

## **EXHIBIT 7**

Documents representing the attacks on Peter Hendrickson throughout the period during which Peter and Doreen Hendrickson's refund claims were examined, processed and issued. These include:

- The letter by IRS agent Heidi Beukema threatening an injunction effort;
- The first pages of the accompanying summons, which make clear that the effort is directed against Peter Hendrickson's first book, 'Cracking the Code- The Fascinating Truth About taxation In America' (a print-out of Hendrickson's web-site from the week the book was announced to the public also accompanied Beukema's letter);
- An additional summons served on the company for which Hendrickson worked demanding payroll records (notably, these records were provided to the government long before it issued the Hendricksons' refund of amounts withheld during 2003, which Robert Metcalfe falsely declared to have been made by an IRS all unaware that Peter Hendrickson had been paid money that year in both his lawsuit complaint and as a “found fact” in the 'Amended Judgment and Order of Permanent Injunction' he wrote);
- A government-requested dismissal of an “order to show cause” action related to the initial summons to Peter Hendrickson;
- Additional summonses issued as part of the overall effort against Mr. Hendrickson and his book;
- Two pages of a government memorandum of law filed in one of these matters-- the first to identify the document, and the second to show that the government's stated purpose in these actions continued to be “to determine if [Hendrickson] can be enjoined”;
- Dismissals, on government motions, of all actions (in regard to which Hendrickson graciously agreed to waive his claims for costs).

Internal Revenue Service  
Area Director

Treasury Department  
Internal Revenue Service  
678 Front NW  
Grand Rapids, MI 49504

Date: 2-18-04

Examiner: Ms. H. Beukema  
38-00949  
Telephone Number: 616-235-1749

Peter Hendrickson  
232 Oriole Rd.  
Commerce TWP, MI 48382

Refer Reply To: HB:1061

Date & Time of Examination:  
10:00 AM  
Place of Appointment:  
Internal Revenue Service  
38275 West 12 Mile Rd. Suite 200  
Farmington Hills, MI 48331-3041

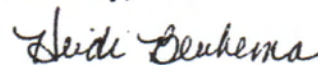
Dear Mr. Hendrickson,

We have reviewed certain materials with respect to your tax shelter promotion. We are considering possible action under Section 6700 and 7408 of the Internal Revenue Code relating to penalties and an injunction action for promoting abusive tax shelters. In addition, we plan to consider issuing "pre-filing notification" letters to the investors who have invested in this promotion.

You are requested to meet with the examiner at the above date, time and location. Enclosed is a list of documents, books and records that you should have available and questions you should be prepared to reply to at that time.

If we conclude that penalties, injunction, and/or "pre-filing notification" action is appropriate, you will be afforded an opportunity to present any facts or legal arguments that you feel indicate that such action should not be taken.

Sincerely,



Heidi Beukema  
Revenue Agent

Enclosures:  
Form 4564  
Letter 3164

Letter 1844 (9-83)



# Summons

In the matter of Peter Hendrickson

Internal Revenue Service (Division): Small Business/Self Employed

Industry/Area (name or number): Compliance Area 6

Periods: Calendar years ended 2000, 2001, and 2002

## The Commissioner of Internal Revenue

To: Peter Hendrickson

At: 232 Oriole Rd., Commerce Twp., Michigan 48382

You are hereby summoned and required to appear before Heidi Beukema 38-00949 or her designee an officer of the Internal Revenue Service, to give testimony and to bring with you and to produce for examination the following books, records, papers, and other data relating to the tax liability or the collection of the tax liability or for the purpose of inquiring into any offense connected with the administration or enforcement of the internal revenue laws concerning the person identified above for the periods shown.

Please see attached information document request.

### Attestation

I hereby certify that I have examined and compared this copy of the summons with the original and that it is a true and correct copy of the original.

Heidi Beukema Revenue Agent  
Signature of IRS officer serving the summons Title

### Business address and telephone number of IRS officer before whom you are to appear:

Suite 200, 678 Front NW, Grand Rapids, Michigan 49504

Place and time for appearance at 38275 West 12 Mile Rd., Suite 200, Farmington Hills, MI 48331-3041



on the 19th day of March, 2004 at 10:00 o'clock A m.

