

UNITED STATES TAX COURT

WALTER C. ANDERSON, )  
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 Petitioner, )  
 )  
 v. ) Docket No. 20364-07  
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 COMMISSIONER OF INTERNAL REVENUE, )  
 )  
 Respondent. )

RESPONSE

PETITIONER, in response to the answer filed in the above referenced case, admits, denies and alleges as follows:

In relation to respondent's section "5.". Respondent in a footnote 1 has indicated that they have been unable to answer all issues appropriately due to a "lack of sufficient information". Respondent is correct that some documents which are relevant to this proceeding are now being held by the Criminal Investigation Division of the IRS. Petitioner does not have any objection to a rule 6(e) order being granted with the following caveats: That all information, including grand jury transcripts from all the grand jury witnesses called in this case are provided including all other possible materials; for example investigators and prosecutors interview notes for all witnesses and all the responses from any MLAT requests made by the government so that all the evidence including any exculpatory evidence will be included in the compliance with the 6(e) order. Petitioner is aware of numerous exculpatory evidence and many exculpatory statements made by grand jury witnesses and other individuals that were contacted in the course of the investigation against him which were not revealed by the investigators or the prosecutors.

In relation to respondent's section "7.". Denies that the provisions of I.R.C. § 6501 (c) (1) applies in this matter. Denies that the petitioner filed "false or fraudulent income tax returns for said years with intent to evade tax," for the years 1995, 1996, 1997, 1998 and 1999.

In relation to respondent's section "8.". Section 8.(a) denies that the petitioner was required under the provisions of I.R.C. § 6038 to file a form 5471 in relation to Gold & Appel Transfer S.A. and Iceberg Transport S.A. for any of the tax years 1995, 1996, 1997, 1998 or 1999. Denies that foreign business entities known as Gold & Appel Transfer S.A. and Iceberg Transport S.A. were "controlled" by petitioner within the meaning of § 6038 of the Internal Revenue Code for the tax years 1995, 1996, 1997, 1998 and 1999. Alleges that petitioner during the tax years of 1995, 1996, 1997 1998 and 1999, did not have control of any foreign business entities which would have required him to file a form 5471 per the definition of of control that is provided in section 6038 of the Internal Revenue Code which states:

§ 6038 (e) (2)

Control of corporation. A person is in control of a corporation if such person owns stock possessing more than 50 percent of the total combined voting power of all classes of stock entitled to vote, or more than 50 percent of the total value of shares of all classes of stock, of the corporation. If a person is in control (within the meaning of the preceding sentence) of a corporation which in turn owns more than 50 percent of the totla combined voting power of all classes of stock entitled to vote of another corporation, or owns more than 50 percent of the totla value of the shares of all classes of stock of another corporation, then such person shall be treated a in control of such other corporation.

Petitioner further alleges that while he exercised significant management control over Gold & Appel Tranfer S.A. and Iceberg Transport S.A., that he did not have any interest or ownership of any stock of either corporation in 1995, 1996, 1997, 1998 or 1999 and his activities on behalf of and for

these foreign business entities was in relation to the Smaller World Trust, a Charitable Trust which was created and endowed by the petitioner in 1993 in the British Virgin Islands and that Gold & Appel Transfer S.A. and Iceberg Transport S.A. were at all times during the tax years 1995, 1996, 1997, 1998 and 1999 owned 100 percent by the Trust.

Section 8.(b) denies that the provision cited by respondent is applicable since no 5471 filing would have been required by petitioner if had no ownership interest whatsoever in Gold & Appel Transfer S.A. or Iceberg Tranpost S.A. at any time during 1995, 1996, 1997, 1998 or 1999 and thus could not be considered to have "control" of these entities.

Section 8. (c) Admits that petitioner did not file a form 5471 in relation to Gold & Appel Transfer S.A. or Iceberg transport S.A. for taxable years 1995, 1996, 1997, 1998 and 199 as of July 17, 2007.

Section 8.(d) Admits that the Notice of Deficiency was sent to petitioner on July 17th, 2007. Denies the further allegations of the respondent in relation to periods of assesment of income tax imposed with respect to income items related to Gold & Appel Transfer S.A. and Iceberg Transport S.A.

In relation to respondent's section "9,". Denies the allegation by respondent that any underpayments of any tax which might have been required to be shown on petitioner's income tax returns for tax years 1995, 1996, 1997, 1998 and 1999 are due to fraud.

Section 9. (a) Admits that petitioner was a employed as corporate executive and was engaged in the business of managing investment for his own account during the years of 1995, 1996, 1997, 1998 and 1999.

