The Buxton Group, Inc.

December 15, 1994

The Buxton Family Association
4920 Nobles Pond Drive
Canton, Ohio 44718

Re. Taxpayer: 1993 Form 1041 filing
Account No: 54-6339725
Form: 1041
Tax Period: December 31, 1993

Dear Association:

This letter is in response to your recent request for information regarding association trust set-up guidelines and filing requirements related to the Buxton Family Association. As of January 1, 1993, the "Association" became an entity subject to federal tax laws and related statutes. Pursuant to the entity's assignment of a federal tax identification number(FEI), the association was, and will continue to be, required to file a federal tax return on an annual basis, this form being form 1041 U.S. Fiduciary Income Tax Return.

Form 1041 U.S. Fiduciary Income Tax Return is an annual summary of the association's net income and expense transactions yielding federal taxable income or loss. It is important that this return be filed in a timely manner by the deadline date of April 15 in the year following the association's December 31 year end. Documents filed by Cooper, Spong & Davis have set the association up as an educational trust with a fiscal year ending on December 31. Accordingly, Form 1041 is to be filed along with any tax due by April 15th of the following calendar year.

With regards as to why Form 1041 was filed in 1993, federal laws require that any trust file this return if only for informational purposes. Although, to my understanding, no trust document is in place, the association had considerable funds invested in 1993. Informational returns filed by the investment firms in which these funds were invested reported account activity to the Internal Revenue Service for 1993. The IRS compares these reported figures with figures reported on your association's Form 1041. Whether income tax is due or not, failure to file a return immediately raises a red flag as to why a registered taxable entity has not filed a return. For this reason alone, that reason falling under federal filing laws, Form 1041 and all related schedules were filed for the year ended December 31, 1993.

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I met with members of an Atlanta firm who are very educated in trust creations in August of 1993. Based on information I possessed at the time, it was their consensus that a trust document needed to be drawn up defining the goals and purposes of the association. A complicated document was not in order, simply a document that defined the trustee, beneficiaries and how the funds for the trust were to be managed.

The "beneficiaries" of the trust change every year depending upon who qualifies for a scholarship. If a complicated trust document is set up, then an amended document would have to be filed each year to rename the "beneficiaries". A simple document outlining the trust's goals as an educational trust, not naming beneficiaries, will suffice. Furthermore, no deduction was claimed in 1993 for scholarship awards. Claiming a deduction for distribution of trust funds would require that the association file Form K-1 with the Internal Revenue Service thus making the recipient liable for taxes on the received funds. This would put an unnecessary filing requirement on the trustee as well as making the recipient of a scholarship liable for taxes on the received funds. Since it is the association's goal, as I understand it, is to award college scholarships to deserving individuals, let us not put the tax burden on the recipient but rather have the association forego the deduction.

The funds of the association are well invested in tax free municipal. The overall tax burden on the association was very favorable for 1993 considering the monies invested. Contributions and the like were omitted from Form 1041 because the assumption was made that these would not be listed as tax deductible items on the individuals' tax returns. Form 1041 provides for a Schedule C which is profit or loss from a business operation. This form would reconcile and make taxable any income from the association's annual reunion. Schedule C says that a business is being operated for profit. Since it is my understanding that the association exists as an educational trust, I cannot see the family reunion as "operating a business". Therefore, all income and expenses related to the family reunion were omitted from the 1993 return.

Should you have any questions regarding these matters, please do not hesitate to call.

Sincerely,

Mark A. Buxton

(SON OF ALDON + ALICE BUXTON)

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encl