

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.

#### AIDS TO VIETNAM

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 ABC plan when Mr. Walsh first explained it to him, but he says he is wholly convinced now that it is perfectly legal.

### EXHIBIT NO. 11

[From the Wall Street Journal, Aug. 29, 1967]

#### IRS IS STARTING INQUIRY INTO FOUNDATIONS SET UP BY INDIVIDUALS TO PARE FEDERAL TAX

(By Richard F. Janssen)

WASHINGTON.—The Internal Revenue Service is starting an intensive investigation of a plan promoted by a Barrington, Ill., group for individuals to minimize Federal Income taxes by setting up foundations to manage their business affairs, a high IRS official said.

As detailed in yesterday's Wall Street Journal, the Illinois group, called Americans Building Constitutionally, or ABC, advises individuals on how to channel most of their income through such foundations.

Particularly in light of the new attention focused on the operation, the IRS official said, "we will attack . . . we sure as hell aren't going to let these things go unchallenged."

For one thing, the official said, IRS agents will seek the membership list of ABC, which claims more than 800 members in nearly all 50 states. The agents then will study the situations of the individual members to see if tax exemption rulings they've received should be kept in force or revoked in a civil proceeding. If any false statements are found in exemption applications, criminal action could result, officials said.

Robert D. Hayes, ABC trustee, noted in Barrington that the organization had expected the IRS investigation to come "sooner or later." He said IRS officials had contacted ABC "about three days ago." The IRS has indicated it will sub-