IN THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF OKLAHOMA

UNITED STATES OF AMERICA,

Plaintiff,

v.

Civil No.

CIV-04-0037-H

1. JOSEPH E. WOLF;
2. ERIC WOLF;
3. LOUISE A. QUALLS;
4. CECIL FISHER;
5. LEGION ENTERPRISES, INC.;
6. A TO Z STAFFING SERVICES, INC.;
7. BENEFIT MARKETING, INC.;
8. EMPLOYER'S ADMINISTRATIVE AND PAYROLL SERVICES, INC.
9. GLOBAL STAFFING, INC.;
10. NATIONAL STAFFING, INC.;
11. NATIONWIDE STAFFING SERVICES, INC.;
12. PROFESSIONAL EMPLOYER'S MANAGEMENT, INC.;
13. SELECT STAFFING, INC.;
14. SSI OF AMERICA, INC.;
15. SSI OF BETHANY, INC.;
16. SSI OF OKC, INC.;
17. SSI PERSONNEL, INC.;
18. SSI STAFFING, INC.;
19. STAFF SPECIALTIES, INC.;
20. SUMMIT STAFFING SERVICES, INC.;
21. SUPPORT STAFFING SERVICES, INC.;
22. TECUMSEH MANAGEMENT, INC.;
23. THE CORPORATE DIRECT, INC.;
24. THE T.S.I. GROUP, INC.;
25. TITAN MANAGEMENT, INC.;
26. TOTAL STAFFING SERVICES, INC.;
27. TSI BUILDERS, INC.;
28. TSI INSTALLATIONS, INC.;
29. TSI INSTALLERS AND ERECTORS, INC.;
30. TSI MEDICAL, INC.; formerly known as Lou
31. TSI OF PEACHTREE, INC.;
32. TSI TEMPS, INC.; and

FILED

JAN 15 2004

ROBERT D. DENNIS, CLERK
U.S. DIST. COURT, WESTERN DIST. OF OKLA.
BY_____DEPUTY

33. VONTRES STAFFING SERVICES, INC.,)
)
Defendants.)
)

COMPLAINT FOR PERMANENT INJUNCTION

The United States of America, for its complaint, alleges as follows:

Jurisdiction and Venue

1. This Court has jurisdiction over this injunction action under 28 U.S.C. §§ 1340 and 1345 and Internal Revenue Code (26 U.S.C.) § 7402(a).

2. Venue is proper in this Court pursuant to 28 U.S.C. §§ 1391 and 1396.

Nature of Action

3. This is a civil action brought by the United States to permanently enjoin the defendants from operating their existing "professional employer organizations" and from operating any new professional employer organizations in the future. Additionally, the United States seeks to reduce to judgment certain federal tax assessments.

4. This action has been authorized and requested by the Chief Counsel of the Internal Revenue Service, a delegate of the Secretary of the Treasury, and commenced at the direction of a delegate of the Attorney General of the United States, pursuant to the provisions of I.R.C. §§ 7401 and 7402.

The Individual Defendants

5. Joseph E. Wolf is an individual residing in Oklahoma City, Oklahoma.

6. Eric Wolf is an individual residing in Oklahoma City, Oklahoma.

7. Louise A. Qualls, formerly known as Louise Wolf, is an individual residing in

Bethany, Oklahoma.

8. Cecil Fisher is an individual residing in Oklahoma City, Oklahoma.

The Corporate Defendants

9. Legion Enterprises, Inc. ("Legion") is an Oklahoma corporation controlled, managed, and/or owned by some or all of the individual defendants.

10. A to Z Staffing Services, Inc. ("A to Z Staffing") is an Oklahoma corporation controlled, managed, and/or owned by some or all of the individual defendants.

11. Benefit Marketing, Inc. ("Benefit") is an Oklahoma corporation controlled, managed, and/or owned by some or all of the individual defendants.

12. Employer's Administrative and Payroll Services, Inc. ("Employer's Administrative") is an Oklahoma corporation controlled, managed, and/or owned by some or all of the individual defendants.

13. Global Staffing, Inc. ("Global") is an Oklahoma corporation controlled, managed, and/or owned by some or all of the individual defendants.

14. National Staffing, Inc. ("National") is an Oklahoma corporation controlled, managed, and/or owned by some or all of the individual defendants.

15. Nationwide Staffing Services, Inc. ("Nationwide") is an Oklahoma corporation controlled, managed, and/or owned by some or all of the individual defendants.

