

Internal Revenue Service,
District Director

Department of the Treasury
EO Group 7200
C - 1130
Atlanta, GA 30301

COALITION FOR FREEDOM, INC.
3625 BARRETT DRIVE
RALEIGH, NC 27609

Person To Contact:
Jesse Norman
Telephone Number:
(404) 331-6040
Refer Reply To:
EO: 7205: JCH
Date:
December 15, 1988

HAND DELIVERED

Dear Sir or Madam:

In connection with our examination of your Form 990 for the years ended December 31, 1985, 1986, 1987, we are going to request technical advice from the National Office in accordance with the provision of Revenue Procedure 80-24, 1980-1 C.B. 671.

Enclosed is a statement of the issues and pertinent facts as we see them. As provided in Section 4 of Revenue Procedure 80-24, you may furnish a statement of your view on the matter within 10 days of the date of this letter. If you need an extension of time to respond, your request for such extension must be in writing and addressed as follows:

Internal Revenue Service
Chief, EP/EO Division
PO Box 1055
Room 1007
Atlanta, GA 30370

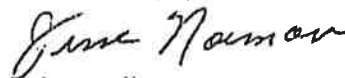
If an extension is needed it should be requested as early in the 10 day period as possible in order for the request to be received and processed before expiration of the 10 days.

This request for technical advice will preclude Administrative Appeal of any adverse decision rendered by that office.

In the event an adverse decision is indicated and you wish a conference in the National Office, please indicate this in your response.

If you have any questions, please call me at the above telephone number.

Sincerely yours:



Jesse Norman
Internal Revenue Agent

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Coalition For Freedom, Inc.

A formal complaint and motion was filed for a preliminary injunction on September 17, 1984 by the following Plaintiffs: David Flaherty - who was the chairman of the North Carolina Republican party, Ben Horne - an agent of Jesse Helms and the NCC and Tom Hannon - another agent of Jesse Helms and the NCC. The name of the suit was referred to as the Hunt Helms Airplane Suit. The records indicate that the SLDF incurred legal expenses from the law firm Harrell and Titus on August 31, 1984. The Jim Hunt Committee made final restitution to the State of North Carolina on September 21, 1984 with a payment of \$168,988.87. As a result of the state audit, the total restitution, including the previous payment, was \$212,964.95. On September 26, 1984, SLDF's articles of incorporation were notarized, signed, and filed with the Secretary of State's office in Raleigh, North Carolina. On September 28, 1984, the following individuals were issued subpoenas for their depositories and their production of records: Jesse Helms, Thomas F. Ellis, R.E. Carter Wrenn, Mark Stephens, Douglas Davidson, and Shirley Katherine Hardison Waldrop. This indicates that the suit had been in process for a period of time in order for the subpoenas to be issued two days after SLDF was incorporated.

In addition, CFF paid for legal research during the year 1984 to determine if a PAC could donate funds to a 501(c)(3) organization. Also, correspondence indicated that the attorneys for Maupin, Taylor, and Ellis were considering three organizations to contribute funds to SLDF. The three organizations were JMI, CFF and the Helms for Senate Committee (HFS). The notes indicated that they would prefer HFS to make the contribution, however, since the legal fees would have been incurred prior to the election, it could have had an adverse effect on NCC and the HFS.

The attorneys indicated that the contributions should be from either JMI or CFF. This would inhibit Jim Hunt from challenging payment of fees by HFS. CFF made all of the contributions. SLDF used almost all of the contributions to pay for the legal fees in connection with the suit. \$25,000 in fees were paid to the law firm, Harrell and Titus. CFF contributed only enough to pay the bills of SLDF. On October 3, 1984, the Defendant, James B. Hunt, Jr., filed a motion to dismiss the action on the ground that the court lacks jurisdiction of the subject matter presented by the complaint. On July 6, 1987, the Plaintiffs complaint was dismissed with prejudice and the costs of this action shall be taxed against the Plaintiffs.

The technical advice request will consider whether the contributions to SLDF served a private interest to Jesse Helms, HFS, and NCC.

Coalition For Freedom, Inc.

Jesse Helms Institute:

CFF started a program in 1986 called The Jesse Helms Institute for American Studies and Foreign Policy (JHI). This program continued into 1987. The purpose of JHI was to establish a repository for scholarly study of Senator Jesse Helms' foreign policy papers and to pursue educational purposes including seminars, research, teaching, and briefings on, but not limited to foreign policy. During the year ended December 31, 1986, CFF expended \$28,026 for this program. This amount consisted of the following expenditures:

Expenditure Category	Amount
Direct Mail	\$14,649
Legal fees (Maupin, Taylor, & Ellis)	1,367
Professional fees (David Funderburk)	6,000
Travel & Entertainment	317
Reclassification of Program Service expenditures to fund-raising expenditures	5,693
TOTAL	\$28,026

CFF Direct Mail expenditures were incurred for three fund-raising letters. The following schedule indicates the letter number, letter date, and corresponding Exhibit number:

Letter Job Number	Letter Date	Exhibit Number
257	December 24, 1986	5
273	December 16, 1986	6
288	January 6, 1987	7

CFF signed an agreement on November 3, 1986 to retain the services of former Ambassador to Romania, David Funderburk. David Funderburk was an unsuccessful candidate for the United States Senate office from North Carolina in the 1986 election.

CFF's contract with David Funderburk provided that; Mr. Funderburk will establish JHI. The Institute will be located at Campbell University, where Mr. Funderburk is employed as a Political Science professor. The Institute will pursue educational purposes such as research, teaching, and publishing. Mr. Funderburk's duties will include coordination of the organizational documents and establishing tax exempt status for JHI. CFF will retain Mr. Funderburk's services for \$3,000 per month.