Section 9. (b) Denies that pettioners residence was located at 2012 Wyoming Avenue, NW, Washington DC 20009 from approximately 1995 to February 1998 and

at 3030 K Street, NW, Suite 305, Washington D.C. 20007 from approximately February 25, 1998 to the end of 1999. Petitioner alleges that he had no residence within the United States in the years 1995, 1996, 1997 and 1998 and that he became resident of 3030 K Street, NW, Unit 305, Washington DC 20007 in Early 1999 after extensive renovations were made after his purchase of the property in 1998. Petitioner further alleges that he owned a small condominium property at 2012 Wyoming Ave, NW, Washington DC 20009 which he used as an office and as a place to stay when he was in the Washington area during the years of 1995, 1996 1997 and 1998. Petitioner further alleges that during the years of 1995 to 1997 that he was the President of Esprit Telecom a corporation which he founded in 1992 and in 1998 he remained the Chairman of Esprit Telecom. Esprit Telecom initially had it's headquarters in Amsterdam, Neterlands and later moved this headquarters to Reading, United Kingdom (outside of London) and that Esprit Telecom maintained it's main switching center in the City of London. Esprit Telecom did an Initial Public Offering in 1997 and was listed on the NASDAQ and EASDAQ eachanges until it was sold to another public corporation in 1999. Petitioner as part of his duties for Esprit Telecom spent significant time at the corporate headquarters and the switching center and also travelled extensively to visit the offices of Esprit Telecom which were in 8 countries within the European Union (Ireland, France, Belgium, Neterlands, United Kingdom, Italy, Spain and Germany) as well a to other destination outside the United States in relation to the International business activities of Esprit Telecom. Petitioner was in the United Stes less than on half the time and in Washington DC even less due to business and personal travel within the UNITED States during the years 1995, 1996, 1997 and 1999.

Section 9. (b) Denies all allegations.

Section 9. (c) Denies all allegations

Section 9. (d) Admits that petitioner's income tax returns were filed for 1995, 1996, 1997 1998 and 1999 on the cash method of accounting. Denies the allegations relating to how the books and records were kept.

Section 9.(e) Admits the filing dates of returns as specified by respondent are correct.

Section 9.(f.) Denies all allegations. Petitioner further alleges that he at no time had any Subpart F type income from Gold & Appel transfer S.A or or any other source at any time.

Section 9. (g) Admits the allegations that amount cited were not reported on his income tax for certain years. Petitioner alleges that these amounts were paid to him by Esprit Telecom as part of his overall compensation and that for some reason they were not reported on a W-2 filed by Esprit Telecom subsidiary Icomnet S.A along with petitioners other compensation and were not filed on a 1099. Petitioner further alleges that the payment made in 1999 as part of a settlement was reported to his tax accountant but for some reason was not included along with the other income reported for that year. Petitioner further alleges that these errors were not intentional or fraudulent, That he had adequate funds to pay the correct tax on these omissions, that he had no financial motive or other motive to make such an error and that the total amount of the errors is not material in comparison to the overall claims of hundreds of millions of dollars of income.

~~Section 9.(h) Admits the allegation of interest income.~~

Section 9. (i) Denies the allegations. Petitioner alleges that reimbursement

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that was received was offset by expenses including the interest that was paid on a loan which funded the legal and accounting expenses which paid for the legal action.

Section 9. (j) Admits the allegation. Petitioner alleges that in 1999 more than 3.4 million dollars of income was reported on the income tax return which he filed. Most of the income was from the sale of GTS shares at around the same time and through the same brokers as the 3,922 shares which were not included in error. Petitioner provided his tax accountants with his detailed broker statements and other financial materials which has all the information needed to discover this transaction and relied on them to calculate the correct tax due for that year. Petitioner paid over \$450,000 of tax in 1999. Petitioner had no financial motive or other motive for not reporting and paying the very low 20 percent capital gains tax on the portion of the transaction which was omitted from his returns in error.

Section 9. (k) Admits that a charitable contribution carryover of \$14,711,726 was claimed on the 1999 return. Denies that no such amount had previously been claimed as a charitable contribution on the petitioner's returns. Petitioner further alleges that the respondent is not acting in good faith in these claims related to this contribution since respondent has alleged in page 28 3rd full paragraph, "that a diligent search by respondent has failed to locate the original 1998 return filed by petitioner." Even lacking the "original" return, it is likely that data from that return including the filing date and other information which the respondent seems to have no problems locating is known to the respondent. Denies that petitioner's charitable gift was not complete and irrevocable. Denies the donee was not a section 501 (c) (3) organization. Petitioner further alleges that

organization which received the contribution was in fact a Delaware not-for-profit organization which was a Private Foundation which was formed in 1996 and which filed PF990 tax returns each year thereafter. The gift was in the form of appreciated shares in Esprit Telecom which were held by petitioner. Petitioner had the advice of his legal advisors and accountants in relation to this gift. The private foundation in question known as Foundation for the International Non-governmental Development of Space (FINDS) has made a number of contributions to other not-for-profit organizations, universities and individuals grants, as part of it's purposes since it's inception in 1996. This is the first time a claim has been made that questions the not-for-profit status of the organization or which impinges the donation made by petitioner to the organization.

