

UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF MISSOURI

UNITED STATES OF AMERICA,	)	
	)	
Plaintiff,	)	Case No.:07-0621-cv-W-SOW
	)	
vs.	)	COMPLAINT FOR PERMANENT
	)	INJUNCTION AND OTHER
JAMES E. ALDRIDGE, JR.,	)	EQUITABLE RELIEF
individually and as the trustee of the	)	
CONCEPT MARKETING INTERNATIONAL	)	
TRUST,	)	
	)	
Defendant.	)	
_____	)	

The plaintiff, the United States of America, alleges against defendant James E. Aldridge, Jr., individually and as the trustee of the Concept Marketing International trust (“CMI”) and CMI, as follows:

1. This is a civil action brought by the United States pursuant to sections 7402(a), and 7408 of the Internal Revenue Code (26 U.S.C.) (“I.R.C.”) to enjoin Aldridge and the CMI trust, and all those in active concert or participation with them from engaging in activity subject to penalty under I.R.C. §§ 6700 and 6701.

**Jurisdiction**

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

**Defendants**

3. James E. Aldridge, Jr., resides in Lee Summit, Missouri within this judicial district.

4. Concept Marketing International does business through offices located in Lee

Summit, Missouri, within this judicial district.

**Activities of Aldridge, Concept Marketing International,  
National Trust Services and Trust Educational Services**

5. Aldridge, individually and through CMI markets a tax-fraud scheme designed to assist others in understating their taxable income. Defendants advertise the scheme at nationwide seminars and at the website located at [www.conceptmarketinginternational.com](http://www.conceptmarketinginternational.com).

6. Aldridge founded CMI in October 1991, as a retail and direct sales company that primarily operated a multi-level marketing scheme involving the sale of American Silver Eagle coins.

7. In March, 1993, Raymond Renfrow helped Aldridge form the purported trust known as CMI Trust. Aldridge purportedly transferred his CMI business to the CMI Trust. Renfrow, as the principal of Ideal Tax Services, acted as a trustee of the CMI Trust along with Aldridge and his wife, Shirley Aldridge.

8. In 1993, Renfrow formed Ideal Tax Services in order to provide bookkeeping guidance and tax preparation services for CMI customers. As CMI sales representatives, Renfrow and Aldridge also promoted and sold to customers CMI's purported business plan at nationwide seminars.

9. CMI's business plan contemplates a four-tiered pyramid commission sales strategy as follows:

- a. The first-tier sales representative recruits a customer to purchase \$1,000 worth of silver coins and would receive a \$100 commission.
- b. Next, the first-tier customer would recruit a second-tier customer to purchase the silver coins. For this sale, the second-tier salesperson

received a \$50 commission and the first-tier salesperson received a \$100 commission.

- c. This chain of sales extended through two additional tiers. At the third and fourth tier, the first through third-tier CMI customer, who they called members, received commissions for any lower-tier sales.

10. CMI's representatives, including Aldridge, falsely advised prospective CMI customers that their purchasing the American Silver Eagle coins would constitute a legitimate home-based business. This was part of a tax-fraud scheme Aldridge and Renfrow devised and promoted under which CMI customers could falsely claim to have home-based businesses in order to fraudulently deduct personal living expenses from their taxable income, including deductions for such non-deductible items as groceries, furniture, clothing, housekeeping, utilities, and rent.

11. CMI explained its false promise to increase customers' income while reducing tax liability in its mission statement, entitled "A Different Economic Reality," which stated that CMI has the "resources, resolve, and intent to return control of a family's financial destiny back to the family, and out of the hands of the employer, the Internal Revenue Service, and the Government."

12. Defendants have sponsored numerous promotional seminars, mainly in the Kansas City area. As part of these seminars, CMI directed customers to purchase American Silver Eagle coins, and form so-called Unincorporated Business Organizations or business trusts, which CMI promoters falsely promise to reduce their taxes by 97% or more. In addition to urging customers to use sham trusts, CMI instructs customers on how to use sham home-based

businesses to fraudulently deduct personal living expenses from their taxable income, including non-deductible items such as groceries, furniture, clothing, housekeeping, utilities, and rent.

