

Mr. Hayes says the Sales Analysis Institute Foundation pays no income taxes and never has applied for a ruling from the Internal Revenue Service on its tax-exempt status. Many tax lawyers believe that a regular corporate tax return has to be filed, and income taxes paid, unless an organization submits an application for a ruling.

That doesn't bother Mr. Walsh. "One group is interpreting the law one way, and one group is interpreting the law another way," he says. He and Mr. Hayes both say they think the question will wind up in a court some day. Mr. Hayes says an IRS representative has "visited" his foundation.

A disagreement over "the treatment of certain tax items" has caused a falling-out between Mr. Hayes' institute and the big accounting firm of Ernst & Ernst, according to an Ernst & Ernst spokesman in Chicago. The firm dropped Mr. Hayes' outfit as a client six to nine months ago.

Mr. Hayes is not the only ABC member who has not applied for a tax exemption ruling from the IRS. The Saxon foundation hasn't filed either. "I don't have any intention to file," says Dr. Saxon, who says he is taking that position on ABC's advice.

Mr. Walsh says part of the \$3,500 which goes to ABC from a membership fee is set aside in a legal defense fund. Money from the fund goes to protect ABC members from legal attack by the IRS or any other governmental agency, he says. ABC is paying the legal expenses of Mr. Fahy and Mr. Billings, the two Long Beach, Calif., members who have been subpoenaed by the California attorney general in his investigation.

Mr. Walsh says a summation of the information given new members in the 30-hour ABC training course will be made available "shortly" to all state attorneys general.

In its only formal public announcement to date, ABC said last month that more than 50 member organizations had made grants totaling about \$30,000 for various research and development projects in Vietnam. The grants were all made to the Philippa Schuyler Memorial Foundation, which will supervise the use of the grants through a program called "Winning the Peace."

Though he has a law degree, Mr. Walsh is not a practicing lawyer. Neither is Mr. Stephenson, a trustee of ABC, though he also has a law school degree. Mr. Lauren, also an ABC trustee, is a real estate man.

A person close to the operations of ABC says Mr. Walsh originated the ABC concept and went looking for the "best training outfit in the country" to sell it. Thus he met Mr. Hayes and learned about his sales training institute. Mr. Walsh says his own Walsh Foundation was formed in the District of Columbia in 1947. He hasn't paid any Federal income taxes since, he says. He says his father, now dead, was active in the establishment of pension funds, and dealt with some of the New York law firms that handled the establishment of nonprofit foundations.

The Sales Analysis Institute of Mr. Hayes was operated as a profit-making corporation until it became part of the Sales Analysis Institute Foundation last year. "Bob Hayes is a very shrewd gentleman," says an old acquaintance, "but he has never lied once in his life."

Mr. Hayes says he had many doubts about the ARC plan when Mr. Walsh first explained it to him, but he says he is wholly convinced now that it is perfectly legal.