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U.S. DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA

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11 UNITED STATES DISTRICT COURT FOR THE  
12 SOUTHERN DISTRICT OF CALIFORNIA

13 THE UNITED STATES OF AMERICA )

14 Plaintiff, )

15 v. )

16 SCOTT A. WAAGE and )  
17 ROBERT O. JENSEN )

18 Defendants. )

Civil No. **11 CV 0 403 WQH**

**POR**

**COMPLAINT FOR PERMANENT  
INJUNCTION AND OTHER RELIEF**

19 Plaintiff, United States of America, for its complaint against Defendants Scott A. Waage and  
20 Robert O. Jensen, states as follows:

21 **Nature of the Action**

22 1. Scott A. Waage ("Waage") and Robert O. Jensen ("Jensen") promote numerous tax-  
23 fraud schemes to customers in several western states, including, California, Washington, Arizona  
24 and Nevada. Waage is the self-professed originator of a concept he calls "Strategic Integrated  
25 Planning." Through this concept, Waage promotes tax-fraud schemes to customers that illegally  
26 reduce the customer's reported taxable income, including but not limited to schemes that involve  
27 helping customers to use: (i) sham consulting companies that do not perform any actual consulting  
28

1 services; (ii) sham consulting companies that pay for and deduct the personal expenses of the  
2 customer; and (iii) unlawfully structured employee benefit and pension plans. Jensen works in  
3 concert with Waage and prepares and signs the tax returns for customers using these tax schemes,  
4 thereby fraudulently reducing the customer's reported taxable income.

5 2. The United States brings this complaint pursuant to 26 U.S.C. §§ 7401, 7402(a), 7407  
6 and 7408 of the Internal Revenue Code ("I.R.C.") to enjoin Scott Waage and Robert Jensen, and all  
7 those in active concert or participation with them, from directly or indirectly:

8 a. Organizing, promoting, or selling (or helping others to organize, promote, or  
9 sell) the fraudulent tax schemes described in this complaint, and any  
10 substantially similar plans or arrangements, or any other business or tax  
11 services that:

- 12 • attempt to illegally reduce a customer's taxable income by  
13 using a sham consulting company that provides no consulting  
14 services;
- 15 • attempt to illegally reduce a customer's taxable income by  
16 using a sham consulting company to fraudulently pay for and  
17 deduct the personal expenses of the customer;
- 18 • create a pension plan, retirement plan and/or employee  
19 benefit plan for the benefit of a customer without providing  
20 the same benefits to the employees of the customer's  
21 operating business; and
- 22 • create a pension plan and/or retirement plan that purchases  
23 life insurance contracts that have a cash surrender value that  
24 is temporarily depressed to a level significantly below the  
25 premiums paid.

26 b. Organizing, promoting, or selling (or helping others to organize, promote, or  
27 sell) the fraudulent tax schemes described in this complaint, and any other  
28 tax shelter, plan, or arrangement, that incites or assists customers to attempt  
to violate the internal revenue laws or evade the assessment or collection of  
their federal tax liabilities or claim improper tax refunds;

c. Engaging in conduct subject to penalty under I.R.C. § 6700, including  
making, in connection with the organization or sale of any plan or  
arrangement, any statement about the securing of any tax benefit that Waage  
and/or Jensen know or have reason to know is false or fraudulent as to any  
material matter;

d. Engaging in conduct subject to penalty under I.R.C. § 6701, including  
preparing or assisting in the preparation of, or advising with respect to a  
document related to a material matter under the internal revenue laws that

1 includes a position that Waage and/or Jensen know will, if used, result in an  
2 understatement of tax liability;

3 e. Engaging in conduct subject to penalty under any provision of the Internal  
4 Revenue Code;

5 f. Aiding, assisting, and/or advising with respect to the preparation of any  
6 federal tax return or representing taxpayers before the IRS;

7 g. Engaging in conduct designed or intended to, or having the effect of,  
8 obstructing or delaying an IRS investigation or audit; and

9 h. Engaging in any other conduct that interferes with the proper administration  
10 and enforcement of the internal revenue laws.

11 **Authorization**

12 3. This action for injunctive relief is brought at the request of the Chief Counsel of the  
13 Internal Revenue Service (“IRS”), a delegate of the Secretary of the Treasury, and commenced at  
14 the direction of a delegate of the Attorney General of the United States, pursuant to 26 U.S.C. §§  
15 7401, 7402 and 7408.

16 **Jurisdiction and Venue**

17 4. Jurisdiction exists under 28 U.S.C. §§ 1340 and 1345, and 26 U.S.C. § 7402(a).

18 5. Venue is proper in this Court under 28 U.S.C. § 1391 because Waage and Jensen  
19 reside in this judicial district and a substantial portion of the events giving rise to this action took  
20 place in this judicial district.

21 **The Defendants**

22 Scott A. Waage

23 6. Scott A. Waage is an attorney who resides and practices law in San Diego, California.  
24 Waage is licensed to practice law in California, Washington and the District of Columbia, and  
25 claims to be a member of the Sections of Taxation and Trusts & Estates of the State Bar of  
26 California. Waage was admitted to the California Bar in 1993. He graduated from the McGeorge  
27 School of Law in 1993.

28 7. After graduation from law school, Waage worked for the J. Douglas Jennings Jr. Law  
Firm where he practiced tax law from approximately 1993 to early 1999. The J. Douglas Jennings

1 Jr. Law Firm bills itself as “one of the only full service firms to provide tax counseling as well as  
2 Internal Revenue Service compliance documentation including individual, partnership, corporate,  
3 pension, and estate tax returns.”

4 8. In April 1999, Waage established his own law firm, “The Waage Law Firm.” The  
5 firm’s website previously stated that the firm “specializes in taxation, corporate law, retirement  
6 planning, estate planning and real estate investments.” Waage’s firm used his concept, “Strategic  
7 Integrated Planning,” which purportedly was intended to help customers “reduce taxation, provide  
8 asset protection and create investment opportunities.” The Waage Law Firm provided both legal  
9 and accounting services, and the firm employed tax attorneys, certified public accountants, actuaries  
10 and assistants all under one roof.

11 9. In January 2010, Waage changed the name of his law firm to “Strategic Law Group,  
12 PC.” He also formed two new companies: “The Tax Advisors Group, Inc.” and “Pensions By  
13 Design, Inc.” According to Waage, these new companies were formed to “better tailor our  
14 professional services,” and to separate out his firm’s accounting and pension services into two new  
15 companies.

16 10. The change of Waage’s firm name to the Strategic Law Group and the creation of two  
17 new companies was of little substance in terms of day-to-day business and services provided.  
18 Waage promised clients that his firm would continue to “strategically integrate” his customers’  
19 legal, tax and retirement planning, and that the “structural change” to his business would not affect  
20 his customers. Indeed, if a user enters the web address for Waage’s prior law firm  
21 (<http://www.waagelaw.com>) he or she is simply redirected to the website for Strategic Law Group  
22 (<http://www.strategiclawgrouppc.com>).

23 11. Waage owns 100% of Strategic Law Group and most, if not all, of the Tax Advisors  
24 Group and Pensions By Design. According to Waage, “all of the professional, para-professional,  
25 business and support personnel [his customers] have been accustomed to working with over the  
26 years will be continuing to work with you through the new companies.”

1 12. The Strategic Law Group's website states that it is "a tax law firm providing  
2 individuals and business owners with legal and tax services that reduce taxes and preserve wealth."  
3 Like Waage's previous law firm, The Strategic Law Group claims to use an approach termed  
4 "Strategic Integrated Planning," which is supposed to "reduce your taxes, protect your family and  
5 preserve your wealth." Waage proclaims himself a "visionary tax attorney" and "the originator" of  
6 the concept of "Strategic Integrated Planning." See <http://www.strategiclawgrouppc.com/index.html>  
7 (accessed on February 1, 2011).

8 13. According to the website, "[a]s a visionary tax planner, Mr. Waage has assisted  
9 clients with corporate tax matters, retirement plans, trusts and estates, asset protection and real estate  
10 investments. As a seasoned and tested tax litigator, Mr. Waage has defended clients' rights against  
11 the overreaching and abuses of government agencies in state civil courts, U.S. District Courts, and  
12 the U.S. Tax Court." See <http://www.strategiclawgrouppc.com/SCOTT.html> (accessed on February  
13 1, 2011).

14 14. The Strategic Law Group's main office is located at 3611 Valley Centre Drive, Suite  
15 525, San Diego, California. The firm also maintains offices in Irvine, California and Bellevue,  
16 Washington.

17 Robert O. Jensen

18 15. Robert O. Jensen is a certified public accountant ("CPA"). He graduated from San  
19 Diego State University with a B.S. in Accounting and has been a practicing CPA for over 30 years.  
20 Jensen is licensed by the California Board of Accountancy and he is admitted to practice before the  
21 IRS and the California Franchise Tax Board.

22 16. Jensen began his career at Peat Marwick, Mitchell & Co., which later became KPMG.  
23 Jensen specializes in the areas of income tax planning and consulting. Jensen purportedly has  
24 considerable experience in the private industry fields of financial institutions, corporate taxation and  
25 management. Jensen claims to have "a strong background in financial statement analysis, generally  
26 accepted accounting principles, and generally accepted accounting standards."  
27



1           24.     A typical customer of Waage and Jensen has a wholly-owned preexisting successful  
2 business prior to engaging their services. Once hired by a customer, Waage restructures the  
3 customer's business activities to implement his fraudulent tax schemes to illegally lower the  
4 customer's reported taxable income. Jensen then prepares and signs the federal income tax returns  
5 for the customer and fraudulently reduces the amount of tax that the customer reports as owing.  
6 Both Waage and Jensen falsely tell customers that these schemes are a legal way to reduce their  
7 customers' reported taxable income.

8                                   **Tax-Fraud Scheme No. 1: The Sham Consulting Company**

9           25.     Waage promotes an unlawful tax scheme pursuant to which customers use sham  
10 consulting companies as a tool for creating bogus tax deductions. Waage's customers typically own  
11 their own business (an "operating business") in which the customer is the 100% shareholder and  
12 employee. Waage has been promoting this scheme since approximately 2001.

