

that in the belief it was unnecessary he has filed no application for Federal tax exemption for the Foundation.

TRUSTEE EXPELLED

A second trustee, J. Alton Lauren of Chicago, it was learned, was expelled in November, 1965, from the American Institute of Real Estate Appraisers for violation of its "Bylaws, Code of Ethics, and Regulation No. 10 (Standards of Professional Conduct.)"

The action against Lauren, an investment and real estate broker, was taken in confidential proceedings by the Institute's governing council. Lauren failed to return phone calls placed by The Washington Post yesterday and Wednesday.

Although not listed as an officer, James R. Walsh Jr., about 50, is credited by Harry A. Olsher, director of the Subcommittee, with being "the principal architect" of ABC.

At a meeting in Barrington, Olsher told a reporter, many of the questions he put to administrator Hayes were answered by Walsh.

Government investigators believe that this is the same man as the James Roberts Walsh, Jr., who pleaded innocent to indictments returned by grand juries here—and dismissed on motion of the Government—more than a decade ago.

On Tuesday, Hayes said he "most certainly will" ask Walsh about the D.C. indictments. Since then, neither he nor Walsh has responded to phone calls.

In an indictment returned in December, 1964, James Roberts Walsh, Jr., 38, and another man were charged in the fraudulent sale of a widow's oil leases. A year later, Walsh and his late father were indicted for conspiracy, false pretense and larceny in connection with a scheme to build the "Skyline Country Club" on a tract in Loudoun County, Va., and Jefferson County, W. Va.

The IRS statement said the agency has been checking for eight months "a number of foundations" set up as family trusts for tax avoidance. Usually, the taxpayer turns over to the foundation his business assets and all, or a substantial part of, his other assets. Then he becomes the foundation's director or trustee.

POSSIBLE ACTIONS

As a result of a tax examination, IRS said, "one of several things may happen." The possibilities: "All of the income may be taxed to the founder as income earned by him, or the foundation's alleged exempt status may not be recognized and the business income may be taxed in the usual way."

If an exemption is approved, IRS said, business income might be ruled "unrelated" and taxed anyway and benefits—cash, property or services—flowing from the foundation to the founder or his family might be treated as taxable income to the founder.

EXHIBIT NO. 15

[From Medical Economics, Oct. 16, 1967]

HOW TAX-FREE CAN YOU GET?

While many doctors dream of a tax-sheltered life, Dr. Michael R. Saxon, an Aurora, Ill., general practitioner, seems to be living it. Dr. Saxon has set up his own nonprofit foundation to run his practice. Instead of paying fees to him, his patients pay them to the foundation. The foundation, in turn, pays him a salary. Though that taxable salary is much lower than he formerly netted from his practice, the doctor also draws many fringe benefits from the foundation, and he pays no income tax on them.

Among those fringe benefits are maintenance and upkeep on his house and car, insurance, a pension fund, and college tuition for his four children. Since he pays no tax on these, Dr. Saxon is quite satisfied with a modest salary. Even after the foundation pays his fringe benefits, salary, and expenses, there's still some money left over. But the foundation pays no income tax on that surplus because of its status as a nonprofit organization. The G.P. says he's planning to use that accumulated capital to improve his medical facilities.

Dr. Saxon's foundation was described by The Wall Street Journal recently in an article about an organization known as Americans Building Constitutionally, or A.B.C. That organization, in Barrington, Ill., is engaged in setting up founda-