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**UNITED STATES DISTRICT COURT FOR THE
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE**

UNITED STATES OF AMERICA,)
)
 Plaintiff,)
)
 v.)
)
 LORENZO (“ZO”) LAMANTIA,)
 aka LORENZO MILANO, individually and)
 d/b/a GLOBAL PROSPERITY GROUP and)
 GLOBAL PROSPERITY MARKETING)
 GROUP and GLOBAL PROSPERITY)
 2001 and INSTITUTE OF GLOBAL)
 PROSPERITY,)
)
 Defendant.)

Civil No.

Nature of Action

1. This is a civil action brought by the United States of America under §§ 7402 and 7408 of the Internal Revenue Code (26 U.S.C.) (I.R.C.) to enjoin defendant, Lorenzo Lamantia, both individually and doing business as the Global Prosperity Group, Global Prosperity Marketing, Global Prosperity 2001, Institute of Global Prosperity (all entities hereinafter referred to as “Global Prosperity”), and all those in active concert or participation with him, from:

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2 (a) Organizing, promoting, marketing, or selling (or assisting therein) any
3 tax shelter, plan, or arrangement, that incites or assists customers to attempt
4 to violate the internal revenue laws or unlawfully evade the assessment or
5 collection of their federal tax liabilities or unlawfully claim improper tax
6 refunds;

7 (b) engaging in activity subject to penalty under 26 U.S.C. § 6700,
8 including making, in connection with the organization or sale of any plan or
9 arrangement, any statement about the securing of any tax benefit that the
10 defendant knows or has reason to know is false as to any material matter;
11 and

12 (c) engaging in conduct subject to penalty under any provision of the
13 Internal Revenue Code, or engaging in any other conduct that substantially
14 interferes with the proper administration and enforcement of the internal
15 revenue laws.

16 2. This action has been requested by the Chief Counsel of the Internal Revenue
17 Service, a delegate of the Secretary of the Treasury, and commenced at the direction of a
18 delegate of the Attorney General of the United States, under the provisions of I.R.C.
19 §§ 7402 and 7408.

20 3. Jurisdiction exists under 28 U.S.C. §§ 1340 and 1345, and I.R.C. §§ 7402(a)
21 and 7408.

22 **Defendant**

23 4. Lorenzo LaMantia resides in Modesto, California.

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2 5. LaMantia conducted business through Global Prosperity, located at 2000
3 Benson Road South, Building 115, Suite 350, Renton, Washington 98055.

4 **Criminal Investigation of Global Prosperity**

5 6. Global Prosperity, also known as the Global Prosperity Marketing Group,
6 Global Prosperity Group, Institute of Global Prosperity, and Global Prosperity 2001, was
7 co-founded in 1996 by Daniel Andersen and David Struckman, who also served as
8 directors.

9 7. In 1998, Lorenzo (Zo) Lamantia became a director of Global Prosperity.

10 8. In March 2001, search warrants were executed on the Global Prosperity
11 directors' residences. The IRS seized a Global Prosperity customer list identifying over
12 44,000 participants during the search.

13 9. Between 1996 and 2002, Global Prosperity received gross receipts in excess of
14 fifty million dollars (\$50,000,000), that were not reported as income.

15 10. On May 11, 2004, Defendant, Daniel Andersen, David Struckman, Kuldip
16 Singh, and Dwayne Robare were indicted for knowingly, intentionally, and unlawfully
17 conspiring to defraud the United States and defeat the lawful government functions of the
18 Internal Revenue Service (IRS) in the ascertainment, computation, assessment, and
19 collection of income tax. A superseding indictment was returned in July 2005. On July
20 15, 2004, Daniel Andersen pled guilty to conspiring to defraud the United States in
21 violation of 18 U.S.C. § 371.

22 11. On December 15, 2005, Defendant pled guilty to conspiring to defraud the
23 United States in violation of 18 U.S.C. § 371 and evading tax under I.R.C. § 7201.
24 Lamantia agreed, as part of the plea, that he had conspired to conceal the business affairs

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2 and income of Global Prosperity by using purported trusts and a series of related nominee
3 bank accounts. Lamantia concealed both his own income, and Global Prosperity's, by
4 failing to report payments he received from Global Prosperity on IRS Forms W-2, 1099,
5 Schedule K-1, or any other form including Lamantia's personal income tax returns for
6 1996 through 2002.