13           26.     Waage's customers typically are successful entrepreneurs, and are falsely told by  
14 Waage that they can legally lower their tax liabilities through Waage's "Strategic Integrated  
15 Planning." The customer's existing operating business typically is either an S corporation (which  
16 passes corporate income, losses, deductions and credit through to the customer's personal income  
17 tax return) or a C corporation (which is a separate taxpaying entity that must file its own federal  
18 income tax return).

19           27.     At Waage's direction, his customers restructure their current operating business  
20 activities to use a sham consulting company to create bogus tax deductions to offset the income of  
21 the customer's operating business, as well as any income the sham consulting company receives.

22           28.     Waage directs and coordinates all aspects of the sham consulting company scheme  
23 that he promotes. Jensen then prepares the corporate income tax returns that fraudulently lower the  
24 reportable income of the operating business, which concomitantly lowers the amount of reportable  
25 income that flows through to the customer's personal income tax return (if it is an S corporation)  
26 or the amount of corporate tax the operating business must pay (if it is a C corporation).

1           29.    To start the scheme, Waage directs the creation of a sham consulting company.  
2 Waage prepares all of the incorporation documents for the customer (and typically signs the  
3 documents as “incorporator”) and the customer becomes the sole owner and employee of the  
4 consulting company. Waage typically forms these companies as C corporations, which is a separate  
5 taxpaying entity that must file its own federal income tax return.

6           30.    After the sham consulting company is incorporated for a specific customer, Waage  
7 creates a purported “irrevocable trust” for the customer’s benefit. The trust then subscribes to 100%  
8 of the shares of stock of the newly-formed consulting company. Consequently, the trust becomes  
9 the 100% owner of the sham consulting company.

10          31.    Waage falsely tells his customers that placing the consulting company in an  
11 irrevocable trust allows them to legally enjoy the tax benefits of this scheme because the trust, and  
12 not the customer, is the owner of the consulting company.

13          32.    Waage then directs the customer to have his preexisting operating business “hire” the  
14 newly-formed consulting company to perform purported “consulting” or “management” services.  
15 To further give the appearance that the sham consulting company performs actual services, the  
16 operating business and the consulting company may enter into a sham consulting contract that  
17 Waage provides to his customers. In many cases, however, the operating business and the sham  
18 consulting company do not even enter into a consulting contract.

19          33.    After establishing the sham consulting company, the customer continues to operate  
20 his or her existing business in the same manner as before. The only difference is that the sham  
21 consulting company now charges sham fees to the customer’s legitimate operating business for  
22 supposed consulting services in order generate deductions for the operating business. However, the  
23 consulting company performs no actual services for the operating business. The supposed  
24 consulting company exists solely to generate bogus deductions to: (i) reduce the reported taxable  
25 income of the operating business and fraudulently lower the corporate taxes it must pay (if it is a C  
26 corporation); or (ii) reduce the reported taxable income of the customer to whom the income flows  
27 (if it is an S corporation).



1           34.     The supposed “fees” that the consulting company charges to the customer’s operating  
2 business bear no relationship to any purported service performed, but instead are “charged” to the  
3 operating company and “paid” to the consulting company on an as-needed basis to create bogus tax  
4 deductions. Typically, Waage directs his customers to transfer funds from their operating business  
5 to the consulting company as purported “fees” when the customers need the consulting company to  
6 fund other aspects of Waage’s tax schemes discussed below (e.g., to reimburse the customer for  
7 personal expenses, or to fund sham employee benefit or retirement plans). *See infra* ¶¶ 49-129. In  
8 other words, if the customer needs its consulting company to pay a pension plan premium, funds  
9 would be transferred from the operating company to the consulting company as sham “fees” for  
10 purported consulting services. The consulting company would then have the necessary funds in its  
11 account to pay the premium.

12           35.     Additionally, Waage and/or Jensen may also direct the customer’s operating business  
13 to pay sham “fees” to the consulting company at the end of the tax year in order to fraudulently  
14 increase the operating business’s deductions for that year.

15           36.     Jensen prepares and signs the corporate tax returns for the customer’s operating and  
16 consulting companies. Jensen enters the amount of the purported “fees” that the operating company  
17 pays the consulting company as a sham business deduction on the operating company’s tax return.  
18 This fraudulently reduces the taxable income attributed to the customer’s operating company, which,  
19 in turn: (i) reduces the amount of reportable income that flows through to the customer’s individual  
20 tax return (if it is an S corporation); or (ii) reduces the amount of corporate tax the operating  
21 business must pay (if it is a C corporation).

22           37.     The consulting company typically pays no taxes because, at Waage and/or Jensen’s  
23 direction, any money transferred to it is offset by a corresponding sham business deduction. For  
24 example, if the customer needs its consulting company to pay a pension plan premium, funds would  
25 be transferred from the operating company to the consulting company as sham “fees” for purported  
26 consulting services, which, in turn, would be deducted by the consulting company as a sham

1 business expense. In this way, through Waage's scheme, customers are able to "zero out" any  
2 income their consulting company receives.

3 38. Waage and Jensen falsely tell their customers that this is a legitimate way to reduce  
4 the taxable income of their customer's operating business.

5 39. Through his promotion of this scheme, Waage makes or furnishes, and causes others  
6 to make or furnish, material false or fraudulent statements regarding the allowability of certain  
7 deductions, the excludability of income, and the securing of tax benefits derived from participation  
8 in the scheme. Waage knows and/or has reason to know that these statements are false or fraudulent.

9 40. Jensen prepares documents knowing (or having reason to believe) that they will be  
10 used in connection with material tax matters, and knowing that if they are so used they will result  
11 in understatements of customers' federal tax liabilities.

#### 12 **Specific Example of the Sham Consulting Company Scheme**

13 41. Joseph Christenson owns a successful bath and kitchen remodeling business in  
14 Poway, California. In the fall of 2001, Mr. Christenson attended a "tax deferral" seminar that  
15 Waage presented in San Diego, California. After the seminar, Mr. Christenson hired Waage to help  
16 him with his tax planning.

17 42. On December 17, 2001, a new company, TJRK, Inc., was incorporated as a C  
18 corporation in California as a supposed "consulting company" for Christenson's bath and kitchen  
19 remodeling business. Waage signed the Articles of Incorporation as TJRK's incorporator.  
20 Christenson's existing business was an S corporation, with income, losses, deductions and credit  
21 passing through to his personal tax return.

22 43. On December 31, 2001, Waage formed JMC Irrevocable Trust. The trust subscribed  
23 to 100% of the shares of TJRK stock, and thus became the owner of TJRK. Waage signed and  
24 approved the trust documents.

25 44. At Waage's direction, Christenson's remodeling business "hired" TJRK to provide  
26 supposed consulting services. TJRK "billed" Christenson's existing remodeling business \$300 per  
27 hour for supposed consulting services at Waage's direction.

1           45.     Christenson’s remodeling business operated in the same way that it had in the years  
2 prior to the formation of TJRK. No actual consulting services were provided by TJRK to  
3 Christenson’s remodeling business and no invoices for services were issued by TJRK.

4           46.     However, at Waage’s direction, Christenson’s remodeling business paid TJRK over  
5 half a million dollars in the 2002 tax year as supposed consulting fees. Pursuant to Waage’s  
6 instruction, the consulting fees were paid to TJRK on an as-needed basis in order to fund other tax  
7 schemes set up by Waage, including a medical reimbursement plan, educational assistance plan and  
8 pension plan. *See discussion infra ¶¶ 73-129.* For example, when a premium for TJRK’s pension  
9 plan would come due, purported consulting fees were paid to TJRK to fund the premium payment.

10          47.     According to Waage, the payment of the supposed consulting fees to TJRK also  
11 entitled Christenson’s remodeling business to take a corresponding half a million dollars worth of  
12 business deductions to offset its other income. Because the remodeling business was an S  
13 corporation, the reduction of corporate income via these fraudulent deductions concomitantly  
14 reduced the amount of income reported on Christenson’s personal income tax return.

15          48.     Over the course of the five years (2002 to 2006) that Christenson participated in  
16 Waage’s scheme, his remodeling business deducted \$4 million in bogus consulting fees. These  
17 bogus deductions for consulting fees greatly reduced the amount of taxable income reported on  
18 Christenson’s personal income tax return. Because the \$4 million in bogus consulting fees were  
19 used by the consulting company to pay pension plan premiums and to fund an employee benefit  
20 plan, the majority of the income was, at Waage and/or Jensen’s direction, then deducted by the  
21 consulting company as a supposed business expense, saving TJRK hundreds of thousands of dollars  
22 in taxes.

23                   **Tax-Fraud Scheme No. 2: The Payment and Deduction of Personal Expenses By**  
24                   **A Sham Consulting Company**

25          49.     Another tax-fraud scheme in Waage’s arsenal of “strategic integrated planning” is  
26 establishing a sham consulting company that pays and deducts the personal expenses of the  
27  
28

1 customer. This scheme also is typically promoted to customers who own their own business.  
2 Waage began promoting this scheme in approximately 2001.

3 50. This scheme is implemented in much the same way as Waage's Sham Consulting Fee  
4 scheme described above. *See supra* at ¶¶ 25-48. Like the last scheme, here too the customer's  
5 operating business typically either is an S corporation (which passes corporate income, losses,  
6 deductions and credit through to the customer's personal income tax return) or a C corporation  
7 (which is a separate taxpaying entity that must file its own federal income tax return).

8 51. Waage first directs the creation of a sham consulting company. Waage prepares all  
9 of the incorporation documents for the customer and the customer becomes the sole owner and  
10 employee of the consulting company. Again, Waage typically forms these companies as C  
11 corporations.

12 52. After the sham consulting company is incorporated for a specific customer, Waage  
13 creates a supposed "irrevocable trust" for the benefit of the customer. The trust then subscribes to  
14 100% of the shares of stock of the newly-formed consulting company. Consequently, the trust  
15 becomes the 100% owner of the sham consulting company.

