         This sounds like a great business for you and Mr.  
1442 | Viguerie, but a lousy deal for contributors and veterans.  
1443 | How do you respond to that?

1444 |         Mr. CHAPIN. First of all, Congressman Cummings, my  
1445 | salary is in the lower half as measured by the Chronicle of  
1446 | Philanthropy November 1st, 2006 survey of several hundred  
1447 | non-profit CEO's. I am in the lower half. I think my  
1448 | performance is in the upper half. I have probably raised--I  
1449 | have raised more money for veterans than anybody in the  
1450 | United States. I have also delivered more services than  
1451 | anybody else who ever founded a non-profit organization and  
1452 | still the CEO of that organization today.

1453 |         The point is, my cash compensation, sir, is about six  
1454 | tenths of 1 percent of the gross revenues of my  
1455 | organizations. Number two, the total compensation, of which a  
1456 | good bit of it I have never received, because it is in the  
1457 | form of futures retirement benefits--I don't intend to retire  
1458 | for one heck of a long time, so I may never see it--is  
1459 | roughly now \$300,000.

1460 |         Even if you take the total compensation benefits, which  
1461 | include retirement money I have never seen, that would be  
1462 | less than 1 percent. The average non-profit executive, sir,

1463 receives 3 percent of gross revenues. So I don't know what  
1464 standard you want to use, but it is measured by a comparison  
1465 to other non-profit executives, of which there are thousands  
1466 and thousands of them, I am in the lower half of salary.

1467 Now, yes, I get what I think is a generous one.

1468 Mr. CUMMINGS. Thank you, Mr. Chairman.

1469 Chairman WAXMAN. Thank you, Mr. Cummings. Your time is  
1470 expired.

1471 Mr. Sali, do you wish to ask questions?

1472 Mr. SALI. Not at this time, thank you.

1473 Chairman WAXMAN. Mr. Burton, I think you were next.

1474 Mr. BURTON. Yes. Thank you.

1475 This is very interesting. Ms. Johns, have you ever  
1476 contemplated or think that there needs to be legal action  
1477 taken against Mr. Chapin or his companies?

1478 Ms. JOHNS. Well, after reading the articles and hearing  
1479 what I have heard in these hearings, we will certainly take a  
1480 look. I don't know.

1481 Mr. BURTON. No, I am not talking about taking a look.  
1482 Because, you know, that is speculative. Has the Attorney  
1483 General of California found any reason in the past or done  
1484 anything to investigate or charge them with any illegal  
1485 activity?

1486 Ms. JOHNS. We have not in the past, no.

1487 Mr. BURTON. Okay. Thank you.

1488 I was looking at this list from Charity Navigator of  
1489 charities in the same category as the Help Hospitalized  
1490 Veterans organization, the same category. The Alzheimer's  
1491 Association, the American Cancer Society, the American  
1492 Diabetes Association, the American Heart Association, the  
1493 Anti-Defamation League of B'nai B'rith, The Art Institute of  
1494 Chicago, the Boy Scouts of America, Ducks Unlimited, the  
1495 Jewish Federation Council of Greater Los Angeles, the March  
1496 of Dimes, the Muscular Dystrophy Association, The National  
1497 Trust for Historic Preservation in the U.S., the National  
1498 Wildlife Federation, the Planned Parenthood Federation of  
1499 America, and YMCA and on and on.

1500 I understand that we would like to see a lot more of the  
1501 money that is spent in raising funds go to these charities,  
1502 but the cost of raising this money is expensive. And I think  
1503 a lot of my colleagues understand that.

1504 I would just like to ask the members at the table, all  
1505 of them, what would happen if we didn't do the direct mail,  
1506 and what would happen to the amount of money that would come  
1507 into these charities that does get to help these people? Any  
1508 one of you can answer that.

1509 Mr. CHAPIN. Sixty billion dollars would evaporate  
1510 tomorrow. Of all the \$300 billion that is raised by the 1.6  
1511 million non-profits, over 20 percent of it comes from direct  
1512 mail. You folks might lose 25 percent of all your donations

1513 | in 2008, because 25 percent of all the political donations  
1514 | come from direct mail, at the same expense that we have. And  
1515 | I am not sure that you folks disclose to your  
1516 | constituencies--I am not trying to be a wise apple--that only  
1517 | 25 cents on the dollar is actually going to your campaigns.

1518 |         Mr. BURTON. Mr. Peters?

1519 |         Mr. PETERS. Mr. Burton, I think it is an excellent  
1520 | question. What I would like to do is turn back history 50  
1521 | years. If you looked at charity in the United States, there  
1522 | were a lot fewer charities. It reminds me of Alexis  
1523 | DeToqueville's comments about Americans' propensity to get  
1524 | together in clubs and groups and the huge diversity of  
1525 | interests that they have.

1526 |         But back then there were a lot fewer charities. And I  
1527 | guess I have outgrown my tux, unfortunately, but back then  
1528 | you attended a charity ball. And you were with the rich, the  
1529 | famous and the influential.

1530 |         What has happened in our Country is the democratization  
1531 | of fund-raising. Direct response, not just mail, but other  
1532 | forms of direct response fund-raising, have allowed us to  
1533 | reach into communities that previously were never asked to  
1534 | support non-profits. It has allowed us to get into those  
1535 | communities and allow people to express their feelings and  
1536 | who they support and how they support them.

1537 |         And yet we, through regulation and through IRS rules and

1538 through transparency, we allow the donor to see whatever they  
1539 wish to see. Every charity has a website. The 990s are all  
1540 available. Everyone can go to GuideStar and look up the  
1541 ratios if they wish to do so.

1542 But without that, we would be back to the days of rich  
1543 people letting a few crumbs drop off the table for poor  
1544 people.

1545 Mr. BURTON. Let me just say this. I think, Mr.  
1546 Chairman, it is good to keep an eye on these charities to  
1547 make sure that they aren't any illegal activities or fraud  
1548 going on. But I think for those of us who have been familiar  
1549 with charities and fund-raising in the past, we realize that  
1550 there is a great deal of cost involved. So as long as there  
1551 is reporting, and as long as we know what is going on, and it  
1552 is in the public domain and we can check it, then I think  
1553 that we can hold them accountable and make sure they are not  
1554 wasting money.

1555 There is no question that there is probably some fraud  
1556 and waste, and I appreciate Ms. Johns being here and I am  
1557 sure they are going to investigate that sort of thing, as  
1558 they will across the Country. But charity giving through the  
1559 mail, I think, is important. We should keep an eye on it and  
1560 make sure that they aren't blowing money unnecessarily. But  
1561 I think it is an absolutely necessary thing. Otherwise, it  
1562 if we didn't have these charities, I believe the Federal

1563 Government would have to take up some of this slack and do it  
1564 ourselves. Charities do provide a necessary function in this  
1565 Country.

1566 With that, I yield back the balance of my time.

1567 Chairman WAXMAN. Thank you.

1568 Mr. CHAPIN. We can't begin to fulfill the need. I am  
1569 the first to acknowledge that, but at least we are trying and  
1570 something is better than nothing. And Congressman Cummings,  
1571 if you had experienced as I had disabled veterans without  
1572 legs who got--a young child, as a matter of fact, a baby and  
1573 a wife who is living in the back of his car and he is  
1574 freezing, because this guy doesn't have any other means, as a  
1575 matter of fact, he was evicted from his trailer, and we are  
1576 helping him.

1577 Chairman WAXMAN. Mr. Chapin, I am going to have to  
1578 interrupt you. Members have the opportunity now to ask you  
1579 questions.

1580 Mr. CHAPIN. Sure. Something is better than nothing.

1581 Chairman WAXMAN. Save it for an answer to a question.

1582 Ms. Watson.

1583 Ms. WATSON. Mr. Chapin, we are looking very carefully at  
1584 the facts that were presented to us. And you are here to  
1585 help clarify if we have the right information. I do  
1586 appreciate your coming. As you know, we sought your input  
1587 before, and you were not here. This gives you an opportunity

1588 | to speak directly to us with the facts.

1589 |         So I want to query you about a letter that was sent to  
1590 | you on December 22nd of 2006, from a Dorothy W. Smith,  
1591 | Houston, Texas. And she says, ``Dear Sir, I have contributed  
1592 | to your organization in previous years, and am in the process  
1593 | of evaluating my contributions for 2007. I would appreciate  
1594 | knowing the percentage and charities received versus  
1595 | administrative costs and other expenditures.'' And she goes  
1596 | on. Your response, or Alicia Griffin responding, says:  
1597 | ``Dear Mrs. Smith, as per your request, enclosed please find  
1598 | an annual report for the Coalition to Salute America's  
1599 | Heroes. Please note that 92 cents of every \$1.00 donated goes  
1600 | towards programs supported by the Coalition to Salute  
1601 | America's Heroes.'' And then the programs are listed,  
1602 | Emergency Financial Relief, et cetera.

1603 |         Can you then clarify for us, you said that 100 percent,  
1604 | 92 percent of what is donated goes out for charitable causes.  
1605 | Can you clarify that for us, please?

1606 |         Mr. CHAPIN. Well, now we are speaking specifically in  
1607 | terms of the Coalition as opposed to Help Hospitalized  
1608 | Veterans. You are talking about a particular year. Now,  
1609 | what happened was, when we started the Coalition--

1610 |         Ms. WATSON. Well, your response--the response was March  
1611 | 14th, 2007.

1612 |         Mr. CHAPIN. Yes. The Help Hospitalized Veterans board

1613 of directors saw fit to make a substantial loan, which was  
1614 later converted to a grant, in the neighborhood of, about  
1615 \$2.5 million to the Coalition. And so therefore, the  
1616 Coalition did have extraordinarily low fund-raising costs.  
1617 Starting in 2007, the Coalition did its own direct mail as  
1618 opposed to HHV doing the direct mail and passing on the money  
1619 to the Coalition. And that was the reason why, yes, we did  
1620 have very low fund-raising costs.

1621 To start the Coalition, if I may just mention this, I  
1622 had to loan \$500,000 of my own money, which represented that  
1623 together with an additional \$260,000, which I advanced the  
1624 Coalition in expenses. I didn't collect any of the various  
1625 expenses that I was incurring over the first three years. A  
1626 total of \$760,000, which represented over half of my  
1627 after-tax compensation for the previous 10 years, because I  
1628 believed in what I was doing.

1629 The fact of the matter is, just so you have some idea of  
1630 my commitment to this, when I started the Coalition, the  
1631 first thing we did was some direct mail with, not Mr.  
1632 Viguerie, but this other gentleman, and we bombed. Is that  
1633 correct, Mr. Peters?

1634 Mr. PETERS. I can't say. I believe it is true, but as  
1635 you know, my partner, who did the mailing, is--

1636 Mr. CHAPIN. It was very unsuccessful. So, then I went  
1637 out to corporations. So, I begged corporations--I just

1638 | assumed the corporations were going to open up their pockets  
1639 | or their wallets. That didn't happen.

1640 |         In the meantime, we had planned this wonderful Road to  
1641 | Recovery Conference, which everybody, the DOD, the VA all  
1642 | were participating in this, and were helping launch these  
1643 | guys on their road to recovery. We have had over 1,200 of  
1644 | them come down there, the most severely disabled veterans and  
1645 | their families. And by that time, we had committed to well  
1646 | over 100 of these veterans and their families to come to the  
1647 | Road to Recovery Conference that December of 2004. I was  
1648 | faced with a very, very tough personal decision.

1649 |         Ms. WATSON. Well, let me just ask you this--

1650 |         Mr. CHAPIN. Let me just tell you--

1651 |         Ms. WATSON. Let me--sir. My time is--

1652 |         Chairman WAXMAN. Excuse me, Mr. Chapin. You have to let  
1653 | the members ask the questions and respond to the questions.

1654 |         Ms. WATSON. Maybe you can give me another minute. I  
1655 | understand you are trying to get all this out, but there are  
1656 | some very specific things I would like you to address for us.

1657 |         Mr. CHAPIN. Absolutely.

1658 |         Ms. WATSON. And I would like the staff to put up on the  
1659 | screen, there was an issue dealing with a country club in  
1660 | Temecula, California. It is called the Cross Creek Golf  
1661 | Club. Are you familiar with it?

1662 |         Mr. CHAPIN. I am a club member.

1663 Ms. WATSON. Yes. Well, according to a resolution from  
1664 HHV board in 2001 that has been provided to this Committee,  
1665 HHV authorized the payment of \$17,000 a year for a corporate  
1666 membership to the country club in the name of Mike Lynch, the  
1667 Executive Director.

1668 Can you help clarify and explain to us why your group is  
1669 spending money donated to help veterans on a country club  
1670 membership?

1671 Mr. CHAPIN. I think it was entirely appropriate. The  
1672 board plays golf when they come to meetings out there. The  
1673 board is all volunteers. They don't get paid to come to  
1674 meetings. And that is what you might call a ``perk,`` which  
1675 I think we are all familiar with.

1676 Ms. WATSON. That is a benefit, being on the board?

1677 Mr. CHAPIN. I never set foot in that country club.

1678 Ms. WATSON. Okay. I just wanted to hear from you that  
1679 you put \$17,000 into a membership where they can play golf  
1680 rather than \$17,000 into the hands of a homeless veteran that  
1681 might be rent in a motel.

1682 Mr. CHAPIN. Unfortunately, we are not able to--

1683 Ms. WATSON. I have another question for you, Ms. Johns.  
1684 Could California have concerns--and I am from California--and  
1685 I was there for 20 years in the Senate, so I am very  
1686 concerned. Would we have concerns about a charity in our  
1687 State using donations for a country club membership

1688 | regardless, for a board member?

