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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF ARIZONA

UNITED STATES OF AMERICA, Plaintiff, v. DENNIS O. POSELEY; PATRICIA ANN ENSIGN, a/k/a PATRICIA MOATS, a/k/a PATRICIA POSELEY; JOHN F. POSELEY; MARK D. POSELEY; DAVID W. TREPAS; a/k/a DAVID MORNINGSTAR; RACHEL MCELHINNEY; JEFFREY G. LEWIS; KEITH D. PRIEST; and FRANK C. WILLIAMS, individually and d/b/a INNOVATIVE FINANCIAL CONSULTANTS, Defendants.	Case No. 06-11046 **COMPLAINT FOR PERMANENT INJUNCTION AND OTHER EQUITABLE RELIEF**

The United States of America, plaintiff, for its Complaint states as follows.

Nature of Action

1. The United States brings this complaint to enjoin Dennis O. Poseley, Patricia Ann Ensign (a/k/a Patricia Moats, a/k/a Patricia Poseley), John F. Poseley, Mark D. Poseley, David W. Trepas (a/k/a David Morningstar), Rachel McElhinney, Jeffrey G. Lewis, Keith D. Priest, and Frank C. Williams, ("Defendants"), individually and doing business as

Innovative Financial Consultants, or through any other entity, and any other persons in active concert or participation with them, from directly or indirectly from engaging in conduct subject to penalty under 26 U.S.C. (I.R.C.) §§ 6700 or 6701, *i.e.*, by making or furnishing, in connection with the organization or sale of any shelter, plan, or arrangement, a statement the Defendants know or have reason to know to be false or fraudulent as to any material matter under the federal tax laws, and to enjoin Frank C. Williams from preparing federal tax returns for others.

Jurisdiction

2. Jurisdiction is conferred on this Court by 28 U.S.C. §§ 1340 and 1345, and §§ 7402(a), 7407, and 7408 of the Internal Revenue Code of 1986 (26 U.S.C.).

Authorization

3. This action has been requested by a delegate of the Secretary of Treasury and commenced at the direction of a delegate of the Attorney General of the United States, pursuant to I.R.C. §§ 7402, 7407 and 7408.

Defendants

4. Dennis O. Poseley resides in Phoenix, Arizona.

5. Patricia Ann Ensign, a/k/a Patricia Moats, a/k/a Patricia Poseley resides in Phoenix, Arizona.

6. Mark D. Poseley resides in Chandler, Arizona.

7. John F. Poseley resides in Casa Grande, Arizona.

8. Davis W. Trepas, a/k/a David Morningstar, resides in Scottsdale, Arizona.

9. Rachel McElhinney resides in Scottsdale, Arizona.

10. Jeffrey G. Lewis resides in Scottsdale Arizona.

11. Keith D. Priest resides in Tempe, Arizona.

12. Frank Williams resides in Houston, Texas.

13. Defendants conducted business through Innovative Financial Consultants ("IFC"), located at 201 E. Southern Avenue, Tempe, Arizona.

14. In October 1992, Dennis Poseley and Patricia Ensign formed an organization known as Citizens For Sovereignty ("CFS"). The stated intent of CFS "was to inform as many people as possible of the inequities in the government of the United States and what can be done by the individual to regain his/her Sovereign rights." CFS sold, among other things, a "sovereignty" program, including a purported Social Security rescission package.

15. CFS falsely advertised its Social Security rescission package as a mechanism for customers to withdraw from the obligation to pay income taxes. Defendant John Poseley admitted using the rescission package himself, but abandoned his efforts after his attempts to revoke his Social Security number failed.

16. In November 1994, Dennis Poseley and Patricia Ensign founded Information Clearing House ("ICH"), the predecessor organization to IFC. ICH described itself as a listing agency designed to allow other so-called "patriot groups" to sell their products without competing with one another.

17. ICH was organized as a purported trust, with no named beneficiaries. The trust document stated that Dennis Poseley was the "managing director" of the trust who, along with Patricia Ensign, could use trust funds for their personal use. In October 1995, Dennis Poseley, through ICH, started marketing and selling "Pure Trust Organizations" ("PTOs") and "sovereignty" packages.