Issued under authority of the Internal Revenue Code this 2nd day of March, 2004

Department of the Treasury  
Internal Revenue Service

[www.irs.gov](http://www.irs.gov)

Form 2039 (Rev. 12-2001)  
Catalog Number 21405J

Heidi Beukema Revenue Agent  
Signature of issuing officer Title  
Nancy M. Feld Supervisory Revenue Agent  
Signature of approving officer (if applicable) Title

Part A - to be given to person summoned

<b>Form 4564</b>	Department of the Treasury Internal Revenue Service Department Information Document Request	Request Number 1.
To: Peter Hendrickson 232 Oriole Rd.  Commerce Twp., MI 48382	Subject: Promoter Investigation Submitted to:  Dates of Previous Requests:	

**Description of Documents Requested:**

For purposes of this IDR, the term promotion means the activity or sale of tax materials used in the preparation of returns, setting up trusts, or discussions of the constitutionality of income tax, including all activity with respect to items advertised on the website of Lost Horizons, a copy of which is attached hereto.

(The only thing advertised on the Lost Horizons website at the time was "Cracking the Code - The Fascinating Truth About Taxation in America" (P.A.))

- Power of attorney, if you wish to have a representative work with me during the examination. The authorization must be accompanied by evidence of the authority of the person(s) who appoints the representative.
- List of all clients from every year in which you sold or advertised this promotion.
- Copies of any promotion material, including prospectus, brochures, seminar material, schedule of seminars offered, etc. used to describe, promote and sell this promotion.
- All minutes of any promotion entity from inception to the present, including records regarding the appointment and/or resignations/terminations of any entity official, records of all assets transferred into any entity, and all records regarding the ownership of all shares of beneficial interest in any entity.
- Identification of all former and current entity officials from inception of the promotion to the present. Identification to include name, address and telephone number, both business and personal.
- Listing of all owners of any promotion entity to include name, address, and Social Security Number or Employer Identification Number.
- Bank statements, deposit slips, debit/credit memos and cancelled checks for all promotion entity accounts, U.S. and foreign, checking and savings, for the period December 1, 1999 through January 31, 2004.
- All accounting books and records for each promotion entity from January 1, 2000 through December 31, 2003. Records to include, but not limited to check registers, disbursements journals, receipts journals, general ledger, and other workpapers used in the preparation of the tax return(s) and financial statement(s).

Information Due By \_\_\_\_\_ At Next Appointment  Mail In

FROM	Name and Title of Requestor Heidi Beukema Internal Revenue Agent (ID# 38-00949)	Date: 2-18-04
	Office Location: 678 Front NW Grand Rapids, MI 49504	Phone: Voice 616-235-1749



# Summons

In the matter of Peter Hendrickson, 232 Oriole Rd., Commerce Twp., Michigan 48382

Internal Revenue Service (Division): Small Business/Self Employed

Industry/Area (name or number): Compliance Area 6

Periods: Calendar Years ended 2000, 2001, 2002 and 2003

## The Commissioner of Internal Revenue

To: Personnel Management Inc.

At: STE 100 30057 Orchard Lake Rd., Farmington Hills, Michigan 48334

You are hereby summoned and required to appear before Heidi Beukema 39-00949 or her designee an officer of the Internal Revenue Service, to give testimony and to bring with you and to produce for examination the following books, records, papers, and other data relating to the tax liability or the collection of the tax liability or for the purpose of inquiring into any offense connected with the administration or enforcement of the internal revenue laws concerning the person identified above for the periods shown.

Please provide all payroll records relating to the above named individual including but not limited to W-2s, W-4s, copies of all cancelled checks (front and back) issued to Peter Hendrickson for the years 2000, 2001, 2002, and 2003.