Aldridge warned CMI members not to inform their financial advisors, accountants, or attorneys about this because, according to Aldridge, these professionals simply did not understand how trusts operate.

13. In the mid-1990s, Renfrow and Aldridge formed a series of sham trusts to be used in connection with the CMI promotion. These trusts were used to promote the sale of a sham-trust tax-fraud scheme.

14. In January of 1994, Renfrow helped Aldridge establish the Aldridge Family Trust (“AFT”) and the Liberty Commerce Group Trust (“LCG”). AFT was both the grantor and beneficiary of the LCG trust. Aldridge and his wife Shirley were the trustees of LCG.

15. Aldridge and Renfrow created LCG to market and distribute sham-trust packages consisting of a multi-tiered web of trusts, designed to purportedly receive customers’ income and hold title to customers’ assets and pay their expenses, while purporting to exempt their income and assets from taxation.

16. LCG contracted with National Trust Services (“NTS”), which was created by Leroy E. Fritts and Roderick Prescott, to have NTS sell its sham-trust scheme to LCG and CMI customers. Renfrow, as CMI’s principal income tax preparer, also prepared fraudulent federal income tax returns for NTS customers based on the NTS sham-trust tax-fraud scheme. By 2002, Renfrow was preparing false and fraudulent income tax returns for CMI, NTS, and Trust Education Services (“TES”) customers.

17. NTS and TES salespersons instructed customers to create at least two so-called

“complex” trusts generally consisting of a sham business trust and a sham family trust. NTS and TES representatives further advised customers to transfer their businesses and business assets into the business trust.

18. Thereafter, the business continued to operate as it did before, except that: (1) the business trust would pay rent to either the family trust or a “holding” trust for the purported use of equipment or office space and then take a tax deduction for the rent paid as a “business expense”; (2) the business trust distributed any net income to the family trust; and (3) the family trust purported to reduce its federal income tax liability by 97% by deducting non-deductible personal expenses, including personal household expenses.

19. Prescott directed many NTS and TES customers who purchased TES and NTS sham trusts to have their federal income tax returns prepared by Samuel Fung. As part of the tax-fraud scheme, Fung prepared income tax returns that falsely understated his customers’ income tax liabilities by deducting personal expenses that customers purportedly assigned to the sham TES and NTS trusts.

20. On June 2, 2003, a federal court permanently enjoined Prescott from selling the sham-trust tax-fraud scheme, individually and through TES, *United States v. Prescott*, Case No. 03:02-cv-692-L-JFS (S.D. Cal.). The injunction order is available at [www.usdoj.gov/tax/prtax/txdv03332.htm](http://www.usdoj.gov/tax/prtax/txdv03332.htm).

21. On February 11, 2004, a federal court permanently enjoined Fung from preparing income tax returns and representing that customers can deduct personal expenses on their trusts’ federal income tax returns. Case No. 03-cv-3123 (D. Ore. 2003). The injunction order is available at [www.usdoj.gov/tax/prtax/txdv04081.htm](http://www.usdoj.gov/tax/prtax/txdv04081.htm).

22. Thereafter, on April 12, 2005, Fritts and Prescott were indicted in the Northern District of California for tax evasion, under 26 U.S.C. § 7201, and conspiracy to defraud the United States, pursuant to 18 U.S.C. § 371 for their role in the TES and NTS tax-fraud schemes.

23. On information and belief, Aldridge is aware of the injunctions issued against Fritts and Prescott. Nevertheless, through CMI, he continues to sell sham trusts through CMI and employs Renfrow to prepare fraudulent federal income tax returns based on the fraudulent methods described above.

24. On January 23, 2004, the State of Missouri ordered Aldridge, CMI and Liberty Commerce Group Trust to cease and desist offering or selling notes or evidences of indebtedness in CMI, Liberty Commerce Group Trust, and Continental Fiduciary Management.

