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7 **IN THE UNITED STATES DISTRICT COURT**
 8 **DISTRICT OF ARIZONA**

7 UNITED STATES OF AMERICA, 8 Plaintiffs, 9 vs. 10 JOSEPH J. LIPARI, EILEEN H. LIPARI 11 and EXETER TRINITY PROPERTIES, 12 L.L.C., Defendants.	No. 3:10-CV-08142 JWS STATEMENT OF FACTS IN SUPPORT OF CROSS-MOTION FOR SUMMARY JUDGMENT BY DEFENDANT EXETER TRINITY PROPERTIES, LLC Honorable John W. Sedwick
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13 The Defendant Exeter Trinity Properties, LLC [Exeter], submits the following
 14 material facts in support of its Cross-Motion for Summary Judgment and in Opposition to the
 15 Plaintiff's Motion for Summary Judgment.

16 1. The Liparis created the Ponderosa Trust on May 14, 1992. (See Exhibit 1
 17 attached hereto.)

18 2. The trust agreement (Exhibit 1) contained no clauses for modification or
 19 revocation and the Liparis believed it was irrevocable. (See the deposition of Eileen Lipari at
 20 **82:13**, "I thought it was irrevocable." See also **73:20 - 74:8**. Mrs. Lipari's deposition, text
 21 only, is Exhibit 2 attached hereto.) (Note: in his own deposition at **9:5-8**, Joseph Lipari
 22 ratified his wife's testimony in her deposition. Dr. Lipari's deposition is attached hereto as
 23 Exhibit 3. Dr. Lipari's Affidavit, dated 12/28/11, is attached as Exhibit 10.)

24 3. The Liparis transferred the Cottonwood property to the Ponderosa Trust on
 25 May 14, 1992. (See Exhibit 4 attached hereto.) That transfer did not render them insolvent,
 26 cause them to be unable to pay their current or future debts, nor had they been sued. See
 Exhibit 10, in which Dr. Lipari denies all the badges of fraud in A.R.S. § 10-1004.)

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1 4. Each of the Liparis gave a different reason for putting the property in trust:
2 Dr. Lipari said a trust would protect it from his daughter (see his depo at **4:23-5:4** and **16:8-**
3 **12**); Mrs. Lipari wanted to use the trust as a vehicle to give the property to charity after their
4 deaths (she her depo at **51:22-54:14**; **67:15-19** and **87:6-13**). Dr. Lipari also alluded to the
5 protection from creditors that can be provided by a trust. (See his depo at **9:17-19**.) (See also
6 Exhibit 10, p. 1, ¶ 3; p. 2, 2nd par. from the bottom and p. 3, ¶ 1)

7 5. At the direction of Mr. Chisum, the Cottonwood property was transferred
8 from the Ponderosa Trust to Exeter Trinity Properties, LLC, on September 1, 1999. The deed
9 from Ponderosa Trust to Exeter is attached as Exhibit 5. (See also depo of Eileen Lipari,
10 **68:25 - 71:3**) Exeter intends to pay the net proceeds from the future sale of the property to
11 charity. (See Elmer Vild depo, at **42:5 - 43:7**, which is an Exhibit to Plaintiff's Statement of
12 Facts .)

13 6. Pursuant to the Ponderosa trust agreement (see Exhibit 1), the trustee could
14 permit the Liparis to occupy the property, but they would have to pay for the “[m]aintenance
15 and protection of the premises while in possession authorized by the Trustee.” (Exhibit 1,
16 Sec. H on p. 3.) The Ponderosa trustee, and later Exeter Trinity Properties, LLC, did permit
17 the Liparis to live in the Cottonwood property so long as they maintained and protected the
18 property. (See Eileen Lipari depo at **57:22-23** and **87:13 - 88:1**) The Liparis considered this
19 a rental agreement. (See Exhibit 10, p. 2, 1st full par.) The Liparis ran Joseph's chiropractic
20 practice and Eileen's business called Hunter King, LLC, out of the Cottonwood property.
21 (See Eileen Lipari depo at **10:16-18**; **12:19 - 13:10** and **26:11-20**)

22 7. The Liparis believed that they lost all interest in the Cottonwood property
23 after it was put in trust, and they still believe they have no interest in it. (See Joseph Lipari
24 depo at **9:9-19** ["And when you sign these things over, they're not yours anymore.
25 And when we did that, that's the intention that we had when we did it, was to sign everything
26 over."]; **10:21-22** ["I assumed that when we put it into trust, that it wasn't ours anymore."];

1 **12:6-10; 13:7-15** ["But I---I-- to be honest with you, I don't know that I own the house."] and
2 **16:5-12**. See Eileen Lipari depo at **52:22 - 53:8** ["Q. . . did you have any qualms about
3 giving away \$90,000 of equity? A. I didn't think about it. I thought we were giving it to
4 charity."]; **67:15 - 67:19** ["Q. So to this day you still believe that house, the Cottonwood
5 residence, is yours? A. Well, I believe it belongs to charity, but I don't care anymore. It's not mine,
6 not anymore."]; **73:20 - 74:1; 87:6 - 87:13** and **89:25 - 90:14** ["Q. Did he say, when you had
7 that discussion [about the IRS lien], did he [Mr. O'Neil] say hey, you don't own this property, this
8 property belongs to somebody else? A. Yes. Q. Who did he say it belonged to? A. Exeter Trinity
9 Properties. We are not beneficiaries, we have no beneficiary rights. And we had no control over it,
10 they could have done what they wanted with it."] (See also Exhibit 10, p. 3, ¶¶ 2-3)

11 8. The Liparis confirmed their belief they had no interest in, or control over, the
12 Cottonwood property when the Trustee of Exeter Trinity Properties, LLC, served them with
13 documents to "evict" them and the Liparis moved out voluntarily on about November 9, 2007.
14 (See Eileen Lipari depo at **98:16 - 98:19; 100:8-11; 100:24 - 101:9** and **104:6-15**. See also
15 the Notice to Vacate documents attached hereto as Exhibit 6.)

16 9. If the house is sold, neither of the Liparis expects the proceeds to be used for
17 their benefit, nor to be applied to their taxes. (See Joseph Lipari depo at **13:7-21** and Eileen
18 Lipari depo at **90:23 - 91:1** and **91:12-25**)

19 10. The Liparis timely filed their 1993 income tax returns. This is derived from
20 the chart on page 13 of the Plaintiff's Statement of Facts in which late filing penalties are
21 noted for all listed returns, except 1993. The Liparis also contested their 1993 taxes in Tax
22 Court. *Lipari v. Commissioner*, 2000WL 1227130 (Tax Ct. 2000). It was not until the 1994
23 return, due on April 15, 1995, that the Liparis failed to timely file a tax return. (See the chart
24 on page 15 of the Plaintiff's Statement of Facts.)

25 11. The Liparis' primary financial advisor was Mr. Chisum, and each testified
26 that they did "everything" he told them to do. All of their financial matters were either

1 handled by Mr. Chisum or were done at his direction, including check writing and preparation
2 of tax returns. (See Joseph Lipari depo at **8:6 - 8:14**; **12:6 - 12:10** and **15:3-15** and Eileen
3 Lipari depo at **13:11-12**; **24:24 - 25:7**; **55:2 - 56:2**; **93:11 - 94:13**; **109:2-18** and **39:1 -**
4 **40:22**) Matters affecting the Cottonwood property were controlled by Donna Chisum, as
5 trustee of the Ponderosa Trust. (Exhibit 10 at p .2, 1st full par.) (Note: Mrs. Lipari made a
6 correction in her depo regarding use of Mr. Chisum's signature stamp at **97:21 - 98:8**) (Note:
7 after Mr. Chisum went to prison the Liparis lost faith in him and Mrs. Lipari decided to file
8 the past due tax returns, see her depo at **86:6-9**. See also **66:12-14**, wherein she states, in
9 retrospect, that Mr. Chisum had intended to take her house from her.)

10 12. At the direction of Mr. Chisum the Liparis paid their income into entities he
11 created for them and the Liparis' expenses were paid from the accounts held by those entities.
12 (See Eileen Lipari depo at **8:24 - 9:17**; **17:1 - 18:9**; **27:22 - 28:7**; **29:7-11**; **35:18 - 36:6**;
13 **37:7-23**; **38:13-19**; **93:15 - 94:4**; **121:11 - 123:7** and **125:3-12**) Because their expenses
14 were paid from their income, they believed they could deduct those expenses on their
15 individual returns. (See Eileen Lipari depo at **18:10-12**) However, none of the income from
16 Dr. Lipari's practice or from Hunter King, LLC, ever went into an Exeter account. (See
17 Eileen Lipari depo at **44:10-13**)

18 13. The Liparis' individual income tax returns are not available for 1993.
19 However, the returns for years 1994 - 2007 were attached as exhibits to the deposition of
20 Eileen Lipari. (See Exhibit 2) (Note: the copy of the deposition provided to defendants did
21 not include returns for 2005 - 2007, so unsigned copies of returns for 2005 - 2007 previously
22 disclosed by the government are included as Exhibit 7.) The returns for 1994 - 2004 show
23 they were filed from June - August, 2007. The returns for 2005 - 2007 were apparently filed
24 in June 2007. (See Eileen Lipari depo at **110:18 - 114:11**) Each return included a Schedule C
25 in which Joseph Lipari was identified as a chiropractor doing business as DD Trust in 1994,
26 and thereafter doing business as Morningstar Int'l, PLLC. From 1995 and thereafter a second

1 Schedule C, or Schedule C-EZ, was included which identified Eileen Lipari as a consultant,
2 sometimes doing business as Hunter King, LLC.

3 14. The Liparis also filed Form 8829 with their returns for 1994 -2007 in which
4 they claimed business deductions for expenses they indirectly paid to operate their businesses
5 on the Cottonwood property. (See notes to ¶ 11 in the U.S. Statement of Facts) The income
6 from Dr. Lipari's practice went initially to the DD Trust and later to Morningstar Int'l, PLLC.
7 (See Eileen Lipari depo at **93:15 - 94:13**; **17:17 - 18:9** and **122:21 - 123:7**) The expenses for
8 the Cottonwood property were paid from those entities. (See Eileen Lipari depo at **121:21 -**
9 **122:12** and **125:3 - 125:13**) (See also ¶ 12, *supra*)

10 15. The Liparis depreciated the Cottonwood property on Form 8829 for 1999 -
11 2002. For years 1994 - 1998 and 2003 - 2007 they did not claim depreciation. For 1993 there
12 is no evidence that they claimed depreciation. (See tax returns, Exhibit 7)

13 16. Attached hereto as Exhibit 8 is the document by which Mr. O'Neil was
14 appointed as authorized agent Exeter.

15 17. Eileen Lipari was not a member or owner of Hunter King, LLC, the entity
16 created by Mr. Chisum to manage her business activities. (See the Affidavit of Mike Macek,
17 attached hereto as Exhibit 9)

18 Dated: December 30, 2011.

19 RESPECTFULLY SUBMITTED,

20 /s/ John Friedeman

21 John Friedeman
22 5103 E. Thomas Road
23 Phoenix, AZ 85018
24 Attorney for Exeter Trinity Properties, LLC
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this December 30, 2011, I electronically filed the foregoing with the Clerk of Court and served the following attorney of record using the CM/ECF system:

Charles M. Duffy
P.O. Box 683
Ben Franklin Station
Washington, D.C. 20044-0683

I further certify that on the same day I mailed by U.S. Postal Service the foregoing to the following party who is not represented by counsel.

Joseph Lipari
156 Johnson Hill Drive
Waynesville, NC 28786
Defendant, pro per

/s/ John Friedeman

John Friedeman

JOHN FRIEDEMANN, P.C.
5103 East Thomas Road
Phoenix, Arizona 85018-7914
(602) 840-0314

U.S. v. Lipari and Exeter Trinity Properties
No. 3:10-CV-08142 JWS

STATEMENT OF FACTS for Exeter Trinity Properties, LLC

EXHIBIT 2, Deposition of Eileen Lipari

Due to size restrictions for uploading to ECF, the deposition of Eileen Lipari had to be split into three sections, parts 1, 2 and 3. It is anticipated that the deposition can be successfully uploaded in sections.

In addition, the Court Reporter's Index at the end of the Deposition was deleted.

IN THE UNITED STATES DISTRICT COURT
DISTRICT OF ARIZONA
Civ. No. 10-CV-08142-JWS

_____)	
UNITED STATES OF AMERICA,)	
)	
Plaintiff,)	
)	
v.)	DEPOSITION OF
)	
JOSEPH J. LIPARI, EILEEN H.)	EILEEN H. LIPARI
LIPARI and EXETER TRINITY)	
PROPERTIES, L.L.C.,)	
)	
Defendants.)	
_____)	

On Thursday, July 7, 2011, commencing at 9:42 a.m., the deposition of Eileen H. Lipari was taken on behalf of the Plaintiff at the United States Courthouse, 100 Otis Street, Asheville, North Carolina, and was attended by Counsel as follows:

APPEARANCES:

CHARLES M. DUFFY, ESQ.
U.S. Department of Justice
Tax Division
P.O. Box 683
Ben Franklin Station
Washington, D.C. 20044
on behalf of the Plaintiff

EILEEN H. LIPARI, Pro se
156 Johnson Hill
Waynesville, North Carolina 28786
on behalf of the Defendant

Attending: Joseph J. Lipari

REPORTED BY: MAI-BETH KETCH, CVR
ASHEVILLE REPORTING SERVICE

2	<p>1 (Document li1239)</p> <p>2 Index</p> <p>3 Signature (Reserved) 5</p> <p>4 Direct Examination By Mr. Duffy 5</p> <p>5 Certificate of Notary Public 129</p> <p>6 EXHIBITS:</p> <p>7 Plaintiff's Exhibit Nos. 1-11 Marked</p> <p>8 1994-2004 Tax Returns 6</p> <p>9 Plaintiff's Exhibit No. 12 Marked</p> <p>10 Joint Tenancy Deed 47</p> <p>11 Plaintiff's Exhibit No. 13 Marked</p> <p>12 Warranty Deed 5/14/03 50</p> <p>13 Plaintiff's Exhibit No. 14 Marked</p> <p>14 Board Of Trustees Minutes 6/15/92 ... 58</p> <p>15 Plaintiff's Exhibit No. 15 Marked</p> <p>16 Deed Of Release And Reconveyance 62</p> <p>17 Plaintiff's Exhibit No. 16 Marked</p> <p>18 Warranty Deed 9/1/99 68</p> <p>19 Plaintiff's Exhibit No. 17 Marked</p> <p>20 Articles of Organization Exeter 71</p> <p>21 Plaintiff's Exhibit No. 18 Marked</p> <p>22 Articles of Organization Hunter King .. 74</p> <p>23 Plaintiff's Exhibit No. 19 Marked</p> <p>24 Minutes of DD Trust 74</p> <p>25 (Index continues)</p>	3
4	<p>1 Index continued:</p> <p>2 Plaintiff's Exhibit No. 20 Marked</p> <p>3 Letter To Ms. Noise 2/20/97 76</p> <p>4 Plaintiff's Exhibit No. 21 Marked</p> <p>5 Letter To Mr. Chisum 1/5/06 81</p> <p>6 Plaintiff's Exhibit No. 22 Marked</p> <p>7 Appointment Of Trustee 86</p> <p>8 Plaintiff's Exhibit No. 23 Marked</p> <p>9 '94 Tax Return - DD Trust 93</p> <p>10 Plaintiff's Exhibit No. 24 Marked</p> <p>11 Notice To Pay Or Vacate 98</p> <p>12 Plaintiff's Exhibit No. 25 Marked</p> <p>13 Eviction Notice 98</p> <p>14 Plaintiff's Exhibit No. 26 Marked</p> <p>15 Photograph Of Closing Office 104</p> <p>16 Plaintiff's Exhibit No. 27 Marked</p> <p>17 Photos Of Cancelled Checks To IRS ... 105</p> <p>18 Plaintiff's Exhibit No. 28 Marked</p> <p>19 Demand For Proof Of Jurisdiction 107</p> <p>20 Plaintiff's Exhibit No. 29 Marked</p> <p>21 Interrogatories 107</p> <p>22 Plaintiff's Exhibit No. 30 Marked</p> <p>23 IRS Collection Information 110</p> <p>24</p> <p>25 (Index continues)</p>	5
4	<p>1 Index continued:</p> <p>2 Plaintiff's Exhibit No. 31 Marked</p> <p>3 2005 Tax Return 111</p> <p>4 Plaintiff's Exhibit No. 32 Marked</p> <p>5 2005 Tax Return 112</p> <p>6 Plaintiff's Exhibit No. 33 Marked</p> <p>7 2007 Tax Return 113</p> <p>8 Plaintiff's Exhibit No. 34 Marked</p> <p>9 Motion 115</p> <p>10 Plaintiff's Exhibit No. 35 Marked</p> <p>11 Floor Plan Cottonwood Residence 114</p> <p>12 Plaintiff's Exhibit No. 36 Marked</p> <p>13 Cancelled Checks - Morningstar 120</p> <p>14 Plaintiff's Exhibit No. 37 Marked</p> <p>15 Cancelled Checks 133</p> <p>16 Plaintiff's Exhibit No. 38</p> <p>17 Cancelled Checks 125</p> <p>18 Plaintiff's Exhibit No. 39</p> <p>19 Cancelled Check 125</p> <p>20 Plaintiff's Exhibit No. 40</p> <p>21 Cancelled Checks - DD Trust 127</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	5

2 (Pages 2 to 5)

6

1 Q Do you understand the process, I'm going to
 2 ask ---
 3 A I sort of understand it, it's been a long
 4 time.
 5 Q Make sure you wait till I finish my questions
 6 before you answer. If it's a yes and no
 7 answer say yes and no, don't say uh-huh or
 8 huh-uh, so the record is clear.
 9 A Yes, sir.
 10 Q You'll have a chance to read the deposition
 11 and correct any errors. And whatever errors
 12 or mistakes or inaccuracies that you look at
 13 or you want to change, those are going to show
 14 up and I'll know which ones you want to
 15 change. Do you want that right to do that?
 16 A Yes.
 17 Q I think the court reporter explained that
 18 you're going to have to come back down to
 19 Asheville to do that?
 20 A Yes, sir.
 21 Q Just let me know if you need a break.
 22 A Yes, sir.
 23 (PLAINTIFF'S EXHIBIT NOS. 1-11 MARKED)
 24 DIRECT EXAMINATION RESUMED BY MR. DUFFY:
 25 Q I'm going to try to get through a lot of

8

1 A Yes.
 2 Q Now there's a payment on Page 2, the payment
 3 area, looks like none of the payments were
 4 made, or no payments were made for that year?
 5 A Payments, that's correct.
 6 Q Now I want to go to the page, if you look at
 7 the bottom of the document it's what we call
 8 Bates number 1038; do you see that at the
 9 bottom?
 10 A Okay.
 11 Q 1038, are you there?
 12 A Yes.
 13 Q Now this is what they call a Schedule C for
 14 your husband's chiropractic practice, and you
 15 prepared this document; correct?
 16 A Yes, I did.
 17 Q And it says Joseph J. Lipari Chiropractor.
 18 Then it says DD Trust.
 19 A Yes.
 20 Q What's the DD Trust?
 21 A That's called the DD Trust. The DD Trust was
 22 a trust that Mr. Jimmy Chisum created to run
 23 our business.
 24 Q This form that we're looking at, this is an
 25 individual tax return that you and your

7

1 documents. I'm going to hand you what has
 2 been marked as U.S. Exhibits 1 through 11.
 3 Maybe you could briefly look through those.
 4 And my first question is, I'm going to ask you
 5 if you prepared those tax returns that are
 6 marked as U.S. Exhibits 1 through 11?
 7 (Tenders) Can we go off the record.
 8 (OFF THE RECORD)
 9 BY THE DEPONENT:
 10 Yes.
 11 DIRECT EXAMINATION RESUMED BY MR. DUFFY:
 12 Q Those are returns that you and your husband
 13 filed for the years 1994 to 2004; correct?
 14 A Correct.
 15 Q And you prepared those returns?
 16 A Yes, sir.
 17 Q Let's take a look at Exhibit 1. On Page 2,
 18 those are your signatures and your husband's
 19 signature?
 20 A Yes.
 21 Q This is your 1994 return it looks like?
 22 A Yes.
 23 Q You didn't file this until 2007?
 24 A Yes.
 25 Q It shows taxes owed of \$14,194?

9

1 husband filed for 1994.
 2 A Yes.
 3 Q Now the income or the net income from your
 4 husband's chiropractic business is being
 5 reported on your individual tax return.
 6 A Yes. I was told that's how I had to do it.
 7 Q And that's how you decided to do it?
 8 A I didn't know which return to use, how to file
 9 them, and I asked specifically that question.
 10 Q Who did you ask?
 11 A I asked Debbie Vahe.
 12 Q At the IRS?
 13 A Yes. I said, "What do I do?" She says,
 14 "Well, it's all your income, file Schedule C,"
 15 so that's what ---
 16 Q You agreed to do that?
 17 A I did because that's all I knew how to do.
 18 Q And you didn't have a problem with what she
 19 said?
 20 A No.
 21 Q I want you to go to Bates page 1042.
 22 A Okay.
 23 Q It's a form that's titled ---
 24 A Business use.
 25 Q Correct, expenses for business use of your

10

1 home.
 2 A Yes.
 3 Q Now it looks like there you had to -- when
 4 that form says "home," what is that referring
 5 to in your situation?
 6 A Home is the place that you live.
 7 Q What is the address of your home at that time?
 8 A 1001 South 6th Street.
 9 Q What's the town?
 10 A Cottonwood, Arizona 86326.
 11 Q I may refer to that home as the Cottonwood
 12 residence; is that okay?
 13 A Yes.
 14 Q So we both understand?
 15 A Yes.
 16 Q It looks like that your husband's chiropractic
 17 business was located in the home?
 18 A Yes, it was.
 19 Q And you had to figure out a percentage based
 20 on this form of how much the business -- how
 21 much of the home was used for the chiropractic
 22 business, how much of it was used for just
 23 living?
 24 A Yes.
 25 Q What was the percentage you came up with?

12

1 return you're deducting expenses, real estate
 2 taxes that were paid on the house?
 3 A Yes.
 4 Q Let's go to Exhibit 2; what is Exhibit 2?
 5 A The 1995 U.S. Individual Income Tax Return.
 6 Q Did you prepare that return, ma'am?
 7 A Yes, sir, I did.
 8 Q Is that your signature on Bates page 1049?
 9 A Yes, it is.
 10 Q And is that your husband's signature as far as
 11 you can tell?
 12 A Yes, it is.
 13 Q Now what is the tax amount due?
 14 A Thirteen thousand six hundred sixty-two
 15 dollars.
 16 Q And how much in payments were made for that
 17 year?
 18 A Zero.
 19 Q Now Bates page 1050, what is this form?
 20 A This is Schedule C profit or loss from
 21 business.
 22 Q For what business?
 23 A The chiropractic business.
 24 Q Your husband's chiropractic business?
 25 A Yes, sir.

11

1 A It's 37.06 percent business use.
 2 Q In Part 2 of Bates page 1042, it looks like
 3 you deducted real estate taxes paid on the
 4 house.
 5 A Yes.
 6 Q Insurance paid on the house?
 7 A Yes.
 8 Q Repairs and maintenance on the house?
 9 A Yes.
 10 Q And utilities on the house?
 11 A Yes.
 12 Q Based on the percentage of use of the house
 13 for Mr. Lipari's chiropractic business?
 14 A Yes.
 15 BY MR. DUFFY:
 16 Off the record.
 17 (OFF THE RECORD)
 18 DIRECT EXAMINATION RESUMED BY MR. DUFFY:
 19 Q Now that number on Bates page 1042, allowable
 20 expenses, Line 34, \$2,928; you see that?
 21 A Yes, sir.
 22 Q And that was transferred to Bates page 1038 at
 23 Line 30; do you see that?
 24 A Yes, sir.
 25 Q So basically on the individual income tax

13

1 Q It says the business name is now Morningstar
 2 International ---
 3 A Yes.
 4 Q --- PLLC. Let me finish my question. How did
 5 that become Morningstar International PLLC?
 6 A Mr. Chisum said that trusts were no longer
 7 good to run a business, and created
 8 Morningstar for the purpose of running the
 9 business, and everything was transferred that
 10 way.
 11 Q Did you do whatever Mr. Chisum told you to do?
 12 A Absolutely.
 13 Q How did you meet Mr. Chisum?
 14 A I met him through a mutual friend -- wasn't a
 15 mutual friend. I used to go to a breakfast
 16 meeting with a bunch of senior citizens, and
 17 we would sit around and discuss things of the
 18 day. It was a once-a-month breakfast thing.
 19 And I made acquaintance with a man named Joe
 20 Stepard, and I liked him because he used to be
 21 a pilot and I'm really into flying. So we
 22 used to sit and talk, and he's kind of a
 23 grandfather type to me. We had had our wills
 24 drawn up about six months prior, and the
 25 attorney that drew up our wills said well,

14

1 we've got your wills created, for all the good
 2 they'll do. And I said we had -- I brought it
 3 up at the breakfast, I said what is he -- what
 4 is he talking about? What does he mean by
 5 that? And they said well, sometimes you know,
 6 wills get eaten up in probate. And I said,
 7 well, that's not really a good idea then; is
 8 it, and they said no. And that's when
 9 Mr. Stepard recommended Mr. Chisum, says, I
 10 know someone who's in the trust -- not in the
 11 trust business, but can help you with this.
 12 Q Did you know that Mr. Chisum was notorious or
 13 an alleged tax avoidance scheme promoter?
 14 A No, I did not.
 15 Q Did you ever realize that?
 16 A I realized it when it was too late.
 17 Q When was that?
 18 A Probably around 1997. That's when I ---
 19 Q What made you come to that conclusion in 1997?
 20 Why do you say 1997?
 21 A I would say that was roughly when it was. My
 22 memory is not really great on this because it
 23 was all kind of a blur. But he started
 24 talking about the government, and he started
 25 talking about how bad they were. And he had

16

1 government is like a dragon, and you don't
 2 want a fat, happy, full dragon when you fight
 3 him. You want a weak -- weakling dragon. And
 4 he self-appointed himself as kind of ---
 5 Q After ---
 6 A --- self-appointed himself as -- that's a word
 7 like kind of I'm going to take it down. And I
 8 wanted nothing to do with that.
 9 Q Even after you realized that he was an alleged
 10 promoter of these tax avoidance schemes in
 11 1997, did you cut off all contact with him?
 12 A I didn't know how to. I was -- I didn't know
 13 how. I was just afraid of him.
 14 Q So you continued to have a ---
 15 A I just kind of acquiesced and kept my head
 16 down, and hoped for the best. I really did.
 17 It was my mistake.
 18 Q Now we're looking at your 1995 tax return.
 19 A Yes.
 20 Q If I could take you to Bates page 1057. This
 21 form is titled expenses for business use of
 22 your home?
 23 A Yes.
 24 Q Now again your husband's chiropractic practice
 25 was done out of the home?

15

1 these meetings that as his trust clients, we
 2 had to go to these meetings. And sometimes
 3 they were once a quarter, sometimes they were
 4 twice a year and whatever it was. And he
 5 would come with papers and show how the trusts
 6 -- how probate courts took your entire
 7 inheritance and everything. And what we had
 8 wanted to do with what we had in our lives was
 9 we wanted originally to create a scholarship
 10 fund for students of chiropractic who wanted
 11 to study and ---
 12 Q I'm trying to figure out how you, around 1997
 13 you ---
 14 A He started talking about government and how
 15 bad it was. And he started -- he had the
 16 returns filed, but they were wrong all the
 17 time. And I said, I don't understand why
 18 they're not right. "It doesn't matter," he
 19 would say, "it doesn't matter."
 20 Q Did he ever talk about the Internal Revenue
 21 Service?
 22 A Oh, yeah, he didn't like you. He didn't like
 23 the IRS at all.
 24 Q What would he say about them?
 25 A Oh, he called them evil and had to do with the

17

1 A Yes.
 2 Q That's the Cottonwood residence?
 3 A Yes.
 4 Q On this form you were figuring out the
 5 percentage of how much of the home was used
 6 for the chiropractic business?
 7 A Yes.
 8 Q So the expenses in the business you deducted
 9 the real estate taxes paid on the home, the
 10 repairs and maintenance, the insurance, the
 11 utilities?
 12 A Yes.
 13 Q And those all related to the home?
 14 A Yes.
 15 Q When I say home the Cottonwood residence?
 16 A Yes.
 17 Q Who in 1995, who was paying those amounts?
 18 Who was paying the mortgage? Who was paying
 19 the insurance? Who was paying the repairs and
 20 maintenance? Who was paying the utilities on
 21 the Cottonwood residence? Were there revenues
 22 for those coming out of the chiropractic
 23 business?
 24 A Yes.
 25 Q The checks that were cut for those expenses

18

1 that I mentioned, who was the payor on the
 2 checks?
 3 A Payor, I don't understand.
 4 Q Whose checks were they?
 5 A Morningstar or the DD Trust.
 6 Q But the revenues that went into those accounts
 7 came from your husband's chiropractic
 8 business?
 9 A That was the sole source of income.
 10 Q And that's why you were deducting these
 11 amounts on your Form 1040?
 12 A Yes, sir.
 13 Q Let's take a look at Exhibit 3. What is
 14 Exhibit 3, ma'am?
 15 A The 1040 Individual Income Tax Return for
 16 1996.
 17 Q Is that the individual income tax return of
 18 you and your husband?
 19 A Yes, it is.
 20 Q Now if you turn to page 2174, are those your
 21 signatures on that document?
 22 A Yes, it is.
 23 Q Now how much tax did you owe based on
 24 Exhibit 3?
 25 A Five thousand five hundred forty-eight

20

1 A Owned it. I owned it I guess, I ran it.
 2 Q That was your business?
 3 A That was my business.
 4 Q By the way, ma'am, what is your education
 5 background?
 6 A I have a bachelor's in microbiology.
 7 Q From where?
 8 A University of South Florida.
 9 Q Did you go to graduate school?
 10 A Some but not much.
 11 Q Did you ever take accounting or tax classes?
 12 A I took -- no. No, I took some record-keeping
 13 classes.
 14 Q Did you ever work as an accountant or as a tax
 15 preparer?
 16 A I helped some people prepare tax returns with
 17 Schedule 1040s.
 18 Q Did they pay you for that?
 19 A Not really, a couple. But I mostly did it as
 20 a volunteer to help people.
 21 Q Did you ever teach tax or accounting?
 22 A I taught record-keeping.
 23 Q Where did you teach that?
 24 A Oh, I taught that with Mr. Chisum's group. He
 25 asked me to speak.

