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TWO NEW DEFENDANTS ADDED TO U.S. INDICTMENT OF AEGIS TRUST PRINCIPALS AND OTHERS IN ALLEGED $68 MILLION TAX FRAUD CONSPIRACY

CHICAGO – A south suburban attorney and a north suburban man were added as defendants in a federal tax fraud conspiracy case that was brought in April, federal authorities announced today. The two new defendants and six previous defendants allegedly participated in a nearly decade-long conspiracy to market and sell sham domestic and foreign trusts through The Aegis Company, based in suburban Palos Hills, to some 650 wealthy taxpayer clients throughout the United States to hide hundreds of millions of dollars in income, resulting in a tax loss to the United States of at least $68 million.

The new defendants, **John C. Stambulis**, 67, of Palos Heights, and **Michael T. Dowd**, 31, of Glenview, were charged in a 55-count superseding indictment returned by a federal grand jury late yesterday and announced today by Eileen J. O'Connor, Assistant Attorney General for the Tax Division of the Justice Department; Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois; and James W. Martin, Special Agent-in-Charge of the IRS Criminal Investigation Division in Chicago.

Stambulis, a Bridgeview attorney, was the chief trust counsel of Aegis, through which he allegedly assisted in the promotion, sale, establishment, and defense of Aegis trust systems. Dowd was a promoter and manager of Aegis trusts, and allegedly provided management services to purchasers of Aegis trusts through Aegis and Sigma Resource Management, Inc., which provided management services to purchasers of Aegis trusts. Both men – together with the six other defendants – were charged with 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 returns on behalf of others. In addition, Dowd was also charged with four counts of mail fraud, one count of wire fraud, four counts of filing false individual federal income tax returns for 1997-2000, and four counts of assisting the preparation of false tax returns by Aegis clients. Stambulis was also charged with one count of mail fraud and wire fraud. An arrest warrant was issued for Dowd, who is a licensed commercial pilot, while Stambulis will be ordered to appear for arraignment at a later date in U.S. District Court.

In April, 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, the six previous defendants were charged in a 51-count indictment. Two Chicago area certified public accountants and an accountant/tax preparer were charged separately in Chicago in connection with the so-called "abusive trust" scheme. Nationwide, the Chicago-based investigation has resulted in six convictions in central Illinois and Tampa, Fla., and charges against another defendant in Buffalo, N.Y. The investigation is continuing, authorities said.

Each of the six initial defendants in the main Chicago case have pleaded not guilty. They are: **Michael A. Vallone**, 44, of Orland Park, one of the founders of Aegis, the executive director and a principal in the company; **Edward B. Bartoli**, 74, of Little River, S. Car., a former attorney, who was also one of the founders of Aegis, the legal director, and a principal; **Robert W. Hopper**, 58, of Gadsden, Ala., also a founder of Aegis, the managing director, and a principal; **Timothy Shawn Dunn**, 44, 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; **William S. Cover**, 67, of Naperville, also a promoter and manager of Aegis trusts, and the president of Sigma Resource Management, Inc.; and **David E. Parker**, 51, of Williamsville, N.Y., an attorney who was the legal director of the Aegis Management Company. The indictment seeks forfeiture of $4.125 million from Bartoli, Dunn and Cover, as well as Vallone's residence; Dunn's residence and two other properties in northwest Indiana, three Lincoln limousines and a Lotus automobile from Dunn; and Cover's residence.

According to the superseding indictment, between July 1994 and December 2003, the defendants organized, promoted and sold domestic and foreign/offshore trusts, primarily to self-employed individuals, for fees ranging between $10,000 and $75,000 for a package of one or more Aegis trusts with the purpose and effect of defrauding the government. The abusive use of trusts attempted to fraudulently conceal trust purchasers' true assets and income from the IRS and to illegally reduce or eliminate their income tax liability. The IRS first cautioned taxpayers in April 1997 that such trust arrangements were illegal. The trusts, in fact, provided no tax shelter and had no effect on transferring assets or reducing or eliminating the clients' income tax liabilities, according to the indictment.

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

If convicted, each count of tax fraud conspiracy, mail fraud and wire fraud carries a maximum penalty of 5 years in prison and a $250,000 fine. Filing a false tax return, or aiding and assisting the preparation and filing of a false tax return, carries a maximum penalty of 3 years in prison and a $250,000 fine. In addition, defendants convicted of tax offenses must pay the costs of prosecution and remain liable for any taxes, penalties and interest owed. As an alternative maximum fine on the fraud counts, the Court may order a fine totaling twice the gross loss to any victim or twice the gain to the defendant, whichever is greater. Restitution is mandatory. The Court, however, would determine the appropriate sentence to be imposed under the United States Sentencing Guidelines.

The public is reminded that an indictment contains only charges and is not evidence of guilt. The defendants are presumed innocent and are entitled to a fair trial at which the United States has the burden of proving guilt beyond a reasonable doubt.

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