



Beale was the CEO, Chairman (and sole Director) of the Board of Directors, and majority (more-than-75%) shareholder of Comtrol. As of the year 2000, and continuing until the end of 2004, Lee D. Stagni was the President and Chief Operating Officer of Comtrol, who was in charge of Comtrol's day-to-day operations. Prior to September of 2000, Robert Beale was paid as an employee of Comtrol using an automated payroll system. For the tax years prior to 2000, Beale had his federal taxes withheld from his paycheck and after the end of the year he was issued a Form W-2 and the Internal Revenue Service was notified of his income from Comtrol.

In August or September of 2000, although his duties and position held at Comtrol had not changed, Beale directed the payroll department to stop paying him as an "employee" through the automated payroll system and to begin paying him as a "consultant." Also in or about September 2000, Beale directed Comtrol's payroll department to: (a) back-date the change in designation from "employee" to "consultant" to January 1, 2000 and back out the changes so the automated payroll system would not have a record of him being paid as an employee from January to September 2000; (b) "reverse" and recover all funds that had been withheld and paid over to the state and federal government as withholding; and (c) pay over to Beale the funds which had been withheld.

Beale did not want Comtrol to pay him directly for his income in 2000. Instead, Beale and Stagni devised a method of paying

Beale through a shell company, "Chayil," which served no purpose other than as a pass-through entity for concealing Beale's income from the Internal Revenue Service. In addition, in November of 2000, Stagni created a document entitled "Management and Professional Services Agreement," which was back-dated to January 1, 2000, to make it appear that Beale had been paid as a consultant through Chayil since the beginning of 2000. Stagni and Beale also created backdated invoices for Chayil, purporting to be for consulting services, to cover the amounts that he had previously been paid as an employee from January through September 2000.

At the end of 2000, Beale and Stagni directed Control payroll personnel not to issue a Form 1099 for Chayil, nor to issue a Form W-2 in Beale's name, for the income Beale received from Control. As a result, Control failed to advise the IRS of Beale's income as required by federal law.

Beale's income from Control in 2000 was over \$700,000.00. Beale has never reported his 2000 income from Control to the Internal Revenue Service or the Minnesota Department of Revenue. Beale has never filed a state or federal tax return for 2000, nor has he paid state or federal taxes on his income from 2000. Beale's income for the years 2001 through 2004 was over \$4 million. For each year from 2001 to 2004: (a) Beale and Stagni continued to direct Control not to issue a Form 1099 or Form W-2 to report Beale's income to the IRS; (b) Beale and Stagni failed to report

Beale's income to the IRS or Minnesota Department of Revenue; (c) Beale failed to pay state or federal income taxes on his income; and (d) Beale and Stagni engaged in a concerted effort with others at Control to conceal and disguise the source, location, and amount of Beale's income.

From January 1, 2000 to in or about September 2004, Beale received income from Control of at least \$5,696,574.00, and neither reported this income nor paid taxes on it.

## **II. FACTS**

### **A. The 1998 Sale of the Television Station**

In the early 1990s, Beale entered into a partnership to purchase a Twin Cities television station, Channel 23 KLGT-TV. In or before 1997, Beale and his partners began discussions with the Sinclair Group to sell KLGT. During these discussions, it became clear to Beale that he was going to make a large profit on the sale of the station, and he decided to change his state of residency from Minnesota to Florida in order to avoid paying state taxes on the sale. In 1998, Beale and his partners sold the station, and Beale's portion of the purchase price was approximately \$3.6 million. In April of 1999, Beale filed with the State of Minnesota an M1-NR tax return, in which he claimed that he was no longer a resident of Minnesota.

In 1997, Beale purchased a house in Naples, Florida, and he and his wife switched their driver's licenses and vehicle

registration to Florida; however, Beale still had a residence in North Oaks, Minnesota, and worked a substantial portion of the year at the Control Headquarters in Minnesota. Accordingly, to substantiate this claim of non-residency, Beale had to demonstrate to the Minnesota Department of Revenue ("MDR"), among other things, that he was outside of Minnesota for 183 days or more (referred to as the "183-day test").

