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CLERK, U.S. DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

BY: DEPUTY

IN THE UNITED STATES DISTRICT COURT FOR THE

SOUTHERN DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA, Plaintiff, v. RODERICK A. PRESCOTT, and TRUST EDUCATIONAL SERVICES, a Trust, Defendants.	Civil No. 02-CV-0692-L (LAB) **STIPULATION FOR PERMANENT INJUNCTION AND OTHER EQUITABLE RELIEF, AND PERMANENT INJUNCTION**

The plaintiff, the United States of America, and the defendants, Roderick A. ("Rick") Prescott and Trust Educational Services, a Trust, have stipulated and agreed to waive the findings of fact and conclusions of law required by Rule 65(d) of the Federal Rules of Civil Procedure, and to the entry of a permanent injunction against the defendants as set forth below.

PERMANENT INJUNCTION

1. The defendant, Roderick A. Prescott, individually and doing business as Trust Educational Services (TES), has engaged in conduct subject to penalty under IRC § 6700, and injunctive relief under IRC § 7408 is appropriate to prevent a recurrence of such conduct.

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Case No. 02-CV-0692-L(LAB) (SD Cal.)

2. Each of the defendants has engaged in conduct that interferes with the enforcement of the internal revenue laws, and injunctive relief is appropriate to prevent the recurrence of such conduct pursuant to the Court's inherent equity powers and IRC § 7402(a);

3. Pursuant to IRC §§ 7408 and 7402, this Court hereby enters a permanent injunction prohibiting the defendants, individually and doing business as Trust Educational Services (TES), or doing business through any other entity, their representatives, agents, servants, employees, attorneys, and those persons in active concert or participation with them, from directly or indirectly:

(1) Organizing, promoting, marketing or selling purported non-grantor trusts, sometimes referred to as business, family or holding trusts; and any other abusive tax shelter, plan or arrangement which advises or encourages customers to attempt to violate the internal revenue laws or unlawfully evade the assessment or collection of their federal tax liabilities;

(2) Organizing, selling, or assisting in the organization of an entity or otherwise promoting any plan or arrangement based upon:

(a) the false representation that customers may continue to control and receive the beneficial enjoyment from assets irrevocably transferred to trust without regard to the grantor trust rules provided by IRC §§ 673 through 677;

(b) the false representation that equipment or property transferred to a trust by a business can be rented or leased back to the business at inflated rates, thereby transferring income from business to the trust for the purpose of improperly avoiding taxes;

(c) the false representation that customers' personal residences can be transferred to a trust and then depreciated as a business asset for the purpose of improperly avoiding taxes;

(d) the false representation that maintenance and upkeep on a personal residence can be fully deducted by a trust for the purpose of improperly avoiding taxes;

(e) the false representation that other personal expenses incurred by customers can be paid through a trust in order to improperly obtain tax benefits not available to individuals;

(f) the false representation that assets irrevocably transferred to a trust (other than an entity recognized by the IRS as an exempt organization under IRC § 501(c)(3)) by a customer qualify for a "tax deferred exchange" which precludes any federal income or gift tax liability as a result of the transfer; and

(3) Taking any other actions which interfere with the enforcement of the internal revenue laws, or which are subject to penalty under IRC § 6700.

4. This Court, pursuant to IRC §§ 7408 and 7402, hereby enters an injunction requiring defendant Roderick A. Prescott (a former promoter of National Trust Services (NTS) and a promoter of Trust Educational Services (TES)) to turn over to the United States any records in his possession, custody or control (including documents possessed by his accountants, attorneys, agents, and employees) that identify the customers who have previously attended a TES or NTS Basic Trust Academy and/or utilized the TES or NTS Complex Trust System to set up family, business, or holding trusts, or private charitable foundations.

5. Within 30 days of the entry of this permanent injunction, defendant Prescott will file a document with this Court certifying that the actions compelled in paragraph 4, above, have been accomplished by him.

6. The Court retains jurisdiction over the defendants, Prescott and TES, and this action for the purpose of enforcing the permanent injunction entered against defendants. Plaintiff shall be entitled to conduct all discovery permitted under the Federal Rules of Civil Procedure for the purpose of monitoring defendants' compliance with the terms of this permanent injunction.

7. The parties have stipulated to the facts recited herein solely for the purposes of this civil action. The stipulation shall not be admissible in any other proceeding between the United States of America and the defendants in this or any other court with the exception of an action to enforce the terms and provisions of this permanent injunction, a contempt action related to this injunction, or any other future litigation involving an issue regarding whether defendants have failed to comply with this injunction.

8. The stipulated facts, or factual findings made herein, may be admissible in any other proceeding in any court involving investors or participants in any tax shelter, plan or arrangement promoted by the defendants.

IT IS SO ORDERED this 30 day of May, 2003

BY THE COURT:

UNITED STATES DISTRICT JUDGE

Prepared and submitted by:

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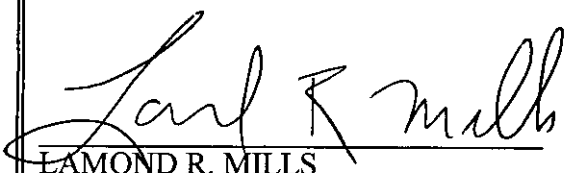
Seen and agreed to:



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