

UNITED STATES DISTRICT COURT
DISTRICT OF HAWAII

UNITED STATES OF AMERICA,)	
)	
Plaintiff,)	CIVIL NO. 07-00442 SPK/LEK
)	
v.)	STIPULATED FINAL JUDGMENT
)	OF PERMANENT INJUNCTION
MORGAN LIDDELL, <i>et al.</i>)	AGAINST EDWARD CODA AND
)	HAWAII FINANCIAL
Defendants.)	SPECIALISTS, INC.
_____))	

Plaintiff, the United States of America, has filed a Complaint for Permanent Injunction and Other Relief in this matter against, among others, Defendants Hawaii Financial Specialists, Inc. (“HFS”) and Edward Coda (“Coda”). The United States, Coda, and HFS have agreed to settle the case against HFS and Coda in accordance with the terms of this Stipulated Final Judgment. Each party has agreed to bear its own attorneys’ fees and costs.

Defendants Coda and HFS admit that this Court has jurisdiction over them and over the subject matter of this action.

Defendants Coda and HFS consent to the entry, without further notice, of this Stipulated Final Judgment of Permanent Injunction.

The parties waive the entry of findings of fact and conclusions of law under

Rules 52 and 65 of the Federal Rules of Civil Procedure and 26 U.S.C. § 7408.

Defendants Coda and HFS waive any right they may have to appeal from the Stipulated Final Judgment of Permanent Injunction.

Defendants Coda and HFS state that they enter into this Stipulated Final Judgment of Permanent Injunction voluntarily.

Defendants Coda and HFS agree that this Court shall retain jurisdiction over them for the purpose of implementing and enforcing the Stipulated Final Judgment.

The United States acknowledges that Defendants Coda and HFS have already produced to the United States a list identifying the name, Social Security number, address, email address, and phone number of each person and entity (within Coda's or HFS's knowledge) who has purchased or participated in the Enjoined Activity at the direction of Coda or HFS.

The Internal Revenue Service and Defendants Coda and HFS have entered into a separate agreement resolving their differences regarding any I.R.C. (26 U.S.C., Internal Revenue Code) §§ 6694, 6700 or 6701 penalties that may have resulted from Coda's and HFS's alleged participation in the Enjoined Activity.

With respect to any other taxes, penalties, or interest, Defendants Coda and HFS acknowledge that entry of this Stipulated Final Judgment neither precludes the Internal Revenue Service from assessing taxes, interest, or penalties against

them, nor precludes Defendants from contesting such taxes, interest, or penalties.

For the purposes of this Final Judgment, the phrase “Enjoined Activity” means the following: (1) advising or assisting anyone to purchase purported business insurance from Asia Pacific Insurance Company (or any other similar entity) and/or to transfer monies to individual retirement accounts, which purportedly invest the funds in Global Pacific Capital, Inc. (or any other similar entity) and (2) facilitating the bulk of the funds being sent to Asia Pacific or Global Pacific to be returned to the person/entity through a purported loan from Colony Mortgage (or any other similar entity), purported scholarships from Wealthshare Foundation (or any other similar entity), and/or an offshore credit card from Horizon (or any other similar entity). Additionally, the phrase “Enjoined Activity” includes advising anyone that (1) the purported premiums sent to Asia Pacific (or any other similar entity) are tax-deductible business expenses; (2) they can deduct on their federal income tax returns the purported interest paid on their purported Colony Mortgage loans (or any other similar entity) as either a business expense or as a home mortgage interest deduction; (3) money withdrawn from anyone’s legitimate individual retirement account and transferred to Global Pacific (or any other similar entity) need not be reported as income on their federal income tax return; and (4) when transferred funds are repaid to anyone through the Colony

Mortgage loan, Horizon credit card, and/or the Wealthshare scholarship (or any other similar entities), those funds need not be reported as income on federal income tax returns.

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, 7407, and 7408 of the Internal Revenue Code of 1986, as amended (26 U.S.C.) (the I.R.C.).

