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9
10 IN THE UNITED STATES DISTRICT COURT FOR THE
11 DISTRICT OF NEVADA

12 UNITED STATES OF AMERICA)
13 Plaintiff,) Case No. 2:06-cv-00273
14 v.) COMPLAINT FOR PERMANENT
15 REINHOLD V. SOMMERSTEDT; DANIEL J.) INJUNCTION AND OTHER RELIEF
16 YOUNG; STEPHEN R. NESTOR; and)
17 LYNN A. LAKERS,)
Defendants.)

18 The United States of America makes the following allegations against the defendants,
19 Reinhold V. Sommerstedt, Daniel J. Young, Stephen R. Nestor and Lynn A. Lakers:

20 1. This is a civil action brought by the United States pursuant to sections 7402(a), 7407
21 and 7408 of the Internal Revenue Code of 1986 (26 U.S.C.) ("IRC") to restrain and enjoin
22 defendants and all those in active concert or participation with them from:

- 23 (a) acting as federal income tax return preparers;
- 24 (b) promoting, organizing or selling tax schemes, plans or arrangements that
25 advise or assist customers to attempt to evade the assessment or collection
26 of their correct federal tax;
- 27 (c) preparing or assisting in the preparation of tax returns that defendants
28 know or have reason to know will result in the understatement of any tax
liability;

- (d) understating customers' tax liabilities as prohibited by IRC § 6694;
- (e) engaging in any other activity subject to penalty under IRC §§ 6694, 6700, 6701, or any other penalty provision in the Internal Revenue Code; and
- (f) engaging in other conduct that interferes with the proper administration and enforcement of the internal revenue laws.

Jurisdiction

2. This civil action has been requested by the Chief Counsel of the Internal Revenue Service, a delegate of the Secretary of the Treasury, and commenced at the direction of a delegate of the Attorney General of the United States.

3. Jurisdiction is conferred upon this Court by 28 U.S.C. §§ 1340 and 1345, and IRC §§ 7402(a), 7407 and 7408.

Defendants

4. Defendant Reinhold V. Sommerstedt resides in Las Vegas, Nevada, within the jurisdiction of this Court.

5. Defendant Daniel J. Young resides in Las Vegas, Nevada, within the jurisdiction of this Court.

6. Defendant Stephen R. Nestor resides in Boise, Idaho. This Court may properly exercise *in personam* jurisdiction over Nestor because, as a co-owner and officer of Titan Management Ltd. and U.S. Charter Corporation, located at 8635 West Sahara Avenue in Las Vegas, Nevada, he has transacted business in this judicial district, which business is included in the subject matter of this suit.

7. Defendant Lynn A. Lakers Lakers resides in Boulder City, Nevada, within the jurisdiction of this Court.

Defendants' activities

8. Since at least 1990, Sommerstedt has organized and sold tax schemes, plans, or arrangements that advise or assist customers to attempt to evade the assessment and collection of their correct federal tax.

1 9. Sommerstedt's promotion uses a series of sham domestic and foreign trusts to transfer
2 his customers' income to an offshore bank in the West Indies in an attempt to conceal the income
3 from the IRS and thereby assist his customers in evading the assessment and collection of their
4 correct federal income tax liabilities. Sommerstedt (through his Independent Trust Consultants
5 and Century Trust Company Ltd.) also serves as trustee of the foreign trusts, and assists his
6 customers in repatriating their income from offshore accounts.

7 10. Young has organized, promoted and sold his own series of sham domestic and
8 foreign trusts. His customers repatriate their hidden income through his entity, Windsor
9 Provident Ltd., which maintains offshore bank accounts in St. Vincent. Young creates the
10 domestic and foreign trusts that Sommerstedt sells to his customers. Young's companies, Titan
11 Management Ltd. and U.S. Charter Corporation, serve as the trustee of all domestic trusts.

