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CLERK U.S. DISTRICT COURT  
CENTRAL DIST. OF CALIF.  
LOS ANGELES

BY: \_\_\_\_\_

UNITED STATES DISTRICT COURT  
FOR THE CENTRAL DISTRICT OF CALIFORNIA

September 2011 Grand Jury

11	UNITED STATES OF AMERICA,	)	No. CR 12-441(A)-MWF.
12	Plaintiff,	)	<u>F I R S T</u>
13	v.	)	<u>S U P E R S E D I N G</u>
		)	<u>I N D I C T M E N T</u>
14	GARY EDWARD KOVALL,	)	[18 U.S.C. § 371: Conspiracy; 18
15	DAVID ALAN HESLOP,	)	U.S.C. § 666: Receipt of a Bribe
16	PAUL PHILLIP BARDOS, and	)	by an Agent of an Indian Tribal
17	PEGGY ANNE SHAMBAUGH,	)	Government Receiving Federal
	Defendants.	)	Funds, Paying a Bribe to an Agent
		)	of an Indian Tribal Government
		)	Receiving Federal Funds; 18 U.S.C.
		)	§ 1343: Wire Fraud; 18 U.S.C.
		)	§ 1957(a): Engaging in Monetary
		)	Transactions in Property Derived
		)	From Specified Unlawful Activity;
		)	26 U.S.C. § 7201: Tax Evasion; 26
		)	U.S.C. § 7206(1): Subscribing a
		)	False Tax Return; 18 U.S.C.
		)	§§ 981(a)(1), 982(a)(1), 21 U.S.C.
		)	§ 2461(c): Criminal Forfeiture]

The Grand Jury charges:

COUNT ONE

[18 U.S.C. § 371]

A. INTRODUCTORY ALLEGATIONS

At all times relevant to this Indictment:

1. The Twenty-Nine Palms Band of Mission Indians ("Tribe")

1 was a Native American tribe. The Tribe's reservation was located  
2 in the Mojave Desert and Coachella Valley. The Tribe was  
3 governed by a Tribal Council led by an elected Tribal Chairman.

4 2. The Tribe owned Twenty-Nine Palms Enterprises Corp.  
5 through which the Tribe operated the Spotlight 29 Casino in  
6 Riverside County, within the Central District of California.

7 3. Defendant GARY EDWARD KOVALL ("KOVALL") was a member of  
8 the State Bar of California who represented the Tribe as its  
9 legal counsel. Defendant KOVALL maintained an office on the  
10 Tribe's property and, according to defendant KOVALL's invoices to  
11 the Tribe, defendant KOVALL worked for the Tribe on virtually a  
12 daily basis. Among other things, defendant KOVALL attended  
13 Tribal Council meetings, negotiated and drafted contracts on  
14 behalf of the Tribe, and advised the Tribal Council to enter  
15 contracts, including contracts between the Tribe and defendant  
16 DAVID ALAN HESLOP ("HESLOP") and contracts between the Tribe and  
17 defendant PAUL PHILLIP BARDOS ("BARDOS"). On the advice of  
18 defendant KOVALL, moreover, the Tribe created Echo Trail  
19 Holdings, LLC, a California limited liability company of which  
20 the Tribe was the sole member, to purchase real estate on behalf  
21 of the Tribe. Defendant KOVALL drafted the Operating Agreement  
22 of Echo Trail Holdings, LLC, and advised the Tribe to enter into  
23 it.

24 4. As a member of the State Bar of California and an  
25 attorney for the Tribe, defendant KOVALL was required pursuant to  
26 Rule 3-310 of the California Rules of Professional Conduct to  
27 notify the Tribe if he had an adverse interest in any matter in  
28 which he represented the tribe. Specifically, Rule 3-310 of the

1 California Rules of Professional Conduct required defendant  
2 KOVALL to disclose to the Tribe, in writing, any:

3 a. Legal, business, financial, professional, or  
4 personal relationship defendant KOVALL had with a party in the  
5 same matter;

6 b. Legal, business, financial, professional, or  
7 personal relationship with another person or entity defendant  
8 KOVALL knew or reasonably should have know would be affected  
9 substantially by the resolution of the matter; or

10 c. Legal, business, financial, or professional  
11 interest in the subject matter of the representation.

12 5. Defendant HESLOP was introduced to the Tribe by  
13 defendant KOVALL. On defendant KOVALL's advice, the Tribe named  
14 defendant HESLOP the manager of Echo Trail Holdings, LLC.  
15 Pursuant to the Operating Agreement of Echo Trail Holdings, LLC,  
16 defendant HESLOP was authorized to manage the company's assets;  
17 borrow money (including borrowing money from the Tribe); grant  
18 security interests in the company's assets; refinance debts owed  
19 to the company for borrowed money; compromise or release the  
20 company's claims or debts; employ persons or entities for the  
21 operation and management of the company's business; open bank  
22 accounts for the benefit of the company; sign contracts,  
23 conveyances, assignments, leases, and agreements affecting the  
24 company's business and assets; sign checks and other orders for  
25 payment of the company's funds; and sign promissory notes,  
26 mortgages, deeds of trust, security agreements, and similar  
27 documents. The Tribe paid defendant HESLOP to manage Echo Trail  
28 Holdings, LLC, and, on the advice of defendant KOVALL, also paid

1 defendant HESLOP to provide the Tribe with demographic consulting  
2 services, beginning no later than the mid-2000s.

3       6. Defendant BARDOS was a licensed general contractor and  
4 the sole owner and shareholder of: (a) Bardos Construction, Inc.,  
5 which was an S Corporation located in San Bernardino County; (b)  
6 Cadmus Construction Co., which was a sole-proprietorship located  
7 in San Bernardino County; and (c) Cadmus Construction, Inc.,  
8 which, beginning in approximately February 2008, was an S  
9 Corporation located in San Bernardino County. Defendants HESLOP  
10 and KOVALL introduced defendant BARDOS to the Tribe and persuaded  
11 the Tribe to contract with defendant BARDOS to act as the Tribe's  
12 "owner's representative" in connection with a number of  
13 construction improvements to the Spotlight 29 Casino and grounds.  
14 Defendant HESLOP explained to the Tribe that, as the Tribe's  
15 owner's representative, defendant BARDOS would "review and  
16 oversee work of construction contracted by the Tribe with others  
17 and protect them [the Tribe] from harm." Defendant KOVALL  
18 drafted defendant BARDOS' "owner's representative" agreement with  
19 the Tribe, pursuant to which defendant BARDOS was, among other  
20 things, to review design and construction proposals, negotiate  
21 contracts with contractors and suppliers, inspect construction  
22 work, review invoices, "protect [the Tribe's] interests" with  
23 respect to change orders, and verify that all work was completed  
24 to the Tribe's satisfaction.

25       7. Defendant PEGGY ANNE SHAMBAUGH ("SHAMBAUGH") was, at  
26 various times relevant to this Indictment, defendant KOVALL's co-  
27 habitant, girlfriend, fiancée, or wife.

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1        8.    On an annual basis, the United States Environmental  
2 Protection Agency ("EPA") provided the Tribe hundreds of  
3 thousands of dollars in federal assistance. EPA grant monies  
4 were disbursed to the Tribe throughout the year.

