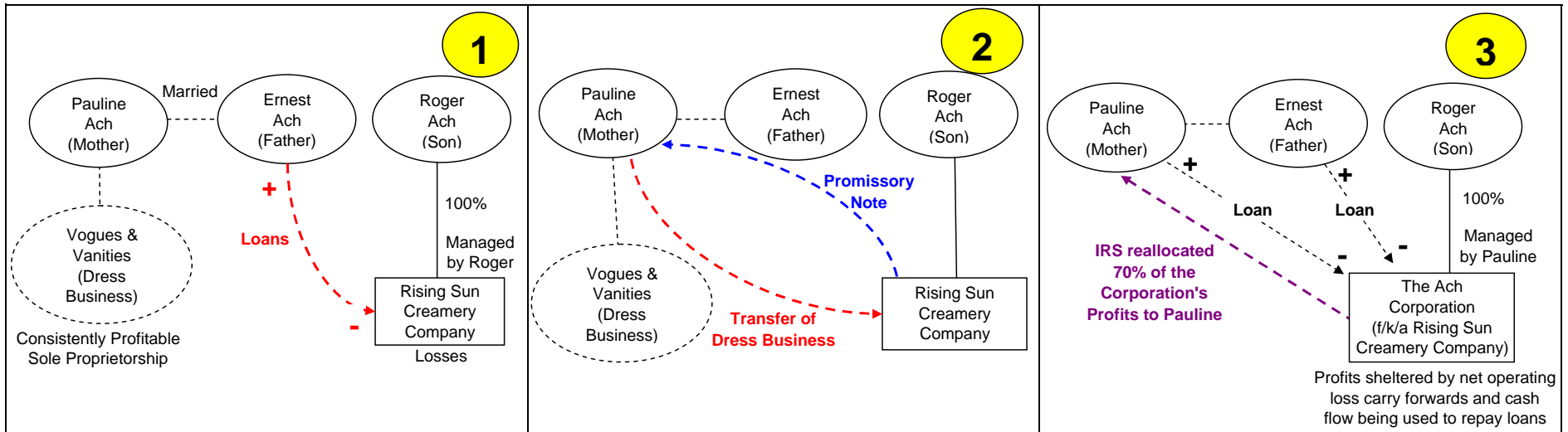


**Corporation's Profits Allocated  
 To Beneficial Owner**

**Initial Structure**

**Sales of Dress Business**

**Attempted  
 Assignment of Income**



Prior to and through mid 1953, the son, Roger, owned all of the stock (300 shares) of Rising Sun Creamery Company, an Ohio Corporation. The stated purpose of the corporation was to deal in dairy products. Roger had operated the business at a substantial loss each year and at the end of the year 1953, the cumulative indebtedness amounted to \$282,700. This indebtedness was evidenced by notes with interest payable to Ernest Ach, the father, who had covered the yearly losses.

For a number of years, Pauline operated a dress shop in Cincinnati under the name of Vogues and Vanities. This was, and had been, a successful business, netting profits of \$25,000 to \$30,000, a year, with the indication that profits were rising. On April 23, 1953, the Rising Sun Creamery Company changed its name to the Ach Corporation. It also changed its stated corporation purposes from a dairy products business to broad, general purposes which would include the operation of the dress business of Vogues and Vanities. The dairy business was discontinued prior to August 1, 1953. On or about July 14, 1953, Roger, pursuant to his parents' suggestion, transferred to his brother Laurence, without consideration, 149 shares of the corporation's common stock. All of the shares of the corporation were transferred to Pauline by Roger and Laurence, without consideration, in May 1959. At this time the corporation's net operating loss was no longer available as a carry over against income.

On or about August 1, 1953, Pauline became President, Treasurer, and Chairman of the Board of Directors of the Ach Corporation. She was not then a shareholder of record. On that date, at a special meeting of the Board of Directors, she offered to sell to the corporation her Vogues and Vanities business for \$30,705.57, to be paid for by a demand note of the corporation without interest. The agreed purchase price was the book value of the business. The offer was accepted and the transfer was made.