16. Professional Employer's Management, Inc. ("Professional Employer's") is an Oklahoma corporation controlled, managed, and/or owned by some or all of the individual defendants.

17. Select Staffing, Inc. ("Select Staffing") is an Oklahoma corporation controlled,

managed, and/or owned by some or all of the individual defendants.

18. SSI of America, Inc. ("SSI of America") is an Oklahoma corporation controlled, managed, and/or owned by some or all of the individual defendants.

19. SSI of Bethany, Inc. ("SSI of Bethany") is an Oklahoma corporation controlled, managed, and/or owned by some or all of the individual defendants.

20. SSI of OKC, Inc. ("SSI of OKC") is an Oklahoma corporation controlled, managed, and/or owned by some or all of the individual defendants.

21. SSI Personnel, Inc. ("SSI Personnel") is an Oklahoma corporation controlled, managed, and/or owned by some or all of the individual defendants.

22. SSI Staffing, Inc. ("SSI Staffing") is an Oklahoma corporation controlled, managed, and/or owned by some or all of the individual defendants.

23. Staff Specialties, Inc. ("Staff Specialties") is an Oklahoma corporation controlled, managed, and/or owned by some or all of the individual defendants.

24. Summit Staffing Services, Inc. ("Summit Staffing") is an Oklahoma corporation controlled, managed, and/or owned by some or all of the individual defendants.

25. Support Staffing Services, Inc. ("Support Staffing") is an Oklahoma corporation controlled, managed, and/or owned by some or all of the individual defendants.

26. Tecumseh Management, Inc. ("Tecumseh") is an Oklahoma corporation controlled, managed, and/or owned by some or all of the individual defendants.

27. The Corporate Direct, Inc. ("Corporate Direct") is an Oklahoma corporation controlled, managed, and/or owned by some or all of the individual defendants.

28. The T.S.I. Group, Inc. ("TSI Group") is an Oklahoma corporation controlled,

managed, and/or owned by some or all of the individual defendants.

29. Titan Management, Inc. ("Titan") is an Oklahoma corporation controlled, managed, and/or owned by some or all of the individual defendants.

30. Total Staffing Services, Inc. ("Total Staffing") is an Oklahoma corporation controlled, managed, and/or owned by some or all of the individual defendants.

31. TSI Builders, Inc. ("TSI Builders") is an Oklahoma corporation controlled, managed, and/or owned by some or all of the individual defendants.

32. TSI Installations, Inc. ("TSI Installations") is an Oklahoma corporation controlled, managed, and/or owned by some or all of the individual defendants.

33. TSI Installers and Erectors, Inc. ("TSI Installers") is an Oklahoma corporation controlled, managed, and/or owned by some or all of the individual defendants.

34. TSI Medical, Inc. ("TSI Medical") is an Oklahoma corporation controlled, managed, and/or owned by some or all of the individual defendants.

35. TSI of Peachtree, Inc. ("TSI of Peachtree") is an Oklahoma corporation controlled, managed, and/or owned by some or all of the individual defendants.

36. TSI Temps, Inc. ("TSI Temps") is an Oklahoma corporation controlled, managed, and/or owned by some or all of the individual defendants.

37. Vontres Staffing Services, Inc. ("Vontres") is an Oklahoma corporation controlled, managed, and/or owned by some or all of the individual defendants.

Defendants' Actions

38. The individual defendants own, manage, and control professional employer organizations ("PEOs").

39. The individual defendants control, manage, and/or own over 35 different Oklahoma PEO corporations, including Legion; A to Z Staffing; Benefit; Employer's Administrative; Employers Payroll Services, Inc.; Global; National; Nationwide; Payroll Plus, Inc.; PRN Medical Staffing, Inc.; Professional Employer's; Select Staffing; Simplified Staffing, Inc.; Source Staffing, Inc.; SSI of America; SSI of Bethany; SSI of OKC; SSI Personnel; SSI Staffing; Staff Specialties; Summit Staffing; Support Staffing; Tecumseh; Corporate Direct; TSI Group; Titan; Total Staffing; TSI Builders; TSI Installations; TSI Installers; TSI Medical; TSI of Peachtree; TSI Temps; Vontres; and X-Cell Promotions, Inc. (collectively, the PEO Corporations).

40. One or more of the individual defendants is associated with each of the PEO Corporations as either the registered agent, an officer, a director, or the bookkeeper.

41. The individual defendants manage and control the day-to-day operations of the PEO Corporations.

42. On information and belief, the individual defendants are currently operating through corporate defendants Legion, Titan, Tecumseh, and TSI Installers.