Section 9. (l) Denies all allegations. Petitioner alleges that he has never intentionally filed a false tax return and never had any intent at any time to commit any type of fraud.

Section 9. (m) Denies all allegations. Petitioner made a good faith effort to obtain expert legal and tax advise in order to comply with all tax laws. Any errors made on a portion of his return relating to his personal income were not intentional.

Section 9. (n) Denies all allegations.

Section 9. (n) (1) Denies all allegations. Petitioner alleges that while he did file tax returns for some years late, that when contacted by the IRS in 1994, he had already hired a new accountant, Buchanon and Company and that they contacted the IRS to inform them that they were already working to prepare and file the late returns.

Section 9. (n) (2) Denies the allegations that petitioner purchased real

property with Gold & Appel Transfer S.A funds and held the properties in the name of corporate or trust entities created and controlled by him. Denies that these organizations are "TWCD", "Red Tulip", "Vaca Trust", and One World Properties". Denies that he attempted to "conceal his ownership interests in these assets from the IRS". Denies that he in fact had any ownership in One World Properties and TWCD corporation. Petitioner further alleges that the respondent has made claims which are very confusing by combining a number of issues which are completely unlike and unrelated in a single overreaching claim. In relation to TWCD, Petitioner never has held any interest. TWCD Corporation was a Delaware corporation formed by and for Ms B. Aubrun to purchase and renovate a property in Washington DC. Gold & Appel agreed to loan funds contingent on having a collateral interest in the underlying real property and related corporate assets. Loans of around \$500,000 were made to TWCD Corporation to purchase and renovate the building. Once the building was substantially completed, Petitioner purchased, for cash, paid to Gold & Appel, loan note of TWCD Corporation. Petitioner acting for and on behalf of Gold & Appel was a director on the Board of TWCD for some time after it's formation. Petitioner has never held any stock in TWCD nor has he ever received any payments from TWCD, prior to the purchase of the note from Gold & Appel. In relation to Red Tulip LLC., Petitioner entered into a real estate partnership to purchase and renovate a building in 1999 in the rapidly growing SOHO section of New York City. Petitioner had an interest in Red Tulip LLC through his 100 percent owned Subchapter S corporation. Another partner held 12 percent interest and agreed to be the managing partner and in exchange for their financial investment and full time effort to manage the demolition, design, zoning issues, coordination of architect, coordination of

general contract and all other on site details, this partner was to receive rights to the top floor unit of the 7 floor building. Gold & Appel loaned the initial funds to Red Tulip LLC to purchase the building and to begin demolition and construction. When Gold & Appel Transfer S.A. was no longer able to advance funds, Longview Capital a New York based construction finance organization loaned the funds to complete the renovation. All loans to Red Tulip LLC were arm length transactions and the terms and conditions were consistent with the market conditions at the time.

In relation to VACA Trust, Vaca Trust was a living trust set up by the petitioner to hold his interest in his residence at 3030 K Street, NW, Washington DC 20007. Petitioner borrowed funds to purchase this condo unit from Gold & Appel Transfer S.A. The loan agreement and other documentation related to this transaction was prepared by legal counsel with real estate expertise. The loan agreement was similar to other mortgage/loan agreements prepared by that legal counsel. The interest rate was set slightly higher than the prevailing market rate at that time. Gold & Appel registered and held a lien against the property. The initial loan was for \$800,000 and some additional funds were advances to pay for renovation done on the property prior to petitioner occupying the property in 1999. Under DC law a living trust is designed to have effect of the disposition of property after the death of the grantor. A living trust has no tax consequence. The property was registered under the name of "Walt Anderson, trustee of the VACA trust". Petitioner made no effort to hide his ownership of the property and in fact made deduction of the interest that he paid on his mortgage on his tax returns filed after the purchase. Nothing in the any aspect of the way the property was purchased, registered or held was in any way unusual. The lien was

registered in the public records of Washington DC and no effort was ever made to conceal this purchase of the property or that petitioner was resident in the property. The mortgage loan from Gold & Appel Transfer S.A. was repaid in full in June of year 2000 with some of the proceeds that the petitioner earned from the sale of his stock which he earned as the founder, President and Chairman of Esprit Telecom. This repayment of the loan in full occurred long before petitioner became aware of the investigation by the Internal Revenue Service which targeted him.