After reviewing Beale's 1998 M1-NR, the MDR concluded that Beale had not demonstrated that he satisfied the 183-day test. By letter dated February 4, 2000, Beale was notified that the MDR needed additional documentation. Because Beale did not provide the requested materials, the MDR sent another letter, dated March 24, 2000, indicating that if Beale did not submit such documentation the MDR "would be forced to proceed with any necessary audit adjustments based on available information," meaning among other things that Beale would be considered a Minnesota resident for 1998, and subject to Minnesota taxes. On September 22, 2000, the MDR sent Beale a Notice of Assessment of Taxes for 1998 in which it assessed Beale's 1998 additional taxes owed as \$433,000.

In April of 1999, Beale had filed a federal tax return for 1998 in which his tax preparer reported the sale of the television station and noted that Beale owed \$659,808 in federal income taxes over and above the money that had been withheld from his paychecks. Beale did not include any payment along with his 1998 tax return,

but instead proposed an "Installment Plan," promising to begin paying the taxes he owed over a six-month period beginning in June 1999. In November of 1999, after Beale had failed to pay the promised installments, the IRS placed a lien on Beale's Florida residence for outstanding taxes in the amount of \$673,091.30. On January 12, 2000, Beale paid the IRS the full amount owed and, thereafter, the lien was released.

**B. Beale's 1999 Taxes**

In 1999, Beale was paid as an employee of Control, through an automated payroll system managed by ADP. Beale was paid on a bi-monthly basis, and his salary was deposited directly into his personal bank account at SunTrust Bank. His total salary for 1999 was \$720,000, out of which ADP withheld and paid to the IRS a total of \$95,000 in federal income tax withholding. At the end of the year, ADP also automatically sent a Form W-2 to the IRS to report that Beale had been paid \$720,000 in 1999. On April 15, 2000, Beale mailed a tax return to the IRS in which he claimed that he did not make any income in 1999, and he claimed a refund of the \$95,000 that had been withheld from his paycheck and sent to IRS.

Because ADP had reported Beale's income to the IRS through the Form W-2, the IRS knew that Beale's claim of no income was false. Accordingly, in May of 2000 the IRS sent Beale a letter advising him that his return had been deemed frivolous, that his claim for a \$95,000 refund had been rejected, and that he had 30 days to file

a correct return. He did not, and eventually the IRS assessed Beale taxes for 1999 at over \$400,000, including interest and nonpayment penalties.

**C. The First Part of 2000**

Beale's experience with his 1998 and 1999 taxes taught him that in order to get around paying taxes, he had to find a way to prevent the IRS from learning how much income he made, and he also had to prevent taxes from being withheld from his pay. In February of 2000, the day that the MDR sent him the letter indicating that they were looking into his 1998 claim of non-residency, and less than a month after he had paid off the IRS tax lien on his Florida residence, Beale indicated to Stagni that he wanted to change his withholding of federal taxes. Later in the month, Beale instructed Control's payroll department to stop withholding his federal taxes from his paycheck, although he continued to be paid as an employee through ADP and ADP continued to withhold payroll taxes (Social Security and Medicare) from Beale's bi-monthly payroll deposits. Around this time, Beale directed Control's payroll personnel to recover and pay over to him all of the federal income taxes which had been withheld from his pay in the first months of 2000.

In or about September of 2000, Beale called Eileen Johnson, a Control employee who managed payroll, and instructed her to stop paying him through ADP, that he wanted her to wipe out all the ADP records showing that the money he had been paid in 2000. Beale

instructed Johnson that he was changing the way he was going to be paid, and that he wanted her to "back out" all of the money he had been paid through ADP retroactive to January 1, 2000, and have it paid to him as a "consultant." ADP as Beale also instructed her that he wanted Johnson to also "back out" all withholding for payroll taxes retroactive to January 1, 2000, and pay it to him. Beale instructed Johnson to. He also instructed Johnson that from that time forward he would be paid as a "consultant" rather than an "employee."