18. In 1997, David Trepas and Rachel McElhinney began marketing the ICH "sovereignty" packages at regularly held promotional seminars in Phoenix, Arizona. Trepas and McElhinney entered into an arrangement with Dennis Poseley whereby they received commissions for selling the sovereignty packages. Trepas and McElhinney used an entity they formed, called Resources Management Group, to conduct their business.

19. When ICH increased its sales of PTOs in 1997, Trepas and McElhinney expanded the content of their promotional seminars and sales to include so-called Pure Trust Organizations. Trepas and McElhinney also instructed customers on the use of PTOs.

20. Defendants Dennis Poseley, Patricia Ensign, David Trepas, Rachel McElhinney, John Poseley, Mark Poseley, Jeffrey Lewis, and Keith Priest acted as salesmen and served as trustees of the PTOs they sold.

21. By 1998, Defendants formed Innovative Financial Consultants, which was organized as a purported Pure Trust and co-owned by Dennis Poseley and Patricia Ensign. IFC's sole focus was selling PTOs.

22. IFC marketed the PTOs through word-of-mouth as purported "asset protection" devices, and at the website www.i-f-c.com as a mechanism to eliminate or reduce a customer's taxes. David Trepas and Dennis Poseley maintained and controlled IFC's website.

23. Defendant Jeffrey Lewis acted as IFC's purported trustee and, in that role, allowed Dennis Poseley and Patricia Ensign complete control over the trust's assets and income.

24. Defendants referred their customers who filed income tax returns to Defendant Frank Williams,—whose license to practice as certified public accountant in Texas was revoked on November 11, 1999—to assist customers in filing false income tax returns. As the accountant used by IFC, Frank Williams prepared false federal income tax returns for customers containing inflated business expenses that were "substantiated" with fictitious invoices he prepared. Williams also prepared federal income tax returns for customers that under-reported income by excluding the customer's trust income. Dennis Poseley and Keith Priest approved the false invoices and returns that Frank Williams prepared.

25. In June 1998, Defendants began marketing their PTOs at offshore seminars after IFC became associated with the Institute for Global Prosperity ("IGP"), an organization that arranged offshore sales conferences for promoters of tax-fraud schemes.

26. As part of its promotion, IGP sold an audiotape/cd series, called Global I, which featured speakers who were touted as experts in their field by IGP co-director Lorenzo Lamantia. One such purported expert was Dennis Poseley. Lamantia introduced Dennis Poseley on the Global I audiotape/cd series as someone who is knowledgeable about Pure Trust Organizations.

27. At the IGP and IFC promotional meetings Dennis Poseley boasted to potential customers that he had not filed an income tax return since 1972. IRS records confirm that Dennis Poseley has not filed income tax returns for 1995 through 2003.

28. From 1996 through 2003, Defendants earned $4,740,164 of gross income related to the sale of PTOs, which they failed to report as income.

29. On April 4, 2003, Defendants were indicted for conspiracy to defraud the United States in violation of 18 U.S.C. § 371.

30. A superseding indictment was returned on January 15, 2004, which added a count against Dennis Poseley, Patricia Ensign, Mark Poseley, David Trepas, Rachel McElhinney, and Keith Priest for willful failure to file income tax returns in violation of 26 U.S.C. § 7203.

31. On December 10, 2003, Jeffrey Lewis pled guilty to conspiracy to defraud the United States in violation of 18 U.S.C. § 371 for his role in the ICH/IFC promotion.

32. On December 11, 2003, John Poseley pled guilty to conspiracy to defraud the United States in violation of 18 U.S.C. § 371 for his role in the ICH/IFC promotion.

33. On June 7, 2004, Mark Poseley pled guilty to conspiracy to defraud the United States in violation of 18 U.S.C. § 371, for his role in the ICH/IFC promotion, and willfully failing to file an income tax return for 2000 in violation of 26 U.S.C. § 7203.