5    B.    OBJECTS OF THE CONSPIRACY

6        9.    Beginning no later than in or about September 2006, and  
7 continuing through in or about August 2008, in Riverside, San  
8 Bernardino, and San Luis Obispo Counties, within the Central  
9 District of California, and elsewhere, defendants KOVALL, HESLOP,  
10 BARDOS, and SHAMBAUGH, together with others known and unknown to  
11 the Grand Jury, conspired and agreed with each other knowingly  
12 and intentionally to (i) corruptly accept and agree to accept  
13 things of value from a person, that is, monetary payments,  
14 intending to be influenced and rewarded in connection with a  
15 transaction and series of transactions of the Tribe involving  
16 \$5,000 or more; and (ii) corruptly give, offer, and agree to give  
17 things of value, that is, monetary payments, to any person  
18 intending to influence and reward Gary Edward Kovall and David  
19 Alan Heslop in connection with a transaction and series of  
20 transactions of the Tribe involving \$5,000 or more, in violation  
21 of Title 18, United States Code, Sections 666(a)(1)(B) and  
22 (a)(2).

23    C.    MEANS BY WHICH THE OBJECTS OF THE CONSPIRACY WERE TO BE  
24        ACCOMPLISHED

25        10.   The objects of the conspiracy were to be accomplished  
26 in substance as follows:

27            a.    Defendants HESLOP and KOVALL, in their respective  
28 capacities as agents of the Tribe, would introduce defendant

1 BARDOS to the Tribe and recommend that the Tribe hire defendant  
2 BARDOS as the Tribe's "owner's representative" in connection with  
3 construction work planned by the Tribe.

4 b. Defendant KOVALL would persuade the Tribe to enter  
5 into a contract with defendant BARDOS, whereby defendant BARDOS  
6 would act as the Tribe's "owner's representative" in connection  
7 with a number of construction improvements to the Spotlight 29  
8 Casino and grounds.

9 c. When additional construction or construction  
10 oversight would become necessary, defendant BARDOS would submit  
11 proposals to perform the work, and defendant KOVALL would advise  
12 the Tribe to accept defendant BARDOS' proposals.

13 d. Defendant BARDOS would subcontract much of the  
14 construction work he was awarded by the Tribe to third parties,  
15 which would perform all or nearly all of the construction work  
16 for significantly less money than the Tribe would pay defendant  
17 BARDOS for the same construction work, allowing defendant BARDOS  
18 to perform little or no work yet receive substantial proceeds  
19 from defendant BARDOS' contracts with the Tribe.

20 e. Defendant BARDOS would pay kickbacks to defendant  
21 HESLOP who, in turn, would pay kickbacks to defendant KOVALL,  
22 though defendant SHAMBAUGH.

23 D. OVERT ACTS

24 11. In furtherance of the conspiracy and to accomplish the  
25 objects of the conspiracy, defendants KOVALL, HESLOP, BARDOS, and  
26 SHAMBAUGH, and others known and unknown to the Grand Jury,  
27 committed various overt acts within the Central District of

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1 California and elsewhere, including but not limited to the  
2 following:

3 The Tribe Engages Bardos to Act as its Owner's  
4 Representative

5 1. In or about September 2006, defendants HESLOP and  
6 KOVALL introduced defendant BARDOS to the Tribe and recommended  
7 that the Tribe hire defendant BARDOS as the Tribe's "owner's  
8 representative" in connection with construction work planned by  
9 the Tribe.

10 2. On or about February 1, 2007, defendant KOVALL  
11 advised the Tribe to enter into a contract with defendant BARDOS,  
12 whereby defendant BARDOS would act as the Tribe's "owner's  
13 representative" in connection with a number of construction  
14 improvements to the Spotlight 29 Casino and grounds, including a  
15 "parking structure located adjacent to the Spotlight 29 casino,"  
16 for which the Tribe initially paid defendant BARDOS \$12,500.00  
17 per month and later \$12,500.00 twice per month.

18 Construction of a Temporary Parking Lot and Access  
19 Road

20 3. On or about March 12, 2007, defendant BARDOS  
21 proposed that his company, Cadmus Construction Co., construct a  
22 temporary parking lot and access road for the Tribe in exchange  
23 for \$751,995.00.

24 4. In or about March 2007, defendant KOVALL informed  
25 the Tribe that he had compared defendant BARDOS' \$751,995.00  
26 proposal to proposals obtained from other contractors, advised  
27 the Tribe that accepting defendant BARDOS' proposal would save  
28 the Tribe money, and persuaded the Tribe to contract with

1 defendant BARDOS and Cadmus Construction Co. to construct the  
2 temporary parking lot and access road for \$751,995.00.

3 5. On or about March 21, 2007, defendant BARDOS  
4 subcontracted with another company to construct the temporary  
5 parking lot and access road for \$291,258.00.

6 6. Thereafter, defendants BARDOS, HESLOP, and  
7 SHAMBAUGH obtained and distributed among them payments from the  
8 Tribe. Specifically:

9 (1) On or about April 26, 2007, defendant BARDOS  
10 received a \$517,105.00 check from the Tribe as payment to  
11 construct the temporary parking lot and access road.

12 (2) On or about May 3, 2007, defendant BARDOS  
13 received a \$196,440 check from the Tribe as payment to construct  
14 the temporary parking lot and access road.

15 (3) On or about May 4, 2007, defendant BARDOS  
16 provided defendant HESLOP with a \$171,753.00 check.

17 (4) On or about May 9, 2007, defendant BARDOS  
18 provided defendant HESLOP with a \$37,327.48 check.

19 (5) On or about May 10, 2007, defendant HESLOP  
20 provided defendant SHAMBAUGH with a \$80,000.00 check.

21 (6) On or about May 23, 2007, defendant HESLOP  
22 provided defendant SHAMBAUGH with a \$24,541.00 check.

23 (7) On or about May 30, 2007, defendant BARDOS  
24 received a \$38,450 check from the Tribe as payment to construct  
25 the temporary parking lot and access road.

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1 (8) On or about October 18, 2007, defendant  
2 HESLOP provided defendant SHAMBAUGH with a \$24,541.00 check,  
3 including the notation "Replacement for May Check."

4 Disking of 80-Acre Parcel of Land

5 7. On or about May 7, 2007, after the Tribe was  
6 required to clear an 80-acre parcel of land as a fire abatement  
7 measure, defendant BARDOS proposed that his company, Cadmus  
8 Construction Co., clear the land for \$22,250.00.

9 8. On a date unknown, but between on or about May 7,  
10 2007, and September 20, 2007, defendant KOVALL persuaded the  
11 Tribe to accept defendant BARDOS' proposal to clear the 80-acre  
12 parcel of land for \$22,250.00.

13 9. On or about August 20, 2007, defendant BARDOS paid  
14 another construction company to clear the 80-acre parcel of land  
15 for \$2,836.19.

16 10. Thereafter, defendants BARDOS, HESLOP, and  
17 SHAMBAUGH obtained and distributed payments from the Tribe.  
18 Specifically:

19 (1) On or about September 20, 2007, defendant  
20 BARDOS received a \$22,250.00 check from the Tribe as payment for  
21 clearing the 80-acre parcel of land.