16 53. Waage falsely tells his customers that placing the consulting company in an  
17 irrevocable trust allows them to legally enjoy the tax benefits of this scheme because the trust, and  
18 not the customer, is the owner of the consulting company.

19 54. Waage then directs the customer's preexisting operating business to "hire" that  
20 consulting company to perform purported consulting services. In reality, however, the consulting  
21 company performs no actual services.

22 55. Waage then tells his customers that their new consulting company can be  
23 headquartered at the customer's personal residence. Therefore, according to Waage, the consulting  
24 company must pay for, and consequently deduct, all of the expenses associated with maintaining the  
25 customer's personal residence because the home supposedly is the corporate headquarters of the  
26 consulting company.

1           56. Waage uses what he refers to as a “Triple Net Lease” to accomplish this tax-fraud  
2 scheme. Waage drafts a standard proforma lease agreement under which his customer purportedly  
3 leases his or her home to the consulting company.

4           57. The lease agreement directs the consulting company to pay a low rent amount  
5 (sometimes as low as \$10 per month) for use of the house as its supposed corporate headquarters.  
6 However, according to Waage, the consulting company must then pay for *all* of the expenses of the  
7 personal residence, including, among other things, taxes, utilities, repairs and insurance.

8           58. Indeed, Waage falsely tells customers that the consulting company should pay for and  
9 deduct 100% of their home’s utilities, including the electricity, gas, water, telephone, cable and  
10 internet service, as well as expenses for landscaping, housekeeper, pest control and pool service.  
11 Waage also falsely tells his customers that the consulting company can deduct furnishings for their  
12 personal residence as supposed “office expenses.”

13           59. The payments for home utilities and other personal expenses typically are funded by  
14 purported consulting fees paid by the customer’s operating company to the consulting company.  
15 For example, when a utility bill comes due, Waage tells the customer to direct his or her operating  
16 company to pay a sham consulting fee to the consulting company so as to provide the funds to pay  
17 the utility bill. Waage then tells the customer that the payment of the utility bill by the consulting  
18 company can be deducted as a business expense on the consulting company’s corporate return. At  
19 bottom, through Waage’s scheme, the operating company simply is funneling money through the  
20 consulting company in order to pay for and deduct the personal expenses of the customer.

21           60. Jensen prepares the corporate tax returns for customers of this scheme. Jensen  
22 typically enters the dollar amount for each of the bogus deductions on the tax return for the  
23 customer’s supposed consulting business. As implemented, this scheme purportedly allows the  
24 customer’s personal bills to be paid by their consulting company, while, at the same time,  
25 purportedly allowing the consulting company to take a business deduction for those same personal  
26 expenses.

1           61. Through his promotion of this scheme, Waage makes, furnishes, and cause others to  
2 make or furnish material false or fraudulent statements regarding the allowability of certain  
3 deductions, the excludability of income, and the securing of tax benefits derived from participation  
4 in the scheme. Waage knows and/or has reason to know that these statements are false or fraudulent.

5           62. Jensen prepares documents knowing (or having reason to believe) that they will be  
6 used in connection with material tax matters, and knowing that if they are so used they will result  
7 in understatements of customers' federal tax liabilities.

#### 8           **Specific Example of the Deduction of Personal Expenses Scheme**

9           63. Phil and Carolyn Ryan reside in Solana Beach, California and own and operate a  
10 successful children's retail clothing store in Solana Beach. In the fall of 2001, the Ryans were  
11 referred to Waage as someone they could potentially hire for the accounting needs of their business.

12           64. When the Ryans met with Waage in the fall of 2001, Waage pitched his "tax savings  
13 strategies" to the Ryans. One part of Waage's supposed tax saving strategy was to incorporate a  
14 new corporation that the Ryans could use to provide consulting services to their clothing business.  
15 The new consulting company would be headquartered at the Ryans' personal residence and,  
16 according to Waage, the Ryans could then direct the consulting company to pay for and deduct all  
17 of the personal expenses associated with their residence. The Ryans decided they would hire Waage  
18 to implement his supposed tax savings strategy.

19           65. On October 23, 2001, Waage incorporated a new company for the Ryans named  
20 Katimreid Corporation. Katimreid was incorporated in California and Waage signed the Articles  
21 of Incorporation as its incorporator. Katimreid was to operate as the supposed consulting company  
22 for the Ryans' clothing store.

23           66. Waage then created a purported "irrevocable trust." The trust subscribed to 100%  
24 of the shares of stock of Katimreid. Consequently, the trust became the 100% owner of Katimreid.

25           67. Waage falsely told the Ryans that placing Katimreid in an irrevocable trust would  
26 allow them to legally enjoy the tax benefits of this scheme because the trust, and not the Ryans, is  
27 the owner of Katimreid.

1           68.     By virtue of Waage's supposed "Triple Net Lease," Katimreid leased space for its  
2 corporate headquarters at the Ryans' personal residence. At Waage's direction, the Ryans had  
3 Katimreid pay 100% of the Ryans' monthly home utility bills. At Waage's direction, payment of  
4 the utility bills was funded by purported consulting fees that Katimreid received from the Ryans'  
5 clothing store. However, Katimreid never provided any consulting services whatsoever.

6           69.     At the direction of Waage and/or Jensen, Katimreid then deducted 100% of the  
7 Ryans' personal utility bills as supposed business expense deductions, including bills for gas, trash,  
8 cable TV and gardening. When the Ryans questioned Waage about whether this was appropriate,  
9 Waage told them that as long as the deductions were made by the corporation, Katimreid, then it was  
10 legal.

11           70.     In addition, at Waage's direction the operating company funded (by paying purported  
12 consulting fees) and Katimreid also paid for – and deducted as a business expense – personal  
13 vacations for the Ryans to go to Hawaii and expenses related to a new BMW X5 for the Ryans.  
14 Waage told the Ryans that as long as one of them talks about their business while they are on  
15 vacation, then the whole vacation can be paid for and deducted by Katimreid as a business expense  
16 for a supposed "corporate retreat."

17           71.     Jensen prepared and signed the corporate federal income tax returns for Katimreid  
18 falsely claiming that it had legitimate business deductions for the Ryans' utility and gardening bills,  
19 as well as their personal vacations. Those deductions were, in fact, for personal expenses and thus  
20 completely improper.

21           72.     Over the course of the five years (2002 to 2006) that the Ryans participated in  
22 Waage's scheme, Katimread deducted nearly \$1 million in bogus "business expenses" that were  
23 actually payments of the Ryans' household operating expenses. All of the Ryans' personal utility  
24 bills and other vehicle and vacation expenses were paid by Katimreid from funds it received as  
25 supposed consulting fees from the Ryans' retail clothing store. According to Waage, this allowed  
26 the Ryans' clothing business to deduct the amount of purported fees it paid to Katimreid.

1 **Tax-Fraud Scheme No. 3: The Sham Employee Benefit Plans**

2 73. Waage also falsely tells his customers that their consulting company can participate  
3 in so-called “reimbursement plans.” Under this tax-fraud scheme, Waage falsely tells his customers  
4 that they can use the income that their sham consulting company receives from their operating  
5 company to fund reimbursements to the customer and their family for medical, dependent care and  
6 education expenses. According to Waage, the consulting company can then deduct these payments  
7 as business expenses. Waage began promoting this scheme in approximately 2001.

8 74. Like the other schemes that Waage promotes, this scheme also involves a customer’s  
9 existing operating company and the establishment of a sham consulting company. Under the  
10 scheme, Waage initially establishes a sham consulting company for a customer as described above.  
11 *See supra* ¶¶ 25-40. Waage then creates a supposed “irrevocable trust” for the benefit of the  
12 customer. The trust subscribes to 100% of the new corporation’s shares and becomes the 100%  
13 owner of the sham consulting company.

14 75. Waage falsely tells his customers that by placing the consulting company in an  
15 irrevocable trust, highly compensated employees (i.e., his customer) can enjoy the fruits of the  
16 employee benefit plans without the need to provide similar benefits to the rank-and-file employees  
17 of their operating business.

18 76. However, Waage’s supposed “irrevocable trust” is nothing more than an attempt to  
19 circumvent I.R.C. §§ 105(h), 1.127-2(e) and 129(d)(2), which prohibit employee benefit plans from  
20 discriminating in favor of highly compensated employees. Waage knows and/or has reason to know  
21 that an employee benefit plan cannot be structured in the manner he advocates.

22 77. Waage tells customers to name a non-lineal relative or friend as the trustee and/or  
23 beneficiary of the irrevocable trust. Many times the trustee and beneficiary are the same person.  
24 The trustee / beneficiary merely is a figurehead because the customer continues to have full control  
25 over the corporate bank accounts. In addition, many times the trustee / beneficiary does not even  
26 have signatory authority over any of the related bank accounts.  
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1                   Medical Reimbursement Plan

2           78.     Using the above framework, Waage promotes, establishes and implements what he  
3     calls a “Medical Reimbursement Plan” for his customers. Under this plan, the consulting company  
4     purportedly provides a medical reimbursement plan that can reimburse the customer for supposed  
5     “medical expenses.”

6           79.     Waage drafts the Plan Document required to establish this plan. Waage’s Plan  
7     Document is basically a cookie-cutter, fill-in-the-blank document that he recycles for use with all  
8     of his customers who use this scheme. Indeed, most customers of this scheme are using the same  
9     Plan Document, with the only minor differences being the name of the corporation, officers and  
10    dates.

11          80.     As with Waage’s other schemes, the payment of the customer’s medical expenses is  
12    funded by the sham consulting fees that the consulting company receives from the customer’s  
13    operating business. According to Waage, after the consulting company reimburses the customer’s  
14    medical expenses, it is then entitled to deduct the “medical expenses” as a supposed business  
15    expense.

16          81.     In addition to the improper structure of this arrangement, Waage also falsely tells his  
17    customers that this plan can be used to reimburse them for any general health and well-being  
18    expense, including day spa expenses, gym membership fees and trips to the grocery store to stock  
19    up before surgery. Waage knows and/or has reason to know that expenses of this type are not  
20    deductible business expenses.

