Minute Order Form (06/97)

# United States District Court, Northern District of Illinois

| Name of Assigned Judge or Magistrate Judge | Charles R. Norgle | Sitting Judge if Other than Assigned Judge | |
|---|---|---|---|
| CASE NUMBER | 02 C ~~1599~~ 1559 | DATE | 12/13/2002 |
| CASE TITLE | UNITED STATES OF AMERICA vs. MICHAEL D. RICHMOND | | |

**MOTION:** [In the following box (a) indicate the party filing the motion, e.g., plaintiff, defendant, 3rd party plaintiff, and (b) state briefly the nature of the motion being presented.]

**DOCKET ENTRY:**

(1) ☐ Filed motion of [ use listing in "Motion" box above.]

(2) ☐ Brief in support of motion due _____.

(3) ☐ Answer brief to motion due_____. Reply to answer brief due_____.

(4) ☐ Ruling/Hearing on _____ set for _____ at _____.

(5) ☐ Status hearing[held/continued to] [set for/re-set for] on _____ set for _____ at _____.

(6) ☐ Pretrial conference[held/continued to] [set for/re-set for] on _____ set for _____ at _____.

(7) ☐ Trial[set for/re-set for] on _____ at _____.

(8) ☐ [Bench/Jury trial] [Hearing] held/continued to _____ at _____.

(9) ☐ This case is dismissed [with/without] prejudice and without costs[by/agreement/pursuant to] ☐ FRCP4(m) ☐ Local Rule 41.1 ☐ FRCP41(a)(1) ☐ FRCP41(a)(2).

(10) ■ [Other docket entry] United States' motion for leave to exceed page limit is granted. United Motion for default judgment and permanent injunction against Michael D. Richmond is granted. Defendant Rex E. Black is ordered to file a written status report of his version of the status of his case on or before January 22, 2003. The government shall also file a written status report.

(11) ■ [For further detail see order attached to the original minute order.]

| | | | |
|---|---|---|---|
| | No notices required, advised in open court. | number of notices | Document Number |
| | No notices required. | DEC 17 2002 date docketed | 75 |
| | Notices mailed by judge's staff. | | |
| | Notified counsel by telephone. | docketing deputy initials | |
| ✓ | Docketing to mail notices. | | |
| | Mail AO 450 form. | date mailed notice | |
| | Copy to judge/magistrate judge. | | |
| EF | courtroom deputy's initials | Date/time received in central Clerk's Office | mailing deputy initials |

U.S. DISTRICT COURT
02 DEC 16 PM 12:19

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS

DOCKETED
DEC 17 2002

| | | |
|---|---|---|
| UNITED STATES OF AMERICA,<br><br>Plaintiff,<br><br>v.<br><br>MICHAEL D. RICHMOND and REX E. BLACK, d/b/a THE LIBERTY NETWORK, LIBERTY ESTATE PLANNING, THE LIBERTY INSTITUTE, FIDUCIARY MANAGEMENT GROUP, NATIONAL COUNCIL OF CERTIFIED ESTATE PLANNERS, ASSOCIATION FOR CERTIFIED ESTATE PLANNING ATTORNEYS, and EAGLE PUBLICATIONS TRUST,<br><br>Defendants. | ) | Civil No. 02C-1559<br>HONORABLE CHARLES R. NORGLE |

FILED
DEC - 9 2002
MICHAEL W. DOBBINS
CLERK, U.S. DISTRICT COURT

**DEFAULT JUDGMENT AND PERMANENT INJUNCTION AGAINST MICHAEL D. RICHMOND**

Upon motion by Plaintiff, the United States of America, the Court makes the following findings of fact and conclusions of law and enters this permanent default injunction against Michael D. Richmond, d/b/a the Liberty Network, Liberty Estate Planning, the Liberty Institute, Fiduciary Management Group, National Council of Certified Estate Planners, Association for Certified Estate Planning Attorneys, Eagle Publications Trust, and all those in active concert or participation with him.

**Standards for Injunction**

Richmond is in default. To obtain an injunction under 26 U.S.C. (IRC) § 7408, the United States must show that Richmond engaged in conduct subject to penalty under §§ 6700 or 6701, and that injunctive relief is appropriate to prevent the recurrence of such conduct. To

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obtain an injunction under IRC § 7407, the United States must show that Richmond engaged in conduct subject to penalty under §§ 6694 or 6695, or engaged in any other fraudulent or deceptive conduct that substantially interferes with the proper administration of the internal revenue laws, and that injunctive relief is appropriate to prevent the recurrence of such conduct. To obtain an injunction under IRC § 7402, the United States must show that Richmond engaged in conduct that interferes with the administration and enforcement of the Internal Revenue laws, and that injunctive relief is appropriate to prevent the recurrence of such conduct pursuant to the Court's inherent equity powers.