22 (2) On or about September 26, 2007, defendant  
23 BARDOS provided defendant HESLOP with an \$11,125.00 check.

24 (3) On or about October 18, 2007, defendant  
25 HESLOP provided defendant SHAMBAUGH with a \$7,813.00 check.

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Oversight Management of Construction of Spotlight 29  
Casino

11. On or about May 22, 2007, defendant BARDOS proposed that his company, Cadmus Construction Co., perform the oversight of the construction at the Spotlight 29 Casino of a co-generation power plant for \$620,000.00, with \$120,000.00 "due upon signing" and monthly payments thereafter.

12. On or about June 12, 2007, defendant KOVALL advised the Tribe: (i) it would need an "owner's representative" for the co-generation plant construction project; (ii) defendant BARDOS' existing "owner's representative" contract did not include this project; (iii) he had compared defendant BARDOS' proposal to the competing proposal; (iv) the Tribe would "save more than \$100,000" by selecting defendant BARDOS; and (v) to accept defendant BARDOS' proposal.

13. Thereafter, defendants BARDOS, HESLOP, and SHAMBAUGH obtained and distributed among them payments from the Tribe. Specifically:

July 2007 Oversight Payment

(1) On or about July 11, 2007, defendant BARDOS received a \$120,000.00 check from the Tribe as a "due upon signing" payment for oversight of the co-generation plant construction project.

(2) On or about July 17, 2007, defendant BARDOS provided defendant HESLOP with a \$60,000.00 check.

(3) On or about July 20, 2007, defendant HESLOP provided defendant SHAMBAUGH with a \$30,000 check.

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1                   August 2007 Oversight Payment

2                   (4) On or about August 15, 2007, defendant BARDOS  
3 received a \$31,250.00 check from the Tribe as a monthly payment  
4 for oversight of the co-generation plant construction project.

5                   (5) On or about August 22, 2007, defendant BARDOS  
6 provided defendant HESLOP with a \$15,625.00 check.

7                   (6) On or about August 27, 2007, defendant HESLOP  
8 provided defendant SHAMBAUGH with an \$8,313.00 check.

9                   September 2007 Oversight Payment

10                  (7) On or about September 13, 2007, defendant  
11 BARDOS received a \$31,250.00 check from the Tribe as a monthly  
12 payment for oversight of the co-generation plant construction  
13 project.

14                  (8) On or about September 18, 2007, defendant  
15 BARDOS provided defendant HESLOP with a \$15,625.00 check.

16                  (9) On or about October 4, 2007, defendant HESLOP  
17 provided defendant SHAMBAUGH with a \$13,375.00 check, including  
18 the notation "Partner Payment."

19                  October 2007 Oversight Payment

20                  (10) On or about October 3, 2007, defendant BARDOS  
21 received a \$31,250.00 check from the Tribe as a monthly payment  
22 for oversight of the co-generation plant construction project.

23                  (11) On or about October 9, 2007, defendant BARDOS  
24 provided defendant HESLOP with a \$15,625.00 check.

25                  November 2007 Oversight Payment

26                  (12) On or about November 5, 2007, defendant  
27 BARDOS received a \$31,250.00 check from the Tribe as a monthly

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1 payment for oversight of the co-generation plant construction  
2 project.

3 (13) On or about November 9, 2007, defendant  
4 BARDOS provided defendant HESLOP with a \$15,625.00 check.

5 (14) On or about November 26, 2007, defendant  
6 HESLOP provided defendant SHAMBAUGH with a \$7,863.00 check,  
7 including the notation "Cadmus."

8 Purported \$250,000 Deposit for Granite Purchase and  
9 December 2007 and January 2008 Oversight Payments

10 14. In or about November 2007, defendant BARDOS  
11 informed the Tribe that, as part of its planned casino bathroom  
12 renovation work, it should purchase granite as soon as possible  
13 and that the cost of granite was \$500,000. Defendant BARDOS  
14 informed the Tribe a deposit of 50% was required at the time of  
15 the order and that the balance was due at the time of delivery.  
16 In fact, as defendant BARDOS knew, the vendor was charging only  
17 \$200,000 for the granite and did not require a deposit of 50  
18 percent.

19 15. Thereafter, defendants BARDOS, HESLOP, and  
20 SHAMBAUGH obtained and distributed among them payments from the  
21 Tribe. Specifically:

22 (1) On or about December 10, 2007, defendant  
23 BARDOS received a \$281,250.00 check from the Tribe, which  
24 represented \$250,00.00 purportedly to be used as a deposit for  
25 the purchase of the granite and \$31,250.00 for the monthly  
26 payment for oversight of the co-generation plant construction  
27 project.

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1 (2) On or about December 17, 2007, defendant  
2 BARDOS provided defendant HESLOP with a \$125,000.00 check.

3 (3) On or about January 7, 2008, defendant BARDOS  
4 received a \$31,250.00 check from the Tribe as a monthly payment  
5 for oversight of the co-generation plant construction project.

6 (4) On or about January 14, 2008, defendant  
7 BARDOS provided defendant HESLOP with a \$15,625.00 check.

8 (5) On or about February 1, 2008, defendant  
9 HESLOP provided defendant SHAMBAUGH with a \$53,584.00 check.

10 Additional \$250,000 Granite Payment and February  
11 2008 Oversight Payment

12 (6) On or about January 30, 2008, defendant  
13 BARDOS received a \$250,000.00 check from the Tribe, which  
14 purportedly would be used to complete the purchase of the  
15 granite.

16 (7) On or about February 13, 2008, defendant  
17 BARDOS received a \$31,250.00 check from the Tribe as a monthly  
18 payment for oversight of the co-generation plant construction  
19 project.

20 (8) From on or about February 14, 2008, to on or  
21 about February 22, 2008, defendant BARDOS provided defendant  
22 HESLOP with three checks totaling approximately \$35,625.00.

23 (9) On or about February 29, 2008, defendant  
24 HESLOP provided defendant SHAMBAUGH with a \$17,812.00 check.

25 March and April 2008 Oversight Payments

26 (10) On or about March 11, 2008, defendant BARDOS  
27 received a \$31,250.00 check from the Tribe as a monthly payment  
28 for oversight of the co-generation plant construction project.

1 (11) On or about April 14, 2008, defendant BARDOS  
2 received a \$31,250.00 check from the Tribe as a monthly payment  
3 for oversight of the co-generation plant construction project.

4 (12) On or about April 16, 2008, defendant BARDOS  
5 provided defendant HESLOP with a \$15,625.00 check.

6 Additional Contracts and Payments

7 16. Defendant KOVALL continued to recommend that the  
8 Tribe hire defendant BARDOS for additional work from in or about  
9 February 2008 to in or about July 2008. Specifically, in or  
10 about March 2008, defendant KOVALL persuaded the Tribe to hire  
11 defendant BARDOS to remodel the casino's bathrooms for  
12 \$2,346,000. Additionally, in or about March 2008 defendant  
13 KOVALL persuaded the Tribe to hire defendant BARDOS to build a  
14 co-generation plant building shell for \$1,275,000. Also, in or  
15 about April 2008, defendant KOVALL persuaded the Tribe to hire  
16 defendant BARDOS to build a casino addition and pay defendant  
17 BARDOS his costs plus five-and-a-half percent profit.