12 11. Nestor has assisted Sommerstedt and Young in organizing and promoting their tax-
13 fraud scheme by lending his credibility as a former IRS revenue officer, and by serving as an
14 officer of Titan Management Ltd. and U.S. Charter Corporation, where he signed trust
15 documents and tax returns for the trusts and LLCs created by Young.

16 12. Lakers is a federal-income-tax-return preparer who prepares federal tax returns for
17 the domestic and foreign trusts that are used in Sommerstedt's promotion. Through her
18 company, Living StoneS Corporation, she also assists the other defendants in organizing and
19 promoting their tax-fraud scheme.

20 **Sales of domestic and foreign trusts**

21 13. Sommerstedt is the primary promoter of a foreign-trust-conduit scheme that uses a
22 multi-tiered structure of domestic and foreign trusts to transfer his customers' assets and income
23 to an offshore bank located in Nevis in the West Indies, with the ultimate goal of improperly
24 reducing or eliminating his customers' reported federal income tax liabilities.

25 14. In his promotional material, the *Strategic Use of the Private Trust*, Sommerstedt
26 advocates the use of a series of domestic and foreign trusts to "avoid lawsuits, liens, seizures,
27 taxes [and] attorneys."

1 15. The basic package that Sommerstedt and Young sell generally consists of a limited
2 liability company (LLC), a domestic trust, and two foreign trusts. Between 2000 and 2003,
3 Sommerstedt and Young charged their customers \$2,500 for the LLC and prices that ranged
4 from \$2,100 to \$4,000 per trust, for a total of \$14,500 for the entire package of trusts and LLCs.

5 **Mechanics of the promotion**

6 16. Sommerstedt advises and assists his customers, who are usually self-employed, to
7 move their businesses into LLCs that distribute nearly all of the business income to domestic
8 trusts. Titan Management Ltd. and U.S. Charter Corporation, which Young and Nestor control,
9 usually serve as trustees of the domestic trusts. Under Sommerstedt's scheme, the LLC
10 distributes a small percentage (usually 5%) of the business income to the customer to report on
11 his or her individual income tax return. This results in the substantial understatement of the
12 customer's correct income and federal income tax liability because 95% percent of the
13 customer's income from the business is not reported.

14 17. A diagram from Sommerstedt's promotional materials, which illustrates the
15 operation of his foreign-trust-conduit scheme, is attached to the complaint as Exhibit A.

16 18. In the next tier of the scheme, the domestic trust files a Form 1041 income-tax return
17 that reports the income received from the LLC and simultaneously claims a deduction for
18 distributing that income to Foreign Trust #1, which is located in a tax haven country such as
19 Nevis or St. Vincent.

20 19. Sommerstedt, through Century Trust Company Ltd., usually serves as the trustee of
21 Foreign Trust #1. Young, through his entity, Windsor Provident Ltd., serves as a trustee of
22 foreign trust #1 with respect to the domestic and foreign trusts that he prepares and sells to his
23 own customers.

24 20. In the final tier, Foreign Trust #1 (which claims non-resident alien status for tax
25 purposes) distributes the income that it received from the domestic trust to Foreign Trust #2,
26 which is also located in Nevis or St. Vincent.

1 21. Foreign Trust #1 files a Form 1040NR tax return that reports no tax liability
2 because it purportedly distributes all of the income that it received from the domestic trust to
3 Foreign Trust #2. Sommerstedt tells his customers (in the *Strategic Use of the Private Trust*)
4 that Foreign Trust #2 “is not required to file a return concerning its distribution income, nor does
5 it owe or pay any tax on it” because the income that is distributed by Foreign Trust #1 to Foreign
6 Trust #2 “does not come from a source within the United States.”

7 22. Because Foreign Trust #2 does not file a tax or information return, the identities of
8 the trustee and the beneficiaries of Foreign Trust #2 are effectively concealed from the IRS.

9 23. Sommerstedt tells his customers that their business income that was transferred to
10 Foreign Trust #2 can be repatriated or returned to them through the use of credit and/or debit
11 cards issued by foreign banks in Nevis or St. Vincent, as bogus “contributions to capital,” or by
12 phony “gifts” or “loans” made to the customers, their friends or family members.