Do not write in this space

### Business address and telephone number of IRS officer before whom you are to appear:

Suite 200, 678 Front NW, Grand Rapids, Michigan 49504

Place and time for appearance at response by mail is sufficient



on the 24th day of May, 2004 at 9:00 o'clock A m.  
Issued under authority of the Internal Revenue Code this 26th day of April, 2004

Department of the Treasury  
Internal Revenue Service

[www.irs.gov](http://www.irs.gov)

Form 2039 (Rev. 12-2001)  
Catalog Number 21405J

Heidi Beukema  
Signature of issuing officer  
Monney M. Felda  
Signature of approving officer (if applicable)

Revenue Agent

Title

Supervisory Revenue Agent

Title

Part C — to be given to noticee

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF MICHIGAN  
SOUTHERN DIVISION

**FILED**  
JUL 8 - 2004  
CLERK'S OFFICE  
U. S. DISTRICT COURT  
EASTERN MICHIGAN

UNITED STATES OF AMERICA,

Petitioner,

CIVIL NO. 04-X-72323

-vs-

HONORABLE VICTORIA A. ROBERTS

PETER HENDRICKSON,

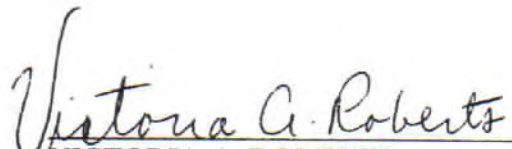
Respondent.

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**ORDER OF VOLUNTARY DISMISSAL**  
**WITHOUT PREJUDICE OF PETITION TO ENFORCE**  
**AND ORDER DISMISSING ORDER TO SHOW CAUSE**

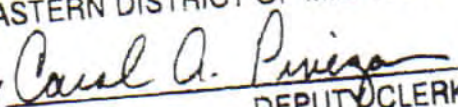
The Petitioner, the United States of America, having filed a Notice of Voluntary Dismissal without prejudice, pursuant to Federal Rule of Civil Procedure 41;

IT IS HEREBY ORDERED, that this Court's Order to Show Cause issued on June 23, 2004, is dismissed. The hearing scheduled for August 23, 2004, at 3:30 p.m. pursuant to this Order to Show Cause is cancelled.

  
VICTORIA A. ROBERTS  
United States District Judge  
Eastern District of Michigan

Date: \_\_\_\_\_

**JUL - 8 2004**

**A TRUE COPY**  
CLERK, U.S. DISTRICT COURT  
EASTERN DISTRICT OF MICHIGAN  
BY   
DEPUTY CLERK



# Summons

In the matter of Peter Hendrickson, 232 Oriole Rd., Commerce Twp., Michigan 48382

Internal Revenue Service (Division): Small Business/Self Employed

Industry/Area (name or number): Compliance Area 6

Periods: Calendar Years ended 2000, 2001, 2002, 2003 and 2004

## The Commissioner of Internal Revenue

To: Standard Federal Bank Attention: Swan Jones

At: 2600 West Big Beaver Rd. Troy, MI 48084

You are hereby summoned and required to appear before Heidi Beukema 38-00949 or her designee an officer of the Internal Revenue Service, to give testimony and to bring with you and to produce for examination the following books, records, papers, and other data relating to the tax liability or the collection of the tax liability or for the purpose of inquiring into any offense connected with the administration or enforcement of the internal revenue laws concerning the person identified above for the periods shown.

1. Signature cards for all accounts issued in the name of Peter Hendrickson or Lost Horizons, Inc. for the calendar years 2000, 2001, 2002, 2003 and 2004.
2. Deposited items and credit memos credited to the accounts of Peter Hendrickson or Lost Horizons, Inc for the calendar years 2000, 2001, 2002, 2003, and 2004.
3. Cancelled checks and debit memos charged to the accounts of Peter Hendrickson or Lost Horizons, Inc. during the calendar years 2000, 2001, 2002, 2003, and 2004.
4. Financial statements or loan applications submitted by Peter Hendrickson or Lost Horizons, Inc. during the calendar years 2000, 2001, 2002, 2003 and 2004.
5. Wire transfers in and wire transfers out of the accounts of Peter Hendrickson and Lost Horizons, Inc. during the calendar years 2000, 2001, 2002, 2003 and 2004.
6. Bank statements for all accounts issued in the name of Peter Hendrickson or Lost Horizons, Inc. during the calendar years 2000, 2001, 2002, 2003, and 2004.

Please contact the issuing officer immediately at (616)235-1749 if you expect the cost of complying with this summons to exceed \$500 using the statutory reimbursement rates.

**Do not write in this space**

**Business address and telephone number of IRS officer before whom you are to appear:**

Suite 200, 678 Front NW, Grand Rapids, Michigan 49504

**Place and time for appearance at** response by mail is sufficient



on the 30th day of August, 2004 at 9:00 o'clock A m.