18 17. From in or about April 2008 to in or about July  
19 2008, defendants BARDOS, HESLOP, and SHAMBAUGH obtained and  
20 distributed among them additional payments from the Tribe for  
21 these three projects. Specifically:

22 (1) On or about April 23, 2008, defendant BARDOS  
23 received a \$246,158.34 check from the Tribe as payment for the  
24 remodeling of two bathrooms.

25 (2) From on or about April 29, 2008, to on or  
26 about May 20, 2008, defendant BARDOS provided defendant HESLOP  
27 with four checks totaling \$48,125.00.

1 (3) On or about May 20, 2008, defendant HESLOP  
2 provided defendant SHAMBAUGH with a \$23,438.00 check.

3 (4) From on or about May 21, 2008, to on or about  
4 July 24, 2008, defendant BARDOS received five checks from the  
5 Tribe totaling approximately \$858,793.98.

6 (5) From on or about June 3, 2008, to on or about  
7 July 24, 2008, defendant BARDOS provided defendant HESLOP four  
8 checks totaling \$85,000.

## COUNTS TWO THROUGH NINE

[18 U.S.C. § 666(a)(2)]

12. The Grand Jury repeats and re-alleges paragraph 1 through 8 of this Indictment as though fully set forth herein.

13. At all times material to this Indictment, the Tribe was a tribal government that received federal assistance in excess of \$10,000 during the one-year period beginning May 9, 2007, and ending May 8, 2008.

14. On or about the dates set forth below, in Riverside, San Bernardino, and San Luis Obispo Counties, within the Central District of California, and elsewhere, defendant BARDOS corruptly gave, offered, and agreed to give things of value, that is, the monetary payments set forth below, to any person intending to influence and reward Gary Edward Kovall and David Alan Heslop in connection with a transaction and series of transactions of the Tribe involving \$5,000 or more, namely, the awarding of the Tribe's construction-related contracts.

<u>COUNT</u>	<u>DATE</u>	<u>CHECK NO.</u>	<u>PAYEE</u>	<u>AMOUNT</u>
TWO	May 9, 2007	None	Alan Heslop	\$37,327.48
THREE	July 17, 2007	None	Alan Heslop	\$60,000.00
FOUR	Aug. 23, 2007	1009	Alan Heslop	\$15,625.00
FIVE	Sept. 18, 2007	1012	Alan Heslop	\$15,625.00
SIX	Sept. 26, 2007	1014	Alan Heslop	\$11,125.00
SEVEN	Oct. 9, 2007	1016	Alan Heslop	\$15,625.00
EIGHT	Nov. 9, 2007	1019	Alan Heslop	\$15,625.00
NINE	Dec. 3, 2007	1023	Alan Heslop	\$15,625.00

## COUNTS TEN THROUGH SEVENTEEN

[18 U.S.C. § 666(a)(1)(B)]

15. The Grand Jury repeats and re-alleges paragraphs 1 through 8 and 13 of this Indictment as though fully set forth herein.

16. On or about the dates set forth below, in Riverside and San Luis Obispo Counties, within the Central District of California, and elsewhere, defendant HESLOP corruptly solicited, demanded, accepted, and agreed to accept things of value from a person, that is, the monetary payments set forth below, intending to be influenced and rewarded in connection with a transaction and series of transactions of the Tribe involving \$5,000 or more, namely, the awarding of the Tribe's construction-related contracts.

<u>COUNT</u>	<u>DATE</u>	<u>CHECK NO.</u>	<u>PAYEE</u>	<u>AMOUNT</u>
TEN	May 9, 2007	None	Alan Heslop	\$37,327.48
ELEVEN	July 17, 2007	None	Alan Heslop	\$60,000.00
TWELVE	Aug. 23, 2007	1009	Alan Heslop	\$15,625.00
THIRTEEN	Sept. 18, 2007	1012	Alan Heslop	\$15,625.00
FOURTEEN	Sept. 26, 2007	1014	Alan Heslop	\$11,125.00
FIFTEEN	Oct. 9, 2007	1016	Alan Heslop	\$15,625.00
SIXTEEN	Nov. 9, 2007	1019	Alan Heslop	\$15,625.00
SEVENTEEN	Dec. 3, 2007	1023	Alan Heslop	\$15,625.00

## COUNTS EIGHTEEN THROUGH TWENTY-FOUR

[18 U.S.C. § 666(a)(2)]

17. The Grand Jury repeats and re-alleges paragraphs 1 through 8 and 13 of this Indictment as though fully set forth herein.

18. On or about the dates set forth below, in Riverside and San Luis Obispo Counties, within the Central District of California, and elsewhere, defendant HESLOP corruptly gave, offered, and agreed to give things of value, that is, the monetary payments set forth below, to any person intending to influence and reward Gary Edward Kovall in connection with a transaction and series of transactions of the Tribe involving \$5,000 or more, namely, the awarding of the Tribe's construction-related contracts.

<u>COUNT</u>	<u>DATE</u>	<u>CHECK NO.</u>	<u>PAYEE</u>	<u>AMOUNT</u>
EIGHTEEN	May 10, 2007	4990	Peggy Shambaugh	\$80,000.00
NINETEEN	July 20, 2007	5086	Peggy Shambaugh	\$30,000.00
TWENTY	Aug. 27, 2007	5120	Peggy Shambaugh	\$ 8,313.00
TWENTY-ONE	Oct. 4, 2007	4713	Peggy Shambaugh	\$13,375.00
TWENTY-TWO	Oct. 18, 2007	4736	Peggy Shambaugh	\$24,541.00
TWENTY-THREE	Oct. 18, 2007	4737	Peggy Shambaugh	\$ 7,813.00
TWENTY-FOUR	Nov. 26, 2007	4792	Peggy Shambaugh	\$ 7,863.00

## COUNTS TWENTY-FIVE THROUGH THIRTY-ONE

[18 U.S.C. §§ 666(a)(1)(B), 2]

19. The Grand Jury repeats and re-alleges paragraphs 1 through 8 and 13 of this Indictment as though fully set forth herein.

20. On or about the dates set forth below, in Riverside County, within the Central District of California, and elsewhere, defendant KOVALL corruptly solicited and demanded and, aided and abetted by defendant SHAMBAUGH, accepted and agreed to accept things of value from a person, that is, the monetary payments set forth below, intending to be influenced and rewarded in connection with a transaction and series of transactions of the Tribe involving \$5,000 or more, namely, the awarding of the Tribe's construction-related contracts.