21          82.     Jensen prepares the consulting company’s corporate federal income tax return that  
22    contains the bogus deductions for the customer’s “Medical Reimbursement Plan.” As with the other  
23    schemes that Waage promotes, Jensen also prepares the corporate returns for the customer’s  
24    operating business in which he improperly deducts the fees paid to the consulting company that fund  
25    the supposed medical reimbursement plan. The sham deductions on the operating company’s return  
26    illegally reduces corporate income, which either: (i) improperly lowers the amount of corporate tax  
27    the operating company must pay (if it is a C corporation); or (ii) improperly lowers the federal  
28

1 income tax the customer must pay due to the reduction in flow-through income (if it is an S  
2 corporation).

### 3 Dependent Care Reimbursement Plan

4 83. In addition, Waage also promotes, establishes and implements a so-called “Dependent  
5 Care Reimbursement Plan” for his customers. Under this plan, the consulting company purportedly  
6 provides a dependent care reimbursement plan that can reimburse the customer for supposed  
7 “dependent care expenses.”

8 84. Waage drafts the Plan Document required to establish this plan. Waage’s Plan  
9 Document is basically a cookie-cutter, fill-in-the-blank document that he recycles for use with all  
10 of his customers who use this scheme. Indeed, most customers of this scheme are using the same  
11 Plan Document, with the only minor differences being the name of the corporation, officers and  
12 dates.

13 85. As with Waage’s other schemes, the payment of the customer’s dependent care  
14 expenses is funded by the sham consulting fees that the consulting company receives from the  
15 customer’s operating business. According to Waage, after the consulting company reimburses the  
16 customer’s dependent care expenses, it is then entitled to deduct the “dependent care expenses” as  
17 a supposed business expense.

18 86. However, in addition to the improper structure of this arrangement, Waage falsely  
19 encourages his customers to use this plan for, among other things, paying for their children to attend  
20 expensive private schools. Waage knows and/or has reason to know that expenses of this type are  
21 not deductible business expenses, and that legitimate dependent care plans are meant to be used for  
22 things like the reimbursement of child care expenses so the parent can work.

23 87. Jensen prepares the consulting company’s corporate federal income tax return that  
24 contains the bogus deductions for the customer’s “Dependent Care Reimbursement Plan.” As with  
25 the other schemes that Waage promotes, Jensen also prepares the corporate returns for the  
26 customer’s operating business in which he improperly deducts the fees paid to the consulting  
27 company that fund the supposed dependent care reimbursement plan. The sham deductions on the

1 operating company's return illegally reduces corporate income, which either: (i) improperly lowers  
2 the amount of corporate tax the operating company must pay (if it is a C corporation); or (ii)  
3 improperly lowers the federal income tax the customer must pay due to the reduction in flow-  
4 through income (if it is an S corporation).

5 Education Reimbursement Plan

6 88. Additionally, Waage also promotes, establishes and implements a so-called  
7 "Education Reimbursement Plan" for his customers. Under this plan, the consulting company  
8 purportedly provides an education reimbursement plan that can reimburse the customer for supposed  
9 "education expenses."

10 89. Waage drafts the Plan Document required to establish this plan. Waage's Plan  
11 Document is basically a cookie-cutter, fill-in-the-blank document that he recycles for use with all  
12 of his customers who use this scheme. Indeed, most customers of this scheme are using the same  
13 Plan Document, with the only minor differences being the name of the corporation, officers and  
14 dates.

15 90. As with Waage's other schemes, the payment of the customer's education expenses  
16 is funded by the sham consulting fees that the consulting company receives from the customer's  
17 operating business. According to Waage, after the consulting company reimburses the customer's  
18 education expenses, it is then entitled to deduct the "education expenses" as a supposed business  
19 expense.

20 91. In addition to the improper structure of this arrangement, Waage falsely tells his  
21 customers that this can be used for, among other things, guitar lessons, private elementary school  
22 tuition and math tutors for the customer's children. Waage knows or has reason to know that private  
23 elementary school tuition and activities such as hobbies are specifically excluded under I.R.C. §  
24 1.127-2.

25 92. Jensen prepares the consulting company's corporate income tax return that contains  
26 the bogus deductions for the customer's "Education Reimbursement Plan." As with the other  
27 schemes that Waage promotes, Jensen also prepares the corporate returns for the customer's

1 operating business in which he improperly deducts the fees paid to the consulting company that fund  
2 the supposed education reimbursement plan. The sham deductions on the operating company's  
3 return illegally reduces corporate income, which either: (i) improperly lowers the amount of  
4 corporate tax the operating company must pay (if it is a C corporation); or (ii) improperly lowers  
5 the federal income tax the customer must pay due to the reduction in flow-through income (if it is  
6 an S corporation).

7 93. In addition to the fact that Waage falsely tells his customers that it is legal to deduct,  
8 *inter alia*, leisure activities and school tuition as a supposed "business expense," all of Waage's  
9 reimbursement plans are illegal on their face under I.R.C. §§ 105(h), 1.127-2(e) and 129(d)(2),  
10 which prohibit employee benefit plans of the type that Waage is promoting from discriminating in  
11 favor of highly compensated employees.

12 94. Through his promotion of this scheme, Waage makes, furnishes, and cause others to  
13 make or furnish material false or fraudulent statements regarding the allowability of certain  
14 deductions, the excludability of income, and the securing of tax benefits derived from participation  
15 in the scheme. Waage knows and/or has reason to know that these statements are false or fraudulent.

16 95. Jensen prepares documents knowing (or having reason to believe) that they will be  
17 used in connection with material tax matters, and knowing that if they are so used they will result  
18 in understatements of customers' federal tax liabilities.

#### 19 **Tax-Fraud Scheme No. 4: The Sham Pension Plans**

20 96. Another tax fraud scheme promoted as a part of Waage's "strategic integrated  
21 planning" are sham pension plans. One such scheme that Waage promotes uses unlawfully  
22 structured pension plans sponsored by the customer's sham consulting company and funded  
23 exclusively by large life insurance contracts to help customers evade federal income tax. Waage  
24 began promoting these schemes in or around 2001.

25 97. Under this scheme, Waage falsely tells his customers that their consulting company  
26 can establish lucrative pension plans for highly compensated employees without the need to provide  
27 the same benefits to rank-and-file employees of their operating company. Waage promotes this plan

1 as a way that his customers can enjoy tax savings from a lucrative pension plan without having to  
2 spend the money to cover the employees of their operating business.

3 98. As with the other schemes that Waage promotes, this scheme also involves a  
4 customer's existing operating company and the establishment of a sham consulting company. Under  
5 the scheme, Waage initially establishes a sham consulting company for a customer as described  
6 above. *See supra* ¶¶ 25-40. Waage then creates a supposed "irrevocable trust" for the benefit of the  
7 customer. The trust subscribes to 100% of the shares of the consulting company and thus is the sole  
8 owner of the sham consulting company.

9 99. Waage falsely tells his customers that by placing the consulting company in an  
10 irrevocable trust, highly compensated employees (i.e., his customer) can enjoy the fruits of the  
11 pension plan without the need to provide similar benefits to rank-and-file employees. However,  
12 Waage's supposed "irrevocable trust" is nothing more than an attempt to improperly avoid the  
13 Controlled Group rules under I.R.C. § 414(b) and Affiliated Service Group Rules under I.R.C. §  
14 414(m). Waage knows and/or has reason to know that an employee benefit plan cannot be  
15 structured in this manner.

16 100. Waage tells customers to name a non-lineal relative or friend as the trustee and/or  
17 beneficiary of the irrevocable trust. Many times the trustee and beneficiary are the same person.  
18 The trustee / beneficiary merely is a figurehead because the customer continues to have full control  
19 over the bank accounts for the trust. In addition, many times the trustee / beneficiary does not even  
20 have signatory authority over the trust bank account.

21 101. The naming of a non-lineal relative is Waage's attempt to circumvent the Attribution  
22 Rules under I.R.C. § 316. Waage knows and/or has reason to know that a pension plan cannot be  
23 structured in this manner.

24 102. Next, Waage directs the sham consulting company to sponsor a pension plan for the  
25 customer. The pension plan, in turn, purchases a high-premium life insurance contract to fund the  
26 plan.

1           103. Waage falsely tells his customers that their pension plan must purchase the life  
2 insurance contract from Proverbial Insurance Company or Proverbial Investments. Waage claims  
3 that the contracts from these companies have been reviewed by him and are recommended for the  
4 type of pension arrangement that he is setting up for his customers. What Waage does not tell his  
5 customers, however, is that he and his wife, June Waage, and his brother, Jerry Waage, all have a  
6 financial stake in these companies. Indeed, June Waage is the President of the Proverbial  
7 companies. Waage also does not tell his customers that these companies receive hundreds of  
8 thousands of dollars in commissions from the sale of insurance policies for the pension schemes that  
9 Waage is promoting. Moreover, if a customer wants to use their own insurance broker, Waage  
10 falsely tells the customer that this is not permitted and that the customer must use Proverbial.

11           104. After the insurance policy is purchased, the sham consulting company makes  
12 contributions to the plan, and the plan then pays the annual life insurance premiums. Waage directs  
13 his customers to purchase these high-premium life insurance policies, because their sham consulting  
14 companies can claim the entire cost of the annual insurance premium as a deductible business  
15 expense taken on the company's federal corporate income tax returns. Often, the annual premiums  
16 are as much as \$300,000 per year for maintenance of this plan.

17           105. One characteristic that makes this scheme attractive to customers is that the life  
18 insurance contracts are specially designed so that, for the first 5 years, the cash surrender value is  
19 temporarily depressed to a level significantly below the premiums paid. As part of this tax-fraud  
20 scheme's design, after five years the retirement plan is designed to terminate, so that the life  
21 insurance policy distributes to Waage's customers.

