



## CHILD FOUNDATION

Dear Child Foundation Sponsors,

I am very pleased to be writing to you as the newest member of Child Foundation's advisory council, to which I have been appointed as Legal Advisor to CF's Board of Directors. In response to many of your questions, I am writing to provide some additional information about the legal notice you recently received about CF's now-concluded court case.

Over the past year, I have represented Child Foundation as an attorney, specifically in revamping the organization's legal compliance policies and procedures. In doing so, I have become familiar with the good work of the organization, its operations, and the dedication of its staff and board in delivering life-saving assistance to children in Iran – despite significant obstacles.

I have also witnessed first-hand the damage that has been unfairly inflicted against Child Foundation, and its former President, Mehrdad Yasrebi, by unsubstantiated allegations and irresponsible media reports. Due to legal constraints, CF has not been able to respond to many of these allegations publicly. Now that the legal case has come to an end, we hope that you will bear with us as we try to correct some of the myths about Child Foundation which have persisted.

Fortunately, most of the baseless assertions against Child Foundation and its former President which have been reported in the media were debunked by the Judge during the final sentencing hearing in the case (held on March 16, 2012). As the Honorable Judge Garr M. King described at that hearing, the government's investigation of Child Foundation was initiated as follows:

*"In the year 2000, Child Foundation's attorneys sent a letter to the Office of Foreign Asset Control raising the issue [of the legality of transferring cash to Iran] and asking for advice. They submitted roughly 86 pages of background information, including a report of the Foundation's activities in Iran. The Government acknowledged receipt of the letter but did not respond to the questions posed by Child [Foundation].*

*Instead, the correspondence was reassigned internally to the enforcement division for review and possible investigation.*

*Receiving no response, Child Foundation wrote again in August of 2001, posing the same questions and giving information....The Government records indicate that the letter was received, but the government could not locate the letter within OFAC. Apparently – and it's clear – the Government investigation continued from that point forward."*

After nearly a decade of secret wire-taps, covert surveillance operations, and sealed federal legal proceedings specifically targeting Child Foundation and its former President, the results of government's investigation were as follows:

*"There is no substantive evidence of -- that defendants were in any way assisting the Government of Iran or any terrorist organization. There are activities and suppositions which the Government has reported, but the Court notes that after, roughly, over eight years of investigation, no substantive evidence was developed. Other than that, Mr. Yasrebi and Child Foundation were engaged in furnishing humanitarian assistance to children and were not supporting any regime or terrorist*



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*activity. The Court finds there is nothing to support any such charge, and, in fact, no such charge has been formally made by the Government.”*

As part of the settlement with prosecutors, CF and its former President pleaded guilty to transferring cash to Iran without first obtaining an OFAC license. Judge King found that these actions constituted a violation of the embargo against Iran. But there is no dispute that the money transferred to Iran was used for its intended charitable purpose – **to provide humanitarian aid to Iranian children**. As Judge King stated, Dr. Yasrebi’s intentions “were entirely charitable”. Any suggestion that Dr. Yasrebi or anyone else at CF used donor funds for their own benefit is simply untrue and has now been exposed as unsupported by any evidence in the case against CF or Dr. Yasrebi.

*Though the prosecutors sought a sentence of \$125,000 fine and four years of probation, the judge found such a severe a sentence against CF unwarranted, and imposed a lesser fine of \$50,000, and reduced the probation to two years.* Child Foundation will pay the fine in monthly installments of \$2,000/month with no interest until the full \$50,000 fine is paid in full. Even though these payments will slightly raise our operating expenses, spreading it to a period of approximately two years will have minimal effect on our overall overhead. In the spirit of full transparency we have full financial disclosure regarding our revenue and expenses on our website which is updated on yearly basis.

One of the primary reasons that CF accepted the guilty plea in January 2011 was to keep Child Foundation operations going, and to bring the legal case to an end quickly, and without incurring the additional legal expense of defending itself at trial. While CF has obviously had to increase its legal expenditures over the past couple of years, these costs have been minimized and afforded us to continue our humanitarian work.

Please rest assured that Child Foundation has continued to provide uninterrupted assistance to your child that is commensurate with the sponsorship funds you have supplied, irrespective of the legal proceedings. But you need not take our word for it. As committed sponsors and donors, you already know that a child’s life may be changed forever by the critical humanitarian assistance your sponsorship funds supply. You know this because you have either communicated with or met your child, or have received their files and their semiannual reports.

While CF is not able to transfer sponsorship funds in the form of cash, it is nevertheless able to ensure that the full equivalent of the monetary support from sponsors (less any overhead cost) is provided to your sponsored children through a partnership with the Iranian-based non-governmental organization, Refah Koodak (RK). In order to comply with US sanctions against Iran, CF only transfers food items for sponsored children in Iran to RK. RK supplements and combines CF’s food contributions with donations of medicine, school supplies, or funds which are donated by other charities. This allows RK to create a large pool of resources to draw from, which can be tailored to the needs of individual children.

CF often provides additional food allocations beyond what is budgeted for a specific sponsored child’s food needs (for example, at Norooz, or on the child’s birthday). In such instances, RK provides your sponsored child with equivalent assistance from other sources, and re-allocates CF’s excess food contribution to another needy child. In this way, your sponsorship funds are combined with the contributions of donors from other countries who are not restricted by US sanctions. The result is that CF’s sponsored children are able to receive not only food, but a broader range of humanitarian aid and support, commensurate with the funds being provided by the child’s individual sponsor(s). CF lists the value of all support provided to



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individual children (including both food items and non-food items) that have been made possible by contributions from CF sponsor.

Based on a formal Memorandum of Understanding with RK, CF receives written documentation of food deliveries and distributions to sponsored children on quarterly basis. In addition, CF conducts an annual on-site audit of RK's operations to verify the information and documentation being provided is accurate and up to date.

Many of our donors have asked, "*Since CF cannot send cash to Iran, wouldn't it be simpler for me to send cash directly to my sponsored child?*" In general, US persons (including organizations incorporated within the U.S., such as Child Foundation) are prohibited by law from transferring funds, goods or services to individuals or entities located in Iran without obtaining a specific license from the Office of Foreign Asset Control (OFAC). Thus, we strongly suggest consulting with an attorney prior to attempting to transfer any funds directly to Iran.

As political clouds between two countries of the US and Iran darkens, Child Foundation is even more deeply committed to helping Iranian children in need. We are currently the only organization that is supporting this extremely vulnerable population -- on average over \$100,000 worth of food is transferred each month.

Given the perils in attempting to help Iranian children in today's climate, it is unlikely that other charities will step in if CF discontinues its operations in Iran. That is why we have gone to such great lengths to continue our work in spite of the many obstacles. We are proud that we have managed to continue to provide life-saving assistance to Iranian children, despite the unfair and discriminatory attempts to sully the reputation of CF and its work.

I hope you will join me in supporting the work of Child Foundation at this crucial time. We are committed to redoubling our efforts to ensure that innocent children in Iran have a chance for a real future. Thank you for your continued support and faith in our mission to wipe out the stigma of poverty through education, one child at a time.

Sincerely,

*Tina Foster,*

Tina Monshipour Foster  
Law Office of Tina M. Foster  
[www.tinafoster.com](http://www.tinafoster.com)  
Attorney for Child Foundation