<u>COUNT</u>	<u>DATE</u>	<u>CHECK NO.</u>	<u>PAYEE</u>	<u>AMOUNT</u>
TWENTY-FIVE	May 10, 2007	4990	Peggy Shambaugh	\$80,000.00
TWENTY-SIX	July 20, 2007	5086	Peggy Shambaugh	\$30,000.00
TWENTY-SEVEN	Aug. 27, 2007	5120	Peggy Shambaugh	\$ 8,313.00
TWENTY-EIGHT	Oct. 4, 2007	4713	Peggy Shambaugh	\$13,375.00
TWENTY-NINE	Oct. 18, 2007	4736	Peggy Shambaugh	\$24,541.00
THIRTY	Oct. 18, 2007	4737	Peggy Shambaugh	\$ 7,813.00
THIRTY-ONE	Nov. 26, 2007	4792	Peggy Shambaugh	\$ 7,863.00

## COUNTS THIRTY-TWO AND THIRTY-THREE

[18 U.S.C. § 1343]

21. The Grand Jury repeats and re-alleges paragraphs 1 through 8 of this Indictment as though fully set forth herein.

22. At all times material to this Indictment:

a. The Tribe sought to purchase a 47-acre parcel of land adjacent to the casino property and engaged defendant KOVALL to negotiate the price on behalf of the Tribe and Echo Trail Holdings, LLC.

b. In addition to being defendant KOVALL's co-habitant, girlfriend, fiancée, or wife, Shambaugh was a real-estate agent.

A. THE SCHEME TO DEFRAUD

23. Beginning on a date unknown but no later than in or about May 2006, and continuing through in or about December 2007, in Riverside County, within the Central District of California, and elsewhere, defendant KOVALL, together with others known and unknown to the Grand Jury, knowingly and with intent to defraud, devised, participated in, and executed a scheme to defraud the Tribe as to material matters, and to obtain money and property from the Tribe by means of material false and fraudulent pretenses, representations, and promises, and the concealment of material facts.

24. The scheme to defraud was carried out, in substance, in the following manner:

a. Defendant KOVALL persuaded the Tribe to authorize Heslop to purchase the 47-acre parcel on behalf of Echo Trail Holdings, LLC, and disburse money to pay for the property.

1           b. Defendant KOVALL attempted to have the seller pay  
2 a commission to Shambaugh's real estate agency as the Tribe's  
3 purported real estate agent, despite the fact that, as KOVALL  
4 knew, Shambaugh and her agency had done little work to assist  
5 the Tribe in its purchase of the 47-acre parcel.

6           c. When the seller refused to pay the commission to  
7 the Tribe's purported agent, defendant KOVALL convinced the Tribe  
8 to authorize Heslop to increase Echo Trail Holdings, LLC's offer  
9 for the 47-acre parcel for the purpose of paying a significant  
10 commission to Shambaugh through her real estate agency.

11           d. On or about September 19, 2007, defendant KOVALL  
12 negotiated an option agreement for the Tribe to purchase the 47-  
13 acre parcel for \$31.7 million, which called for Shambaugh and her  
14 real estate agency to be paid a commission of several hundred  
15 thousand dollars from the amount of the purchase price paid by  
16 the Tribe.

17           e. On or about November 9, 2007, defendant KOVALL and  
18 Heslop caused Echo Trail Holdings, LLC to purchase the property  
19 on behalf of the Tribe for \$31.7 million.

20           f. On or about November 9, 2007, defendant KOVALL  
21 caused Shambaugh to receive a commission of approximately  
22 \$804,252 as Echo Trail Holdings, LLC's and the Tribe's purported  
23 agent for the purchase of the 47-acre parcel.

24           g. Defendant KOVALL concealed material facts from the  
25 Tribe, despite having a duty to disclose them in writing under  
26 the State Bar of California's Rules of Professional Conduct.  
27 Specifically, defendant KOVALL did not disclose to the Tribe his  
28 adverse interest in the purchase of the 47-acre parcel and his

1 relationship with Shambaugh and therefore materially omitted that  
 2 he knew that he had a personal relationship with Shambaugh, who  
 3 would be affected substantially by the resolution of the purchase  
 4 of the 47-acre parcel.

5 C. USE OF THE WIRES

6 25. On or about the dates set forth below, in Riverside  
 7 County, within the Central District of California, and elsewhere,  
 8 defendant KOVALL, for the purpose of executing the above-  
 9 described scheme to defraud, transmitted and caused the  
 10 transmission of the following items by means of wire  
 11 communication in interstate and foreign commerce, specifically:

12	<u>COUNT</u>	<u>DATE</u>	<u>DESCRIPTION</u>
13	THIRTY-TWO	Nov. 7, 2007	Email from KOVALL to escrow agent,
14			with copy to Shambaugh, suggesting
15			that the parties close on the
			purchase of the 47-acre parcel on
			November 9, 2007.
16	THIRTY-THREE	Nov. 7, 2007	Wire transfer of \$30,749,697.29 from
17			Echo Trail Holdings, LLC's account
18			at Pacific Western Bank to Fidelity
			National Title's account at Wells
			Fargo Bank.

## COUNT THIRTY-FOUR

[18 U.S.C. § 666(a)(2)]

26. The Grand Jury repeats and re-alleges paragraphs 1 through 8, 13, and 22 of this Indictment as though fully set forth herein.

27. On or about December 14, 2007, in Riverside and San Luis Obispo Counties, within the Central District of California, and elsewhere, defendant SHAMBAUGH corruptly gave, offered, and agreed to give things of value, that is, \$10,000 to Heslop, intending to influence and reward him in connection with a transaction and series of transactions of the Tribe involving \$5,000 or more, namely, Echo Trail Holdings, LLC's purchase of a 47-acre parcel of land for \$31.7 million on behalf of the Tribe and the awarding of a commission payment to defendant SHAMBAUGH as Echo Trail Holdings, LLC's and the Tribe's purported agent for the purchase of the property.

## COUNT THIRTY-FIVE

[18 U.S.C. § 666(a)(2)]

28. The Grand Jury repeats and re-alleges paragraphs 1 through 8, 13, and 22 of this Indictment as though fully set forth herein.

29. On or about December 14, 2007, in Riverside and San Luis Obispo Counties, within the Central District of California, and elsewhere, defendant HESLOP corruptly solicited, demanded, accepted, and agreed to accept things of value, that is, \$10,000 from Shambaugh, intending to be influenced and rewarded in connection with a transaction and series of transactions of the Tribe involving \$5,000 or more, namely, Echo Trail Holdings, LLC's purchase of a 47-acre parcel of land for \$31.7 million on behalf of the Tribe and the awarding of a commission payment to Shambaugh as Echo Trail Holdings, LLC's and the Tribe's purported agent for the purchase of the property.

## COUNTS THIRTY-SIX THROUGH FIFTY-TWO

[18 U.S.C. § 1957]

30. On or about the dates set forth below, in San Bernardino, Riverside, and San Luis Obispo Counties, within the Central District of California, and elsewhere, defendants PAUL PHILLIP BARDOS, DAVID ALAN HESLOP, and PEGGY ANNE SHAMBAUGH, knowing that the funds involved represented the proceeds of some form of unlawful activity, conducted and attempted to conduct, and willfully caused others to conduct, the following monetary transactions, by, through, or to a financial institution, affecting interstate or foreign commerce, in criminally derived property of a value greater than \$10,000, that is, the deposit, withdrawal, transfer, and exchange of United States currency, which property, in fact, was derived from specified unlawful activity, that is, commercial bribery, in violation of California Penal Code Section 641.3.