43. On information and belief, over the last three years, the PEO Corporations contracted with numerous customers, the majority of which are Oklahoma businesses.

44. Under the terms of the customer contracts, the customers fire their employees, a PEO Corporation hires the fired employees, and the fired employees are "leased back" to the customers.

45. After the firing/leaseback, the customers still control the day-to-day activities of the employees, and the employees still have the same job responsibilities.

46. Under the terms of the customer contracts, a PEO Corporation is responsible for

paying the employees' salaries, the federal and state employment taxes, and, in some cases, the benefit premiums. The customers make lump sum payments to cover all of these expenses plus an extra service fee.

47. Under the terms of the customer contracts, the PEO Corporations are responsible for computing, preparing, and filing with the IRS federal employment tax returns (IRS Form 941, due quarterly) and unemployment tax returns (IRS Form 940, due annually). These forms are prepared using one of the PEO Corporations' employer identification numbers (EIN).

48. The PEO Corporations consistently do not pay the IRS all of the federal employment and unemployment taxes listed as owed on the returns, despite the PEO Corporations having received funds from their customers for this purpose and despite the PEO Corporations having withheld taxes from employees' wages for this purpose.

49. Despite being required by law to do so, the PEO Corporations do not file federal income tax returns or pay federal income tax.

50. The PEO Corporations' federal employment and unemployment tax returns consistently misreport the gross wages paid to the leased employees.

51. On information and belief, the individual defendants have misappropriated the funds that the PEO Corporations owed for payment of federal employment and unemployment taxes.

52. The individual defendants structure the day-to-day operations of their PEO Corporations to conceal the nature of their activity so as to evade IRS efforts to collect the PEO Corporations' tax liabilities.

53. The individual defendants operate all the PEO Corporations as a single unit without regard to the required corporate formalities. They often deposit money due one company into

another company's bank account and transfer funds between and among the various PEO Corporations.

54. The individual defendants improperly shift the leased employees among the various PEO Corporations so as to minimize the tax liability owed by any one PEO Corporation. In this way, virtually no one PEO Corporation has an unpaid tax liability over approximately $400,000, but the cumulative unpaid liabilities of the PEO Corporations are in the millions of dollars.

55. On information and belief, the individual defendants regularly incorporate new PEO Corporations so that they can minimize the tax liability of each individual PEO Corporation and frustrate the collection efforts of the IRS.

56. On the dates set forth below, a delegate of the Secretary of the Treasury properly and timely made assessments against, and gave notice of and made demand for payment to, the corporate defendants for federal employment taxes (Form 941), unemployment taxes (Form 940), and related statutory additions to tax, and interest as follows:

Defendant	**Type of Tax and Tax Period**	**Date of Assessment, Notice & Demand**	**Unpaid Assessed Balance**
A to Z Staffing	940 - 200012 941 - 200012	3/19/01 3/19/01	$2,394.78 $181,984.78
Benefit	940 - 200112 941 - 200106 941 - 200109 941 - 200012	4/1/02 9/17/01; 10/22/01 12/10/01 5/28/01; 7/2/01	$1,611.87 $1,509.56 $292.58 $9,989.97
Employer's Administrative	940 - 200112 941 - 200109 941 - 200112	4/8/02; 2/18/02; 4/15/02 5/20/02; 6/24/02	$4,306.46 $43,603.28 $117,837.36
Global	940 - 200012 941 - 200012	3/19/01 3/19/01	$7,442.20 $196,241.21