19

1 dollars.
 2 Q And how much in the way of payments were made?
 3 A Zero.
 4 Q Let's go to Bates page 2176.
 5 A Okay.
 6 Q What is 2176?
 7 A Schedule C profit or loss from business 1996.
 8 Q What business is that related to?
 9 A The chiropractic business.
 10 Q Of your husband?
 11 A Yes.
 12 Q Let's go to Bates page 2178.
 13 A Yes.
 14 Q What is that form?
 15 A That is Schedule C profit or loss from
 16 business 1996.
 17 Q What does that relate to?
 18 A That's mine. I had a financial consulting
 19 business. I taught people how to keep
 20 records. And that's what it was.
 21 Q The business name is Hunter King LLC?
 22 A Yes.
 23 Q What is Hunter King LLC?
 24 A It's just a made-up name.
 25 Q And who owned that business?

21

1 Q Did you ever accept his beliefs regarding IRS
 2 and the government?
 3 A Never.
 4 Q So you never ---
 5 A No.
 6 Q --- you never taught -- what were your
 7 teachings when you would teach the class?
 8 A I would show them how to keep books and
 9 records, how to fill out the little boxes on
 10 ledger sheets so that when the time came for
 11 Cleo, who was the accountant, to prepare the
 12 tax returns, all of the stuff was properly
 13 done. Then I taught them how to staple checks
 14 to receipts and to take pictures of any
 15 changes that occurred in the property, because
 16 he required us to keep minutes on the
 17 properties every year.
 18 Q Bates page 2179, it says trustee's fees \$900;
 19 you see that?
 20 A Yes.
 21 Q Who were those fees paid to?
 22 A Jimmy Chisum.
 23 Q So any of the trustee fees that are through
 24 the -- that I can see in these returns were
 25 paid to Jimmy Chisum?

22

1 A Yes, there's thousands of dollars in trustee's
 2 fees.
 3 Q And how would you pay him?
 4 A By check.
 5 Q At the end of the year?
 6 A Whenever he asked for it. He sent a bill a
 7 lot of times.
 8 Q Did you ever disagree with Mr. Chisum?
 9 A You mean actually verbally to his face?
 10 Q Yes.
 11 A No.
 12 Q How about otherwise?
 13 A All the time.
 14 Q Who would you express that disagreement to?
 15 A My husband, and anybody who thought they
 16 wanted to be a client of Mr. Chisum's.
 17 Q Let's go to Bates page 2183 please, on Exhibit
 18 3. What is that form?
 19 A Form 8829, business use of your home for
 20 Joseph Lipari.
 21 Q So that's your husband's chiropractic
 22 business?
 23 A Yes, it is.
 24 Q And it looks like about 37 percent of the ---
 25 A Thirty-seven percent.

24

1 Q Who are the taxpayers?
 2 A Joseph J. Lipari and Eileen H. Lipari.
 3 Q On Bates stamp page 2602, are those your
 4 signatures?
 5 A Yes.
 6 Q How much was owed for that year?
 7 A Eleven thousand nine hundred and sixty-nine
 8 dollars.
 9 Q And how much in payments were made?
 10 A Zero.
 11 Q There's a date, it says your signature,
 12 July 17, 2007; do you see that?
 13 A Yes.
 14 Q Obviously that was many years after the return
 15 was due?
 16 A Yes.
 17 Q Did you file a 1997 return timely back in, I
 18 guess it would have been due April 15, 1998?
 19 A I don't remember. I might have prepared one,
 20 but I don't remember if it got filed because
 21 Cleo handled everything.
 22 Q Who's Cleo?
 23 A Cleo Lewis was Mr. Chisum's accountant.
 24 Q So you expected Mr. Chisum to file your
 25 individual tax for you?

23

1 Q Let me just finish my question. Thirty-seven
 2 percent of the house was used for the
 3 chiropractic business?
 4 A Yes.
 5 Q On this form deductions for real estate taxes,
 6 insurance, repairs and maintenance, and
 7 utilities on the Cottonwood residence are
 8 being deducted?
 9 A Yes.
 10 Q So the amount of expenses to be deducted was
 11 how much for that year?
 12 A Four thousand four hundred and fourteen
 13 dollars.
 14 Q Let's go to Bates page 2176. Is that the same
 15 number on Line 30?
 16 A Yes, it is.
 17 Q So basically you would figure out the
 18 deductions relating to the house, that related
 19 to the business, then you would deduct it from
 20 the chiropractic Schedule C, which in this
 21 case is Bates stamped 2176?
 22 A Yes.
 23 Q Let's go to Exhibit 4, what is Exhibit 4?
 24 A 1040 U.S. Individual Income Tax Return for the
 25 year 1997.

25

1 A I expected everything to be prepared by
 2 Mr. Chisum. And my 1040s, I was told I didn't
 3 have enough income to file.
 4 Q Who told you that?
 5 A He did.
 6 Q Mr. Chisum?
 7 A Yes.
 8 Q So you didn't file any returns?
 9 A Right. But I don't remember because I was --
 10 somewhere in there I was starting to have
 11 problems with all of this.
 12 Q Let's go to Bates page 2604.
 13 A Okay.
 14 Q It says profit or loss from business, and
 15 that's Mr. Lipari's chiropractic business?
 16 A Yes, it is.
 17 Q Line 31, net profit or loss, I guess the net
 18 profit was \$49,263?
 19 A Yes.
 20 Q And you prepared this return; right?
 21 A Yes, I did.
 22 Q Now the next page, Bates page 2605 has trustee
 23 fees of \$3250; do you see that?
 24 A Yes.
 25 Q Who was that paid to?

26

1 A Mr. Jimmy Chisum.
 2 Q Why was it so much that year?
 3 A He sent bills for everything. He sent a bill
 4 for the house trust. He sent a bill for
 5 Morningstar. He sent a bill for Hunter King.
 6 He sent bills for everything he did. The car
 7 was in a trust, he sent a bill for that.
 8 Q And what did he do for the various trusts?
 9 A Good question. I can't answer that, I don't
 10 know. I was not made privy to his business.
 11 Q Let's go to Bates page 2606.
 12 A Yes.
 13 Q This is your profit or loss statement from
 14 Hunter King?
 15 A Yes.
 16 Q And that's your business?
 17 A Yes, it is.
 18 Q Was it also run out of the Cottonwood
 19 residence?
 20 A Yes, it was.
 21 Q Now how about Bates page 2608, capital gains
 22 and losses.
 23 A Yes.
 24 Q Description of property, one is Order of St.
 25 Raphael, and the other one is Order of the

28

1 A Yes.
 2 Q And the resulting figure I think it looks like
 3 it was \$2241?
 4 A Yes.
 5 Q And then you would have deducted that against
 6 your husband's chiropractic income?
 7 A Yes, I did.
 8 Q Let's go to Exhibit 5, please.
 9 A Yes, it's on Page 30 of U.S. 2604. It's right
 10 there.
 11 Q What is Exhibit 5?
 12 A 1998 1040 U.S. Individual Income Tax Return of
 13 Joseph and Eileen Lipari.
 14 Q Did you prepare that document?
 15 A Yes, I did.
 16 Q Let's go to Bates page 2821.
 17 A Yes.
 18 Q Now how much tax was due based on this return?
 19 A Nine thousand four hundred sixty-five dollars.
 20 Q And how much in the way of payments were made?
 21 A Zero.
 22 Q And are those your signatures on the return?
 23 A Yes, they are.
 24 Q And those are the dates of the signature ---
 25 A Yes.

27

1 Sword. What are those?
 2 A I was involved with a couple of
 3 philanthropical organizations, and basically
 4 what happened was they -- I had my checking
 5 account, and they were having events. And I
 6 was like a treasurer to these organizations,
 7 and people would send me their checks for the
 8 events. Like there was a big dinner and
 9 people paid so much a head, and they had to
 10 give the money to somebody so that we could
 11 pay the caterers and the room rental and all
 12 of that other stuff. And that's what I did.
 13 When I got all through with both of those
 14 things, this is how much money out-of-pocket I
 15 paid.
 16 Q Let's go to Bates page 2612.
 17 A Yes.
 18 Q Again on this form you were trying to figure
 19 out the percentage of the home used for your
 20 husband's chiropractic business?
 21 A Yes.
 22 Q And on this form you deducted amounts for real
 23 estate taxes paid on the home, insurance paid
 24 on the home, repairs and maintenance paid on
 25 the home, and utilities paid on the home.

29

1 Q Let me finish my question please. The dates
 2 of the signatures were July 22, 2007?
 3 A Yes.
 4 Q So you realize that return was long after it
 5 was due?
 6 A Yes.
 7 Q Bates page 2822.
 8 A Yes.
 9 Q That's the profit or loss that you calculated
 10 from your husband's chiropractic practice?
 11 A Yes.
 12 Q He earned a net total of \$43,283 that year?
 13 A Yes.
 14 Q Now Bates page 2823 says trustee fees.
 15 A Yes.
 16 Q Who were those paid to?
 17 A Mr. Jimmy Chisum. And when I say Mr. Jimmy
 18 Chisum, some of them were Donna's billings.
 19 He had a wife or a woman that he alleged to be
 20 his wife.
 21 Q What was her name?
 22 A Donna, Donna L. Chisum.
 23 Q So sometimes you paid ---
 24 A Sometimes I paid her and sometimes I paid him,
 25 but I made checks out -- they had an

<p style="text-align: right;">30</p> <p>1 organization called Covenant Keepers</p> <p>2 Enterprises.</p> <p>3 Q Did Mrs. Chisum also hold the same views</p> <p>4 regarding the IRS as Mr. Chisum?</p> <p>5 A Yes, she did.</p> <p>6 Q And she voiced those views?</p> <p>7 A Yes, she did.</p> <p>8 Q Let's go to Bates page 2829.</p> <p>9 A Yes.</p> <p>10 Q It looks like on that form you were trying to</p> <p>11 figure out again the portion of the Cottonwood</p> <p>12 residence that was used for your husband's</p> <p>13 chiropractic business?</p> <p>14 A Yes.</p> <p>15 Q You took deductions again for real estate</p> <p>16 taxes paid on the Cottonwood residence,</p> <p>17 insurance, repairs and maintenance, and</p> <p>18 utilities, also paid on the residence?</p> <p>19 A Yes.</p> <p>20 Q Again who was making the payments for those</p> <p>21 expenses?</p> <p>22 A That was all being paid out of either</p> <p>23 Morningstar or the DD Trust.</p> <p>24 Q But even though the amounts were being paid</p> <p>25 out of those two trusts, you still deducted</p>	<p style="text-align: right;">31</p> <p>1 them on your individual tax return?</p> <p>2 A Yes.</p> <p>3 BY MR. DUFFY:</p> <p>4 Off the record.</p> <p>5 (OFF THE RECORD)</p> <p>6 DIRECT EXAMINATION RESUMED BY MR. DUFFY:</p> <p>7 Q Let's go to Exhibit 6.</p> <p>8 A Okay.</p> <p>9 Q What is Exhibit 6?</p> <p>10 A 1040 U.S. Individual Income Tax Return 1999.</p> <p>11 Q Relating to what taxpayers?</p> <p>12 A Joseph J. Lipari and Eileen H. Lipari.</p> <p>13 Q Now on Bates page 2832, are those your</p> <p>14 signatures on that?</p> <p>15 A Yes, they are.</p> <p>16 Q You signed them it looks like July 25, 2007?</p> <p>17 A Yes.</p> <p>18 Q Again that was long after the returns were</p> <p>19 due?</p> <p>20 A Yes.</p> <p>21 Q How much in taxes were owed for that year?</p> <p>22 A Eleven thousand five hundred sixty-six</p> <p>23 dollars.</p> <p>24 Q And how about the payments made for that year?</p> <p>25 A Zero.</p>
<p style="text-align: right;">32</p> <p>1 Q I want to go to Bates page 2842, please.</p> <p>2 A Yes.</p> <p>3 Q Again you were trying to figure out the</p> <p>4 percentage of the Cottonwood residence that</p> <p>5 was used for your husband's chiropractic</p> <p>6 business?</p> <p>7 A Yes.</p> <p>8 Q And you deducted amounts paid on the residence</p> <p>9 for real estate taxes, insurance, repairs and</p> <p>10 utilities?</p> <p>11 A Yes.</p> <p>12 Q It seems like you also on that form, and I'm</p> <p>13 looking at Part 3, you depreciated the home.</p> <p>14 And I guess the home in Part 3 is again the</p> <p>15 Cottonwood residence; correct?</p> <p>16 A Yes.</p> <p>17 Q It looked like that was a change of the way</p> <p>18 you did things. You started depreciating the</p> <p>19 house?</p> <p>20 A Yeah. Yes.</p> <p>21 Q What was going on there, do you remember the</p> <p>22 change in ---</p> <p>23 A No, I don't remember.</p> <p>24 Q You just started -- you decided to depreciate</p> <p>25 part of the home for ---</p>	<p style="text-align: right;">33</p> <p>1 A I think it was because I thought -- I think we</p> <p>2 could. I probably picked up some instructions</p> <p>3 on how to file business use of your home, one</p> <p>4 of your pamphlets, and it talked about</p> <p>5 depreciation of your home. And that's why I</p> <p>6 did that. I didn't remember doing that.</p> <p>7 Q And those expenses from that form on Bates</p> <p>8 page 2842, they were then deducted on Bates</p> <p>9 page 2837. Actually strike that, that's not</p> <p>10 correct. They were then deducted on ---</p> <p>11 A 2836.</p> <p>12 Q 2836.</p> <p>13 A Yes, on Line 30.</p> <p>14 Q On Bates page 2837, that again is your</p> <p>15 consulting business? Hunter King was the name</p> <p>16 of ---</p> <p>17 A 2837 is ---</p> <p>18 Q I'm sorry, 2834.</p> <p>19 A Yes.</p> <p>20 Q It says office expense \$1744, what was that</p> <p>21 office expense; do you know?</p> <p>22 A That would have probably been office supplies</p> <p>23 more than likely. That was, you know, staples</p> <p>24 and Scotch tape and all of those kind of</p> <p>25 things.</p>

34	<p>1 Q Let's go to Exhibit 7. What is Exhibit 7?</p> <p>2 A 1040 Individual Income Tax Return for the year</p> <p>3 2000 for Joseph J. Lipari and Eileen H.</p> <p>4 Lipari.</p> <p>5 Q And you prepared that document?</p> <p>6 A Yes, I did.</p> <p>7 Q On Bates page 543, are those your signatures</p> <p>8 on that document?</p> <p>9 A Yes, they are.</p> <p>10 Q It looks like you signed the returns on</p> <p>11 August 3, 2007?</p> <p>12 A Yes.</p> <p>13 Q Again that was long after the returns were</p> <p>14 due?</p> <p>15 A Yes.</p> <p>16 Q What was the tax amount that was due on that</p> <p>17 return?</p> <p>18 A Eight thousand nine hundred eighty-six</p> <p>19 dollars.</p> <p>20 Q And how much in payments were made?</p> <p>21 A Zero.</p> <p>22 Q Let's go to Bates page 552. You were trying</p> <p>23 to figure out on that page the amount of the</p> <p>24 Cottonwood residence, a portion of the</p> <p>25 Cottonwood residence that was used for your</p>	35	<p>1 husband's chiropractic business?</p> <p>2 A Yes.</p> <p>3 Q And you figured that it was about 37 percent?</p> <p>4 A Yes.</p> <p>5 Q And again it looks like you depreciated the</p> <p>6 Cottonwood residence in the chiropractic</p> <p>7 business?</p> <p>8 A Yes.</p> <p>9 Q And you also deducted, along with depreciation</p> <p>10 you deducted real estate taxes paid on the</p> <p>11 Cottonwood residence, the insurance, the</p> <p>12 repairs and maintenance on the house, and also</p> <p>13 the utilities?</p> <p>14 A Yes.</p> <p>15 Q And those expenses would have been transferred</p> <p>16 to form Schedule C, which is Bates page 544?</p> <p>17 A Yes.</p> <p>18 Q Schedule C, let's see how much the net taxable</p> <p>19 -- the net income of the chiropractic business</p> <p>20 that year was for how much?</p> <p>21 A For year 2000?</p> <p>22 Q Correct.</p> <p>23 A Thirty-eight thousand two hundred fifty-eight</p> <p>24 dollars.</p> <p>25 Q And you would have reported that on the</p>
36	<p>1 business income part of the tax return on</p> <p>2 Bates page 542. I think it was combined with</p> <p>3 your ---</p> <p>4 A Yes.</p> <p>5 Q --- the income of Hunter King?</p> <p>6 A Yes.</p> <p>7 Q Let's go to Exhibit 8, what is Exhibit 8?</p> <p>8 A 1040 U.S. Individual Income Tax Return for the</p> <p>9 year 2001.</p> <p>10 Q And that's again relating to you and your</p> <p>11 husband?</p> <p>12 A Relating to Joseph J. Lipari and Eileen H.</p> <p>13 Lipari.</p> <p>14 Q On Bates page 556, are those your signatures?</p> <p>15 A Yes, they are.</p> <p>16 Q And you signed that return August 7, 2007?</p> <p>17 A Yes, I did.</p> <p>18 Q You realize that was long after the date that</p> <p>19 the return ---</p> <p>20 A Yes, I do.</p> <p>21 Q Let me finish my question. You realize that</p> <p>22 that was long after the date that the returns</p> <p>23 were due?</p> <p>24 A Yes.</p> <p>25 Q How much in taxable income did you owe for</p>	37	<p>1 that year?</p> <p>2 A How much in taxable income did I owe?</p> <p>3 Q How much in tax did you owe?</p> <p>4 A Ten thousand seven hundred twenty-six dollars.</p> <p>5 Q And how much in the way of payments were made?</p> <p>6 A Zero.</p> <p>7 Q Let's go to Bates page 564.</p> <p>8 A Yes.</p> <p>9 Q Now again you were trying to figure out the</p> <p>10 percentage of the Cottonwood residence that</p> <p>11 was used for the chiropractic business?</p> <p>12 A Yes.</p> <p>13 Q And you deducted depreciation on the</p> <p>14 Cottonwood residence. You deducted real</p> <p>15 estate taxes, insurance, repairs and</p> <p>16 maintenance, and utilities?</p> <p>17 A Yes.</p> <p>18 Q Who would have paid those amounts?</p> <p>19 A Morningstar or DD Trust.</p> <p>20 Q And the revenues for those payments would have</p> <p>21 come out of the chiropractic business?</p> <p>22 A All the revenues came out of the chiropractic</p> <p>23 business.</p> <p>24 Q Did you ever hear of an entity by the name of</p> <p>25 Exeter?</p>

10 (Pages 34 to 37)

38

1 A Yes.

2 Q What's the full name of that company?

3 A Exeter Trinity Properties.

4 Q Did Exeter Trinity on any of these returns

5 that we've discussed, did Exeter Trinity ever

6 pay any of the real estate taxes?

7 A I don't know. I thought they were all

8 Morningstar. Exeter Trinity didn't have a

9 checking account.

10 Q How do you know that?

11 A I never saw one. If there is one, it's news

12 to me.

13 Q And the expenses from Bates page 564 would

14 have then been transferred to Bates page 557?

15 A Yes.

16 Q How much was the net income of the

17 chiropractic business that year?

18 A Forty-seven thousand four hundred thirty

19 dollars.

20 Q Let's go to Exhibit 9. Just stepping back,

21 you talked about these expenditures like the

22 insurance, repairs and maintenance, real

23 estate taxes, and some of these other expenses

24 being paid by the DD Trust or Morningstar.

25 A Yes.

40

1 signature?

2 A Yes.

3 Q So any of these payments from Morningstar, DD

4 Trust, you would have the checks and you would

5 actually stamp his signature?

6 A Yes.

7 Q Then you would send it to the power company or

8 the county for the real estate taxes?

9 A Yes.

10 Q You did not have to bring the check to Jimmy

11 Chisum?

12 A No, but he reviewed all of the ledgers once a

13 quarter and signed, put his signature on them.

14 He reviewed.

15 Q Who came up with the idea that you would have

16 a stamp with his signature?

17 A He did.

18 Q He gave you the stamp?

19 A Yes.

20 Q And he just said hey, stamp this instead of me

21 signing it?

22 A Yes.

23 Q Let's go to Exhibit 9.

24 A Yes.

25 Q What is Exhibit 9?

39

1 Q Now were you a signature on the Morningstar

2 checking account?

3 A No, I was not.

4 Q Who was?

5 A Jimmy Chisum.

6 Q Did you have a stamp?

7 A Yes.

8 Q And you would stamp his name?

9 A I would call him on every expense before I

10 made a payment of anything. On any bill that

11 went out on Morningstar I called his cell

12 phone number and got approval over the phone.

13 Yes, you may pay that bill.

14 Q How about the DD Trust checking account?

15 A The DD Trust checking account was no more

16 after that lien, so I don't know what year

17 that was.

18 Q When it was in effect, when there was a DD

19 checking account, did you have signature

20 authority on that account?

21 A No.

22 Q Who had the signature authority?

23 A Jimmy Chisum and someone named Meyer, L.

24 Meyer.

25 Q Did you have a stamp with Jimmy Chisum's

41

1 A The U.S. Individual Income Tax Return for the

2 year 2002 of Joseph J. Lipari and Eileen H.

3 Lipari.

4 Q On Bates page 568, are those your signatures?

5 A Yes, they are.

6 Q And you signed those documents on August 10,

7 2007?

8 A Yes, we did.

9 Q That was long after the returns were due?

10 A Yes.

11 Q What was the amount that was owed for that

12 year?

13 A Three thousand three hundred thirty-eight

14 dollars.

15 Q And what was the amount of payments made?

16 A Thirteen hundred ninety-six dollars.

17 Q Let's go to Bates page 576.

18 A Yes.

19 Q Again on this form you were figuring out the

20 percentage of the Cottonwood residence that

21 was used in the chiropractic business?

22 A Yes.

23 Q And you deducted amounts paid on the

24 Cottonwood residence for real estate taxes,

25 insurance, repairs and maintenance, and

42

1 utilities?
 2 A Yes.
 3 Q And you also depreciated the residence?
 4 A Yes.
 5 Q What checks would those have been? Would
 6 those have been the DD Trust checks or the
 7 Morningstar checks?
 8 A By this point I believe they would have been
 9 Morningstar's.
 10 Q And basically what you would do is just use
 11 the Jimmy Chisum signature stamp on the
 12 Morningstar checks and pay those expenditures?
 13 A Yes, after I called him.
 14 Q Did any of these expenditures ever get paid in
 15 cash; do you know?
 16 A I don't know.
 17 Q What about Exhibit 10.
 18 A Yes.
 19 Q What's Exhibit 10?
 20 A The 1040 U.S. Individual Income Tax Return for
 21 the year 2003 of Joseph Lipari and Eileen
 22 Lipari.
 23 Q And you prepared that return?
 24 A Yes, I did.
 25 Q Bates 580, is that your signature and your

44

1 discussed, the 1994 to 2003 tax returns,
 2 Exeter didn't make any of those payments?
 3 A No, not that I'm aware of. I mean there was
 4 no checking account.
 5 Q There was not?
 6 A No, not that I know of.
 7 Q And you would have known about it; right?
 8 A I certainly hope so, but I don't know what
 9 Mr. Chisum did without our knowledge.
 10 Q But none of the revenues or income from the
 11 chiropractic business or from Hunter King ever
 12 went into any Exeter account?
 13 A No.
 14 Q Let's go to Exhibit 11. What's Exhibit 11?
 15 A Exhibit 11 is the 1040 U.S. Individual Income
 16 Tax Return for the year 2004.
 17 Q That relates to the Liparis again, you and
 18 your husband?
 19 A Yes, it relates to us.
 20 Q Bates 597, is that your signature and your
 21 husband's signature?
 22 A Yes, it is.
 23 Q It looks like that return was signed in May of
 24 2006?
 25 A Yes.

43

1 husband's signature?
 2 A Yes, it is.
 3 Q How much was due on that -- how much tax was
 4 due on that return?
 5 A Two thousand four hundred forty dollars.
 6 Q Was any payments made?
 7 A No.
 8 Q Bates page 592.
 9 A Yes.
 10 Q Again this form you were figuring out a
 11 percentage of the Cottonwood residence that
 12 was used in your husband's chiropractic
 13 business?
 14 A Yes.
 15 Q You deducted amounts of real estate taxes paid
 16 on the residence, and also insurance, repairs
 17 and maintenance, and utilities?
 18 A Yes.
 19 Q And would those have been the Morningstar
 20 checks?
 21 A Yes.
 22 Q And again Exeter would not have been making
 23 any of these payments?
 24 A No.
 25 Q For any of these tax returns that we've

45

1 Q Looks like it was late?
 2 A Yes.
 3 Q What was the amount of tax that was due in
 4 that year?
 5 A One thousand five hundred seventy-two dollars.
 6 Q And the amount of payments?
 7 A Zero.
 8 Q Now the IRS I think filed nominee liens
 9 against Exeter to collect your taxes with the
 10 county court, I think it was in 2003.
 11 A Okay.
 12 Q What was the discussion then when the IRS did
 13 that? Did you realize that the IRS had done
 14 that?
 15 A No.
 16 Q You didn't realize that the IRS considered
 17 Exeter as the nominee for the Liparis?
 18 A I don't know what a nominee is.
 19 Q Let's go to Bates page 610. It looks like you
 20 were trying to figure out the percentage of
 21 business use of the Cottonwood residence?
 22 A That's -- yes, that's mine.
 23 Q It looks like the percentage was only 4.36
 24 percent that year; was it ---
 25 A Yes.

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1 Q Why did it go way down?
 2 A I only had one room, part of a room that I
 3 used ---
 4 Q Why is that?
 5 A --- to keep records. Well, that's all I
 6 needed. This is for Hunter King.
 7 Q So at this point you started ---
 8 A The one for Joseph Lipari is on 609.
 9 Q So at some point you started deducting
 10 expenses for the home for Hunter King also?
 11 A Well, I split it actually between Joseph
 12 Lipari and mine, because I spent so much time
 13 keeping records for him that I just took that
 14 percentage. That's what that was, that four
 15 percent.
 16 Q So you took a deduction based on the
 17 Cottonwood residence for Hunter King also?
 18 A Yes.
 19 Q Real estate taxes, insurance, repairs and
 20 maintenance, utilities?
 21 A Yes.
 22 Q Just going back to Exhibit 10 for a second,
 23 Bates page 593. You deducted expenses paid on
 24 the home, the Cottonwood residence, that
 25 related to Hunter King. You deducted those on

48

1 Can you tell what that is, ma'am? (Tenders)
 2 A (Upon review) It's a joint tenancy deed.
 3 Q It looks like that's when you and your husband
 4 -- that's a joint tenancy deed related to when
 5 you and your husband bought the Cottonwood
 6 residence?
 7 A Yes.
 8 Q And that legal description of the property,
 9 that relates to the Cottonwood residence, as
 10 far as you know?
 11 A Yes, as far as I know.
 12 Q And the sellers of the house were Clarence
 13 McClendon and Connie McClendon?
 14 A Yes, they were.
 15 Q Did you ever meet them?
 16 A Yes.
 17 Q What did you buy the house for?
 18 A One hundred five thousand dollars.
 19 Q Did you have a mortgage on the house?
 20 A Yes, I did. My mother gave us \$35,000 to put
 21 the down payment on it, and we carried a
 22 \$70,000 mortgage with Great Western Bank.
 23 Q Did you ever have to pay your mother back?
 24 A No.
 25 Q And the 70,000, did you ever pay that back?

47

1 your individual income tax return?
 2 A Yes.
 3 Q Let's go to Exhibit 11, Bates page 611.
 4 A Yes.
 5 Q I'm sorry, that's not the correct form. 609.
 6 A Yes.
 7 Q 609 is basically you figured out how much of
 8 the expenses relating to the Cottonwood
 9 residence related to the chiropractic
 10 business?
 11 A Yes, the number dropped.
 12 Q Again you deducted real estate taxes paid on
 13 the residence?
 14 A Yes.
 15 Q Insurance paid on the residence?
 16 A Yes.
 17 Q Repairs and maintenance?
 18 A Yes.
 19 Q And utilities?
 20 A Yes.
 21 Q Exeter didn't pay any of those expenditures?
 22 A No.
 23 (PLAINTIFF'S EXHIBIT NO. 12 MARKED)
 24 DIRECT EXAMINATION RESUMED BY MR. DUFFY:
 25 Q I'll hand you what's marked as Exhibit 12.

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1 A Yes, all of it.
 2 Q Do you remember how many years the mortgage
 3 was?
 4 A I think it was a 15-year adjustable, but I
 5 don't remember. It could have been a 30-year.
 6 Q How many years did it take you to pay off?
 7 A Five years.
 8 Q So you were paying extra on it?
 9 A We were paying it down because it was
 10 adjustable rate. And when we had a little
 11 extra money we paid it down because when they
 12 adjusted the rates, the rates were going up
 13 higher and higher and higher, and I was more
 14 afraid that we couldn't pay the mortgage, you
 15 know, if they sent us a bill for some crazy
 16 amount. Because it seemed to change almost
 17 every month.
 18 Q The money that came to pay down that mortgage,
 19 the \$70,000, where did that come from?
 20 A From his chiropractic business.
 21 Q When you say "his," you mean your husband?
 22 A Joseph Lipari.
 23 Q So you owned that property free and clear
 24 after the mortgage of \$70,000 was paid?
 25 A Yes.

