

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

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MAR 21 2003

U.S. DISTRICT COURT
MID. DIST. TENN.

UNITED STATES OF AMERICA,)
)
Plaintiff,)
)
v.)
)
THOMAS EDWARD SETTLES,)
)
Defendant.)

Case No. 3-02-1072
Judge W.J. Haynes

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TAX DIVISION
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FINAL JUDGMENT OF PERMANENT INJUNCTION

Plaintiff, the United States of America, has filed a Complaint for Permanent Injunction and Other Relief in this matter against the defendant, Thomas Edward Settles.

Thomas Edward Settles does not admit or deny the allegations of the Complaint, except admits that the Court has jurisdiction over him and over the subject matter of this action.

By his Consent, which is filed concurrently, Thomas Edward Settles has waived the entry of findings of fact and conclusions of law, and consents to entry of this Final Judgment of Permanent Injunction without admitting or denying that grounds exist for imposition of an injunction.

NOW, THEREFORE, it is accordingly ORDERED, ADJUDGED AND DECREED that:

1. The Court has jurisdiction over this action pursuant to §§ 1340 and 1345 of Title 28 of the United States Code, and §§ 7402 and 7408 of the Internal Revenue Code of 1986, as amended (26 U.S.C.) (the "Code").

2. The Court finds that Settles has neither admitted nor denied the United States' allegations that he has engaged in conduct that is subject to penalty under §§ 6700 and 6701 of the Code and that interferes with the enforcement of the Internal Revenue Laws.

This document was entered on
the docket in compliance with
Rule 58, and/or Rule 79(a),
FRCP, on 3/25/03 By: OT

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3. The Court finds that Settles has consented to the entry of judgment for injunctive relief pursuant to Code §§ 7402 and 7408 to prevent him from (1) engaging in conduct subject to penalty under §§ 6700 and 6701 of the Code; and (2) organizing, promoting, and selling tax packages lacking economic substance involving the use of multiple entities, including trusts, partnerships and corporations, to shelter participants' income and to serve as vehicles for improper expenses through the manipulation of asset transfers and assignments of income.

4. It is further ORDERED, ADJUDGED AND DECREED that Settles, individually and doing business as or through any other entity, and anyone acting in concert with him, is permanently enjoined and restrained from, directly or indirectly, by the use of any means or instrumentalities:

- (a) Organizing, promoting, marketing, or selling any abusive tax shelter, plan or arrangement that advises or encourages taxpayers to attempt to violate the internal revenue laws or unlawfully evade the assessment or collection of their federal tax liabilities;
- (b) Taking any action in furtherance of the organization, promotion, marketing, or selling of tax shelters in which participants transfer assets to trusts and partnerships, and rent those assets back for a fee; and in which the partnership pays a management fee to a participant-owned corporation to serve as general partner; and in which the corporation takes improper deductions of a personal nature;
- (c) Making false representations that:
 - (i) individuals or entities may transfer or assign their income or assets to a trust or limited partnership and rent them back for the purpose of income spreading to evade federal tax;
 - (ii) personal expenses can be paid by a limited partnership in order to obtain tax benefits not available to others;
 - (iii) personal expenses can be paid by a family-owned corporation in order to obtain tax benefits not available to others;

- (iv) individuals may report business profits through a limited partnership for the purpose of avoiding self-employment taxes;
- (v) the interests in a limited partnership may be assigned to family members through paper transactions that have no economic reality or substance;
- (d) Engaging in conduct subject to penalty under Code § 6700, *i.e.*, by making or furnishing, in connection with the organization or sale of an abusive shelter, plan, or arrangement, a statement Settles knows or has reason to know to be false or fraudulent as to any material matter;
- (e) Engaging in conduct subject to penalty under Code § 6701, *i.e.*, preparing or assisting others in the preparation of any tax forms or other documents to be used in connection with any material matter arising under the internal revenue laws and which Settles knows will (if so used) result in the understatement of tax liability;
- (f) Engaging in other similar conduct that substantially interferes with the administration and enforcement of the internal revenue laws;

5. It is further ORDERED, ADJUDGED AND DECREED that Settles shall notify all persons to whom he has given or sold, directly or indirectly, the tax shelter packages described herein or in the Complaint, of this injunction order, and shall file with the Court within 30 days of this date a certification that he has done so.

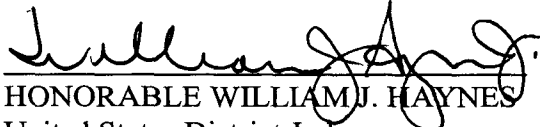
6. It is further ORDERED, ADJUDGED AND DECREED that Settles is permanently enjoined from representing before the Internal Revenue Service any persons to whom he has given or sold, directly or indirectly, the tax shelter packages described herein or in the Complaint. Additionally, Settles is permanently enjoined from giving legal advice concerning the tax shelter packages described herein or in the complaint to persons to whom he has given or sold, directly or indirectly, the tax shelter packages described herein or in the complaint. However, this prohibition will not enjoin or restrain Settles from cooperating freely as a fact witness with any authorized representative of those taxpayers, including, without limitation, providing testimony,

affidavits, explanations or other information regarding advice, preparation of documents and information furnished by Settles, and testifying truthfully at any administrative or judicial hearing or conference relating to the audit, examination or adjustment of those person's tax returns or liabilities.

8. It is further ORDERED, ADJUDGED AND DECREED that this Court shall retain jurisdiction of this action for the purpose of implementing and enforcing this Final Judgment and all additional decrees and orders necessary and appropriate to the public interest.

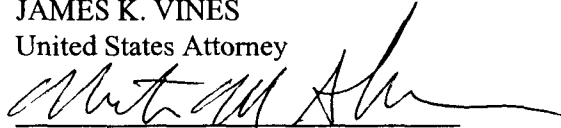
There being no just reason for delay, the Clerk is directed to enter this Final Judgment forthwith.

SO ORDERED this 24th day of March, 2003.

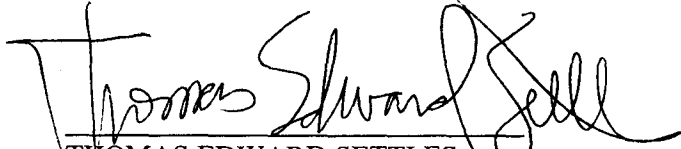

HONORABLE WILLIAM J. HAYNES
United States District Judge

Approved and Agreed:

JAMES K. VINES
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