13 24. Both Century Trust (Sommerstedt’s sham entity in Nevis) and Windsor Provident
14 Ltd. (Young’s sham entity in St. Vincent) maintain bank accounts for the purpose of repatriating
15 the funds that were transferred to foreign trusts as part of the foreign-trust-conduit scheme.
16 Between November 1, 2001, and December 31, 2003, Century Trust transferred more than
17 \$13 million to (or for the benefit of) Sommerstedt’s customers in the United States.

18 25. One of Sommerstedt’s customers, a software developer, purchased a trust package
19 from Sommerstedt in 1994 or 1995 for approximately \$11,400 after listening to a promotional
20 videotape in which Sommerstedt described the advantages of using domestic and foreign trusts.
21 In return for his payment, the customer received documents that purported to establish a
22 domestic trust, and two foreign trusts located in Nevis, West Indies.

23 26. Young’s company, Titan Management Ltd., served as the “trustee” of the customer’s
24 domestic trust, and Sommerstedt’s company, Century Trust Company Ltd., served as the
25 “trustee” of the customer’s first foreign trust.

26 27. During the period between June 16, 1998 and January 10, 2000, more than \$120,000
27 in income from the customer’s software company was deposited by his domestic trust into the
28

1 account of the customer's first foreign trust. The check register for the first foreign trust reflects
2 that it transferred more than \$118,000 to his second foreign trust between August 6, 1998 and
3 January 10, 2000.

4 28. Using the instructions on Sommerstedt's promotional videotape, the customer
5 arranged for his second foreign trust to send \$10,000 "gifts" to ten of his friends, who returned
6 most or all of the \$100,000 to the customer.

7 29. The customer fraudulently failed to report on his own income tax returns any of the
8 \$100,000 that he received through his friends from his second foreign trust. After the IRS
9 audited his federal income tax returns, the customer agreed to the assessment of more than
10 \$97,000 in additional income taxes and statutory additions to tax for 1998-2002.

11 30. Lakers prepares the Form 1065 partnership returns and K-1 schedules that reflect the
12 improper assignment of Sommerstedt's customers' income to their domestic trusts. These
13 partnership returns typically reflect the assignment of 90% of the customers' net business
14 income to their domestic trusts.

15 31. Lakers also prepares many of the Form 1041 and Form 1040NR tax returns that the
16 domestic and first foreign trusts file with the IRS. The income reported on the Form 1041
17 income tax returns prepared by Lakers for the domestic trusts consists of the income improperly
18 assigned to those trusts as part of the scheme.

19 32. The income reported on the Form 1040NR tax returns prepared by Lakers for the
20 first foreign trusts consists of the income distributed by the customers' domestic trust to the first
21 foreign trusts. These assignments and distributions of income, as reported on the Form 1041 and
22 Form 1040NR tax returns prepared by Lakers, result in understatements of the customers'
23 federal income tax liabilities under IRC §§ 6694 and 6701 because the income is not reported on
24 the federal tax returns of the customers who actually earn that income.

25 33. Lakers has provided consulting services to Young and Sommerstedt in their roles as
26 trustees of the domestic and foreign trusts that were created as part of the defendants' tax-fraud
27
28

1 scheme. Lakers' corporation, Living StonesS Corporation, provides bookkeeping services to the
2 domestic trusts that Young created.

3 **Harm to the Public**

4 34. The United States is harmed by defendants' scheme because defendants' customers
5 are not reporting or paying their correct taxes. Based on its investigation into defendants'
6 activities, including the examination of tax returns filed by defendants' customers for the 2000-
7 2002 taxable years, the IRS estimates that the tax revenue loss attributable to defendants'
8 activities is at least \$31 million.

9 35. Additional tax revenue losses have occurred for later years. Some of the tax
10 understatements for which defendants are responsible may never be collected, resulting in a
11 permanent loss to the Treasury.