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1 Q Did you ever have a mortgage-burning party or
 2 whatever they call it?
 3 A No, we had a dinner party with Mr. Chisum.
 4 Q Whose idea was that? That was a big day
 5 though, to pay that mortgage off.
 6 A Well, I don't know. I just thought it was a
 7 good thing to have.
 8 Q I'm going to hand you ---
 9 A I didn't want to burn any mortgages because I
 10 figured I might need the proof later on,
 11 although it would have been kind of fun. I
 12 thought about it.
 13 Q Let's hand you what I will mark as Exhibit 13.
 14 It looks like Exhibit 13 is a warranty deed
 15 where you and your husband transferred the
 16 Cottonwood residence to what is called the
 17 Ponderosa Trust --- (Tenders)
 18 A (Upon review) Yes.
 19 Q Let me finish my question, please. --- the
 20 Ponderosa Trust with Donna Chisum as trustee?
 21 A Yes.
 22 Q And you signed that document it looks like
 23 May 14, 1992?
 24 A Yes.
 25 Q Do you know why it wasn't filed until March of

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1 something. Mr. Chisum made them up.
 2 Q Certificates relating to what?
 3 A The property. That's what I never understood.
 4 I never understood what he was doing.
 5 Q Do you still have the certificates?
 6 A No, I don't have them. I'm assuming that
 7 what's-his-name has them, Phil.
 8 Q When you say Phil who do you mean?
 9 A O'Neil.
 10 Q So basically you transferred the Cottonwood
 11 residence, and the mortgage, a lot of it was
 12 already paid down by now. You probably had
 13 equity of like 90,000, hundred thousand
 14 dollars in the house, something like that, and
 15 you didn't get anything in return?
 16 A I got the ten dollars and the certificates
 17 that showed that it was put into a trust,
 18 because it was going to go to charity. So I
 19 assumed that those certificates were the thing
 20 that the charity would use to get the
 21 ownership. I don't really know.
 22 Q What about the equity, the 90,000 or how much
 23 equity you had in the house at this time; and
 24 I'm talking about Exhibit 13? At the time,
 25 the date of this warranty deed, didn't you

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1 1993?
 2 A No.
 3 Q You never figured that out?
 4 A I didn't know it. I didn't know it until you
 5 guys said so. That's the first I heard about
 6 it.
 7 Q About this time did you and your husband own
 8 the Cottonwood residence free and clear of
 9 mortgage?
 10 A No.
 11 Q What did you and your husband receive upon the
 12 transfer set forth or described in this
 13 warranty deed?
 14 A That's a good question. Ten dollars in cash,
 15 because it said something about for ten
 16 dollars due consideration, or ten dollars and
 17 due consideration or something. But at any
 18 rate, he gave me a ten dollar bill and the
 19 certificates. I don't know what they meant,
 20 okay. I used to call them magic beans because
 21 I didn't know what they were.
 22 Q What do you mean, certificates on a piece of
 23 paper?
 24 A Yeah. Yeah, certificates of ownership, or
 25 certificates of transfer, or certificates of

53

1 have any qualms about -- you know, did you
 2 have any qualms about giving away \$90,000 of
 3 equity?
 4 A I didn't think about it. I thought we were
 5 giving it to charity. I thought that after
 6 our death, this would create a scholarship
 7 fund, and I was okay with that because we
 8 weren't giving it to anyone else.
 9 Q So Jimmy Chisum said he was going to give it
 10 to charity?
 11 A Yes, he promised us he would.
 12 Q Which charity?
 13 A Originally it was supposed to be a scholarship
 14 fund for people who studied chiropractic at
 15 Logan College of Chiropractic in Missouri.
 16 That's where my husband graduated from
 17 college, from chiropractic college, was Logan.
 18 And he wanted to create a scholarship fund for
 19 students that would study the Palmer technique
 20 of chiropractic. And Mr. Chisum said if we
 21 created a letter of wishes, that upon our
 22 death that he would see to it that that
 23 scholarship fund was created and run.
 24 Q And did you believe him?
 25 A Yes, I did.

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1 Q Did you and your husband talk about it?
 2 A Yes, we did.
 3 Q What was the content of your conversations
 4 with your husband?
 5 A Well, we just talked about the fact that we
 6 were going to do this. And we were in
 7 agreement as to what was going to happen to
 8 the property after our death. So we sat there
 9 and said well, what kind of charity can we
 10 give it to. So we started looking at
 11 alternatives and possibilities, and that's
 12 when we came up with -- that was the
 13 discussion over what it was finally going to
 14 be.
 15 Q Talking about Exhibit 13, it looks like it was
 16 filed March 24, 1994, with the county
 17 recorder?
 18 A Okay.
 19 Q Is that what it looks like to you?
 20 A I can't read this, I'm sorry. This up here?
 21 Q The stamp.
 22 A I can't read the stamp.
 23 Q But you signed it ---
 24 A 3/24/93.
 25 Q You signed it May 14, 1992?

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1 Q You did what?
 2 A Deducted those expenses, yes.
 3 Q So he was still advising you in 2006 and 2007?
 4 A Not in 2006 and 2007, but when I went back she
 5 told -- Debbie Vahe told me to file these as
 6 though it was a Schedule C, so I went back and
 7 took it all on my own.
 8 Q But these were returns that you talked about,
 9 Exhibits 1 through 11, they were prepared in
 10 2006 and 2007.
 11 A Right.
 12 Q Mr. Chisum was not ---
 13 A Right.
 14 Q Let me finish my question. Mr. Chisum was not
 15 advising you at that point?
 16 A No, he was not.
 17 Q So you made the ultimate decision to take
 18 those expenses; the real estate taxes, the
 19 utilities, the insurance, the real estate
 20 taxes, you made a conscious decision to take
 21 those on your individual income tax return?
 22 A Yes.
 23 Q And you also made a conscious decision to take
 24 depreciation based on the Cottonwood
 25 residence, on your individual income tax

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1 A Yes.
 2 Q But even after the transfer based on this
 3 warranty deed, or allegedly based on the
 4 warranty deed, even after this in 1993 through
 5 2004, we just went over all those tax returns;
 6 you continued whatever expenses you paid
 7 regarding the house like real estate taxes,
 8 insurance, maintenance and utilities. Even
 9 after this transfer you still deducted those
 10 amounts on your individual income tax returns?
 11 A Yes.
 12 Q And you even depreciated the house in some of
 13 those years?
 14 A Yes.
 15 Q You even depreciated the house on your
 16 individual income tax returns?
 17 A Yes.
 18 Q So you still considered the house your house?
 19 I mean if you were taking depreciation on the
 20 house, on your individual income tax return,
 21 and you were deducting insurance and real
 22 estate taxes and maintenance and these other
 23 expenses, you considered this your house
 24 still?
 25 A I did it because Mr. Chisum said I could.

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1 return?
 2 A Yes.
 3 Q So you basically considered the Cottonwood
 4 residence, in 2006, 2007, to be your
 5 residence?
 6 A It was our only place.
 7 Q Did you tell Mr. O'Neil or Mr. Chisum, or
 8 anybody from Exeter that you were deducting
 9 amounts relating to the Cottonwood residence,
 10 such as real estate taxes, insurance, on your
 11 individual income tax return?
 12 A With Mr. Chisum or Mr. O'Neil?
 13 Q Any of them.
 14 A No.
 15 Q You didn't tell them?
 16 A They weren't involved in my tax returns.
 17 Q They didn't know what you did on your tax
 18 returns?
 19 A No.
 20 Q You didn't tell them?
 21 A No. I just wanted to make it right.
 22 Q After 1992, after 1993, you continued to live
 23 in the Cottonwood residence?
 24 A Yes.
 25 Q Did anybody else live with you?

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1 A Occasionally people would come by and visit,
 2 you know, come and stay for a couple of days
 3 and leave.
 4 Q But it was just you and your husband?
 5 A It was me and my husband.
 6 Q Until when?
 7 A Well, we left in 2007.
 8 Q Did you always live there from the time you
 9 purchased the property, which I think was in
 10 1989 to 2007; did you always live there, just
 11 you and your husband?
 12 A Yeah. My mother would be there too,
 13 sometimes.
 14 Q And Mr. Lipari, your husband's chiropractic
 15 practice was done in the Cottonwood residence?
 16 A Yes.
 17 Q And your business Hunter King was also done
 18 there?
 19 A Yes.
 20 (PLAINTIFF'S EXHIBIT NO. 14 MARKED)
 21 DIRECT EXAMINATION RESUMED BY MR. DUFFY:
 22 Q I'll hand you Exhibit 14. And it looks like
 23 board of trustee minutes of Ponderosa Trust
 24 June 15, 1992? (Tenders)
 25 A (Upon review) Yes.

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1 every time we looked at the property, or
 2 someone came out to inspect it, there was
 3 water in the pool. But then immediately it
 4 was drained out and we never understood why
 5 filling the pool, and emptying the pool, and
 6 filling the pool, and stuff like that. So at
 7 any rate, we wanted to get -- wanted to fill
 8 the pool so I could start my physical therapy,
 9 my water exercises. When we filled the pool
 10 with water the bottom of the pool fell out,
 11 down, and raw sewage was coming out into the
 12 water.
 13 Q So you wanted to sue the McClendons?
 14 A Yeah, because they sold this thing and they
 15 said it was in working condition and
 16 everything. And then all of a sudden, we try
 17 to use the pool and it's totally useless.
 18 Q Why did you have to bring the Chisums into
 19 this whole issue?
 20 A Well, the Chisums were controlling the
 21 property in '92. So when we decided -- we had
 22 originally -- I had sought the counsel of an
 23 attorney and he had already started a lawsuit
 24 against the McClendons for this pool problem.
 25 Then when the trust took over the property, he

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1 Q Is your signature on that document?
 2 A Yes, it is.
 3 Q You signed as what?
 4 A Secretary.
 5 Q So you were the secretary for the Ponderosa
 6 trust?
 7 A That's what they told me. That's what they
 8 called me.
 9 Q Who told you that?
 10 A Donna Chisum.
 11 Q Donna Chisum? This document says that
 12 basically the trust was giving you the rights
 13 to sue John and Connie McClendon for
 14 misrepresentation and fraud and breach of
 15 contract, and that you could make decisions
 16 regarding retaining counsel and representing
 17 the trust in this action. What type of fraud
 18 and breach of contract was -- these are the
 19 people who sold you and your husband the
 20 house?
 21 A Yes.
 22 Q What was going on here?
 23 A Mr. McClendon was a contractor and he built a
 24 defective pool. We bought the house because I
 25 needed physical therapy. So what happened was

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1 said to me, do you have any pending
 2 litigation, and I said well, there's this pool
 3 issue that he was aware of. And I said we've
 4 got a lawyer named Lee Eaton who is handling
 5 that case. So he said well, we have to take
 6 that over. So we'll make you secretary and
 7 you can go and continue the negotiations with
 8 Mr. Eaton on that case.
 9 Q So even though you say they controlled the
 10 property, the Chisums, you still, on your
 11 later tax return still again deducted all the
 12 expenditures relating to the Cottonwood
 13 residence on your individual tax return?
 14 A Yes.
 15 Q And you didn't see a problem with that?
 16 A No.
 17 Q Why is that?
 18 A Because the Schedule C instructions said I had
 19 a right to do that, when I got the pamphlet
 20 from the government on how to fill out tax
 21 returns.
 22 Q It looks like this is the -- Exhibit 15 you're
 23 looking at is a deed of release and full
 24 reconveyance. Is this when the mortgage the
 25 \$70,000 mortgage was paid off? (Tenders)

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1 A (Upon review) No; this is when they got
 2 around to their paperwork to do it, yeah.
 3 Yes, this -- yeah, that's about the right year
 4 or right time. Yes.
 5 (PLAINTIFF'S EXHIBIT NO. 15 MARKED)
 6 DIRECT EXAMINATION RESUMED BY MR. DUFFY:
 7 Q So that was basically right around when the
 8 Chisums recorded the warranty deed that we
 9 just discussed?
 10 A Yeah, I thought about that too. They must
 11 have waited. I don't know what they were
 12 thinking, but they must have waited till the
 13 property was paid off before they did the
 14 transfer.
 15 Q How would they have known that the property
 16 was paid off?
 17 A I told them that we paid off the property.
 18 They were there.
 19 Q Once you told them you paid off the 70,000
 20 mortgage on the residence, then they filed the
 21 transfer, which is Exhibit 13?
 22 A Well, that's what it looks like. I didn't
 23 know that. I thought that they had taken care
 24 of the transfer in '92 when we signed the
 25 papers.

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1 A He was the one handling the pool litigation.
 2 And I said, "How do I get this taken back?"
 3 And he says, "You're going to have to sue
 4 them," and I knew what that meant. Which
 5 meant that I didn't have the money for an
 6 attorney to carry on litigation for years
 7 after year after year because all John Wilde
 8 did was sit in his house and spend all his
 9 time writing up litigation papers and keeping
 10 -- he used to -- he used to say and Mr. Chisum
 11 used to say, we're just going to keep
 12 everybody tied up in litigation until hell
 13 freezes over.
 14 Q And they were litigating against the Internal
 15 Revenue Service?
 16 A They were litigating against everything. They
 17 were litigating against the City of Phoenix
 18 for traffic tickets on behalf of people. It
 19 was ludicrous.
 20 Q And you got involved in some of this
 21 litigation. There were I guess some court
 22 cases, one of them I think by the name of
 23 Landsberger, and another court case by the
 24 name of Stepard.
 25 A Yes.

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1 Q And again, so at the time that they filed that
 2 warranty deed, Exhibit 13, basically the
 3 property was free and clear of any debt?
 4 A The property was free and clear on Valentine's
 5 Day, February 14, 1993. That was the day I
 6 made the last payment. Because it was
 7 Valentine's Day I remember that. It was
 8 February 14, 1993, was the day I made the last
 9 payment.
 10 Q Did it become clear ever -- the Cottonwood
 11 residence was never given to a charity; was
 12 it?
 13 A Not that I know of. It was supposed to be
 14 done after our deaths.
 15 Q Did you ever ask for the property back?
 16 A No.
 17 Q Why not?
 18 A Because he said I couldn't have it back.
 19 Q Who's "he"?
 20 A Mr. Chisum, and Mr. Wilde his partner.
 21 Q Why didn't you contact, say, the police or
 22 some government authority?
 23 A We tried and they said it was a civil matter.
 24 I talked to Lee Eaton before he passed away.
 25 Q Who's Lee Eaton?

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1 Q I think that you actually -- and we can
 2 discuss this later, but you actually became a
 3 person that received property from these other
 4 taxpayers. You became involved in a trust.
 5 A That I didn't know. I thought that he -- he
 6 had told me -- John Wilde and Mr. Chisum told
 7 me that -- Mr. Wilde told me, he said, look,
 8 he said, I want you to -- if you would do me a
 9 favor. And I knew Joe Stepard, he was like a
 10 grandfather to me. I had no problem with him,
 11 he was a nice guy. He got caught up in this
 12 mess too, and ---
 13 Q The Eileen Lipari in the Stepard litigation
 14 was you?
 15 A Yes.
 16 Q The Eileen Lipari in the Landsberger
 17 litigation is you?
 18 A Yeah, but I didn't know that there was
 19 litigation in Landsberger. I was told that --
 20 what I was doing was I was going to --
 21 Mr. Wilde wanted a backup person to find
 22 another lawyer in case something ever happened
 23 to him. That's what he told me.
 24 Q Why did you get involved further with
 25 Mr. Wilde and Mr. Chisum after you're seeing

66

1 that they're litigating, you're seeing their
 2 views with the government, and it seemed like
 3 you kept getting more and more involved.
 4 A Well, it was sort of like -- and the only way
 5 I can describe this is it's like boiling a
 6 frog, it wasn't hot and nasty and messy in the
 7 beginning. It was slow and deliberate. I
 8 never -- I mean it was just slow leading me
 9 along the garden path. And I look back at it
 10 and I see where I made my mistakes. And they
 11 were mistakes.
 12 Q Do you think Mr. Chisum aimed to take your
 13 house from you?
 14 A Yes, I do. I believe that with every fiber in
 15 my being. I believe that because I saw him
 16 not carry out trusts on other people. When I
 17 really panicked was when I saw a gentleman who
 18 passed away, who had died from AIDS. And he
 19 had a property and that property was in
 20 Phoenix, Arizona, and Mr. Chisum took over
 21 that trust. And when the gentleman passed
 22 away he wanted that property sold and the
 23 money donated to charity. I saw him and he
 24 said out of his own mouth, he said, "He has no
 25 rights, he's a sodomite." And I panicked, and

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1 A Yes.
 2 Q When you were taking the deductions?
 3 A Yes.
 4 Q By the way, for the returns 2005 through 2007,
 5 we didn't discuss those returns, but I assume
 6 your husband was still carrying out the
 7 chiropractic business ---
 8 A Yes.
 9 Q Let me finish my question. --- was still
 10 carrying out the chiropractic business out of
 11 the Cottonwood residence?
 12 A Yes.
 13 Q For those years 2005, 2006, 2007?
 14 A Yes.
 15 Q Did you similarly take deductions relating to
 16 the Cottonwood residence; real estate taxes,
 17 insurance, maintenance and repair, utilities,
 18 on your individual income tax returns?
 19 A Can I look?
 20 BY MR. DUFFY:
 21 Sure, why don't we take a short break.
 22 (OFF THE RECORD)
 23 (PLAINTIFF'S EXHIBIT NO. 16 MARKED)
 24 DIRECT EXAMINATION RESUMED BY MR. DUFFY:
 25 Q Exhibit 16, do you know what that is?

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1 I realized that if I didn't toe the mark our
 2 charity would never see the light of day.
 3 Q Now the \$70,000 mortgage you talked about,
 4 what was the bank on that mortgage?
 5 A Great Western Bank.
 6 Q Who were the people who owed the mortgage, was
 7 it you and your husband?
 8 A Yes.
 9 Q And did Ponderosa owe any of that mortgage?
 10 A No.
 11 Q How about Exeter?
 12 A No, didn't exist.
 13 Q You and your husband paid off that mortgage?
 14 A Yes, we did.
 15 Q So to this day you still believe that house,
 16 the Cottonwood residence is yours?
 17 A Well, I believe it belongs to charity, but I
 18 don't care anymore. It's not mine, not
 19 anymore.
 20 Q But for many years you took the deductions;
 21 you took the tax deductions, you took the
 22 depreciation?
 23 A Yes.
 24 Q So during those years you thought that the
 25 property was yours?

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1 (Tenders)
 2 A (Upon review) It says warranty deed.
 3 Q There's a signature on that document Bates
 4 2994, it says Donna Chisum, then it has T/E;
 5 what does that mean?
 6 A My understanding is that meant trustee.
 7 Q It looks like this is the warranty deed for
 8 the alleged transfer of the Cottonwood
 9 residence from the Ponderosa Trust to Exeter
 10 Trinity Properties LLC. Is that what it looks
 11 like to you?
 12 A That's what it looks like to me.
 13 Q And the date that it was filed was -- with the
 14 county recorder, looks like it was
 15 September 1, 1999?
 16 A Right.
 17 Q Why was this transfer made?
 18 A When the property went into -- I have to give
 19 you the syntax of the whole thing. When the
 20 property went into Ponderosa Trust, everything
 21 was Ponderosa Trust. And then I took a course
 22 in real estate because I thought maybe I'd be
 23 a real estate person, or at least understand
 24 real estate. And the instructor in our real
 25 estate class told us that the best way to get

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1 practice on doing the title search is to go
 2 and search some titles you know. So I went
 3 down to the Yavapai County Courthouse and I
 4 researched Ponderosa Trust. And I found there
 5 was a second Ponderosa Trust, already somebody
 6 else had one with someone by the name of Star
 7 Mathias. I don't know who she is. I've never
 8 met her, I wouldn't tell you -- I couldn't
 9 tell you. So I contacted Mr. Chisum and I
 10 said to him, the Ponderosa Trust has got a
 11 conflicting name, because he never checked it
 12 out. And he said well, then we need to change
 13 the name of Ponderosa Trust. So it got
 14 changed to Ponderosa Land & Cattle
 15 Enterprises. We just made up a new name.
 16 Then in 1998, '99, somewhere in there,
 17 suddenly he decides that we no longer want the
 18 Ponderosa Land & Cattle Enterprises, and he
 19 wants Exeter Trinity Properties. So Exeter
 20 Trinity Properties was created and the
 21 property was allegedly transferred into it.
 22 And that's how Exeter Trinity wound up being
 23 involved.
 24 Q Now when you say "he" you mean Jimmy Chisum?
 25 A Mr. Jimmy Chisum. All of these decisions were

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1 Q So your company was a member of Exeter;
 2 correct?
 3 A Yes.
 4 Q Whose signature is at the bottom there, the
 5 notary public, is that ---
 6 A That was me.
 7 Q So you were a notary?
 8 A Yeah, I was for four years.
 9 Q So the Chisums used you as a notary too?
 10 A Yes, for a couple of things. I didn't like
 11 notarizing they had to do. That's why I quit.
 12 Q What did Hunter King -- what was the Hunter
 13 King's role with respect to Exeter?
 14 A You had to have two entities to create an LLC,
 15 so they threw mine on.
 16 Q What was Zion Trust?
 17 A I have no idea.
 18 Q In 1999 I think you said that was the time
 19 when you started questioning Mr. Chisum's
 20 beliefs?
 21 A Yeah, that was about when it was really
 22 getting bad.
 23 Q But you still signed the documents and went
 24 along with whatever ---
 25 A I went along with it, but that was it. Then I

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1 his.
 2 Q You didn't question his decisions at all?
 3 A No.
 4 Q How much or what was the consideration that
 5 Exeter Trinity Properties, I'll call them
 6 Exeter, gave to the Ponderosa Trust?
 7 A Nothing that I'm aware of. It was just a name
 8 change.
 9 (PLAINTIFF'S EXHIBIT NO. 17 MARKED)
 10 DIRECT EXAMINATION RESUMED BY MR. DUFFY:
 11 Q It looks like these are the Articles of
 12 Incorporation for Exeter ---
 13 A Articles of Organization.
 14 Q Articles of Organization that were filed with
 15 the State of Arizona; do you see that?
 16 A Yes, I do.
 17 Q Did you have anything to do with Exeter?
 18 A No.
 19 Q It says on Bates page 2861 of Exhibit 17, that
 20 management consisted of two members; one of
 21 the members is Zion Trust?
 22 A Yeah.
 23 Q The other member was Hunter King LLC. Now
 24 Hunter King LLC was your company.
 25 A That was mine.

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1 -- then I decided never to be a notary again.
 2 The only way I could stop having any
 3 relationship with them was not to be a notary,
 4 so I quit. I didn't trust them at all at that
 5 point.
 6 (PLAINTIFF'S EXHIBIT NO. 18 MARKED)
 7 DIRECT EXAMINATION RESUMED BY MR. DUFFY:
 8 Q What's Exhibit 18?
 9 A Articles of Organization of Hunter King LLC.
 10 Q Is that your signature on Bates page 1078?
 11 A Yes, it is.
 12 Q So that was your company?
 13 A Yes.
 14 Q You owned 100 percent of it?
 15 A Yes. As far as I know I did.
 16 BY MR. DUFFY:
 17 Let me just go off the record.
 18 (OFF THE RECORD)
 19 DIRECT EXAMINATION RESUMED BY MR. DUFFY:
 20 Q Did you ever ask Mr. Chisum or talk about --
 21 did he ever say anything to you about whether
 22 you could get your house back?
 23 A He told me that we couldn't get our house
 24 back, that it was in an irrevocable trust, and
 25 irrevocable meant you can't -- once you put it

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1 in you can't get it out.

2 Q What did you say to him?

3 A I didn't say anything. He actually just said

4 it, and it was sort of like -- the message to

5 me was it's in an irrevocable trust so good

6 luck getting it back sister. That's pretty

7 much how it went. If I knew I could have, I

8 probably would have.

9 Q You have to wait till the court reporter ---

10 A Sorry.

11 (PLAINTIFF'S EXHIBIT NO. 19 MARKED)

12 DIRECT EXAMINATION RESUMED BY MR. DUFFY:

13 Q Exhibit 19 looks like it's called the minutes

14 of DD Trust? (Tenders)

15 A (Upon review) DD Trust.

16 Q And your signature's on that document?

17 A Yes.

18 Q There's some language in there about capital

19 units?

20 A That's them, that's those certificates.

21 Q Now you and your husband owned, each owned 50

22 capital units of the DD Trust?

23 A Yes.

24 Q And there were only 100 capital units in

25 total?

76

1 his whatever.

2 Q When you say "he"?

3 A Mr. Jimmy Chisum.

4 (PLAINTIFF'S EXHIBIT NO. 20 MARKED)

5 DIRECT EXAMINATION RESUMED BY MR. DUFFY:

6 Q This looks like a letter dated February 20,

7 1997 from Phillip O'Neil to an IRS revenue

8 agent regarding the DD Trust and the Cactus

9 State Machinery Enterprises. (Tenders)

10 A (Upon review) Really, wow.

11 Q Now back in 1997, it looks like this Phillip

12 O'Neil was involved with the DD Trust.

13 A Okay.

14 Q You and your husband owned the DD Trust.

15 A Right, the DD Trust we knew. Cactus State

16 Machinery, I don't know what that is.

17 Q When did you meet Mr. O'Neil?

18 A One of the meetings that Mr. Chisum held.

19 Q Was Mr. O'Neil a teacher there?

20 A Yes, sometimes. He'd talk.

21 Q What would he teach about?

22 A Trusts and paperwork.

23 Q How to use trusts?

24 A No, not really. That was Mr. Chisum's thing.

25 Mr. Chisum was, if you'll use the term the

75

1 A Yes.

2 Q So you and your husband owned the entire

3 capital units of the DD Trust?

4 A Yes.

5 BY MR. DUFFY:

6 Off the record for a second.

7 DIRECT EXAMINATION RESUMED BY MR. DUFFY:

8 Q Did you read that document before you signed

9 it?

10 A Yes.

11 Q Do you know what the capital units entitled

12 you to?

13 A No.

14 Q Did you actually receive certificates?

15 A There were two certificates that had the word

16 capital units on them. I didn't know what

17 they meant.

18 Q But how did this relate to the Cottonwood

19 residence, and I'm talking about Exhibit 19,

20 these capital units described in Exhibit 19?

21 A I don't know.

22 Q Because DD Trust didn't have any ---

23 A DD Trust, or the DD Trust didn't get any that

24 I know of, maybe they did. I don't know how

25 it relates. He understood the intricacies of

77

1 star of the show and nobody could come in and

2 take over his position, his leadership

3 position. But Mr. O'Neil would talk about

4 various litigation that was going on in

5 various states, and various ---

6 Q Litigation against the IRS?

7 A I don't know, just in general, litigation in

8 general.

9 Q What did you take to be his role at the

10 meetings?

11 A An advisor.

12 Q An advisor to whom?

13 A Mr. Chisum.

14 Q What did he advise Mr. Chisum about?

15 A I don't know, but he -- he always -- when

16 Mr. Chisum was talking, blah blah blah blah

17 blah, whatever he's saying, and then all of a

18 sudden Mr. O'Neil had something to add to it.

19 Q So they were teaching together?

20 A It was kind of a tag team thing.

21 Q Now Mr. O'Neil also goes by a different name,

22 I guess the name Vild, V-I-L-D?

23 A That's what he told me his real name is, Elmer

24 Vild, V-I-L-D.

25 Q So who did you know him as?

78

1 A I knew him as Phil O'Neil.
 2 Q Did you ever find out why he used Phillip
 3 O'Neil instead of Elmer Vild?
 4 A No, I never did. I didn't ask. I thought it
 5 was weird. Just more of the fodder for why I
 6 didn't want to be around anybody.
 7 Q It looks like Mr. O'Neil is communicating with
 8 the IRS about the DD Trust in 1997.
 9 A Yes.
 10 Q Now you and your husband owned the DD Trust.
 11 Did Mr. O'Neil keep you in the loop about his
 12 discussions with the Internal Revenue Service?
 13 A No, he did not.
 14 Q Did you know he was communicating with the IRS
 15 about the DD Trust?
 16 A Okay. The DD Trust was audited.
 17 BY MR. DUFFY:
 18 Off the record.
 19 BY THE DEPONENT:
 20 The DD Trust was being audited by Theresa
 21 Noise. This is the auditor, she was being
 22 audited -- wanted to audit the DD Trust. I
 23 got a notice from the DD -- to my PO box from
 24 Mr. Chisum that the DD Trust was going to be
 25 audited. I contacted Mr. Chisum. I said, "I

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1 A I don't know. We were being bypassed.
 2 Mr. Chisum took over. He said, this is my
 3 responsibility, I'll do it.
 4 Q Did you have any conversations with Mr. O'Neil
 5 about the DD Trust?
 6 A No.
 7 Q Did you have any communications with
 8 Mr. O'Neil about the IRS audit?
 9 A No, only just to give him that letter, which I
 10 gave to Mr. Chisum and Mr. Chisum said, we'll
 11 handle it. And that was the end of it.
 12 Q What letter?
 13 A A letter to audit the DD Trust.
 14 Q So you got a letter from the IRS to audit the
 15 DD Trust, and gave it to Mr. Chisum?
 16 A Yes, I gave it to Mr. Chisum per my
 17 instructions. I was told to give all mail to
 18 Mr. Chisum, which I did.
 19 Q Did Mr. Chisum make it clear that -- when he
 20 said, we'll take care of it, did you
 21 understand that to mean that he and
 22 Mr. O'Neil?
 23 A He and Mr. O'Neil; and Mr. Wilde, John Wilde.
 24 Q Was Mr. O'Neil involved with Mr. Wilde, too?
 25 A Yes.

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1 have an audit letter, here it is." He said,
 2 "Don't worry, I'll take care of it." He must
 3 have -- he hired Mr. O'Neil to represent the
 4 DD Trust at the audit. The DD Trust -- and
 5 all I know about the whole interplay is that
 6 Theresa Noise wouldn't accept him as
 7 representing the DD Trust. Why, I can't tell
 8 you. But she said you can't do it without a
 9 Form 55. There's a form you've got to fill
 10 out to be a representative of an entity. He
 11 was going to fill it out and she said, "I
 12 won't take this without a copy of the trust
 13 document." And he said, or Mr. Chisum said,
 14 "You're not entitled to that," and that's
 15 where it went.
 16 DIRECT EXAMINATION RESUMED BY MR. DUFFY:
 17 Q Was Mr. O'Neil an attorney?
 18 A No.
 19 Q How was he going to represent the DD Trust?
 20 A I don't know.
 21 Q Would he communicate with you about the DD
 22 Trust since you -- it looked like you and your
 23 husband owned the DD Trust?
 24 A No, he communicated with Mr. Chisum.
 25 Q Why didn't he communicate with you?