25. On June 27, 2006, James and Shirley Aldridge were indicted for filing false income tax returns for the 2000 through 2004 tax years. The criminal indictment alleges, *inter alia*, the following:

- a. Aldridge created the aforementioned series of trusts as artifices to evade federal taxation. In that regard, Aldridge controlled the CMI, AFT, and LCG Trusts, while using income and property purportedly owned by the trusts for his own personal purposes.
- b. Moreover, all of the trusts Aldridge controlled received income, which they were required to report and pay tax. However, none of the trusts filed income tax returns for 2000 through 2004, inclusive.
- c. In addition, Aldridge failed to report or pay tax on any of the income he received from the CMI, AFT, and LCG Trusts during 2000 through 2004,

inclusive.

26. Thereafter, on May 4, 2007, James Aldridge, Jr., was convicted of filing false and fraudulent income tax returns which failed to report the income he received from these trusts during 2000 through 2004, inclusive. The mechanism of the complex-trust scheme Aldridge used, which was designed to fraudulently reduce his own income, is identical to trust scheme marketed and sold by CMI to his customers.

27. In addition, the United States has filed an injunction suit seeking to bar Raymond Renfrow from preparing income tax returns for others. *See United States v. Renfrow*, Case No. 07-117 (E.D. N.C. 2007).

28. Aldridge and others acting in concert with the CMI trust continue to promote the same tax-fraud schemes sold by NTS and TES, at CMI seminars that Aldridge has arranged nationwide in 2006 and 2007.

#### **Defendants' Fraudulent Trust Promotion**

29. From about 1994 through 2002 defendants sold a "Complex Trust System" package through their affiliation with NTS and TES. In 2002, NTS and TES were enjoined from marketing the scheme but Aldridge has continued to sell the complex trust package through CMI. Defendants also employed Raymond Renfrow as CMI income tax preparer. As part of their agreement, Renfrow prepared false returns based on the scheme promoted by Aldridge, CMI, NTS, and TES for CMI customers who have use the complex-trust scheme.

30. The typical "Complex Trust Package" sold by NTS, TES, and CMI calls for an individual to create a family trust, a business trust, and a private charitable trust, all of which are shams. NTS and TES representatives promoting this trust arrangement, including Aldridge,

advised customers to transfer their businesses into the business trust, and to transfer personal property into the family trusts.

31. In each instance, the trust instruments provided as part of the Complex Trust System names the individual customer as the grantor and trustee of the trusts. In many cases, Raymond Renfrow is named as the trustee of the trusts he has sold to customers of NTS, TES, and CMI.

32. The individual customer, as grantor or trustee, continues to have complete control over the assets that were purportedly transferred to the trusts. In addition, the customer who purchased the Complex Trust System is usually the signatory on the bank accounts opened in the various trusts' names, thereby giving the individual control over any funds purportedly belonging to the trusts.

33. As CMI's director, Aldridge advised customers to conduct their purported CMI businesses through the business trusts. Thereafter, Renfrow prepared business trust returns for customers based on this fraudulent method, which includes improper deductions for the customers cell phone use, CMI meeting fees, and the cost of the silver coins purchased from CMI as purported business expenses.

34. Next, Renfrow prepared trust tax returns that falsely purport to distribute the net income of the business trust to the customer's family trust in an attempt to prevent the business trust from incurring any federal income tax liability.

35. The Complex Trust System then calls for the customer, as the trustee of the family trust, to sign a resolution designating his or her personal residence as the "trust headquarters." Thereafter, under CMI's sham-trust scheme, the family trust improperly deducts

— as purported business expenses — all expenses associated with the maintenance and operation of the “trust headquarters.” These include the customer’s personal expenses such as insurance on the house, utilities, home repairs, and homeowner’s association fees.