In relation to One World Properties S.L., One World Properties was set up by and for the Smaller World Trust to hold its interest in a property located in Madrid, Spain. The property was purchased with funds which the trust obtained from Gold & Appel Transfer S.A. At the time Gold & Appel had significant assets and excess cash. The property was initially purchased with the idea that once renovated, that it would become the offices of the Smaller World Trust which would manage the distribution of funds, per the provisions and charitable purpose of the Smaller World Trust. The property was in need of renovation as it still had the original interior from around 1930s. Significant demolition had been done to various parts of the interior in order to allow access to the structure. Petitioner visited the building on 3 occasions but never spent more than a few hours there each time. Neither the petitioner nor anyone associated with him ever lived in the property from the time it was purchased by the Smaller World Trust until the present time. The property was registered originally in the name of Gold & Appel, the trustee of the Smaller World Trust. In February of 2003, when Iceberg Transport S. A. became the trustee, the ownership records were changed to show Iceberg as the registered owner in the Madrid property records.

Pettioner was listed as the "Administrador" of the One World Properties in the public records of Madrid, Spain from the time the property was purchased in year 2000, until year 2004. No effort was made to conceal his relationship with the One World Properties S.L. Petitioner acted at all appropriately in his activities relating to the management of the property for an on behalf of the Smaller World Trust.

In relation to the claim made by the respondent that petitioner took actions to "conceal" his ownership interests in these real property investment. This claim is completely false and is not supported by the actual evidence. The petitioner acted openly in his dealing with these unrelated and disparate tranactions and in each case did nothing whatsoever to hide his connection to the properties in which he had an interest or to hide his activities for and on behalf of Gold & Appel Transfer S.A and the Smaller World Trust in relation to the investment they made in TWCD, Red Tulip and One World Properties. Petitioner further alleges that his actions were not in any way consistent with the respondent's claims and allegations that he was the owner of Gold & Appel Transfer S.A. and Iceberg Transport S.A.

Section 9. (n) (3) Admits that he agreed to sell his condo on Wyoming Ave.

Section 9. (n) (4) Denies that he attempted to fraudulently obtain a release from the IRS lien against the Wyoming Avenue Property. Denies that he made false and misleading statements to his representatives.

Section 9. (n) (5) Denies that "in an attempt to mislead the IRS as to the value of it's lien, petitioner falsely stated that Gold & Appel S.A. still held a mortgage on the Wyoming Avenue Property". Petitioner further alleges that his stements and claims related to the existance of a mortgage were true. At the time of the propsed sale in 2001, Gold & Appel still held a

mortgage on the property located at 2012 Wyoming. This mortgage was setup at the time that petitioner purchased the property in 1995. Petitioner made regular payment on this mortgage for a number of years to Gold & Appel Transfer S.A. The mortgage agreement and note agreement was prepared by a Washington DC based lawyer who had expertise in real property transactions. The lien was register publicly in the same manner as other liens in the public records of Washington DC. The original purchase price of \$145,000 for the condo at Wyoming Avenue was reflected in the lien. Petitioner's monthly payments had reduced the balance of the lien by 2001. Petitioner used the same lawyer for the sale of the property as he used for the purchase. Contrary to the assertions and claims of the respondent, this lawyer was familiar with all the details of the property and the lien and it would not have been possible for petitioner to make any false or misleading statements to his legal counsel. The accounting professional who assisted petitioner with the sale also had extensive knowledge of petitioners financial and business activities and both of the professionals carefully reviewed all the records, documents and publicly available materials prior to making any statements or claims to the IRS.

Section 9. (n) (6) Admits that the attorney that did the closing on the sale of the Wyoming Avenue Property forwarded a check to the IRS for \$49,162. Denies that there were any "false pretense". Denied that the Gold & Appel Transfer S.A. mortgage had previously been satisfied. Petitioner further alleges that prior to placing the Wyoming Avenue Property for sale in 2001, that he had the impression and belief that in June of 2000 when he paid off the mortgage on his residence at 3030 K Street, that he was also repaying the mortgage for 2012 Wyoming Avenue. Once petitioner began to assemble the papers and

documents relating to the Wyoming Avenue Property it became obvious to him that the balance of the mortgage due to Gold & Appel Transfer remained unpaid and unsatisfied. Petitioner further alleges that the transaction relating to the sale of his 1000 square foot condo unit located at 2012 Wyoming Avenue was handled in a completely transparent, open and honest manner. That the closing of the transaction satisfied the mortgager loan which Gold & Appel Transfer S.A. held on the property. That all the statements made on his behalf and all documentation relating to the transaction were accurate and complete in every respect. Petitioner further alleges that if he had failed to properly satisfy the lien held by Gold & Appel Transfer S.A., that is is likely that the IRS would now be claiming that this was evidence of his improperly commingling his financial interests with those of Gold & Appel Transfer S.A. and of course the tax liability for "unreported income".