12 36. The United States is also harmed because the IRS must devote substantial resources
13 to identifying and collecting this lost revenue from defendants' customers.

14 37. Defendants' customers are also harmed by defendants' organization, promotion and
15 sale of the fraudulent scheme because the customers, once caught, will end up having to pay not
16 only the taxes they failed to report and pay, but also substantial penalties and interest.
17 Additionally, customers may be criminally prosecuted for their participation in the defendants'
18 scheme.

19 38. In addition to the harm caused by their advice, statements and services, defendants'
20 activities undermine public confidence in the fairness of the federal tax system and incite non-
21 compliance with the internal revenue laws.

22 **Count I**

23 **Injunction under IRC § 7408**

24 39. Plaintiff incorporates by reference the allegations in paragraphs 1 - 38, above.

25 40. IRC § 7408(a) authorizes a district court to enjoin any person from engaging in
26 conduct subject to penalty under IRC §§ 6701 and 6700, if injunctive relief is appropriate to
27 prevent recurrence of that conduct.

1 41. IRC § 6700 imposes a civil penalty on any person who, in connection with
2 organizing, promoting or selling a plan or arrangement, or assisting in organizing, promoting or
3 selling a plan or arrangement, makes or furnishes a statement about the tax consequences of
4 participating in the plan or arrangement which the person knows or has reason to know is false
5 or fraudulent as to any material matter.

6 42. The domestic and foreign trusts and LLCs that defendants Sommerstedt, Young and
7 Lakers have organized, promoted and sold to their customers, or assisted in organizing and
8 promoting, are shams that are devoid of economic substance, or alternatively are grantor trusts
9 that may be disregarded for federal income tax purposes.

10 43. The aforementioned domestic and foreign trusts and LLCs are similar to the
11 fraudulent trusts described in IRS Public Notice 97-24. That Notice describes trust arrangements
12 that falsely promise that customers can claim tax benefits from trusts with no meaningful change
13 in the customers' control over or benefit from their income or assets.

14 44. Defendants, because of their education, experience and sophistication in federal tax
15 matters, knew or had reason to know that they made false or fraudulent statements (within the
16 meaning of IRC § 6700) in connection with the trust scheme that they organized, promoted
17 and/or sold, or assisted in organizing, promoting and selling, and that such false or fraudulent
18 statements were material.

19 45. Specific examples of the false or fraudulent statements made by Sommerstedt in the
20 *Strategic Use of the Private Trust*, which serves as the basis for defendants' abusive foreign trust
21 conduit scheme, include the following:

- 22 A. "An offshore strategy is essential for effective tax avoidance."
23 B. *Strategic Use of the Private Trust* focuses on minimal compliance and
24 maximum strategy."
25 C. "Any arrangement you undertake is both legal and ethical."

26 46. Defendants also knew or had reason to know that they made false statements
27 regarding the availability of tax benefits in organizing, promoting and selling their trust scheme,
28

1 or by assisting in organizing, promoting and selling the scheme, because the United States Tax
2 Court, on two separate occasions, has held that defendants' domestic and foreign trusts are
3 grantor trusts or shams that lack economic substance.

4 47. By preparing income and informational tax returns for her customers and their trusts
5 that improperly understated her customers' federal income tax liabilities, defendant Lakers has
6 engaged in preparing or presenting a portion of a tax return or other document, knowing that
7 such portion will be used in connection with a material matter arising under the internal revenue
8 laws, and knowing that such portion (if so used) would result in understating the tax liability of
9 another person. Lakers's conduct, therefore, is subject to penalty under IRC § 6701.

10 **Count II**

11 **Injunction under IRC § 7407**

12 48. Plaintiff incorporates by reference the allegations in paragraphs 1-47, above.