1689 | Ms. JOHNS. Yes, I believe we would.

1690 | Ms. WATSON. And is there any way to track to see how  
1691 | many memberships were purchased by this outfit?

1692 | Ms. JOHNS. The way to do that would be to initiate an  
1693 | audit.

1694 | Ms. WATSON. Okay, thank you very much.

1695 | Let me ask another question about another expense that  
1696 | was related to Mr. Lynch. Let me show you a copy of minutes  
1697 | from a meeting of the HHV board on July 28th, 2003. These  
1698 | minutes state that the board authorized a loan of \$135,000 to  
1699 | Mr. Lynch. According to the minutes, the purpose of this  
1700 | loan was to provide Lynch the ability to purchase his  
1701 | ex-spouse's interest in his home.

1702 | Now, to me, this looks like a personal loan to Mr.  
1703 | Lynch, not a business expense. So Mr. Chapin, can you  
1704 | clarify for me?

1705 | Chairman WAXMAN. The gentlelady's time has expired, but  
1706 | we will let Mr. Chapin answer.

1707 | Ms. WATSON. Okay, thank you.

1708 | Mr. CHAPIN. It is exactly as you have characterized it,  
1709 | and I think it was entirely appropriate. It has been paid  
1710 | back with interest. And this fellow has done an absolutely  
1711 | extraordinary job. He works around the clock to help  
1712 | hospitalized veterans.

1713 Ms. WATSON. Okay, I really appreciate the Chair allowing  
1714 time. I just want to say this. It seems to me that a  
1715 personal loan of \$135,000 at a time when we have veterans  
1716 that are not receiving the care immediately, regardless of  
1717 whether he paid it back or not, appears inappropriate. This  
1718 is something that I would like our Attorney General to take a  
1719 look at.

1720 And is it, Ms. Johns--

1721 Mr. CHAPIN. It is absolutely legal, I can assure you of  
1722 that.

1723 Chairman WAXMAN. The gentlelady's time has expired. But  
1724 Ms. Johns, is this appropriate? Is this acceptable?

1725 Ms. JOHNS. No. California law requires loans to be  
1726 approved by our office.

1727 Chairman WAXMAN. Your office?

1728 Ms. JOHNS. Yes. By our section.

1729 Ms. WATSON. Thank you, Mr. Chairman.

1730 Chairman WAXMAN. Thank you.

1731 Mr. Shays, do you have questions?

1732 Mr. SHAYS. Not at this time, thank you, Mr. Chairman.

1733 Chairman WAXMAN. Mr. Bilbray?

1734 Mr. BILBRAY. Ms. Johns, I think if anybody knows about  
1735 fund-raising, Governor Brown has a lot of experience on that.  
1736 But you were stating that California right now, the office is  
1737 in transition from going to a paper system over to

1738 | electronic. Do you feel that will give your agency the  
1739 | ability to monitor non-profit activities and keep a closer  
1740 | watch on what has been going on in California?

1741 |         Ms. JOHNS. We do.

1742 |         Mr. BILBRAY. The other issue that you really raise was  
1743 | the fact that the front line of, let's just say review of the  
1744 | most effective charitable giving is the donor themselves.  
1745 | Now, I have run into situations where I have seen  
1746 | fund-raising going to my mother, trying to scare the heck out  
1747 | of her, over the fact that, give us money now or they are  
1748 | going to take your Social Security, they are going to take  
1749 | your Medicare and all this other stuff. With this new type  
1750 | of electronic review, are you going to be able to monitor  
1751 | those kinds of fund-raising activities, especially the scare  
1752 | tactics to seniors?

1753 |         Ms. JOHNS. No. Because unless somebody sends us those  
1754 | mailings, we won't know that they are occurring. We require  
1755 | fund-raisers to give notice before they start a campaign in  
1756 | California. But they don't have to send us their mailings.

1757 |         Mr. BILBRAY. Do you have any way of developing a policy  
1758 | of proactive contact with donors to make sure that they know  
1759 | that if they have any questions they have the ability?  
1760 | Because I think it is pretty well public record that,  
1761 | especially among the senior population, that there are  
1762 | certain individuals, not necessarily very wealthy, who really

1763 | are the backbone of the charitable direct mail contributions.  
1764 | Are you planning any proactive contact with them, saying, if  
1765 | you have any questions, if you have any concerns contact us,  
1766 | rather than waiting for them to just come up?

1767 | So I guess I am asking you, are you going to do direct  
1768 | mailing yourself?

1769 | Ms. JOHNS. We have no way of knowing who donors are.  
1770 | What we do is post a lot of information on our website for  
1771 | donors. We invite them to call us and send us e-mails. And  
1772 | we can give them guidance where to go and tips about how to  
1773 | assess charities. Several years ago, I did a series of  
1774 | presentations to senior communities. And I am about to do  
1775 | that again to help communities at large understand what they  
1776 | can do to make wise decisions.

1777 | Mr. BILBRAY. Mr. Peters, Ms. Johns has no ability of  
1778 | knowing what the lists are that non-profits are receiving  
1779 | contributions for, those can't be made available? Are those  
1780 | all protected under the Privacy Act?

1781 | Mr. PETERS. No. In fact, when I teach with the NASCO  
1782 | group, or Ms. Johns' group of charity regulation officials, I  
1783 | tell them exactly how to do that. And that is, they need  
1784 | only a very modest budget of a couple hundred dollars. They  
1785 | make a \$10 contribution to 20 charities and they will be on  
1786 | the mailing list, they will get all the mail. So what I have  
1787 | done is I have taught the regulators how you can actually

1788 | look and see what is being mailed, in addition to the usual  
1789 | process of people submitting complaints and things like that,  
1790 | and inquiries. But there are lots of ways to seed mailing  
1791 | lists. And pretty much everybody in our industry seeds other  
1792 | mailing lists.

1793 |         Mr. BILBRAY. But is there any way to do an outreach to  
1794 | the contributors themselves, sort of sensitizing them to  
1795 | contact, or whatever, is there any way for Ms. Johns to know  
1796 | basically who you are mailing to and is that protected under  
1797 | Privacy or does she have an ability to be able to get that  
1798 | information so that she can then do an outreach saying, if  
1799 | you have any questions, if you have any concerns?

1800 |         Mr. PETERS. There is a very thin line, and I don't want  
1801 | to get over-complicated, but basically the answer to your  
1802 | question is yes, it is protected by Privacy. It goes back to  
1803 | a case that went to the Supreme Court on the NAACP where they  
1804 | were investigated and the State officials asked them for  
1805 | their donor list. And it was pretty clear why the State  
1806 | officials wanted the donor list, because they were going to  
1807 | harass the donors.

1808 |         And so the Supreme Court said, no, the State does not  
1809 | have a right to simply subpoena or get the donor list.  
1810 | However, in an situation where it is more of an enforcement  
1811 | situation, there are opportunities to get on the donor list  
1812 | so you can see solicitations.

1813           The other answer to your question is, if you look at any  
1814 solicitation that is made in the United States, you will see  
1815 contact information for, I believe it's 23 or 25 different  
1816 State charity offices. And these are required by law, they  
1817 are disclaimers, and they include typically the address of  
1818 the State charity office and often an 800 number, so that the  
1819 citizens of that State can call in toll-free and register any  
1820 complaints or concerns they have. And those are included on  
1821 every single solicitation that is made by a legitimate  
1822 charity. The only people that don't include them are the  
1823 charities that never register and never comply with the law  
1824 who are the ones we hope Ms. Johns enforces against.

1825           Mr. BILBRAY. Thank you. Ms. Johns, I appreciate you  
1826 guys upgrading, because coming from local government myself,  
1827 I know that we can talk about the problems, but the real  
1828 answers are going to come from your part of the political  
1829 spectrum.

1830           Thank you very much, and I yield back, Mr. Chairman.

1831           Chairman WAXMAN. Thank you, Mr. Bilbray.

1832           Mr. Tierney?

1833           Mr. CHAPIN. Mr. Chairman, her office was notified in  
1834 writing by us of this loan to Mr. Lynch, and I have the  
1835 letter here. I would be happy to read it. I don't want to  
1836 interfere.

1837           Chairman WAXMAN. Let's let Mr. Tierney ask questions.

1838 Mr. TIERNEY. Thank you, Mr. Chapin, for gratuitously  
1839 taking my time.

1840 Let me ask a question. I was interested to see, since  
1841 2004, apparently you have been using General Tommy Franks to  
1842 sign fund-raising letters for your organization. I guess  
1843 maybe millions of letters have gone out with his signature on  
1844 there, asking the public for their contributions. I presume  
1845 that when a general endorses a charity like that, he is doing  
1846 it because he thinks the charity is worth endorsing and that  
1847 he is not being paid to do it.

1848 But in fact, you paid Tommy Franks about \$100,000 to  
1849 sign those letters, didn't you?

1850 Mr. CHAPIN. That is correct.

1851 Mr. TIERNEY. A hundred thousand dollars to General Tommy  
1852 Franks to sign those letters. And then I also understand  
1853 that General Diehl gets \$5,000 a month to sign letters like  
1854 that. Is that also true?

1855 Mr. CHAPIN. Yes. Can I respond to that?

1856 Mr. TIERNEY. You just did, and I appreciate your candor.

1857 Mr. CHAPIN. Well, the fact of the matter--

1858 Mr. TIERNEY. But the fact of the matter is that you give  
1859 \$100,000 to General Franks, you give \$5,000 a month to  
1860 General Diehl, and I don't see anything in your disclosure to  
1861 individuals that these people were paid to put their  
1862 signature on there.

1863           So my question to Ms. Johns is, do you have any  
1864 difficulty with that?

1865           Ms. JOHNS. There is no specific law prohibiting the  
1866 payment for endorsements by charities. It could be  
1867 considered a waste of charitable assets.

1868           Mr. TIERNEY. I could look at this, \$100,000 to General  
1869 Franks, \$5,000 a month to General Diehl, \$14 million to Mr.  
1870 Viguerie's company, a million and a half dollars to you and  
1871 your wife, at some point in time hopefully the veterans are  
1872 getting a little slice of this action on that.

1873           Also, Mr. Viguerie, let me ask you, you apparently have  
1874 a longstanding personal relationship with Mr. Chapin, of  
1875 about 40 years, is that right?

1876           Mr. VIGUERIE. Something a little short of that, but we  
1877 have been a client and a friend for many years.

1878           Mr. TIERNEY. So when we look at the tax returns for the  
1879 that the Committee has for HHV, it looks like between 2000  
1880 and 2005, your direct mail company, American Target  
1881 Advertising, and your list management rental companies,  
1882 earned more than \$14 million. Would that be about accurate?

1883           Mr. VIGUERIE. I don't have those numbers at hand, sir.

1884           Mr. TIERNEY. That is what the record seemed to indicate.  
1885 So it seems like a lot from just one client. Is that one of  
1886 your largest clients?

1887           Mr. VIGUERIE. Yes, it is.

1888 Mr. TIERNEY. And it looks, as I said, that a lot of  
1889 money is going to two beneficiaries in particular, Mr. Chapin  
1890 and then your corporation, your groups on that. They don't  
1891 seem to be paying the expenses, like direct mail, postage,  
1892 printing fees. It just seems to be going toward consulting  
1893 fees on that basis.

1894 So is all that \$14 million a direct profit to you, sir?

1895 Mr. VIGUERIE. Sir, that is a very incorrect word to use,  
1896 consulting. We are a vendor. And we employ on the HHV  
1897 account something over 20 people, writing copy, ordering  
1898 envelopes, ordering lists, getting the mailings out,  
1899 analyzing the returns. We are going to--

1900 [Simultaneous conversations.]

1901 Mr. TIERNEY. It doesn't look like direct costs--

1902 Mr. VIGUERIE.--advertising agency.

1903 Mr. TIERNEY. It didn't look like there was any direct  
1904 mail or postage or printing fees associated with that. It  
1905 looked more like it was for the list on that. And I was  
1906 wondering, for the list, how much of that other than for list  
1907 cost, for rental or whatever it is you do, would be just  
1908 profits to those companies?

1909 Mr. VIGUERIE. Well, sir, we have, as I said, over 20  
1910 people putting out hundreds of different mailings, something  
1911 in excess probably of 50 million letters a year. It is an  
1912 enormous undertaking.

1913 Mr. TIERNEY. Mr. Chapin--

1914 Mr. CHAPIN. He only gets about six or seven cents of the  
1915 45 cents that he pops in the mail.

1916 Mr. TIERNEY.--I am going to ask you a question now so  
1917 you will have a chance to respond. I know you like to ad  
1918 lib, but I want to cut back a little bit.

1919 You told the Committee that you had given Mr. Viguerie  
1920 nearly a million dollars in loans to provide capital for  
1921 another venture on that. Do you see it within your corporate  
1922 charitable purpose to give loans to other individuals for  
1923 start-up companies or for capital costs?

1924 Mr. CHAPIN. Yes, very much so if it is in the interests  
1925 of the non-profit to do so. Because he has very, very high  
1926 expenses, start-up expenses or seed money expenses in terms  
1927 of a particular mail campaign. And if he is not able to fund  
1928 that mail campaign, and front the money until such time as  
1929 the revenues come back, then we are extremely disadvantaged  
1930 by it.