Section 9. (n) (7) Admits that his attorney wired \$140,542 to Gold & Appel Transfer in relation to the sale of Wyoming Avenue Property. Admits that the account which received the funds was in the name of Gold & Appel Transfer S.A. and was held at Barclays Bank. Admits that he had control over this account. Denies that the funds satisfied a mortgage which he "kenw no longer existed".

Section 9. (n) (8) Denies ~~that~~ he represented that he was resident of Florida to anyone from around September 14, 1994 through on or about April 15, 2000. Petitioner further alleges that during the period of 1994 to the end of 1998 that he was working for and with a company ~~that~~ he had formed called Esprit Telecom. Esprit Teleocm was based in Europe. Esprit Telecom had it's headquarters in Europe. Esprit Telecom had all it's management, operations, network, accounting systems, employees and customers in 8 countries of the

European Union. Petitioner during those years, travelled extensively in Europe and to other locations outside the United States as part of his duties to Esprit Telecom. Petitioner was not a "resident" of any part of the United States during that time.

Section 9. (o) (1) Admits that he hired Arias Fabrega & Fabrega Trust, a corporate services company located in the British Virgin Islands to form Gold & Appel Transfer S.A.

Section 9. (o) (2) Admits that Gold & Appel was formed as an "International Business Company". Admits that International Business Companies are used in many jurisdiction which are called tax havens. Denies any knowledge of what might comprise a "financial Secrecy jurisdiction". Denies that a British Virgin Islands International Business Company would not be authorized to do business in the British Virgin Islands.

Section 9. (o) (3) Admits that petitioner directed Arias Fabrega to use a pre-existing corporation to form Gold & Appel. Denies for lack of knowledge that this corporation used was a "shelf" corporation. Petitioner alleges that Arias Fabrega offered to provide a pre-existing corporation for the same cost as forming a new corporation and that they indicated that this would save time in the formation process. Arias Fabrega indicated that this corporation was abandoned by one of their customers and that they did not want to continue to pay the annual fees to maintain it and that is why they offered this option. Under BVI law there is no legal difference to an incorporator if they form a new company or simply buy a preformed corporation. The corporation came into legal existence when registered to the new owner.

Section 9. (o) (4) Admits ~~that instruction~~ to issue 10 shares and that the petitioner was granted an option to purchase the remaining shares for \$990.

Section 9. (o) (5) Denies that Icomnet S.A. acted at any time as "nominee" for petitioner in holding the shares of Gold & Appel Transfer S.A. which were issued to it. Petition alleges that in September of 1992 when Gold & Appel was formed that he had majority control of the shares of Icomnet S.A. and that Icomnet S.A formed Gold & Appel for specific business purposes.

Section 9. (o) (6) Admits that petitioner formed Iceberg Transport S.A, a Panama corporation in September of 1993. Admits that petitioner used an pseudonym to form the corporation through a corporate services company, The Company Store.

Section 9. (o) (7) Denied that the petitioner directed that Iceberg's stock be issued as bearer shares. Denies that Bearer share confer ownership to whoever possesses them. Admits that the corporate documents were sent to the petitioner's mailbox in the Netherlands. Petitioner further alleges that the shares of Iceberg Transport were able to be regular register or bearer shares. Petitioner instructions to The Company Store in relation to bearer shares were to make sure that the company would have the right or option to issue bearer shares per it's charter/bylaws. Bearer shares that are not registered to a particular owner, are not the property of whoever has them in their hand. At the time that Iceberg Transport was formed, petitioner was spending a large amount of time in Amsterdam netherlands where the headquarters of Esprit Teleocm was located. Petitioner arranged for a post box to receive his personal mail. Respondent's claims obscure the truth rather than reveal it. Petitioner directed that once Iceberg transport was formed that all the corporate documents, which included uncompleted share certificates be sent to him. The share certificates which were included in the package were not bearer shares. They were blank. These share certifactes were never used

The shares of Iceberg were registered to to the Smaller World Trust and as part of the provisions of the trust, the trust was given title to all the shares of Iceberg Transport S.A.

Section 9. (o) (8) Denies that petitioner had possession of Iceberg's bearer shares in March 2002. Petitioner further alleges that Iceberg had no bearer shares. The shares of Iceberg were registered. Smaller World Trust was the first and only owner of Iceberg transport S.A. The share certificates found in March is 2002 in the possession of petitioner were among other corporate documents of Iceberg Transport, which include the certificate of incorporation. The shares found were not filled in. They were undated, they did not contain the word "bearer" in the line for the owner and in fact no owners name was listed because these documents were never used as share certificates for Iceberg Transport S.A.