13 49. IRC § 7407 Code authorizes a district court to enjoin an income-tax-return preparer
14 from:

- 15 (a) engaging in conduct subject to penalty under IRC § 6694
16 (which penalizes a tax return preparer who prepares or
submits a return that contains an unrealistic position);
- 17 (b) engaging in conduct subject to penalty under IRC § 6695
18 (which penalizes a return preparer who fails to keep a list
19 of clients or copies of tax returns and turn them over to
the IRS upon request);
- 20 (c) misrepresenting her experience or education as a tax return
preparer; or
- 21 (d) engaging in any other fraudulent or deceptive conduct that
22 substantially interferes with the proper administration of
the internal revenue laws,

23 if the court finds that injunctive relief is appropriate to prevent the recurrence of such conduct.

24 Additionally, if the court finds that a preparer has continually or repeatedly engaged in such
25 conduct and that a narrower injunction (*i.e.*, prohibiting only that specific enumerated conduct)
26 would not be sufficient to prevent that person's interference with the proper administration of the
27

1 internal revenue laws, the court may enjoin the person from further acting as a federal income
2 tax return preparer.

3 50. Defendant Lakers holds a Master's degree in Taxation, is a former Enrolled Agent,
4 and has prepared federal tax returns since 1976. Lakers has admitted to the IRS that she prepares
5 approximately 150 tax returns each year.

6 51. Lakers has violated IRC § 6694 by preparing Form 1065, 1041 and 1040NR tax
7 returns that reflect the assignment and distribution of nearly all of her customers' income to
8 domestic and foreign trusts. This leads, in turn, to substantial understatements of the customers'
9 federal income tax liabilities under IRC § 6694 because the income reported by the trust entities
10 on the returns prepared by Lakers should have been reported on the customers' personal tax
11 returns.

12 52. The Form 1065, 1041 and 1040NR returns Lakers prepared take unrealistic and
13 frivolous positions within the meaning of IRC § 6694(a) because the assignment of the
14 customers' income to his trust entities violates the fundamental principle of federal taxation that
15 income is properly attributed to the person who earns it. The tax returns prepared by Lakers
16 also take the unrealistic position that the domestic and foreign trusts created by Sommerstedt and
17 Young as part of their foreign trust conduit scheme are valid and subsisting entities, when in fact
18 they are sham entities that lack economic substance.

19 53. Specific examples of the unrealistic positions asserted by Lakers in preparing federal
20 tax returns include (but are not limited to) the following:

- 21 (a) Lakers prepared a U.S. Return of Partnership Income (Form 1065) that
22 shifted \$106,197 or 95% of the income earned by a California customer as
23 an investment consultant in 2002 to his domestic trust. The U.S. Income
24 Tax Return for Estates and Trusts (Form 1041) prepared by Lakers for the
25 domestic trust distributed \$105,267 to the first foreign trust, which was
26 located in Zetlands, Nevis. Finally, the U.S. Nonresident Alien Income
27 Tax Return (Form 1040NR) prepared by Lakers for the Century Trust
28

1 Company (as trustee of the first foreign) reported the distribution of
2 \$105,267 to the second foreign trust, which was also located in Zetlands,
3 Nevis.

4 (b) Lakers prepared a U.S. Return of Partnership Income (Form 1065) that
5 shifted \$112,801 or 90% of the income earned by a Missouri customer in
6 2002 to her domestic trust. Lakers then prepared a Form 1041 income tax
7 return for the domestic trust, which distributed \$111,031 to the first
8 foreign trust, which was located in Zetlands, Nevis. The Form 1040NR
9 income tax return that Lakers prepared for the trustee of the first foreign
10 trust reflected the distribution of \$111,031 to the customer's second
11 foreign trust, which was also located in Zetlands, Nevis.

12 54. Based on Lakers's experience and sophistication in tax matters, the Tax Court cases
13 that have held that Sommerstedt's trust entities are shams that lack economic substance (*Gouveia*
14 *v. Commissioner*, TC Memo. 2004-256, 88 TCM (CCH) 424; and *Trenerry v. Commissioner*, TC
15 Memo. 1994-500, 68 TCM (CCH) 897), and her knowledge of Sommerstedt's promotion, Lakers
16 knew or should have known that the positions asserted on her customers' tax returns were
17 unrealistic within the meaning of IRC § 6694.