36. The effect of complex-trust tax-fraud scheme is that participants live in the same residence and operate the same business as they did before participating in the program. Under the program, participants’ living expenses are paid from the participants’ earnings just as they were before creating the trusts. The trusts are shams because participants receive the full benefit of, and have full control over, all trust funds. The only substantive change in the participants’ regular business and lifestyle activities is the purported benefit of no taxation.

37. The trusts used by defendants’ customers are operated for the benefit of the owner, are devoid of economic substance and are shams for federal tax purposes. The program constitutes an improper assignment of income and a fraudulent transfer of assets.

38. For example, Aldridge advised a Raytown, Missouri customer on the use of his fraudulent trust scheme. As part of the scheme, that customer’s 2002-2003 income tax returns were subsequently prepared by Raymond Renfrow. In furtherance of the scheme, Renfrow prepared federal trust returns (Forms 1041) for the business trust that both reported income paid from CMI. On the business trust returns, Renfrow reported distributions of the net income to the family trust. On the Forms 1041 for the family trust for the same year, Renfrow deducted the Raytown, Missouri customer’s personal living expenses on the return, including expenses paid to maintain the trust “headquarters,” which was the customer’s home.

39. Both Renfrow and Aldridge knew or had reason to know this trust arrangement was a sham.

**Aldridge's Participation in the  
Concept Marketing International Tax-Fraud Scheme**

40. Aldridge is the president and trustee of the CMI business and trust. Since 2002, Aldridge has provided nationwide seminars promoting CMI's tax evasion scheme to potential customers.

41. At these seminars, Aldridge instructs customers on the use of a sham home-based business to deduct personal living expenses from the customer's taxable income, including among other things, groceries, furniture, clothing, housekeeping, utilities, and rent. Aldridge promotes a tax-fraud schemes that use multiple sham Schedule C businesses for the ostensible purpose of legal tax savings.

42. As part of the scheme, defendants sell to customers American Silver Eagle coins, and falsely advise customers that purchasing the coins from CMI constitutes a *bona fide* business for the participant.

43. Aldridge falsely advises customers that they can legally deduct the cost of the coins purchased from CMI as part of their fictitious business, even though CMI's promotional materials state that the coins are held for investment by the customers.

44. The non-deductible personal expenses Aldridge advises customer they can deduct as business expenses on their federal income tax returns include, *inter alia*, (1) the cost of the silver coins, which is falsely and fraudulently reported as "CMI association dues" on customers' income tax returns, (2) driving expenses, (3) the cost of attending CMI meetings, and (4) personal expenses related to the customers' homes.

45. The CMI businesses reported on customers' income tax returns are shams for federal income tax purposes. Aldridge's and CMI's customers' fictitious businesses are operated

for the sole purpose of falsely deducting personal expenses or the cost of purchasing CMI products as purported legitimate businesses. The only substantive change in the participants' regular business and lifestyle activities is the purported benefit of no taxation.

46. Thus far, the IRS has examined more than sixty false and fraudulent income tax returns Renfrow has prepared for CMI customers. All of the federal income tax returns examined by the IRS include expenses for "CMI association dues" on Schedule C forms. The purported "association dues" are, in fact, the cost of the American Eagle Coins that the CMI customers bought.

47. Not one of the federal income tax returns that Renfrow has prepared for CMI customers that has been examined by the IRS is accurate.

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

48. Aldridge knew the federal income tax returns Raymond Renfrow prepares for CMI customers fraudulently reduced their reported tax liabilities because Aldridge was convicted of filing false income tax returns for 2001-2005 based on returns he filed using the same scheme sold by defendants.

49. Aldridge knows or has reason to know the federal income tax returns prepared for CMI, NTS, and TES customers fraudulently reduced their reported income tax liabilities because he knows that Roderick Prescott and Samuel Fung were enjoined from selling the TES and NTS sham-trust schemes.

50. Aldridge knows or has reason to know that the CMI tax-fraud scheme is illegal.

51. Aldridge knows or has reason to know that trust misuse and preparer fraud scams are identified in the IRS's annual consumer alert of tax scams that taxpayers should avoid.