34. On July 16, 2004, defendant Frank Williams pled guilty to two felony charges of aiding and assisting in the preparation of fraudulent tax returns in violation of 26 U.S.C. §7206(2).

35. On July 11, 2006, Dennis Poseley, David Trepas, Keith Priest, Rachel McElhinney, and Patricia Ensign were convicted of willfully failing to file income tax returns, for failing to report income they earned from the ICH/IFC promotion in violation of 26 U.S.C. § 7203. Dennis Poseley and David Trepas were also convicted of conspiracy to defraud the United States in violation of 18 U.S.C. § 371.

Defendants' Pure Trust Tax-Fraud Scheme

36. Defendants have marketed a Pure Trust tax-fraud scheme from at least 1996 through 2003. They charged customers between $4,154 (for domestic) and $10,500 (for offshore) PTO packages.

37. Defendants' Pure Trust packages consisted of two PTOs, an LLC, and various documents, including: a "Contract for Declaration of Trust" purportedly creating the PTO; a "Trust Certificate" memorializing the creation of the PTO; a "Pure Trust Handbook" and an "Appointment of Protector Trustee" document which enabled the customer to replace the existing trustees.

38. Defendants' customers were appointed as "managing director" of their PTOs, which entitled ICH/IFC clients to receive, among other things, compensation from the PTOs and the ability to open and maintain bank accounts in the name of their respective PTOs.

39. As managing directors, Defendants' customers retained the use, control, and dominion of any income and assets they placed into their PTOs.

40. Between September 1996 and February 2001, IFC records reflect the creation of approximately 3,000 PTOs.

41. The PTOs Defendants sold were sham trusts, designed to help customers evade reporting and paying federal income taxes, as well to conceal assets and thereby evade IRS collection efforts.

42. Under the federal income tax laws, either the trust, the beneficiary, or the transferor, as applicable, must pay the tax on the income realized by a trust including the income generated by property held in trust. Income earned by revocable trusts is reported on an individual's Form 1040 and the taxes paid by the beneficiary of the income, while income earned by an irrevocable trust is reported on a Form 1041, and the income tax is paid by the trust. There is no provision exempting income tax payment and reporting requirements simply by denominating the entity a "Pure Trust." IRS Notice 97-24, 1997-1 C.B.

43. Defendants' Pure Trusts are shams for federal income tax purposes and do not bestow a special tax status on their creators. But to induce sales of the Pure Trust program, Defendants falsely tell customers that their PTOs provide significant tax advantages and can eliminate or reduce customers' federal tax liabilities.

44. As part of the scheme, Defendants told customers that their Pure Trusts do not have to qualify under any statute in order to enjoy tax-exempt status. Defendants falsely told customers that their PTOs operate outside the jurisdiction of the United States and that no tax return reporting trust income needs to be filed.

45. Defendants advertised that customers can use their bogus trusts to lawfully avoid paying taxes by placing income and assets in their onshore and offshore trust packages. This is based on Defendants' false theory that Pure Trusts have no federal income tax reporting or payment requirements. Defendants also falsely tell customers that they can transfer title of property and assign income to their "Pure Trusts" yet retain control and use of the trust assets and income for their personal benefit.

46. After selling bogus-trust packages, Defendants helped customers transfer their assets and income to the trusts. Thereafter, Defendants prepare trust documents naming themselves as trustees and promise customers unfettered access to trust income and property. Defendants explained that this arrangement has the dual effect of concealing the customers' assets while giving the appearance that the PTO is a legitimate revocable trust, with independent trustees. Such use of a revocable trust in fact confers no tax benefits.

47. Defendants directed those customers who continue to report income on tax returns to use Frank Williams to prepare their tax returns. Thereafter, at Defendants' direction, Defendant Williams prepared false returns that under-reported income based on the same false tax principle espoused by Defendants—that income assigned to their PTO is not taxable. The returns Williams prepared also claimed improper deductions, which included at least nine false invoices used to substantiate fictitious business expenses claimed by ICH/IFC customers.