81

1 Q What was his role there?
 2 A I don't know. All I know is that they were a
 3 little group of people.
 4 Q Mr. O'Neil, Mr. Wilde and Mr. Chisum?
 5 A And Mr. Chisum and Donna Chisum.
 6 (PLAINTIFF'S EXHIBIT NO. 21 MARKED)
 7 DIRECT EXAMINATION RESUMED BY MR. DUFFY:
 8 Q Exhibit 21, it looks like that is a letter on
 9 your stationery? (Tenders)
 10 A (Upon review) Yes.
 11 Q And that's your signature and your husband's
 12 signature on that document?
 13 A Yes, it is.
 14 Q And it's a letter to Mr. Chisum?
 15 A Yes.
 16 Q It's dated January 5, 2006?
 17 A Yes.
 18 Q What's going on here? Can you explain to me
 19 what's happening?
 20 A Mr. Chisum's going to jail and I wanted all of
 21 my stuff back to me. I wanted it to go to
 22 Phil so I could get it back from him, because
 23 Phil said he would give me my stuff back,
 24 these things.
 25 Q When you say give you your stuff back what ---

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1 A My paperwork that Mr. Chisum was holding.
 2 Mr. Chisum had all my cancelled checks. He
 3 had all my receipts. He had all my cashed
 4 checks, my little -- you know when you go and
 5 buy a stamp or something for 40 cents and you
 6 get a -- I got a receipt for everything.
 7 Q Did Mr. O'Neil say that he was going to give
 8 back your house?
 9 A No, he didn't say that. He said ---
 10 Q Did you ask him?
 11 A No.
 12 Q Why didn't you ever ask him?
 13 A I thought it was irrevocable. I thought that
 14 was the end. And I thought basically with
 15 Mr. Chisum going to jail, everything would
 16 straighten itself out and I'd get the place
 17 back.
 18 Q You thought that Mr. O'Neil would give you the
 19 place back?
 20 A I thought that we might get the place back or
 21 we might be able to make some kind of an
 22 arrangement to do something.
 23 Q Did you think that Mr. O'Neil was going to
 24 give it back to you?
 25 A I don't know how it was going to happen, but I

84

1 Mr. O'Neil that you did with Mr. Chisum?
 2 A Meaning?
 3 Q He would tell you what to do and you did it?
 4 A Yes.
 5 Q How often would you talk to Mr. O'Neil, more
 6 often than you would talk to Mr. Chisum?
 7 A I spoke to him very seldom because I didn't
 8 really like him.
 9 Q Why is that?
 10 A I just had a personality problem with him.
 11 Q He would call you up and tell you to do
 12 things?
 13 A He would make -- well, yeah, he would.
 14 Q What would he tell you?
 15 A Make sure that your paperwork is finished.
 16 Make sure that your -- everything I'm trying
 17 to get back, he got things in order, stuff
 18 like that. Nothing major.
 19 Q When Mr. Chisum went to prison what checks --
 20 who was writing the checks to pay for the
 21 expenses on the Cottonwood residence? What
 22 checks were being written to pay the
 23 expenditures?
 24 A Well, utilities, water ---
 25 Q Did you continue to stamp the ---

83

1 never got that far. I thought that in my
 2 head. That was not -- I requested ---
 3 Q This letter, Exhibit 21, says, Dear JC and
 4 Donna: Please transfer custodyship,
 5 parentheses, control of all structures
 6 associated with us to Phillip O'Neil of
 7 Cornfield, Arizona. Phil has agreed to take
 8 this position. Please transfer the following
 9 structures ---
 10 A I just listed everything we ever had.
 11 Q Ma'am, let me finish. Morningstar
 12 International, Hunter King, DD Trust --
 13 Ponderosa Trust, Ponderosa Land & Cattle
 14 Enterprises, Exeter Trinity Properties LLC.
 15 So these were all your entities?
 16 A Yes.
 17 Q You were involved with all these entities?
 18 A Yes.
 19 Q What did you understand Mr. O'Neil was going
 20 to do?
 21 A He was going to take over running them so we
 22 could close them all out. Because he can't
 23 just walk away from them. I wanted everything
 24 properly taken care of.
 25 Q Did you have the same relationship with

85

1 A Yes.
 2 Q --- Morningstar checks even when Mr. Chisum
 3 was in prison?
 4 A Well, I didn't know when he went. This was
 5 when his trial started. I don't know the
 6 dates of his incarceration.
 7 Q Would you call up Mr. O'Neil and say, can I
 8 pay this expenditure?
 9 A No, because I had been doing it for so long it
 10 didn't matter.
 11 Q So at some point you stopped calling
 12 Mr. Chisum to pay expenditures?
 13 A Oh, I called Mr. Chisum on everything. But
 14 when he started -- I couldn't handle it
 15 anymore with him, I stopped calling him. I
 16 just -- you know, I knew that the utilities
 17 were approved, yes, pay the bill for the
 18 utilities. Okay, fine. And pay the -- you
 19 know, the insurance, or pay whatever.
 20 Q He would tell you it was okay?
 21 A Yes. I got approval for everything.
 22 Q So he basically stepped in the shoes of
 23 Mr. Chisum?
 24 A Well, yes, but he never told me about paying
 25 bills. It was just Mr. Chisum. But I called

<p style="text-align: right;">86</p> <p>1 Mr. Chisum on everything.</p> <p>2 Q How did his role differ from Mr. Chisum?</p> <p>3 A He wasn't -- well, he wasn't as scary to me.</p> <p>4 And he just took over because basically they</p> <p>5 were going to wind everything down, and I</p> <p>6 didn't want to have any more problems. I said</p> <p>7 I want nothing to do with any of this anymore.</p> <p>8 I've had enough. I'm filing my tax returns</p> <p>9 and I don't care who likes it.</p> <p>10 Q Did you ever tell Mr. O'Neil that you were</p> <p>11 deducting expenditures relating to the</p> <p>12 Cottonwood home on your individual tax</p> <p>13 returns?</p> <p>14 A No.</p> <p>15 (PLAINTIFF'S EXHIBIT NO. 22 MARKED)</p> <p>16 DIRECT EXAMINATION RESUMED BY MR. DUFFY:</p> <p>17 Q Did you ever have any discussions about IRS</p> <p>18 liens, that were filed with the county, with</p> <p>19 anybody?</p> <p>20 A I asked -- when they happened I saw a notice</p> <p>21 of lien and I said to Mr. Chisum, I said --</p> <p>22 when it happened they sent a notice of the</p> <p>23 lien to us and I called him up and he came out</p> <p>24 to the house. And I said, "What's this all</p> <p>25 about?" And I said, "I don't understand,</p>	<p style="text-align: right;">87</p> <p>1 what's this lien about?" He looked at it and</p> <p>2 he goes, "Well, I can't help you, you're on</p> <p>3 your own." That was a quote.</p> <p>4 Q That was a lien on the ---</p> <p>5 A Yeah.</p> <p>6 Q --- on the Cotton ---</p> <p>7 A On the Cottonwood residence, which is the only</p> <p>8 one. I see that they've got it listed as</p> <p>9 being a couple other counties, but we've never</p> <p>10 been in those counties. The lien is listed in</p> <p>11 three counties, but the property is only in</p> <p>12 one.</p> <p>13 Q From the time the Cottonwood residence was</p> <p>14 transferred to the Ponderosa Trust, I think it</p> <p>15 was '92 or '93, until 2007, did you ever pay</p> <p>16 any rent to live on the property?</p> <p>17 A No. No, we had to be the caregivers. We had</p> <p>18 to see to it that the property was kept in</p> <p>19 maintenance and working order, and all the</p> <p>20 lights were fixed, and when it needed</p> <p>21 electricity. We had to order the plumbers,</p> <p>22 and we had to order the electricians, and we</p> <p>23 had to get all of that stuff. And he would</p> <p>24 come out and go, "How are you taking care of</p> <p>25 my property?" He always said that.</p>
<p style="text-align: right;">88</p> <p>1 Q Who would say that?</p> <p>2 A Mr. Chisum.</p> <p>3 Q And you would pay for repairs ---</p> <p>4 A Yes, out of my pocket. Or out of our pockets.</p> <p>5 Out of the Morningstar funds.</p> <p>6 Q I'm still trying to figure out, you</p> <p>7 transferred this house that was worth a</p> <p>8 hundred thousand dollars or more, and at some</p> <p>9 point had no debt on it, and I don't see what</p> <p>10 you received in return.</p> <p>11 A Those capital units, that's all. I'm sorry,</p> <p>12 that's everything. And the promise that we</p> <p>13 were going to get it to charity when we died.</p> <p>14 Q What did you do, did you ever sell the capital</p> <p>15 units?</p> <p>16 A (Nodding)</p> <p>17 Q You never did anything with them?</p> <p>18 A I don't even know where they are.</p> <p>19 Q Did you have any discussions about IRS liens</p> <p>20 with Mr. O'Neil?</p> <p>21 A Just that they were after the property now and</p> <p>22 Exeter Trinity.</p> <p>23 Q Pardon?</p> <p>24 A Just that they were after the property being</p> <p>25 in Exeter Trinity, but that was it.</p>	<p style="text-align: right;">89</p> <p>1 Q What do you mean?</p> <p>2 A He said that they were trying to take the</p> <p>3 house.</p> <p>4 Q Who said that?</p> <p>5 A Mr. O'Neil.</p> <p>6 Q When did he say that?</p> <p>7 A Oh, I don't know, a long time ago. When this</p> <p>8 first started communicating after Mr. Chisum</p> <p>9 walked away from the whole thing.</p> <p>10 Q When Mr. O'Neil first came into the picture,</p> <p>11 and that would have been in 1997 about?</p> <p>12 A When the audit occurred, yes.</p> <p>13 Q He said the IRS was trying to get the</p> <p>14 property?</p> <p>15 A No, he never said that.</p> <p>16 Q What did he say?</p> <p>17 A I'm talking about currently, when you asked me</p> <p>18 what my communications have been with</p> <p>19 Mr. O'Neil. After Mr. Chisum went to prison,</p> <p>20 okay, Mr. O'Neil said the IRS was coming to</p> <p>21 take the property. Because I said, "What am I</p> <p>22 supposed to do about this lien?" He said,</p> <p>23 "Well, I'll look it over." So that's the</p> <p>24 first time. It would have been around 2007.</p> <p>25 Q Did he say, when you had that discussion, did</p>

90	<p>1 he say hey, you don't own this property, this 2 property belongs to somebody else? 3 A Yes. 4 Q Who did he say it belonged to? 5 A Exeter Trinity Properties. We are not 6 beneficiaries, we have no beneficiary rights. 7 And we had no control over it, they could have 8 done what they wanted with it. That's what 9 Mr. Chisum told me from the beginning. He 10 said, "I can take everything and go to 11 Brazil." I trusted him because he said he was 12 a Christian. It didn't get me very far. 13 Q Did you also trust Mr. O'Neil? 14 A Yeah. 15 Q What was the basis for that trust? 16 A Well, he wasn't as fanatical as Mr. Chisum. 17 Mr. Chisum was a rabid fanatical Christian, 18 made me very nervous. 19 Q Today, who has the house today? 20 A There is a gentleman named Terry Major, Terry 21 Major living in there with his wife Louise. 22 She had a head injury. 23 Q If the house is sold and any debts are paid 24 off, taxes and there's excess money, who do 25 you understand that that money would go to?</p>	91	<p>1 A Exeter Trinity. 2 Q And who is that, Mr. O'Neil? 3 A I guess so. 4 Q So it would go to Mr. O'Neil? 5 A I guess so, yes. I wouldn't be expecting it. 6 I expect nothing from him. 7 Q You wouldn't be expecting it to be applied 8 against your taxes? 9 A Oh, I don't know. 10 Q If there's --- 11 A If you --- 12 Q If the house is sold, what is your belief as 13 to where the money should go? 14 A If the house is sold, the IRS is taking it. 15 Q If it's sold but the court orders a sale, it's 16 your understanding the money should go to 17 Exeter or Mr. O'Neil? 18 A I don't have opinion on that. I would like it 19 to go to my taxes, but I don't know that. 20 Q Should it go to your taxes? 21 A Well, if it's my -- if it's our house it 22 should. 23 Q Is it your house? 24 A I don't know. I don't know. I don't know 25 what to believe.</p>
92	<p>1 Q You took all the deductions for many years as 2 if it were your house, are you saying now that 3 it's not your house? 4 A I'm saying that I wanted it to go to charity. 5 If I had my way, something happened to Joe and 6 I, I wanted it to go to the Guiding Eyes for 7 the Blind. That's what I wanted. 8 Q But it doesn't look like they --- 9 A But that's not going to happen. I don't know 10 what's going to happen to it. I'm sorry, I 11 don't know. 12 Q Exhibit 22, it looks like Mr. O'Neil became 13 the trustee for the DD Trust. Is that your 14 understanding? 15 A Is that still this one? 16 Q Exhibit 22. 17 A Yes. Yeah, says here acceptance of trustee. 18 Q And you agree to have Mr. O'Neil be the 19 trustee? 20 A Yes. 21 Q And at this point you understood that you and 22 your husband still own the DD Trust? 23 A Yes. 24 Q Because you own these capital units? 25 A We had these capital units.</p>	93	<p>1 Q And regarding the DD Trust, would you tell 2 Mr. O'Neil what to do concerning the trust, or 3 would he tell you? 4 A He'd tell me. 5 (PLAINTIFF'S EXHIBIT NO. 23 MARKED) 6 DIRECT EXAMINATION RESUMED BY MR. DUFFY: 7 Q It looks like that's the Form 1041 U.S. Income 8 Tax Return for Estates in Trust in 1994 for 9 the DD Trust? (Tenders) 10 A (Upon review) Yes. 11 Q Did you prepare that return? 12 A No, I did not. 13 Q Is that Jimmy Chisum's signature? 14 A Yes, it looks like it. 15 Q On Bates page 663, it says the beneficiary of 16 the trust is Franklin Finance of Grand Turks 17 and Caicos Islands. Do you know anything 18 about that? 19 A I know he created that. 20 Q Did he tell you he created that? 21 A Yes, he did. 22 Q What did he tell you about it? 23 A He said it was where the income from the DD 24 Trust went. 25 Q What income was the DD Trust earning?</p>

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1 A The money from the chiropractic business.

2 Q And you had no problem with that?

3 A I didn't know. He said that's the way it was

4 set up. I didn't understand law.

5 Q So you and your husband were not filing

6 personal income tax returns for many years

7 because you thought that Mr. Chisum was filing

8 returns for you?

9 A With these things.

10 Q And you thought that hey, chiropractic income

11 was being reported by the DD Trust?

12 A I was paying for tax preparation services

13 every year.

14 INTERJECTION BY MR. LIPARI:

15 We were paying fees.

16 BY THE DEPONENT:

17 We were paying fees. We were paying tax prep

18 fees. We were paying for tax prep.

19 DIRECT EXAMINATION RESUMED BY MR. DUFFY:

20 Q Now the members of Exeter Trinity Properties

21 we talked about was Zion Trust and Hunter King

22 LLC. What do you understand, is Hunter King

23 LLC, which is your entity, still a member of

24 Exeter?

25 A I don't know.

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1 A I haven't talked to him in three years easily.

2 Q How about Terry Major?

3 A Terry Major is a computer guy that I know. I

4 talk to him because he helps me with problems.

5 And I have friends that have computers in the

6 area where he lives, and I send them to him to

7 help him out in his business and stuff like

8 that. We're basically friends. He's a nice

9 guy. He's got a really nice wife. She

10 suffered a head injury in a car accident.

11 Q They live in your house?

12 A They live in the house because they lost their

13 home.

14 Q Do you still communicate with Mr. Major?

15 A Sure. Not recently. I called him a few days

16 ago to ask him what stipulation for judgment

17 meant, but other than that.

18 Q Have you communicated with him about this

19 lawsuit?

20 A Just that it's happened.

21 Q What is his view of the lawsuit?

22 A He has no opinion.

23 Q He doesn't?

24 A No.

25 Q Do you know if he's paying rent to live in

95

1 Q Have you ever heard of the Golden Kiwi Trust

2 or the Iron Insulator Trust?

3 A No.

4 Q Do you know or are aware of any trusts that

5 are operated by Mr. O'Neil?

6 A No, I don't.

7 Q Based on your knowledge, is he a proponent of

8 using trusts?

9 A He uses trusts, yes.

10 Q What does he use trusts for?

11 A Asset protection and estate planning.

12 Q This is per his teachings?

13 A Yes.

14 Q What do you mean asset protection and trust

15 planning?

16 A Well, sometimes you know, you have a lot of

17 insurance you got to pay to keep people from

18 -- you know, frivolous lawsuits against you

19 and stuff like that. So sometimes asset

20 protection comes into play but not always.

21 Q Did you ever have any discussions with

22 Mr. O'Neil about the IRS?

23 A No, very few. Just the stuff that he was

24 handling for DD.

25 Q How often do you talk to Mr. O'Neil?

97

1 your house?

2 A I don't know.

3 Q What's his relationship with Mr. O'Neil?

4 A They're friends.

5 Q Does Mr. Major also teach at the various ---

6 A No, he tapes them sometimes.

7 Q What do you mean he tapes them?

8 A He used to tape Mr. Chisum when Mr. Chisum was

9 giving lectures and stuff. That's how I met

10 him.

11 Q How often do you talk to Mr. Major?

12 A I think I've talked to him once in the last

13 year, year and a half.

14 Q So when you moved out of the house Mr. Major

15 moved in?

16 A Yes.

17 Q Does he pay rent?

18 A I don't know if he pays rent. He doesn't pay

19 it to us. These are all my checks ---

20 Q We have these.

21 A I made a mistake on that, on who signs the

22 checks. These two checks to Morningstar and

23 Hunter King I signed. I want to go back and

24 correct that. It's DD that had the signature

25 stamps.

98

1 Q So the Morningstar checks you signed?
 2 A Yeah.
 3 Q Were you the only person to have signature
 4 authority on the Morningstar checks?
 5 A I don't know.
 6 Q But all the DD checks you used the stamp to
 7 sign Jimmy Chisum's signature?
 8 A Yes.
 9 (PLAINTIFF'S EXHIBIT NO. 24 MARKED)
 10 (OFF THE RECORD)
 11 (PLAINTIFF'S EXHIBIT NO. 25 MARKED)
 12 DIRECT EXAMINATION RESUMED BY MR. DUFFY:
 13 Q Now this is a document that you produced
 14 today; correct, ma'am?
 15 A Yes, sir.
 16 Q What is this basically?
 17 A This is our eviction notice.
 18 Q Who handed you this document?
 19 A Mr. O'Neil.
 20 Q Did you know that he was going to give this to
 21 you?
 22 A I had a feeling he was going to.
 23 Q Why is that?
 24 A Because he was telling us that we couldn't
 25 afford to rent, we'd have to leave.

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1 Q So how was it served on you, he came and
 2 knocked on your door?
 3 A Yes, he handed this to us.
 4 Q What did he say?
 5 A He said, "This is an eviction notice."
 6 Q That's the only thing he said?
 7 A Yes.
 8 Q And he said you have to get out of the house?
 9 A Yes.
 10 Q What did you say?
 11 A Well, we had no choice.
 12 Q Now this document Exhibit 25, I'm reading from
 13 the first page. "According to the terms of
 14 your original contract and rental agreement,"
 15 what original contract and rental agreement?
 16 A I don't know. I don't know what he's talking
 17 about.
 18 Q Did you ask him?
 19 A No, I didn't actually read this thing.
 20 Q Did he ever show you an original contract or
 21 rental agreement?
 22 A No.
 23 Q And you never asked for one, to see one?
 24 A No. It says, "According to the terms of your
 25 original contract." I guess that would have

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1 Q What rent?
 2 A He wanted to charge us rent.
 3 Q How much did he want to charge you?
 4 A I have no idea.
 5 Q When did he come and tell you he wanted to
 6 charge you rent?
 7 A In the first week in November.
 8 Q 2007?
 9 A Yeah.
 10 Q What did he say?
 11 A He said that I had to pay rent for the
 12 property now, because Joe was getting sicker
 13 and we couldn't really take care of it
 14 anymore. So our ability to be caretakers was
 15 gone, so we couldn't just live there for
 16 nothing, not doing anything.
 17 Q Who was paying, in 2007 or 2006, who was
 18 paying the utilities, the insurance, the real
 19 estate taxes?
 20 A We were, Joe and I.
 21 Q As long as you were paying those, what
 22 difference does it make whether you paid rent?
 23 He wanted to charge you rent on top of all
 24 that other?
 25 A Yes.

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1 been the trust agreement. "You are to insure
 2 all entities responsible for taxes, insurance,
 3 utilities. You are to receive enough funds
 4 from whatever sources to pay the property's
 5 taxes. You are to supervise repairs and
 6 maintenance, keep the premises in good repair.
 7 I have had to personally loan the LLC money
 8 for maintenance." See, I don't know that. I
 9 didn't know any of this.
 10 Q In 2006, 2007, or any other time while you
 11 were living in the house, did Exeter or
 12 Mr. O'Neil pay any of the insurance on the
 13 house?
 14 A No.
 15 Q Again all these questions deal with when you
 16 lived in the house from I guess '89 to ---
 17 A 2007.
 18 Q --- 2007. Did Mr. O'Neil or Exeter or Chisum
 19 pay any of the real estate taxes?
 20 A Not that I'm aware of. I wrote checks for
 21 everything.
 22 Q Did they pay any of the upkeep or maintenance?
 23 A No.
 24 Q So what was he talking about that he had to
 25 pay money?

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1 A I don't know what he had to pay unless the
 2 property taxes weren't current. I don't know.
 3 Q Did you ask him?
 4 A I didn't ask.
 5 Q Why don't you take a look at Exhibit 24.
 6 A Okay.
 7 Q It looks like a notice to have someone pay or
 8 vacate. That's a document you produced today;
 9 correct?
 10 A Yes.
 11 Q It looks like certificate of service, Terry
 12 Major served this document?
 13 A Yes.
 14 Q Do you remember Terry Major giving you this
 15 document?
 16 A Yes.
 17 Q What were the circumstances?
 18 A They were moving some paper -- or they were
 19 moving some file boxes in. When they were
 20 bringing the file boxes in they handed me
 21 this, and said that I owed \$4,720. And I said
 22 I don't understand what that's for. But I
 23 never got an accounting of it. And I figured
 24 I had no rights to say anything.
 25 Q So they had a key to the house?

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1 know, my furniture and tables and plants, and
 2 my cookbooks and equipment, toys and things
 3 like that, that I just had an auction for and
 4 sold everything off. So it was all in boxes
 5 to sell it all off.
 6 Q So when did you leave the residence?
 7 A The 9th or 10th of November.
 8 Q So they did not have to call the authorities
 9 to get you out of the residence?
 10 A No, but they told me they would.
 11 Q What did you take that to mean, they were
 12 going to call the police?
 13 A Uh-huh.
 14 Q And you just left the house?
 15 A Yes.
 16 Q Where did you go?
 17 A We came here to my mother's.
 18 Q You drove here?
 19 A Yeah.
 20 Q And again up until the time you left, Exeter
 21 nor Mr. O'Neil nor Chisum paid any of the real
 22 estate taxes, upkeep, insurance, maintenance?
 23 A Not that I'm aware of.
 24 (PLAINTIFF'S EXHIBIT NO. 26 MARKED)
 25 DIRECT EXAMINATION RESUMED BY MR. DUFFY:

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1 A Yeah, or they had it rekeyed or they walked
 2 in. I forget how they got here.
 3 Q So you were living in the house and they just
 4 walked in and gave you this notice?
 5 A Yes.
 6 Q And moved boxes into the house?
 7 A Yes.
 8 Q And they started living in the house?
 9 A I don't know what they were doing. They were
 10 moving things in.
 11 Q At that time, were you moving things out?
 12 A Well, we started moving things. We had things
 13 boxed up because we had a feeling that we --
 14 we couldn't pay any bills anymore so we were
 15 going to be asked to leave. And I had already
 16 sold off everything of our personal
 17 possessions trying to stay ahead of how much
 18 money we owed. Because we had bills and
 19 things and I couldn't pay them, because his
 20 business was going down and down and down and
 21 down. After the government I guess, or
 22 whoever came around it scared off all his
 23 patients. And the income went down to
 24 practically nothing, it was getting smaller
 25 and smaller and smaller. So I had like, you

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1 Q Exhibit 26 is a document that you produced
 2 today; correct?
 3 A The photograph, yes.
 4 Q What is that?
 5 A It's a photograph of our closing the office.
 6 It says, "This office will close
 7 November 9th."
 8 Q When you say office, is that Mr. Lipari's
 9 chiropractic office?
 10 A Yes, it is.
 11 Q So that had a separate door in the house?
 12 A Yes, it did. You'll see that on the chart.
 13 (PLAINTIFF'S EXHIBIT NO. 27 MARKED)
 14 DIRECT EXAMINATION RESUMED BY MR. DUFFY:
 15 Q What is Exhibit 27?
 16 A Exhibit 27 is the front and back of cancelled
 17 check Number 2390 dated 4/17/06 for \$2500.
 18 Q That's Page 1; correct?
 19 A That's Page 1 of the document and it shows
 20 where we paid some taxes.
 21 Q All the documents in Exhibit 27 you produced
 22 today?
 23 A Yes, I did. You asked me to find anything I
 24 had that showed that we paid taxes, and we did
 25 that.

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1 Q So these copies of cancelled checks and these
 2 other documents in Exhibit 27 are all evidence
 3 of payments ---
 4 A Payments.
 5 Q --- that you made to the IRS, that you believe
 6 should be credited to your taxes?
 7 A Yes.
 8 Q And you believe these were not credited to
 9 your taxes?
 10 A I have no indication that they've ever been
 11 credited to our taxes.
 12 Q And these are the only payments you believe
 13 should be credited to your taxes?
 14 A Yes, sir.
 15 (OFF THE RECORD)
 16 DIRECT EXAMINATION RESUMED BY MR. DUFFY:
 17 Q Since you left the house, how many times have
 18 you talked to Mr. O'Neil?
 19 A Maybe three.
 20 Q And what were those -- what was the ---
 21 A Just the basic conversation about the lawsuit
 22 that -- not the lawsuit but the liens against
 23 the house by -- on Exeter.
 24 Q Had you ever talked about the lawsuit with
 25 Mr. O'Neil?

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1 interrogatory responses you gave to the IRS in
 2 the United States Tax Court proceeding?
 3 (Tenders)
 4 A (Upon review) Uh-huh.
 5 Q There's a Bates stamp 459 in that document.
 6 We're looking at Exhibit 29. Is that your
 7 signature?
 8 A Yes.
 9 Q And your husband's signature?
 10 A Yes.
 11 Q Who prepared those ---
 12 A John Wilde.
 13 Q Did you read those before you signed?
 14 A No, we did not.
 15 Q But you voluntarily filed them and sent them
 16 to the IRS in your tax court case?
 17 A We signed them and Mr. Wilde sent the stuff,
 18 part of the tax court petition. I was too
 19 sick at this point to do anything, and we
 20 didn't go to tax court because I had to go and
 21 get some treatments in Tucson, Arizona. And
 22 Mr. Chisum said don't bother going to the tax
 23 court, you're going to lose anyway, so go get
 24 your medical treatments. So we went to -- we
 25 went down to Tucson for my treatments, my

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1 A No.
 2 (PLAINTIFF'S EXHIBIT NO. 28 MARKED)
 3 DIRECT EXAMINATION RESUMED BY MR. DUFFY:
 4 Q On Page 2 of Exhibit 28, is that your
 5 signature?
 6 A Yeah.
 7 Q Your husband's signature?
 8 A Yes.
 9 Q What is that document?
 10 A Mistake. Certified Demand for Proof of
 11 Jurisdiction. This is something that
 12 Mr. Chisum and Mr. Wilde drew up and we had to
 13 sign.
 14 Q You had to sign it?
 15 A Yeah.
 16 Q Why did you have to sign it?
 17 A Because it had to do with the audit. That's
 18 what my understanding was.
 19 Q Did you read this before you signed it?
 20 A No, I did not.
 21 Q How about your husband? Guess we could ask
 22 him.
 23 (PLAINTIFF'S EXHIBIT NO. 29 MARKED)
 24 DIRECT EXAMINATION RESUMED BY MR. DUFFY:
 25 Q Let me hand you -- it looks like these are

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1 health treatments that day.
 2 Q So Mr. Wilde and Mr. Chisum prepared the
 3 documents for you?
 4 A Yes, they did.
 5 Q And you didn't read any of the documents?
 6 A No, I did not.
 7 Q Whatever they put in front of you, you signed?
 8 A Yes.
 9 Q In other parts of your life do you do things
 10 like that?
 11 A It's stupid, I know, but we did it.
 12 Q In all parts of your life?
 13 A No.
 14 Q Just ---
 15 A Just this, we trusted him. He told us a great
 16 story. We believed everything he said. I
 17 couldn't tell you what's in these papers, I
 18 don't know.
 19 Q Did you have the same relationship, trust in
 20 Mr. O'Neil too?
 21 A No, not anymore.
 22 Q Why is that?
 23 A Because I've had enough with Chisum. Chisum
 24 showed me his true colors, and I've gotten to
 25 the point where I don't trust anyone anymore.

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1 I don't care who it is. It could be the
 2 mailman, it could be the grocery clerk. I'm
 3 so jaded and so suspicious of everything that
 4 I'm having a miserable life because of all of
 5 that. I had no idea what he was pulling. And
 6 if I had known, I would have never tolerated
 7 it.
 8 Q Do you feel like Mr. O'Neil's part of the
 9 whole scheme?
 10 A I don't know. I don't know. He never seemed
 11 to me to be like that. But Mr. Chisum, I just
 12 did everything he said, and it was only
 13 because I was afraid of him.
 14 BY MR. DUFFY:
 15 Why don't we take a lunch break and then come
 16 back.
 17 (OFF THE RECORD)
 18 (PLAINTIFF'S EXHIBIT NO. 30 MARKED)
 19 DIRECT EXAMINATION RESUMED BY MR. DUFFY:
 20 Q Ms. Lipari, is that your handwriting on that
 21 document?
 22 A Yes, it is.
 23 Q At Bates page 164, is that your signature?
 24 A Yes, it is.
 25 Q And your husband's signature?

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1 A Yes, I did.
 2 Q I just want to go to again Form 8829 of --
 3 actually of Exhibit 31.
 4 A Okay.
 5 Q Again this form, basically on this form you
 6 were apportioning the amount of business
 7 expenses or expenses that related to your
 8 husband's chiropractic business?
 9 A Yes, sir.
 10 Q And you prepared this return; right?
 11 A Yes, I did.
 12 Q So on this return, on this Form 8829, you
 13 deducted real estate taxes, insurance, repairs
 14 and maintenance, and utilities that were paid
 15 regarding the Cottonwood residence?
 16 A Correct.
 17 (PLAINTIFF'S EXHIBIT NO. 32 MARKED)
 18 DIRECT EXAMINATION RESUMED BY MR. DUFFY:
 19 Q Exhibit 32 is another document that you
 20 produced today?
 21 A Yes, this is an original.
 22 Q And that's -- actually it's a copy but it was
 23 a color copy.
 24 A Okay, sorry.
 25 Q That's your 2006 tax return, individual income

111

1 A Yes, it is.
 2 Q Do you remember signing that?
 3 A I might have. I remember something like this.
 4 Q Looks like you signed it June 20, 2007?
 5 A Yeah.
 6 Q Bates page 162, looks like you listed the
 7 Cottonwood residence at the fair market value
 8 of \$250,000?
 9 A Right.
 10 Q Is that about accurate then?
 11 A That was our best guesstimate because they had
 12 -- Mr. Chisum had us getting market analyses
 13 done to see how the property was going, up or
 14 down in value. That's how we came up with
 15 that number.
 16 Q And there were no debts or mortgage owed on
 17 the property?
 18 A There was no mortgage owed on it in 2006 or
 19 seven.
 20 (PLAINTIFF'S EXHIBIT NO. 31 MARKED)
 21 DIRECT EXAMINATION RESUMED BY MR. DUFFY:
 22 Q This is the tax return that you and your
 23 husband filed for 2005?
 24 A Yes, sir.
 25 Q And you produced that document today?

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1 tax return that you filed with your husband?
 2 A Yes, it is.
 3 Q And you prepared this return?
 4 A Yes, I did.
 5 Q On Form 8829 again.
 6 A Yes.
 7 Q The amount of space that the chiropractic
 8 business took up at the Cottonwood residence
 9 was about 36 percent?
 10 A Yes, 35.92 percent.
 11 Q And again on this tax return you were
 12 deducting the real estate taxes, insurance,
 13 repairs and utilities?
 14 A Yes.
 15 Q Who paid those taxes, insurance and other ---
 16 A Morningstar.
 17 Q Morningstar?
 18 A Yeah.
 19 Q That was basically the chiropractic business?
 20 A All of the monies that were paid came from the
 21 chiropractic business.
 22 (PLAINTIFF'S EXHIBIT NO. 33 MARKED)
 23 DIRECT EXAMINATION RESUMED BY MR. DUFFY:
 24 Q Is that a document you produced today?
 25 A Yes, sir.