18 55. Lakers has provided consulting services to Sommerstedt and Young in their roles as
19 trustees of the domestic and foreign trusts that they have created and sold as part of their abusive
20 tax-fraud scheme. Her corporation kept books for the domestic trusts for Young, and provided
21 loan documents showing the repatriation of monies for a participant in the foreign trust conduit
22 scheme.

23 56. As a tax-return preparer, Lakers is aware that her customers' untaxed income is
24 being moved offshore and repatriated without reporting or paying federal income taxes.
25 Although she prepared tiered returns showing large distributions of income to domestic and
26 foreign trust entities that lacked economic substance, Lakers falsely claims that the trusts are not
27 related to the customers.

1 57. In accordance with Sommerstedt's *Strategic Use of the Private Trust*, Lakers did not
2 prepare any tax returns for the customers' second foreign trusts on the theory that the distribution
3 from the first foreign trust was from a foreign entity. She also failed or refused to prepare IRS
4 Forms 3520A or 3520 to report the customers' ownership of a foreign trust and any direct or
5 indirect money transfers to or from a foreign trust.

6 58. Lakers played an integral role in the execution of the trust scheme described above,
7 and assisted Sommerstedt and Young in concealing this tax-fraud scheme from the IRS through
8 the preparation of false tax returns and her failure to prepare or file IRS Forms 3520A and 3520.

9 59. Lakers's continual and repeated conduct, as a federal income tax return preparer, was
10 fraudulent and deceptive and substantially interfered with the proper administration and
11 enforcement of the internal revenue laws.

12 60. Lakers's actions, as described above, fall within IRC §§ 7407(b)(1)(A) and (D), and
13 are thus subject to injunction under IRC § 7407.

14 61. The necessity for an injunction under IRC § 7407 is further evidenced by Lakers's
15 refusal to admit or acknowledge that the plans and arrangements promoted by Sommerstedt and
16 Young are being used to evade federal income taxes.

17 62. Lakers should be permanently enjoined from acting as a federal income tax return
18 preparer because she is likely to continue to engage in this unlawful conduct unless enjoined.

19 **Count III**

20 **Injunction under IRC § 7402 for Unlawful Interference**
21 **with Enforcement of the Internal Revenue Laws**
22 **and Appropriateness of Injunctive Relief**

23 63. Plaintiff incorporates by reference the allegations in paragraphs 1-62.

24 64. IRC § 7402 authorizes a court to issue orders of injunction as may be
25 necessary or appropriate for the enforcement of the internal revenue laws.

26 65. Sommerstedt, Young, Nestor and Lakers, through the actions described above, have
27 engaged in conduct that interferes substantially with the enforcement of the internal revenue
28 laws.

1 66. If Sommerstedt, Young, Nestor and Lakers are not enjoined, the United States will
2 suffer irreparable harm because the losses caused by defendants' actions will continue to
3 increase.

4 67. While the United States will suffer irreparable injury if Sommerstedt, Young, Nestor
5 and Lakers are not enjoined, defendants will not be harmed by being compelled to obey the law.

6 68. The public interest would be advanced by enjoining defendants because an
7 injunction will stop their illegal conduct and the harm that conduct is causing to the United
8 States Treasury and the public.

9 69. If Sommerstedt, Young, Nestor and Lakers are not enjoined, they are likely to
10 continue to interfere with the enforcement of the internal revenue laws.