<u>COUNT</u>	<u>DATE</u>	<u>DEFENDANT</u>	<u>MONETARY TRANSACTION</u>
THIRTY-SIX	May 9, 2007	BARDOS	Deposit of check no. 1008, dated May 3, 2007, drawn against Pacific Western Bank account no. XXX-XXX0669 and payable to Cadmus Construction Co. in the amount of \$196,440.00.
THIRTY-SEVEN	May 14, 2007	HESLOP	Deposit of unnumbered check, dated May 9, 2007, drawn against Inland Community Bank account no. XXX XX5634 and payable to Alan Heslop in the amount of \$37,327.48.

1	THIRTY-	June 6, 2007	BARDOS	Deposit of check no. 1018,
2	EIGHT			dated May 30, 2007, drawn
3				against Pacific Western Bank
4				account no. XXX-XXX0669 and
				payable to Cadmus Construction
				Co. in the amount of
				\$38,450.00.
5	THIRTY-	July 18, 2007	SHAMBAUGH	Deposit of check no. 4990,
6	NINE			dated May 10, 2007, drawn
7				against Mid-State Bank & Trust
8				account no. XXXXX4902, payable
				to Peggy Shambaugh in the
				amount of \$80,000.00.
9	FORTY	July 18, 2007	BARDOS	Deposit of check no. 1038,
10				dated July 11, 2007, drawn
11				against Pacific Western Bank
12				account no. XXX-XXX0669 and
				payable to Cadmus Construction
				Co. in the amount of
				\$120,000.00.
13	FORTY-	July 23, 2007	SHAMBAUGH	Deposit of check no. 5086,
14	ONE			dated July 20, 2007, drawn
15				against Mid-State Bank & Trust
				account no. XXXXX4902, payable
				to Peggy Shambaugh in the
				amount of \$30,000.00.
16	FORTY-	July 23, 2007	HESLOP	Deposit of unnumbered check,
17	TWO			dated July 17, 2007, drawn
18				against Inland Community Bank
				account no. XXX XX5634 and
				payable to Alan Heslop in the
				amount of \$60,000.00.
19	FORTY-	Aug. 22, 2007	BARDOS	Deposit of check no. 87537,
20	THREE			dated August 15, 2007, drawn
21				against Pacific Western Bank
22				account no. XXXXX6197 and
				payable to Cadmus Construction
				Co. in the amount of
				\$31,250.00.
23	FORTY-	Aug. 27, 2007	HESLOP	Deposit of check no. 1009,
24	FOUR			dated August 23, 2007, drawn
25				against Inland Community Bank
26				account no. XXX XX5634 and
				payable to Alan Heslop in the
				amount of \$15,625.00.

1	FORTY-	Sept. 19, 2007	BARDOS	Deposit of check no. 1058,
2	FIVE			dated September 13, 2007,
3				drawn against Pacific Western
4				Bank account no. XXX-XXX0669
				and payable to Cadmus
				Construction Co. in the amount
				of \$31,250.00.
5	FORTY-	Sept. 26, 2007	BARDOS	Deposit of check no. 1067,
6	SIX			dated September 20, 2007,
7				drawn against Pacific Western
8				Bank account no. XXX-XXX0669
				and payable to Cadmus
				Construction Co. in the amount
				of \$22,250.00.
9	FORTY-	Oct. 2, 2007	HESLOP	Deposit of check no. 1012,
10	SEVEN			dated September 18, 2007,
11				drawn against Inland Community
12				Bank account no. XXX XX5634
				and payable to Alan Heslop in
				the amount of \$15,625.00.
13	FORTY-	Oct. 2, 2007	HESLOP	Deposit of check no. 1014,
14	EIGHT			dated September 26, 2007,
15				drawn against Inland Community
16				Bank account no. XXX XX5634
				and payable to Alan Heslop in
				the amount of \$11,125.00.
17	FORTY-	Oct. 10, 2007	BARDOS	Deposit of check no. 1068,
18	NINE			dated December 3, 2007, drawn
19				against Pacific Western Bank
20				account no. XXX-XXX0669 and
21				payable to Cadmus Construction
				Co. in the amount of
				\$31,250.00.
22	FIFTY	Oct. 17, 2007	HESLOP	Deposit of check no. 1016,
23				dated October 9, 2007, drawn
24				against Inland Community Bank
25				account no. XXX XX5634 and
26				payable to Alan Heslop in the
27				amount of \$15,625.00.
28				

1 FIFTY- Nov. 13, 2007 BARDOS Deposit of check no. 1079,  
2 ONE dated November 5, 2007, drawn  
3 against Pacific Western Bank  
4 account no. XXX-XXX0669 and  
5 payable to Cadmus Construction  
6 Co. in the amount of  
7 \$31,250.00.

8 FIFTY- Nov. 19, 2007 HESLOP Deposit of check no. 1019,  
9 TWO dated November 9, 2007, drawn  
10 against Inland Community Bank  
11 account no. XXX XX5634 and  
12 payable to Alan Heslop in the  
13 amount of \$15,625.00.  
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## COUNT FIFTY-THREE

[26 U.S.C. § 7201]

31. The Grand Jury repeats and re-alleges paragraphs 1 through 3, 5, and 6 of this Indictment as though fully set forth herein.

32. Defendant BARDOS was a resident of Rancho Cucamonga, California, within the Central District of California. Defendant BARDOS used Bookkeeper A, who was located in Chino, California, also within the Central District of California, to prepare his individual tax returns and business's tax returns. Because Bardos Construction Inc. ("BCI") was an S Corporation, defendant BARDOS was required to file a tax return, Form 1120S, on its behalf. Additionally, defendant BARDOS was required to report BCI's income on his individual Form 1040 tax returns. Further, because Cadmus Construction Co. ("CCC") was not incorporated, defendant BARDOS was to report all income and expenses related to CCC on his individual Form 1040 tax returns.

33. Defendant BARDOS provided Bookkeeper A with several items so that Bookkeeper A could prepare BCI's Form 1120S tax return and defendant BARDOS's individual Form 1040 tax return. Among these items were BCI's bank statements and business ledgers.

34. Beginning on or about January 3, 2007, and continuing through on or about April 10, 2008, in San Bernardino County, within the Central District of California, and elsewhere, defendant BARDOS willfully attempted to evade and defeat the assessment and payment of a substantial part of the income tax due and owing by him to the United States of America for the

1 calendar year 2007 by committing the following affirmative acts  
2 of evasion:

3 a. Defendant BARDOS instructed certain clients of BCI  
4 to make checks payable to defendant BARDOS personally, although  
5 BCI had been contracted to perform the work for these clients.

6 b. From on or about January 9, 2007, to on or about  
7 February 27, 2007, defendant BARDOS deposited approximately  
8 \$22,500 in checks he received for work BCI performed in his  
9 personal bank accounts knowing that, by depositing these checks  
10 in this manner, Bookkeeper A would not be aware of this income  
11 while preparing business and individual tax returns on behalf of  
12 BCI and defendant BARDOS.

13 c. From on or about January 12, 2007, to on or about  
14 October 10, 2007, defendant BARDOS cashed checks he received for  
15 work BCI performed, totaling approximately \$33,935, knowing that,  
16 by cashing these checks, Bookkeeper A would not be aware of this  
17 income while preparing business and individual tax returns on  
18 behalf of BCI and defendant BARDOS.

19 d. Defendant BARDOS provided Bookkeeper A with BCI's  
20 business ledgers knowing that these ledgers would not reflect the  
21 total amount of gross income BCI truly received.