1931 Mr. TIERNEY. Mr. Viguerie, did you try to seek those  
1932 funds first from commercial lenders?

1933 Mr. VIGUERIE. Well, for the 43 years we have been in  
1934 business--

1935 Mr. TIERNEY. I am sorry, I have very limited time.

1936 [Simultaneous conversations.]

1937 Mr. VIGUERIE. For over 43 years we have not been able to

1938 do it, because our assets go up and down the elevator every  
1939 day.

1940 Mr. TIERNEY. So Ms. Johns, do you have any difficulty  
1941 with the fact of a charitable corporation lending money to a  
1942 start-up company that couldn't get the money from commercial  
1943 lenders? Do you see that within the charitable purpose, or  
1944 do you see any problems with that?

1945 Ms. JOHNS. That could either be speculative investment  
1946 or it could be a loan requiring notice to our office.

1947 Mr. TIERNEY. Thank you. I yield back, Mr. Chairman.  
1948 Thank you.

1949 Chairman WAXMAN. That certainly is a lot of  
1950 self-dealing.

1951 Who is next over here? Mr. Cannon?

1952 Mr. CHAPIN. I can't allow that go unchallenged. This  
1953 business, of self-dealing. Not a penny--every penny has been  
1954 repaid. Interest rates have gone at the rate of 10 to 12 to  
1955 18 percent that Richard has been charged. And we would not  
1956 have been able to raise anywhere near the amount of money  
1957 that we raised had it not been for the fact that we have made  
1958 some of these advances. It would have been a lousy business  
1959 decision on my part and the board of directors had we not  
1960 advanced some of these monies. So I will defend that all day  
1961 long.

1962 Chairman WAXMAN. I am sure you will.

1963 Mr. Cannon.

1964 Mr. CANNON. Thank you, Mr. Chairman. Like the Ranking  
1965 Member and I suspect like you, I am also familiar with the  
1966 high cost of fund-raising. In fact, I am quite familiar with  
1967 Mr. Viguerie, whose son was a volunteer on my first campaign.  
1968 And I have watched these issues for a long time.

1969 I am actually quite surprised at the moral outrage and  
1970 the hectoring of the witnesses here today, and I hope we can  
1971 get to a little bit of an understanding about why that is and  
1972 what we are really talking about here. But I understand we  
1973 have a number of veterans in the audience today. Would you  
1974 mind, Mr. Chairman, if we asked for a showing of hands so we  
1975 can identify those veterans? We want to applaud their honor,  
1976 their integrity.

1977 [Applause.]

1978 Mr. CANNON. It is, I think, extraordinarily important in  
1979 America that we not only honor our veterans, but that we fund  
1980 their health care and their recovery. If we don't do that as  
1981 a Nation, we are going to end up with their children and  
1982 their nephews and their nieces and their relatives not  
1983 wanting to go into the service. And so I would hope that  
1984 rather than folks have so much on this issue with such  
1985 animosity and hectoring of our witnesses that we actually  
1986 talk about what we can do to help veterans.

1987 So I would like to ask just a quick question to Mr.

1988 Viguerie. There is a high cost to fund-raising. But we do  
1989 raise a significant amount of money that way. Could you  
1990 compare briefly the effectiveness of fund-raising through  
1991 mail to the effectiveness of Government?

1992 [Laughter.]

1993 Mr. CANNON. The laugh is all we really need there, by  
1994 the way. The fact is, we don't do things very efficiently in  
1995 America, and the market helps us do things remarkably  
1996 efficiently. And what we need is transparency as to these  
1997 things.

1998 I don't mean to cut you off, Mr. Viguerie, but the point  
1999 is that I think it is a laugh when you start considering what  
2000 we do here. And there are a couple of things that I think  
2001 are really important. Mr. Chapin, you offered a letter there  
2002 and were cut off, I think, that was sent to Ms. Johns'  
2003 division. Would you allow us to have that letter submitted  
2004 for the record.

2005 Mr. CHAPIN. Yes.

2006 Chairman WAXMAN. Without objection, it will be received  
2007 for the record.

2008 [The referenced information follows:]

2009 \*\*\*\*\* INSERT \*\*\*\*\*

2010 Mr. CANNON. Ms. Johns, if that letter was submitted,  
2011 then your earlier opinion that it was illegal would not be  
2012 correct, wouldn't it?

2013 Ms. JOHNS. Right. What I meant to say was that loans  
2014 must be submitted to our office. They would be illegal  
2015 otherwise.

2016 Mr. CANNON. So we don't want there to be anything in  
2017 this record today to suggest there is something improper as  
2018 to that loan, which a big deal was made about, because  
2019 apparently it was disclosed. So Mr. Chapin, if you could  
2020 introduce that into the record, I would appreciate that.

2021 And you would mind, you were asked questions without any  
2022 opportunity to respond, can you tell us a little bit about  
2023 the relationship with General Franks and General Diehl and  
2024 what the nature of that relationship is, or anything you  
2025 would like to tell us on the record about that?

2026 Mr. CHAPIN. Thank you, Congressman. Very much so. The  
2027 General, this was, sir, in 2005, that the General's  
2028 arrangement with us was taking place. And his endorsement of  
2029 the whole operation was responsible for raising millions and  
2030 millions of dollars, I think over and above what otherwise  
2031 might have been raised had it not been for the association of  
2032 Tommy Franks with the organization. And Tommy, I have had  
2033 any one of a number of conversations with Colonel Michael  
2034 Hays, his aide, about this. Tommy originally had said no,

2035 | that he had been approached by any one of a number of  
2036 | organizations to do similar tasks.

2037 |         So the arrangement was entered into with the  
2038 | understanding that he can't do it for everybody and it is a  
2039 | lot of time that is being consumed by his involvement in this  
2040 | thing. He himself cannot be a charity case. He devoted, I  
2041 | think, 36 or 38 years in the service of his Country. And he  
2042 | had a short window of opportunity. And he had to capitalize  
2043 | to some extent on his celebrity. And I thought that was  
2044 | totally appropriate. And it has benefitted the charity  
2045 | enormously.

2046 |         So I and General Diehl likewise, as devoting quite a bit  
2047 | of time to us, has done a marvelous job, well beyond the few  
2048 | thousand bucks that he gets to sign our letters. And that is  
2049 | just reality. I wish we could find more folks like that.

2050 |         Mr. CANNON. Mr. Chapin, if I could ask, Mr. Chapin, I am  
2051 | up here, thank you. I take it that both of these generals  
2052 | have looked at your program and have decided that they are  
2053 | somewhat more effective than, say, the Federal Government is  
2054 | in some of the things that the Federal Government does and  
2055 | therefore they support your charity?

2056 |         Mr. CHAPIN. Yes, sir. And my quarrel is, quite frankly,  
2057 | that the Government has abrogated its responsibility to help  
2058 | these folks in desperate need. Let me just explain one thing  
2059 | to you. The wives are having to give up their jobs in order

2060 | to be with their very severely wounded spouses at the VA and  
2061 | military hospitals. So right away, their income is cut in  
2062 | half. This is a total disaster. Because now, they don't  
2063 | have the money that they had before. Their utilities are  
2064 | being shut off. Their cars are being repossessed. Many of  
2065 | them are being evicted from their houses. This is criminal,  
2066 | in my opinion.

2067 |         And this is the reason why I am doing what I am doing.  
2068 | And if takes 90 cents on a dollar to help these guys, I will  
2069 | help them. And I beg the Government, and Mr. Chairman, if  
2070 | you will allow me, I want to commend the Chairman. Because  
2071 | he personally, I have been advised by the staff, Suzanne told  
2072 | me about this, that the Chairman has really made a serious  
2073 | effort to try and persuade the Congress, unsuccessfully, and  
2074 | I commend you, Mr. Chairman, even though we have some issues  
2075 | on other points, that he has really tried to make a serious  
2076 | effort to get Congress to face up to their obligations in  
2077 | respect to our disabled veterans. And again--

2078 |         Mr. CANNON. Mr. Chapin, since it is my time, and I  
2079 | appreciate that, and I also agree that the Chairman has been  
2080 | important in doing what you are talking about here, but there  
2081 | was an implication here that General Diehl and General Franks  
2082 | had sold their integrity by being paid by you. Is there any  
2083 | truth in that?

2084 |         Mr. CHAPIN. Absolutely not. That is an insult. This is

2085 | a great--

2086 |       Mr. CANNON. Thank you. It is an insult, if I can just  
2087 | take my time back. It is a dramatic insult. I am offended  
2088 | by it. What I would like to do now is just take a moment to  
2089 | try and establish what the heck we are doing beating up  
2090 | charities that are helping soldiers when they are very  
2091 | similar to many other charities in the world. Ms. Johns, I  
2092 | think you have been stuck here as sort of a stalking horse,  
2093 | you have been asked hypothetical questions, you have been  
2094 | left in an awkward position. You obviously understand your  
2095 | business. I am going to try and move you out of that and  
2096 | into a different context.

2097 |       Do you understand the various systems out there for  
2098 | rating charities?

2099 |       Ms. JOHNS. I don't, really. We aren't allowed to rate  
2100 | ourselves, so we refer--

2101 |       Mr. CANNON. But you understand there are rating systems  
2102 | out there?

2103 |       Ms. JOHNS. Oh, I understand they are there, yes.

2104 |       Mr. CANNON. Would you be surprised if under those rating  
2105 | systems the YMCA had a similar rating to Mr. Chapin's  
2106 | charities, or the Disabled Veterans Association or the  
2107 | Paralyzed Veterans Associations?

2108 |       Ms. JOHNS. I don't know that.

2109 |       Mr. CANNON. You don't? Okay, thank you. I will tell

2110 | you there are rating systems out there, and maybe Mr. Peters  
2111 | and Mr. Chapin, you could take a moment to describe those  
2112 | systems and then establish how these charities rate compared  
2113 | to these other systems. Let's start with Mr. Peters briefly  
2114 | and then go to Mr. Chapin.

2115 |         Mr. PETERS. By best count, there are over 50 different  
2116 | charity watchdog groups. Most of them operate on a  
2117 | State-only basis. There tend to be four large ones that  
2118 | operate on a national basis.

2119 |         Mr. CANNON. And how did Mr. Chapin's rate compared to,  
2120 | say, the YMCA, if you have the knowledge?

2121 |         Mr. PETERS. It varies, because the ratings systems all  
2122 | use different criteria. Some of them don't even use the  
2123 | criteria that the charities are required to use in order to  
2124 | file gap, according to generally accepted principles.

2125 |         Mr. CANNON. Do you have any sense about Mr. Chapin's  
2126 | charities in particular?

2127 |         Mr. PETERS. I know that the ratings systems for Mr.  
2128 | Chapin's charities are inconsistent, and that in some cases,  
2129 | some of the ratings people rate them the same. I believe one  
2130 | of the members read a list, it might have been Mr. Burton,  
2131 | that read a list of almost 30 or 40 charities that had the  
2132 | same rating. That kind of inconsistency is very typical.

2133 |         Mr. CANNON. Mr. Chapin, could you talk about the ratings  
2134 | of your charities and other charities and how they compare?

2135 | And how your salary compares with the salaries of comparable  
2136 | charities.

2137 |       Mr. CHAPIN. Well, your first question, sir, is about the  
2138 | ratings. And we compare very favorably to most of the major  
2139 | charities in the United States. The fact of the matter is,  
2140 | Mr. Chairman, that a myth has been perpetrated by the whole  
2141 | non-profit industry. And the American public has been  
2142 | deceived to think that fund-raising costs are only 10, 15, 25  
2143 | percent. That is not reality.

2144 |       And I have tried to be very straight with you. I may be  
2145 | the only guy in the whole cotton-picking non-profit  
2146 | establishment that is willing to tell it like it is. I do  
2147 | the best I can. And if I could do better, I would. I have  
2148 | tried television, I have tried radio, I have tried  
2149 | foundations, I have tried corporations. And the only thing  
2150 | that works is direct mails.

2151 |       So we have this gentleman, Borochoff. Now, I suppose  
2152 | that it is his prerogative to be a maverick and to disregard  
2153 | the whole system that has been set up by the American  
2154 | Institute of Certified Public Accountants and by which we are  
2155 | required to report. Borochoff disregards allocations.  
2156 | Personally, I think the guy is a wacko. And the reason why  
2157 | he does this is because he set himself up--

2158 |       Mr. CANNON. Pardon me, Mr. Chapin. Mr. Chairman, I see  
2159 | the light is off.

2160 Chairman WAXMAN. Mr. Cannon, for some reason or another  
2161 this timer went completely kaplooeey. It was adding time.

2162 Mr. CANNON. Well, that is how it ought to be, under the  
2163 circumstances.

2164 Chairman WAXMAN. Yes, I know.

2165 [Laughter.]

2166 Mr. CANNON. May I ask unanimous consent for an  
2167 additional minute to wrap up?

2168 Chairman WAXMAN. Without objection, we will do that.

2169 Mr. CANNON. Thank you.

2170 Mr. Chapin, I appreciate that answer. Look, there are  
2171 some very important issues here. I am deeply concerned that  
2172 we are whacking on groups that are supporting the military.  
2173 There is a dramatic difference today in how we are treating  
2174 our servicemen than the embarrassment of the post-Vietnam  
2175 war. As an American citizen, I was humiliated that we would  
2176 treat our military so badly after that war. And I think a  
2177 big part of that is what I think Mr. Chapin was referring to  
2178 as allocations, which is by having these expensive processes,  
2179 we not only get some money that comes in, but we send a  
2180 message out, and that message is, we care about vets.