48. Defendants further advised customers that their PTOs operated as a mechanism to conceal assets, and thereby thwart IRS collection efforts. Defendants included in their instructional materials a document titled the "Pure Trust Handbook," in which they advised customers to conceal income by avoiding the use of their Social Security number. Instead, Defendants advised customers to use the Trust Identification Number assigned by IFC when asked for a Taxpayer Identification Number in order to make it difficult or impossible to track true ownership of the assets and income assigned to the PTOs or deposited into trust bank accounts.

49. As part of the scheme, Defendants prepared false trust minutes for customers, which failed to identify assets transferred into and out of the PTOs. Defendants signed the false trust minutes documenting fictitious board meetings in order to give the appearance that the PTO were legitimate irrevocable trusts.

50. The ICH/IFC trust documents included boilerplate language setting forth the trustees' obligations to "administer and dispose of all properties for the benefit of all the unit holders . . . [and that the trustees have] absolute management, control, and disposition of all the trust estates and its business affairs of every kind and character." Defendants' false statements regarding the trustee's obligations make it clear that their Pure Trusts were shams, and their customers had full control of trust assets:

a. During an IFC staff meeting that was tape recorded for an absent Frank Williams, David Trepas discussed the real power the managing directors exerted over the trust, including the power to fire the trustee. He stated, "They can only request. Now we know behind the scenes, internally, that really they're telling them. But in real life, in the outside world, in a courtroom, they cannot, because that's direct or indirect control of the trust and we can't have that."

b. Defendants Trepas further provided an example of an ICH/IFC customer's control of a PTO's assets, stating he "will do exactly what he did before, but the house, bank account will not be his. Everything in his life he still has use of but it will not be his. . ."

c. In addressing the ICH/IFC customers' control of the PTOs, Rachel McElhinney stated: "When the trust buys a house, boat, plane, car, you don't buy it, but you [the customer] have the ability to use and manage those assets."

d. Dennis Poseley boasted to audiences regarding his own use of PTOs, stating "I don't own anything. I don't earn money in my own name. The only change in your life will be how you talk about it. . ." He also advised customers to "circle the beneficiaries. It gives you [the customer] as managing director effective control over everything. . ." Dennis Poseley further advised customers that they are not even required to report income that they do not assign to the PTO based on the frivolous contention that "wages and compensation for labor are not taxable."

e. As ICH/IFC trustees, Patricia Ensign, John Poseley, Mark Poseley, Jeffrey Lewis, Keith Priest assured customers they had full control of PTO assets and income.

51. Defendants' statements to customers about the tax benefits associated with their bogus trust packages, and those concerning the proper use of PTOs as irrevocable trusts, are false and fraudulent.

52. The effect of Defendants' Pure Trust promotion is that participants live in the same residence and operate the same business as they did before purchasing the PTO. Under Defendants' program, participants' living expenses are paid from the participants' earnings—just as before the PTO was created. Participants receive the full benefit of, and have full control over, all PTO funds. The only substantive change in the participants' regular business and lifestyle activities is the purported benefit of no taxation.

53. The Pure Trusts that Defendants marketed are operated for the benefit of the owner, are devoid of economic substance and are shams for federal tax purposes. The program constitutes an improper assignment of income and a fraudulent transfer of assets.

Defendants' Tax Fraud Scheme Purporting to Rescind Customers' Social Security Numbers

54. Defendants Dennis Poseley, Patricia Ensign, John Poseley, Mark Poseley, David Trepas, Rachel McElhinney, Jeffrey Lewis, and Keith D. Priest also promoted a "sovereignty" tax-fraud scheme purporting to revoke and rescind a customer's Social Security number. Defendants advised customers that this was the first step in reclaiming their individual "sovereignty."

55. Compliance with the federal income tax laws is not voluntary, but mandatory. But to induce sales of the sovereignty scheme, Defendants advertise the Social Security rescission package as a mechanism of separating customers from their Social Security number so that all contracts with the government are void, including a purported contract for paying income taxes. The rescission package did nothing more than conceal the ICH/IFC customer's assets.

56. As part of the scheme, Defendants sold to customers letters for sending to government agencies declaring that the customers "surrendered" their Social Security number. Thereafter, Defendants instructed customers not to file income tax returns.