52. Aldridge is also aware that CMI customers have been the subject of IRS audits because the income tax returns they file based on his scheme are false and fraudulent.

### **Harm to the Public**

53. The tax-fraud schemes that Aldridge promotes and markets harm the government by fraudulently reducing customers' reported tax liabilities.

54. The Internal Revenue Service is harmed because it must dedicate scarce resources to detecting and examining inaccurate returns filed by defendant's customers, to preparing substitute returns for customers failing to file tax returns, and to attempting to recover unpaid taxes.

55. Thus far, the IRS has identified 993 federal individual income tax returns and fifty federal tax trust returns that CMI customers have filed, which the IRS estimated could result in a tax loss exceeding \$2,907,792.

56. The United States is also harmed because the IRS is forced to devote its limited resources to identifying defendant's customers and recovering any erroneous refunds that are issued. Given these limited resources, identifying and recovering all revenues lost from defendant's preparation of false and fraudulent returns may be impossible.

57. For CMI's and Aldridge's customers that the IRS has identified, the IRS must review and respond to correspondence, request that they file correct returns, assess penalties, and audit them to determine the correct tax liability. This effort is required for each return filed.

58. In addition to the harm caused by his preparation of tax returns that understate his customers' tax liabilities, CMI and Aldridge's activities undermine public confidence in the administration of the federal tax system and incite noncompliance with the internal revenue

laws.

59. Defendant's customers have been harmed because they have paid defendant fees to prepare tax returns that understate their correct federal income tax liabilities. Customers who receive erroneous refunds then must pay back the taxes plus interest. Regardless of whether the IRS issues a refund, customers may have to pay penalties and some customers could also face criminal prosecution.

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

61. Defendant's background and extensive involvement in these elaborate tax-fraud schemes indicate that the misconduct described in this complaint or other similar misconduct is likely to recur unless he is permanently enjoined.

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

62. The United States incorporates by reference the allegations in paragraphs 1 through 61.

63. I.R.C. § 7408 authorizes a court to enjoin persons engaging in any conduct subject to penalty under I.R.C. § 6701 from engaging in such conduct or any conduct subject to penalty under the Internal Revenue Code if the court finds that injunctive relief is appropriate to prevent the recurrence of such conduct.

64. Section 6700 imposes a penalty on any person who organizes or participates in the sale of a plan or arrangement and in so doing makes a statement with respect to the

allowability of any deduction or credit, the excludability of any income, or the securing of any tax benefit by participating in the plan or arrangement which that person knows or has reason to know is false or fraudulent as to any material matter.

65. I.R.C. § 6701 imposes a penalty on any person who prepares or assists in the preparation of a return, affidavit, or other document that the person knows or has reason to believe will be used in connection with any material matter arising under the internal revenue laws, and that the person knows would result in an understatement of tax liability.

66. Defendants prepare false and fraudulent individual and trust income tax returns, trust documents, individual income tax returns, and other documents that they file for their customers. Aldridge knows or has reason to believe, that these documents they prepared would be used in connection with material matters arising under the internal revenue laws.

67. Aldridge knows that the returns and other documents he prepares will result in understatements of his customers' tax liabilities because he knowingly deducts his customers' personal expenses on trust returns, false and fraudulently deducts the cost of coins purchased as part of his customers fictitious businesses, and prepares other documents that inflate expenses report on his customers' federal income tax returns.

68. Aldridge sells and organizes tax-fraud schemes that falsely promised tax benefits to customers.

69. Aldridge knew or had reason to know that these statements were false or fraudulent statements within the meaning of 26 U.S.C. § 6700.

70. If they are not enjoined, defendants are likely to continue to organize and sell tax-fraud schemes.

**Count II: Injunction under I.R.C. § 7402(a) for unlawful interference with the enforcement of the internal revenue laws**

71. The United States incorporates by reference the allegations of paragraphs 1 through 70.

72. Section 7402 of the Internal Revenue Code authorizes a court to issue orders of injunction as may be necessary or appropriate for the enforcement of the internal revenue laws.