<p style="text-align: right;">114</p> <p>1 Q Did you prepare this document?</p> <p>2 A Yes, sir, I did.</p> <p>3 Q What is that document?</p> <p>4 A That is Form 1040 U.S. Individual Income Tax</p> <p>5 Return for 2007 for Joseph Lipari and Eileen</p> <p>6 Lipari.</p> <p>7 Q Let's go to Form 8829 again. Again in 2007,</p> <p>8 on your individual tax return you took</p> <p>9 expenses for real estate taxes, insurance,</p> <p>10 rent and repairs and maintenance?</p> <p>11 A Yes.</p> <p>12 (PLAINTIFF'S EXHIBIT NO. 35 MARKED)</p> <p>13 DIRECT EXAMINATION RESUMED BY MR. DUFFY:</p> <p>14 Q What's Exhibit 35?</p> <p>15 A Exhibit 35 is a floor plan of the house, and</p> <p>16 highlighted in pink is the square footage used</p> <p>17 for the business.</p> <p>18 Q This is the Cottonwood house?</p> <p>19 A This is the Cottonwood residence, yes.</p> <p>20 Q So in your individual tax returns that we've</p> <p>21 talked about today, when you would figure out</p> <p>22 how much of the taxes, real estate taxes, the</p> <p>23 insurance, maintenance and repairs to apply to</p> <p>24 the Schedule C chiropractic business, the part</p> <p>25 of the drawing that's in pink was the</p>	<p style="text-align: right;">115</p> <p>1 chiropractic business?</p> <p>2 A Yes, it was. That was used exclusively for</p> <p>3 the business, and that's that door right here.</p> <p>4 Remember you asked me where the door led to?</p> <p>5 Q Why don't you mark it with the pen. Why don't</p> <p>6 you put a big X there.</p> <p>7 A This is the door.</p> <p>8 Q The witness put an arrow and a star ---</p> <p>9 A In photograph. You'll see the orientation.</p> <p>10 That's the door.</p> <p>11 Q Just let the record reflect the witness put an</p> <p>12 arrow, a star and handwriting that says "door"</p> <p>13 in the photograph.</p> <p>14 (PLAINTIFF'S EXHIBIT NO. 34 MARKED)</p> <p>15 DIRECT EXAMINATION RESUMED BY MR. DUFFY:</p> <p>16 Q Let me hand you Exhibit 34. I guess it's a</p> <p>17 document in the Stepard case I think that we</p> <p>18 referred to earlier. And that's your name up</p> <p>19 there with John Wilde? (Tenders)</p> <p>20 A (Upon review) Yes.</p> <p>21 Q Do you remember working on this document?</p> <p>22 A No.</p> <p>23 Q You don't?</p> <p>24 A No.</p> <p>25 Q Did you give Mr. Wilde permission to use your</p>
<p style="text-align: right;">116</p> <p>1 name?</p> <p>2 A Yes. He told me, he said he needed somebody</p> <p>3 as a backup to find a lawyer, a new lawyer if</p> <p>4 something ever happened to him. And he said</p> <p>5 could I take on that responsibility. And I</p> <p>6 didn't see that it was a big deal. I had no</p> <p>7 idea what was going on and I said, "Sure, I'll</p> <p>8 be happy to find a lawyer; where will I go?"</p> <p>9 And he said, "Well, we'll have a list for</p> <p>10 you." So he was going to have a list of</p> <p>11 lawyers if something had happened to him, that</p> <p>12 all I had to do was contact one of these</p> <p>13 people and hand the entire pile of files,</p> <p>14 which were in his possession, over to that</p> <p>15 person.</p> <p>16 Q But did you agree to let him use your name in</p> <p>17 this lawsuit?</p> <p>18 A I didn't agree to let him use me in the</p> <p>19 lawsuit. I didn't know I was part of a</p> <p>20 lawsuit until it was too late.</p> <p>21 Q But at some point you realized you were part</p> <p>22 of a lawsuit?</p> <p>23 A Yes, when they started asking me questions.</p> <p>24 And I went, I don't know anything about this.</p> <p>25 Q Who started asking you questions?</p>	<p style="text-align: right;">117</p> <p>1 A People from this lawsuit, on the other side.</p> <p>2 Q Lawyers?</p> <p>3 A I think so. I think they were lawyers.</p> <p>4 Q Did you have your deposition taken?</p> <p>5 A Yes, that's what I didn't understand. And he</p> <p>6 was in the room, and they stopped him because</p> <p>7 he started trying to coach me into what to</p> <p>8 say.</p> <p>9 Q Who was in there ---</p> <p>10 A Mr. Wilde.</p> <p>11 Q And who stopped them?</p> <p>12 A The other side.</p> <p>13 Q Let me take you to Page 7 of seven.</p> <p>14 A Yes.</p> <p>15 Q Is that your signature?</p> <p>16 A No, sir.</p> <p>17 Q Do you think Mr. Wilde signed your name?</p> <p>18 A He certainly had to, that is not my signature.</p> <p>19 Has never been my signature. I have a code in</p> <p>20 my signature. And the way I know my signature</p> <p>21 is there's something missing out of this.</p> <p>22 Q There are two documents, two quitclaim deeds</p> <p>23 attached to that document, and at the bottom</p> <p>24 it says Book 3004 Page 388, and Book 3004</p> <p>25 Page 389.</p>

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1 A Yes.

2 Q What are those documents?

3 A It says a quitclaim deed.

4 Q And your name is mentioned in those documents?

5 A Yeah. I've never seen these.

6 Q It looked like you and Mr. Wilde were
7 receiving property?

8 A Nope, I sure did not.

9 Q Did you know about that?

10 A No, I did not.

11 Q How many deeds, quitclaim deeds or other
12 documents, legal documents, might be out there
13 with your name on it that you don't know
14 about?

15 A I don't know, that's a good question.

16 Q Did you authorize the use of your name?

17 A No, I did not. That is not my signature.

18 Q When you say that's not your signature what
19 are you talking about?

20 A That signature on Page 7, not me. I can show
21 you my signature on everything. You see it on
22 all the tax returns. I'll show you something
23 that ---

24 INTERJECTION BY MR. LIPARI:
25 That's not her signature.

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1 case. Those are the only two that I know of
2 that are out there.

3 Q That's your knowledge of the extent of your
4 involvement, the Stepard case and the
5 Landsberger case?

6 A Yes, sir. Mr. Stepard will tell you that.

7 Q But did you know there were -- obviously you
8 knew there was litigation in Stepard because
9 you were deposed.

10 A I was deposed but I didn't know how to answer
11 the questions.

12 Q And Mr. Wilde tried to coach ---

13 A Tried to coach me, yes, sir. He most
14 certainly did.

15 Q Did you talk to Mr. Wilde before that
16 deposition?

17 A No.

18 Q How about the Landsberger case?

19 A I couldn't pick them out if you put a gun to
20 my head. I don't know what they look like. I
21 have no idea. Not one clue. But that clearly
22 is not my signature.

23 (PLAINTIFF'S EXHIBIT NO. 36 MARKED)

24 DIRECT EXAMINATION RESUMED BY MR. DUFFY:
25 Q Is that your signature on that first page?

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1 BY THE DEPONENT:
2 He knows my signature. That's not my
3 signature.

4 INTERJECTION BY MR. LIPARI:
5 That's not it.

6 BY THE DEPONENT:
7 Look at my signature. I want you to see
8 something.

9 INTERJECTION BY MR. LIPARI:
10 Looks like scribble.

11 BY THE DEPONENT:
12 That's somebody else's signature. Let me find
13 one.

14 BY MR. DUFFY:
15 Let's go off the record for a second.
16 (OFF THE RECORD)

17 BY THE DEPONENT:
18 That's not my signature.

19 DIRECT EXAMINATION RESUMED BY MR. DUFFY:
20 Q So in the Stepard case, you knew you were
21 involved with Stepard somehow.

22 A I knew that I was supposed to find a new
23 lawyer if something happened to John Wilde.

24 Q For the Stepard case.
25 A For the Stepard case and for the Landsberger

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1 A Yes, it is.

2 Q So you could sign checks on behalf of
3 Morningstar?

4 A Yes, I could. And this is how DD got funded.
5 That XFER DD on the memo line means this is
6 money that was transferred out of the DD Trust
7 -- or transferred to DD Trust from
8 Morningstar.

9 Q So this ---

10 A To fund DD Trust.

11 Q For instance this Check 11181, the first page
12 of this Exhibit 36, this check is to cash from
13 Morningstar. So you're saying this \$2,000
14 went to DD Trust?

15 A Yes, it did. It was a deposit. That's what
16 all of these are.

17 Q Why is that? Why would ---

18 A Because it had no funding of its own anymore.
19 Morningstar was the one that generated the
20 income. All income went into Morningstar.

21 Q Why did the DD Trust have to be funded?
22 A Because it had to pay for the utilities and
23 the property taxes and the fix-up on the
24 building, and all of the repairs that would
25 normally go to the property. Because

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1 Ponderosa, which was the trust that held the
 2 house, had bills. So DD was the one that paid
 3 Ponderosa's bills. So we had to give DD money
 4 to transfer in to pay for the bills of
 5 Ponderosa, which were the utilities and the
 6 property taxes and the repairs. He had people
 7 come out and put skylights in the house.
 8 Q And again any amount that went to anything
 9 dealing with the Cottonwood residence from
 10 Morningstar, from Ponderosa, from DD Trust,
 11 was deducted on your individual tax return?
 12 A Yes.
 13 Q No matter where it came from?
 14 A Well, the only -- the income only went into
 15 Morningstar. Then Morningstar ran the
 16 business, and he said I needed a separate
 17 checking account to run the house, which meant
 18 run the utilities and the ---
 19 Q When you say "he" you ---
 20 A Mr. Chisum. That's the way he set it up.
 21 Q So no matter where the money came from to pay
 22 the house expenditures; the real estate taxes,
 23 the insurance, upkeep and maintenance, those
 24 deductions were deducted on your individual
 25 tax return?

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1 account that went kerflooy, 4924.
 2 Q This Check 1551, this says cash. So basically
 3 who would have a hold of the cash since ---
 4 A 1551? Let me see where 1551 is. The 300
 5 dollar ones were mine. 1551, that would have
 6 gone to DD.
 7 Q But who got hold of the cash? In other words,
 8 would that cash ---
 9 A I went to the bank and I deposited this --
 10 this one went into Hunter King's account. I
 11 deposited this into the Hunter King. That's
 12 Hunter King's checking account.
 13 Q So you would get the cash and then take the
 14 cash ---
 15 A No, I would go to the bank with the cash -- it
 16 says cash -- I would take a deposit slip and I
 17 would just take the check and deposit the
 18 check made out to cash directly to the bank.
 19 I never took the physical cash out of my
 20 possession, never. This \$900, this one from
 21 Hunter King, this is what I wound up owing an
 22 accounting and tax return for filing the
 23 returns. But I never took the money out,
 24 myself, and had it in my hands and walked away
 25 with it.

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1 A Yes, they were.
 2 Q Doesn't matter who paid them?
 3 A Doesn't matter. But we paid everything. It
 4 wasn't like we got money from anybody. We
 5 just got it from Morningstar, we transferred
 6 it. That's what it was. That's what all of
 7 those are.
 8 (PLAINTIFF'S EXHIBIT NO. 37 MARKED)
 9 DIRECT EXAMINATION RESUMED BY MR. DUFFY:
 10 Q Why don't you take a minute and look through
 11 37, and tell me what those checks are.
 12 A This one is a transfer, deposit only.
 13 Q When you say "this one," you mean Bates ---
 14 A I'm talking about the one with ten -- what is
 15 that?
 16 Q Look at the bottom and give me the number.
 17 A 1790 is a \$300 check to us. That was what we
 18 got to live on. 4829 is a transfer, more than
 19 likely DD Trust from Morningstar. Three
 20 hundred dollars on 4848 is office expenses.
 21 That would have been petty cash, \$300 I kept
 22 in the office at all times. 4889 is to
 23 Texaco, and that was for auto expenses. First
 24 Bank of Arizona -- of America, this is --
 25 116,000, that was a transfer into a savings

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1 (PLAINTIFF'S EXHIBIT NO. 38 MARKED)
 2 DIRECT EXAMINATION RESUMED BY MR. DUFFY:
 3 Q It looks like for your husband's chiropractic
 4 practice, any amounts paid ---
 5 A To him.
 6 Q --- in 1996, it looks like these checks are in
 7 1996 and 1997. I'm looking at Exhibit 38,
 8 were all deposited into Morningstar's account?
 9 A Yes, they were. That's how I did it.
 10 Q All these amounts, that the net income of the
 11 chiropractic business was reported on the
 12 individual 1040?
 13 A Yes, it was. This by the way, Tremenko,
 14 that's Mr. Chisum, that's one of his
 15 companies.
 16 Q Which?
 17 A Number 4688. Interesting that you have that.
 18 He paid for adjustments for his entire family,
 19 six of them. That's Tremenko, that's him.
 20 That's another one of his companies. He had
 21 tons of companies.
 22 (PLAINTIFF'S EXHIBIT NO. 39 MARKED)
 23 DIRECT EXAMINATION RESUMED BY MR. DUFFY:
 24 Q I'll hand you Exhibit 39, maybe you can go
 25 through each of those four pages and say what

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1 those checks are for? (Tenders)
 2 A (Upon review) The first one, which is 2754,
 3 is made out to Cottonwood Waterworks.
 4 Q What is that?
 5 A That's the water company.
 6 Q That's for the ---
 7 A Water and sewer.
 8 Q Is that for the water bill on the house?
 9 A Yeah, that's for the water bill on 1001
 10 South 6th. The next one, which is 2757, is to
 11 Mountain Waste, which is the trash removal on
 12 the property on 6th Street. The next one is
 13 Citizens Utilities, that's 2755. That's
 14 Citizens Utilities. That's for the gas bill
 15 on 1001 South 6th. Then again Cottonwood
 16 Waterworks 2777, Cottonwood Waterworks is for
 17 the water to the house on 6th.
 18 Q You used Mr. Chisum's stamp on all these
 19 checks; correct?
 20 A Yes.
 21 Q He didn't sign these checks?
 22 A No, he approved the payments.
 23 Q For every one?
 24 A Yes, I called on every one of them. I said,
 25 it's time to pay the utilities, I've got the

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1 BY THE DEPONENT:
 2 Okay.
 3 BY MR. DUFFY:
 4 Do you want to do that?
 5 BY THE DEPONENT:
 6 Yes.
 7 BY MR. DUFFY:
 8 I think that's it.
 9 (PROCEEDINGS IN THE ABOVE-ENTITLED MATTER WERE
 10 CONCLUDED AT 2:19 P.M.)
 11
 12
 13
 14
 15
 16
 17
 18
 19
 20
 21
 22
 23
 24
 25

127

1 following.
 2 Q These are DD Trust checks?
 3 A Yes, DD Trust.
 4 BY MR. DUFFY:
 5 Can we go off the record for a second.
 6 (PLAINTIFF'S EXHIBIT NO. 40 MARKED)
 7 DIRECT EXAMINATION RESUMED BY MR. DUFFY:
 8 Q Exhibit 40, these are all DD checks in 2001 it
 9 looks like, 2002?
 10 A Yes.
 11 Q Did you use Mr. Chisum's stamp to sign these?
 12 A Yes, I did.
 13 Q These are for utilities and ---
 14 A Utilities, repair, water.
 15 Q And all these would have been deducted on the
 16 Form 1040 for the Liparis; correct?
 17 A Yes.
 18 Q The waterworks, electric, yes.
 19 BY MR. DUFFY:
 20 Ms. Lipari, you're going to have a chance to
 21 read and sign this deposition. I guess the
 22 court reporter will contact you, and if you
 23 want to come down here and you'll read it.
 24 You can make any corrections, but whatever
 25 corrections you make I'll be able to look at.

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CERTIFICATE

I, Mai-Beth Ketch, CVR, Court Reporter and Notary Public, do hereby certify that the foregoing 128 pages are an accurate transcript of the deposition of Eileen H. Lipari, taken by me and transcribed under my supervision.

I further certify that I am not financially interested in the outcome of this action, a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of such attorney or counsel.

This is the 19th day of July, 2011.

 MAI-BETH KETCH, CVR
 Notary Public No.: 19981410006

Asheville Reporting Service
 111 McDowell Street, Asheville, NC 28801
 828-254-9230

U.S. v. Lipari and Exeter Trinity Properties
No. 3:10-CV-08142 JWS

STATEMENT OF FACTS for Exeter Trinity Properties, LLC

EXHIBIT 7, the Liparis' tax returns from 1994 - 2007.

Due to size restrictions for uploading to ECF, the Liparis' tax returns for 1994 - 2004 have not been attached to this Statement of Facts. For those documents the Court is referred to the deposition of Eileen Lipari which was attached to the U.S.' Statement of Facts. Those tax returns are exhibits to that deposition.

Therefore, Exeter Trinity Properties is only providing the Lipari tax returns (unsigned) for 2005 - 2007.

1040

Department of the Treasury—Internal Revenue Service

U.S. Individual Income Tax Return 2005

(99) IRS Use Only—Do not write or staple in this space.

Label

ptions on page 16.) Use the IRS label. Otherwise, please print or type.

For the year Jan. 1-Dec. 31, 2005, or other tax year beginning _____, ending _____

OMB No. 1545-0074

Your first name M.I. Last name Suffix
 JOSEPH J LIPARI
 Your social security number
 9760

If a joint return, spouse's first name M.I. Last name Suffix
 EILEEN H LIPARI
 Spouse's social security number
 8705

Home address (number and street). If you have a P.O. box, see page 16. Apt. no.
 P.O. BOX 2126
 You must enter your SSN(s) above.

City, town or post office, state, and ZIP code. If you have a foreign address, see page 16.
 COTTONWOOD AZ 86326
 Checking a box below will not change your tax or refund.
 You Spouse

Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund (see page 16)

Filing Status

1 Single
 2 Married filing jointly (even if only one had income)
 3 Married filing separately. Enter spouse's SSN above and full name here.
 4 Head of household (with qualifying person). (See page 17.) If the qualifying person is a child but not your dependent, enter this child's name here.
 5 Qualifying widow(er) with dependent child (see page 17)

Check only one box.

First name Last name SSN

Exemptions

6a Yourself. If someone can claim you as a dependent, do not check box 6a

b Spouse

c Dependents:

(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> If qualifying child for child tax credit (see page 18)
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

Boxes checked on 6a and 6b: 2

No. of children on 6c who:
 • lived with you: 0
 • did not live with you due to divorce or separation (see page 20): 0
 Dependents on 6c not entered above: 0
 Add numbers on lines above: 2

d Total number of exemptions claimed: 2

Income

7	Wages, salaries, tips, etc. Attach Form(s) W-2	7	0
8a	Taxable interest. Attach Schedule B if required	8a	1,481
b	Tax-exempt interest. Do not include on line 8a	8b	0
9a	Ordinary dividends. Attach Schedule B if required	9a	0
b	Qualified dividends (see page 23)	9b	0
10	Taxable refunds, credits, or offsets of state and local income taxes (see page 23)	10	0
11	Alimony received	11	0
12	Business income or (loss). Attach Schedule C or C-EZ	12	5,714
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	13	0
14	Other gains or (losses). Attach Form 4797	14	0
16a	IRA distributions	16a	0
b	Taxable amount (see page 25)	16b	0
18a	Pensions and annuities	18a	0
b	Taxable amount (see page 25)	18b	0
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	0
18	Farm income or (loss). Attach Schedule F	18	0
19	Unemployment compensation	19	0
20a	Social security benefits	20a	0
b	Taxable amount (see page 27)	20b	0
21	Other income. List type and amount (see page 29)	21	0
22	Add the amounts in the far right column for lines 7 through 21. This is your total income	22	7,195

Adjusted Gross Income

23	Educator expenses (see page 29)	23	0
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24	0
25	Health savings account deduction. Attach Form 8889	25	0
26	Moving expenses. Attach Form 3903	26	0
27	One-half of self-employment tax. Attach Schedule SE	27	404
28	Self-employed SEP, SIMPLE, and qualified plans	28	0
29	Self-employed health insurance deduction (see page 30)	29	0
30	Penalty on early withdrawal of savings	30	0
31a	Alimony paid	31a	0
b	Recipient's SSN		
32	IRA deduction (see page 31)	32	0
33	Student loan interest deduction (see page 33)	33	0
34	Tuition and fees deduction (see page 34)	34	0
35	Domestic production activities deduction. Attach Form 8903	35	0
36	Add lines 23 through 31a and 32 through 35	36	404
37	Subtract line 36 from line 22. This is your adjusted gross income	37	6,791

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 78.

Form 1040 (2005)

Tax and Credits	38	Amount from line 37 (adjusted gross income)	38	6,791
	39a	Check <input type="checkbox"/> You were born before January 2, 1941, <input type="checkbox"/> Blind, <input type="checkbox"/> Total boxes checked <input type="checkbox"/> 39a		
		if: <input type="checkbox"/> Spouse was born before January 2, 1941, <input type="checkbox"/> Blind		
	b	If your spouse itemizes on a separate return or you were a dual-status alien, see page 35 and check here <input type="checkbox"/> 39b		
	40	Itemized deductions (from Schedule A) or your standard deduction (see left margin)	40	10,000
	41	Subtract line 40 from line 38	41	-3,209
	42	If line 38 is over \$109,475, or you provided housing to a person displaced by Hurricane Katrina, see page 37. Otherwise, multiply \$3,200 by the total number of exemptions claimed on line 6d	42	6,400
	43	Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-	43	0
	44	Tax (see page 37). Check if any tax is from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972	44	0
	45	Alternative minimum tax (see page 39). Attach Form 8251	45	0
	46	Add lines 44 and 45	46	0
	47	Foreign tax credit. Attach Form 1116 if required	47	0
	48	Credit for child and dependent care expenses. Attach Form 2441	48	0
	49	Credit for the elderly or the disabled. Attach Schedule R	49	0
	50	Education credits. Attach Form 8863	50	0
	51	Retirement savings contributions credit. Attach Form 8880	51	0
	52	Child tax credit (see page 41). Attach Form 8901 if required	52	0
	53	Adoption credit. Attach Form 8839	53	0
	54	Credits from: a <input type="checkbox"/> Form 8396 b <input type="checkbox"/> Form 8859	54	0
	55	Other credits. Check applicable box(es): a <input type="checkbox"/> Form 3800 b <input type="checkbox"/> Form 8801 c <input type="checkbox"/> Form	55	0
	56	Add lines 47 through 55. These are your total credits	56	0
	57	Subtract line 56 from line 46. If line 56 is more than line 46, enter -0-	57	0
	58	Self-employment tax. Attach Schedule SE	58	807
	59	Social security and Medicare tax on tip income not reported to employer. Attach Form 4137	59	0
	60	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	60	0
	61	Advance earned income credit payments from Form(s) W-2	61	0
	62	Household employment taxes. Attach Schedule H	62	0
	63	Add lines 57 through 62. This is your total tax	63	807
	64	Federal income tax withheld from Forms W-2 and 1099	64	0
	65	2005 estimated tax payments and amount applied from 2004 return	65	1,000
	66a	Earned income credit (EIC)	66a	399
	b	Nontaxable combat pay election <input type="checkbox"/> 66b 0		
	67	Excess social security and tier 1 RRTA tax withheld (see page 59)	67	0
	68	Additional child tax credit. Attach Form 8812	68	0
	69	Amount paid with request for extension to file (see page 59)	69	0
	70	Payments from: a <input type="checkbox"/> Form 2439 b <input type="checkbox"/> Form 4138 c <input type="checkbox"/> Form 8865	70	0
	71	Add lines 64, 65, 66a, and 67 through 70. These are your total payments	71	1,399
	72	If line 71 is more than line 63, subtract line 63 from line 71. This is the amount you overpaid	72	592
	73a	Amount of line 72 you want refunded to you	73a	592
	b	Routing number <input type="text"/> c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings		
	d	Account number <input type="text"/>		
	74	Amount of line 72 you want applied to your 2006 estimated tax	74	0
	75	Amount you owe. Subtract line 71 from line 63. For details on how to pay, see page 60	75	0
	76	Estimated tax penalty (see page 60)	76	0

Refund

72 If line 71 is more than line 63, subtract line 63 from line 71. This is the amount you overpaid.

73a Amount of line 72 you want refunded to you

b Routing number c Type: Checking Savings

d Account number

74 Amount of line 72 you want applied to your 2006 estimated tax

75 Amount you owe. Subtract line 71 from line 63. For details on how to pay, see page 60

76 Estimated tax penalty (see page 60)

Amount You Owe

75 Amount you owe. Subtract line 71 from line 63. For details on how to pay, see page 60

76 Estimated tax penalty (see page 60)

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see page 61)? Yes. Complete the following. No

Designee's name Phone no. Personal identification number (PIN)

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See page 17. Keep a copy for your records.

Your signature Date Your occupation **CHIROPRACTOR** Daytime phone number

Spouse's signature. If a joint return, both must sign. Date Spouse's occupation **HOUSEWIFE**

Preparer's signature Date Check if self-employed Preparer's SSN or PTIN

Preparer's Use Only

Firm's name (or yours if self-employed), address, and ZIP code

EIN Phone no.

State ZIP code

**SCHEDULE C
(Form 1040)**

Profit or Loss From Business

(Sole Proprietorship)

OMB No. 1545-0074
2005
Attachment
Sequence
No. 09

Department of the Treasury
Internal Revenue Service (89)

Partnerships, joint ventures, etc., must file Form 1065 or 1065-B.
Attach to Form 1040 or 1041. See instructions for Schedule C (Form 1040).

Name of proprietor JOSEPH J. LIPARI		Social security number (SSN) ██████████-██████-9780
A Principal business or profession, including product or service (see page C-2 of the instructions) CHIROPRACTOR		B Enter code from pages C-8, 9, & 10 621310
C Business name. If no separate business name, leave blank. MORNINGSTAR INT'L, P.L.L.C.		D Employer ID number (EIN), if any ██████████-██████-9676
E Business address (including suite or room no.) City, town or post office, state, and ZIP code P.O. BOX 2023 COTTONWOOD AZ 86326		
F Accounting method: (1) <input checked="" type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) _____		
G Did you "materially participate" in the operation of this business during 2005? If "No," see page C-3 for limit on losses <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
H If you started or acquired this business during 2005, check here <input type="checkbox"/>		

Part I Income			
1	Gross receipts or sales. Caution. If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see page C-3 and check here <input type="checkbox"/>	1	38,055
2	Returns and allowances	2	768
3	Subtract line 2 from line 1	3	37,287
4	Cost of goods sold (from line 42 on page 2)	4	2,153
5	Gross profit. Subtract line 4 from line 3	5	35,134
6	Other income, including Federal and state gasoline or fuel tax credit or refund (see page C-3)	6	0
7	Gross income. Add lines 5 and 6	7	35,134

Part II Expenses. Enter expenses for business use of your home only on line 30.			
8	Advertising	8	69
9	Car and truck expenses (see page C-3)	9	5,588
10	Commissions and fees	10	
11	Contract labor (see page C-4)	11	
12	Depletion	12	
13	Depreciation and section 179 expense deduction (not included in Part III) (see page C-4)	13	2,725
14	Employee benefit programs (other than on line 19)	14	
15	Insurance (other than health)	15	
16	Interest:		
a	Mortgage (paid to banks, etc.)	16a	0
b	Other	16b	0
17	Legal and professional services	17	380
18	Office expense	18	1,758
19	Pension and profit-sharing plans	19	
20	Rent or lease (see page C-5):		
a	Vehicles, machinery, and equipment	20a	0
b	Other business property	20b	1,420
21	Repairs and maintenance	21	1,302
22	Supplies (not included in Part III)	22	2,284
23	Taxes and licenses	23	1,204
24	Travel, meals, and entertainment:		
a	Travel	24a	2,574
b	Deductible meals and entertainment (see page C-5)	24b	836
25	Utilities	25	
26	Wages (less employment credits)	26	0
27	Other expenses (from line 48 on page 2)	27	9,284
28	Total expenses before expenses for business use of home. Add lines 8 through 27 in columns	28	29,204
29	Tentative profit (loss). Subtract line 28 from line 7	29	5,930
30	Expenses for business use of your home. Attach Form 8829	30	1,866
31	Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on Form 1040, line 12, and also on Schedule SE, line 2 (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3. • If a loss, you must go to line 32.	31	4,064
32	If you have a loss, check the box that describes your investment in this activity (see page C-6). • If you checked 32a, enter the loss on Form 1040, line 12, and also on Schedule SE, line 2 (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3. • If you checked 32b, you must attach Form 6198. Your loss may be limited.	32a	<input type="checkbox"/> All investment is at risk.
		32b	<input type="checkbox"/> Some investment is not at risk.

For Paperwork Reduction Act Notice, see page C-7 of the instructions.
(R1A)

Schedule C (Form 1040) 2006

Part III Cost of Goods Sold (see page C-6)

33 Method(s) used to value closing inventory: a Cost b Lower of cost or market c Other (attach explanation)

34 Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If "Yes," attach explanation. Yes No

35 Inventory at beginning of year. If different from last year's closing inventory, attach explanation	35	0
36 Purchases less cost of items withdrawn for personal use	36	2,497
37 Cost of labor. Do not include any amounts paid to yourself	37	
38 Materials and supplies	38	
39 Other costs	39	
40 Add lines 35 through 39	40	2,497
41 Inventory at end of year	41	344
42 Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on page 1, line 4	42	2,153

Part IV Information on Your Vehicle. Complete this part only if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 on page C-4 to find out if you must file Form 4562.

43 When did you place your vehicle in service for business purposes? (month, day, year) ▶ _____

44 Of the total number of miles you drove your vehicle during 2005, enter the number of miles you used your vehicle for:

a Business 12,527 b Commuting (see instructions) 0 c Other 0

45 Do you (or your spouse) have another vehicle available for personal use? Yes No

46 Was your vehicle available for personal use during off-duty hours? Yes No

47 a Do you have evidence to support your deduction? Yes No

b If "Yes," is the evidence written? Yes No

Part V Other Expenses. List below business expenses not included on lines 8-26 or line 30.

BANK SERVICE CHARGES	528
CONTINUING EDUCATION	2,088
JANITORIAL AND CLEANING	3,029
POSTAGE	198
PUBLICATIONS	386
COMPUTER	283
TELEPHONE / INTERNET	2,574
MISCELLANEOUS	198
	0
43 Total other expenses. Enter here and on page 1, line 27	43 9,284

**SCHEDULE C-EZ
(Form 1040)**

Department of the Treasury
Internal Revenue Service

Net Profit From Business

(Sole Proprietorship)

▶ Partnerships, joint ventures, etc., must file Form 1065 or 1065-B.
▶ Attach to Form 1040 or 1041. ▶ See instructions on back.