57. Defendants further instructed customers that after filing these documents, they were no longer obligated to pay income taxes or perform other duties imposed by the Internal Revenue Code.

58. Defendants' statements to customers about the tax benefits associated with their rescission are false or fraudulent.

Defendants' Knowledge of the Falsity of the Tax Benefits of Their Tax-Fraud Schemes

60. Defendants held themselves out at seminars and in personal meeting with customers as tax experts by participating in tax-law-related seminars, and therefore they knew or had reason to know that tax-fraud schemes promoted by ICH/IFC were unlawful.

61. Defendants provided with their "Managing Director's Handbook" a copy of IRS Notice 97-24. IRS Notice 97-24 states that "Abusive trust arrangements typically are promoted by the promise of tax benefits with no meaningful change in the taxpayer's control over or benefit from the taxpayer's income or assets. The promised benefits may include reduction or elimination of income subject to tax; . . . These promised benefits are inconsistent with the tax rules applicable to the abusive trust arrangements." Defendants knew or had reason to know their statements related to the tax benefits associated with PTOs were false because their tax-fraud scheme is identical to the abusive trust arrangement described in IRS Notice 97-24.

62. Defendants know their PTO scheme conferred no tax-benefits because they relied on false invoices prepared by Frank Williams to fraudulently reduce their customers' income tax liabilities—rather than their own false statements that PTOs are not required to report or pay income taxes.

63. Defendants know or had reason to know their statements regarding the tax benefits associated with their sovereignty package were false or fraudulent.

64. Dennis Poseley knew that a trust without trustee involvement is a sham. In fact, he stated as much during a videotaped presentation in Virginia Beach in 1997, stating "There is ample case law out there stating this—if the trustees are not involved in the operation of the trust or are not being paid by the trust, it is probably a sham and they'll try to break it."

65. David Trepas knew or had reason to know Defendants' statements regarding the benefits associated with the PTO scam were false or fraudulent because he admitted to being in receipt of a memo drafted by J. Thomas Hines, Sr., a Technical Reviewer with the IRS. The Hines memo stated, *inter alia*, that:

a. "There is no organization classified as a 'pure trust' organization under the Internal Revenue Code or the accompanying regulations. . . If the pure trust is not an entity separate from its owner, it is disregarded for tax purposes and the true owner of the property held by the pure trust must directly report all tax items on the owner's tax return and pay all taxes due."

b. "If the pure trust is determined to be an entity separate from its owner and is not a business entity, it will be classified as a trust . . . A trust is a taxable entity that must report on Form 1041 and is required to have an EIN."

c. "We have been informed by Submissions Processing, National Office that as of June 1996, the Philadelphia Service Center has rescinded the letter that states that a pure trust has no tax requirements and that an EIN is not required. . . . Unfortunately, the promoters of various abusive trust schemes have taken the Philadelphia letter out of context and are concluding that neither the owner nor the trust is liable for any tax in order to promote their abusive trust schemes."

66. Dennis Poseley and Patricia Ensign knew or had reason to know Defendants' statements regarding the benefits associated with the PTO scam were false or fraudulent

because they had a letter from Maryanne Slater, Chief, Entity Control Section addressing the Pure Trust tax-fraud scheme. Ms. Slater's letter stated, *inter alia*, that:

a. "You have asked us how a 'Pure Trust' should report its income. The term 'Pure Trust' is not used in the Internal Revenue Code. These requirements are based on the economic reality of the arrangement, not its nomenclature."

b. "Many recent trust arrangements have been held by the courts to be shams with no economic substance. The income and expenses of such arrangements are attributed to the actual earner of the income, typically the individual grantor or other individual on whom the trusts depends for the production of income or the providing of services."

c. "Contrary to the claims of the promoters who sell such arrangements ALL income is taxable unless there is a specific statutory provision excluding it; there is no such provision in the trust area."

67. Defendants knew or had reason to know that trust misuse is identified in the IRS's annual consumer alert of tax scams that taxpayers are urged to avoid. IRS information related to this scam is available at www.irs.gov/newsroom/article/0,,id=107493,00.html.