Section 9. (o) (9) Denies that "In or about November 1993, petitioner made Iceberg the nominal owner of Gold & Appel by transferring 10 shares of Gold & Appel to Iceberg!" Denies that petitioner had the exclusive right to purchase the remaining 990 Gold & Appel shares.

Section 9. (o) (10) Admits that petitioner represented that Iceberg was the owner of Gold & Appel transfer after transferring all the issued share of Gold & Appel transfer to Iceberg Transport S.A. Petitioner alleges that the this occurred after September of 1993 when the Smaller World Trust was formed.

Section 9. (o) (11) Denies all allegations. Petitioner alleges that he at all times was known to have management control over the activities of Gold & Appel and it's parent corporation Iceberg transport S.A. Petitioner only used a psuedonym for the initial formation of Iceberg Transport S.A. in order to

maintain the privacy of the trust and its purposes. "Hired" or "nominee" directors are routinely used to perform services for corporations and all major brokerage firms, venture capital organizations and offshore investment funds hire the services of individuals to perform service such as registered agent, officers, directors, secretary. Each time Gold & Appel was involved in a significant transaction it required certifications and documentation from the British Virgin Islands. The use in the respondent's answer of the word "nominee" as a perjorative is not appropriate or consistent with the best practices of the United States and International financial community. Any Lawyer, accountant, employee, manager, director, officer or other person who performs services for a corporation and does not own that corporation can be considered a "nominee". Petitioner hired appropriate professionals to perform appropriate activities for and on behalf of the Smaller World Trust and its wholly owned investment vehicles Iceberg Transport S.A. and Gold & Appel Transfer S.A. Petitioner publicly disclosed his role as the person who had management control over these corporation in 1995 prior to the public offering of Telco Communications Group Inc. and continued to report his management control in Securities & Exchange Commission filing many times each year and in other public documents. Many of the "nominees" had discretion in relation to the performance of their duties and had fiduciary obligations to Gold & Appel and Iceberg Transport as well. Petitioner did nothing to obscure his ultimate authority and in fact could not have managed these organizations effectively if he did so.

Petitioner further alleges that he maintained a post office box in the city of Amsterdam, which he opened using his United States passport as Identification during the time that Esprit Telecom was headquartered in

city of Amsterdam. Petitioner arranged for mail service in London when Esprit Telecom moved it's headquarters to Reading which is outside of London. The London mail service was opened in the name of Entree International, a Delaware Subchapter S corporation which was 100 percent owned by petitioner. Entree International had a Management & Consulting Agreement with Gold & Appel to perform certain services relating to Gold & Appel's investments.

Section 9. (o) (12) Denies all the allegations

Section 9. (o) (13) Admits the allegations

Section 9. (o) (14) Admits that petitioner did not report the transfers of Mid Atlantic Telecom, Esprit Telecom and Telco stock to Gold & Appel and Iceberg. Denies that this report was required under section 6038.

Section 9. (o) (15) Denies that the "petitioner used the assets of Gold & Appel, which included the profits realized from these three telecommunications corporations, to invest in other business ventures generating more than approximately \$450,000,000 in earnings for Gold & Appel" during the period of 1995 to 1999. Petitioner alleges that he personally did not "use" the assets or profits of Gold & Appel. Petitioner was able to substantially increase the values of the Smaller World Trust assets by combination of judicious management, exceptionally hard work and a lot of luck. The language in respondent's claim seems to indicate that petitioner was acting on his own behalf which is not correct. He worked to increase the value of the original endowment which he granted to the trust in September of 1993.

Section 9. (o) (16) Denies all the allegations in this section. Petitioner alleges that he hired accountants, Buchanon & Co., in order to make sure that to comply with any and all tax requirements. Petitioner disclosed his

extensive business activities including his foreign business activities as management of a trust that he had granted. These accountants did their own research and requested extensive documentation on all activities during the entire time they worked for petitioner. Petitioner had no reason to hire accountants with a high level of expertise and spend his time and their time at a high hourly rate to lie to them.

Section 9. (p) (1) Admits that petitioner opened a bank account for Gold & Apple and for himself at Barclays Bank, Jersey in the year 1994.

Section 9. (p) (2) Admits that he was the sole signatory on the Gold & Appel bank account. Admits that he was the sole signatory on his personal account.

Section 9. (p) (3) Denies that he falsely stated that he was a citizen of the Dominican Republic in relation to opening his personal account. Admits that the mailing address designated on the account was to his post box in Amsterdam, Netherlands.

Section 9. (p) (4) Denies that petitioner purchased a "High-Interest" account at Barclays Bank in Jersey. Petitioner had only one account held personally and that from time to time Barclay offered to place the fund from his account into higher interest options associated with the account. Denies that he directed any statement from the non-existent "Anderson II" account to the Netherlands address.

