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LEAD DEFENDANT IN AEGIS COMPANY \$60 MILLION TAX FRAUD CONSPIRACY SENTENCED TO 18½ YEARS IN PRISON

CHICAGO – The lead defendant in a nationwide \$60 million tax fraud conspiracy was sentenced today to more than 18½ years in prison, federal officials announced today. The defendant, **Michael A. Vallone**, 49, of Orland Park, Ill., was one of the founders and the executive director of The Aegis Company, now defunct and formerly based in south suburban Palos Hills, which marketed and sold trust packages to some 650 wealthy taxpayer clients throughout the United States. Vallone and five co-defendants were convicted in May of participating in a nearly decade-long scheme to market and sell sham domestic and foreign trusts through a network of promoters, sub-promoters, managers, attorneys and accountants. Vallone and the others essentially diverted income from businesses into sham trusts for clients, hiding hundreds of millions of dollars in income for those clients and resulting in a \$60 million tax loss to the United States, making the case one of the largest of its kind, according to Nathan J. Hochman, Assistant Attorney General for the Justice Department’s Tax Division; Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois; Eileen Mayer, Chief of the IRS Criminal Investigation Division; and Alvin Patton, Special Agent-in-Charge of the IRS-CID in Chicago.

U.S. District Judge Charles Norgle sentenced Vallone to serve 223 months (18 years, 7 months) in prison, followed by three years of supervised release. The judge will rule later on the Government's request for forfeiture of more than \$4 million, his home and off-shore bank accounts, as well as of the costs of prosecution. Vallone also remains liable for any taxes, penalties and interest owed. In addition to tax fraud conspiracy, Vallone was found guilty of and sentenced on 24 counts of aiding and assisting the filing of false tax returns, three counts personal income tax evasion, seven counts of mail fraud and two counts of wire fraud.

"Today's sentence sends a powerful and unequivocal message to those who seek to evade and help others evade their taxes, that they will be investigated, prosecuted, convicted, and sent to prison for years," said Mr. Hochman, Assistant Attorney General for the Justice Department's Tax Division. "There are numerous variations on abusive trust schemes, but in general, promoters say the trusts are designed to shift income and assets into vehicles that are either not subject to U.S. taxes or will make it impossible for authorities to trace," said Ms. Mayer, Chief, IRS Criminal Investigation. "However, the financial investigative efforts of IRS special agents continue to unmask these abusive financial transactions for what they really are - methods of tax evasion."

Mr. Patton said: "IRS nationwide has ongoing criminal and civil investigations of abusive trust tax fraud schemes involving both promoters and purchasers. Establishing abusive trusts for the purpose of evading taxes is a crime and one of the worst abuses of our nation's tax system. Today's sentence sends a clear message that there are serious consequences for those who engage in these abusive tax schemes."

Vallone and his co-defendants were convicted following an 11-week trial. The defendants were indicted in 2004, following a lengthy undercover investigation by IRS agents, code-named

“*Operation Trust Me*,” and the seizure of roughly 1.5 million documents, computer files and related materials. Nationwide, the Chicago-based investigation has resulted in convictions of more than 30 defendants and charges against approximately 30 other defendants around the country, including in Florida, Illinois, New York, Ohio and West Virginia.

All six defendants were found guilty of one count of tax fraud conspiracy – specifically, conspiracy to defraud the United States by impeding the IRS in the collection of tax revenue and conspiracy to aid and assist the preparation and filing of false tax returns on behalf of Aegis clients. All six defendants were also found guilty of additional tax offenses, while two of the six were also acquitted on some counts. Sentencing for the remaining defendants are scheduled at various times in October and November. The other defendants are: **Edward B. Bartoli**, 78, of Clearwater, Fla., a former attorney, who was also one of the founders of Aegis, and its legal director; **Robert W. Hopper**, 62, of Gadsden, Ala., also one of the founders of Aegis and the managing director; **Timothy Shawn Dunn**, 48, of Chesterton, Ind., a certified financial planner, who was a promoter and manager of Aegis trusts, and the managing Director of the Aegis Management Company, which he created with Vallone, Bartoli, and Hopper; **William S. Cover**, 72, of Naperville, also a promoter and manager of Aegis trusts, and the president of Sigma Resource Management, Inc., which provided management services to purchasers of Aegis trusts; and **Michael T. Dowd**, 34, of Glenview, also a promoter and manager of Aegis trusts, and he provided management services to purchasers of Aegis trusts through Aegis and Sigma Resource Management, Inc.

Two other defendants in this case, **David E. Parker**, 55, of Williamsville, N.Y., an attorney who was the legal director of the Aegis Management Company, and **John C. Stambulis**, 71, of

Palos Heights, an attorney and a trust counsel of Aegis, both pleaded guilty and testified for the Government at trial. They are also awaiting sentencing.

The government is being represented by Assistant U.S. Attorneys Stephen L. Heinze and Barry Rand Elden, and DOJ Tax Division trial attorney Thomas W. Flynn.

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