**D. The Fall of 2000 and January of 2001**

During the Fall of 2000, Beale and Stagni, and perhaps others, devised a plan to conceal payments to Beale for his salary, by setting up a sham "Management Services Company." The prior year, in April of 1999, Beale had set up a Delaware Corporation called "Chayil," a Subchapter S Corporation which he used to conduct stock market trading.<sup>1</sup> Stagni drafted a "Management and Professional Services Agreement" with Chayil, designed to appear that Chayil was to providing management services for Comtrol, including "Performance of services generally performed by the Chairman of the Board," "Performance of services generally performed by the Chief Executive Officer," and "Daily management and supervision of the President/COO and the CFO" - in other words, the things which Beale

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<sup>1</sup> The corporation was originally named "Chayil Investments, Inc." In June of 1999, Beale changed its name to the "Chayil Corporation."

had been doing up to that point as an employee of Comtrol. In fact, Beale continued to hold the positions of CEO, and Chairman and sole Director of the Board of Directors. Although not signed until at the earliest November 30, 2000, the "Management and Professional Services Agreement" drafted by Stagni was made to appear that it had begun on January 1, 2000.

Stagni and Beale drafted an invoice for Chayil dated November 30, 2000, for \$144,366.68, \$130,000 of which purported to be for management services for October and November 2000. The invoice was given to Comtrol employee Lee Aide, who oversaw Comtrol's cash management, including issuing checks and making wire transfers for accounts payable. Aide was instructed to wire payment for the invoice to Beale's Chayil bank account and then notify Beale that it had been sent. Aide made the wire transfer on December 5, 2000, and then sent confirmation to Beale by email. Shortly after he sent the email, Aide was advised by Comtrol CFO Gary Kanowitz<sup>2</sup> that he should not confirm the wire transfers to Beale by email or otherwise in writing, but that he should verbally advise Beale of the transfer.

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<sup>2</sup> Kanowitz was the CFO during the end of 2000 and the beginning of 2001, although he did not supervise any employees. The accounting department was supervised by Vice President of Accounting Tim Evanson, who in turn reported directly to Stagni. Kanowitz resigned from Comtrol in early 2002, indicating in his grand jury testimony that he left in large part because he had concerns about Beale's income not being reported to the IRS and did not want to have any further involvement with Beale's tax activities.

On January 9, 2001, Stagni and Beale also created back-dated invoices for Chayil, which were made to appear that Beale had been paid as a consultant through Chayil beginning over a year earlier, on January 1, 2000. To complete the false picture that Beale had been a "consultant" for all of 2000, and not an employee, an exchange of checks also took place in January 2001. Beale wrote a check to Comtrol for \$571,574.87, representing the total amount "backed-out" of the ADP payroll system for Beale's salary. Comtrol then gave Beale a check made out to Chayil for \$571,574.87, representing the amount billed on the back-dated invoices created by Stagni and Beale.

**E. Payroll Department Ordered Not To Report Beale's Compensation to IRS**

In early January 2001, Eileen Johnson indicated that she intended to issue a Form 1099 to the IRS to report Beale's salary to the IRS, as Comtrol did for other consultants. Ms. Johnson believed that a 1099 should issue because the payments to Beale, even though made through "Chayil," were salary that would have been reported to IRS through a Form W-2 had Beale not had his salary backed out of the ADP system. Ms. Johnson was directed by Stagni that she could not issue a 1099 for the payments made to Beale through Chayil. Ms. Johnson felt that this was an attempt conceal Beale's salary from the IRS. Beale was paid more than \$700,000.00 by Comtrol in 2000 and has never reported this income to the Internal Revenue Service or the Minnesota Department of Revenue.

