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CALEB S. GRODSKY

**UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY**

UNITED STATES OF AMERICA,

Plaintiff,

v.

CHARLES G. GRODSKY, STEVEN
GRODSKY, and CALEB S. GRODSKY,

Defendants.

Civil Action No. 11-969(JEI)

**STIPULATED ORDER OF
PERMANENT INJUNCTION
(CALEB S. GRODSKY)**

IT IS HEREBY STIPULATED AND AGREED by and between the Plaintiff United States of America and Defendant Caleb S. Grodsky ("Grodsky") as follows:

1. The United States filed a Complaint for Permanent Injunction and Other Relief, dated February 22, 2011 (the "Complaint"), alleging, *inter alia*, that Grodsky has: (a) promoted and implemented an intermediary transaction tax scheme in which he fraudulently effects the purchase of stock of closely-held companies belonging to his customers and the sale of those companies' assets in order to evade the payment of corporate income taxes; and (b) helped to establish and participate in distressed asset debt ("DAD") and distressed asset trust ("DAT") tax schemes as a means of concocting bogus losses that offset gains and facilitate the evading of corporate income taxes.

2. Nothing in this Stipulated Order of Permanent Injunction shall constitute an admission of fact or liability by Grodsky as to any of the allegations in the Complaint or otherwise.

3. The purpose of this Stipulated Order of Permanent Injunction is to resolve the claims for relief against Grodsky in the above-captioned civil proceeding. Nothing in this Stipulated Order of Permanent Injunction shall be construed to compromise, preclude, or otherwise affect any other proceedings against or involving Grodsky, whether administrative, civil or criminal, whether pending or subsequently commenced. Grodsky, therefore, acknowledges that entry of this Stipulated Order of Permanent Injunction neither precludes the IRS from asserting liability (e.g. the assessment of taxes, interest, or penalties) against him for asserted violations of the Internal Revenue Code, nor precludes Grodsky from contesting any such liability.

4. Grodsky admits that this Court has jurisdiction over him and over the subject matter of this action.

5. Grodsky waives the entry of findings of fact and conclusions of law under Federal Rule of Civil Procedure 52 and 26 U.S.C. §§ 7402 and 7408.

6. Grodsky enters into this Stipulated Order of Permanent Injunction voluntarily.

7. Grodsky waives any right he may have to appeal from the Stipulated Order of Permanent Injunction.

8. Grodsky agrees to appear at any trial or hearing in the above captioned matter to testify truthfully as a live fact witness if requested by the United States. During any such testimony, a good faith assertion by Grodsky of his constitutional rights against self-incrimination or the good faith assertion of other evidentiary privileges shall not be considered a violation of this agreement or in any way contrary to its purpose.

9. Grodsky consents to the entry of this Stipulated Order of Permanent Injunction without further notice and agrees that this Court shall retain jurisdiction over this matter to enforce the injunction. Grodsky further understands that if he violates this Stipulated Order of Permanent Injunction, he may be subject to civil and criminal sanctions for contempt of court.

WHEREFORE, the Court hereby FINDS, ORDERS, and DECREES:

A. The Court has jurisdiction over this action under 28 U.S.C. §§ 1340 and 1345 and under 26 U.S.C. §§ 7402 and 7408.

B. Grodsky consents to the entry of this injunction and agrees to be bound by its terms.

C. Grodsky, in his own capacity and doing business under any other name or using any other entity, and all persons in active concert or participation with him, are permanently enjoined under 26 U.S.C. §§ 7402 and 7408 from, directly or indirectly:

i. Establishing, organizing, promoting, selling, advising with respect to, or assisting or participating in any intermediary transaction, any arrangement or plan that is expected to obtain the same or similar types of tax consequences and that is either factually similar or based on the same or similar tax strategy

of an intermediary transaction, or any other plan or arrangement that involves the acquisition of shares of corporate stock and the sale of corporate assets and is designed to reduce or eliminate tax liabilities;