Issued under authority of the Internal Revenue Code this 27th <sup>(year)</sup> day of July, 2004 <sup>(year)</sup>

Department of the Treasury  
Internal Revenue Service

[www.irs.gov](http://www.irs.gov)

Form 2039 (Rev. 12-2001)  
Catalog Number 21405J

Heidi Beukema

Signature of issuing officer

Revenue Agent

Title

Shawna Robertson

Signature of approving officer (if applicable)

Supervisory Revenue Agent

Title

**Part C — to be given to noticee**



# Summons

In the matter of Peter Hendrickson, 232 Oriole Rd., Commerce Twp., Michigan 48382

Internal Revenue Service (Division): Small Business/Self Employed

Industry/Area (name or number): Compliance Area 6

Periods: Calendar Years ended 2000, 2001, 2002, 2003 and 2004

## The Commissioner of Internal Revenue

To: Paypal Attn: Fraud Investigation Team

At: 2211 North 1st St., San Jose, California 95131

You are hereby summoned and required to appear before Heidi Beukema 38-00949 or her designee an officer of the Internal Revenue Service, to give testimony and to bring with you and to produce for examination the following books, records, papers, and other data relating to the tax liability or the collection of the tax liability or for the purpose of inquiring into any offense connected with the administration or enforcement of the internal revenue laws concerning the person identified above for the periods shown.

Please see attachment

Do not write in this space

### Business address and telephone number of IRS officer before whom you are to appear:

Suite 200, 678 Front NW, Grand Rapids, Michigan 49504

Place and time for appearance at response by mail is sufficient



on the 30th day of August, 2004 at 9:00 o'clock A m.  
Issued under authority of the Internal Revenue Code this 27th <sup>(year)</sup> day of July, 2004 <sub>(year)</sub>

Department of the Treasury  
Internal Revenue Service

[www.irs.gov](http://www.irs.gov)

Form 2039 (Rev. 12-2001)  
Catalog Number 21405J

*Heidi Beukema*  
Signature of issuing officer

*Shaunta Roberts*  
Signature of approving officer (if applicable)

Revenue Agent

Title

Supervisory Revenue Agent

Title

Part C — to be given to noticee





# Summons

In the matter of Peter Hendrickson, 232 Oriole Rd., Commerce Twp., Michigan 48382

Internal Revenue Service (Division): Small Business/Self Employed

Industry/Area (name or number): Compliance Area 6

Periods: Calendar Years ended 2000, 2001, 2002, 2003, and 2004

## The Commissioner of Internal Revenue

To: Paypal Attn: Fraud Investigation Team

At: 2211 North 1st St., San Jose, California 95131

You are hereby summoned and required to appear before Heidi Beukema 38-00949 or her designee an officer of the Internal Revenue Service, to give testimony and to bring with you and to produce for examination the following books, records, papers, and other data relating to the tax liability or the collection of the tax liability or for the purpose of inquiring into any offense connected with the administration or enforcement of the internal revenue laws concerning the person identified above for the periods shown.

Please see attachment

Do not write in this space

### Business address and telephone number of IRS officer before whom you are to appear:

Suite 200, 678 Front NW, Grand Rapids, Michigan 49504

Place and time for appearance at response by mail is sufficient



on the 10th day of September, 2004 at 9:00 o'clock A m.

Issued under authority of the Internal Revenue Code this 17th <sup>(year)</sup> day of August, 2004 <sup>(year)</sup>

Department of the Treasury  
Internal Revenue Service

[www.irs.gov](http://www.irs.gov)

Form 2039 (Rev. 12-2001)  
Catalog Number 21405J

Paula S. Cooperman  
Signature of issuing officer

Shaunta D. Robertson  
Signature of approving officer (if applicable)

Revenue Agent

Title

Supervisory Revenue Agent

Title

Part C — to be given to noticee

1 KEVIN V. RYAN  
UNITED STATES ATTORNEY

2 GREGORY E. VAN HOEY  
3 TRIAL ATTORNEY, TAX DIVISION  
4 UNITED STATES DEPARTMENT OF JUSTICE  
5 Post Office Box 7238, Ben Franklin Station  
6 Washington, D.C. 20044  
Maryland Bar  
Telephone: (202) 307-6391  
Fax: (202) 514-6770

7 Attorneys for Respondent United States of America

8  
9 IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA  
10 SAN FRANCISCO DIVISION

11 PETER HENDRICKSON,

Petitioner,

v.