**F. The Remainder of 2001**

Over the remainder of 2001, Beale submitted monthly "Chayil" invoices to Control, receiving total payments for himself of more than \$590,000. Beale also began including charges on the Chayil invoices which purported to be for his children, Theo, Brad and Jeff. In May of 2001, Beale began invoicing Control through Chayil Ltd., which was formed on April 6, 2001, as a Florida Limited Partnership, with Beale listed as the general and sole partner, and a business address which is the same as that of Control: 6655 Wedgwood Road, Maple Grove, Minnesota. Payments were wired by Control to the same bank account Beale used for Chayil Corp. A total of more than \$700,000 was wired by Control into Beale's Chayil. Neither Control nor Beale has ever reported this income to the Internal Revenue Service or the Minnesota Department of Revenue.

**G. The MDR's Attempts To Collect Beale's 1998 Taxes**

After MDR assessed Beale for back-taxes in September of 2000, which included the \$433,000 assessed for the year he sold his interest in KLGT-TV, Beale appealed the assessment to the Appeals Section of MDR. On December 3, 2001, the Appeals Section issued a Notice of Determination on Appeal, in which it denied Beale's appeal and advised him he had 60 days to file an appeal of its determination with the State of Minnesota Tax Court. Beale never filed a Tax Court appeal. In March of 2002, MDR instituted

collection for Beale's back taxes. On December 14, 2002, MDR sent Beale a Demand for Payment and Intent to Levy Wages, in which Beale was advised that he now owed MDR \$791,000 and that MDR intended to seek a portion of his wages to pay his outstanding tax bill.

On March 25, 2003, MDR sent Control a Notice of Intent to Levy Wages from Beale as well as a Third Party Levy for any property of Beale's held by Control. After receiving the MDR levy requests, Control Vice President of Accounting Tim Evanson, after consulting with Stagni, forwarded the levies to Mark Weitz, an attorney at Leonard Street and Deinard who acted as Control's outside counsel. Evanson forwarded the levy request to Weitz suggesting that Control respond that Beale was neither an employee nor an independent contractor, but rather that he was paid through a corporation. Control was in fact at that time paying Beale through a partnership, Chayil Ltd. On April 3, 2003, Weitz sent a letter to the MDR indicating that Control did not possess any property belonging to Beale and enclosing an "Alternate Disclosure" form claiming that Beale was not an employee of Control but rather that he was paid through a management services company. The "Alternate Disclosure" form made clear that it should be returned only if the person from whom the levy was sought "is not currently earning wages at your company."

After receiving the "Alternate Disclosure" form, MDR asked for information regarding the management company. In response, Stagni

drafted a document purporting to describe the services provided to Control by "Chayil" which was calculated to conceal that Chayil was a pass-through entity for receiving Beale's pay, and which Stagni provided to Weitz to give to MDR. Stagni then faxed to Beale a copy of the response to MDR; on the cover sheet of the fax Stagni emphasized to Beale that, in the description of the "management services company" drafted by Stagni, neither "[Beale's] name/identity (nor anyone else's) is revealed" and "no dollar amounts were included." Stagni also informed Beale in the fax that he had drafted the description of Chayil's services in a way that would make it look like Beale was not the only one generating services. Finally, Stagni pointed out that "no copy of the [Chayil] Management Services Agreement was provided" to MDR, as that document would have made clear that Beale was Chayil.<sup>3</sup>

The MDR quickly ascertained that Control and its agents were helping Beale evade his taxes. The MDR obtained documentation that Chayil Ltd. was a partnership, that Beale was the general partner, and that Chayil's business address was Control's address. Confronted with Control's response to its attempt to levy against

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<sup>3</sup> The Chayil "Management and Professional Services Agreement" is signed on behalf of Chayil by Robert Beale, identified as its "Chief Executive Officer." In fact, at the time of the MDR response, Beale had been invoicing Control through "Chayil Ltd.," a Florida Limited Partnership, of which Beale was the general and sole partner, and which had a business address in Minnesota (even though Stagni informed the MDR that "the company is located in Florida" (emphasis in original)).

Beale's salary, MDR had to seek alternate property to levy. Accordingly, on April 30, 2003, MDR seized Beale's North Oaks, Minnesota house and began proceedings to conduct a Sheriff's sale of the house to satisfy Beale's delinquent tax bill.