2181 Why are we whacking on these guys when what we ought to  
2182 be talking about is helping Ms. Johns with her job? And  
2183 helping her with her job means creating a system of greater  
2184 transparency. That is where this Committee ought to be

2185 | focused, not on whacking people that are helping vets, and in  
2186 | a very substantial way. And with that, Mr. Chairman, I yield  
2187 | back the balance of my time.

2188 | Chairman WAXMAN. Thank you, Mr. Cannon. You did take a  
2189 | minute, but the clock did not reflect it.

2190 | Mr. CANNON. Is that adding two minutes now?

2191 | Chairman WAXMAN. It is not worth going into.

2192 | I do want to just point out for the record that General  
2193 | Tommy Franks has dis-associated himself from your  
2194 | organization, Mr. Chapin, and as I understand it, he asked  
2195 | that his name be removed from the information that is  
2196 | provided by your organization.

2197 | Mr. CHAPIN. That is correct.

2198 | Chairman WAXMAN. Okay. Now I want to recognize--

2199 | Mr. CHAPIN. Can I explain to you why?

2200 | Chairman WAXMAN. Pardon?

2201 | Mr. CHAPIN. Can I explain to you why?

2202 | Chairman WAXMAN. Well, wouldn't he be the better one to  
2203 | explain it? Why do you think he left?

2204 | Mr. CHAPIN. He left because he had a number of letters  
2205 | from fellow generals who said, hey, I am getting too much  
2206 | mail. And then the one that broke the camel's back was he  
2207 | got something, his sister called him up and his sister got on  
2208 | him about how many mailings in a single day, he said, that is  
2209 | it. He also had a problem, I am trying to be very frank with

2210 | you, he had a problem that we didn't meet all of the wise  
2211 | giving, we met the financial standards, we didn't meet all  
2212 | the wise giving of the Better Business Bureau. And Tommy's  
2213 | out, trying to make himself a living, he gets about \$100,000  
2214 | a pop for speeches to corporations and so forth. And he  
2215 | says, Roger, he says, I am terribly sorry, but I am not going  
2216 | to renew the contract. As a matter of fact--

2217 | Chairman WAXMAN. So he did not renew the contract, he is  
2218 | no longer with you, and he is no longer signing mail on your  
2219 | behalf.

2220 | Mr. CHAPIN. Yes, but I nevertheless--

2221 | Chairman WAXMAN. Well, I think that is what we want on  
2222 | the record. We don't want to hear a long story about the  
2223 | whole--

2224 | Mr. CANNON. But Mr. Chairman, if you would allow me, you  
2225 | have just put on the record an indictment of Mr. Franks, who  
2226 | may have a much more complicated view of the world, and in  
2227 | addition, this very hearing is maybe part of the problem  
2228 | there. We may be dissuading heroes like General Franks from  
2229 | doing things that are helpful to soldiers by having this  
2230 | hearing.

2231 | Thank you. I yield back.

2232 | Chairman WAXMAN. Mr. Franks was being paid \$100,000 to  
2233 | lend his name for this organization. We understand he had  
2234 | misgivings about it and he asked that his name be taken off.

2235 | We will hold the record open for Mr. Franks to submit any  
2236 | additional or contrary information.

2237 | Now the time goes to Mr. Yarmuth.

2238 | Mr. YARMUTH. Thank you, Mr. Chairman.

2239 | Mr. Chapin, I would like to pursue something that came  
2240 | up earlier, and I was confused by the response and I just  
2241 | want to clarify it. One of the mailings that you send out  
2242 | that was produced by Creative Direct Response, Mr. Peters'  
2243 | company, has that disclaimer, this mailing was produced by  
2244 | Help Hospitalized Veterans, which retains 100 percent of the  
2245 | contributions made. The language is on the screen there.  
2246 | And we have already established, and you have basically  
2247 | conceded, that that is not literally true.

2248 | Now, was it my understanding that you said that that  
2249 | precise disclaimer was required by law in a State even though  
2250 | it is demonstrably untrue?

2251 | Mr. CHAPIN. First of all, the statement is true. I  
2252 | don't know why anybody is questioning the statement. Yes, we  
2253 | did retain 100 percent of the contributions. We didn't give  
2254 | it to somebody else before we got the money. We took in the  
2255 | money, we paid our expenses and what was left we passed on to  
2256 | the hospitalized veterans. And yes, the State of Florida  
2257 | does require this language.

2258 | Mr. YARMUTH. That precise language. Now, you said that  
2259 | you paid Creative Direct Response \$100,000. Did all the

2260 money come into you and you paid them and that is why you say  
2261 it is literally true? Is that your argument?

2262 Mr. CHAPIN. Yes. I have been advised by CDR, which is  
2263 their outfit, Creative Response Direct, that this language is  
2264 required. I have never seen it in a statute. The State of  
2265 Florida has never told me that. But I was advised that it  
2266 was necessary to put this verbiage in the mailing. That is  
2267 the reason why it is there.

2268 Mr. YARMUTH. Mr. Chapin, before I came to Congress, I  
2269 was a journalist, an editor to be specific. So I think very  
2270 closely about exactly what words mean. And when I saw that  
2271 during our last hearing, my thought was that this is exactly  
2272 the type of language that is designed to create the  
2273 impression that 100 percent of the dollars being donated are  
2274 going to the beneficiary group. Basically when I looked at  
2275 it, I said, you know, this basically says that you kept all  
2276 the money. It doesn't say that you spent one dollar actually  
2277 for veterans.

2278 Now, I know you have. But I took it exactly the other  
2279 way.

2280 Mr. CHAPIN. The fact of the matter is that, what did you  
2281 say you did, 10 percent of our mailings, I think you do 20  
2282 percent of our mailings?

2283 Mr. PETERS. Nine percent of the revenue is what I said.

2284 Mr. CHAPIN. Nine percent of the revenue, maybe 20

2285 | percent of the mailing. The fact of the matter is, this is  
2286 | not in the other 80 or 90 percent of the mailings that  
2287 | Richard Viguerie's company is doing. So if we were trying to  
2288 | misrepresent to people, we would have this in all of our  
2289 | mailings, not just in a small percentage of him. His  
2290 | attorneys happen to believe that the State of Florida  
2291 | requires this. I could care less if--

2292 | Mr. YARMUTH. Mr. Chairman, if I--

2293 | Chairman WAXMAN. [Gaveling.] This is a Committee where  
2294 | there are five minutes granted to members to ask questions.  
2295 | Respond to the questions. Don't give us a speech. Because  
2296 | that time is used up and it is unfair.

2297 | Mr. CHAPIN. I apologize.

2298 | Mr. YARMUTH. You have answered that question. There has  
2299 | been suggestion that possibly there has been some  
2300 | self-dealing here, and I want to give you an opportunity, Mr.  
2301 | Chapin, Mr. Viguerie, Mr. Peters, to answer some questions on  
2302 | the record, so that we can clarify if there has been or not.

2303 | Is it your testimony, Mr. Chapin, that Mr. Viguerie's  
2304 | company, you said you fronted the money, are they the only  
2305 | direct mail company that could have facilitated the type of  
2306 | solicitation that you are talking about, that you do, that  
2307 | you are involved in?

2308 | Mr. CHAPIN. Congressman, would you be kind enough to  
2309 | repeat that just one more time? I want to make sure I have

2310 | it clear in my head before I answer you.

2311 |       Mr. YARMUTH. You fronted Mr. Viguerie money to basically  
2312 | allow him to make the investment to produce your, to help you  
2313 | with your mailings and your solicitation. My question is, is  
2314 | Mr. Viguerie's the only company, in your judgment, in the  
2315 | United States, that was capable of doing such a project?

2316 |       Mr. CHAPIN. Put it this way. Richard out-performed  
2317 | every other direct mail house, of which there were several,  
2318 | some of the top direct mail agencies in the Country. That is  
2319 | the reason why he gets the bulk of the business. If somebody  
2320 | else can beat Richard, we will be there in a minute.

2321 |       Mr. YARMUTH. Is that your testimony, that you explored  
2322 | and you talked to other direct mail companies before you  
2323 | chose Mr. Viguerie's company?

2324 |       Mr. CHAPIN. Yes. Matthews and Smith struck out with  
2325 | another program that I started some previous years. Richard  
2326 | made it work. This other gentleman here, as much as I admire  
2327 | his work, when we first mailed for the Coalition, struck out.  
2328 | And Richard made it work.

2329 |       Mr. YARMUTH. Okay, fine. I am just trying to get this  
2330 | on the record now.

2331 |       Second question. Do you or does anyone in your company,  
2332 | including board members, have a financial interest in either  
2333 | Mr. Viguerie's company or Mr. Peters' company?

2334 |       Mr. CHAPIN. Absolutely not.

2335 Mr. YARMUTH. Does anyone in your company, you or a board  
2336 member, have any financial interest in the manufacturers or  
2337 creators of the craft projects that you distribute?

2338 Mr. CHAPIN. Absolutely not.

2339 Mr. YARMUTH. Mr. Viguerie, I just want to, and this is a  
2340 small point, but your reputation precedes you, you are a  
2341 passionate and outspoken advocate for your cause. I  
2342 congratulate you on that. And all of us here are familiar,  
2343 both sides of the aisle, with spin and pivoting and all those  
2344 types of techniques, and I respect your statement in that  
2345 light.

2346 But I have one question. You mentioned New York Times  
2347 v. Sullivan as some kind of evidence for your position that  
2348 you are in some way under assault here on a First Amendment  
2349 basis. And wasn't the point and the principle of Times v.  
2350 Sullivan that public figures couldn't sue news media for  
2351 libel or slander based on, unless under certain circumstances  
2352 there was a reckless disregard for the truth?

2353 Mr. VIGUERIE. Well, I am clearly not an attorney. But I  
2354 think you are probably right, but I couldn't say for sure.

2355 Mr. YARMUTH. Well, as I have said, I spent a long time  
2356 in journalism, and every journalist knows that case. And I  
2357 really have a hard time figuring out how that relates to your  
2358 testimony or your argument at all.

2359 But with that, I yield back.

2360 Mr. PETERS. Mr. Chairman, I know that you have made it  
2361 clear that the members are to ask questions. But since this  
2362 question has appeared twice now about why that language is  
2363 there, I think I can clarify for the Committee.

2364 Chairman WAXMAN. Go ahead.

2365 Mr. PETERS. I appreciate it, Mr. Chairman.

2366 As I tried to indicate earlier in response to another  
2367 question about the State disclaimer languages, the States  
2368 passed statutes that require certain words to be present in  
2369 any mailing that is mailed into that State. When you mail  
2370 mailings throughout the United States, you have to amalgamate  
2371 all of the State disclaimer language throughout the whole  
2372 States.

2373 Because of concerns about tele-marketing costs, where  
2374 the money doesn't necessarily go directly to the charity, it  
2375 goes first to the tele-marketing firm, and then the charity  
2376 gets what is left over after the fees, a number of States  
2377 have required language that states whether or not that is the  
2378 case. So the State of Florida has required language that  
2379 states how much of the money that is contributed goes  
2380 directly to the charity without requirement for saying how  
2381 the charity may use the money that is contributed.

2382 But the language is required by the States. As to the  
2383 specific language, we have our lawyers who are specialists in  
2384 regulatory law for charities, examine the State disclaimers,

2385 | and then we tell our clients that they have to comply.

2386 | Chairman WAXMAN. Let me ask Ms. Johns if I might, do you  
2387 | think saying that 100 percent is a disclaimer or is it  
2388 | something that might well lead to confusion and  
2389 | misrepresentation to what people believe when they read it?

2390 | Ms. JOHNS. When we bring a cause of action under our  
2391 | unfair competition law, we send questionnaires to donors and  
2392 | ask them what they thought a phrase meant. If a phrase has a  
2393 | tendency to mislead, then it violates our unfair competition  
2394 | law. And I would be that if we sent donor questionnaires out  
2395 | on this language, they would say, gee, I thought they were  
2396 | going to use it all for a charitable purpose.

2397 | Chairman WAXMAN. Mr. Sarbanes.

2398 | Mr. SARBANES. Thank you, Mr. Chairman.

2399 | Just on that last point, obviously the language used has  
2400 | to be looked at very carefully, and I guess States ought to  
2401 | review what they are requiring, so there isn't any kind of  
2402 | confusion.

2403 | I just wanted to, on this issue of whether the Federal  
2404 | Government and what it is trying to do for our veterans is  
2405 | more or less efficient than what some of these charities are  
2406 | doing, I just pulled some statistics which suggests that the  
2407 | Veterans Administration's administrative costs come to about  
2408 | 8 percent of the total budget and 16 percent of the  
2409 | discretionary budget. So just for the record, I wanted to

2410 | put that out there. That is not a question, that is just an  
2411 | observation.

2412 | I would like to understand a little bit better how, Mr.  
2413 | Viguerie, your company and companies like yours get paid. Is  
2414 | there a per piece of mail fee that goes with the contract?  
2415 | Is that how it works?

2416 | Mr. VIGUERIE. I can only speak for my agency,  
2417 | Congressman. But when I started 43 years ago, I didn't know  
2418 | a whole lot about how agencies charge, so I decided on a per  
2419 | piece fee that probably has increased 60, 70 percent over 43  
2420 | years, unlike inflation. But every once in a while, I will  
2421 | work it out, and it comes to almost exactly what the typical  
2422 | advertising agency markup is, which is 17.65. So the answer  
2423 | to your question is yes, we charge a per piece fee and have  
2424 | for 43 years.

