UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS

UNITED STATES OF AMERICA	)	
	)	
Plaintiff	)	
	)	
v.	)	CIVIL NO. 02C-1559
	)	
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	)	
	)	
Defendants	)	

PERMANENT INJUNCTION AGAINST REX E. BLACK

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 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, Eagle Publications Trust, and all those in active concert or participation with him.

Standards for Injunction

Rex E. Black is in default. To obtain an injunction under 26 U.S.C. (IRC) § 7408, the United States must show that Rex Black engaged in conduct subject to penalty under §§ 6700 or 6701, and that injunctive relief is appropriate to prevent the recurrence of such conduct. To obtain an injunction under IRC § 7407, the United States must show that Black 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 Black 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. Black, 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. Black, d/b/a the Liberty Network and its affiliated entities, instructs others to promote or sell their abusive tax shelters, plans, or programs by way of "Certified Estate Planner" and "Master Certified Estate Planner" courses, currently conducted by defendants' Liberty Institute.

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

4. Black, 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, Black, 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. Black's positions regarding tax deductions and the use of "Contract" trusts are meritless.

8. The injury to the United States caused by Black's conduct outweighs any injury an injunction might cause.

9. The public is served by granting this injunction. A permanent injunction will help to stem the spread of Black's abusive trust scheme, and to stop the preparation of federal income tax returns based upon that scheme. Black's clients will be protected from the fraudulent scheme and from the tax penalties resulting from participation in the frivolous scheme.

Conclusions of Law

Based on the evidence presented, the Court finds that defendant Black, 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 Black, 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 defendants Black, 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 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, 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, conducted by defendants' Liberty Institute;

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 Black provide within 10 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 Black, 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;

ORDERED, that Black, 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.

SO ORDERED this 14 day of June, 2002.

Charles R Norgle Sr.

CHARLES R. NORGLE, SR.
United States District Judge

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