On July 17, 2003, before MDR completed the sale of his house, Beale wrote a check to the MDR for the entire amount of his tax bill. To do so, Beale obtained \$400,000 from Comtrol in a "loan" to Chayil, which was "paid off" by Beale by increasing the amount of his monthly "Chayil" invoices by approximately \$17,000 until it reached \$400,000. Beale obtained \$300,000 of the money he used to pay off his Minnesota tax bill by having it wired by Comtrol to a Swiss Bank account to which Beale and Stagni had sole access. Beale sent the money from the Swiss bank account to his Chayil account and then to his personal checking account.

**H. MDR's Investigation into Beale's 1999 - 2002 Income**

In April of 2003, at around the same time that Comtrol was responding to MDR's attempt to levy Beale's wages in connection with his delinquent 1998 tax bill, Investigator Matt Schaefer, a Revenue Tax Specialist with the MDR, was beginning an investigation into Beale's income for the tax years 1999 through 2002. Beale had filed no Minnesota tax returns since 1998, and Schaefer believed it likely that he had an obligation to do so.<sup>4</sup>

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<sup>4</sup> Even if he was considered a Florida resident Beale would be required to file an M1-NR if he had more than \$8,200 in income earned in Minnesota from sources in Minnesota -- e.g., income from

In March of 2003, Schaefer had received a call from a tipster who wanted to remain anonymous indicating that Beale had received large amounts of income in 2001 and 2002 and that he was concealing the payments by having them sent through a P.O. Box.<sup>5</sup>

After conducting research on Beale's federal filing status, and learning that he had also not filed federal returns, on June 19, 2003, Schaefer called Comtrol and asked to speak with someone in the payroll department. He was connected with Eileen Johnson, who advised Schaefer that Beale was paid as a contractor rather than an employee, and that he was paid through a company called "Chayil."

On June 20, 2003, Schaefer was contacted by a female who wanted to remain anonymous. The anonymous female -- who was in fact Eileen Johnson -- provided detailed information regarding the method Beale was paid through Chayil, including the P.O. Box in Naples, Florida which was noted on the Chayil invoices and the bank to which Comtrol wired the money paid to Beale through Chayil. She

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Comtrol for work done while he was in Minnesota, which would be subject to Minnesota income tax even if Beale could show that he was a non-resident of Minnesota.

<sup>5</sup> The tipster was in fact Eileen Johnson's son, whom Ms. Johnson had asked to call MDR on her behalf. Ms. Johnson worried about retaliation at work and was concerned that if it was revealed that the tip came from a female, Beale, Stagni and Evanson would conclude that it was Johnson who provided the information because she was the only female that was aware of the way that Beale was being paid and that his income was not being reported to tax authorities.

also advised Schaefer about the change in the way Beale was paid during 2000, including the backdating of the change to January 1, 2000.

Also on June 20, 2003, Schaefer sent letters to Control, to the attention of Eileen Johnson, asking for records in Control's possession related to Chayil, as well as any other payments made to Beale and/or his children Jeff Beale and Gregg Beale. The letters asked that Control respond to the requests within 20 days. Ms. Johnson provided the letters to her supervisor, Tim Evanson, who in turn provided them to Lee Stagni and Robert Beale. Ms. Johnson also compiled the documents in her possession that were responsive to the MDR's request, but was told not to provide the documents to MDR. On July 9, 2003, Robert Beale sent an email to all Control employees directing them not to communicate with or provide information to MDR.

Control failed to provide the documents to MDR in response to Schaefer's letters, and so on July 11, 2003 MDR served subpoenas on Control for the same records. When Schaefer went to Control to serve the subpoenas, the receptionist directed him to a telephone in the lobby on which he spoke to Beale. Beale said he would not accept service of the subpoena, but he sent Stagni out to meet and accept service on behalf of Control. By letter to Schaefer dated July 30, 2003, Beale indicated that he was directing Control to refuse to comply with the subpoenas.