2425 | Mr. SARBANES. So whatever profit you need to build into  
2426 | your operation, obviously you need to build something in, is  
2427 | part of that per piece fee?

2428 | Mr. VIGUERIE. Right, exactly.

2429 | Mr. SARBANES. Which means obviously the more mail pieces  
2430 | you send out, the more fees are going to accrue. So I guess  
2431 | it becomes relevant to you, Mr. Chapin, how that mailing  
2432 | operation works and whether it is efficient or not efficient.  
2433 | I think the staff pulled some evidence that some of these  
2434 | pieces of mail are going to incarcerated prisoners. In fact,

2435 I think one State began confiscating some of that mail  
2436 because it was coming with dollar bills as part of the  
2437 solicitation.

2438 I am just curious if, as part of the RFP process, now, I  
2439 worry about whether your relationship with Mr. Viguerie is  
2440 arms-length enough for you to bring a careful analysis to his  
2441 efficiency in terms of providing these mail services versus  
2442 somebody else. But if you were starting from scratch and  
2443 doing an RFP and having people come in and make the case,  
2444 what are the kinds of things you would look at in comparing  
2445 and contrasting how efficient these vendors are in deciding  
2446 whether to hire them?

2447 Mr. CHAPIN. Well, it is always a tough decision. You  
2448 really go on the basis of a track record and what other  
2449 charities has he mailed for, what kind of success has the  
2450 particular vendor had. It is very difficult sometimes to  
2451 determine that, because most of these numbers are pretty  
2452 confidential.

2453 I will say that as far as Richard is concerned, we do  
2454 have an arms-length relationship. As a matter of fact,  
2455 Richard wanted to do more mailing than we thought was  
2456 appropriate not too long ago for the Coalition. So I said to  
2457 Richard, I will tell you what, typically you lose 10 cents on  
2458 a prospect mailing. I said to Richard, look, you want to do  
2459 a few million more than I think is appropriate, then we are

2460 going to limit you, we are going to put a governor on you of  
2461 5 cent loss. Anything over that, you have to pay for.

2462 Now, I paid a premium of a penny a mailing.

2463 Mr. SARBANES. That is interesting you mention that. Why  
2464 did you think he wanted to do more? Why did you think what  
2465 he wanted to do was not appropriate? What was there about  
2466 it?

2467 Mr. CHAPIN. Well, Richard gets paid, I would rather pay  
2468 him on a performance basis. Richard gets paid six, seven  
2469 cents per mailing, for the most part. So there is an  
2470 incentive from Richard's point of view to maximize the  
2471 mailing. We have a guy who used to be Richard's account  
2472 executive who now works for us that sort of puts a governor  
2473 on Richard.

2474 So I said to Richard, look, I will pay you a premium of  
2475 a penny a mailing, but you have to absorb any loss over five  
2476 cents, because typically we lose ten cents. So Richard put  
2477 his money where his mouth was, and he said fine. Well, it  
2478 cost Richard almost \$500,000.

2479 Mr. SARBANES. Well, you have introduced into the  
2480 conversation, this is kind of where I was heading, the notion  
2481 that there has to be more scrutiny of the terms of these  
2482 contracts between the charities and the mail houses. Both to  
2483 make sure they are efficient and to make sure that there is  
2484 not an incentive to just send mail out willy-nilly, because

2485 | you are going to get a return on each piece.

2486 |       Which brings me to the last sort of point or question I  
2487 | wanted to put to Mr. Peters and maybe Ms. Johns. I am very  
2488 | focused on the kind of disclosure there can be. You have  
2489 | suggested that it is so hard to compare and contrast the  
2490 | different criteria for determining whether a charity is a  
2491 | good one or using money efficiently or not.

2492 |       But that can't be the end of the conversation. There  
2493 | has to be a way to provide more information to the donor,  
2494 | apples to apples, oranges to oranges, so that they can make  
2495 | some judgment of whether this is a charity that is going to  
2496 | handle their donation in a responsible fashion. All I keep  
2497 | hearing is it is just so complicated to do that we have to  
2498 | throw our hands up.

2499 |       So help me with that, because we need to think about the  
2500 | donors.

2501 |       Mr. PETERS. Let me narrow your perception of what I  
2502 | said. Because I was focused on the measure cost of  
2503 | fund-raising ratio as having been thrown out by everybody  
2504 | that has looked at it in a responsible way.

2505 |       That does not for a moment mean that charities should  
2506 | not be transparent, that they should not be required to  
2507 | reveal whatever information the donor wishes to receive, and  
2508 | in fact under IRS guidelines, charities are required to post  
2509 | and give to everyone who wish a copy all of their financial

2510 statements in their 990 and 1023, which is the original  
2511 application for exemption.

2512 So I do not for a moment want you to understand me to be  
2513 saying that we are opposed, or the charitable community is  
2514 opposed to disclosure. We are in favor of transparency. We  
2515 are in favor of disclosure. We are in favor of informed  
2516 donors.

2517 What we are not in favor of is a regime, either by the  
2518 Government or by misguided private watchdogs that rely  
2519 exclusively on a measure that we know to be unreliable and  
2520 use a one size fits all measure for the ranking of charities.  
2521 And that is all I was trying to say.

2522 Chairman WAXMAN. The gentleman's time has expired.

2523 I just wanted to make a comment. Mr. Chapin, you are  
2524 quite a witness. You talked about General Frank, he just  
2525 didn't want all these mailings because some people said there  
2526 were too many mailings. Well, the truth of the matter is,  
2527 General Franks said you are sending too much mail because he  
2528 knew more money was going to pay for the overhead costs to  
2529 Mr. Viguerie as he sent more mail out. General Franks got  
2530 \$100,000 from you, and he said he didn't want to be part of  
2531 it any more. General Diehl got money. Others got money.  
2532 You got your cut, Mr. Viguerie got his cut. Everybody got a  
2533 cut.

2534 But what was left was only 25 cents for the veterans.

2535 Now, I know you said this is the way it is. I don't think  
2536 that is the way it should be. I don't think that is right.  
2537 And as I look at how you are paid from this whole operation,  
2538 you are doing very well for yourself. No one, no veteran  
2539 could get the kind of pension you are going to get. No  
2540 veteran could get the kind of money you are getting. No  
2541 executive except at the very top of some major corporations  
2542 get the kind of take you are taking out of this.

2543 And I wouldn't mind it if we had something really  
2544 returned to the veterans more than just 25 cents on the  
2545 dollar.

2546 It is Mr. Shays' time and I am going to comment, unless  
2547 you want to comment.

2548 Mr. CHAPIN. I would like to comment. This nonsense  
2549 about lining my pockets, as every other CEO, which is over  
2550 half of them, getting the same kind of compensation that I am  
2551 getting or more, are they lining their pockets? Is the YMCA,  
2552 is the Boy Scouts, are the American--

2553 Chairman WAXMAN. There are other veterans groups that  
2554 raise money and provide services to veterans and don't have  
2555 nearly the overhead costs that you have. It isn't true that  
2556 every charity has the same overhead costs that you claim. A  
2557 lot of them have held down their costs so they could do more  
2558 for the charitable purpose and less for the overhead and the  
2559 personal purposes for which a lot of that money goes.

2560 Mr. CHAPIN. Paralyzed Veterans of America has higher  
2561 costs than we do. They are not here. DAV has about the same  
2562 costs, they were not invited. The American Legion, I am  
2563 very, very friendly with them. The VFW, all these folks have  
2564 higher, higher costs--

2565 Chairman WAXMAN. Then it is your view everybody does it.  
2566 That to me is not a good enough excuse, that everybody does  
2567 it. Because it seems to me that the ones who are losing out  
2568 are the veterans.

2569 Mr. CHAPIN. If you have a cheaper way of doing it, I  
2570 would sure like to know about it.

2571 Chairman WAXMAN. Well, I will tell you one cheaper way  
2572 is the Federal Government ought to do what is right for its  
2573 veterans. That is what we should be doing.

2574 [Applause.]

2575 Mr. CHAPIN. We are all for you.

2576 Chairman WAXMAN. Mr. Shays.

2577 Mr. SHAYS. This is, in my 32 years in public, this has  
2578 been a fascinating hearing for a lot of reasons. First, I do  
2579 think the issue is very serious. And I do want to ask you,  
2580 Mr. Chapin, am I to understand that Help Hospitalized  
2581 Veterans, the Coalition to Salute American Heroes Foundation  
2582 and Help Wounded Heroes, all of them basically have 75  
2583 percent cost and a 25 percent benefit to the veteran? Is  
2584 that accurate? Is that your statement before Congress?

2585 Mr. CHAPIN. Generally speaking, I would say that does  
2586 not really apply to Help Wounded Heroes. That is just now  
2587 getting off the ground. That is an advocacy organization.

2588 Mr. SHAYS. So Help Wounded Heroes even has less or more  
2589 to the veterans?

2590 Mr. CHAPIN. Probably has close to 100 percent, because--

2591 Mr. SHAYS. A hundred percent goes to the veterans?

2592 Mr. CHAPIN. No, the other way around.

2593 Mr. SHAYS. A hundred percent does not go?

2594 Mr. CHAPIN. A hundred percent goes to the message to  
2595 beat on Congress in order to pass the necessary legislation.

2596 Mr. SHAYS. To raise money? Is it cost or benefit? I  
2597 just want to know the difference. And I don't want to spend  
2598 a long time.

2599 And Mr. Chairman, I would like to ask permission that I  
2600 can keep going on until I get answers to my questions.

2601 Chairman WAXMAN. It is your time, keep going.

2602 Mr. SHAYS. So the answer is, is most of that an expense  
2603 or a benefit to veterans? It is not a hard question to  
2604 answer.

2605 Mr. CHAPIN. Help Wounded Heroes, Congressman, is not a  
2606 charity. We don't profess to give a dime to charity. It is  
2607 an advocacy organization.

2608 Mr. SHAYS. Fair enough. It does not go to veterans, it  
2609 goes to getting the word out?

2610 Mr. CHAPIN. Precisely, and that--

2611 Mr. SHAYS. Fair enough. You answered the question.

2612 Mr. CHAPIN. Okay.

2613 Mr. SHAYS. Now, I will say to you that I came having  
2614 stronger feelings about this issue than I do now, but I still  
2615 believe that 25 percent to the veterans and 75 percent cost  
2616 is too much. And I just want to say that.

2617 Mr. Viguerie, I consider you the beginning and the end  
2618 as it comes to fund-raising. And you have reason to be proud  
2619 of how you have done it, though I will say to you that what  
2620 it has meant is that in the political side of the equation,  
2621 we have more money to spend and our opponents have more money  
2622 to spend, they get more money spent and we have more money  
2623 spent, and that is the reality of the world.

2624 But to your credit, I was raised, though, as a young  
2625 person, that when someone is asked a question but goes on the  
2626 attack, it is usually a defensive method because they don't  
2627 want to answer your questions. You have valid answers to  
2628 questions, but your attack in basically saying, we are going  
2629 to investigate Congress, and, and, and, makes me think that  
2630 you have some things that you don't want discussed. I am  
2631 just going to tell you that is the way I feel.

2632 Mr. VIGUERIE. Well, Congressman, in reply to that, let  
2633 me say first of all, first of all, you said earlier this  
2634 morning that charities are failing our veterans. No, Mr.

2635 Shays, the Congress, you members of Congress are failing the  
2636 veterans. Not compared to charities--

2637 Mr. SHAYS. Well, if you want to--no, I understand. I am  
2638 not going to disagree with you. I am not going to disagree  
2639 with you. Congress is failing the veterans. That is true.  
2640 And each of us is up for re-election and our constituency has  
2641 to evaluate that. You and I agree.

2642 But it is irrelevant right now under this issue on  
2643 charities. And I wonder, in fact, are we failing because we  
2644 are not doing a better job on charities. But if you want to  
2645 rail on Congress for all the things we are doing wrong, so be  
2646 it. You have a field day. You could spend a day, a year,  
2647 whatever.

2648 I happen to have been the lead co-sponsor of the  
2649 Congressional Accountability Act. We passed it in 1995. It  
2650 said whatever laws we pass on the public, we should pass on  
2651 Congress. And it passed. It was part of the Contract with  
2652 America.

2653 I don't disagree with you that what we impose on others,  
2654 we should have to abide by ourselves. So tell me in terms of  
2655 our campaign fund-raising what you think would be helpful.  
2656 Because I also think that I have had some interest in  
2657 campaign fund-raising.

2658 But once we get beyond that, then I want to ask you a  
2659 question about what you do. So tell me, what do you suggest

2660 | we do in campaign fund-raising? Because usually, I find  
2661 | people, particularly conservative Republicans, are opposed to  
2662 | having stronger laws on campaign fund-raising.

2663 |       Mr. VIGUERIE. Well, gosh, Congressman, you are right, I  
2664 | could talk all day, because you are throwing out a number of  
2665 | very good, interesting questions.

2666 |       Mr. SHAYS. Well, let's talk about campaign fund-raising.  
2667 | What would you do that is different?

2668 |       Mr. VIGUERIE. I was just down at an organization that  
2669 | you and I both have been at before a few weeks ago. And this  
2670 | issue came up over and over, and I made the point over and  
2671 | over, the dirty little secret of campaign finance reform is  
2672 | not about limiting money, it is about protecting the  
2673 | incumbents. That is why 98 percent of the incumbents get  
2674 | re-elected. That is a dirty little secret of campaign  
2675 | finance reform.

2676 |       Mr. SHAYS. I don't understand that. What is illegal  
2677 | about our raising money, just as what is illegal about your  
2678 | doing it? What is your point?