Defendant	Type of Tax and Tax Period	Date of Assessment, Notice & Demand	Unpaid Assessed Balance
National	940 - 200012 941 - 200012	3/19/01 3/19/01	$5,634.60 $162,930.85
Nationwide	940 - 200012 941 - 200006 941 - 200009	3/19/01 9/11/00; 10/16/00 12/18/00; 1/29/01	$5,752.22 $8,121.30 $11,388.02
Professional Employer's	940 - 200012 941 - 200003 941 - 200006 941 - 200009	3/19/01; 4/23/01 6/12/00; 7/17/00 11/20/00 12/18/00; 1/29/01	$15,967.20 $10,801.91 $19,960.75 $19,223.58
Select Staffing	940 - 200212 941 - 200203	4/14/03; 5/19/03 7/8/02; 8/12/02	$5,743.70 $1,941.49
SSI of America	940 - 200112 941 - 200103 941 - 200106 941 - 200109 941 - 200112	4/1/02 6/18/01 9/17/01; 10/22/01; 11/5/01 12/10/01; 1/28/02 3/18/02; 4/22/02	$1,003.01 $6,896.48 $5,254.10 $11,225.30 $30,837.42
SSI of Bethany	940 - 200112 941 - 200106 941 - 200109 941 - 200112 941 - 200012	3/25/02 9/10/01; 10/15/01 12/17/01; 1/28/02 4/1/02; 5/6/02 6/11/01	$10,116.10 $74,045.12 $112,761.83 $175,313.11 $106,109.49
SSI of OKC	940 - 200112 941 - 200103 941 - 200106 941 - 200109 941 - 200112	3/25/02 6/25/01 9/10/01; 10/15/01 12/17/01; 1/28/02 3/11/02; 4/15/02	$10,803.79 $79,832.79 $91,730.74 $104,066.15 $188,422.83
SSI Personnel	940 - 200112 941 - 200103 941 - 200106 941 - 200109 941 - 200112	3/25/02 6/25/01 9/17/01; 10/22/01; 11/05/01 12/10/01; 1/28/02 3/18/02; 4/22/02	$14,406.84 $187,113.52 $97,088.65 $123,253.79 $150,500.84

Defendant	Type of Tax and Tax Period	Date of Assessment, Notice & Demand	Unpaid Assessed Balance
SSI Staffing	940 - 200112 941 - 200103 941 - 200106 941 - 200109 941 - 200112	4/8/02 6/18/01 9/17/01; 10/22/01 12/17/01; 1/28/02 4/1/02; 5/6/02	$8,188.37 $106,461.62 $53,835.28 $93,433.88 $109,812.60
Staff Specialties	940 - 200112 941 - 200106 941 - 200109 941 - 200012	3/18/02; 4/22/02 9/10/01 12/10/01; 3/25/02 3/19/01;7/2/01; 12/17/01	$3,764.55 $346.36 $1,202.43 $4,147.95
Summit Staffing	940 - 200012 941 - 200006 941 - 200009 941 - 200012	4/2/01 9/11/00; 10/16/00 12/11/00 3/19/01; 4/23/01	$8,350.38 $13,190.21 $5,868.81 $154,272.42
Support Staffing	940 - 200012 941 - 200006 941 - 200009 941 - 200012	3/19/01 9/11/00; 10/16/00 12/18/00; 1/29/01 3/19/01; 4/23/01	$12,122.88 $23,181.38 $22,404.83 $21,121.10
Tecumseh	940 - 200212 941 - 200206 941 - 200209	4/7/03 10/7/02 12/23/02	$24,674.54 $2,587.00 $2,000.83
Corporate Direct	941 - 200112 941 - 200106 941 - 200109 941 - 200112	4/1/02; 5/6/02 9/10/01 12/17/01; 1/28/02 4/22/02; 5/27/02	$13,270.38 $75,177.95 $98,519.96 $119,493.44
TSI Group	940 - 200112 940 - 200012 941 - 200006 941 - 200009	3/18/02 3/19/01; 3/10/03; 4/23/01 10/02/00; 11/6/00 12/18/00	$2,091.00 $19,124.18 $1,639.80 $148.36
Titan	941 - 200303 941 - 200306 940 - 200212 941 - 200212	6/30/03; 8/4/03 9/29/03; 11/3/03 4/21/03 3/31/03; 5/5/03	$191,841.44 $94,543.90 $10,255.30 $73,862.26

Defendant	Type of Tax and Tax Period	Date of Assessment, Notice & Demand	Unpaid Assessed Balance
Total Staffing	940 - 200012 941 - 200003 941 - 200006 941 - 200009	4/9/01; 5/14/01 6/12/00; 7/17/00 9/11/00; 10/16/00 12/18/00; 1/29/01	$19,693.28 $10,173.46 $23,049.65 $15,727.08
TSI Builders	940 - 200012 941 - 200009 941 - 200012	3/19/01 12/18/00; 1/29/01 4/2/01; 5/7/01	$5,540.54 $125,974.30 $122,752.28
TSI Installations	940 - 200012 941 - 200003 941 - 200009 941 - 200012	3/19/01; 4/23/01 6/12/00; 7/17/00 12/18/00; 1/29/01 3/19/01; 4/23/01	$6,949.59 $1,258.16 $64,432.59 $28,138.75
TSI Installers	941 - 200306 940 - 200212 941 - 200203 941 - 200206 941 - 200209 941 - 200212 940 - 200112 941 - 200103 941 - 200106 941 - 200109 941 - 200112	9/29/03; 11/3/03 4/7/03; 5/12/03 9/23/02 9/2/02 12/9/02; 1/27/03 3/24/03; 4/28/03 4/8/02 6/25/01 9/17/01; 10/22/01 12/10/01; 1/28/02 3/18/02; 4/22/02	23,872.29 $8,357.12 $232.54 $3,861.11 $35,868.66 $42,503.98 $7,094.28 $32,209.80 $44,017.15 $80,744.93 $57,549.49
TSI Medical	940 - 200112 941 - 200103 941 - 200106	4/29/02 6/25/01 9/17/01; 10/22/01	$6,974.53 $95,411.82 $95,981.83
TSI of Peachtree	940 - 200112 941 - 200103 941 - 200106	4/1/02 6/25/01; 7/30/01 9/17/01; 10/22/01	$1,200.48 $19,732.59 $26,175.42
TSI Temps	940 - 200012 941 - 200009 941 - 200012	3/19/01 12/11/00; 1/29/01 3/19/01; 4/23/01	$9,852.80 $102,528.76 $131,558.82