**Factual Findings**

Based on the evidence and argument by the parties, the Court finds as follows:

1. Richmond, d/b/a the Liberty Network and its affiliated entities, promotes and organizes an abusive tax shelter, plan or arrangement, recommending the misuse of business and family trusts, and advises customers to claim unallowable federal tax benefits.

2. Richmond, d/b/a the Liberty Network and its affiliated entities, instructs others to promote or sell abusive tax shelters, plans, or programs by way of "Certified Estate Planner" and "Master Certified Estate Planner" courses.

3. Certified Estate Planner courses are designed to recruit and train sales agents to market Richmond's abusive trust scheme.

4. Richmond, d/b/a the Liberty Network and its affiliated entities, and his employees prepared returns for their trust customers claiming unallowable deductions and resulting in substantial understatements. They charged fees for their services.

5. Absent this injunction, Richmond, d/b/a the Liberty Network and its affiliated entities, will continue to promote the abusive tax scheme, and will continue to prepare, and direct the preparation of federal income tax returns based upon that scheme.

6. If this injunction is not granted, the United States will suffer irreparable harm because the defendants' conduct is causing and will continue to cause substantial

revenue losses to the United States Treasury—estimated to be more than $9 million in annual tax losses. The IRS will have to devote substantial time and resources simply to detect future customers' returns, and may be unable to detect all of them. Further, considerable IRS resources are spent reviewing and dealing with these returns. This injunction will prevent the expenditure of some of those resources.

7. Richmond's positions regarding tax deductions and the use of "Contract" trusts are meritless.

**Conclusions of Law**

Based on the evidence presented, the Court finds that defendant Richmond, d/b/a the Liberty Network and its affiliated entities, engaged in conduct subject to penalty under IRC §§ 6700 and 6701 and that injunctive relief under IRC § 7408 is appropriate to prevent the recurrence of that conduct. The Court also finds that Richmond, d/b/a the Liberty Network and its affiliated entities, engaged in conduct subject to penalty under IRC § 6694, and engaged in other fraudulent or deceptive conduct which substantially interferes with the proper administration of the Internal Revenue laws and that injunctive relief under IRC § 7408 is appropriate to prevent the recurrence of that conduct. The Court further finds that defendant Richmond, d/b/a the Liberty Network and its affiliated entities, engaged in conduct with interferes with the administration and enforcement of the Internal Revenue laws and that injunctive relief is appropriate to prevent the recurrence of such conduct under the Court's inherent equity powers as provided in IRC § 7402(a).

**Order**

Following the above Findings of Fact and Conclusions of Law, it is hereby ORDERED that Michael D. Richmond, d/b/a the Liberty Network, Liberty Estate Planning, the Liberty Institute, Fiduciary Management Group, National Council of Certified Estate Planners,

Association for Certified Estate Planning Attorneys, Eagle Publications Trust, and all those in active concert or participation with him are restrained and enjoined from directly or indirectly:

a. Organizing or selling abusive tax shelters, plans, or programs that advise or encourage taxpayers to attempt to evade the assessment or collection of their correct federal tax;

b. Instructing others to promote or sell their abusive tax shelters, plans, or programs by way of "Certified Estate Planner" and "Master Certified Estate Planner" courses;

c. Making false statements about the allowability of any deduction or credit, the excludability of any income, or the securing of any other tax benefit by the reason of participating in such tax shelters, plans, or programs;

d. Instructing or advising taxpayers to understate their federal income tax liabilities;

e. Further acting as return preparers or assisting in or directing the preparation of federal tax returns which knowingly will result in the understatement of any tax liability;

f. Further engaging in any other activity subject to penalty under I.R.C. §§ 6694, 6700 or 6701 or injunction under IRC §§ 7408, 7407 or 7402; and

g. Engaging in other similar conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

It is further

ORDERED, that Richmond provide within 20 days a complete list of clients (including names, addresses, phone numbers, and social security numbers or employer identification numbers) who have purchased Contract Business Trusts or Family Estate Trusts, or who have obtained any services from Fiduciary Management Group, including but not limited to tax return preparation and trustee services; it is further

ORDERED, that defendant Richmond, d/b/a the Liberty Network and its affiliated entities, maintain the websites, www.mcep.com, www.libertyinstitute.com, www.nationalCEP.com , and

display prominently on the first page of those websites a copy of this Court's Order of Injunction. Richmond shall do this within 20 days of the date of this order, and shall, within 25 days of the date of this order, file with the Court and serve on Government counsel a paper copy of the first page of the websites, www.mcep.com, www.libertyinstitute.com, www.nationalCEP.com, showing this order on the first page of each website; it is further

ORDERED, that Richmond, d/b/a the Liberty Network and its affiliated entities, is required to mail a copy of this Complaint and this Court's Order of Injunction to

a. All persons for whom the defendants prepared federal income tax returns or any other federal tax forms from January 1, 1997, to the present; and

b. All persons who purchased trust packages from defendants (or agents or designees of the defendants),

c. All persons who attended the following courses from 1995 to the present: The Certified Estate Planner, The Master Certified Estate Planner, Charitable Planning Specialist, Pass Through Technology, Elder Planning Specialist, and Reversing the Sale.