2679 |       Mr. VIGUERIE. No, just that the purpose of campaign  
2680 | finance reform is to make sure that the incumbents don't have  
2681 | serious competition. And of course it has not had that  
2682 | effect.

2683 |       Mr. SHAYS. No, the irony of this is that you are the  
2684 | expert on raising small dollars. And the whole point of

2685 campaign finance reform was to get corporate money out, union  
2686 dues money out, and have the small contributor like you argue  
2687 for be back in play. So I don't think that is a fair charge.  
2688 I think actually what we are doing is the kind of thing you  
2689 want. The irony is you are accusing Congress of something  
2690 that you advocate.

2691 Tell me what we require on you that we don't require on  
2692 us that you think makes sense.

2693 Mr. VIGUERIE. Well, first of all, we are going in great  
2694 lengths about the contracts that we have, what we are paid.  
2695 Congress doesn't make their contracts with--

2696 Mr. SHAYS. Would you support a law that says we should  
2697 disclose the contract?

2698 Mr. VIGUERIE. Absolutely. Absolutely.

2699 Mr. SHAYS. Now, let me ask you this question, though.  
2700 Would you be opposed in all your fund-raising solicitations  
2701 to say to the donor that 25 percent goes to the veteran and  
2702 75 percent goes to the charity for administrative costs and  
2703 to this fund-raising solicitation? Would that be a wrong  
2704 thing to do?

2705 Mr. VIGUERIE. Absolutely.

2706 Mr. SHAYS. What?

2707 Mr. VIGUERIE. Absolutely that would be the wrong thing  
2708 to do.

2709 Mr. SHAYS. Why? The public shouldn't have a right to

2710 know that you are taking 75 percent out? Why would that be  
2711 wrong?

2712 Mr. VIGUERIE. Congressman, let me read you from the  
2713 Supreme Court--

2714 Mr. SHAYS. No, I want to know why it would be wrong to  
2715 disclose to the public--

2716 Mr. VIGUERIE. Because the Supreme Court has clearly  
2717 established that charitable appeals for funds involve a  
2718 variety of speech interests. It is amazing that for two  
2719 days--

2720 Mr. SHAYS. Why doesn't the public have a right to know  
2721 the information?

2722 Mr. VIGUERIE. It is amazing to me, this is the second  
2723 day of hearings about charitable fund-raising for veterans  
2724 organizations, and there has been zero conversation and  
2725 discussion about the effectiveness of these organizations.  
2726 It is all as if the effectiveness--

2727 Mr. SHAYS. Mr. Viguerie, I have endless respect for you.  
2728 Endless respect for your accomplishments, but you are not  
2729 answering the question. And proponents have argued  
2730 disclosure and transparency is the key. Why would you be  
2731 opposed to disclosing to the people you are raising money  
2732 from that only 25 percent is going to the veteran and 75  
2733 percent is going to you and others?

2734 Mr. VIGUERIE. That is your characterization,

2735 Congressman, that you are making a false assumption, and the  
2736 Chairman has made that false assumption. The assumption that  
2737 the mail program is designed just simply to be a conduit from  
2738 the donor to pass it through to the veterans, that is your  
2739 assumption. The Supreme Court has said over and over and  
2740 everybody who is familiar with this, the Republican National  
2741 Committee, the Democratic National Committee, they know that  
2742 advertising mail serves multiple purposes. As I pointed out  
2743 in my opening statement--

2744 Mr. SHAYS. Well, then let's do this. Why would you be  
2745 opposed to say that 25 percent goes to the veteran and 75  
2746 percent goes to costs and alerting you to what is happening  
2747 to veterans? Could you be opposed to that?

2748 Mr. VIGUERIE. Yes.

2749 Mr. SHAYS. Why?

2750 Mr. VIGUERIE. You are chilling speech rights. The  
2751 Republican--I wish Congressman Van Hollen was here and we  
2752 could talk about the millions and millions and millions of  
2753 letters that he and the Republicans sent out that he signs  
2754 these letters, knowing that zero money, zero money is going  
2755 to go to elect Democrat candidates, because they're going to  
2756 do prospect, what we call acquisition mailings. And for  
2757 every dollar they spend, it is going to cost them 70, 80, 90  
2758 cents, because it is achieving other purposes. It is  
2759 advertising. The Iraq war veterans are being treated

2760 | significantly better than the unpopular war in Vietnam. And  
2761 | part of it I think is because of the hundreds of millions of  
2762 | communications from veterans organization to the public.

2763 | Chairman WAXMAN. Okay, we have to move on. But Mr.  
2764 | Shays, these organizations get a break on their postage.  
2765 | They get a special rate, a lower rate on their postage.  
2766 | Perhaps we ought to consider taking away that low rate unless  
2767 | they disclose this information.

2768 | Mr. VIGUERIE. Mr. Chairman, Mr. Shays did not attack me,  
2769 | but he made a comment which I think entails a response. And I  
2770 | agree with you, when somebody sometimes gets very intense,  
2771 | you wonder what their true agenda is. And perhaps I am very  
2772 | intense today, because I feel really outraged at the Chairman  
2773 | here. We are going to leave at some point here today and  
2774 | members of Congress will go to lunch with their lobbyists and  
2775 | raise contributions--

2776 | Chairman WAXMAN. Mr. Viguerie, I think we have to follow  
2777 | the regular order. You have attacked me a couple of times,  
2778 | and I just want to say for the record, I raise campaign funds  
2779 | and I think campaign funds are a lot different than funds for  
2780 | veterans. It is not a charitable contribution, it is not a  
2781 | tax deductible contribution. But I only use 20 percent to  
2782 | raise it, and 80 percent goes for the campaign cost. And I  
2783 | don't think you are in a position--

2784 | Mr. VIGUERIE. Running the campaign.

2785 Chairman WAXMAN. Running the campaign itself. So for  
2786 you to come in and fulminate about politicians this and  
2787 Congress that and everybody does it, you both have wonderful  
2788 excuses. But when it comes right down to it, I think you  
2789 have to let the public decide once we put this out there,  
2790 whether this is the way we want charities to operate. I  
2791 think disclosure is always a good idea.

2792 Mr. Tierney--

2793 Mr. CHAPIN. I will disclose if everybody else will.

2794 Chairman WAXMAN. Good.

2795 Ms. Norton hasn't had her first time around. Ms.  
2796 Norton, your turn.

2797 Ms. NORTON. Thank you, Mr. Chairman.

2798 As you can see by Mr. Shays' questions and a number of  
2799 questions that have been asked so far, what is it about  
2800 disclosure? I think you sometimes underestimate what  
2801 Americans are willing to do even if they understand that it  
2802 costs a lot of money to raise money. But whatever is on the  
2803 record would absolve you of much of the criticism you have  
2804 heard today. Just before I ask my question, which has  
2805 basically also in its own way to do with disclosure, let me  
2806 say, I understand that people get paid in ordinary life. For  
2807 example, baseball stars get paid after they retire. So  
2808 nobody is trying to begrudge anybody anything. We are just  
2809 trying to find out what happened, what the public knows and

2810 | does not know.

2811 |       Mr. Chapin, you were interviewed by our Committee staff.  
2812 | You were specifically asked, do you or your employees in any  
2813 | of the organizations pay the veterans for their testimony.  
2814 | And you said no. And yet when Mr. Tierney asked the question  
2815 | about \$5,000 a month for one general, \$100,000 a month for  
2816 | another, you answered, yes, you indeed paid them. They are  
2817 | veterans, by the way.

2818 |       So I mean, already on the record, we have a  
2819 | contradiction from what you told the Committee.

2820 |       Mr. CHAPIN. I beg to differ with you. That is  
2821 | incorrect. When I was first asked the question about whether  
2822 | these folks were getting paid, I said this was a confidential  
2823 | arrangement, Suzanne will remember. I said this was a  
2824 | confidential arrangement, and I asked, do I have to answer  
2825 | that question. And I felt that I would be doing a disservice  
2826 | to the gentlemen that we had made the arrangement with,  
2827 | because I had agreed that it was confidential. I--

2828 |       Ms. NORTON. So you decided to answer falsely?

2829 |       Mr. CHAPIN. No, I didn't answer falsely. I said it was  
2830 | confidential and I declined--

2831 |       Ms. NORTON. Just a moment. I don't want to get hung up  
2832 | on this. The fact is that you indeed indicated in your  
2833 | answer to Mr. Tierney that the generals were paid, and your  
2834 | answer was blanket, when asked if veterans were paid for

2835 | their testimony. There is no way to see that as anything but  
2836 | a contradiction to what you said. If the reason was that it  
2837 | was confidential, that is not what you told the Committee.

2838 |         Mr. CHAPIN. I didn't deny they were getting paid.

2839 |         Ms. NORTON. I don't begrudge people money. It's all  
2840 | about disclosure for me.

2841 |         You have a former employee, John Clifford, who has told  
2842 | the Committee that you stated to him personally that he was  
2843 | to withhold assistance, grants, whatever it is you offer, to  
2844 | veterans who would not provide testimonials. He indicated  
2845 | that he refused to do so because that many veterans desire to  
2846 | keep private the fact that they are receiving any assistance  
2847 | at all. I am going to give you the opportunity to explain,  
2848 | deny or admit that that is in fact the conversation you had  
2849 | with John Clifford, a former employee. Did in fact you  
2850 | instruct him to withhold grants from veterans who did not  
2851 | provide testimonials?

2852 |         Mr. CHAPIN. Quite to the contrary. Clifford stole all  
2853 | kinds of documents from us, as a matter of fact. He was  
2854 | fired, he and his brother. But apart from that, no, that is  
2855 | totally incorrect. I told him that I thought that the  
2856 | veterans, whenever possible, had an obligation to help his  
2857 | buddies and to step up and speak out.

2858 |         Ms. NORTON. All right, you deny that one. Let's go on  
2859 | to a present employee, Stephanie Lepore, who has given an

2860 affidavit to the Committee. Apparently it is not always easy  
2861 to get veterans to come forward with these testimonials. And  
2862 you said to her, according to an affidavit, which I have  
2863 here, ``Not having these pictures and stories is costing us  
2864 hundreds and thousands of dollars.`` And she states that you  
2865 authorized her to offer any service members a check of  
2866 anywhere between \$250 and \$500 to get their stories and  
2867 pictures told.

2868 Now, understand I am not here saying the veterans  
2869 shouldn't have been offered money. I am asking you whether  
2870 or not you instructed this employee or any others to offer  
2871 grants of the kind I have just indicated in this affidavit in  
2872 exchange for the use of their stories.

2873 Mr. CHAPIN. That is essentially correct. It is  
2874 sometimes difficult, the veterans very often don't care to  
2875 have their names disclosed who get aid. And we ask them for  
2876 their pictures and for their stories and testimonials. And  
2877 they are very, very slow in many cases providing--

2878 Ms. NORTON. How do you decide whether you give \$250 or  
2879 if you give \$500?

2880 Mr. CHAPIN. Rather than make them a charity case, I  
2881 would rather give somebody \$250 or \$500 to tell their story.

2882 Ms. NORTON. How do you decide who gets \$250 and who gets  
2883 \$500 and who gets \$5,000 a month and who gets \$100,000?

2884 Mr. CHAPIN. It depends on what they are doing and the

2885 value of the service.

2886 Ms. NORTON. Well, I am trying to find out how you decide  
2887 on how much a veteran should be paid, not that a veteran  
2888 should not be paid. Frankly, it is hard for me to sit up  
2889 here and say that you shouldn't pay a veteran any amount of  
2890 money. I am just trying to find out what happens, and I  
2891 don't know why there isn't something that says a small  
2892 stipend, if it is small, is offered to veterans who willing  
2893 come forward and give testimonials.

2894 Mr. CHAPIN. Instead of treating these folks as charity  
2895 cases, we now have a program where we pay them and their  
2896 spouses \$15 an hour to call our donors.

2897 Ms. NORTON. Now, see, now you are on another subject.

2898 Mr. CHAPIN. You are moving so fast. I have already  
2899 asked and answered--

2900 Ms. NORTON. Do you have any objection, would you have  
2901 any objection to noting in your literature that we pay  
2902 veterans an amount ranging between X and Y for their  
2903 testimonials and pictures? Do you have any problem with  
2904 that? Or do you think the public would be hostile to that?

2905 Mr. CHAPIN. I am not sure we actually ever did that or  
2906 not. Mr. Lynch, did we ever--I am not sure if we ever did  
2907 pay a veteran, but I don't deny the fact that we offered  
2908 them. And I know it was a good idea. And I stand by that  
2909 idea.

2910 Ms. NORTON. Well, anyway, there is the affidavit, Mr.  
2911 Chapin. All I am trying to know, and answer my question,  
2912 please, would you have any objection, or do you believe, do  
2913 you really believe that the public would be hostile in  
2914 knowing that the people who have risked their lives for us  
2915 may be receiving an amount of money between X and Y? Why not  
2916 disclose that? Particularly given the way Americans feel  
2917 about our veterans, why not disclose it? Would you be  
2918 willing to disclose it?

2919 Mr. CHAPIN. I will disclose anything you would like me  
2920 to disclose. Give me a list, and seriously, I will be glad  
2921 to disclose it.

