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U.S. DISTRICT COURT
CENTRAL DISTRICT OF ILLINOIS

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF ILLINOIS
PEORIA DIVISION

FILED

MAY - 2 2003

JOHN M. WATERS, Clerk
U.S. DISTRICT COURT
CENTRAL DISTRICT OF ILLINOIS

UNITED STATES OF AMERICA)
)
Plaintiff)
)
v.)
)
THE JOY FOUNDATION, a purported trust;)
JACK L. MALONE, individually)
and as trustee of THE JOY FOUNDATION;)
YVONNE M. MALONE; and ROBERT)
LAWRENCE)
)
Defendants)

CIVIL NO. 02-1069

**DEFAULT JUDGMENT AND PERMANENT INJUNCTION AGAINST
ROBERT LAWRENCE**

Upon the United States of America's motion, the Court makes the following findings of fact and conclusions of law and enters this injunction.

Standards for Injunction

To obtain an injunction under 26 U.S.C. (IRC) § 7408, the United States must show that Robert Lawrence 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 § 7402, the United States must show that Lawrence 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.

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Findings of Fact

Based on the evidence, the Court finds as follows:

1. Lawrence promotes and organizes abusive tax shelters, plans or arrangements, recommending the misuse of trusts, and advising customers to violate the Internal Revenue laws.
2. In promoting these illegal schemes, Lawrence has made false statements about the internal revenue laws, including but not limited to the following:
 - Wages are not taxable income;
 - The federal income tax is unconstitutional as a direct tax not apportioned among the states;
 - The Internal Revenue Service is not legally authorized to collect taxes;
 - Filing tax returns and paying taxes, including income taxes, are voluntary; and
 - The federal tax laws apply only to foreign earned income.
3. Absent this injunction, Lawrence will continue to promote these abusive tax schemes.
4. If this injunction is not granted, the United States will suffer irreparable harm because Lawrence's conduct is causing and will continue to cause substantial revenue losses to the United States Treasury, much of which may not be recoverable. The IRS will have to devote substantial time and resources examining customers' returns, and may be unable to detect all of the returns.
5. Lawrence's positions regarding the taxability of wages and other income, and the use of trusts to thwart IRS collection efforts are meritless.
6. The public is served by granting this injunction. If an injunction is granted, it will help to stem the spread of these abusive tax schemes.

Conclusions of Law

Based on the evidence presented, the Court finds that Lawrence engaged in conduct subject to penalty under IRC § 6700 and that injunctive relief under IRC § 7408 is appropriate to prevent the recurrence of that conduct. The Court further finds that Lawrence 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 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 defendant Lawrence is restrained and enjoined from directly or indirectly:

- (a) Organizing or selling abusive tax shelters, plans, programs or arrangements including "*The Reliance Offense*," "UBTO," and similar schemes that advise or encourage taxpayers to attempt to evade the assessment or collection of their correct federal tax;
- (b) 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 reason of participating in such tax shelters, plans, programs, or arrangements, including but not limited to the following false statements: Wages are not taxable income; The federal income tax is unconstitutional as a direct tax not apportioned among the states; The Internal Revenue Service is not legally authorized to collect taxes; Filing tax returns and paying taxes, including income taxes, are voluntary; and The federal tax laws apply only to foreign earned income.
- (c) Instructing or advising taxpayers to not file tax returns, not pay taxes, and/or to understate their federal income tax liabilities in connection with the marketing of trusts or other programs;
- (d) Engaging in any other activity subject to penalty under I.R.C. § 6700; and
- (e) Engaging in other similar conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

It is further

ORDERED, that Lawrence provide to counsel for the United States, within ten days of the date of this order, a complete list of clients, members, and customers, (including names, addresses, phone numbers, and social security numbers or employer identification numbers) who have purchased *The Reliance Offense*, or a *UBTO*, or who have obtained any other products or services from Lawrence; it is further ORDERED, that Lawrence is required to mail a copy of the Complaint in this action and this Court's Order of Permanent Injunction to:

- a. All persons who purchased *The Reliance Offense*, a *UBTO*, or any other materials or trust packages from Lawrence or his agents or designees;
- b. All persons who conducted any transactions with the Joy Foundation since January 1, 1995; and
- c. All Joy Foundation members since January 1, 1995.

Lawrence 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 and a certificate, signed under penalty of perjury, stating that he has given notices as required by this order; it is further

ORDERED, that the Court retains jurisdiction to enforce this injunction and the United States may engage in post-judgment discovery to monitor Lawrence's compliance with this injunction.

SO ORDERED this 2nd day of May 2003.

Joseph McBride
UNITED STATES DISTRICT JUDGE