22           106. After five years, the policy's guaranteed cash value will be a fraction of the policy's  
23 total accrued value, which is equal to the annual premiums paid plus 2% to 4% interest compounded  
24 during the five year period. The policy's face value is artificially suppressed because the policy  
25 carries very high surrender fees (fees the customer would have to pay for selling the policy during  
26 a particular year). For example, a policy's guaranteed cash value may be \$87,000, but its accrued  
27 value could equal more than \$625,000. As part of the tax-fraud scheme's design, when the life  
28

1 insurance policy is distributed, Waage's customers will pay taxes only on the policy's face value at  
2 the time of its distribution and not on the policy's actual value.

3 107. Within a few years after the policy is distributed to Waage's customers, the policy's  
4 surrender fees will diminish as part of the tax-fraud scheme's design. Waage's customers will then  
5 receive a windfall of cash, equal to the life insurance policy's actual value, which is far greater than  
6 its apparent face value at the time it was distributed. As part of the tax-fraud scheme's design,  
7 Waage's customers will never pay additional income taxes on this windfall of cash.

8 108. Thus, through Waage's tax-fraud scheme, his customers' sham consulting companies  
9 claim inflated deductions for the high life insurance premiums that they pay as sponsors of the  
10 retirement plans, but the customers, as plan beneficiaries, never pay taxes on the corresponding  
11 income they receive from the policy's actual cash value.

12 109. Section 412(i) of the I.R.C. allows an employer to establish for employees and  
13 maintain for employees certain pension plans that accumulate tax-free income. One such plan is  
14 funded exclusively by life insurance contracts. In order to qualify as tax-exempt, these plans must  
15 meet certain criteria. One requirement is that the contributions that the employer makes to the plan  
16 as its sponsor and then takes as a deduction must correspond to the dollar amount that the  
17 employees, who are the plan's beneficiaries, claim as income received from the plan in the same  
18 year. *See* I.R.C. § 412.

19 110. The discrepancies between deductions and income disqualify these retirement plans  
20 from their tax-exempt status. In order to be a retirement plan that qualifies for tax-exempt treatment,  
21 the sham consulting company's deduction and the customer's inclusion in income must be claimed  
22 during the same year. *See* I.R.C. § 404(a). In Waage's tax-fraud scheme, the corporation's  
23 deductions are accelerated through the payment of very high life insurance premiums, and the  
24 customer's income statements are delayed (and ultimately understated), because the life insurance  
25 policy's face value is artificially suppressed at the time of its distribution (due to inflated surrender  
26 fees). Moreover, the sham consulting company claims deductions (for its contributions to the  
27

1 retirement plan) that are substantially greater than the amount of income the customer (as policy  
2 owner) will ultimately claim from receipt of the life insurance policy's cash value.

3 111. On February 13, 2004, the IRS issued Revenue Ruling 2004-20, which states that  
4 sham consulting- company/sham-retirement plan schemes like the ones Waage promotes are "listed  
5 transactions." This means that the schemes that Waage promotes are the "same or substantially  
6 similar to one of the types of transactions that the IRS has determined to be a tax avoidance  
7 transaction," and are thus unlawful. *See* 26 CFR § 1.6011-4 (Treasury Regulations).

8 112. Treasury Regulations require that taxpayers who participate in listed transactions  
9 disclose their participation by filing certain forms with their federal income tax returns.

10 113. Waage has not instructed his customers to file these disclosure forms. Indeed, Waage  
11 has knowingly and falsely or fraudulently instructed his customers that they need not disclose their  
12 sham consulting company-sham retirement plan arrangements.

13 114. The I.R.C. also requires that a promoter of listed transactions, such as Waage, file a  
14 report with the IRS identifying and describing the listed transaction and the potential tax benefits  
15 expected to result from the transaction. A promoter must furnish the IRS with this information as  
16 to each occurrence of each listed transaction that he promotes. If a promoter fails to provide the IRS  
17 with this information, he is subject to penalties. *See* I.R.C. § 6707(a).

18 115. Waage has failed to file any such reports with the IRS for any of these tax-fraud  
19 schemes that he has promoted. He also failed to provide the IRS with any information describing  
20 the tax shelters' tax benefits. All of the sham consulting company-sham pension plan arrangements  
21 that he has executed for his customers are listed transactions within the meaning of Revenue Ruling  
22 2004-20 and I.R.C. § 6707(a).

23 116. Waage also promotes other pension plan arrangements, including "Defined Benefit  
24 Pension Plans" and "Employee Stock Ownership Plans." These plans also are illegal for the same  
25 reasons discussed above (i.e., they are designed to benefit only highly compensated employees and  
26 violate the Controlled Group Rules and Attribution Rules under the I.R.C.).



1           117. Jensen, a knowledgeable CPA and tax professional, knew or had reason to know that  
2 you cannot set up pension plans in this manner. Yet, Jensen prepares the corporate tax returns for  
3 the customers of this scheme, including the returns for the operating business and supposed  
4 consulting company.

5  
6           118. Both Waage and Jensen knew or had reason to know that an arrangement of this type  
7 violates the Controlled Group Rules under I.R.C. § 414(b), the Affiliated Service Group Rules under  
8 I.R.C. §414(m), and the Attribution Rules under I.R.C. § 267.

9           119. Through his promotion of this scheme, Waage makes, furnishes, and cause others to  
10 make or furnish material false or fraudulent statements regarding the allowability of certain  
11 deductions, the excludability of income, and the securing of tax benefits derived from participation  
12 in the scheme. Waage knows and/or has reason to know that these statements are false or fraudulent.

13           120. Jensen prepares documents knowing (or having reason to believe) that they will be  
14 used in connection with material tax matters, and knowing that if they are so used they will result  
15 in understatements of customers' federal tax liabilities.

16                           **Specific Example of the Sham Pension Plan Scheme**

17           121. Dennis Fredricks owns a successful manufacturing business in Escondido, California.  
18 Fredricks was referred to Waage through his insurance agent in 2002. When Fredricks met with  
19 Waage, Waage told him that Waage could set up a great pension plan for him that would be funded  
20 with a life insurance policy. To set up the pension plan, Fredricks was told by Waage that he would  
21 need to form a new consulting company that was owned by an irrevocable trust.

22           122. On October 25, 2002, at Waage's direction, a new company was incorporated in  
23 California for Fredricks named CogentDesign. By trust agreement dated November 1, 2002, Waage  
24 formed DJF Irrevocable Trust. Waage signed the trust agreement indicating that it was "approved."  
25 DJF subscribed to 100% of the shares of CogentDesign stock and became Cogent's owner.

26           123. Waage told Fredricks to pick a non-lineal relative to serve as trustee. Fredricks chose  
27 his brother, Steve Fredricks. Although Steve was installed as trustee by Waage, Fredricks was at  
28

1 all times in control of CogentDesign. Fredricks' brother had no involvement with CogentDesign  
2 and was not listed on the bank account for CogentDesign.

3 124. Waage directed CogentDesign to sponsor a pension plan for Fredricks. The pension  
4 plan, in turn, purchased a high-premium life insurance contracts to fund the plan.

5 125. CogentDesign was to make contributions to the plan, and the plan then pays the  
6 annual life insurance premiums. Waage directed CogentDesign to purchase a high-premium life  
7 insurance policies because CogentDesign can claim the entire cost of the annual insurance premium  
8 as a deductible business expense. CogentDesign paid annual premiums of \$300,000 per year for  
9 maintenance of this plan. At Waage's direction, the money to fund these premium payments came  
10 by way of sham consulting fees paid by the manufacturing business to CogentDesign.

11 126. Jensen prepared and signed the corporate returns for CogentDesign claiming as a  
12 bogus business deduction the \$300,000 per year for the maintenance of the pension plan, which  
13 covered only Fredricks and his wife.

14 127. Waage falsely told Fredricks that the trust structure allowed him to benefit from the  
15 pension plan without the need to cover the rank-and-file employees of CogentDesign.

16 128. Waage also falsely told Fredricks that he had obtained a "Determination Letter" from  
17 the IRS formally approving the pension plan structure that he set up for Fredricks. This statement  
18 was plainly false. Waage never obtained any such Determination Letter from the IRS.

19 129. In 2006, the IRS determined that the pension plan that Waage set up for Fredricks  
20 was discriminatory, as well as in violation of I.R.C. 412(i). Fredricks forfeited the entire \$900,000  
21 he put into the plan when he stopped funding the policy after he realized that Waage improperly  
22 structured the pension plan.

### 23 **Waage and Jensen Personally Use Their Own Tax Schemes**

24 130. In at least tax years 2002 through 2006, Waage used his own tax schemes to, among  
25 other things, fraudulently funnel profits from his law firm as sham "intellectual property" fees to a  
26 supposed consulting company, and then used his consulting company's income to pay personal  
27 expenses.

1           131. For example, Waage established RSW Enterprises in June, 1999 and Key Lime  
2 Investments, Inc. in Nevada in December, 2001. Similar to the schemes he sells to his customers,  
3 Key Lime and RSW were held in a supposed irrevocable trusts. According to Waage, the Key Lime  
4 and RSW trusts were set up for purposes of asset protection, estate planning and separate property  
5 planning.

6           132. Key Lime Investments functioned just like the supposed “consulting companies” that  
7 Waage set up for his customers. Indeed, Key Lime’s primary customer was the Waage Law Firm,  
8 with which it had an “Intellectual Property Licensing Agreement.” According to the agreement, the  
9 Waage Law Firm was to pay Key Lime an annual fee of no less than \$700,000 for supposed  
10 licensing of “intellectual property.” The first item of supposed intellectual property listed in Exhibit  
11 A of the agreement is “The Waage Law Firm.”

12           133. Over the course of tax years 2002 through 2006, Key Lime reported gross receipts  
13 in excess of \$500,000 each year. Nearly all of this income was from The Waage Law Firm. As with  
14 the schemes he promotes to his customers, the Waage Law Firm then took a corresponding  
15 deduction in each of the tax years 2002 through 2006 equal to the amount of fees it paid to Key  
16 Lime. In this way, Waage was able to funnel law firm profits through Key Lime in order to avoid  
17 paying income taxes.