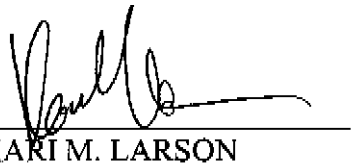
Richmond shall do this within 20 days of the date of this order, and shall, within 25 days of the date of this order, file with the Court and serve on Government counsel a list of the names and addresses of all persons who have been so notified. It is further

ORDERED that the United States may engage in post-judgment discovery to monitor the defendants' compliance with this injunction

SO ORDERED this 17th day of Dec, 2002.

CHARLES R. NORGLE, SR.
United States District Judge

Prepared by:



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U.S. Department of Justice
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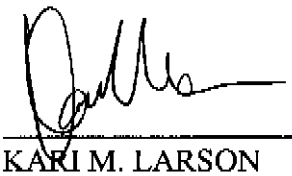
Washington, D.C. 20044
Tel: (202) 514-5064
(202) 514-6491
Fax: (202) 514-6770

CERTIFICATE OF SERVICE

IT IS HEREBY CERTIFIED that service of the foregoing proposed **Default Judgment and Permanent Injunction Against Michael D. Richmond** has been made upon the following, this 6th day of December, 2002.

*by FedEx*
Rex E. Black
2852 E. Eagle Lake Rd.
Beecher, IL 60401

*by FedEx*
Michael D. Richmond
No. 23087-038
Federal Prison Camp
County G and Elk Avenue
Oxford, WI 53952



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Ben Franklin Station
Washington, D.C. 20044
Telephone: (202) 514-0564

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS

| | | |
|---|---|---|
| UNITED STATES OF AMERICA,<br><br>Plaintiff,<br><br>v.<br><br>MICHAEL D. RICHMOND and REX E. BLACK, d/b/a THE LIBERTY NETWORK, LIBERTY ESTATE PLANNING, THE LIBERTY INSTITUTE, FIDUCIARY MANAGEMENT GROUP, NATIONAL COUNCIL OF CERTIFIED ESTATE PLANNERS, ASSOCIATION FOR CERTIFIED ESTATE PLANNING ATTORNEYS, and EAGLE PUBLICATIONS TRUST,<br><br>Defendants. | ) | Civil No. 02C-1559<br>HONORABLE CHARLES R. NORGLE |

ORDER

CHARLES R. NORGLE, District Judge:

Before the Court is the Government's motion for Leave to Conduct Discovery and to Exceed Ten Deposition Limit. The Court grants the Government's motion and issues the following order:

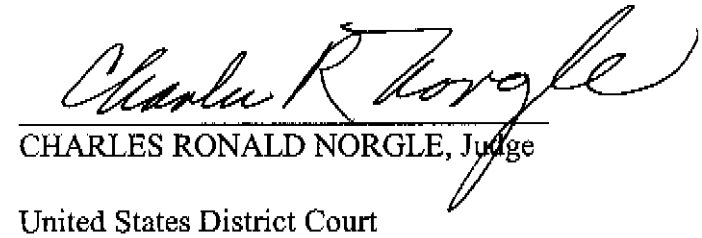
For good cause shown, it is hereby

ORDERED that the United States is permitted to conduct discovery to monitor compliance with this Court's June 14, 2002 Injunction, and any other injunction entered in this case, and it is further

ORDERED that the United States may conduct 25 depositions.

IT IS SO ORDERED

ENTER:



CHARLES RONALD NORGLE, Judge

United States District Court

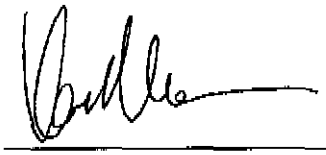
DATED: 12/13/02

CERTIFICATE OF SERVICE

IT IS HEREBY CERTIFIED that service of the foregoing **(proposed) Order** has been made upon the following, this 6th day of December, 2002.

*by FedEx*
Rex E. Black
2852 E. Eagle Lake Rd.
Beecher, IL 60401

*by FedEx*
Michael D. Richmond
No. 23087-038
Federal Prison Camp
County G and Elk Avenue
Oxford, WI 53952



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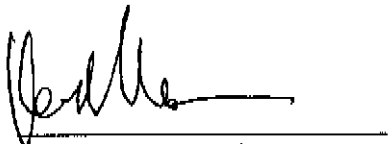
Prepared by:



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