OMB No. 1545-0074

2005

Attachment
Sequence No. **09A**

Name of proprietor
EILEEN H LIPARI

Social security number (SSN)
[REDACTED] **8705**

Part I General Information

You May Use
Schedule C-EZ
Instead of
Schedule C
Only If You:

- Had business expenses of \$5,000 or less.
- Use the cash method of accounting.
- Did not have an inventory at any time during the year.
- Did not have a net loss from your business.
- Had only one business as either a sole proprietor or statutory employee.

And You:

- Had no employees during the year.
- Are not required to file Form 4562, Depreciation and Amortization, for this business. See the instructions for Schedule C, line 13, on page C-4 to find out if you must file.
- Do not deduct expenses for business use of your home.
- Do not have prior year unallowed passive activity losses from this business.

A Principal business or profession, including product or service RECORDKEEPING / BOOKKEEPING	B Enter code from pages C-8, 9, & 10 ▶ 812990
C Business name. If no separate business name, leave blank. HUNTER KING, LLC	D Employer ID number (EIN), if any [REDACTED] 9674
E Business address (including suite or room no.). Address not required if same as on Form 1040, page 1. P.O. BOX 914 City, town or post office COTTONWOOD	
State AZ	ZIP code 86326

Part II Figure Your Net Profit

1 Gross receipts. Caution. If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see Statutory Employees in the instructions for Schedule C, line 1, on page C-3 and check here. ▶ <input type="checkbox"/>	1	2,850	
2 Total expenses (see instructions). If more than \$5,000, you must use Schedule C	2	1,200	
3 Net profit. Subtract line 2 from line 1. If less than zero, you must use Schedule C. Enter on Form 1040, line 12, and also on Schedule SE, line 2. (Statutory employees do not report this amount on Schedule SE, line 2. Estates and trusts, enter on Form 1041, line 3.)	3	1,650	

Part III Information on Your Vehicle. Complete this part only if you are claiming car or truck expenses on lin

- 4** When did you place your vehicle in service for business purposes? (month, day, year)
- 5** Of the total number of miles you drove your vehicle during 2005, enter the number of miles you used your vehicle for:
- a Business b Commuting (see instructions) c Other
- 6** Do you (or your spouse) have another vehicle available for personal use? Yes No
- 7** Was your vehicle available for personal use during off-duty hours? Yes No
- 8 a** Do you have evidence to support your deduction? Yes No
- b** If "Yes," is the evidence written? Yes No

For Paperwork Reduction Act Notice, see page 2.
(HTA)

JOSEPH J and EILEEN H LIPARI

9760

Line 1 (Sch C-EZ (1040)) - Gross Receipts

1 Gross receipts or sales NOT reported on 1099-MISC or W-2 for statutory employees:		
WORK	2,850	
.....	_____	
.....	_____	
.....	_____	
Total other gross receipts or sales		1 2,850
2 Miscellaneous income		
Complete Form 1099-MISC and check the appropriate box(es) for income for this Schedule C.		
1 <input type="checkbox"/>	Name	Amount
.....	_____	_____
.....	_____	_____
Total income from Form 1099-Misc		2 0
3 Statutory Employees		
Complete Form W-2 and check the appropriate box(es) for income for this Schedule C.		
1 <input type="checkbox"/>	Name	Amount
.....	_____	_____
.....	_____	_____
Total Statutory Wages		3 0
4 Total gross receipts or sales		4 2,850

Line 2 (Sch C-EZ (1040)) - Total Expenses

a Business meals and entertainment	a	_____	
b Enter nondeductible amount included on line a (see the instructions for Schedule C, line 24b)	b	0	
c Deductible business meals and entertainment. Subtract line b from line a	c	0	
d Car and truck expenses	d	0	
e POSTAGE	e	126	
f SOFTWARE	f	88	
g SUPPLIES	g	133	
h PROGRAM	h	855	
i	i		
Total. Add lines c through i. Enter here and on line 2			1,200

SCHEDULE SE
(Form 1040)
Department of the Treasury
Internal Revenue Service
(99)

Self-Employment Tax

OMB No. 1545-0074

2005
Attachment
Sequence No. 17

▶ Attach to Form 1040. ▶ See instructions for Schedule SE (Form 1040).

Name of person with self-employment income (as shown on Form 1040)

Social security number of person
with self-employment income ▶

JOSEPH J LIPARI

9760

Who Must File Schedule SE

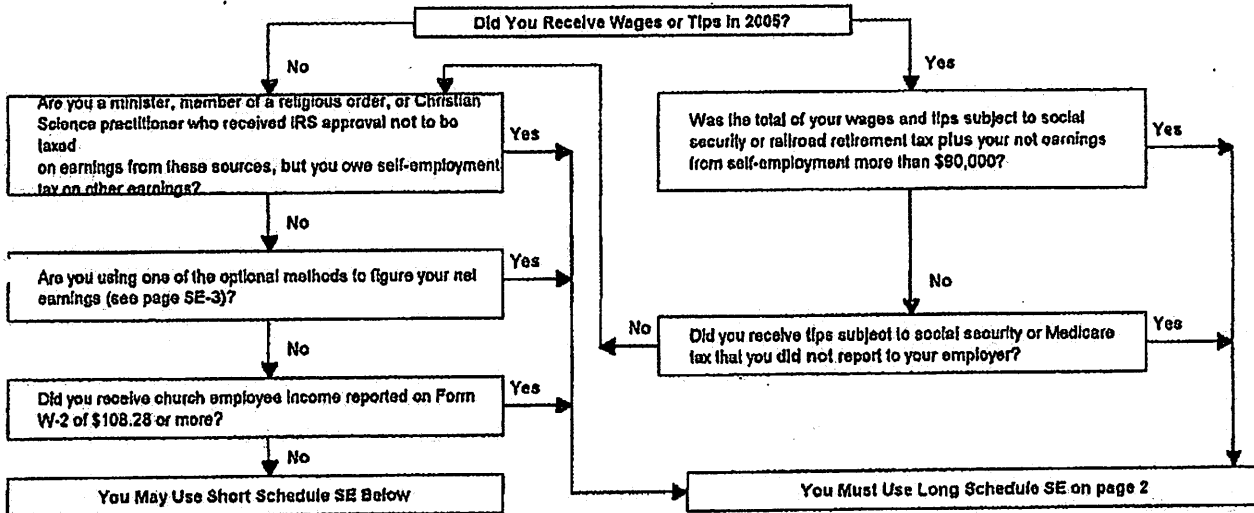
You must file Schedule SE if:

- You had net earnings from self-employment from other than church employee income (line 4 of Short Schedule SE or line 4c Long Schedule SE) of \$400 or more, or
- You had church employee income of \$108.28 or more. Income from services you performed as a minister or a member of a religious order is not church employee income (see page SE-1).

Note. Even if you had a loss or a small amount of income from self-employment, it may be to your benefit to file Schedule SE and use either "optional method" in Part II of Long Schedule SE (see page SE-3).

Exception. If your only self-employment income was from earnings as a minister, member of a religious order, or Christian Science practitioner and you filed Form 4361 and received IRS approval not to be taxed on those earnings, do not file Schedule SE. Instead write "Exempt-Form 4361" on Form 1040, line 58.

May I Use Short Schedule SE or Must I Use Long Schedule SE?



Section A—Short Schedule SE. Caution. Read above to see if you can use Short Schedule SE.

1	Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A	1	0
2	Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9. Ministers and members of religious orders, see page SE-1 for amounts to report on this line. See page SE-2 for other income to report	2	4,064
3	Combine lines 1 and 2	3	4,064
4	Net earnings from self-employment. Multiply line 3 by 92.35% (.9235). If less than \$400, do not file this schedule; you do not owe self-employment tax ▶	4	3,753
5	Self-employment tax. If the amount on line 4 is: • \$90,000 or less, multiply line 4 by 15.3% (.153). Enter the result here and on Form 1040, line 58. • More than \$90,000, multiply line 4 by 2.9% (.029). Then, add \$11,160.00 to the result. Enter the total here and on Form 1040, line 58.	5	574
6	Deduction for one-half of self-employment tax. Multiply line 5 by 50% (.5). Enter the result here and on Form 1040, line 27	6	287

For Paperwork Reduction Act Notice, see Form 1040 Instructions. (HTA)

Schedule SE (Form 1040) 2005

SCHEDULE SE

(Form 1040)
Department of the Treasury
Internal Revenue Service
(99)

Self-Employment Tax

OMB No. 1545-0074

2005

Attachment
Sequence No. 17

▶ Attach to Form 1040. ▶ See instructions for Schedule SE (Form 1040).

Name of person with self-employment income (as shown on Form 1040) EILEEN H LIPARI	Social security number of person with self-employment income ▶ 8705
--	--

Who Must File Schedule SE

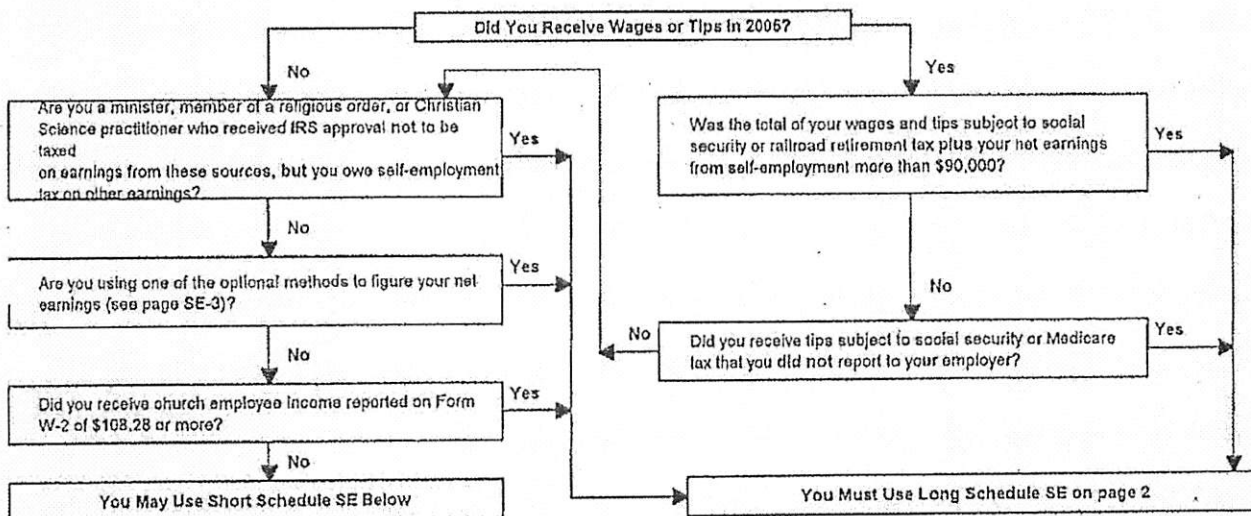
You must file Schedule SE if:

- You had net earnings from self-employment from other than church employee income (line 4 of Short Schedule SE or line 4c Long Schedule SE) of \$400 or more, or
- You had church employee income of \$108.28 or more. Income from services you performed as a minister or a member of a religious order is not church employee income (see page SE-1).

Note. Even if you had a loss or a small amount of income from self-employment, it may be to your benefit to file Schedule SE and use either "optional method" in Part II of Long Schedule SE (see page SE-3).

Exception. If your only self-employment income was from earnings as a minister, member of a religious order, or Christian Science practitioner and you filed Form 4361 and received IRS approval not to be taxed on those earnings, do not file Schedule SE. Instead write "Exempt-Form 4361" on Form 1040, line 58.

May I Use Short Schedule SE or Must I Use Long Schedule SE?



Section A—Short Schedule SE. Caution. Read above to see if you can use Short Schedule SE.

1	Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A	1	0
2	Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9. Ministers and members of religious orders, see page SE-1 for amounts to report on this line. See page SE-2 for other income to report	2	1,650
3	Combine lines 1 and 2	3	1,650
4	Net earnings from self-employment. Multiply line 3 by 92.35% (.9235). If less than \$400, do not file this schedule; you do not owe self-employment tax ▶	4	1,524
5	Self-employment tax. If the amount on line 4 is: • \$90,000 or less, multiply line 4 by 15.3% (.153). Enter the result here and on Form 1040, line 58. • More than \$90,000, multiply line 4 by 2.9% (.029). Then, add \$11,160.00 to the result. Enter the total here and on Form 1040, line 58.	5	233
6	Deduction for one-half of self-employment tax. Multiply line 5 by 50% (.5). Enter the result here and on Form 1040, line 27	6	117

For Paperwork Reduction Act Notice, see Form 1040 Instructions.
(HTA)

Schedule SE (Form 1040) 2005

Form **8829**

Expenses for Business Use of Your Home

File only with Schedule C (Form 1040). Use a separate Form 8829 for each home you used for business during the year.

See separate instructions.

OMB No. 1545-0074

2005

Attachment Sequence No. 66

Department of the Treasury Internal Revenue Service (2005)

Name(s) of proprietor(s)
JOSEPH J LIPARI

Your social security number
-9760

Part I Part of Your Home Used for Business

1	Area used regularly and exclusively for business, regularly for daycare, or for storage of inventory or product samples (see instructions)	1	1,187
2	Total area of home	2	3,305
3	Divide line 1 by line 2. Enter the result as a percentage	3	35.92%
<ul style="list-style-type: none"> For daycare facilities not used exclusively for business, also complete lines 4-6. All others, skip lines 4-6 and enter the amount from line 3 on line 7. 			
4	Multiply days used for daycare during year by hours used per day	4	hr.
5	Total hours available for use during the year (365 days x 24 hours) (see instructions)	5	8,760 hr.
6	Divide line 4 by line 5. Enter the result as a decimal amount	6	0.0000
7	Business percentage. For daycare facilities not used exclusively for business, multiply line 6 by line 3 (enter the result as a percentage). All others, enter the amount from line 3	7	35.92%

Part II Figure Your Allowable Deduction

8	Enter the amount from Schedule C, line 29, plus any net gain or (loss) derived from the business use of your home and shown on Schedule D or Form 4797. If more than one place of business, see instructions	8	5,930
See instructions for columns (a) and (b) before completing lines 9-20.			
9	Casualty losses (see instructions)	9	
10	Deductible mortgage interest (see instructions)	10	0
11	Real estate taxes (see instructions)	11	1,988
12	Add lines 9, 10, and 11	12	1,988
13	Multiply line 12, column (b) by line 7	13	713
14	Add line 12, column (a) and line 13	14	713
15	Subtract line 14 from line 8. If zero or less, enter -0-	15	5,217
16	Excess mortgage interest (see instructions)	16	
17	Insurance	17	761
18	Repairs and maintenance	18	665
19	Utilities	19	1,783
20	Other expenses (see instructions)	20	
21	Add lines 16 through 20	21	3,209
22	Multiply line 21, column (b) by line 7	22	1,153
23	Carryover of operating expenses from 2004 Form 8829, line 41	23	
24	Add line 21 in column (a), line 22, and line 23	24	1,153
25	Allowable operating expenses. Enter the smaller of line 15 or line 24	25	1,153
26	Limit on excess casualty losses and depreciation. Subtract line 25 from line 15	26	4,064
27	Excess casualty losses (see instructions)	27	
28	Depreciation of your home from Part III below	28	0
29	Carryover of excess casualty losses and depreciation from 2004 Form 8829, line	29	
30	Add lines 27 through 29	30	0
31	Allowable excess casualty losses and depreciation. Enter the smaller of line 26 or line 30	31	0
32	Add lines 14, 25, and 31	32	1,866
33	Casualty loss portion, if any, from lines 14 and 31. Carry amount to Form 4684, Section B	33	
34	Allowable expenses for business use of your home. Subtract line 33 from line 32. Enter here and on Schedule C, line 30. If your home was used for more than one business, see instructions	34	1,866

Part III Depreciation of Your Home

35	Enter the smaller of your home's adjusted basis or its fair market value (see instructions)	35	0
36	Value of land included on line 35	36	0
37	Basis of building. Subtract line 36 from line 35	37	0
38	Business basis of building. Multiply line 37 by line 7	38	0
39	Depreciation percentage (see instructions)	39	0.000%
40	Depreciation allowable (see instructions). Multiply line 38 by line 39. Enter here and on line 28 above	40	0

Part IV Carryover of Unallowed Expenses to 2006

41	Operating expenses. Subtract line 25 from line 24. If less than zero, enter -0-	41	0
42	Excess casualty losses and depreciation. Subtract line 31 from line 30. If less than zero, enter -0-	42	0

For Paperwork Reduction Act Notice, see page 4 of separate instructions. (P-TA)

Form 8829 (2005)

Form **4562**

Depreciation and Amortization
(Including Information on Listed Property)

OMB No. 1545-0172

2005
Attachment
Sequence No. 67

(Rev. January 2006)
Department of the Treasury
Internal Revenue Service

▶ See separate instructions. ▶ Attach to your tax return.

Name(s) shown on return: **JOSEPH J LIPARI** Business or activity to which this form relates: **Sch C: 01 - CHIROPRACTOR** Identifying number: **9760**

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount. See the instructions for a higher limit for certain businesses	1	105,000
2	Total cost of section 179 property placed in service (see instructions)	2	2,725
3	Threshold cost of section 179 property before reduction in limitation	3	420,000
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	0
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	105,000
(a) Description of property		(b) Cost (business use only)	(c) Elected cost
6			
7	Listed property. Enter the amount from line 29	7	2,725
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	2,725
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	2,725
10	Carryover of disallowed deduction from line 13 of your 2004 Form 4562	10	0
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11	8,439
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	2,725
13	Carryover of disallowed deduction to 2006. Add lines 9 and 10, less line 12	13	0

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions)

14	Special allowance for certain aircraft, certain property with a long production period, and qualified NYL or GO Zone property (other than listed property) placed in service during the tax year (see instructions)	14	0
15	Property subject to section 168(f)(1) election	15	0
16	Other depreciation (including ACRS)	16	0

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2005	17	0
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here <input type="checkbox"/>		

Section B - Assets Placed in Service During 2005 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19 a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property			27.5 yrs.	MM	S/L	
i Nonresidential real property			39 yrs.	MM	S/L	

Section C - Assets Placed in Service During 2005 Tax Year Using the Alternative Depreciation System

20 a Class life					S/L	
b 12-year			12 yrs.		S/L	
c 40-year			40 yrs.	MM	S/L	

Part IV Summary (see instructions)

21	Listed property. Enter amount from line 28	21	0
Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21.			
22	Enter here and on the appropriate lines of your return. Partnerships and S corporations - see instr.	22	2,725
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	0

For Paperwork Reduction Act Notice, see separate instructions.

Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A - Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed Yes No 24b If "Yes," is the evidence written? Yes No

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation deduction	(i) Elected section 179 cost	
25 Special allowance for certain aircraft, certain property with a long production period, and qualified NYL or GO Zone property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)								25	0
26 Property used more than 50% in a qualified business use:									
179 PURCHASES	1/1/2005	100.00%	2,725	0	5	200DB - HY	0	2,725	
27 Property used 50% or less in a qualified business use:									
		%				S/L -			
		%				S/L -			
		%				S/L -			
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1								28	0
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1								29	2,725

Section B - Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
30 Total business/investment miles driven during the year (do not include commuting miles)												
31 Total commuting miles driven during the year												
32 Total other personal (noncommuting) miles driven												
33 Total miles driven during the year. Add lines 30 through 32												
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions.)		

Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles.

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year	
42 Amortization of costs that begins during your 2005 tax year (see instructions):						
43 Amortization of costs that began before your 2005 tax year					43	0
44 Total. Add amounts in column (f). See the instructions for where to report					44	0



Form **1040**

Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return 2006

(99) IRS Form 1040-0074

Label

Directions on page 16.) Use the IRB label. Otherwise, please print or type.

For the year Jan. 1-Dec. 31, 2006, or other tax year beginning _____, ending _____

Your first name **JOSEPH** M.I. Last name **J LIPARI**

If a joint return, spouse's first name **EILEEN** M.I. Last name **H LIPARI** Suffix _____ Spouse's social security number **9760**

Home address (number and street). If you have a P.O. box, see page 16. **P.O. BOX 2125** Apt. no. _____ You must enter your SSN(s) above.

City, town or post office, state, and ZIP code. If you have a foreign address, see page 16. **COTTONWOOD AZ 86326** Checking a box below will not change your tax or refund.

Presidential Election Campaign You Spouse

Filing Status:

1 Single

2 Married filing jointly (even if only one had income)

3 Married filing separately. Enter spouse's SSN above and full name here.

4 Head of household (with qualifying person). (See page 17.) If the qualifying person is a child but not your dependent, enter this child's name here.

5 Qualifying widow(er) with dependent child (see page 17)

Exemptions

6a Yourself. If someone can claim you as a dependent, do not check box 6a

b Spouse

c Dependents:

(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> Qualifying child for child tax credit (see page 16)
<i>[Handwritten]</i>	<i>[Handwritten]</i>	<i>[Handwritten]</i>	<i>[Handwritten]</i>	<input type="checkbox"/>
<i>[Handwritten]</i>	<i>[Handwritten]</i>	<i>[Handwritten]</i>	<i>[Handwritten]</i>	<input type="checkbox"/>

d Total number of exemptions claimed **2**

Boxes checked on 6a and 6b **2**

No. of children on 6c who:

- lived with you **0**
- did not live with you due to divorce or separation (see page 20) **0**

Dependents on 6c not entered above **0**

Add numbers on lines above **2**

Income

Line	Description	Amount
7	Wages, salaries, tips, etc. Attach Form(s) W-2	
8a	Taxable interest. Attach Schedule B if required	1,213
8b	Tax-exempt interest. Do not include on line 8a	
9a	Ordinary dividends. Attach Schedule B if required	
9b	Qualified dividends (see page 23)	
10	Taxable refunds, credits, or offsets of state and local income taxes (see page 24)	
11	Alimony received	
12	Business income or (loss). Attach Schedule C or C-EZ	25,108
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here	-3,000
14	Other gains or (losses). Attach Form 4797	
15a	IRA distributions	
15b	Taxable amount (see page 25)	
16a	Pensions and annuities	
16b	Taxable amount (see page 26)	
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	
18	Farm income or (loss). Attach Schedule F	
19	Unemployment compensation	
20a	Social security benefits	
20b	Taxable amount (see page 27)	0
21	Other income. List type and amount (see page 29)	
22	Add the amounts in the far right column for lines 7 through 21. This is your total income	23,321

Adjusted Gross Income

Line	Description	Amount
23	Archer MSA deduction. Attach Form 8853	
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	
25	Health savings account deduction. Attach Form 8889	
26	Moving expenses. Attach Form 3903	
27	One-half of self-employment tax. Attach Schedule SE	1,774
28	Self-employed SEP, SIMPLE, and qualified plans	
29	Self-employed health insurance deduction (see page 29)	
30	Penalty on early withdrawal of savings	
31a	Alimony paid	
31b	Recipient's SSN	
32	IRA deduction (see page 31)	
33	Student loan interest deduction (see page 33)	
34	Jury duty pay you gave to your employer	
35	Domestic production activities deduction. Attach Form 8803	
36	Add lines 23 through 31a and 32 through 35	1,774
37	Subtract line 36 from line 22. This is your adjusted gross income	21,547

Form 1040 (2008)

JOSEPH J and EILEEN H LIPARI

9760

Page 2

Tax and Credits	38	Amount from line 37 (adjusted gross income)		38	21,547
	39a	Check <input type="checkbox"/> You were born before January 2, 1942, <input type="checkbox"/> Blind. Total boxes checked <input type="checkbox"/> 39a			
		If: <input type="checkbox"/> Spouse was born before January 2, 1942, <input type="checkbox"/> Blind.			
	b	If your spouse itemizes on a separate return or you were a dual-status alien, see page 34 and check here <input type="checkbox"/> 39b			
Standard Deduction for—	40	Itemized deductions (from Schedule A) or your standard deduction (see left margin)		40	10,300
• People who checked any box on line 39a or 39b or who can be claimed as a dependent, see page 34.	41	Subtract line 40 from line 38		41	11,247
• All others: Single or Married filing separately, \$5,150. Married filing jointly or Qualifying widow(er), \$10,300. Head of household, \$7,550.	42	If line 38 is over \$112,875, or you provided housing to a person displaced by Hurricane Katrina, see page 38. Otherwise, multiply \$3,300 by the total number of exemptions claimed on line 6d		42	6,600
	43	Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-		43	4,647
	44	Tax (see page 36). Check if any tax is from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972		44	463
	45	Alternative minimum tax (see page 39). Attach Form 6251		45	
	46	Add lines 44 and 45		46	463
	47	Foreign tax credit. Attach Form 1116 if required	47		
	48	Credit for child and dependent care expenses. Attach Form 2441	48		
	49	Credit for the elderly or the disabled. Attach Schedule R	49		
	50	Education credits. Attach Form 8863	50		
	51	Retirement savings contributions credit. Attach Form 8880	51		
	52	Residential energy credits. Attach Form 5695	52		
	53	Child tax credit (see page 42). Attach Form 8901 if required	53		
	54	Credits from: a <input type="checkbox"/> Form 8396 b <input type="checkbox"/> Form 8839 c <input type="checkbox"/> Form 8859	54		
	55	Other credits: a <input type="checkbox"/> Form 3800 b <input type="checkbox"/> Form 8801 c <input type="checkbox"/> Form	55		
	56	Add lines 47 through 55. These are your total credits	56		
	57	Subtract line 56 from line 46. If line 56 is more than line 46, enter -0-	57		463

Other Taxes	58	Self-employment tax. Attach Schedule SE		58	3,547
	59	Social security and Medicare tax on tip income not reported to employer. Attach Form 4137		59	
	60	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required		60	
	61	Advance earned income credit payments from Form(s) W-2, box 9		61	
	62	Household employment taxes. Attach Schedule H		62	
	63	Add lines 57 through 62. This is your total tax		63	4,010

Payments	64	Federal income tax withheld from Forms W-2 and 1099	64		
	65	2006 estimated tax payments and amount applied from 2005 return	65	5,000	
	66a	Earned income credit (EIC)	66a		
	b	Nontaxable combat pay election <input type="checkbox"/> 66b			
	67	Excess social security and tier 1 RRTA tax withheld (see page 60)	67		
	68	Additional child tax credit. Attach Form 8812	68		
	69	Amount paid with request for extension to file (see page 60)	69		
	70	Payments from: a <input type="checkbox"/> Form 2439 b <input type="checkbox"/> Form 4138 c <input type="checkbox"/> Form 8885	70		
	71	Credit for federal telephone excise tax paid. Attach Form 8913 if required	71	40	
	72	Add lines 64, 65, 66a, and 67 through 71. These are your total payments	72		5,040

Refund	73	If line 72 is more than line 63, subtract line 63 from line 72. This is the amount you overpaid	73		1,030
	74a	Amount of line 73 you want refunded to you. If Form 8888 is attached, check here <input type="checkbox"/>	74a		
Direct deposit? See page 61 and fill in 74b, 74c, and 74d, or Form 8888.	b	Routing number <input type="text"/> c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings			
	d	Account number <input type="text"/>			
	75	Amount of line 73 you want applied to your 2007 estimated tax	75	1,030	
	76	Amount you owe. Subtract line 72 from line 63. For details on how to pay, see page 62	76		0
	77	Estimated tax penalty (see page 62)	77		

Third Party Designee Do you want to allow another person to discuss this return with the IRS (see page 63)? Yes. Complete the following. No

Designee's name <input type="text"/>	Phone no. <input type="text"/>	Personal identification number (PIN) <input type="text"/>
--------------------------------------	--------------------------------	---

Sign Here Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature <input type="text"/>	Date <input type="text"/>	Your occupation CHIROPRACTOR	Daytime phone number <input type="text"/>
Spouse's signature. If a joint return, both must sign. <input type="text"/>	Date <input type="text"/>	Spouse's occupation HOUSEWIFE	<input type="text"/>

Preparer's Use Only

Preparer's signature <input type="text"/>	Date <input type="text"/>	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN <input type="text"/>
Firm's name (or yours if self-employed), address, and ZIP code <input type="text"/>	EIN <input type="text"/>	State <input type="text"/>	ZIP code <input type="text"/>

**SCHEDULE C
(Form 1040)**

Profit or Loss From Business

(Sole Proprietorship)

OMB No. 1545-0074

2006

Sequence No. 09

Department of the Treasury
Internal Revenue Service (99)

Partnerships, joint ventures, etc., must file Form 1065 or 1066-B.

Attach to Form 1040, 1040NR, or 1041. See Instructions for Schedule C (Form 1040).

Name of proprietor JOSEPH J LIPARI		Social security number (SSN) ██████████ 9760
A Principal business or profession, including product or service (see page C-2 of the instructions) CHIROPRACTOR	B Enter code from pages C-8, 9, & 10 ▶ 621310	
C Business name. If no separate business name, leave blank. MORNINGSTAR INT'L, P.L.L.C.	D Employer ID number (EIN), if any ██████████ 9676	
E Business address (including suite or room no.) City, town or post office, state, and ZIP code	P.O. BOX 2023 COTTONWOOD AZ 86326	
F Accounting method: (1) <input checked="" type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) ▶		
G Did you "materially participate" in the operation of this business during 2006? If "No," see page C-3 for limit on losses	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
H If you started or acquired this business during 2006, check here	<input type="checkbox"/>	

Part I Income

1 Gross receipts or sales. Caution. If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see page C-3 and check here	1	55,597
2 Returns and allowances	2	125
3 Subtract line 2 from line 1	3	55,472
4 Cost of goods sold (from line 42 on page 2)	4	1,525
6 Gross profit. Subtract line 4 from line 3	6	53,947
6 Other income, including federal and state gasoline or fuel tax credit or refund (see page C-3)	6	
7 Gross income. Add lines 5 and 6	7	53,947

Part II Expenses. Enter expenses for business use of your home only on line 30.

8 Advertising	8		18 Office expense	18	3,656
9 Car and truck expenses (see page C-4)	9	3,204	19 Pension and profit-sharing plans	19	
10 Commissions and fees	10		20 Rent or lease (see page C-5):		
11 Contract labor (see page C-4)	11		a Vehicles, machinery, and equipment	20a	
12 Depletion	12		b Other business property	20b	72
13 Depreciation and section 179 expense deduction (not included in Part III) (see page C-4)	13	4,113	21 Repairs and maintenance	21	1,039
14 Employee benefit programs (other than on line 19)	14		22 Supplies (not included in Part III)	22	1,373
15 Insurance (other than health)	15		23 Taxes and licenses	23	1,555
16 Interest:			24 Travel, meals, and entertainment:		
a Mortgage (paid to banks, etc.)	16a		a Travel	24a	1,607
b Other	16b	8	b Deductible meals and entertainment (see page C-6)	24b	309
17 Legal and professional services	17	3,200	25 Utilities	25	
			26 Wages (less employment credits)	26	
			27 Other expenses (from line 48 on page 2)	27	9,577

28 Total expenses before expenses for business use of home. Add lines 8 through 27 in columns

28	29,713
----	--------

29 Tentative profit (loss). Subtract line 28 from line 7

29	24,234
----	--------

30 Expenses for business use of your home. Attach Form 8829

30	2,990
----	-------

31 Net profit or (loss). Subtract line 30 from line 29.

31	21,244
----	--------

- If a profit, enter on both Form 1040, line 12, and Schedule SE, line 2, or on Form 1040NR, line 13 (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3.
- If a loss, you must go to line 32.

