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# **News Release**

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## **Former Control President Sentenced for Conspiracy and Tax Evasion While Co-Defendant Remains a Fugitive**

Minneapolis - The former president of Control Corporation of Maple Grove was sentenced today for conspiracy and tax evasion. Lee D. Stagni, age 53, of Plymouth, Minnesota, was sentenced by United States District Court Judge Ann D. Montgomery to forty-three months in federal prison for helping Control's owner and CEO, Robert Beale, evade \$2.5 million in federal and state taxes and for evading over \$280,000 of his own taxes. Stagni also was ordered to pay a \$60,000 fine and cooperate with the Internal Revenue Service in paying approximately \$200,000 in taxes owed. After a twelve-day trial in September of 2006, Stagni was convicted of one count of conspiring to defraud the United States and five counts of aiding and abetting tax evasion.

According to the evidence presented during that trial, Stagni assisted Control's owner and CEO in a scheme to pay the CEO his salary through a sham company. The company, called "Chayil," was used exclusively as a pass-through entity to conceal the CEO's salary income from the Internal Revenue Service and the Minnesota Department of Revenue, so he could avoid paying

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taxes. Stagni further aided Control's CEO in tax evasion when he back-dated employment documents and directed the company's payroll department to refrain from reporting the CEO's salary income to the Internal Revenue Service through a W-2 form or a Form 1099.

Trial evidence showed that Stagni was paid more than \$2.0 million for serving as Control's president as well as assisting in this illegal activity. Over \$400,000 of Stagni's salary and bonuses from Control were paid to him through another sham company, "Rocket Promotions." On his income tax returns, Stagni characterized that money as "advertising income" to Rocket Promotions rather than personal salary income. The salary payments Stagni received through Rocket Promotions increased throughout the life of the conspiracy, from \$25,000 in 2000, to \$148,784 in 2004. Stagni also received over \$190,000 in "employment performance bonuses" through Rocket Promotions. On tax returns, Stagni again referred to that money as company income instead of personal income. As a result of these actions, Stagni evaded more than \$200,000 in federal individual income taxes and over \$45,000 in state taxes.

Stagni's co-defendant and the owner and CEO of Control Corporation, Robert B. Beale, age 62, of North Oaks, Minnesota, remains a fugitive.

This case is the result of an investigation by the Internal Revenue Service, Criminal Investigations Division, and was prosecuted by Assistant United States Attorneys Timothy C. Rank and Michael L. Cheever.

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