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BY FEDERAL EXPRESS

May 23, 2007

Mr. Benson L. Schaub
Founder and CEO
American Foundation, Inc.
4518 North 32nd Street
Phoenix, Arizona 85018

Dear Ben:

As promised, I am enclosing copies of the following documents:

1. An analysis, entitled "Donor Advised funds, Supporting Organizations, and Private Foundations - Impact of PPA 2006," by Richard L. Fox, Esq.
2. The February 22, 2007 Department of the Treasury letter announcing the IRS was suspending the issuance of determination letters for Type III supporting organizations, which were requesting that they be recognized as functionally integrated Type III supporting organizations.
3. An article by Christopher Quay appearing in the April 2007 Exempt Organization Tax Reporter that reports the IRS has been focusing on updating charity related forms, so that they conform with the charitable provisions in the Pension Protection Act of 2006 (PPA).

As I stated earlier today, the IRS had established a program whereby existing Type III Supporting Organizations could obtain determination letters on an expedited basis that they were "functionally integrated Type III supporting organizations". But, it was flooded with applications and confronted by too many factual issues.

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Such functionally integrated Type III supporting organizations are exempt from the harsh rules under PPA 2006 applicable to other Type III supporting organizations. Type III supporting organizations can still apply to be treated as public charities under Section 509(a)(1) or (a)(2). The processing period for such applications, however, has grown substantially longer.

Meanwhile, I anticipate that it will be a considerable period of time before we receive real guidance from the IRS in regard to the issues under PPA 2006 that Type III supporting organizations must grapple with.

Accordingly, I think that, after considering the difficult alternatives facing them, many Type III supporting organizations will elect to transfer their assets to public charities, which maintain either donor advised funds or endowment funds. A restricted endowment fund, of course, would afford the transferring organization and its trustees or directors substantially less flexibility over the structure and timing of future charitable grants.

After you review the enclosures, please contact me with your comments and any questions that you may have in regard to them.

Sincerely yours,



Charles D. Mooney