Defendant	Type of Tax and Tax Period	Date of Assessment, Notice & Demand	Unpaid Assessed Balance
Vontres	940 - 200112	3/25/02; 4/29/02	$14,854.02
	941 - 200106	9/10/01; 10/15/01	$124,650.96
	941 - 200109	12/10/01; 1/28/02	$159,646.49
	941 - 200112	3/11/02; 4/15/02	$230,889.28
	940 - 200012	3/26/01; 4/30/01	$1,801.51
	941 - 200012	3/19/01; 4/23/01	$280,022.63
TOTAL			$5,847,679.93

Harm to the Public

57. The total employment and unemployment tax liabilities owed by the PEO Corporations for the taxable periods from 2000 through 2003 is $5,847,679.93 plus additional interest and additions accruing after the dates of assessment listed in paragraph 56.

58. Because the PEO Corporations are shells without assets, some of this liability may never be collected, resulting in a permanent loss to the U.S. Treasury.

59. None of the PEO Corporations has filed federal income tax returns or paid federal income tax. Thus, the PEO Corporations may owe federal income taxes in an unknown amount.

60. The United States is also harmed because the IRS is forced to devote substantial resources to identifying and recovering this lost revenue, thereby reducing the level of service that the IRS can provide to honest taxpayers.

COUNT I
(Injunction under § 7402)

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

unless enjoined by this Court, defendants are likely to continue to engage in such conduct.

62. The United States has suffered and continues to suffer irreparable harm as a result of defendants' activities, which have resulted in a pyramiding of employment tax liabilities for which there is no ready source of collection.

63. The United States has no adequate remedy at law to prevent defendants from continuing to cause PEO corporations to accrue unpaid federal income, employment, and unemployment taxes.

64. The United States is entitled to injunctive relief under IRC § 7402(a).

COUNT II
(Reduce Assessments to Judgment)

65. Notices of the assessments described in paragraph 56 and demands for payment were given to the corporate defendants in accordance with 26 U.S.C. § 6203.

66. The corporate defendants have failed to pay the balance described in paragraph 56.

WHEREFORE, plaintiff, the United States of America, prays as follows:

A. That the Court find that the defendants are engaged in conduct that substantially interferes with the enforcement of the internal revenue laws, and that injunctive relief against them is appropriate to prevent the recurrence of that conduct pursuant to the Court's inherent equity powers and I.R.C.§ 7402(a);

B. That the Court, pursuant to I.R.C. § 7402(a), enter a permanent injunction preventing any of the defendants from continuing the operation of a professional employer organization or any similar operation, and from operating a professional employer organization or any similar operation in the future;

C. That the Court order the individual defendants to file federal income tax returns for the corporations they own, control, and/or manage, including, but not limited to, the corporate defendants;

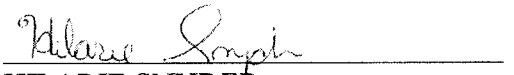
D. That the Court permit the Government to engage in post-judgment discovery to monitor the defendants' compliance with its injunction;

E. That the Court grant the United States such other equitable relief as the Court may deem just and appropriate under the circumstances to ensure defendants' compliance with the internal revenue laws and to prevent the further pyramiding and non-payment of income and employment taxes.

F. That the Court grant judgment in favor of the United States and against the defendants in the amounts described in paragraph 56 plus penalties, interest, and costs that have accrued and will accrue according to law; and

G. That the Court award the United States such further relief, including the costs of this action, that the Court deems appropriate.

ROBERT G. McCAMPBELL
United States Attorney



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