22 e. Defendant BARDOS provided Bookkeeper A with BCI's  
23 bank account records knowing that these records would not reflect  
24 the total amount of gross income BCI truly received.

25 f. Defendant BARDOS falsely informed Bookkeeper A  
26 that payments to Heslop totaling \$483,330 were deductible  
27 business expenses as payments to a consultant of Cadmus  
28

1 Construction Co., when, as defendant BARDOS knew, they were in  
2 fact non-deductible bribe and kickback payments.

3 g. Defendant BARDOS concealed from Bookkeeper A  
4 approximately \$88,075 in income he received from the Tribe for  
5 acting as its owner representative on construction contracts.

6 f. Defendant BARDOS caused to be filed with the  
7 Internal Revenue Service false tax returns in that he failed to  
8 declare the amounts described above as gross income on his  
9 individual Form 1040 income tax return for the calendar year  
10 2007, and as gross income on BCI's Form 1120S business income tax  
11 return for the fiscal year ending on October 31, 2007.

## COUNT FIFTY-FOUR

[26 U.S.C. § 7206(1)]

35. The Grand Jury repeats and re-alleges paragraphs 1 through 3, 5, 6, 32, and 33 of this Indictment as though fully set forth herein.

36. On or about January 14, 2008, in San Bernardino County, within the Central District of California, and elsewhere, defendant BARDOS willfully made and subscribed a U.S. Income Tax Return for an S Corporation, Form 1120S, on behalf of BCI for the period November 1, 2006 to October 31, 2007, which was verified by a written declaration that it was made under the penalties of perjury and that was filed with the Internal Revenue Service on or about January 18, 2008, which return defendant BARDOS did not believe to be true and correct as to every material matter. Specifically, defendant BARDOS falsely declared in line 1 that BCI's gross receipts were \$961,491 and in line 6 that BCI's total income was \$88,428. In fact, as defendant BARDOS knew, BCI's gross receipts were substantially more than \$961,491 and BCI's total income was substantially more than \$88,428.

## COUNT FIFTY-FIVE

[26 U.S.C. § 7206(1)]

37. The Grand Jury repeats and re-alleges paragraphs 1 through 3, 5, 6, 32, and 33 of this Indictment as though fully set forth herein.

38. On or about March 14, 2008, in San Bernardino County, within the Central District of California, and elsewhere, defendant BARDOS willfully made and subscribed a U.S. Individual Income Tax Return, Form 1040, for the calendar year 2007, which was verified by a written declaration that it was made under the penalties of perjury and that was filed with the Internal Revenue Service on or about April 10, 2008, which return defendant BARDOS did not believe to be true and correct as to every material matter. Specifically, defendant BARDOS falsely declared in line 22 that his total income was \$228,255 and in line 43 that his taxable income was \$120,535. In fact, as defendant BARDOS knew, his total income was substantially more than \$228,255 and his taxable income was substantially more than \$120,535.

## COUNT FIFTY-SIX

[26 U.S.C. § 7201]

39. The Grand Jury repeats and re-alleges paragraphs 1 through 3, 5, 6, 32, and 33 of this Indictment as though fully set forth herein.

40. Beginning on or about March 24, 2008, and continuing through on or about February 4, 2009, in San Bernardino County, within the Central District of California, and elsewhere, defendant BARDOS willfully attempted to evade and defeat the assessment and payment of a substantial part of the income tax due and owing by him to the United States of America for the calendar year 2008 by committing the following affirmative acts of evasion:

a. Defendant BARDOS instructed certain clients of BCI to make checks payable to defendant BARDOS personally, although BCI had been contracted to perform the work for these clients.

b. From on or about July 16, 2008, to on or about July 17, 2008, defendant BARDOS deposited approximately \$12,250.75 in checks he received for work BCI performed in his personal bank accounts knowing that by depositing these checks in this fashion Bookkeeper A would not be aware of this income while preparing business and individual tax returns on behalf of BCI and defendant BARDOS.

c. From on or about November 9, 2007, to on or about August 16, 2008, defendant BARDOS cashed checks he received for work BCI performed, totaling approximately \$133,522, knowing that by cashing these checks Bookkeeper A would not be aware of this

1 income while preparing business and individual tax returns on  
2 behalf of BCI and defendant BARDOS.

3 d. Defendant BARDOS provided Bookkeeper A with BCI's  
4 business ledgers knowing that these ledgers would not reflect the  
5 total amount of gross income BCI truly received.

6 e. Defendant BARDOS provided Bookkeeper A with BCI's  
7 bank account records knowing that these records would not reflect  
8 the total amount of gross income BCI truly received.

9 f. Defendant BARDOS falsely informed Bookkeeper A  
10 that payments to Heslop totaling approximately \$120,000 were  
11 deductible business expenses as payments to a consultant of  
12 Cadmus Construction Co. and Cadmus Construction, Inc., when, as  
13 defendant BARDOS knew, they were in fact non-deductible bribe and  
14 kickback payments.

15 g. Defendant BARDOS caused to be filed with the  
16 Internal Revenue Service false tax returns in that he failed to  
17 declare the amounts described above as gross income on his  
18 individual Form 1040 income tax return for the calendar year  
19 2008, and as gross income on BCI's Form 1120S business income tax  
20 return for the fiscal year ending on October 31, 2008.

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## COUNT FIFTY-SEVEN

[26 U.S.C. § 7206(1)]

41. The Grand Jury repeats and re-alleges paragraphs 1 through 3, 5, 6, 32, and 33 of this Indictment as though fully set forth herein.

42. On or about January 14, 2009, in San Bernardino County, within the Central District of California, and elsewhere, defendant BARDOS willfully made and subscribed a U.S. Income Tax Return for an S Corporation, Form 1120S, on behalf of BCI for the period November 1, 2007 to October 31, 2008, which was verified by a written declaration that it was made under the penalties of perjury and that was filed with the Internal Revenue Service on or about January 20, 2009, which return defendant BARDOS did not believe to be true and correct as to every material matter. Specifically, defendant BARDOS falsely declared in line 1 that BCI's gross receipts were \$757,194 and in line 6 that BCI's total income was \$259,828. In fact, as defendant BARDOS knew, BCI's gross receipts were substantially more than \$757,194 and BCI's total income was substantially more than \$259,828.

## COUNT FIFTY-EIGHT

[26 U.S.C. § 7206(1)]

43. The Grand Jury repeats and re-alleges paragraphs 1 through 3, 5, 6, 32, and 33 of this Indictment as though fully set forth herein.

44. On or about February 3, 2009, in San Bernardino County, within the Central District of California, and elsewhere, defendant BARDOS willfully made and subscribed a U.S. Individual Income Tax Return, Form 1040, for the calendar year 2008, which was verified by a written declaration that it was made under the penalties of perjury and that was filed with the Internal Revenue Service on or about February 4, 2009, which return defendant BARDOS did not believe to be true and correct as to every material matter. Specifically, defendant BARDOS falsely declared in line 22 that his total income was \$233,118 and in line 43 that his taxable income was \$132,430. In fact, as defendant BARDOS knew, his total income was substantially more than \$233,118 and his taxable income was substantially more than \$132,430.