Harm to the Government

68. The tax-fraud schemes promoted and marketed by Defendants through ICH/IFC harm the government by fraudulently reducing customers' reported tax liabilities.

69. The Internal Revenue Service is harmed because it must dedicate scarce resources to detecting and examining inaccurate returns filed by Defendants' customers, to file substitutes for returns for customers failing to file tax returns, and to attempt to recover unpaid taxes.

70. The IRS has investigated over 700 of Defendants' customers, 300 of whom who stopped filing income tax returns after purchasing Defendants' tax-fraud schemes.

The IRS investigation involves over 1,400 tax years and IFC search warrant records indicate that Defendants sold over 1,230 Pure Trusts, while Defendants claimed to have over 3,000 customers from 1996 through 2003.

71. The IRS estimates the loss to the U.S. Treasury is over $16,831,370 due to Defendants' tax-fraud schemes based on the 300 ICH/IFC customers who stopped filing income tax returns after purchasing their tax-fraud schemes. This amount does not include the $1,558,997 of tax loss attributable to Defendants' failure to report and pay their own income taxes.

73. Defendants' background and extensive involvement in these elaborate tax-fraud schemes indicate that the misconduct described in this complaint or other similar misconduct is likely to recur unless they are permanently enjoined.

Count I: Injunction under I.R.C. § 7408 for violations of I.R.C. §§ 6700 and 6701

74. The United States incorporates by reference the allegations contained in paragraphs 1 through 73.

75. Section 7408 authorizes a court to enjoin persons who have engaged in conduct subject to penalty under I.R.C. §§ 6700 or 6701 from engaging in further such conduct or any other conduct subject to penalty under the Code.

76. Section 6700 imposes a penalty on any person who organizes or sells a plan or arrangement and in connection therewith makes a statement with respect to the allowability of any deduction or credit, the excludability of any income, or the securing of any tax benefit by participating in the plan or arrangement that the person knows or has reason to know is false or fraudulent as to any material matter.

77. Section 6701 penalizes any person who prepares a document that he has reason to believe will be used in connection with any material matter arising under the internal revenue laws and who knows that the document, if so used, would result in an understatement of another person's tax liability.

78. Defendants organized and sold a Pure Trust and sovereignty tax-fraud program. In organizing and selling these fraudulent schemes, Defendants made statements regarding the tax benefits associated with participation in the programs that they know are false or fraudulent as to material matters within the meaning of I.R.C. § 6700.

79. Defendants prepared and sold to customers bogus trust packages, affidavits, fraudulent invoices to substantiate fictitious business expenses, and other fraudulent documents within the meaning of I.R.C. § 6701, which they know or had reason to believe would be used in connection with a material matter and, if so used, would fraudulently understate their customers' tax liabilities.

80. Unless enjoined by this Court, Defendants are likely to continue to organize and sell their bogus-trust scheme, sovereignty package, or other tax-fraud programs.

Count II: Injunction under I.R.C. § 7402

81. The United States incorporates by reference the allegations contained in paragraphs 1 through 80.

82. Section 7402 authorizes Courts to issue injunctions as may be necessary or appropriate for the enforcement of the internal revenue laws.

83. Defendants, through the actions described above, have engaged in conduct that interferes substantially with the administration and enforcement of the internal revenue laws.

84. Defendants' conduct results in irreparable harm to the United States and the United States has no adequate remedy at law. Defendants' conduct is causing and will continue to cause substantial revenue losses to the United States Treasury, much of which may be unrecoverable.

85. Unless Defendants are enjoined, the IRS will have to devote substantial time and resources to identify and locate their customers, and then construct and examine those

persons' tax returns and liabilities. The burden of pursuing individual customers may be an insurmountable obstacle, given the IRS's limited resources.

86. If Defendants are not enjoined, they likely will continue to engage in conduct that obstructs and interferes with the enforcement of the internal revenue laws.