73. Aldridge, through his actions as described above, have engaged in conduct that substantially interferes with the enforcement of the internal revenue laws.

74. The federal income tax returns and other documents Aldridge has prepared for customers improperly and illegally understated their customers' federal income tax liabilities.

75. If Aldridge is not enjoined from engaging in fraudulent and deceptive conduct, such as preparing false or fraudulent tax returns, the United States will suffer irreparable injury from revenue losses caused by him.

76. While the United States will suffer irreparable injury if Aldridge is not enjoined, he will not be harmed by being compelled to obey the law.

77. The public interest would be advanced by enjoining defendants because an injunction, backed by the Court's contempt powers if needed, will stop their illegal conduct and the harm the conduct is causing to the United States Treasury.

78. If Aldridge is not enjoined, they are likely to continue to interfere with the enforcement of the internal revenue laws.

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

A. That the Court find that James E. Aldridge, Jr., through the Concept Marketing International Trust, has engaged in conduct subject to penalty under I.R.C. §§ 6700 and 6701

and that injunctive relief under I.R.C. § 7408 is appropriate to prevent a recurrence of that conduct;

B. That the Court find that James E. Aldridge, Jr., has engaged in conduct that interferes with the enforcement of the internal revenue laws, and that injunctive relief is appropriate to prevent the recurrence of that conduct pursuant to the Court's inherent equity powers and IRC § 7402(a);

C. That the Court, pursuant to IRC §§ 7402(a), and 7408, enter a permanent injunction prohibiting James E. Aldridge, Jr., and the Concept Marketing International Trust and all those in active concert or participation with them from:

- (1) Engaging in activity subject to penalty under IRC § 6701, including preparing or assisting in the preparation of a document related to a matter material to the internal revenue laws that includes a position that he knows would result in an understatement of another person's tax liability;
- (2) Organizing, promoting, marketing, or selling any tax shelter, plan or arrangement that advises or assists customers to attempt to violate the internal revenue laws or unlawfully evade the assessment or collection of their federal tax liabilities, including by means of complex trusts programs;
- (3) Representing that customers may continue to control and receive beneficial enjoyment from assets irrevocably transferred to a trust without regard to the grantor trust rules of IRC §§ 673 through 677;
- (4) Representing that customers' personal residences can be transferred to a trust for the purpose of claiming personal expenses in order to reduce their federal tax liability;
- (5) Representing that the purchasing of American Silver Coins is a deductible business expense; and
- (6) Engaging in any other conduct subject to any penalty under the Internal Revenue Code or any conduct that interferes with the administration and enforcement of the internal revenue laws.

D. That this Court, pursuant to I.R.C. § 7402(a), order defendants and their representatives, agents, servants, employees, attorneys, and those persons in active concert or participation with them to remove from CMI's websites, located at <http://www.conceptmarketinginternational.com/>, and those websites over which Aldridge has control all tax-fraud scheme promotional materials, false commercial speech regarding the internal revenue laws, and speech likely to incite others imminently to violate of the internal revenue laws; to display prominently on the first page of those websites a complete copy of the permanent injunction; and to maintain those websites for one year with a complete copy of the Court's permanent injunction so displayed throughout that time;

E. That this Court, pursuant to I.R.C. § 7402(a) and the Court's inherent equitable powers, order Aldridge to complete the requirements of paragraph D, *supra*, within 11 days of the permanent injunction and file a certification of compliance with those requirements within 12 days of the permanent injunction;

F. That the Court retain jurisdiction over James E. Aldridge and the CMI Trust, and over this action for the purpose of enforcing any permanent injunction entered against defendants;

G. That the United States be entitled to conduct discovery for the purpose of monitoring defendants' compliance with the terms of any permanent injunction entered against them; and

H. That this Court grant the United States such other and further relief, including costs, as is just and equitable.

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