On February 4, 2004, MDR brought an action in Minnesota state district court to enforce the subpoenas or hold Control in contempt for failure to comply. On February 10, Evanson and Stagni received advice from Mark Weitz that they should comply with the subpoenas if ordered to do so, but that if Beale ordered them in writing to turn over to him documents responsive to the subpoenas, they might escape being held in contempt. Thereafter, Evanson typed up a memorandum which purported to be authored by Beale directing Evanson to gather all of the original documentation called for in the MDR subpoenas and give it to Beale "so that it can be under [Beale's] exclusive control." Evanson had Beale sign the memorandum, then gave a copy of the memorandum to Ms. Johnson and told her to give him the documents she had compiled so that he could give them to Beale.

The memorandum drafted by Evanson also directed that Chayil invoices no longer be paid by wire, and instead that they be paid by cashier's check and sent by Federal Express to Beale's home address in Florida.<sup>6</sup> Evanson also obtained all of the bank records located at Control which listed the previous wire transfers from Control to Chayil; Evanson turned the bank records over to Beale.

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<sup>6</sup> In June of 2004, Evanson submitted his annual employee self-evaluation to Stagni and listed, as one of his major accomplishments for the year: "Devised a method to get Chayil paid with minimal documentation or audit trail so as to satisfy Chayil yet protect Control and its employees."

Also in February of 2004, Lee Stagni directed the head of Control's IT department, Keith Hammerbeck, to obtain all of Control's computer-system back-up tapes from off-site archives and have them sent to Beale at his home in Florida. At that time, Control backed up its entire computer system once a week, and then each month sent all of the weekly back-up tapes to an off-site storage facility. It was Control's policy at that time to keep the back-up tapes at the storage facility, both to have access to historical data in case it was necessary to locate information that had been deleted, and also to be able to rebuild the computer system in the event of a system crash or other catastrophic loss of data. On February 23, 2004, after retrieving all of the back-up tapes from off-site storage, Hammerbeck had them shipped to Beale at his residence in Florida.

On December 21, 2004, a state district court judge ordered Control to comply with MDR's subpoenas. Neither Control nor Robert Beale ever provided any documents to MDR in response to the subpoenas.<sup>7</sup>

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<sup>7</sup> In January 2005, Control's corporate counsel Fred Dawe (a family friend of Robert Beale who was hired after Beale fired Mark Weitz of Leonard Street and Deinard as Control's corporate counsel) sent a letter to MDR claiming that Control did not have any records responsive to the subpoenas because they had all been seized by the IRS in the search warrant. This letter was false. Many documents responsive to the MDR subpoenas, including invoices from the Chayil corporation, were in the possession of Beale, who had the documents (as well as the tape back-up of the Control computer system) turned over to him in February of 2004. Moreover, Control's computers were not seized by the IRS but instead were electronically-imaged;

### **I. Rocket Promotions**

In March of 1998, Stagni began receiving a portion of his salary at Control through an S-Corporation named "Rocket Promotions," although the Rocket Promotions payments were characterized as "advertising income." Stagni had a drag racing hobby, and by treating the Rocket Promotions payments as income to the corporation rather than his salary at Control he was able to conceal his income and write off all of the expenses of his car racing hobby. The "advertising" done by Rocket Promotions consisted of placing a Control sticker in the window of his race car.

The payments to Rocket Promotions were stable from 1998 until the end of 2000, but got progressively larger during the period of the conspiracy charged in this case. In addition, Stagni began to receive his Control employment performance bonus through Rocket Promotions, which he then characterized on his tax returns as income to Rocket Promotions. Stagni was the only employee at Control to receive his bonus in this fashion, as all other employees were paid bonuses through payroll.

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many records responsive to the MDR subpoena remained on Control's computer system after the search. This was made clear by Control's 2006 production of documents in response to Stagni's Rule 17(c) subpoena in this case, which contained many of the materials requested by the MDR in 2003. In addition, although during its 2004 search of Control the IRS obtained copies of Chayil invoices and other materials sought by MDR, the originals of these documents were turned over to Beale.