7 **Defendant's Participation in Global Prosperity's Marketing Scheme**

8 12. Lamantia, doing business as Global Prosperity, sold an audiotape/cd series and
9 tickets to offshore seminars promoting, among other things, bogus trust packages and
10 other schemes advocating fraudulent methods of eliminating one's income taxes.

11 13. As part of the scheme, Lamantia actively promoted, sold, and advertised the
12 following goods and services:

13 a. "Global I" was a 12-part audio/cd series which states, *inter alia*, that: (1)
14 income of "American Nationals" or "sovereign state citizens" is foreign earned income;
15 (2) American Nationals" or "sovereign state citizens" are not required to file tax returns
16 or pay income taxes; (3) the 16th Amendment of the United States Constitution was not
17 properly ratified; (4) wages are not income and therefore not taxable; and (5) the income
18 tax system is voluntary.

19 b. "Global II" was a three-day offshore seminar retail priced at \$6,250.
20 The Global II seminar was advertised as an opportunity for attendees to apply the wealth-
21 building strategies discussed on the Global I audio/cd series.

22 c. "Global III" was a five-day offshore seminar retail priced at \$18,750.
23 The Global III event was advertised as advanced training in implementing wealth-
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building strategies that featured the same fraudulent vendors and schemes promoted at the Global II events.

d. “Global IV” was a three-day, invitation-only seminar held at Jekyll Island, Georgia, in November 2000, retail priced at \$37,000. Global Prosperity hosted the seminar for its top salespeople.

14. Participating vendors, whom Global Prosperity touted as “experts,” paid Global Prosperity a fee to promote tax-fraud schemes to Global Prosperity members attending the seminars.

15. Global Prosperity used a multi-level marketing program to sell tax-fraud products and build a network of distributors, retailers, and Global Prosperity members. Global Prosperity customers paid a \$50 fee to become a Global member, and then progressed through four tiers of membership from “Global I to IV.”

16. As part of the scheme, a member joins at the first level and becomes a Global I member by purchasing the Global I products.

17. As part of the scheme, a Global I member who sells a requisite number of tax-fraud products (between 2 to 7), becomes a “qualified retailer” (QR). A QR may retain 80% to 90% of his or her sale revenues as profits, as well as a percentage of the first two sales by members recruited by that QR.

18. As part of the scheme, after another threshold number of sales, a QR becomes a “voluntary marketing assistor” (VMA) and earns even greater profits by selling products related to the tax-fraud schemes.

Defendant’s Fraudulent Statement & Schemes

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19. Defendant participated in the sale of the tax-fraud schemes sold by Global Prosperity by (a) selling Global Prosperity memberships; (b) arranging marketing seminars that provided Global Prosperity vendors with a forum to hawk tax-fraud schemes to Global Prosperity members; and (c) endorsing, to Global Prosperity members, tax-fraud schemes hawked to Global Prosperity members.

20. The Global Prosperity vendors made the following false and fraudulent statements about the federal income tax laws, and assisted customers in evading the federal income tax, as part of packages sold by Global Prosperity for between \$500 and \$2,300:

a. The vendors falsely advised customers that a U.S. citizen who “relinquishes” his Social Security number is no longer obligated to file tax returns, pay income taxes, or perform other duties imposed by the Internal Revenue Code. As part of this package sold by Global Prosperity, Defendant assisted customers in evading the payment of employment taxes by providing a document purporting to revoke or rescind the taxpayer’s Social Security number.

b. The vendors falsely advised customers that an “American” national, or “sovereign state citizen,” is foreign to the Federal United States Government Corporation, thus any income received is non-taxable foreign earned income. As part of this tax-fraud package sold by Global Prosperity, the vendors advised customers that they were not required to file income tax returns after filing a statement of citizenship included in the package.

c. The vendors falsely advised customers that American nationals or sovereign state citizens, have no “contractual nexus” with the United States and are not

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2 required to file tax returns or pay income taxes on wages. As part of the package sold by
3 Global Prosperity, the vendors assisted customers in evading the payment of income
4 taxes by providing a document purporting to revoke or rescind their “contractual nexus”
5 with the United States.