32 If you have a loss, check the box that describes your investment in this activity (see page C-6).

- If you checked 32a, enter the loss on both Form 1040, line 12, and Schedule SE, line 2, or on Form 1040NR, line 13 (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3.
- If you checked 32b, you must attach Form 6198. Your loss may be limited.

32a All investment is at risk
32b Some investment is not at risk.

For Paperwork Reduction Act Notice, see page C-8 of the instructions.
(PTA)

Schedule C (Form 1040) 2006

Part III Cost of Goods Sold (see page C-7)

33 Method(s) used to value closing inventory: a Cost b Lower of cost or market c Other (attach explanation)

34 Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If "Yes," attach explanation. Yes No

35 Inventory at beginning of year. If different from last year's closing inventory, attach explanation	35	344
36 Purchases less cost of items withdrawn for personal use	36	1,551
37 Cost of labor. Do not include any amounts paid to yourself	37	
38 Materials and supplies	38	135
39 Other costs	39	
40 Add lines 35 through 39	40	2,030
41 Inventory at end of year	41	505
42 Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on page 1, line 4	42	1,525

Part IV Information on Your Vehicle. Complete this part only if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 on page C-4 to find out if you must file Form 4562.

43 When did you place your vehicle in service for business purposes? (month, day, year) ▶

44 Of the total number of miles you drove your vehicle during 2006, enter the number of miles you used your vehicle for:

a Business b Commuting (see instructions) c Other

45 Do you (or your spouse) have another vehicle available for personal use? Yes No

46 Was your vehicle available for personal use during off-duty hours? Yes No

47 a Do you have evidence to support your deduction? Yes No

b If "Yes," is the evidence written? Yes No

Part V Other Expenses. List below business expenses not included on lines 8-26 or line 30.

BANK SERVICE CHARGES	38
CONTINUING EDUCATION	1,113
JANITORIAL AND CLEANING	2,370
POSTAGE	565
PUBLICATIONS	848
COMPUTER / SOFTWARE	445
TELEPHONE / INTERNET	3,310
CONTRIBUTIONS / SPONSORSHIP	440
DECOR / MISCELLANEOUS	448
48 Total other expenses. Enter here and on page 1, line 27.	48 9,577

**SCHEDULE C-EZ
(Form 1040)**

Department of the Treasury
Internal Revenue Service

Net Profit From Business

(Sole Proprietorship)

▶ Partnerships, joint ventures, etc., must file Form 1065 or 1065-B.
▶ Attach to Form 1040, 1040NR, or 1041. ▶ See instructions on back.

OMB No. 1545-0074

2006

Attachment
Sequence No. 09A

Name of proprietor
EILEEN H LIPARI

Social security number (SSN)
-8705

Part I General Information

You May Use
Schedule C-EZ
Instead of
Schedule C
Only if You:

- Had business expenses of \$5,000 or less.
- Use the cash method of accounting.
- Did not have an inventory at any time during the year.
- Did not have a net loss from your business.
- Had only one business as either a sole proprietor or statutory employee.

And You:

- Had no employees during the year.
- Are not required to file Form 4562, Depreciation and Amortization, for this business. See the instructions for Schedule C, line 13, on page C-4 to find out if you must file.
- Do not deduct expenses for business use of your home.
- Do not have prior year unallowed passive activity losses from this business.

A Principal business or profession, including product or service RECORDKEEPING / BOOKKEEPING	B Enter code from pages C-8, 9, & 10 ▶ 812990
C Business name. If no separate business name, leave blank. HUNTER KING, LLC	D Employer ID number (EIN), if any -9674
E Business address (including suite or room no.). Address not required if same as on page 1 of your tax return. P.O. BOX 914 City, town or post office: COTTONWOOD State: AZ ZIP code: 86326	

Part II Figure Your Net Profit

1 Gross receipts. Caution. If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see Statutory Employees in the instructions for Schedule C, line 1, on page C-3 and check here. <input type="checkbox"/>	1	5,110	
2 Total expenses (see instructions). If more than \$5,000, you must use Schedule C . . .	2	1,248	
3 Net profit. Subtract line 2 from line 1. If less than zero, you must use Schedule C. Enter on both Form 1040, line 12, and Schedule SE, line 2, or on Form 1040NR, line 13. (Statutory employees do not report this amount on Schedule SE, line 2. Estates and trusts, enter on Form 1041, line 3.)	3	3,864	

Part III Information on Your Vehicle. Complete this part only if you are claiming car or truck expenses on line

- 4** When did you place your vehicle in service for business purposes? (month, day, year)
- 5** Of the total number of miles you drove your vehicle during 2006, enter the number of miles you used your vehicle for:
- a** Business **b** Commuting (see instructions) **c** Other
- 6** Do you (or your spouse) have another vehicle available for personal use? Yes No
- 7** Was your vehicle available for personal use during off-duty hours? Yes No
- 8 a** Do you have evidence to support your deduction? Yes No
- b** If "Yes," is the evidence written? Yes No

For Paperwork Reduction Act Notice, see page 2.
(MTA)

Schedule C-EZ (Form 1040) 2006

**SCHEDULE D
(Form 1040)**

Capital Gains and Losses

OMB No. 1545-0074

2006

Attachment
Sequence No. **12**

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040 or Form 1040NR. ▶ See instructions for Schedule D (Form 1040).

▶ Use Schedule D-1 to list additional transactions for lines 1 and 8.

Your social security number

Name(s) shown on Form 1040

JOSEPH J and EILEEN H LIPARI

9760

Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see page D-6 of the instructions)	(e) Cost or other basis (see page D-7 of the instructions)	(f) Gain or (loss) Subtract (e) from (d)
1					
2 Enter your short-term totals, if any, from Schedule D-1, line 2		2			
3 Total short-term sales price amounts. Add lines 1 and 2 in column (d)		3	0		
4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824		4			
5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1		5			
6 Short-term capital loss carryover. Enter the amount, if any, from line 10 of your Capital Loss Carryover Worksheet on page D-7 of the instructions		6			
7 Net short-term capital gain or (loss). Combine lines 1 through 6 in column (f).		7			0

Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see page D-6 of the instructions)	(e) Cost or other basis (see page D-7 of the instructions)	(f) Gain or (loss) Subtract (e) from (d)
8 2000 SHARES AEROSPACE ENGINEERIN	1/15/2001	11/15/2008		10,000	-10,000
9 Enter your long-term totals, if any, from Schedule D-1, line 9		9			
10 Total long-term sales price amounts. Add lines 8 and 9 in column (d)		10	0		
11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824		11			
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1		12			
13 Capital gain distributions. See page D-2 of the instructions		13			
14 Long-term capital loss carryover. Enter the amount, if any, from line 15 of your Capital Loss Carryover Worksheet on page D-7 of the instructions		14			
15 Net long-term capital gain or (loss). Combine lines 8 through 14 in column (f). Then go to Part III on the back.		15			-10,000

For Paperwork Reduction Act Notice, see Form 1040 or Form 1040NR instructions.

Schedule D (Form 1040) 2006

(HTA)

Part III Summary

<p>16 Combine lines 7 and 15 and enter the result. If line 16 is a loss, skip lines 17 through 20, and go to line 21. If a gain, enter the gain on Form 1040, line 13, or Form 1040NR, line 14. Then go to line 17 below.</p>	<p>16</p>	<p>-10,000</p>
<p>17 Are lines 15 and 16 both gains? <input type="checkbox"/> Yes. Go to line 18. <input type="checkbox"/> No. Skip lines 18 through 21, and go to line 22.</p>		
<p>18 Enter the amount, if any, from line 7 of the 28% Rate Gain Worksheet on page D-8 of the instructions.</p>	<p>18</p>	
<p>19 Enter the amount, if any, from line 18 of the Unrecaptured Section 1250 Gain Worksheet on page D-9 of the instructions.</p>	<p>19</p>	
<p>20 Are lines 18 and 19 both zero or blank? <input type="checkbox"/> Yes. Complete Form 1040 through line 43, or Form 1040NR through line 40. Then complete the Qualified Dividends and Capital Gain Tax Worksheet on page 38 of the Instructions for Form 1040 (or in the Instructions for Form 1040NR). Do not complete lines 21 and 22 below. <input type="checkbox"/> No. Complete Form 1040 through line 43, or Form 1040NR through line 40. Then complete the Schedule D Tax Worksheet on page D-10 of the instructions. Do not complete lines 21 and 22 below.</p>		
<p>21 If line 16 is a loss, enter here and on Form 1040, line 13, or Form 1040NR, line 14, the smaller of: <ul style="list-style-type: none"> • The loss on line 16 or • (\$3,000), or if married filing separately, (\$1,500) </p>	<p>21</p>	<p>(3,000)</p>
<p>Note. When figuring which amount is smaller, treat both amounts as positive numbers.</p>		
<p>22 Do you have qualified dividends on Form 1040, line 9b, or Form 1040NR, line 10b? <input type="checkbox"/> Yes. Complete Form 1040 through line 43, or Form 1040NR through line 40. Then complete the Qualified Dividends and Capital Gain Tax Worksheet on page 38 of the Instructions for Form 1040 (or in the Instructions for Form 1040NR). <input checked="" type="checkbox"/> No. Complete the rest of Form 1040 or Form 1040NR.</p>		

SCHEDULE SE
(Form 1040)
 Department of the Treasury
 Internal Revenue Service
 (99)

Self-Employment Tax

OMB No. 1545-0074

2006
 Attachment
 Sequence No. 17

▶ Attach to Form 1040. ▶ See instructions for Schedule SE (Form 1040).

Name of person with self-employment income (as shown on Form 1040)
JOSEPH J LIPARI

Social security number of person with self-employment income ▶ **9760**

Who Must File Schedule SE

You must file Schedule SE if:

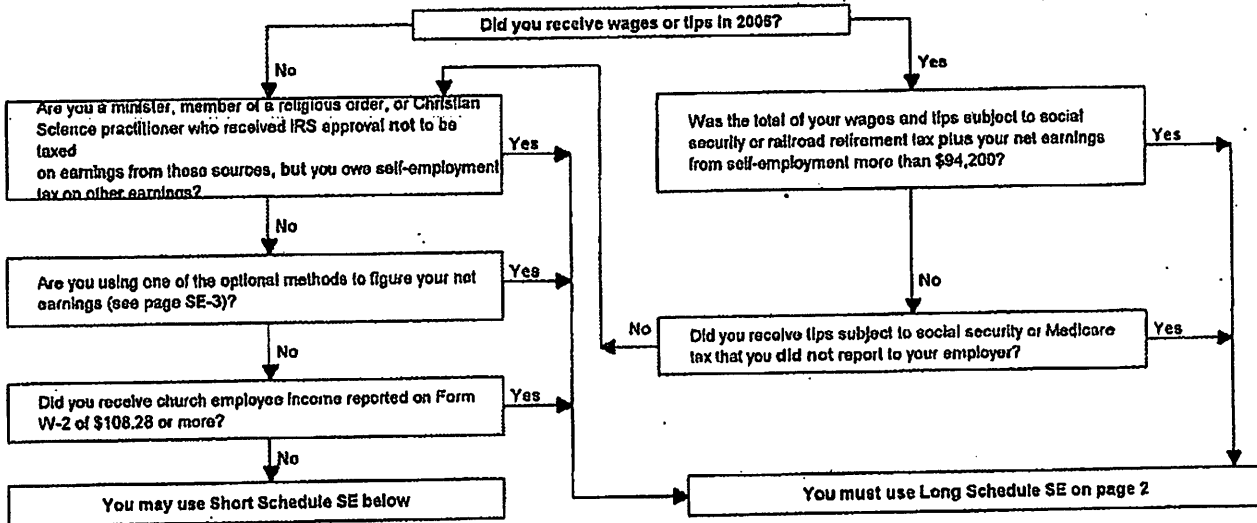
- You had net earnings from self-employment from other than church employee income (line 4 of Short Schedule SE or line 4c of Long Schedule SE) of \$400 or more, or
- You had church employee income of \$108.28 or more. Income from services you performed as a minister or a member of a religious order is not church employee income (see page SE-1).

Note. Even if you had a loss or a small amount of income from self-employment, it may be to your benefit to file Schedule SE and use either "optional method" in Part II of Long Schedule SE (see page SE-3).

Exception. If your only self-employment income was from earnings as a minister, member of a religious order, or Christian Science practitioner and you filed Form 4361 and received IRS approval not to be taxed on those earnings, do not file Schedule SE. Instead write "Exempt-Form 4361" on Form 1040, line 58.

May I Use Short Schedule SE or Must I Use Long Schedule SE?

Note. Use this flowchart only if you must file Schedule SE. If unsure, see Who Must File Schedule SE, above.



Section A—Short Schedule SE. Caution. Read above to see if you can use Short Schedule SE.

1	Net farm profit or (loss) from Schedule F, line 38, and farm partnerships; Schedule K-1 (Form 1065), box 14, code A	1	
2	Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9, code J1. Ministers and members of religious orders, see page SE-1 for amounts to report on this line. See page SE-3 for other income to report	2	21,244
3	Combine lines 1 and 2	3	21,244
4	Net earnings from self-employment. Multiply line 3 by 92.35% (.9235). If less than \$400, do not file this schedule; you do not owe self-employment tax ▶	4	19,619
5	Self-employment tax. If the amount on line 4 is: • \$94,200 or less, multiply line 4 by 15.3% (.153). Enter the result here and on Form 1040, line 58. • More than \$94,200, multiply line 4 by 2.9% (.029). Then, add \$11,680.80 to the result. Enter the total here and on Form 1040, line 58.	5	3,002
6	Deduction for one-half of self-employment tax. Multiply line 5 by 50% (.5). Enter the result here and on Form 1040, line 27	6	1,501

For Paperwork Reduction Act Notice, see Form 1040 instructions.
 (HTA)

Schedule SE (Form 1040) 2006

Name of person with self-employment income (as shown on Form 1040) EILEEN H LIPARI	Social security number of person with self-employment income [REDACTED] 8705
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Section B—Long Schedule SE

Part I Self-Employment Tax

Note. If your only income subject to self-employment tax is church employee income, skip lines 1 through 4b. Enter -0- on line 4c and go to line 5a. Income from services you performed as a minister or a member of a religious order is not church employee income. See page SE-1.

A If you are a minister, member of a religious order, or Christian Science practitioner and you filed Form 4361, but you had \$400 or more of other net earnings from self-employment, check here and continue with Part I

1	Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A. Note. Skip this line if you use the farm optional method (see page SE-4).		
2	Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9, code J1. Ministers and members of religious orders, see page SE-1 for amounts to report on this line. See page SE-3 for other income to report. Note. Skip this line if you use the nonfarm optional method (see page SE-3).	3,864	
3	Combine lines 1 and 2	3,864	
4a	If line 3 is more than zero, multiply line 3 by 92.35% (.9235). Otherwise, enter amount from line 3	3,568	
4b	If you elect one or both of the optional methods, enter the total of lines 15 and 17 here		
4c	Combine lines 4a and 4b. If less than \$400, stop; you do not owe self-employment tax. Exception. If less than \$400 and you had church employee income, enter -0- and continue.	3,568	
5a	Enter your church employee income from Form W-2. See page SE-1 for definition of church employee income		5a
5b	Multiply line 5a by 92.35% (.9235). If less than \$100, enter -0-	0	
6	Net earnings from self-employment. Add lines 4c and 5b	3,568	
7	Maximum amount of combined wages and self-employment earnings subject to social security tax or the 6.2% portion of the 7.65% railroad retirement (tier 1) tax for 2006	94,200	
8a	Total social security wages and tips (total of boxes 3 and 7 on Form(s) W-2) and railroad retirement (tier 1) compensation. If \$94,200 or more, skip lines 8b through 10, and go to line 11		8a
8b	Unreported tips subject to social security tax (from Form 4137, line 9)		8b
8c	Add lines 8a and 8b	0	
9	Subtract line 8c from line 7. If zero or less, enter -0- here and on line 10 and go to line 11	94,200	
10	Multiply the smaller of line 6 or line 9 by 12.4% (.124)	442	
11	Multiply line 6 by 2.9% (.029)	103	
12	Self-employment tax. Add lines 10 and 11. Enter here and on Form 1040, line 58	545	
13	Deduction for one-half of self-employment tax. Multiply line 12 by 50% (.5). Enter the result here and on Form 1040, line 27	273	13

Part II Optional Methods To Figure Net Earnings (see page SE-3)

Farm Optional Method. You may use this method only if (a) your gross farm income¹ was not more than \$2,400, or (b) your net farm profits² were less than \$1,733.

14	Maximum income for optional methods	1,600
15	Enter the smaller of: two-thirds (2/3) of gross farm income ¹ (not less than zero) or \$1,600. Also include this amount on line 4b above	
16	Subtract line 15 from line 14	0
17	Enter the smaller of: two-thirds (2/3) of gross nonfarm income ³ (not less than zero) or the amount on line 16. Also include this amount on line 4b above	

Nonfarm Optional Method. You may use this method only if (a) your net nonfarm profits³ were less than \$1,733 and also less than 72.189% of your gross nonfarm income⁴, and (b) you had net earnings from self-employment of at least \$400 in 2 of the prior 3 years.

Caution. You may use this method no more than five times.

¹ From Sch. F, line 11, and Sch. K-1 (Form 1065), box 14, code B.

² From Sch. C, line 31; Sch. C-EZ, line 3; Sch. K-1 (Form 1065), box 14, code A; and Sch. K-1 (Form 1065-B), box 9, code J1.

³ From Sch. F, line 36, and Sch. K-1 (Form 1065), box 14, code A.

⁴ From Sch. C, line 7; Sch. C-EZ, line 1; Sch. K-1 (Form 1065), box 14, code C; and Sch. K-1 (Form 1065-B), box 9, code J1.

Form **8829**

Department of the Treasury
Internal Revenue Service

Expenses for Business Use of Your Home
 ▶ File only with Schedule C (Form 1040). Use a separate Form 8829 for each home you used for business during the year.
 ▶ See separate instructions.

OMB No. 1545-0074

2006

Attachment
Sequence No. 66

Name(s) of proprietor(s)
JOSEPH J. LIPARI

Your social security number
9760

Part I Part of Your Home Used for Business

1	Area used regularly and exclusively for business, regularly for daycare, or for storage of inventory or product samples (see instructions)	1	1,187
2	Total area of home	2	3,305
3	Divide line 1 by line 2. Enter the result as a percentage	3	35.92%
4	Multiply days used for daycare during year by hours used per day	4	hr.
5	Total hours available for use during the year (365 days x 24 hours) (see instructions)	5	8,760 hr.
6	Divide line 4 by line 5. Enter the result as a decimal amount	6	0.0000
7	Business percentage. For daycare facilities not used exclusively for business, multiply line 6 by line 3 (enter the result as a percentage). All others, enter the amount from line 3	7	35.92%

Part II Figure Your Allowable Deduction

8	Enter the amount from Schedule C, line 29, plus any net gain or (loss) derived from the business use of your home and shown on Schedule D or Form 4797. If more than one place of business, see instructions. See instructions for columns (a) and (b) before completing lines 9-21.	8	24,234
9	Casualty losses (see instructions)	9	
10	Deductible mortgage interest (see instructions)	10	
11	Real estate taxes (see instructions)	11	3,038
12	Add lines 9, 10, and 11	12	0
13	Multiply line 12, column (b) by line 7	13	1,091
14	Add line 12, column (a) and line 13	14	1,091
15	Subtract line 14 from line 8. If zero or less, enter -0-	15	23,143
16	Excess mortgage interest (see instructions)	16	
17	Insurance	17	649
18	Rent	18	
19	Repairs and maintenance	19	1,755
20	Utilities	20	2,884
21	Other expenses (see instructions)	21	
22	Add lines 16 through 21	22	0
23	Multiply line 22, column (b) by line 7	23	1,899
24	Carryover of operating expenses from 2005 Form 8829, line 41	24	
25	Add line 22 in column (a), line 23, and line 24	25	1,899
26	Allowable operating expenses. Enter the smaller of line 15 or line 25	26	1,899
27	Limit on excess casualty losses and depreciation. Subtract line 26 from line 15	27	21,244
28	Excess casualty losses (see instructions)	28	
29	Depreciation of your home from Part III below	29	
30	Carryover of excess casualty losses and depreciation from 2005 Form 8829, line 42	30	
31	Add lines 28 through 30	31	0
32	Allowable excess casualty losses and depreciation. Enter the smaller of line 27 or line 31	32	0
33	Add lines 14, 26, and 32	33	2,990
34	Casualty loss portion, if any, from lines 14 and 32. Carry amount to Form 4684, Section B	34	
35	Allowable expenses for business use of your home. Subtract line 34 from line 33. Enter here and on Schedule C, line 30. If your home was used for more than one business, see instructions	35	2,990

Part III Depreciation of Your Home

36	Enter the smaller of your home's adjusted basis or its fair market value (see instructions)	36	0
37	Value of land included on line 36	37	
38	Basis of building. Subtract line 37 from line 36	38	0
39	Business basis of building. Multiply line 38 by line 7	39	0
40	Depreciation percentage (see instructions)	40	3.175%
41	Depreciation allowable (see instructions). Multiply line 39 by line 40. Enter here and on line 29 above	41	0

Part IV Carryover of Unallowed Expenses to 2007

42	Operating expenses. Subtract line 26 from line 25. If less than zero, enter -0-	42	0
43	Excess casualty losses and depreciation. Subtract line 32 from line 31. If less than zero, enter -0-	43	0

For Paperwork Reduction Act Notice, see page 4 of separate instructions.

Form 8829 (2006)

Form **4562**

Depreciation and Amortization
(Including Information on Listed Property)

OMB No. 1545-0172

2006

Attachment
Sequence No. 67

Department of the Treasury
Internal Revenue Service

▶ See separate instructions. ▶ Attach to your tax return.

Name(s) shown on return: **JOSEPH J LIPARI** Business or activity to which this form relates: **Sch C: 01 - CHIROPRACTOR** Identifying number: **9760**

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount. See the instructions for a higher limit for certain businesses	1	108,000
2	Total cost of section 179 property placed in service (see instructions)	2	4,113
3	Threshold cost of section 179 property before reduction in limitation	3	430,000
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	0
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	108,000

(a) Description of property	(b) Cost (business use only)	(c) Elected cost	
6 179 PURCHASES	4,113	4,113	
7 Listed property. Enter the amount from line 29	7		
8 Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7			8 4,113
9 Tentative deduction. Enter the smaller of line 5 or line 8			9 4,113
10 Carryover of disallowed deduction from line 13 of your 2005 Form 4562.			10
11 Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions)			11 29,221
12 Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11			12 4,113
13 Carryover of disallowed deduction to 2007. Add lines 9 and 10, less line 12		13 0	

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

14 Special allowance for qualified New York Liberty or Gulf Opportunity Zone property (other than listed property) placed in service during the tax year (see instructions)	14
15 Property subject to section 168(f)(1) election	15
16 Other depreciation (including ACRS)	16

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

17 MACRS deductions for assets placed in service in tax years beginning before 2006	17
18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here	<input type="checkbox"/>

Section B - Assets Placed in Service During 2006 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19 a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property			27.5 yrs.	MM	S/L	
i Nonresidential real property			27.5 yrs.	MM	S/L	
			39 yrs.	MM	S/L	

Section C - Assets Placed in Service During 2006 Tax Year Using the Alternative Depreciation System

20 a Class life					S/L	
b 12-year			12 yrs.		S/L	
c 40-year			40 yrs.	MM	S/L	

Part IV Summary (see instructions)

21 Listed property. Enter amount from line 28	21	
Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see instr.	22	4,113
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

For Paperwork Reduction Act Notice, see separate instructions.

Form 4562 (2006)

JOSÉPHU and EILEEN H LIPARI

9780

Lines 16a and b (Sch C (1040)) - Interest Expense

Mortgage Interest

1	Mortgage interest paid to banks, other financial institutions (1098 received)	1	_____
2	Mortgage interest difference not reported on line 1 above. Explain:	2	_____
3	Total mortgage interest reported on line 16a	3	_____ 0

Other Interest

1	Mortgage interest paid to banks, other financial institutions (1098 WAS NOT received)	1	_____
2	Jointly owned (other than spouse on MFJ return) mortgage interest paid to banks, other financial institutions (Form 1098 WAS NOT received)	2	_____

Enter Name and Address of person who received Form 1098:

Name _____
 Address _____
 City, State, & Zip _____
 Foreign Country _____

Name _____
 Address _____
 City, State, & Zip _____
 Foreign Country _____

Name _____
 Address _____
 City, State, & Zip _____
 Foreign Country _____

3	Vehicle interest	3	_____ 0
4	AMEX	4	_____ 8
5	_____	5	_____
6	_____	6	_____
7	_____	7	_____
8	Total other interest reported on line 16b	8	_____ 8

Form 1040 Department of the Treasury—Internal Revenue Service **U.S. Individual Income Tax Return 2007** IRS Use Only—Do not write or staple in this space. OMB No. 1545-0074

For the year Jan. 1-Dec. 31, 2007, or other tax year beginning 2007, ending 20

Label (See instructions on page 12.) Use the IRS label. Otherwise, please print or type.

PERSONAL INFORMATION

Your first name and initial: **JOSEPH J.** Last name: **LIPARI** Your social security number: **9760**

If a joint return, spouse's first name and initial: **EILEEN H.** Last name: **LIPARI** Spouse's social security number: **8705**

Home address (number and street), if you have a F.O. box, see page 12. Apt. no. **PO Box 2125**

City, town or post office, state, and ZIP code. If you have a foreign address, see page 12. **COTTONWOOD AZ 86326**

▲ You must enter your SSN(s) above. ▲

Checking a box below will not change your tax or refund.

Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund (see page 12) You Spouse

Filing Status

1 Single
 2 Married filing jointly (even if only one had income)
 3 Married filing separately. Enter spouse's SSN above and full name here. ▶
 4 Head of household (with qualifying person). (See page 13.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶
 5 Qualifying widow(er) with dependent child (see page 14)

Check only one box.

Exemptions

6a Yourself. If someone can claim you as a dependent, do not check box 6a
 b Spouse
 c Dependents:

(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> Qualifying child for child tax credit (see page 15)
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

If more than four dependents, see page 15.

d Total number of exemptions claimed **2**

Income

7 Wages, salaries, tips, etc. Attach Form(s) W-2 **7**

8a Taxable interest. Attach Schedule B if required **8a 756.00**

b Tax-exempt interest. Do not include on line 8a **8b**

9a Ordinary dividends. Attach Schedule B if required **9a**

b Qualified dividends (see page 19) **9b**

10 Taxable refunds, credits, or offsets of state and local income taxes (see page 20) **10**

11 Alimony received **11**

12 Business income or (loss). Attach Schedule C or C-EZ **12 12187.00**

13 Capital gain or (loss). Attach Schedule D if required. If not required, check here **13 <3000.00>**

14 Other gains or (losses). Attach Form 4797 **14**

15a IRA distributions **15a** b Taxable amount (see page 21) **15b**

16a Pensions and annuities **16a** b Taxable amount (see page 22) **16b**

17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E **17**

18 Farm income or (loss). Attach Schedule F **18**

19 Unemployment compensation **19**

20a Social security benefits **20a** b Taxable amount (see page 24) **20b**

21 Other income. List type and amount (see page 24) **21**

22 Add the amounts in the far right column for lines 7 through 21. This is your total income ▶ **22 9943.00**

Adjusted Gross Income

23 Educator expenses (see page 28) **23**

24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ **24**

25 Health savings account deduction. Attach Form 8889. **25**

26 Moving expenses. Attach Form 3903 **26**

27 One-half of self-employment tax. Attach Schedule SE **27 864.00**

28 Self-employed SEP, SIMPLE, and qualified plans **28**

29 Self-employed health insurance deduction (see page 28) **29**

30 Penalty on early withdrawal of savings **30**

31a Alimony paid b Recipient's SSN ▶ **31a**

32 IRA deduction (see page 27) **32**

33 Student loan interest deduction (see page 30) **33**

34 Tuition and fees deduction. Attach Form 8917. **34**

35 Domestic production activities deduction. Attach Form 8903 **35**

36 Add lines 23 through 31a and 32 through 35 **36 864.00**

37 Subtract line 36 from line 22. This is your adjusted gross income ▶ **37 9079.00**

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 83. Cat. No. 11320B Form 1040 (2007)

Form 1040 (2007)

Page 2

Tax and Credits	38	Amount from line 37 (adjusted gross income)	38	9079 00
	39a	Check <input type="checkbox"/> You were born before January 2, 1943, <input type="checkbox"/> Blind, Total boxes checked <input type="checkbox"/> 39a		
		If: <input type="checkbox"/> Spouse was born before January 2, 1943, <input type="checkbox"/> Blind, checked <input type="checkbox"/> 39a		
Standard Deduction for—	40	If your spouse itemizes on a separate return or you were a dual-status alien, see page 31 and check here <input type="checkbox"/> 39b	40	10700 00
• People who checked any box on line 39a or 39b or who can be claimed as a dependent, see page 31.	41	Itemized deductions (from Schedule A) or your standard deduction (see left margin)	41	0
• All others:	42	Subtract line 40 from line 38	42	6800 00
Single or Married filing separately, \$5,350	43	If line 38 is \$117,300 or less, multiply \$3,400 by the total number of exemptions claimed on line 6d. If line 38 is over \$117,300, see the worksheet on page 33	43	0
Married filing jointly or Qualifying widow(er), \$10,700	44	Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-	44	0
Head of household, \$7,850	45	Tax (see page 33). Check if any tax is from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 c <input type="checkbox"/> Form(s) 8889	45	
	46	Alternative minimum tax (see page 38). Attach Form 6251	46	
	47	Add lines 44 and 45	47	
	48	Credit for child and dependent care expenses. Attach Form 2441	48	
	49	Credit for the elderly or the disabled. Attach Schedule R	49	
	50	Education credits. Attach Form 8863	50	
	51	Residential energy credits. Attach Form 5695	51	
	52	Foreign tax credit. Attach Form 1116 if required	52	
	53	Child tax credit (see page 39). Attach Form 8901 if required	53	
	54	Retirement savings contributions credit. Attach Form 8880	54	
	55	Credits from: a <input type="checkbox"/> Form 8388 b <input type="checkbox"/> Form 8859 c <input type="checkbox"/> Form 8839	55	
	56	Other credits: a <input type="checkbox"/> Form 3800 b <input type="checkbox"/> Form 8801 c <input type="checkbox"/> Form	56	
	57	Add lines 47 through 55. These are your total credits	57	0
	58	Subtract line 56 from line 46. If line 56 is more than line 46, enter -0-	58	1727 00
Other Taxes	59	Self-employment tax. Attach Schedule SE	59	
	60	Unreported social security and Medicare tax from: a <input type="checkbox"/> Form 4137 b <input type="checkbox"/> Form 8919	60	
	61	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	61	
	62	Advance earned income credit payments from Form(s) W-2, box 9	62	
	63	Household employment taxes. Attach Schedule H	63	1727 00
	64	Add lines 57 through 62. This is your total tax	64	
Payments	65	Federal income tax withheld from Forms W-2 and 1099	65	1680 00
	66a	2007 estimated tax payments and amount applied from 2006 return	66a	
	67	Earned income credit (EIC)	67	
	68	Non-taxable combat pay election <input type="checkbox"/> 88b	68	
	69	Excess social security and tier 1 RRTA tax withheld (see page 59)	69	
	70	Additional child tax credit. Attach Form 8812	70	
	71	Amount paid with request for extension to file (see page 59)	71	
	72	Payments from: a <input type="checkbox"/> Form 2439 b <input type="checkbox"/> Form 4138 c <input type="checkbox"/> Form 8885	72	1680 00
	73	Refundable credit for prior year minimum tax from Form 8801, line 27	73	
	74	Add lines 64, 65, 68a, and 67 through 71. These are your total payments	74	
Refund	75	If line 72 is more than line 63, subtract line 63 from line 72. This is the amount you overpaid	75	
Direct deposit? See page 69 and fill in 74b, 74c, and 74d, or Form 8888.	76	Amount of line 73 you want refunded to you. If Form 8888 is attached, check here <input type="checkbox"/>	76	47 00
	77	Routing number <input type="checkbox"/> Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings	77	
		Account number <input type="checkbox"/>		
		Amount of line 73 you want applied to your 2008 estimated tax <input type="checkbox"/>		
Amount You Owe		Amount you owe. Subtract line 72 from line 63. For details on how to pay, see page 60		
		Estimated tax penalty (see page 61)		

Third Party Designee Do you want to allow another person to discuss this return with the IRS (see page 61)? Yes. Complete the following. No

Designee's name	Phone no.	Personal identification number (PIN)
-----------------	-----------	--------------------------------------

Sign Here Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature	Date	Your occupation	Daytime phone number
<i>Joseph Lipan</i>	9-26-08	D.C.	()
Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	

Paid Preparer's Use Only

Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
Firm's name (or yours if self-employed), address, and ZIP code	EIN	Phone no.	()

Form 1040 (2007)

Schedules A&B (Form 1040) 2007

OMB No. 1545-0074 Page 2

Name(s) shown on Form 1040. Do not enter name and social security number if shown on other side.