The increases in Rocket Promotions payments were approved by Robert Beale and often coincide with significant overt acts in the conspiracy. For example, Stagni entered into an employment agreement at the end of 2000, shortly after devising the scheme to pay Beale through Chayil, which was executed on behalf of Comtrol by Beale (listed as Comtrol's CEO) and which contained a provision for a portion of Stagni's salary to be made monthly payments to Rocket Promotions in the amount of \$2000. On January 9, 2001, right after Stagni ensured that Comtrol would not be issuing a 1099 for Chayil, Beale approved an increase in those payments to \$4,500 per month. On July 11, 2003, the day the MDR served the subpoena on Comtrol and after Beale had instructed all the Comtrol employees not to provide information to MDR, Beale approved a \$30,000 bonus payment to Stagni that was then paid through Rocket Promotions.

Stagni's income paid through Rocket Promotions rose from \$25,000 in 2000, to \$60,850 in 2001, \$69,000 in 2002, \$99,500 in 2003, and \$148,784 in 2004. The false characterization of the Rocket Promotions payments constituted income tax evasion by Stagni and payroll tax evasion by Comtrol.

#### **J. The IRS Investigation**

In March of 2004, while the MDR's motion to compel response to its subpoenas to Comtrol was pending in state district court, MDR investigator Matt Schaefer contacted IRS-CID SA Teri Schultz to advise her about the information he had learned about Beale's

income from Control. Based on this information, SA Schultz began a criminal tax investigation. Schaefer also directed an anonymous Control employee who had been providing him information to contact SA Schultz. That informant contacted SA Schultz in April of 2004 and also put SA Schultz in touch with a second anonymous Control employee; the two anonymous Control employees were in fact Eileen Johnson and Lee Aide. Over the next several months, Johnson and Aide (who continued to remain anonymous) provided SA Schultz with information which led to a search warrant for Control's headquarters in Maple Grove, Minnesota. The warrant was executed on September 23, 2004.

**K. The False IRS Lien Releases**

In June of 2001, the IRS placed a lien on Beale's Florida residence for unpaid taxes related to the 1992-1995 tax years. Thereafter, Beale sent letters to both the IRS and the Collier County (Florida) Clerk of Court demanding that the lien be removed. When this did not work, Beale created a counterfeit "Certificate of Release of Federal Tax Lien," using a word processing program to make the "Certificate" look like a genuine IRS Certificate of Release of Federal Tax Lien. Beale's false lien release was patterned after the actual IRS Certificate of Release he obtained after he paid his 1998 federal taxes. On March 16, 2004, Beale fraudulently obtained a release of the IRS lien by filing the counterfeit "Certificate" with the Collier County Clerk.

Similarly, Beale created, but did not file, a counterfeit "Certificate of Release of Federal Tax Lien" for an IRS lien which had been placed on his home in Ramsey County (Minnesota) in March of 2005. The unfiled counterfeit "Certificate" was dated August 12, 2005, and was found in electronic format on the laptop computer seized from Beale when he was arrested in this case.

**L. Failure to Appear**

On January 10, 2006, Beale and Stagni were indicted on five counts of tax evasion and one count of conspiracy to defraud the United States. On August 14, 2006, trial in this matter was scheduled to commence. A jury was called. Beale's attorney, Dan Scott, appeared. Beale's co-defendant, Stagni, also appeared with his attorney, Don Lewis. Beale, however, failed to appear as ordered. A bench warrant was issued for his arrest. Beale spent the next 14 months evading apprehension. On November 1, 2007, Beale was arrested by US Marshals in Orlando, Florida. When arrested, Beale had in his possession several false forms of identification, including a fake passport and drivers license issued in the name Robert Johnson.

**III. THE CHARGES**

Counts 1-5 of the Indictment charge Beale tax evasion for the tax years 2000 through 2004, respectively. Count 6 of the Indictment charges Beale with conspiring with Stagni and others to defraud the United States by impeding, impairing, obstructing, and

defeating the lawful functions of the IRS in the ascertainment, computation, assessment, and collection of taxes. Count 7 charges Beale with failure to appear at trial.

Dated: April 21, 2008

FRANK J. MAGILL, JR.  
Acting United States Attorney

*s/Timothy C. Rank*

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