6 d. The vendors falsely advised customers that the U.S. Supreme Court
7 ruled that the 16th Amendment created no new power of taxation and did not amend or
8 change the constitutional limits that forbid any direct taxation on individuals. Thus, the
9 vendors falsely advised that the current laws relating to income tax, Social Security, and
10 related taxes, have never applied to anyone other than appointed and elected government
11 officials or employees.

12 e. The vendors falsely advised customers that they were not required to
13 report wage income earned while working in the United States because U.S.-source
14 wages are not taxable.

15 f. The vendors falsely advised customers that a “sovereign American
16 national” may refuse with impunity to obey any summons or other directive from the
17 federal government.

18 21. As part of the scheme, Global Prosperity vendors made the following false
19 statements regarding the federal income tax laws, as part of fraudulent tax reduction
20 packages sold by Global Prosperity that assisted wage-earning customers in evading the
21 federal income tax:

22 a. The vendors assisted customers in forming foreign entities without tax
23 reporting identification numbers, and advised them to renegotiate their contract with their
24 employer to do business with that foreign entity. The vendors falsely advised customers

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2 that up to \$75,000 of the payments to the foreign entity can be excluded from income, as
3 foreign source income under the provisions of I.R.C. § 911, even if the source of the
4 activity is within the United States.

5 b. The vendors falsely advised customers that United States citizens can
6 become sovereign state citizens by revoking their Social Security numbers, and demand
7 that their employer discontinue withholding income and Social Security taxes. As part of
8 this package sold by Global Prosperity's vendors, customers were provided a document
9 purporting to revoke or rescind the taxpayer's Social Security number.

10 c. The vendors sold the HTS Identity Redemption package that provided
11 purchasers with a U.C.C.-1 filing statement purporting to "redeem" the individual's
12 identity. The HTS Identity Redemption package, which retailed for between \$500 to
13 \$2,300, fraudulently advised purchasers to revoke or rescind their social security
14 numbers, and furnished documents purporting to allow them to refuse any summons or
15 other directive from the federal government after the filing of the U.C.C.-1 statement.

16 22. By arranging marketing seminars, and by endorsing the tax-fraud schemes
17 sold by participating vendors, Defendant furnished or caused to be furnished to Global
18 Prosperity members (a) false statements about the tax benefits allegedly available from
19 the tax-fraud schemes and also (b) documents and methods used to claim false
20 deductions, conceal assets, and under-report income as described in paragraphs 19-21.

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22 **Defendant's Knowledge of the Falsity**
23 **of the Tax Benefits of His Tax-Fraud Schemes**

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2 23. Lamantia has an extensive knowledge of both business and the income tax
3 laws, and therefore he knew or should have known that tax-fraud schemes promoted or
4 endorsed by Global Prosperity and/or participating vendors were unlawful.

5 24. In July 1997, the Michigan Attorney General issued a cease-and-desist order
6 requiring Global Prosperity to discontinue the multi-level marketing of fraudulent tax
7 schemes in that state. In 1998, the Attorneys General of Massachusetts, Missouri, North
8 Dakota, Oregon, and South Dakota issued similar cease-and-desist orders. Global
9 Prosperity continued doing business following the cease-and-desist orders under a
10 modified name and restricted its promotion to offshore locations.

11 25. As a Global Prosperity director, Lamantia was aware of the cease-and-desist
12 orders preventing Global Prosperity from doing business in those states.

13 26. On or about March 2001, after execution of the search warrants with respect to
14 the Global Prosperity promotion, Andersen and Lamantia established Stratia, a successor
15 organization to Global Prosperity.

16 **Harm to the Government**

17 27. Lamantia's schemes harm the government by fraudulently reducing
18 customers' reported tax liabilities. Based on the Global Prosperity customer list, it is
19 possible that over 44,000 taxpayers have used Global Prosperity's tax-fraud schemes to
20 evade income taxes.

21 28. The Internal Revenue Service is harmed because it must dedicate a portion of
22 its scarce resources to detecting and examining the inaccurate returns filed by Global
23 Prosperity customers as result of Lamantia's tax-fraud schemes, and in attempting to
24 recover unpaid taxes.