Section 9. (p) (5) Denies that petitioner lied to his accountants about his control over these foreign bank accounts. Admits that petitioner did not provide information about any of the foreign bank account that he signed on in a schedule B. Admits that he failed to report the interest in the years 1995 to 1999 from his personal account at Barclays Bank, Jersey which was in the respective amounts of \$337, \$1,102, \$11,349, \$24,760 and \$16,822.

Admits that petitioner failed to file a form TD-F. Denies for lack of sufficient information if this form was required to be filed by him or any organization under his management control.

Section 9. (p) (6) Admits that petitioner provided this account for Esprit Telecom to deposit some funds in years 1995 and 1996. Denies that he concealed these payments from his accountants. Denies that he had any intention to file a false tax return for the tax years 1995 and 1996.

Section 9.(q) (1) Denies all the allegations in this section. Petitioner alleges that confusion on this issue was unintentional.

Section 9. (q) (2) Denies all allegations in this section

Section 9. (q) (3) Denies all allegations in this section

Section 9. (q) (4) Denies all allegations in this section. Petitioner alleges that The legal expense were a part of a audit which was attended by his accountant, Buchanan & Co. Petitioner provide the accountants with all the information relevant to the audit. The accounts apparently did not realize that some of the funds advanced to pay the lawyers and accountants in this legal matter which was conducted by petitioner, were loaned by Gold & Appel Transfer to petitioner and later repaid in year 2000 or 2001. Petitioner does not know exactly what his accountants told the IRS in relation to the audit on this issue. Petitioner believes that the interest cost on this loan substantially offset any gains that he had on this legal matter. It was also not clear to the petitioner from reading the correspondence sent by the IRS after the audit what the final results were. Petitioner had not intention to mislead his accountants of the IRS on this matter and in fact petitioner invested significant time providing his accountant with information and document relating to this matter.

Section 9. (q) (5) Denies the allegation due to insufficient information

Section 9. (q) (5) (r) Denies the allegations in this section. Petitioner alleges that he unintentionally and in error through omission by himself and his accountant failed to report the interest income from his personal Barclays Bank account and the capital gain on a small portion of the overall GTS stock he sold in 1999.

Section 9. (q) (5) (s) Denies all allegations in this section.

Section 9. (q) (5) (t) Denies all allegations in this section.

Petitioner alleges that he had no financial or other motive to commit a tax fraud or evade tax.

Section 9. (q) (5) (u) Denies all allegations in this sections.

Petitioner alleges that he had no financial or other motive to commit a tax fraud or evade tax.

Section 9. (q) (5) (v) Denies the allegation in this section.

Petitioner alleges that the errors that were made in his income tax returns for the years 1995 to 1999 were not material compared to the unproven claims of hundreds of millions of dollars. Petitioner did not commit a fraud with the intent to evade taxes at any time.

Section 10. Denies that there was any fraud by petitioner in 1998 and 1999 and denies that the doctrine of collateral estoppel (estoppel by judgement) applies in this matter.

Section 10. (a) Admits that petitioner is the same person who was a defendant in a criminal case 05-066 in the district of Columbia. Admits that appeals were filed in this matter. Denies that petitioner has not sought to withdraw his guilty plea upon which the judgement was based. Petitioner

alleges that he specifically did not agree to the allegations and claims of the government as part of his plea agreement in the criminal case brought against him. .

Petitioner alleges in relation to the issue of whether he was in fact compelled or coerced in to his plea that it is not unreasonable to assume that any individual that was placed in life threatening circumstances could be compelled or coerced into agreeing that they were guilty to charges which they knew were not true in order to improve their conditions and to save their life. It is not hard to understand when a person gives up their wallet to a street robber or gives their keys to an armed carjacker. This course of action is even recommended by the law enforcement authorities.

It was not considered unusual when the British Naval personnel captured in march of 2007 by Iran, were paraded in front of the television cameras to tell the world how well they were being treated and how much they respected their captors. Petitioner was held for more than 2 years in tortuous and dangerous conditions. He was denied care on numerous occasions including for a life threatening illness. He was held in an unventilated building during the hottest part of the Washington DC summer of 2005 for 6 weeks without the air conditioning in working condition. He was on occasions denied access to his legal counsel and his legal documents were often lost destroyed or taken from him after they were delivered by his lawyers. He was subject to constant sleep deprivation. All these conditions made it impossible for him to effectively work with his legal counsel to prepare for a trial.

Petitioner also did not believe that he would be able to physically or mentally survive a trial while being held in a tiny cell 20+ hours per day. Petitioner is not asking this court to rule on the issue of whether he was

compelled or coerced into confessing to a tax fraud for the years 1998 and 1999. Petitioner believes that other factors will allow this court to hear and consider the the entire mattter and issues defined within the commisioners Notice of Deficiency sent on July 17th, 2007.