2922 Ms. NORTON. You are under oath, Mr. Chapin. We are  
2923 going to look for that.

2924 Mr. CHAPIN. Excuse me?

2925 Ms. NORTON. You are under oath, and we are going to look  
2926 for that disclosure, and thank you very much.

2927 Chairman WAXMAN. Your time has expired.

2928 We have had all the members have a first round, but a  
2929 couple of members wish a second round. Mr. Tierney?

2930 Mr. TIERNEY. Thank you very much.

2931 Mr. Chapin, I am not sure that some of the things you do  
2932 are done by all the other organizations that you keep saying  
2933 everybody does it, we ought to do it. I don't think other  
2934 organizations pay monies for country club dues and I don't

2935 | think that they give loans to entities to start up businesses  
2936 | when they can't get commercial loans elsewhere. I don't  
2937 | think that they fund the CEOs money, advance them money so  
2938 | they can settle some divorce buy-out of property. And I  
2939 | don't think that necessarily all the other organizations pay  
2940 | people to endorse or sign letters on fund-raising things, not  
2941 | generals and not veterans or people comparable in their  
2942 | organizations.

2943 |         But there is another thing that I think is probably out  
2944 | of the ordinary in your group, and that is an expense that  
2945 | you were reimbursed for that doesn't seem to make much sense  
2946 | in the context of charitable giving here. On April 14th of  
2947 | 2005, there is a document that you signed, perhaps the  
2948 | Committee staff can put that up there. It is a sales  
2949 | contract between you and the Renaissance condo complex in  
2950 | Virginia. It looks like, you can explain otherwise, it looks  
2951 | like you and your wife Elizabeth personally made a down  
2952 | payment of \$24,725 for that unit on April 14th, 2005.

2953 |         I have another document that I won't put up, but it is a  
2954 | second contract, nearly identical, dated the same day, signed  
2955 | by you to also buy the unit right next door. For that one,  
2956 | you apparently paid an \$18,500 deposit. So if we understand  
2957 | this correctly, you entered into two contracts on the same  
2958 | day for two condominium units right next to each other, and  
2959 | you put down a total of \$43,225. Would that be correct?

2960 Mr. CHAPIN. I believe so, yes. I am trying to think of  
2961 the exact amount, but off the top of my head, that sounds  
2962 about right.

2963 Mr. TIERNEY. So based on the documents that we have, it  
2964 looks like several months after that date, after the time  
2965 that you entered into those contracts personally, you went to  
2966 the board of HHV, told them you were buying a condo in  
2967 Virginia. And if we show you the minutes of that meeting up  
2968 there, on June 24th, 2005, it says this: ``Chapin said that  
2969 due to his requirement to be in the Washington, D.C. area, he  
2970 was purchasing a one bedroom condominium in the area of  
2971 Tysons Corner in Virginia. And the return on his investment  
2972 for him personally is estimated to be very strong. Lynch,``  
2973 that is HHV's Executive Director, ``recommended that the  
2974 organization consider purchasing a separate property within  
2975 the same complex.``

2976 So in April, you are buying one for yourself and two  
2977 months later, in June, HHV decides it wants to buy one as  
2978 well. Ultimately, we know that HHV did buy one. But you  
2979 didn't. It appears that you pulled out of both contracts  
2980 that you signed in April. And that is where it gets to the  
2981 crux of my question. You pulled out of your contracts, you  
2982 forfeited \$43,000 in down payments, but you submitted that  
2983 amount to HHV for reimbursement. So if we put up the  
2984 document, I think it is entitled Summary of Virginia Condo

2985 Deal, and I think that is your handwriting, isn't it, sir?

2986 Mr. CHAPIN. I will accept that, yes.

2987 Mr. TIERNEY. So you asked HHV to pay you \$43,225 for,  
2988 what it says there is forfeited Chapin down payments. And  
2989 the records we reviewed show that they actually issued you a  
2990 check in that amount.

2991 Why would anybody that donates to the charitable  
2992 organization expect money that was intended for veterans to  
2993 pay your failed real estate costs?

2994 Mr. CHAPIN. Can I--

2995 Mr. TIERNEY. That is the question, sir.

2996 Mr. CHAPIN. The answer to that was, we had had some  
2997 discussions, because of the amount of time that we were  
2998 spending there, and it would be much more cost effective to  
2999 own a condominium than to go out and stay in a motel or to  
3000 rent an apartment. So as a matter of convenience, I put down  
3001 the original down payments, because, to get the particular  
3002 units that we thought were desirable, they seemed to be  
3003 selling quite rapidly at the time.

3004 Mr. TIERNEY. So this was a discussion you had with your  
3005 wife, or who did you have this discussion where you decided  
3006 it would be better to buy?

3007 Mr. CHAPIN. Well, I decided it with the board, the board  
3008 was interested in--

3009 Mr. TIERNEY. Well, if I can just back up, in April,

3010 | there was no discussion on the board and you reported to the  
3011 | board--

3012 |       Mr. CHAPIN. Well, the discussion with the board, there  
3013 | hadn't been any decision made.

3014 |       Mr. TIERNEY. Please, sir. You reported to the board, we  
3015 | just put it up there for you, I am surprised that you  
3016 | contradict it now, but it said that you were talking about  
3017 | the return on your investment to you personally, to you  
3018 | personally. So it was two months later that the board  
3019 | decided that they were going to purchase it, and you were  
3020 | going to back out of your two agreements and then look for  
3021 | reimbursement.

3022 |       Mr. CHAPIN. I didn't say that the board had decided. I  
3023 | said there had been a discussion with the board about the  
3024 | possibility of acquiring a condominium. We investigated it,  
3025 | went ahead and put up the down payments.

3026 |       Mr. TIERNEY. For two?

3027 |       Mr. CHAPIN. For two, that is correct. One for myself. I  
3028 | lived in that building, incidentally, a number of years prior  
3029 | to that when it was an apartment and they converted it to a  
3030 | condominium. In any event, my accountant, when it came time  
3031 | to actually close the deal, the accountant suggested that we  
3032 | only buy one, that HHV, I should say, buy the one and that I  
3033 | not buy the other. He did not think that was a good idea.

3034 |       Mr. TIERNEY. Was that your personal accountant or the

3035 organization's accountant?

3036 Mr. CHAPIN. The organization's accountant did not think  
3037 that I should be buying a condominium. My wife, we have a  
3038 couple thousand square feet in San Diego. The one that HHV  
3039 was buying was, as I recall, about 1,200 square feet. The  
3040 other one was a one bedroom, which was 800 square feet. We  
3041 were going to put them together, which we did when we rented  
3042 there many years before.

3043 And in any event, the accountant suggested this was not  
3044 something that I should do. So I didn't do it. So what  
3045 happened was, we renegotiated with these people, we took a  
3046 much less expensive apartment on a lower floor, on the third  
3047 floor instead of the tenth or eleventh floor. And HHV wound  
3048 up spending less than they originally committed to spend by  
3049 buying a less expensive apartment. So I said, hey, look, in  
3050 that case, HHV, because they wouldn't refund your money,  
3051 okay, so the original down payments were forfeited. So I  
3052 said in the event that HHV actually saved money on the whole  
3053 transaction, it is reasonable if I get reimbursed for what I  
3054 put down in the down payment and HHV gets reimbursed.  
3055 Because we still save money and the board thought that was  
3056 fine, and the cotton-picking accountant went ahead and 1099'd  
3057 me for 18,000 bucks or something.

3058 Mr. TIERNEY. So your opinion was, you had personally put  
3059 down deposits on two condominiums, personally--

3060 Mr. CHAPIN. Yes, but I had no intention of buying the  
3061 two.

3062 Mr. TIERNEY.--indicating that your return on that  
3063 investment, you said to the board, would benefit you  
3064 personally. You thought that was a very strong case it would  
3065 benefit you. Then you lost money because you forfeited both  
3066 of those deposits. The corporation decided to buy a unit and  
3067 in the end, you get the entity to also reimburse you for your  
3068 lost deposits. So you--

3069 Mr. CHAPIN. Well, I was putting down a deposit in behalf  
3070 of HHV. Because the board, even though there wasn't a formal  
3071 vote, the board had originally indicated yes, they would be  
3072 favorably disposed to HHV acquiring an apartment.

3073 Mr. TIERNEY. If that were the case, you would expect  
3074 that the board would go out and issue a check for the deposit  
3075 on those two condominiums, sir. It seems rather suspect that  
3076 you went out personally, put it down, reported to the board  
3077 that you personally expected to get a strong chance of return  
3078 on your investment on that, and then two months later, decide  
3079 that you have lost money on those two deposits, the board  
3080 will come in and put down a check and buy a unit, and then  
3081 they will reimburse you for your lost deposits.

3082 Mr. CHAPIN. How could I get a strong return on an  
3083 investment for an apartment that I never bought?

3084 Mr. TIERNEY. I don't know how you anticipated that you

3085 | were going to get one. But you said to the board--

3086 | Mr. CHAPIN. I didn't anticipate any--

3087 | Mr. TIERNEY. Sir, just your own words: ``Chapin said,``

3088 | in your own board minutes, that due to the requirement to be

3089 | in Washington you were purchasing a one bedroom, ``and the

3090 | return on that investment for him personally is estimated to

3091 | be very strong.`` Those are your board meeting minutes.

3092 | Those are not my words.

3093 | Ms. Johns, would you have any issue, in your capacity of

3094 | an entity, on a charitable basis, reimbursing somebody for a

3095 | personal down payment on a unit that goes bad?

3096 | Ms. JOHNS. It would potentially be a waste of charitable

3097 | assets.

3098 | Mr. TIERNEY. Thank you. I yield back, Mr. Chairman.

3099 | Chairman WAXMAN. Thank you, Mr. Tierney. Ms. Watson?

3100 | Ms. WATSON. You know, I am listening to all of this, and

3101 | I am quite disturbed. The purpose of your charity is to help

3102 | veterans. And when I hear that there are all kinds of

3103 | business deals, such as we have been able to note that there

3104 | was a reimbursement for three plane tickets to Hawaii, and

3105 | these tickets were bought on Christmas Eve 2004, then there

3106 | is noted that there were gifts given to Mr. and Mrs. Viguerie

3107 | over a period of time, it just seems to me that the purpose

3108 | of raising these funds has been missed. And you know, you

3109 | might be able to explain and so on.

3110 But the commitment that you said you have made to  
3111 veterans seems to be squandered in monies lining the pockets  
3112 of you and your wife. And you know, I don't go along either  
3113 with the fact that others are doing it, so why can't I do it.  
3114 You can turn and point to us about campaign funds. This is  
3115 not a campaign. This is your organization, collects money to  
3116 be able to give to veterans.

3117 Now, what we do in our campaigns is completely separate  
3118 from the purpose of raising charitable funds. And it is my  
3119 feeling that if you raise money, you ought to be able to  
3120 expose everything you give and the reason you give it. We  
3121 have a list of expenditures that would benefit Mr. Viguerie.  
3122 We also have copies of those tickets. I wish that three  
3123 handicapped veterans could have gone to Hawaii.

3124 So I am just saying that your testimony here, Mr.  
3125 Chapin, has convinced me and Ms. Johns that we need to do a  
3126 better job in the State of California and probably across  
3127 this Country in monitoring and bringing some light on what we  
3128 do with charitable funds. We know what we do with campaign  
3129 funds, Mr. Viguerie. But we are not talking about campaigns.  
3130 We are talking about the lives and the health of our  
3131 veterans.

3132 And certainly, this Congress ought to do a better job.  
3133 Every time there is a request, I am right there in supporting  
3134 it. But I don't think that you as a charity, and I am not

3135 | talking about you specifically, the charities that operate in  
3136 | the name of our veterans ought to be using monies for  
3137 | membership dues at country clubs, giving gifts to the mail  
3138 | house owner, reimbursing for tickets to Hawaii. I just think  
3139 | these are inappropriate expenses, and with that, Mr.  
3140 | Chairman, I yield back my time.

3141 |         Mr. CHAPIN. Can I reply? Thank you.

3142 |         The 660 bucks, if that is the right number, for the trip  
3143 | to Hawaii, was out of \$260,000 that I paid in expenses. That  
3144 | was an erroneous charge picked up--incidentally, I fly  
3145 | Southwest practically everywhere I fly, sometimes make two  
3146 | and three plane changes in order--

3147 |         Ms. WATSON. Why did you submit it for reimbursement?

3148 |         Mr. CHAPIN. That was submitted and it was incorrect, and  
3149 | I apologized for it. Out of 260,000 charges, and I don't  
3150 | know how many hundreds of plane fares, and there was a trip  
3151 | that I missed because I took the whole out of my CitiBank  
3152 | summary statement. I took all the plane charges, because I  
3153 | never fly any place unless it is for the cause. And my  
3154 | daughter had gone to Hawaii, and I had not realized that it  
3155 | was charged to my card. And I struck it out and paid them  
3156 | back plus 5 percent interest. So I take exception to that,  
3157 | Madam.

3158 |         Ms. WATSON. Well, what I want to say, my bottom line,  
3159 | since you have given me time, is that I think we ought to

3160 | shine a finer light on charities, all of them, those that you  
3161 | have mentioned and those that you are involved in. We  
3162 | appreciate the fact that you said you were committed. But I  
3163 | think the actual expenditures that have been documented  
3164 | really don't meet the need and the purpose. I think the  
3165 | overhead is too high, and if you can't live, then you should  
3166 | probably, on that amount that you get, you probably should  
3167 | go--

3168 |         Mr. CHAPIN. Our overhead is high. Our overhead is high.

3169 |         Ms. WATSON. The overhead that you spend out of a dollar  
3170 | is too much. Because that group who are the recipients are  
3171 | not getting the benefit. And I think any charity ought to  
3172 | use the majority of its funds to benefit the purpose of that  
3173 | charity. With that, I yield back.