18           134. Waage used the money funneled to Key Lime and RSW to pay his personal expenses  
19 in 2002 through 2006. For example, nearly \$100,000 was used by Waage for furniture, fixtures and  
20 equipment for his personal residence. Additionally, tens of thousands of dollars were used for travel  
21 expenses for personal trips to places like Costa Rica, Thailand, Hong Kong, and \$25,300 for a trip  
22 to India. All of these expenses were deducted by Key Lime as bogus “business expenses.”

23           135. All told, the IRS determined that Waage’s use of his own schemes resulted in a  
24 fraudulent reduction of his reported taxable income of nearly \$4.5 million from 2002 through 2006.

25           136. Jensen similarly used these schemes to fraudulently lower his reported taxable  
26 income. From at least 2004 though 2007, the Waage Law Firm paid to Jensen’s consulting  
27 company, Robert O. Jensen, An Accountancy Corporation, purported “consulting fees”.

1           137. Similar to the schemes that were sold to customers, Jensen’s supposed consulting  
2 company was “headquartered” in his personal residence and the income from the consulting fees  
3 paid to Jensen’s consulting company was then used to pay Jensen’s personal expenses. Some of the  
4 expenses that were paid – and concomitantly deducted – by Jensen’s consulting company were: (i)  
5 the expenses for three automobiles; (ii) all of Jensen’s home utility bills; (iii) several home  
6 furnishings; (iv) personal vacations; and (v) his daughter’s college tuition. All of these expenses  
7 were then deducted by Jensen’s consulting company as bogus “business expenses.”

8           138. The IRS determined that Jensen’s use of these schemes resulted in a fraudulent  
9 reduction of his reported taxable income of over \$42,000 from 2004 through 2007.

10                           **Continual and Repeated Nature of the Defendants’ Fraudulent Conduct**

11           139. The scope of Waage and Jensen’s misconduct is wide-ranging. The IRS has had over  
12 1,000 tax returns under audit as a result of Waage and Jensen’s tax-fraud schemes.

13           140. Moreover, Waage or Jensen have not meaningfully curtailed their improper conduct,  
14 even with increased IRS scrutiny of their activities in the past few years. Waage and Jensen were  
15 aware of the IRS’s investigation during the 2006 filing season. Yet, Waage and Jensen continue to  
16 falsely insist that their various tax-fraud schemes are a legal way to reduce taxable income. Indeed,  
17 Waage continues to defend his schemes before the IRS and to his customers, all to the detriment of  
18 his customer-taxpayers and the public fisc.

19           141. Additionally, Waage continues to give seminars to the public on a regular basis to  
20 promote is supposed “strategic integrated planning.” Indeed, conferences were recently held on  
21 February 4, 2011 and February 11, 2011. *See supra* ¶¶ 21-23. *See also*  
22 <http://www.strategiclawgrouppc.com/CONFERENCE.html>. Waage typically schedules conferences  
23 for public attendance at least quarterly to promote his purported “strategic integrated planning.”

24           142. Moreover, Waage has continued – undeterred – in the promotion of his tax schemes  
25 despite the fact that at least a dozen former clients have sued him for, *inter alia*, malpractice,  
26 professional negligence and breach of contract after they discovered that the arrangements that  
27 Waage had set up for them fraudulently reduced their taxable income. *See e.g., Yousko v. Waage*

1 *Law Firm*, No. 200900052493 (Cal. Super. Mar. 17, 2009); *Jorgensen v. Waage*, No.  
2 200900085296 (Cal. Super. Mar. 16, 2009); *Wing v. Waage Law Firm*, No. 200800056086 (Cal.  
3 Super. Ct. Jul. 7, 2008); *Hartman v. Waage*, No. GIN046365 (Cal. Super. Ct. Jul. 29, 2005).

#### 4 **Harm to the United States**

5 143. Since at least 2001, Waage and Jensen have promoted and continue to promote  
6 numerous tax-fraud schemes, including but not limited to the schemes described above.

7 144. These schemes have caused and continue to cause substantial harm to the  
8 Government by fraudulently reducing their client's reported tax liabilities, helping taxpayers evade  
9 taxes, and by obstructing the IRS's efforts to administer the federal tax laws.

10 145. The magnitude of lost tax revenue caused by Waage and Jensen's fraudulent conduct  
11 is enormous. The IRS has over 1,000 tax returns that have been audited or are in the process of  
12 being audited as a result of Waage and Jensen's tax-fraud schemes. The IRS estimates that the harm  
13 to the government exceeds \$10,800,000 in lost tax revenue.

14 146. The United States also is harmed because the IRS must continually devote limited  
15 resources to detecting and examining inaccurate returns filed by Waage and Jensen's customers, and  
16 to attempting to assess and collect unpaid taxes, and to investigate their conduct.

17 147. Waage's conduct described in this complaint establishes that: (1) his tax-fraud  
18 scheme has caused and continues to cause an immense amount of harm to the United States and the  
19 public fisc; (2) Waage is intimately involved in the creation and implementation of the scheme; (3)  
20 Waage knows or has reason to know that he is making material false or fraudulent statements  
21 regarding the allowability of certain deductions, the excludability of income, and the securing of tax  
22 benefits derived from participation in their schemes; (4) the tax schemes continue despite the IRS's  
23 investigation and numerous lawsuits related to the schemes; (5) Waage insists that he is doing  
24 nothing wrong; and (6) Waage is in a position vis-a-vis the Strategic Law Group to continue  
25 promoting his fraudulent tax schemes to customers. *See United States v. Estate Preservation*  
26 *Serv's.*, 202 F.3d 1093 (9th Cir. 2000). All of these factors demonstrate that the misconduct  
27  
28

1 described in this complaint, or other similar misconduct, is likely to recur unless Waage is  
2 permanently enjoined.

3 148. Jensen's conduct described in this complaint establishes that: (1) his fraudulent  
4 returns have caused and continue to cause an immense amount of harm to the United States and the  
5 public fisc; (2) Jensen works in concert with Waage and is intimately involved in the implementation  
6 of the scheme; (3) Jensen prepares, procures, or advises with respect to the preparation of  
7 documents knowing (or having reason to believe) that they will be used in connection with material  
8 tax matters, and knowing that if they are so used they will result in understatements of customers'  
9 federal tax liabilities; (4) Jensen's fraudulent deductions continue despite the IRS's investigation  
10 and numerous lawsuits related to the schemes; (5) Jensen insists that he is doing nothing wrong; and  
11 (6) Jensen is in a position vis-a-vis the Strategic Law Group to continue his fraudulent tax  
12 deductions.

13 **Count I: Injunction Under I.R.C. § 7408 For Engaging in Conduct**  
14 **Subject to Penalty Under I.R.C. §§ 6700 and 6701**

15 149. The United States incorporates by reference the allegations contained in paragraphs  
16 1 through 148.

17 150. I.R.C. § 7408(a) authorizes a district court to enjoin persons and entities who have  
18 engaged in conduct subject to penalty under I.R.C. §§ 6700 and 6701.

19 **A. § 6700 (as to Defendant Waage)**

20 151. I.R.C. § 6700(a)(2)(A) imposes a civil penalty on any person who: (1) organizes or  
21 participates in the organization or sale of (2) any plan or arrangement; and who, in connection with  
22 that plan or arrangement (3) makes or furnishes, or causes another to make or furnish, a false or  
23 fraudulent statement with respect to the allowance of a tax deduction or other tax benefit, (4) if the  
24 person knows or has reason to know the statement is false or fraudulent, (5) and if the statement is  
25 material.

26 152. Waage violated I.R.C. § 6700(a)(2)(A) by creating and promoting plans or  
27 arrangements (sham consulting company, sham pension plan, employee benefit plan and retirement  
28

1 plan), and by making or furnishing false or fraudulent statements about those schemes' purported  
2 tax benefits, which were material and which Waage knew or had reason to know were false or  
3 fraudulent.

4 **(1) Waage's tax schemes are plans or arrangements:**

5 153. Any plan or arrangement "having some connection to taxes" falls under I.R.C. §  
6 6700.

7 154. Waage makes specific tax-related statements to customers and/or potential customers  
8 when extolling the virtues of his sham consulting company, sham pension plan and sham employee  
9 benefit plan schemes. Waage also created several "Tax Saving Strategies" diagrams / flow charts  
10 that highlight the supposed tax benefits of his schemes. Waage uses these diagrams with customers  
11 to promote his schemes. Accordingly, the sham consulting company, sham pension plan and sham  
12 employee benefit schemes are plans or arrangements within the meaning of I.R.C. § 6700.

13 **(2) Waage participates in the organization and/or sale of their tax schemes:**

14 155. Waage participates in the organization and/or sale of the sham consulting company,  
15 sham pension plan and sham employee benefit plan tax schemes by, among other things : (a) holding  
16 public "conferences" to promote and sell his tax schemes; (b) meeting with potential clients at his  
17 office and reviewing diagrams and other promotional items highlighting the supposed tax  
18 advantages of his schemes; (c) directing the creation and implementation of the entities, trusts and  
19 insurance plans used in his tax schemes; (d) drafting and signing, or directing others to draft and  
20 sign, the documents necessary to incorporate the consulting company for the tax schemes; and (e)  
21 drafting and signing, or directing others to draft and sign, the supposed "irrevocable trust" necessary  
22 for the tax schemes.

23 **(3) Waage makes or furnishes, or causes others to make or furnish, false or**  
24 **fraudulent statements with respect to the allowance of tax deductions or other**  
25 **tax benefits:**

26 156. In connection with the organization, sale, and promotion of his tax schemes, Waage  
27 made or caused to be made, or furnished or caused to be furnished, material statements about the tax  
28

1 benefits of participating in the scheme that were, and which he knew were or had reason to know  
2 were, false or fraudulent.