## FORFEITURE ALLEGATION I

[18 U.S.C. § 981(a)(1); 28 U.S.C. § 2461(c); 21 U.S.C. § 853]

[Bribery]

1. The Grand Jury incorporates and realleges all of the allegations contained in the Introductory Allegations, Counts One through Thirty-One, and Counts Thirty-Four and Thirty Five above, as though fully set forth in their entirety here for the purpose of alleging forfeiture pursuant to the provisions of Title 18, United States Code, Section 981(a)(1); Title 28, United States Code, Section 2461(c); and Title 21, United States Code, Section 853.

2. Defendants KOVALL, HESLOP, BARDOS, and SHAMBAUGH, if convicted of the offense charged in Count One of this Indictment; defendant BARDOS, if convicted of any of the offenses charged in Counts Two through Nine of this Indictment; defendant HESLOP, if convicted of any of the offenses charged in Counts Ten through Twenty-Four and Thirty-Five of this Indictment; defendant SHAMBAUGH, if convicted of the offense charged in Count Thirty-Four of this Indictment; and defendants KOVALL and SHAMBAUGH, if convicted of any of the offenses charged in Counts Twenty-Five through Thirty-One of this Indictment, shall forfeit to the United States the following property:

a. All right, title, and interest in any and all property, real or personal, which constitutes or is derived from proceeds traceable to such offenses;

b. A sum of money equal to the total amount of

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1 proceeds derived from each such offense for which defendants are  
2 convicted, or for which defendants may be held jointly and  
3 severally liable.

4       3. Pursuant to Title 21, United States Code, Section  
5 853(p), as incorporated by Title 28, United States Code, Section  
6 2461(c), defendants KOVALL, HESLOP, BARDOS, and SHAMBAUGH, if so  
7 convicted, shall forfeit substitute property, up to the total  
8 value of the property described in paragraph 2 above, if, by any  
9 act or omission of the defendants, the property described in  
10 paragraph 2, or any portion thereof, (a) cannot be located upon  
11 the exercise of due diligence; (b) has been transferred or sold  
12 to, or deposited with, a third party; (c) has been placed beyond  
13 the jurisdiction of the court; (d) has been substantially  
14 diminished in value; or (e) has been commingled with other  
15 property that cannot be divided without difficulty.

## FORFEITURE ALLEGATION II

[18 U.S.C. § 982(a)(3)(F)]

[Wire Fraud]

1           The Grand Jury incorporates and realleges all of the  
2           allegations contained in the Introductory Allegations and Counts  
3           Thirty-Two and Thirty-Three above, as though fully set forth in  
4           their entirety here for the purpose of alleging forfeiture  
5           pursuant to the provisions of Title 18, United States Code,  
6           Section 982(a)(3)(F).

7           2.       Defendant KOVALL, if convicted of either of the  
8           offenses charged under Counts Thirty-Two or Thirty-Three of this  
9           Indictment, shall forfeit to the United States the following  
10          property:

11           a.       All right, title, and interest in any and all  
12          property involved in each offense committed in violation of Title  
13          18, United States Code, Section 1343, or conspiracy to commit  
14          such offense, for which defendant KOVALL is convicted, and all  
15          property traceable to such property, including the following:

16                   (1)   all money or other property that represents  
17          the gross receipts obtained, directly or indirectly, as a result  
18          of the violation of Title 18, United States Code, Section 1343;

19                   (2)   all commissions, fees, and other property  
20          constituting proceeds obtained as a result of that violation;

21                   (3)   all property used in any manner or part to  
22          commit or to facilitate the commission of that violation;

23                   (4)   all property traceable to money or property  
24          described in this paragraph 2.a.(1) through 2.a.(3).

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1           b.     A sum of money equal to the total amount of money  
2 involved in each offense committed in violation of Title 18,  
3 United States Code, Section 1343, or conspiracy to commit such  
4 offense, for which defendant KOVALL is convicted.

5           3.     Pursuant to Title 21, United States Code, Section  
6 853(p), defendant KOVALL, if so convicted, shall forfeit  
7 substitute property, up to the total value of the property  
8 described in paragraph 2 above, if, by any act or omission of  
9 defendant KOVALL, any of the foregoing money or property (a)  
10 cannot be located upon the exercise of due diligence; (b) has  
11 been transferred or sold to, or deposited with, a third party;  
12 (c) has been placed beyond the jurisdiction of the court; (d) has  
13 been substantially diminished in value; or (e) has been  
14 commingled with other property that cannot be subdivided without  
15 difficulty.

## FORFEITURE ALLEGATION III

[18 U.S.C. § 982(a)(1)]

[Money Laundering]

1           The Grand Jury incorporates and realleges all of the  
2           allegations contained in the Introductory Allegations and Counts  
3           Thirty-Six through Fifty-Two above, as though fully set forth in  
4           their entirety here for the purpose of alleging forfeiture  
5           pursuant to the provisions of Title 18, United States Code,  
6           Section 982(a)(1).

7           2.       Defendant BARDOS, if convicted of any of the offenses  
8           charged in Counts Thirty-Six, Thirty-Eight, Forty, Forty-Three,  
9           Forty-Five, Forty-Six, Forty-Nine, and Fifty-One of this  
10          Indictment; defendant HESLOP, if convicted of any of the offenses  
11          charged in Counts Thirty-Seven, Forty-Two, Forty-Four, Forty-  
12          Seven, Forty-Eight, Fifty, and Fifty-Two; defendant SHAMBAUGH, if  
13          convicted of the offense charged in Count Thirty-Nine and Forty-  
14          One of this Indictment, shall forfeit to the United States the  
15          following property:

16               a.    All right, title, and interest in any and all  
17               property involved in each offense committed in violation of Title  
18               18, United States Code, Section 1957, or conspiracy to commit  
19               such offense, for which each defendant is convicted, and all  
20               property traceable to such property, including the following:

21                   (1) all money or other property that was the  
22                   subject of the transaction in violation of Title 18, United  
23                   States Code, Section 1957;

24                   (2) all commissions, fees, and other property  
25                   constituting proceeds obtained as a result of that violation;  
26

1           (3) all property used in any manner or part to  
2 commit or to facilitate the commission of that violation;

3           (4) all property traceable to money or property  
4 described in this paragraph 2.a.(1) through 2.a.(3).

5           b. A sum of money equal to the total amount of money  
6 involved in each offense committed in violation of Title 18,  
7 United States Code, Section 1957, or conspiracy to commit such  
8 offense, for which the defendant is convicted.

9           3. Pursuant to Title 21, United States Code, Section  
10 853(p), defendants HESLOP, BARDOS, and SHAMBAUGH, if so  
11 convicted, shall forfeit substitute property, up to the total  
12 value of the property described in paragraph 2 above, if, by any  
13 act or omission of the defendants, any of the foregoing money or  
14 property (a) cannot be located upon the exercise of due  
15 diligence; (b) has been transferred or sold to, or deposited  
16 with, a third party; (c) has been placed beyond the jurisdiction  
17 of the court; (d) has been substantially diminished in value; or

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(e) has been commingled with other property that cannot be subdivided without difficulty.

A TRUE BILL

151  
Foreperson

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United States Attorney



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