14 UNITED STATES OF AMERICA,

Respondent.

No. 5:04-MC-07023-MMC-JCS

16 MEMORANDUM OF LAW IN OPPOSITION TO PETITION TO QUASH SUMMONS

17  
18 The United States of America submits this memorandum of law in opposition to the petition to  
19 quash an IRS summons issued to PayPal, Inc., seeking records related to Peter Hendrickson.<sup>1</sup>  
20 Hendrickson primarily opposes enforcement on First Amendment grounds. Because the government has  
21 met the requirements for summons enforcement under *Powell* and because investigating Hendrickson's  
22 potential promotion of abusive tax arrangements does not impinge upon any protected First Amendment  
23 rights, the Court should deny the petition to quash.

24  
25  
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<sup>1</sup> On July 27, 2004, the Internal Revenue Service issued a summons to PayPal, Inc., pursuant to  
27 26 U.S.C. (I.R.C.) § 7602. Petitioner moved to quash that summons in action 3:04-MC-00177-  
28 MMC based, in part, on alleged deficiencies in the notice sent to petitioner. On August 17, 2004,  
the IRS withdrew and reissued the summons. Petitioner now moves to quash the second  
summons.

1 pursuant to I.R.C. § 7602 to obtain information regarding the petitioner's accounts as part of an  
2 investigation of a potential abusive tax arrangement.<sup>23</sup> The investigating revenue agent stated in her  
3 declaration that the records were needed to determine the nature and extent of the customers' respective  
4 deposits and withdrawals and to identify other customers of the potential scheme.<sup>24</sup> She stated further that  
5 the records would help determine whether the petitioner and others were liable for penalties under I.R.C.  
6 §§ 6700 and 6701.<sup>25</sup>

7 The court ruled in favor of the government and denied the petition to quash the summons.<sup>26</sup> With  
8 respect to the constitutional argument, the court held that the First Amendment defense lacked merit  
9 because the IRS had issued the summons for a permissible use, namely, to acquire information to determine  
10 whether the petitioner was liable under Sections 6700 and 6701.<sup>27</sup> The court refused to determine that the  
11 IRS issued the summons for the impermissible use of deterring the petitioner from exercising his First  
12 Amendment right to criticize or protest against the government.<sup>28</sup>

13 As in *Steinhardt*, the IRS in this case issued the summons as part of a legitimate investigation: to  
14 determine whether petitioner is liable for civil penalties under I.R.C. § 6700 and whether petitioner can be  
15 enjoined under I.R.C. § 7408 for such violations. The IRS did not issue the summons to regulate or  
16 suppress petitioner's activities. Because the IRS seeks the requested information from PayPal as part of  
17 its investigation, petitioner's First Amendment argument is not relevant and cannot be used to quash the  
18 summons served upon PayPal.

19  
20  
21 <sup>23</sup> 326 F. Supp. 2d 1113, 1116 (C.D. Cal. 2003). A First Amendment argument was also  
22 rejected in two companion cases related to the same § 6700 investigation: *Strough v. United*  
*States*, 326 F. Supp. 2d 1118 (C.D. Cal. 2003) and *Hargis v. United States*, No. SACV 03-  
1146 DOC (ANX), 2003 WL 23654056 (C.D. Cal. Dec. 21, 2003).

23 <sup>24</sup> *Id.* at 1117.

24 <sup>25</sup> *Id.*

25 <sup>26</sup> *Id.* at 1114.

26 <sup>27</sup> *Id.* at 1118.

27 <sup>28</sup> *Id.*

1 IN THE UNITED STATES DISTRICT COURT  
 2 FOR THE NORTHERN DISTRICT OF CALIFORNIA  
 3 SAN FRANCISCO DIVISION

4 PETER HENDRICKSON,

5 Petitioner,

6 v.

No. 5:04-MC-07<sup>32</sup>003-MMC (JCS)


7 UNITED STATES OF AMERICA,

8 Respondent.

9 STIPULATION OF DISMISSAL

10 Pursuant to Federal Rule of Civil Procedure 41(a)(1)(ii), all parties involved in this action stipulate  
 11 to its dismissal. The United States has withdrawn the summons issued to PayPal on August 17, 2004.  
 12 The United States, by copy of this stipulation, advises PayPal that the summons has been withdrawn.