3 157. These false or fraudulent statements were made throughout the course of the tax  
4 schemes and include, *inter alia*, claims:

- 5 a. That you can siphon money out of an operating business and into a consulting  
6 company to reduce the taxable income of the operating business and its  
7 shareholder;
- 8 b. That, by setting up a sham consulting company, personal expenditures become  
9 business related and are deductible by the consulting company;
- 10 c. That, by having an irrevocable trust own a consulting company, you are not  
11 required to include rank-and-file employees of the operating business in pension  
12 and employee benefit plans; and
- 13 d. That the pension, employee benefit and retirement plans created and sold by  
14 Waage are qualified corporate plans that meet I.R.C. requirements.

15 **(4) Waage knew or had reason to know that the statements were false or**  
16 **fraudulent:**

17 158. Waage knew or had reason to know that the statements he made in connection with  
18 his tax-fraud schemes were false or fraudulent for numerous reasons.

19 159. Waage knew or had reason to know that the statements he made in connection with  
20 the tax schemes were false or fraudulent based on his education and experience. Waage has  
21 specialized in and practiced tax law for nearly 18 years. He practiced tax law at the San Diego law  
22 firm of J. Douglas Jennings, Jr. before starting his own practice. Additionally, he is a member of  
23 the Sections of Taxation and Trusts & Estates of the State Bar of California.

24 160. Based on Waage's education and experience, he knew or had reason to know that his  
25 tax schemes violated the judicial doctrines of economic substance and substance over form. Indeed,  
26 Waage is a self-professed "visionary tax attorney."  
27  
28



1 161. Waage knew or had reason to know that the statements he made in connection with  
2 his sham consulting company tax scheme were false or fraudulent because, *inter alia*, the consulting  
3 company that he created had no business purpose, performed no consulting services, and the fees  
4 paid to the consulting company were simply a means to lower the taxable income of the customer's  
5 operating business. Thus, Waage knew or had reason to know that this scheme violates the judicial  
6 doctrines of economic substance and substance over form.

7 162. Waage knew or had reason to know that the statements he made in connection with  
8 his sham consulting company--personal expense deduction tax scheme were false or fraudulent  
9 because, *inter alia*, the consulting company that he created had no business purpose, performed no  
10 consulting services, and was used for the purpose of paying and deducting personal expenses of the  
11 customer simply because it was "headquartered" in the customer's home. Thus, Waage knew or had  
12 reason to know that this scheme violates the judicial doctrines of economic substance and substance  
13 over form.

14 163. Waage knew or had reason to know that the statements he made in connection with  
15 his sham pension plan scheme were false or fraudulent because, *inter alia*, the consulting company  
16 he created had no business purpose, was placed into an irrevocable trust for the purpose of skirting  
17 I.R.C. requirements and allowing his customers to enjoy lucrative pension plan without having to  
18 expend money to cover the employees of their operating business. Waage also knew or had reason  
19 to know that this scheme violates the judicial doctrines of economic substance and substance over  
20 form.

21 164. Waage also knew or had reason to know that the statements he made in connection  
22 with his sham pension plan tax scheme were false or fraudulent because, *inter alia*, I.R.C. § 412(i)  
23 requires contributions that an employer makes to the plan as its sponsor and then takes as a  
24 deduction must correspond to the dollar amount that the plan's beneficiary claims as income  
25 received from the plan in the same year. Thus, Waage knew or had reason to know that this scheme  
26 violates the judicial doctrines of economic substance and substance over form.

1           165.   Additionally, Waage knew or had reason to know that the statements he made in  
2 connection with his sham pension plan tax-scheme were false or fraudulent because he directed his  
3 customers to purchase specific insurance policies whose cash surrender value is temporarily  
4 depressed to a level significantly below the premiums paid so that his customers could receive a  
5 windfall of cash without paying income tax on it. Thus, Waage knew or had reason to know that  
6 this scheme violates the judicial doctrines of economic substance and substance over form.

7                   **B. § 6701 (as to Defendant Jensen)**

8           166.   Section 6701 imposes a penalty: (1) on a person who aids, assists, procures, or  
9 advises with respect to the preparation or presentation of any portion of a tax return, claim, or other  
10 document ("portion"); (2) when that person knows or has reason to know that such portion will be  
11 used in connection with a material matter arising under federal tax law; and (3) that person knows  
12 that such portion (if used) would result in an understatement of the liability for the tax of another  
13 person.

14           167.   Jensen's conduct is subject to penalty under I.R.C. § 6701. Jensen prepares and files  
15 tax returns on behalf of the customers involved in the sham consulting company, sham pension plan,  
16 and sham employee benefit plan, including the returns for the sham consulting companies and  
17 operating companies.

18           168.   As a CPA for over 30 years, Jensen knows or has reason to know that the tax returns  
19 that he drafts and prepares will be used as to material matters under federal tax law. Additionally,  
20 as a tax practitioner with over 30 years of experience, Jensen knows that the returns he prepares will  
21 result in an understatement of tax liability because Jensen knows, *inter alia*, that: (1) the sham  
22 consulting companies have no business purpose; (2) a taxpayer cannot deduct as a business expense  
23 things like 100% of their home utilities, home landscaping expenses and home pool service  
24 expenses; and (3) employee benefit plans and pension plans cannot benefit only highly compensated  
25 employees.

26           169.   Accordingly, Jensen's conduct in connection with the sham consulting company,  
27 sham pension plan and sham employee benefit plan is subject to penalty under I.R.C. § 6701.

1 **C. Necessity of Injunction**

2 170. These schemes have caused and continue to cause substantial harm to the  
3 Government by fraudulently reducing their client's reported tax liabilities, helping taxpayers evade  
4 taxes, and by obstructing the IRS's efforts to administer the federal tax laws.

5 171. The magnitude of lost tax revenue caused by Waage and Jensen's fraudulent conduct  
6 is enormous. The IRS has over 1,000 tax returns that have been audited or are in the process of  
7 being audited as a result of Waage and Jensen's tax-fraud schemes. The IRS estimates that the harm  
8 to the government exceeds \$10,800,000 in lost tax revenue.

9 172. The United States also is harmed because the IRS must continually devote limited  
10 resources to detecting and examining inaccurate returns filed by Waage and Jensen's customers, and  
11 to attempting to assess and collect unpaid taxes.

12 173. An injunction against Waage and Jensen is necessary and appropriate to prevent the  
13 recurrence of their conduct, subjecting them to penalty under I.R.C. §§ 6700 and 6701, and for  
14 engaging in any other conduct subject to penalty under the Internal Revenue Code.

15 **Count II: Injunction Under I.R.C. § 7408 for Violations of I.R.C. §§ 6707(a)**  
16 **and 6111(a)**

17 174. The United States incorporates by reference the allegations contained in paragraphs  
18 1 through 173.

19 175. I.R.C. § 7408(a) authorizes a district court to enjoin persons who have engaged in  
20 conduct subject to penalty under I.R.C. § 6707 from engaging in further such conduct if injunctive  
21 relief is appropriate to prevent recurrence of the conduct.

22 176. I.R.C. § 6707 imposes a penalty: (i) upon any person who is a material advisor  
23 required to file a certain type of return (Form 8918) under I.R.C. § 6111; (ii) with respect to any  
24 reportable transaction; and (iii) if that person fails to file such return, or furnishes false or incomplete  
25 information with respect to the transaction.

26 177. Under I.R.C. § 6111(b), a material advisor is any person: (1) who provides any  
27 material aid, assistance or advice with respect to organizing, managing, promoting, selling

1 implementing, insuring or carrying out any reportable transaction; and (2) who derives gross income,  
2 directly or indirectly, in excess of \$50,000 for such aid, assistance or advice when substantially all  
3 the tax benefits from the transaction are provided to natural persons. For reportable transactions that  
4 are listed transactions, Treas. Reg. § 301.6111-3(b)(3)(i)(B) provides that the minimum fee threshold  
5 is reduced from \$50,000 to \$10,000.

6 178. Waage is a material advisor. He is the mastermind of the sham consulting  
7 company/sham pension plan scheme and is the person who drafts (and signs many of) the  
8 transactional documents required to implement the schemes to provide tax benefits to customers.  
9 Additionally, Waage receives compensation and/or fees of at least \$10,000 for implementing the tax  
10 schemes for his customers.

11 179. A transaction is a listed transaction if it is substantially similar to one of the types of  
12 transactions that the IRS has determined to be a tax avoidance transaction and has identified by  
13 notice, regulation, or other form of published guidance as a listed transaction. *See* I.R.C. §  
14 6707A(c)(2); Treas. Reg. § 1.6011-4(b)(2). The regulations define the term “substantially similar”  
15 as “any transaction that is expected to obtain the same or similar types of tax benefits and that is  
16 either factually similar or based on the same or similar tax strategy.” Treas. Reg. § 1.6011-4(c)(4).

17 180. Waage’s retirement plan scheme is a listed transaction. On March 8, 2004, the IRS  
18 published Revenue Ruling 2004-20, which states that sham-consulting-company/sham-pension plan  
19 schemes like the ones that Waage promotes are “listed transactions.” This means that the schemes  
20 that Waage promotes are the “same or substantially similar to one of the types of transactions that  
21 the IRS has determined to be a tax avoidance transaction,” and are thus unlawful. *See* 26 CFR §  
22 1.6011-4 (Treasury Regulations).

23 181. Waage knows that his sham-consulting-company/sham-pension plan scheme is  
24 effectively the same as, or at a minimum, is substantially similar to, the 412(i) plan transaction listed  
25 in Revenue Ruling 2004-20. Waage created and promoted the pension plan scheme. Waage’s  
26 pension plan scheme is expected to obtain the same or similar types of tax benefits as those  
27

1 described in Revenue Ruling 2004-20, and is both factually similar and based on the same or similar  
2 tax strategy.

3 182. Under I.R.C. § 6111(a), each material advisor with respect to any reportable or listed  
4 transaction is required to file Form 8918, "Material Advisor Disclosure Statement," no later than the  
5 date prescribed by the Secretary. The Form 8918 must set forth: (1) information identifying and  
6 describing the transaction, (2) information describing any potential tax benefits expected to result  
7 from the transaction, and (3) such other information as the Secretary may prescribe. Following  
8 submission of Form 8918, material advisors are furnished with a reportable transaction number.  
9 Material advisors are then required to furnish that number to customers pursuant to Treas. Reg. §  
10 301.6111-3(d)(2), so customers are on notice that: (1) they have participated in a reportable  
11 transaction that is required to be disclosed pursuant to I.R.C. § 6011; and (2) must include the  
12 reportable transaction number with their next filed return. If customers fail to include the number  
13 with their returns, they are potentially subject to substantial penalties under I.R.C. § 6707A.