11 WHEREFORE, the plaintiff, the United States of America, prays for the following relief:

12 A. That the Court find that Sommerstedt, Young, Nestor and Lakers have engaged in
13 conduct subject to penalty under IRC §§ 6700, 6701 and 6694, and that injunctive relief under
14 IRC §§ 7407 and 7408 is necessary and appropriate to prevent a recurrence of that conduct;

15 B. That the Court find that Sommerstedt, Young, Nestor and Lakers have engaged in
16 conduct that interferes with the administration and enforcement of the internal revenue laws, and
17 that injunctive relief is appropriate to prevent the recurrence of that conduct pursuant to the
18 Court's inherent equity powers and IRC § 7402(a);

19 C. That this Court, pursuant to IRC § 7407, enter a permanent injunction prohibiting
20 Lakers from acting as a federal income tax return preparer;

21 D. That this Court, pursuant to IRC §§ 7402(a) and 7408, enter a permanent injunction
22 prohibiting Sommerstedt, Young, Nestor and Lakers, and their respective representatives, agents,
23 servants, employees, attorneys, and those persons in active concert or participation with
24 defendants, from directly or indirectly:

- 25 (1) Engaging in activity subject to penalty under IRC § 6700, including
26 organizing or selling a plan or arrangement and making a statement
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1 regarding the excludability of income or the securing of any tax benefit
2 that defendants know or have reason to know is false or fraudulent as to
3 any material matter;

4 (2) Engaging in activity subject to penalty under IRC § 6701, including
5 preparing or assisting in the preparation of a document relating to a matter
6 material to the internal revenue laws that includes a position that
7 defendants know will, if used, result in understatement of another person's
8 federal tax liability;

9 (3) Engaging in any other activity subject to penalty under IRC §§ 6700,
10 6701, or any other penalty provision in the IRC;

11 (4) Representing or appearing with or on behalf of any other persons or
12 entities in connection with any matter before the IRS;

13 (5) Engaging in any other conduct interfering with the administration and
14 enforcement of the internal revenue laws.

15 E. That this Court, pursuant to IRC § 7402(a), enter an injunction requiring
16 Sommerstedt, Young and Nestor to contact by mail all individuals and entities who have
17 purchased their tax schemes, plans, arrangements or programs, and to inform those persons of
18 the Court's finding concerning the falsity of their representations and attach a copy of the
19 permanent injunction, and to file with the Court, within 30 days of the date the permanent
20 injunction is entered, a certification signed under penalty of perjury confirming that they each
21 have done so;

22 F. That this Court, pursuant to IRC § 7402(a), enter an injunction requiring
23 Sommerstedt, Young and Nestor to produce to the United States, within 30 days of the date the
24 permanent injunction is entered, a list identifying by name, Social Security number, address, and
25 telephone number all individuals who have purchased defendants' tax schemes, plans,
26 arrangements, or programs;

1 G. That this Court, pursuant to IRC § 7402(a), enter an injunction requiring Lakers to
2 contact by mail all individuals and entities for whom she has prepared a federal income tax
3 return since January 1, 2000, to inform those persons of the Court's finding concerning the
4 understatement of income as subject to penalty under IRC §§ 6701 and 6694, and to attach a
5 copy of the permanent injunction against Lakers, and to file with the Court, within 30 days of the
6 date the permanent injunction is entered, a certification signed under penalty of perjury
7 confirming that she has done so;

8 H. That this Court, pursuant to IRC § 7402(a), enter an injunction requiring Lakers to
9 produce to the United States, within 30 days of the date the permanent injunction is entered, a
10 list of the individuals for whom she has prepared a federal income tax return (including all
11 Forms 1065, 1041 and 1040NR) since January 1, 2000, identifying those individuals by name,
12 Social Security number, address, telephone number, type(s) of return prepared, and tax period(s);

13 I. That this Court order that the United States is permitted to engage in post-judgment
14 discovery to ensure compliance with the permanent injunction; and

15 J. That this Court grant the United States such other relief, including the costs of this
16 action, as is just and equitable.

17 Dated this 6th day of March, 2006.

18 DANIEL G. BOGDEN
19 United States Attorney

20
21 /s/ Robert D. Metcalfe
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EXHIBIT A

THE STRATEGIC USE OF THE PRIVATE TRUST

For Asset Protection, Privacy and Tax Planning