13 All parties agree to bear their own costs.

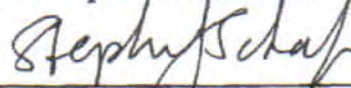
14  
 15 

16 MICHAEL E. ROSMAN  
 17 Center for Individual Rights  
 18 1233 20th Street, NW, Suite 300  
 19 Washington, DC 20036  
 Telephone: (202) 833-8400  
 Fax: (202) 833-8410

20 Attorney for Petitioner

21 KEVIN V. RYAN  
 United States Attorney

22 GREGORY E. VAN HOEBY  
 Trial Attorney, Tax Division  
 U.S. Department of Justice

23 

24 STEPHEN J. SCHAEFFER  
 Trial Attorney, Tax Division  
 U.S. Department of Justice  
 Post Office Box 7238, Ben Franklin Station  
 Washington, DC 20044  
 Missouri Bar #56833  
 Telephone: (202) 307-2240  
 Fax: (202) 514-6770  
 E-mail: stephen.j.schaeffer@usdoj.gov

25 Attorneys for Respondent

26  
 27  
 28

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA  
SAN FRANCISCO DIVISION

PETER HENDRICKSON,

Petitioner,

v.

UNITED STATES OF AMERICA,

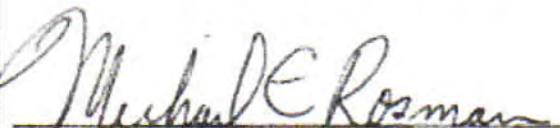
Respondent.

No. 3:04-MC-00177-MMC (JCS)

STIPULATION OF DISMISSAL

Pursuant to Federal Rule of Civil Procedure 41(a)(1)(ii), all parties involved in this action stipulate to its dismissal. This action sought to quash a summons issued by the IRS on July 27, 2004. The IRS withdrew the summons and reissued a similar summons on August 17, 2004. Petitioner sought to quash the second summons in the related case to this action, 5:04-MC-07023-MMC (JCS). The United States has determined to also withdraw this second summons.

All parties agree to bear their own costs.

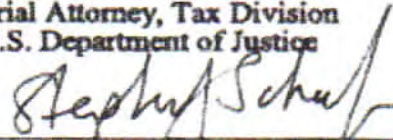


**MICHAEL E. ROSMAN**  
Center for Individual Rights  
1233 20th Street, NW, Suite 300  
Washington, DC 20036  
Telephone: (202) 833-8400  
Fax: (202) 833-8410

Attorney for Petitioner

**KEVIN V. RYAN**  
United States Attorney

**GREGORY B. VAN HOEY**  
Trial Attorney, Tax Division  
U.S. Department of Justice



**STEPHEN J. SCHAEFFER**  
Trial Attorney, Tax Division  
U.S. Department of Justice  
Post Office Box 7238, Ben Franklin Station  
Washington, DC 20044  
Missouri Bar #56833  
Telephone: (202) 307-2240  
Fax: (202) 514-6770  
E-mail: stephen.j.schaeffer@usdoj.gov

Attorneys for Respondent

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF MICHIGAN  
SOUTHERN DIVISION

UNITED STATES OF AMERICA,	)	
	)	
Petitioner,	)	
	)	
v.	)	Case No. 2:04-x-73591-NGE
	)	
PETER HENDRICKSON,	)	
	)	
Respondent.	)	

STIPULATION OF DISMISSAL

Pursuant to Federal Rule of Civil Procedure 41(a)(1)(ii), all parties involved in this action stipulate to its dismissal. The United States has withdrawn the summons issued to Respondent on March 2, 2004.

All parties agree to bear their own costs.

CRAIG S. MORFORD  
United States Attorney

GREGORY E. VAN HOEY  
Tax Division, United States Department of Justice

s/ STEPHEN J. SCHAEFFER  
Tax Division, United States Department of Justice  
Post Office Box 7238, Ben Franklin Station  
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Missouri Bar #56833

Attorneys for Petitioner

s/ MICHAEL E. ROSMAN  
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Attorneys for Respondent