14 183. Waage became a material advisor on March 8, 2004 - the day the Notice 2004-20  
15 became effective. *See* Treas. Reg. § 301.6111-3(b)(4)(iii). Waage was required to file Form 8918  
16 by April 30, 2004, the last day of the month after the quarter in which he became a material advisor.  
17 Treas. Reg. § 301.6111-3(d) and (e). As of the date of the filing of this Complaint, Waage has not  
18 filed any Form 8918 in connection with any of his retirement plan schemes that he set up for his  
19 customers and has refused to disclose to the IRS that he was a material advisor for his retirement  
20 plan schemes.

21 184. In addition, because Waage has refused to file material advisor disclosures for his  
22 retirement plan scheme, Waage has not obtained a reportable transaction number, and consequently  
23 has not furnished a reportable transaction number to his customers pursuant to Treas. Reg. §  
24 301.6111-3.

25 185. Indeed, Waage falsely told certain customers that the retirement plan scheme was not  
26 a listed transaction. Waage also falsely told customers that they did not have to disclose the  
27 retirement plan scheme to the IRS.

1           186. Waage has demonstrated his intention to continue to engage in such conduct and in  
2 other conduct subject to penalty under the Internal Revenue Code. He has repeatedly promoted  
3 plans and arrangements and assisted others to establish plans or arrangements that are abusive tax  
4 schemes and/or listed transactions and require reporting under I.R.C. § 6111 and/or § 6011.

5           187. An injunction against Waage is necessary and appropriate to prevent the recurrence  
6 of conduct (failure to file the requisite forms) subjects him to penalty under I.R.C. § 6707, for  
7 engaging in other conduct subject to penalty under the Internal Revenue Code, and to protect the  
8 public. If not enjoined, Waage will continue to organize and sell sham pension plans resulting in  
9 the unlawful underpayment of income tax.

10                           **Count III: Injunction Under I.R.C. § 7402 for Unlawful Interference with the**  
11   **Enforcement of the Internal Revenue Laws**

12           188. The United States incorporates by reference the allegations contained in paragraphs  
13 1 through 187.

14           189. I.R.C. §7402(a) authorizes a court to issue orders of injunction as may be necessary  
15 or appropriate for the enforcement of the internal revenue laws, even if the United States has other  
16 remedies available for enforcing those laws.

17           190. Waage and Jensen's activities described above substantially interfere with the  
18 enforcement of the internal revenue laws by promoting abusive tax schemes that result in customers  
19 not paying their true federal income tax liabilities.

20           191. An injunction prohibiting Waage and Jensen from organizing, promoting, or selling  
21 (or helping others to organize, promote, or sell) abusive tax schemes, including the schemes  
22 described in this complaint, is needed to stop the illegal avoidance of tax liability and to prohibit  
23 them from otherwise interfering with the proper administration and enforcement of the internal  
24 revenue laws.

25           226. Unless enjoined by this Court, Waage and Jensen are likely to continue to engage  
26 in illegal conduct.

1 227. If Waage and Jensen are not enjoined, the United States will suffer irreparable  
2 harm from the underpayment of tax liability, the exhaustion of resources to enforce the internal  
3 revenue laws, and the losses caused by Waage and Jensen's actions will continue to increase.

4 228. While the United States will suffer substantial, irreparable injury if Waage and  
5 Jensen are not enjoined, Waage and Jensen will not be greatly harmed by being compelled to obey  
6 the law.

7 229. The public interest would be advanced by enjoining Waage and Jensen because  
8 an injunction will stop their illegal conduct and the harm that conduct is causing the United States  
9 Treasury and the public.

10 230. An injunction under I.R.C. § 7402 is necessary and appropriate, and the United  
11 States is entitled to injunction relief under I.R.C. § 7402. The injunction, as detailed below, should  
12 bar Waage and Jensen, and anyone acting in concert with them, from organizing, promoting, or  
13 selling (or helping others to organize, promote, or sell) the abusive tax schemes described in this  
14 complaint, any similar schemes, and any other tax shelter, plan, or arrangement, that incites or  
15 assists customers to attempt to violate the internal revenue laws or evade the assessment or  
16 collection of their federal tax liabilities or claim improper tax refunds, and from otherwise engaging  
17 in conduct that substantially interferes with the proper administration of the internal revenue laws.

### 18 **Relief Sought**

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

20 A. That this Court find that Waage engaged in conduct subject to penalty under I.R.C. §  
21 6700 and that injunctive relief under I.R.C. § 7408 is appropriate to prevent recurrence of that  
22 conduct.

23 B. That this Court find that Jensen engaged in conduct subject to penalty under I.R.C.  
24 § 6701 and that injunctive relief under I.R.C. § 7408 is appropriate to prevent a recurrence of that  
25 conduct.

1 C. That this Court find that Waage engaged in conduct subject to penalty under I.R.C. §§  
2 6707(a) and 6111(a) and that injunctive relief under I.R.C. § 7408 is appropriate to prevent a  
3 recurrence of that conduct.

4 D. That this Court find that Waage and Jensen engaged in conduct substantially interfering  
5 with the administration and enforcement of the internal revenue laws and that injunctive relief is  
6 appropriate to prevent a recurrence of that conduct under 26 U.S.C. § 7402(a).

7 E. That this Court, pursuant to 26 U.S.C. §§ 7402 and 7408, enter a permanent injunction  
8 prohibiting Waage and Jensen, individually and through any other name or entity, and their  
9 representatives, agents, servants, employees, attorneys, accountants and those persons in active  
10 concert or participation with him, from directly or indirectly:

11 i. Organizing, promoting, or selling (or helping others to organize, promote, or  
12 sell) the fraudulent tax schemes described in this complaint, or any  
13 substantially similar plans or arrangements, or any other business or tax  
14 services that:

- 15 • attempt to illegally reduce a customer's taxable income by  
16 using a sham consulting company that provides no  
17 consulting services;
- 18 • attempt to illegally reduce a customer's taxable income by  
19 using a sham consulting company to fraudulently pay for  
20 and deduct the personal expenses of the customer;
- 21 • create a pension plan and/or employee benefit plan for the  
22 benefit of the customer without providing the same benefits  
23 to the employees of the customer's operating business; and
- 24 • create a pension plan and/or retirement plan that purchases  
25 life insurance contracts that have a cash surrender value that  
26 is temporarily depressed to a level significantly below the  
27 premiums paid.

28 ii. Organizing, promoting, or selling (or helping others to organize, promote, or  
sell) the fraudulent tax schemes described in this complaint, and any other tax  
shelter, plan, or arrangement, that incites or assists customers to attempt to  
violate the internal revenue laws or evade the assessment or collection of their  
federal tax liabilities or claim improper tax refunds;

iii. Engaging in conduct subject to penalty under I.R.C. § 6700, including  
making, in connection with the organization or sale of any plan or  
arrangement, any statement about the securing of any tax benefit that Waage  
and/or Jensen know or have reason to know is false or fraudulent as to any  
material matter;



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- iv. Engaging in conduct subject to penalty under I.R.C. § 6701, including preparing or assisting in the preparation of, or advising with respect to a document related to a material matter under the internal revenue laws that includes a position that Waage and/or Jensen know will, if used, result in an understatement of tax liability;
  - v. Engaging in conduct subject to penalty under any provision of the Internal Revenue Code;
  - vi. Aiding, assisting, and/or advising with respect to the preparation of any federal tax return or representing taxpayers before the IRS;
  - vii. Engaging in conduct designed or intended to, or having the effect of, obstructing or delaying an IRS investigation or audit; and
  - viii. Engaging in any other conduct that interferes with the proper administration and enforcement of the internal revenue laws.

11 F. That the Court, pursuant to I.R.C. § 7402, enter an injunction requiring Waage and  
12 Jensen to produce to counsel for the United States a list identifying (by name, address, e-mail  
13 address, phone number, and Social Security or other tax identification number) all of the customers  
14 who, for any of the tax years 2001 to the present, have used the tax planning and/or tax preparation  
15 services of Waage, Jensen and/or their businesses as they are known under any of their names,  
16 including The Waage Law Firm, Strategic Law Group PC, Tax Advisors Group, Pensions By  
17 Design, and Robert O. Jensen an Accountancy Corporation, and to file with the Court, within 20  
18 days of the date on which the permanent injunction is entered, a certification signed under penalty  
19 of perjury that they have done so;

20 G. That the Court, pursuant to I.R.C. § 7402, enter an injunction requiring Waage and  
21 Jensen at their own expense to contact by mail (or by e-mail, if a mailing address is unknown) all  
22 of their customers related to any of their tax planning an/or tax preparation services and inform those  
23 individuals of the Court's findings concerning the falsity of their prior representations and attach  
24 a copy of the permanent injunction, and to file with the Court, within 20 days of the date on which  
25 the permanent injunction is entered, a certification signed under penalty of perjury that they have  
26 done so;

27 H. That the Court allow the United States full post-judgment discovery to monitor  
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1 compliance with the injunction;

2 I. That the Court retain jurisdiction over this action for purpose of implementing and  
3 enforcing the final judgment and any additional orders necessary and appropriate to the public  
4 interest; and

5 J. That the Court grant the United States such other and further relief as the Court deems  
6 appropriate.

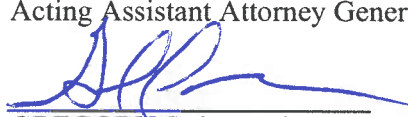
7  
8 Dated this 28th day of February, 2011.

9 Respectfully submitted,

10  
11 LAURA E. DUFFY  
12 United States Attorney

13 JOHN A. DiCICCO  
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