3174 |         Chairman WAXMAN. The gentlelady's time has expired. Mr.  
3175 | Shays?

3176 |         Mr. SHAYS. Thank you. Free speech is protected under  
3177 | the Constitution as it should be. Congress is an institution  
3178 | protected under the Constitution. The White House, the  
3179 | Judiciary, some people don't like Congress, some don't like  
3180 | the members, some don't like the White House or the Executive  
3181 | Branch, some don't like the President, some don't like the  
3182 | Judiciary, some don't like the judges. But the fact is, we  
3183 | are all part of this mix.

3184 |         I have a responsibility under the Constitution to look

3185 | at things that I think are wrong. I think it is wrong for  
3186 | the public not to know that only 25 percent goes to the  
3187 | actual veteran. That is an opinion that I have, which I have  
3188 | a right to have. And I have that opinion, and I am happy to  
3189 | go to my voters and tell them that is my opinion.

3190 |         Now, Mr. Viguerie, I have less problem with the  
3191 | fund-raising aspect, so long as people know. And if we  
3192 | aren't concerned with this, what is to say that someone  
3193 | shouldn't be able to raise 95 cents on the dollar in order to  
3194 | give 5 cents to the veterans? The public has a right to  
3195 | know.

3196 |         Mr. Peters, you never answered the question that I asked  
3197 | of Mr. Viguerie. Do you have any objection to, in your  
3198 | fund-raising solicitation, say that 25 percent or 28 percent  
3199 | or 20 percent actually goes to help the veterans directly,  
3200 | and the rest is fund-raising costs and getting out our  
3201 | message?

3202 |         Mr. PETERS. I really appreciate your asking me the  
3203 | question, because I didn't get a chance to respond. First of  
3204 | all, there is an impression that is being left that the  
3205 | charities do not disclose this information. That is an  
3206 | incorrect--

3207 |         Mr. SHAYS. I am talking about when you solicit it.

3208 |         Mr. PETERS. I understand. That is an incorrect  
3209 | assumption. First of all, it is available, I will get to

3210 | your answer, it is available to everyone because the IRS  
3211 | requires, in order to keep your charitable exemption, that  
3212 | you make it available to everyone. So it is available to  
3213 | everyone.

3214 |         Mr. SHAYS. And yet it has been so hard for us to even  
3215 | get this information out in a public hearing because we hear  
3216 | so much obfuscation. So with all due respect, I am going to  
3217 | let you answer it, the Chairman will be a little generous  
3218 | with my time, I hope. But the bottom line is, I leave  
3219 | wondering what the hell is going on here.

3220 |         Mr. PETERS. I don't know why it is so hard for the  
3221 | Committee to get it, because I can go online to GuideStar  
3222 | today and look up any 501(c)(3) in the United States that  
3223 | reports to the IRS, which are those who make more than  
3224 | \$25,000 a year. And I can look up the numbers.

3225 |         Mr. SHAYS. Now, answer my question.

3226 |         Mr. PETERS. The second answer to your question is, the  
3227 | vast majority of charities, and most of the people that I do  
3228 | fund-raising for, publish that number as part of the--

3229 |         Mr. SHAYS. That is not what I asked you.

3230 |         Mr. PETERS. You said do they disclose.

3231 |         Mr. SHAYS. No, I didn't. I said, do you have any  
3232 | objection to the fact that when you solicit the dollars, on  
3233 | the phone or by letter, that you disclose, for instance, in  
3234 | the case of Mr. Chapin's two groups, Help Hospital Veterans

3235 | and Coalition to Salute American Heroes Foundation, and we  
3236 | will leave Help Wounded Veteran Heroes out, because that is a  
3237 | C(4), and it is a different operation, but those two. If you  
3238 | were raising money for them, do you have any problem, you  
3239 | call me up or you send me a letter saying that 25 percent  
3240 | will go directly to the veteran and 75 percent will go to Mr.  
3241 | Chapin's group and the solicitation costs and so on? Do you  
3242 | have an objection to making that public when you raise those  
3243 | dollars?

3244 |       Mr. PETERS. We recommend to our clients that--

3245 |       Mr. SHAYS. I want an answer to the question.

3246 |       Mr. PETERS. I don't know how to answer your question  
3247 | without--

3248 |       Mr. SHAYS. Because you don't want to.

3249 |       Mr. PETERS. No, that is not true, Mr. Shays.

3250 |       Mr. SHAYS. Do you have an objection? Okay, go ahead.

3251 |       Mr. PETERS. I recommend to my clients that they put the  
3252 | pie chart that shows what percentage of the funds are going  
3253 | to each purpose, how much is for fund-raising, how much is  
3254 | for administration and that they put that in the  
3255 | solicitation, so that the donor does in fact receive that  
3256 | information. Because I am not a charity, I can't require  
3257 | that.

3258 |       Mr. SHAYS. So the answer to the question I think is that  
3259 | you think you would recommend that should happen?

3260 Mr. PETERS. Yes, that is correct.

3261 Mr. SHAYS. That is not a hard question to answer. What  
3262 you should have said, it seems to me is, that is what I  
3263 recommend to my clients. It is easy, you wouldn't have  
3264 wasted so much of my time. And that is not a bad answer.  
3265 How many of them do it?

3266 Mr. PETERS. Most.

3267 Mr. SHAYS. How many of the veterans groups do it, that  
3268 you do?

3269 Mr. PETERS. Most.

3270 Mr. SHAYS. Name me who.

3271 Mr. PETERS. Wounded Warrior Project.

3272 Mr. SHAYS. And they say how much?

3273 Mr. PETERS. There is a pie chart that--

3274 Mr. SHAYS. And what does the pie chart say? How much  
3275 goes to the veteran in that pie chart?

3276 Mr. PETERS. It doesn't say to the veteran. What it says  
3277 is how much for programs, how much for fund-raising, how much  
3278 for administration. It shows all of the functional  
3279 categories.

3280 Mr. SHAYS. Do they describe what programs mean?

3281 Mr. PETERS. Yes, they do.

3282 Mr. SHAYS. What are programs? Going to the veteran?

3283 Mr. PETERS. Many of their programs involve backpacks for  
3284 veterans, they work at Walter Reed, if you have ever been

3285 over there, you will see them with the tee-shirts and so  
3286 forth.

3287 Mr. SHAYS. Here is what I would like you to do. Please  
3288 submit, and this is, I am well in my right to ask you to  
3289 submit this, please submit to us the fund-raising letters  
3290 that you have done or any solicitation that you have done for  
3291 veterans. I want all of them as they relate to veterans.  
3292 And because you are under oath, I want to see those pie  
3293 charts, and I want to know how many of those actually did  
3294 that.

3295 But I congratulate you for suggesting that that be done.

3296 Ms. Johns, do you think it makes sense for solicitations  
3297 to actually describe how much goes to the veterans?

3298 Ms. JOHNS. It would be a lot easier for donors to make  
3299 decisions about giving.

3300 Mr. SHAYS. See, what I know is, when I know a group  
3301 gives 90 percent to the call, like certain police  
3302 associations, when they call me up I say, you know, I would  
3303 like to do it, but I don't like 10 cents of my dollar going  
3304 to the cause and 90 cents going to you all. You have a right  
3305 to raise money this way, but I know that information, I don't  
3306 want it to happen. But if 90 percent or 80 percent went to  
3307 the police, I would react differently.

3308 I sincerely believe that most people who are giving  
3309 money don't realize how little goes ultimately to the

3310 | veteran. And I will just end by saying to you, Mr. Viguerie,  
3311 | I believe that Congress needs to have better oversight of  
3312 | fund-raising, that we do. But I will say this to you. We  
3313 | have pretty strong laws. We just have an incredibly weak  
3314 | Federal Elections Commission that will investigate something  
3315 | months after an election has taken place, find someone a year  
3316 | later, and in some cases, just have a blind eye and deaf ear  
3317 | to this.

3318 |         So believe it or not, you and I are on the same wave  
3319 | length. Let's have stronger laws governing how Congress  
3320 | raises money and campaigns. It would make good sense, I  
3321 | think.

3322 |         Mr. VIGUERIE. Mr. Shays, my legal counsel, Mark  
3323 | Fitzgibbons, has a solution about disclosure that deals with  
3324 | the Riley case. And he would be glad to talk to your staff  
3325 | and help you address some legislation.

3326 |         Mr. CHAPIN. If we disclose, which I am more than happy  
3327 | to do, we will all be out of business and you wouldn't have  
3328 | gotten the 23 million arts and crafts kits.

3329 |         Mr. SHAYS. Why would they be out of business?

3330 |         Mr. CHAPIN. Excuse me?

3331 |         Mr. SHAYS. Why would they be out of business?

3332 |         Mr. CHAPIN. Nobody would donate. It would dry up.

3333 |         Mr. SHAYS. Because they would then know that only 25  
3334 | cents goes to the veteran.

3335 Mr. CHAPIN. That is right. And nobody would give to the  
3336 American Cancer Society or the Boy Scouts or YMCA.

3337 Mr. SHAYS. What a wonderful--

3338 Mr. CHAPIN. And \$50 billion worth of direct mail would  
3339 evaporate. I would take my \$300,000 retirement and walk off  
3340 into the sunset.

3341 Mr. SHAYS. Mr. Chapin. I think your words are a  
3342 wonderful way to end this hearing. Because you are basically  
3343 saying if the public knew they wouldn't contribute.

3344 Mr. CHAPIN. Yes. Hey, I am trying to be straight with  
3345 you guys. I am--

3346 Chairman WAXMAN. You have been very straight with us.  
3347 Ms. Johns, I want to ask you a question. We have heard over  
3348 and over that high fundraising costs are not a problem. Do  
3349 you think they are a problem and why?

3350 Ms. JOHNS. Our job is to make sure that charitable  
3351 assets are used for charitable purposes. We talk about it in  
3352 terms of efficiency. There are reasons for high fund-raising  
3353 costs, and then there are other times there are not good  
3354 reasons.

3355 The board of directors of each organization is required  
3356 to assess what is reasonable and where they can get the best  
3357 deal in fund-raising. It really falls to the board. It  
3358 isn't the only criteria we use in deciding whether there are  
3359 ways.

3360 Chairman WAXMAN. Well, I would say, in conclusion in  
3361 this hearing, and I've been sitting listening to the  
3362 responses to many of the questions, Mr. Chapin, you said just  
3363 now what you said to our staff, nobody would give any money  
3364 if they knew how much was going to overhead. I think people  
3365 understand that there are fund-raising costs.

3366 But if they knew that they were giving money to a  
3367 country club membership for \$17,000, a personal loan to your  
3368 executive director to settle his divorce at \$135,000,  
3369 reimbursement for your personal forfeited condo deal of  
3370 \$43,000, loans to Mr. Viguerie because he didn't have the  
3371 capital to execute his contracts, nearly a million dollars,  
3372 payments to you and your wife over the past three years of  
3373 \$1.5 million, payments to Mr. Viguerie's for-profit company  
3374 since 2000 of \$14 million, I don't think they would give any  
3375 donations to you.

3376 But I think people have a right to know where some of  
3377 this money is doing. It sounds to me that you have a real  
3378 close-knit club there, and you're all self-dealing with each  
3379 other and then you don't want it disclosed. You don't want  
3380 it disclosed because nobody will give you any money. I think  
3381 if you had to disclose there would be things like market  
3382 forces, there would be a lot of pressure on you to lower your  
3383 costs. There would be more pressure on you to do more for  
3384 veterans. People would say, I don't want to give money to

3385 | that veterans group, I want to give money to another one that  
3386 | is giving more to the veterans. I thought that is what  
3387 | conservatives like, honesty, fairness and market forces. And  
3388 | I don't think you have any of those things in the operations  
3389 | that--

3390 |       Mr. CHAPIN. I would totally disagree. I think I am the  
3391 | most honest person in this room based upon my performance. I  
3392 | have loaned over half of my after-tax compensation back in  
3393 | order to enable the charity. I did not take in a million and  
3394 | a half dollars. That is totally inaccurate. I took in  
3395 | \$750,000, over the half of what you are talking about plus  
3396 | some bonuses.

3397 |       Chairman WAXMAN. Well, I accept that you are very  
3398 | sincere. And you genuinely believe what you have told us.  
3399 | And I just have to tell you, I don't agree with you, and I  
3400 | don't think the veterans are getting the deal that they  
3401 | should have out of this whole operation.

3402 |       Mr. Shays, did you have something else?

3403 |       Mr. SHAYS. Mr. Chapin, I want to explain why I laughed  
3404 | when you spoke, because I do think you have been brutally  
3405 | honest.

3406 |       Mr. CHAPIN. Sir?

3407 |       Mr. SHAYS. I think you have been brutally honest, I  
3408 | think all of you have, and that is to your credit, to be  
3409 | honest. But I listened to what you said, and we have our

3410 | disagreements.

3411 |         Let me, Mr. Chairman, make a request. The organization  
3412 | Independent Sector has asked to submit a letter and booklet  
3413 | on charity standards for the record. I ask that this be  
3414 | placed in the record.

3415 |         Chairman WAXMAN. Without objection, that will be the  
3416 | order.

3417 |         [The referenced information follows:]

3418 | \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

3419 | Chairman WAXMAN. I thank all of you for coming today.

3420 | That concludes our hearing. We stand adjourned.

3421 | [Whereupon, at 1:05 p.m., the hearing was concluded.]