- ii. Establishing, organizing, promoting, marketing, selling, advising with respect to, or assisting or participating in any distressed asset debt (DAD) tax arrangement, distressed asset trust (DAT) tax arrangement, or securitization partnership plan or arrangement, any plan or arrangement that is expected to obtain the same or similar types of tax consequences and that is either factually similar or based on the same or similar tax strategy of the DAD, DAT or securitization partnership plan or arrangement, or any other plan or arrangement that involves the use of high-basis, low-value assets to reduce or eliminate tax liabilities;
- iii. Promoting or selling any plan or arrangement for a fee or anticipated fee that would have the effect of securing any tax benefit for the participants in that plan or arrangement;
- iv. Establishing, organizing, advising with respect to, or assisting or participating in any plan or arrangement for a fee that has a substantial purpose of securing a tax benefit, or violates or attempts to violate the internal revenue laws or unlawfully evades the assessment or collection of correct federal taxes;
- v. Engaging in conduct subject to penalty under I.R.C. § 6700, *i.e.*, organizing or selling any plan or arrangement and in connection therewith (a) making a gross valuation overstatement or (b) making or furnishing false or fraudulent statements regarding the allowability of certain deductions, the excludability of income, or the securing of tax benefits derived from participation in a plan or arrangement, when he knows and/or has reason to know the statements are false or fraudulent as to a material matter;
- vi. Engaging in conduct subject to penalty under I.R.C. § 6701, *i.e.*, preparing or assisting in the preparation of, or advising with respect to, a document related to a matter material as to the internal revenue laws that includes a position that he knows will, if used, result in an understatement of another person's tax liability;
- vii. Engaging in conduct subject to penalty under I.R.C. § 6707(a), *i.e.*, failing to timely file a return or statement with the IRS that identifies and describes any reportable or listed transaction, any potential tax benefits expected to result from that transaction, as well as other information required by statute;
- viii. Engaging in conduct subject to penalty under I.R.C. § 6708, *i.e.*, failing to timely furnish the IRS with a list that identifies all customers who have participated in a listed transaction when the IRS requests such a list and the list is required to be maintained pursuant to statute; and

- ix. Engaging in any other conduct that interferes with the administration or enforcement of the internal revenue laws, including but not limited to implementing and participating in the intermediary transaction, DAD, DAT or any similar tax plans or arrangements.

D. IT IS FURTHER ORDERED that Grodsky mail an executed copy of this Stipulated Order of Permanent Injunction to all persons and entities whom he has assisted or advised with respect to any tax structure or arrangement between January 1, 2000 and the date of this Order, including but not limited to the intermediary transaction, DAD and DAT and any other tax plans or arrangements, and inform these persons of the fact that an injunction has been entered against him. These persons and entities shall include but are not limited to individual shareholders of companies acquired by Acquisition Strategies International, Spaco LLC, Spefiaco LLC, Artura Ventures LLC, Bactar LLC, Actol LLC, Cross Shore Asset Holdings LLC, Novastad LLC, Tegmar LLC and Dalmar LLC, as well as all "Seller" representatives listed as recipients for service of process pursuant to the terms of all Stock Purchase Agreements involving these companies. Grodsky must mail the copies within 30 days of the date of this order, to the last address known to him of such person or entity, and must, within 5 days thereafter, file with the Court a sworn certificate stating that, to the best of his knowledge and belief, he has complied with this requirement. The mailings shall include a cover letter in a form agreed to by counsel for the United States or approved by the Court, and shall not include any other documents or enclosures except those specifically mentioned herein. In addition, Grodsky will provide counsel for the United States with copies of all of these mailings.

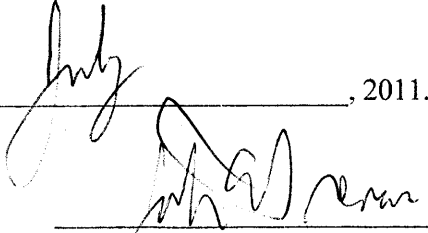
E. IT IS FURTHER ORDERED that Grodsky: (i) produce to counsel for the United States within 30 days of the date of this order a list or any records in his possession, custody or control, identifying the names, addresses, telephone numbers, e-mail addresses, and Social Security and federal tax identification numbers of all persons and entities who have participated in any tax plan or arrangement that he has promoted or for which he has provided assistance or advice between January 1, 2000 and the date of this Order; and (ii) certify that such production is complete and accurate to the best of his knowledge and belief.

F. IT IS FURTHER ORDERED that the United States may engage in discovery under the Federal Rules of Civil Procedure to monitor compliance with the terms of this Stipulated Order of Permanent Injunction, and this Court shall retain jurisdiction for the purpose of implementing and enforcing this Stipulated Order of Permanent Injunction and all additional orders or decrees necessary and appropriate to the public interest. During any such discovery, a good faith assertion by Grodsky of his constitutional rights against self-incrimination or the good faith assertion of other evidentiary privileges shall not be considered a violation of this agreement or in any way contrary to its purpose.

G. IT IS FURTHER ORDERED that the parties hereto shall bear their respective costs,
including any attorneys' fees or other expenses of this litigation.

IT IS SO ORDERED

Signed this ^{nth} 6 day of July, 2011.




Joseph E. Irenas
United States District Judge

Consented to and submitted by,

Paul J. Fishman
United States Attorney

John A. DiCicco
Principal Deputy Assistant Attorney General

/s Russell J. Edelstein
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