Count III: Injunction under I.R.C. § 7407

87. The United States incorporates by reference the allegations in paragraphs 1 through 86.

88. I.R.C. § 7407(c) authorizes a district court to enjoin an income tax preparer from "engaging in any other fraudulent or deceptive conduct that substantially interferes with the proper administration of the internal revenue laws," if the court finds that injunctive relief is appropriate to prevent the recurrence of such conduct.

89. Additionally, if the court finds that a preparer has continually or repeatedly engaged in such conduct, and the court finds that a narrower injunction (*i.e.,* prohibiting only that specific enumerated conduct) would not be sufficient to prevent that person's interference with the proper administration of the internal revenue laws, the court may enjoin the person from further acting as a federal income tax return preparer.

90. Frank Williams prepared at least nine false invoices to substantiate fictitious expenses and omitted Pure Trust income on tax returns he prepared. In so doing, Williams understated ICH/IFC customers' federal tax liabilities and asserted positions which he knew or reasonably should have known were unrealistic within the meaning of I.R.C. § 6694.

91. Williams's preparation of false invoices constitutes fraudulent and deceptive conduct subjecting him to penalty under I.R.C. § 6695(c).

92. Williams's actions, as described above, fall within I.R.C. § 7407(b)(1)(A) and (D), and are, thus, subject to being enjoined under I.R.C. § 7407.

93. If he is not enjoined from preparing tax returns for others, Williams is likely to continue to prepare and file tax returns that include false or fraudulent credits and deductions.

Relief Sought

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

A. That the Court find that Defendants have engaged in conduct subject to penalty under I.R.C. §§ 6700 and 6701, and that injunctive relief is appropriate under I.R.C. § 7408 to prevent Defendants, and any business or entity through which they operate, and anyone acting in concert with them, from engaging in further such conduct;

B. That the Court find that Defendants have engaged in conduct that interferes with the enforcement of the internal revenue laws, and that injunctive relief against Defendants, and any business or entity through which they operate, and anyone acting in concert with them, is appropriate to prevent the recurrence of that conduct pursuant to the Court's powers under I.R.C. § 7402(a);

C. That the Court, pursuant to I.R.C. §§ 7402 and 7408, enter a permanent injunction prohibiting Defendants, individually and doing business as Innovative Financial Consultants or any other entity, and their representatives, agents, servants, employees, attorneys, and those persons in active concert or participation with them, from directly or indirectly:

(1) Organizing, promoting, marketing, or selling any tax shelter, plan or arrangement that advises or assists customers to attempt to violate the internal revenue laws or unlawfully evade the assessment or collection of their federal tax liabilities, including by means of Pure Trust and sovereignty programs;

(2) Engaging in activity subject to penalty under I.R.C. § 6701, including preparing or assisting in the preparation of a document related to a matter material to the internal revenue laws that includes a position that they know will, if used, result in an understatement of tax liability;

(3) Making false statements about the allowability of any deduction or credit, the excludability of any income, or the securing of any tax benefit by the reason of participating in any tax shelter, plan or arrangement;

(4) Instructing, assisting, or advising others to violate the tax laws, including to evade the payment of taxes;

(5) Engaging in conduct subject to penalty under I.R.C. § 6700, *i.e.*, by making or furnishing, in connection with the organization or sale of an abusive shelter, plan, or arrangement, a statement Defendants know or have reason to know to be false or fraudulent as to any material matter under the federal tax laws;

(6) Engaging in any other conduct that interferes with the administration and enforcement of the internal revenue laws; and

(7) Engaging in any activity subject to penalty under any other section of the I.R.C.

D. That this Court, pursuant to I.R.C. §§ 7402 and 7407, enter a permanent injunction prohibiting Frank Williams from:

(1) Acting as a federal tax return preparer; preparing or filing tax returns for others; or requesting, assisting in or directing the preparation and/or filing of federal tax returns for any person or entity other than himself;

(2) Preparing false invoices or other documents intended to be used to help customers evade federal taxes;

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

G. That this Court retain jurisdiction over this action for purposes of implementing and enforcing the final judgment; and

H. That this Court grant the United States such other and further relief as the Court deems proper.

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