Respondent has suggested that petitioner at this time has only appealed the sentencing issues in his criminal matter. That is correct at this time, however petitioner has understood that once this sentencing appeal is resolved that he will be able to make other types of appeals which will include those where the issues of being coerced into making a confession can be raised. We ask the court not to resolve this issue at this time and to first consider the entire case and all the facts and then later resolve the issues related to the 1998 and 1999 plea agreement. Petitioner further alleges that the issues related to whether he did or did not commit any tax fraud have not been adjudicated. Petitioner specifically and clearly stated at his plea hearing that he did not agree with the governments facts and claims in relation to the plea. Also since the time the government was pursuing it's case agianst the petitioner, a number of allegations and claims seem to have disappeared or been withdrawn. Petitioner would not like to think that now that he will actually be able to go to a trial where matters will be adjudicated in the light of day, that it is no longer beneficial to make claims and allegations which have already been proven to be false. It is likely that a very different set of facts will be adjudicated in the Tax Court than were provided to the press or proffered in pre-trail hearings. The issues relating to tax fraud in 1998 and 1999 are exactly the same as the issues in 1995, 1996 and 1997. The exact same fact and circumstances are inextricably linked for all the years 1995 to 1999. It would be an

injustice to not resolve the entire issue of fraud due to a technicality. Petitioner believes that that it is unlikely that he could have any tax liability for income from a not-for-profit charitable organization in which he had no beneficial interest and from which he never took any income or resources. It is possible that some technicality unknown to petitioner exists which create tax liability under these conditions. Petition however knows for certain without reservation that he did not commit a tax fraud. He had neither the motive, intent or history or dishonest acts needed to commit such a fraud. Petitioner asks the court to review the entire 1995 to 1999 time period in relation to the issues raised in this matter.

Section 10. (b) Denies for lack of sufficient information.

Section 10. (c) Admits that the respondent has correctly incorporated the text of the COUNT FIVE and COUNT SIX from the indictment against the petitioner within section 10.(c).

Section 10. (d) Admits that the petitioner entered a plea of guilty to Counts Five and Six of the indictment against him. Petitioner alleges that this plea agreement was coerced and compelled by the circumstances which he was held prior to trial.

Section 10. (e) Admits that the United States District Court entered it's amended judgement pursuant to the plea on June 15, 2007.

Section 10. (f) Denies all allegations in this section.

Section 10. (g) Admits that one of this issues in the current matter is whether a fraud penalty should be imposed by the I.R.C. section 6663 against petitioner for the tax years 1998 and 1999.

Section 10. (h) Denies all the allegations in this section. Petitioner

alleges that the issues to be determined by the Tax Court are not the same as the issue for which he pled guilty. Many of the claims in the criminal proceeding were not well defined and since no trial actually occurred no specific findings were made by the judge in this matter.

Section 10. (i) Denies all the allegations in this section. Petitioner alleges that he has not exhausted all his options to appeal matters arising from the criminal case that was brought against him and that he specifically still has the right to bring the issues of his being coerced or compelled to plead guilty before the courts at the proper time. Petitioner is in early phases of the process of motions and appeals. Petitioner intends to exercise all possible avenues to pursue his exoneration.

Section 10. (j) Denies all allegations in this section. Petitioner denies generally each and every allegation of the response not herein specifically admitted, qualified or denied.

WHEREFORE, it is prayed:

(1) That the Court will consider the issue of tax fraud for the years 1999 and 1999.

(2) That the court will find that no tax deficiencies related to the income from the Smaller World Trust investment vehicle Gold & Appel Transfer S.A. exist.

(3) That the court will determine that the petitioner's contribution of his shares in Esprit Telecom to FINDS in 1998, was a valid contribution to a private foundation and tax deductible accordingly.

(4) that the court will find any deficiencies which do exist for 1995 to 1999 tax years are barred by the statute of limitations.

(5) That the Court will delay consideration of the issue of whether to include the 1998 and 1999 fraud in this case until later in the proceedings.

(6) That the Court will find that petitioner did not commit a tax fraud or tak any steps to evade taxes between 1995 and 1999.

(7) That the Court will grant all other relief requested in the Petition, response and other future filing of the petitioner.

Date: November 20, 2007

Walter Anderson  
Petitioner, Pro Se

By: \_\_\_\_\_

Walter Anderson  
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P. O. Box 420  
Fairton, NJ 08320


Docket No. 20364-07

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing RESPONSE was served on the Respondent by mailing the same on November 20, 2007 in a postage paid wrapper addressed as follows:

John C. McDougal  
Main Street Centre  
600 East Main Street  
Suite 1601  
Richmond, VA 23219

Date: November 20, 2007.

  
\_\_\_\_\_  
Walter Anderson  
Petitioner, pro se