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1 29. The IRS estimates that during 2001 the difference between the amount of
2 taxes paid, and the amount that should have been paid, equaled \$345 billion. See
3 <http://www.irs.gov/newsroom/article/0,,id=154496,00.html>. Tax-fraud schemes such as
4 those promoted by Defendant contribute to the under-reporting of taxes estimated in the
5 report.

6 30. Some of this revenue loss may never be recovered.

7 31. Lamantia's background and extensive involvement in these elaborate schemes
8 indicate that the misconduct described in this complaint or other similar misconduct is
9 likely to recur unless he is permanently enjoined.

10 **Count I: Injunction under I.R.C. § 7408 for violations of § 6700**

11 32. The United States incorporates by reference the allegations contained in
12 paragraphs 1 through 31.

13 33. I.R.C. § 7408 authorizes a district court to enjoin any person from, *inter alia*,
14 engaging in conduct subject to penalty under I.R.C. §§ 6700 if injunctive relief is
15 appropriate to prevent recurrence of that conduct.

16 34. Section 6700 imposes a penalty on any person who organizes or participates in
17 the sale of a plan or arrangement and in so doing makes a statement with respect to the
18 allowability of any deduction or credit, the excludability of any income, or the securing of
19 any tax benefit by participating in the plan or arrangement which that person knows or
20 has reason to know is false or fraudulent as to any material matter.

21 35. Lamantia participated in organizing and selling tax-fraud schemes that falsely
22 promised tax benefits to customers.

23 36. In organizing and selling these schemes, Lamantia furnished or caused to be
24 furnished false or fraudulent statements regarding the tax consequences of the schemes.

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1 37. Lamantia knew or had reason to know that these statements were false or
2 fraudulent statements within the meaning of 26 U.S.C. § 6700.

3 38. If not enjoined, Lamantia may continue to organize and sell tax-
4 fraud schemes.

5 39. Injunction relief is appropriate to prevent recurrence of this conduct.

6 **Count II: Injunction Under I.R.C. § 7402**

7 40. The United States incorporates by reference the allegations contained in
8 paragraphs 1 through 39.

9 41. I.R.C. § 7402(a) authorizes a court to issue injunctions as may be necessary or
10 appropriate for the enforcement of the internal revenue laws, even if the United States has
11 other remedies available for enforcing those laws.

12 42. Lamantia substantially interfered with the enforcement of the internal
13 revenue laws by promoting his tax-fraud schemes and offshore tax shelters.

14 43. Lamantia’s conduct resulted in irreparable harm to the United States for which
15 the United States has no adequate remedy at law.

16 44. Unless enjoined by this Court, Lamantia may to continue to engage in
17 illegal conduct. The United States is entitled to injunctive relief under I.R.C. § 7402(a).

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

20 A. That this Court, under 26 U.S.C. §§ 7402 and 7408, enter a permanent
21 injunction prohibiting Lamantia and his representatives, agents, servants, employees, and
22 anyone in active concert or participation with him, from directly or indirectly by means of
23 false, deceptive, or misleading commercial speech:
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- 1 (1) Organizing, promoting, marketing, or selling (or assisting
2 therein) any tax shelter, plan, or arrangement, including but not
3 limited to those discussed above, or any other tax shelter, plan or
4 arrangement that incites or assists customers to attempt to violate the
5 internal revenue laws or unlawfully evade the assessment or
6 collection of their federal tax liabilities or unlawfully claim improper
7 tax refunds;
8 (2) engaging in activity subject to penalty under 26 U.S.C. § 6700,
9 including making, in connection with the organization or sale of any plan or
10 arrangement, any statement about the securing of any tax benefit that the
11 defendant knows or has reason to know is false as to any material matter;
12 (3) engaging in conduct subject to penalty under any provision of the
13 Internal Revenue Code, or engaging in any other conduct that substantially
14 interferes with the proper administration and enforcement of the internal
15 revenue laws.

16 B. That this Court allow the government full post-judgment discovery to
17 monitor Lamantia's compliance with the injunction; and
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C. That this Court grant the United States such other and further relief as the Court deems just and appropriate.

JOHN MCKAY
United States Attorney

ROBERT BROUILLARD
Assistant United States Attorney

/s/ Thomas M. Newman
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