2. Defendants Coda and HFS, individually and doing business as or through any entity, and anyone in active concert or participation with them who receives actual notice of this order are permanently enjoined from

(a) Engaging in activity subject to penalty under I.R.C. § 6700, including organizing or selling a plan or arrangement and making a statement regarding the allowability of any deduction or credit, or the securing of any tax benefit, that they know or have reason to know is false or fraudulent as to any material matter;

(b) Engaging in activity subject to penalty under I.R.C. § 6701, including advising or assisting with respect to the preparation of a portion of a return or other document knowing (or having reason to believe) that such portion

will be used in connection with any material matter arising under the internal revenue laws knowing that such portion (if so used) would result in an understatement of the liability for tax of another person;

(c) Organizing, promoting, selling, or helping others to implement the Enjoined Activity or any substantially similar activity; and

(d) Engaging in any other activity subject to penalty under any provision of the Internal Revenue Code;

3. Defendants Coda and HFS, individually and doing business under any other name or using any other entity, and defendants' representatives, agents, servants, employees, and those persons in active concert or participation with them, are permanently enjoined from directly or indirectly:

(a) Selling or organizing any business arrangement, including the Enjoined Activity, that encourages or assists noncompliance with the income tax laws, misrepresents the tax savings or benefits realized by using the arrangement, or conceals the receipt of income; and

(b) Engaging in other similar conduct that substantially interferes with the administration and enforcement of the internal revenue laws;

4. Defendant Coda and his representatives, agents, servants, employees, and anyone in active concert or participation with him, is permanently enjoined

from directly or indirectly:

(a) Engaging in activity subject to penalty under I.R.C. § 6694(a), including preparing federal tax returns or claims for refund with respect to which any part of an understatement of liability is due to a position in which Coda knew (or reasonably should have known) of the position, there was not a reasonable belief that the position would more likely than not be sustained on its merits, and the position was not disclosed within the meaning of IRC § 6662(d)(2)(B)(ii) or there was no reasonable basis for it;

(b) Engaging in conduct subject to penalty under I.R.C. § 6694(b), including preparing returns for customers with false claims or entries in a willful attempt to understate the customers' liability or with a reckless and intentional disregard of rules and regulations;

(c) Preparing tax returns with interest deductions for payments made to Colony Mortgage or business insurance deductions for payments made to Asia Pacific;

(d) Preparing federal income tax returns which omit from gross income funds withdrawn from accounts and ostensibly transferred to Global Pacific or some other similar entity; and

(e) Preparing federal income tax returns which omit from gross

income funds repaid to the customer through the Colony Mortgage loan, Horizon credit card, and/or the Wealthshare scholarship (or any other similar entities).

5. Pursuant to I.R.C. § 7402, Defendants Coda and HFS must contact by mail all persons or entities known by Coda or HFS to have purchased or participated in the Enjoined Activity at the direction of Coda or HFS and send to them a copy of this permanent injunction, and certify to the Court within eleven days of this permanent injunction that they have complied with this provision;

6. The United States is permitted to engage in post-judgment discovery limited to monitoring compliance with this permanent injunction.

7. This Court shall retain jurisdiction of this action for the purpose of implementing and enforcing this Stipulated Final Judgment and all additional decrees and orders necessary and appropriate for the public interest.

Consented to by:

Dated: 1/10/08

/s/ Stephen P. Pingree

Stephen P. Pingree

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Attorney for Defendants Edward Coda and
Hawaii Financial Specialists, Inc.

Dated: 1/14/08

/s/ Edward Coda

Edward Coda

(continued)

Dated: 1/14/08

/s/ Edward Coda

Hawaii Financial Specialists, Inc.
Name: Edward T. Coda
Title: Treasurer

Dated: 1/30/08

/s/ Hilarie E. Snyder

Hilarie E. Snyder
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Attorney for Plaintiff, USA

IT IS SO ORDERED.

DATED: February 6, 2008.



Samuel P. King
Samuel P. King
Senior United States District Judge

United States v. Liddell, Civ. No. 07-00442SPK-LEK, STIPULATED FINAL JUDGMENT OF PERMANENT INJUNCTION AGAINST EDWARD CODA AND FINANCIAL SPECIALISTS, INC.