J. LIPARI AND E. LIPARI

Your social security number

9760

Schedule B—Interest and Ordinary Dividends

Attachment Sequence No. 08

**Part I
Interest**

(See page B-1 and the instructions for Form 1040, line 8a.)

Note, if you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see page B-1 and list this interest first. Also, show that buyer's social security number and address ▶

FIRST AMERICAN TITLE
BANK OF AMERICA

Amount

458 00
298 00

1

2 Add the amounts on line 1
3 Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815
4 Subtract line 3 from line 2. Enter the result here and on Form 1040, line 8a ▶

756 00

756 00

2

3

4

Note. If line 4 is over \$1,500, you must complete Part III.

**Part II
Ordinary Dividends**

(See page B-1 and the instructions for Form 1040, line 9a.)

Note. If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.

5 List name of payer ▶

Amount

5

6 Add the amounts on line 5. Enter the total here and on Form 1040, line 9a ▶

6

Note. If line 6 is over \$1,500, you must complete Part III.

**Part III
Foreign Accounts and Trusts**

(See page B-2.)

You must complete this part if you (a) had over \$1,500 of taxable interest or ordinary dividends; or (b) had a foreign account; or (c) received a distribution from, or were a grantor of, or a transferor to, a foreign trust.

Yes No

7a At any time during 2007, did you have an interest in or a signature or other authority over a financial account in a foreign country, such as a bank account, securities account, or other financial account? See page B-2 for exceptions and filing requirements for Form TD F 90-22.1

b If "Yes," enter the name of the foreign country ▶

8 During 2007, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See page B-2

**SCHEDULE C
(Form 1040)**

Profit or Loss From Business

(Sole Proprietorship)

OMB No. 1545-0074

2007

Department of the Treasury
Internal Revenue Service (99)

Partnerships, joint ventures, etc., must file Form 1065 or 1065-B.

Attachment
Sequence No. 09

Attach to Form 1040, 1040NR, or 1041. See Instructions for Schedule C (Form 1040).

Name of proprietor: **JOSEPH V. LIPARI** Social security number (SSN): **9760**

A Principal business or profession, including product or service (see page C-2 of the instructions): **CHIROPRACTIC OFFICE** B Enter code from pages C-8, 9, & 10: **1812115101**

C Business name, if no separate business name, leave blank: **MORNINGSTAR INT'L, PLLC** D Employer ID number (EIN), if any: **9676**

E Business address (including suite or room no.): **PO BOX 2023** City, town or post office, state, and ZIP code: **COTTONWOOD, AZ 86326**

F Accounting method: (1) Cash (2) Accrual (3) Other (specify) _____

G Did you "materially participate" in the operation of this business during 2007? If "No," see page C-3 for limit on losses Yes No

H If you started or acquired this business during 2007, check here

Income			
1	Gross receipts or sales. Caution. If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see page C-3 and check here <input type="checkbox"/>	1	59778 00
2	Returns and allowances	2	907 00
3	Subtract line 2 from line 1	3	58871 00
4	Cost of goods sold (from line 42 on page 2)	4	2787 00
5	Gross profit. Subtract line 4 from line 3.	5	56084 00
6	Other income, including federal and state gasoline or fuel tax credit or refund (see page C-3).	6	0
7	Gross income. Add lines 5 and 6	7	56084 00

Expenses. Enter expenses for business use of your home only on line 30.			
8	Advertising	8	709 00
9	Car and truck expenses (see page C-4)	9	10284 00
10	Commissions and fees	10	200 00
11	Contract labor (see page C-4)	11	
12	Depreciation	12	
13	Depreciation and section 179 expense deduction (not included in Part III) (see page C-4)	13	7860 00
14	Employee benefit programs (other than on line 19)	14	
15	Insurance (other than health)	15	
16	Interest:		
16a	a Mortgage (paid to banks, etc.)	16a	
16b	b Other	16b	
17	Legal and professional services	17	
18	Office expense	18	4053 00
19	Pension and profit-sharing plans	19	
20	Rent or lease (see page C-5):		
20a	a Vehicles, machinery, and equipment	20a	1646 00
20b	b Other business property	20b	
21	Repairs and maintenance	21	3075 00
22	Supplies (not included in Part III)	22	1752 00
23	Taxes and licenses	23	2263 00
24	Travel, meals, and entertainment:		
24a	a Travel	24a	2573 00
24b	b Deductible meals and entertainment (see page C-6)	24b	440 00
25	Utilities PHONE	25	3193 00
26	Wages (less employment credits)	26	
27	Other expenses (from line 48 on page 2)	27	8142 00
28	Total expenses before expenses for business use of home. Add lines 8 through 27 in columns	28	46198 00
29	Tentative profit (loss). Subtract line 28 from line 7	29	9886 00
30	Expenses for business use of your home. Attach Form 8829	30	2606 00
31	Net profit or (loss). Subtract line 30 from line 29.	31	7280 00
32	If you have a loss, check the box that describes your investment in this activity (see page C-7).		
32a	<input type="checkbox"/> All investment is at risk.	32a	
32b	<input type="checkbox"/> Some investment is not at risk.	32b	

For Paperwork Reduction Act Notice, see page C-8 of the instructions.

Cat. No. 11334P

Schedule C (Form 1040) 2007

Part III Cost of Goods Sold (see page C-7)

33 Method(s) used to value closing inventory: a Cost b Lower of cost or market c Other (attach explanation)

34 Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If "Yes," attach explanation Yes No

35 Inventory at beginning of year. If different from last year's closing inventory, attach explanation	35	505	00
36 Purchases less cost of items withdrawn for personal use	36	2282	00
37 Cost of labor. Do not include any amounts paid to yourself	37		
38 Materials and supplies	38		
39 Other costs	39		
40 Add lines 35 through 39	40	2787	00
41 Inventory at end of year	41	0	
42 Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on page 1, line 4	42	2787	00

Part IV Information on Your Vehicle. Complete this part only if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 on page C-4 to find out if you must file Form 4562.

43 When did you place your vehicle in service for business purposes? (month, day, year) ▶ 01/01/2005

44 Of the total number of miles you drove your vehicle during 2007, enter the number of miles you used your vehicle for:

a Business 21204 b Commuting (see instructions) 0 c Other 0

45 Do you (or your spouse) have another vehicle available for personal use? Yes No

46 Was your vehicle available for personal use during off-duty hours? Yes No

47a Do you have evidence to support your deduction? Yes No

b If "Yes," is the evidence written? Yes No

Part V Other Expenses. List below business expenses not included on lines 8-26 or line 30.

BANK SERVICE CHARGES	108	00
CONTRIBUTIONS/GOODWILL/SPONSORSHIPS	1239	00
DECOR/INTERIORS (486) REPAIRS (411)	897	00
EDUCATION/RE LICENSING	889	00
PER DIEM	2248	00
POSTAGE/SHIPPING	285	00
PUBLICATIONS	1048	00
SOFTWARE	833	00
MISC (75) (520)	595	00
48 Total other expenses. Enter here and on page 1, line 27	48	8142 00

SCHEDULE C
(Form 1040)

Profit or Loss From Business

(Sole Proprietorship)

▶ Partnerships, joint ventures, etc., must file Form 1065 or 1065-B.

OMB No. 1545-0074

2007

Attachment
Sequence No. 09

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040, 1040NR, or 1041. ▶ See Instructions for Schedule C (Form 1040).

Name of proprietor: EILEEN H. LIPARI Social security number (SSN): 8705

A Principal business or profession, including product or service (see page C-2 of the instructions): CONSULTING / RECORDKEEPING B Enter code from pages C-8, 9, & 10: 1812990

C Business name, if no separate business name, leave blank. HUNTER KING, LLC D Employer ID number (EIN), if any: 9674

E Business address (including suite or room no.): PO BOX 914 City, town or post office, state, and ZIP code: COTTONWOOD, AZ 86326

F Accounting method: (1) Cash (2) Accrual (3) Other (specify) ▶

G Did you "materially participate" in the operation of this business during 2007? If "No," see page C-3 for limit on losses Yes No

H If you started or acquired this business during 2007, check here

Part I Income

1	Gross receipts or sales. Caution: If this income was reported to you on Form W-2 and the "Statutory employees" box on that form was checked, see page C-3 and check here <input type="checkbox"/>	1	5065 00
2	Returns and allowances	2	0
3	Subtract line 2 from line 1	3	5065 00
4	Cost of goods sold (from line 42 on page 2)	4	0
5	Gross profit. Subtract line 4 from line 3.	5	5065 00
6	Other income, including federal and state gasoline or fuel tax credit or refund (see page C-3).	6	0
7	Gross income. Add lines 5 and 6	7	5065 00

Part II Expenses. Enter expenses for business use of your home only on line 30.

8	Advertising	18	Office expense	18	89 00
9	Car and truck expenses (see page C-4).	19	Pension and profit-sharing plans	19	
10	Commissions and fees	20	Rent or lease (see page C-5):	20a	
11	Contract labor (see page C-4)		a Vehicles, machinery, and equipment	20b	
12	Depreciation		b Other business property.	21	
13	Depreciation and section 179 expense deduction (not included in Part III) (see page C-4)	21	Repairs and maintenance	21	
14	Employee benefit programs (other than on line 19).	22	Supplies (not included in Part III)	22	
15	Insurance (other than health)	23	Taxes and licenses	23	
16	Interest:	24	Travel, meals, and entertainment:	24a	
a	Mortgage (paid to banks, etc.)		a Travel	24a	
b	Other	24b	b Deductible meals and entertainment (see page C-6)	24b	
17	Legal and professional services	25	Utilities	25	69 00
		26	Wages (less employment credits)	26	
		27	Other expenses (from line 48 on page 2)	27	
28	Total expenses before expenses for business use of home. Add lines 8 through 27 in columns.	28		28	158 00
29	Tentative profit (loss). Subtract line 28 from line 7	29		29	4907 00
30	Expenses for business use of your home. Attach Form 8829	30		30	0
31	Net profit or (loss). Subtract line 30 from line 29.	31		31	4907 00

32a All investment is at risk.
32b Some investment is not at risk.

For Paperwork Reduction Act Notice, see page C-8 of the Instructions.

Cat. No. 11334P

Schedule C (Form 1040) 2007

**SCHEDULE D
(Form 1040)**

Capital Gains and Losses

OMB No. 1545-0074

2007

Department of the Treasury
Internal Revenue Service

▶ Attach to Form 1040 or Form 1040NR. ▶ See instructions for Schedule D (Form 1040).
▶ Use Schedule D-1 to list additional transactions for lines 1 and 8.

Attachment
Sequence No. 12

Name(s) shown on return

J. LIPARI AND E. LIPARI

Your social security number

9760

Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see page D-7 of the instructions)	(e) Cost or other basis (see page D-7 of the instructions)	(f) Gain or (loss) Subtract (e) from (d)
1					
2 Enter your short-term totals, if any, from Schedule D-1, line 2		2			
3 Total short-term sales price amounts. Add lines 1 and 2 in column (d)		3			
4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824		4			
5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1		5			
6 Short-term capital loss carryover. Enter the amount, if any, from line 10 of your Capital Loss Carryover Worksheet on page D-7 of the instructions		6			()
7 Net short-term capital gain or (loss). Combine lines 1 through 6 in column (f)		7			

Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see page D-7 of the instructions)	(e) Cost or other basis (see page D-7 of the instructions)	(f) Gain or (loss) Subtract (e) from (d)
8					
9 Enter your long-term totals, if any, from Schedule D-1, line 9		9			
10 Total long-term sales price amounts. Add lines 8 and 9 in column (d)		10			
11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 8252; and long-term gain or (loss) from Forms 4684, 6781, and 8824		11			
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1		12			
13 Capital gain distributions. See page D-2 of the instructions		13			
14 Long-term capital loss carryover. Enter the amount, if any, from line 15 of your Capital Loss Carryover Worksheet on page D-7 of the instructions		14			(97999.00)
15 Net long-term capital gain or (loss). Combine lines 8 through 14 in column (f). Then go to Part III on the back		15			(97999.00)

For Paperwork Reduction Act Notice, see Form 1040 or Form 1040NR instructions. Cat. No. 11358H Schedule D (Form 1040) 2007

Part III Summary

16 Combine lines 7 and 15 and enter the result.	16	197999 00
If line 16 is: • A gain, enter the amount from line 16 on Form 1040, line 13, or Form 1040NR, line 14. Then go to line 17 below. • A loss, skip lines 17 through 20 below. Then go to line 21. Also be sure to complete line 22. • Zero, skip lines 17 through 21 below and enter -0- on Form 1040, line 13, or Form 1040NR, line 14. Then go to line 22.		
17 Are lines 15 and 16 both gains? <input type="checkbox"/> Yes. Go to line 18. <input type="checkbox"/> No. Skip lines 18 through 21, and go to line 22.		
18 Enter the amount, if any, from line 7 of the 28% Rate Gain Worksheet on page D-8 of the instructions	18	
19 Enter the amount, if any, from line 16 of the Unrecaptured Section 1250 Gain Worksheet on page D-9 of the instructions	19	
20 Are lines 18 and 19 both zero or blank? <input type="checkbox"/> Yes. Complete Form 1040 through line 43, or Form 1040NR through line 40. Then complete the Qualified Dividends and Capital Gain Tax Worksheet on page 35 of the Instructions for Form 1040 (or in the Instructions for Form 1040NR). Do not complete lines 21 and 22 below. <input type="checkbox"/> No. Complete Form 1040 through line 43, or Form 1040NR through line 40. Then complete the Schedule D Tax Worksheet on page D-10 of the Instructions. Do not complete lines 21 and 22 below.		
21 If line 16 is a loss, enter here and on Form 1040, line 13, or Form 1040NR, line 14, the smaller of: • The loss on line 16 or • (\$3,000), or if married filing separately, (\$1,500) }	21	(3000 00)
Note. When figuring which amount is smaller, treat both amounts as positive numbers.		
22 Do you have qualified dividends on Form 1040, line 9b, or Form 1040NR, line 10b? <input type="checkbox"/> Yes. Complete Form 1040 through line 43, or Form 1040NR through line 40. Then complete the Qualified Dividends and Capital Gain Tax Worksheet on page 35 of the Instructions for Form 1040 (or in the Instructions for Form 1040NR). <input checked="" type="checkbox"/> No. Complete the rest of Form 1040 or Form 1040NR.		

SCHEDULE SE
(Form 1040)

Self-Employment Tax

OMB No. 1545-0074

2007

Attachment
Sequence No. 17

Department of the Treasury
Internal Revenue Service

▶ Attach to Form 1040. ▶ See instructions for Schedule SE (Form 1040).

Name of person with self-employment income (as shown on Form 1040)

JOSEPH J. LIPARI

Social security number of person
with self-employment income ▶

9760

Who Must File Schedule SE

You must file Schedule SE if:

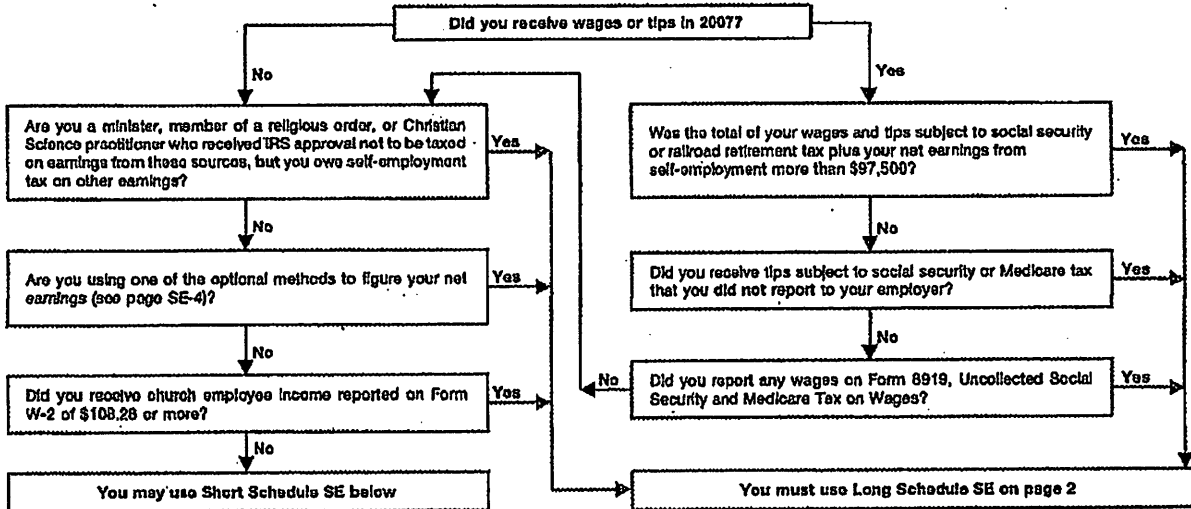
- You had net earnings from self-employment from other than church employee income (line 4 of Short Schedule SE or line 4c of Long Schedule SE) of \$400 or more, or
- You had church employee income of \$108.28 or more. Income from services you performed as a minister or a member of a religious order is not church employee income (see page SE-1).

Note. Even if you had a loss or a small amount of income from self-employment, it may be to your benefit to file Schedule SE and use either "optional method" in Part II of Long Schedule SE (see page SE-4).

Exception. If your only self-employment income was from earnings as a minister, member of a religious order, or Christian Science practitioner and you filed Form 4361 and received IRS approval not to be taxed on those earnings, do not file Schedule SE. Instead, write "Exempt-Form 4361" on Form 1040, line 58.

May I Use Short Schedule SE or Must I Use Long Schedule SE?

Note. Use this flowchart only if you must file Schedule SE. If unsure, see Who Must File Schedule SE, above.



Section A—Short Schedule SE. Caution. Read above to see if you can use Short Schedule SE.

1	Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A	1		
2	Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9, code J1. Ministers and members of religious orders, see page SE-1 for amounts to report on this line. See page SE-3 for other income to report	2	7280	00
3	Combine lines 1 and 2	3	7280	00
4	Net earnings from self-employment. Multiply line 3 by 92.35% (.9235). If less than \$400, do not file this schedule; you do not owe self-employment tax ▶	4	6723	00
5	Self-employment tax. If the amount on line 4 is: • \$97,500 or less, multiply line 4 by 15.3% (.153). Enter the result here and on Form 1040, line 58. • More than \$97,500, multiply line 4 by 2.9% (.029). Then, add \$12,090 to the result. Enter the total here and on Form 1040, line 58	5	1029	00
6	Deduction for one-half of self-employment tax. Multiply line 5 by 50% (.5). Enter the result here and on Form 1040, line 27	6	515	00

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Cat. No. 11358Z

Schedule SE (Form 1040) 2007

SCHEDULE SE
(Form 1040)

Self-Employment Tax

OMB No. 1545-0074

2007

Attachment
Sequence No. 17

Department of the Treasury
Internal Revenue Service

▶ Attach to Form 1040. ▶ See instructions for Schedule SE (Form 1040).

Name of person with self-employment income (as shown on Form 1040)

EILEEN M. LIPARI

Social security number of person
with self-employment income ▶

8705

Who Must File Schedule SE

You must file Schedule SE if:

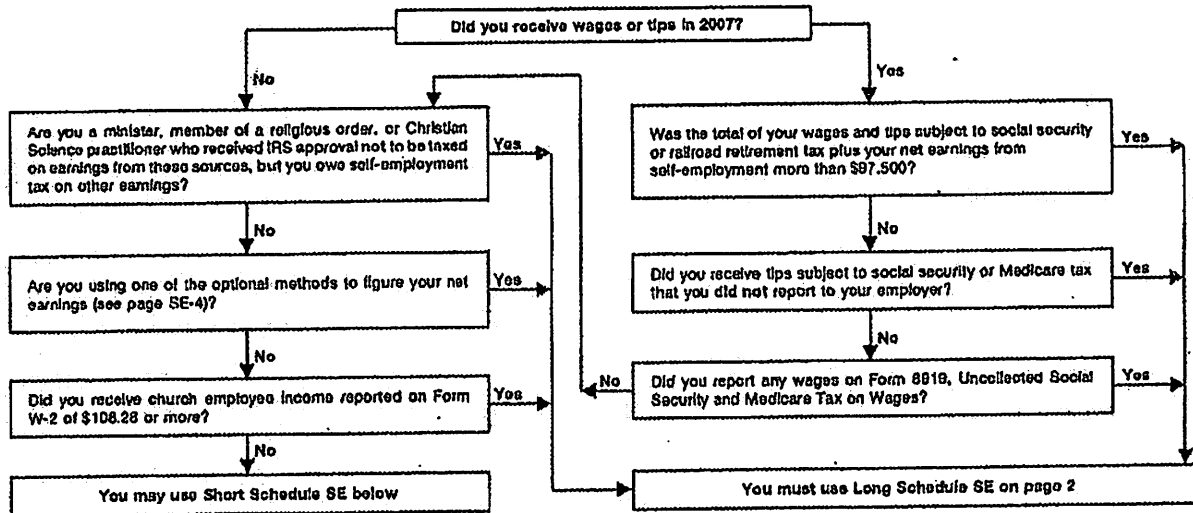
- You had net earnings from self-employment from other than church employee income (line 4 of Short Schedule SE or line 4c of Long Schedule SE) of \$400 or more, or
- You had church employee income of \$108.28 or more. Income from services you performed as a minister or a member of a religious order is not church employee income (see page SE-1).

Note. Even if you had a loss or a small amount of income from self-employment, it may be to your benefit to file Schedule SE and use either "optional method" in Part II of Long Schedule SE (see page SE-4).

Exception. If your only self-employment income was from earnings as a minister, member of a religious order, or Christian Science practitioner and you filed Form 4361 and received IRS approval not to be taxed on those earnings, do not file Schedule SE. Instead, write "Exempt-Form 4361" on Form 1040, line 58.

May I Use Short Schedule SE or Must I Use Long Schedule SE?

Note. Use this flowchart only if you must file Schedule SE. If unsure, see Who Must File Schedule SE, above.



Section A—Short Schedule SE. Caution. Read above to see if you can use Short Schedule SE.

1	Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A	1	
2	Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9, code J1. Ministers and members of religious orders, see page SE-1 for amounts to report on this line. See page SE-3 for other income to report	2	4907 00
3	Combine lines 1 and 2	3	4907 00
4	Net earnings from self-employment. Multiply line 3 by 92.35% (.9235). If less than \$400, do not file this schedule; you do not owe self-employment tax ▶	4	4562 00
5	Self-employment tax. If the amount on line 4 is: • \$97,500 or less, multiply line 4 by 15.3% (.153). Enter the result here and on Form 1040, line 58. • More than \$97,500, multiply line 4 by 2.9% (.029). Then, add \$12,090 to the result. Enter the total here and on Form 1040, line 58	5	698 00
6	Deduction for one-half of self-employment tax. Multiply line 5 by 50% (.5). Enter the result here and on Form 1040, line 27	6	349 00

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Cat. No. 11358Z

Schedule SE (Form 1040) 2007

Form **4562**

Depreciation and Amortization
(Including Information on Listed Property)

OMB No. 1545-0172

Department of the Treasury
Internal Revenue Service

2007

▶ See separate instructions. ▶ Attach to your tax return.

Attachment
Sequence No. 67

Name(s) shown on return

J. LIPARI AND E. LIARI

Business or activity to which this form relates

CHIROPRACTR

Identification number **9760**

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount. See the instructions for a higher limit for certain businesses	1	\$125,000
2	Total cost of section 179 property placed in service (see instructions)	2	7868
3	Threshold cost of section 179 property before reduction in limitation	3	\$500,000
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	0
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	125,000
6	(a) Description of property MISC. OFFICE EQ., SMALL ELECTRICS	(b) Cost (business use only) 7868	(c) Elected cost 7868
7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	7868
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	7868
10	Carryover of disallowed deduction from line 13 of your 2006 Form 4562	10	0
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11	
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	7868
13	Carryover of disallowed deduction to 2006. Add lines 9 and 10, less line 12 ▶	13	

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

14	Special allowance for qualified New York Liberty or Gulf Opportunity Zone property (other than listed property) and cellulosic biomass ethanol plant property placed in service during the tax year (see instructions)	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2007	17	
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here <input type="checkbox"/>		

Section B—Assets Placed in Service During 2007 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property			27.5 yrs.	MM	S/L	
i Nonresidential real property			27.5 yrs.	MM	S/L	
			39 yrs.	MM	S/L	

Section C—Assets Placed in Service During 2007 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs.		S/L	
c 40-year			40 yrs.	MM	S/L	

Part IV Summary (see instructions)

21	Listed property. Enter amount from line 28	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instr.	22	
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 12906N

Form 4562 (2007)

Form **8829**
 Department of the Treasury
 Internal Revenue Service (99)

Expenses for Business Use of Your Home
 ▶ File only with Schedule C (Form 1040). Use a separate Form 8829 for each home you used for business during the year.
 ▶ See separate instructions.

OMB No. 1545-0074
2007
 Attachment
 Sequence No. 88

Name(s) of proprietor(s) J. LIARI AND E. LIARI Identification number 9760

Part I Part of Your Home Used for Business

1	Area used regularly and exclusively for business, regularly for daycare, or for storage of inventory or product samples (see instructions)	1	1187
2	Total area of home	2	3305
3	Divide line 1 by line 2. Enter the result as a percentage	3	35.92 %
4	Multiply days used for daycare during year by hours used per day	4	hr.
5	Total hours available for use during the year (365 days × 24 hours) (see instructions)	5	8,760 hr.
6	Divide line 4 by line 5. Enter the result as a decimal amount	6	
7	Business percentage. For daycare facilities not used exclusively for business, multiply line 6 by line 3 (enter the result as a percentage). All others, enter the amount from line 3	7	35.92 %

Part II Figure Your Allowable Deduction

8	Enter the amount from Schedule C, line 29, plus any net gain or (loss) derived from the business use of your home and shown on Schedule D or Form 4797. If more than one place of business, see instructions. See instructions for columns (a) and (b) before completing lines 9-21.	8	9886 00
9	Casualty losses (see instructions)	9	
10	Deductible mortgage interest (see instructions)	10	
11	Real estate taxes (see instructions)	11	1993 00
12	Add lines 9, 10, and 11	12	1993 00
13	Multiply line 12, column (b) by line 7	13	716 00
14	Add line 12, column (a) and line 13	14	716 00
15	Subtract line 14 from line 8. If zero or less, enter -0-	15	9170 00
16	Excess mortgage interest (see instructions)	16	
17	Insurance	17	6661 00
18	Rent	18	
19	Repairs and maintenance	19	1040 00
20	Utilities	20	3562 00
21	Other expenses (see instructions)	21	
22	Add lines 16 through 21	22	5263 00
23	Multiply line 22, column (b) by line 7	23	1890 00
24	Carryover of operating expenses from 2006 Form 8829, line 42	24	
25	Add line 22 in column (a), line 23, and line 24	25	1890 00
26	Allowable operating expenses. Enter the smaller of line 15 or line 25	26	1890 00
27	Limit on excess casualty losses and depreciation. Subtract line 26 from line 15	27	-0-
28	Excess casualty losses (see instructions)	28	
29	Depreciation of your home from Part III below	29	
30	Carryover of excess casualty losses and depreciation from 2006 Form 8829, line 43	30	
31	Add lines 28 through 30	31	-0-
32	Allowable excess casualty losses and depreciation. Enter the smaller of line 27 or line 31	32	-0-
33	Add lines 14, 26, and 32	33	2606 00
34	Casualty loss portion, if any, from lines 14 and 32. Carry amount to Form 4684, Section B	34	-0-
35	Allowable expenses for business use of your home. Subtract line 34 from line 33. Enter here and on Schedule C, line 30. If your home was used for more than one business, see instructions	35	2606 00

Part III Depreciation of Your Home

36	Enter the smaller of your home's adjusted basis or its fair market value (see instructions)	36	
37	Value of land included on line 36	37	
38	Basis of building. Subtract line 37 from line 36	38	
39	Business basis of building. Multiply line 38 by line 7	39	
40	Depreciation percentage (see instructions)	40	%
41	Depreciation allowable (see instructions). Multiply line 39 by line 40. Enter here and on line 29 above	41	

Part IV Carryover of Unallowed Expenses to 2008

42	Operating expenses. Subtract line 26 from line 25. If less than zero, enter -0-	42	
43	Excess casualty losses and depreciation. Subtract line 32 from line 31. If less than zero, enter -0-	43	

For Paperwork Reduction Act Notice, see page 4 of separate instructions.

Cat. No. 13232M

Form 8829 (2007)

