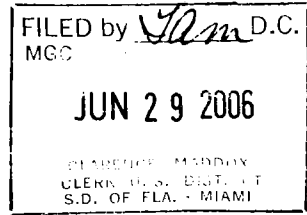


IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF FLORIDA



UNITED STATES OF AMERICA, )  
)  
Plaintiff, )  
)  
)  
v. )  
)  
LABIB BALTAGI, INC. d/b/a JACKSON )  
HEWITT TAX SERVICES, INC. and )  
AHMAD LABIB BALTAGI, )  
)  
Defendants. )

Civ. No. 06-20949 - CW - code

**STIPULATED JUDGMENT OF PERMANENT INJUNCTION  
AGAINST DEFENDANT LUCILLE BALTAGI**

Plaintiff United States of America and Defendant, Lucille Baltagi, stipulate as follows:

- A. The United States has filed a complaint alleging that defendant has prepared tax returns which understated some of her customers' tax liabilities by asserting the frivolous and unrealistic position that per capita distributions of gaming proceeds paid to Native Americans are exempt from federal income taxes. The United States seeks a permanent injunction prohibiting defendant from: (1) preparing federal income tax returns that assert that per capita distributions of gaming proceeds are exempt from federal income taxes, and (2) preparing federal income tax returns that understate tax liability by asserting any other frivolous or unrealistic position. The complaint also asks the Court to order defendant to take certain corrective actions.
- B. Defendant admits that she prepared or supervised the preparation of at least 32 tax returns that incorrectly took the position that per capita distributions of gaming proceeds paid to Native Americans are exempt from federal income taxes.

- C. Defendant waives the entry of findings of fact and conclusions of law under Rule 52 of the Federal Rules of Civil Procedure and the Internal Revenue Code, 26 U.S.C. §§ 7407, 7408 and 7402(a).
- D. Defendant understands that this Stipulated Judgment of Permanent Injunction constitutes the final judgment in this matter, and waives any and all right to file an appeal from this judgment.
- E. Defendant consents to the entry of this Stipulated Judgment of Permanent Injunction without further notice and agree to be bound by its terms. Defendant further understands and agrees that the Court will retain jurisdiction over this matter for the purpose of implementing and enforcing this Stipulated Judgment of Final Injunction and understands that if she violates this Stipulated Judgment of Final Injunction, she may be found to be in contempt of court and may be sanctioned for the same.

WHEREFORE, in light of the foregoing, the Court hereby FINDS, ORDERS, and DECREES:

- 1. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1340 and 1345 and 26 U.S.C. §§ 7402(a), 7407 and 7408;
- 2. The defendant has consented to the entry of this Stipulated Judgment of Permanent Injunction and agrees to be bound by its terms;
- 3. Pursuant to 26 U.S.C. §§ 7402(a), 7407 and 7408, defendant and her employees are permanently enjoined from:
  - a. preparing or assisting in the preparation of, or counseling or advising the preparation or filing of, federal tax returns which assert that per capita distributions of gaming proceeds paid to Native Americans are exempt

from federal income tax;

- b. preparing or assisting in the preparation of, or counseling or advising the preparation or filing of federal tax returns that assert any position for which there is not a realistic possibility of being sustained on its merits that results in the understatement of tax liability, or that evinces a willful, intentional, or reckless disregard for the applicable laws, rules, and regulations;
  - c. engaging in any fraudulent or deceptive conduct which interferes with the proper administration of the internal revenue laws.
4. Pursuant to 26 U.S.C. §§ 6695, 7402(a), and 7407, defendant is hereby ordered to:
- a. Cooperate fully with the Government's efforts to identify all tax returns prepared by defendant or her employees which understated a customer's tax liability by asserting that per capita distributions of gaming proceeds paid to Native Americans were exempt from federal income taxes;
  - b. Review the list of customers prepared by co-defendants Labib Baltagi Inc. d/b/a Jackson Hewitt Tax Services, and Ahmad Labib Baltagi, (collectively "co-defendants") and produce to counsel for the United States, within 14 days of the Court's order, a list of any customers not identified by her co-defendants for whom she prepared income tax returns which asserted that any income, of whatever kind, was exempt from taxation due to a purported Native American Treaty; and for each customer, provide the customer's name, social security number, address and telephone number;

- c. Produce to counsel for the United States within 14 days of the Court's order, copies of all federal tax returns (including amended returns), not already produced by her co-defendants, that defendant prepared which asserted that any income, of whatever kind, was exempt from taxation due to a purported Native American Treaty;
- d. Send, at her own expense, within 14 days of the Court's order, the attached letter to all customers for whom she or her employees prepared tax returns which asserted that any income was exempt from taxation pursuant to a Native American Treaty,
- e. Continue her efforts to identify and correct any income tax returns which asserted that income was exempt from taxation due to a purported Native American Treaty after making her initial report to counsel for the United States, and to the extent that defendant identifies any additional returns which asserted that income was exempt from taxation due to a purported Native American Treaty, defendant shall comply with the obligations set forth in subparagraphs (b)-(d) within 14 days of identifying such a return.

5. Pursuant to 26 U.S.C. § 7402(a), defendant is further ordered to file with the Court, within 14 days after the entry of this Stipulated Judgment of Permanent Injunction, a certificate of compliance, signed under penalty of perjury, which states that defendant has provided counsel for the United States:

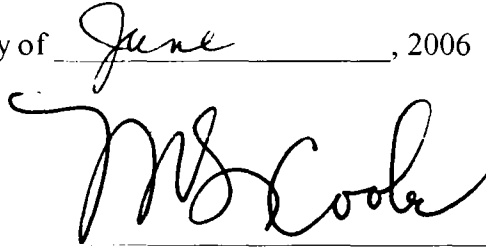
- a. a list of all customers for whom defendant or her employees have prepared income tax returns which asserted that any income, of whatever kind, was exempt from taxation due to a purported Native American Treaty;
- b. a complete description of the means by which defendant identified such customers;
- c. a complete description of the means by which defendant has notified her customers that: (1) all per capita distributions of gaming proceeds are subject to federal income taxes and (2) any income tax return on which such customers claimed that income was exempt from taxation due a Native American Treaty may need to be amended.

Furthermore, to the extent that defendant identifies any further income tax returns which asserted that income was exempt from taxation due to a purported Native American Treaty after filing the initial sworn certificate of compliance, she shall, within 14 days, file a further certificate of compliance, signed under penalty of perjury, which contains the information required by subparagraphs (a)-(c) of this paragraph.

6. The Court shall retain jurisdiction over this matter and defendant for the purpose of enforcing any permanent injunction;

7. The United States is granted the right to conduct post-judgment discovery for the purpose of monitoring defendant's compliance with the terms of any injunction;

SO ORDERED, this 29 day of June, 2006

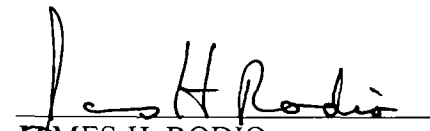



United States District Judge

Consented and Agreed to:

  
LUCILLE BALTAGI

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