

# NEWS RELEASE

UNITED STATES ATTORNEY'S OFFICE  
318 South Sixth Street  
Springfield, IL 62701  
Tel: 217/492-4450

JAN PAUL MILLER  
U.S. ATTORNEY  
CENTRAL DISTRICT OF ILLINOIS



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Contact: Hilary W. Frooman  
Assistant U.S. Attorney  
(217) 373-5875

## **Shelby County, Illinois Insurance Salesman Convicted of Tax Evasion, Wire Fraud, and Money Laundering**

Urbana, IL - Denny R. Patridge of Shelby County, Illinois was convicted today of tax evasion, wire fraud, and money laundering by a jury in U.S. District Court, as announced by Jan Paul Miller, United States Attorney for the Central District of Illinois, and Eileen O'Connor, Assistant Attorney General, Tax Division, U.S. Department of Justice.

Denny R. Patridge, age 56, of 108 W. First Street, Strasburg, Illinois, operated an insurance business known as Patridge Insurance Services, Inc., from an office in his Strasburg home. Evidence presented by the government showed Patridge established "trusts" which he used to conceal earnings, hide the origin of his income, deceive the Internal Revenue Service, and circumvent personal income taxes. Patridge placed funds in bank accounts which bore the names of his "trusts" and claimed on trust tax returns that the funds had been distributed to an offshore trust. At all times, however, Patridge retained full control over funds in the trust bank accounts and enjoyed the beneficial use of those funds, which made the income taxable to him personally.

Patridge obtained the sham trusts from an entity known as Aegis, located in Palos Hills, Illinois. Eight individuals associated with Aegis are currently under indictment in the Northern District of Illinois for various offenses associated with the sale and promotion of these trusts. Evidence presented by the government also indicated that Patridge assisted in the sale of at least

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one Aegis trust package. Three tax preparers associated with Aegis have also been indicted in the Northern District of Illinois, two of whom have pled guilty. Patridge also utilized a business, known occasionally as Offshore Consulting Services (OCS) and Laughlin, Inc., run by Terry Neal out of Portland, Oregon to set up a nominee company in St. Kitts, Nevis and one in Reno, Nevada. At least three individuals associated with OCS and Laughlin, Inc., have been indicted in the District of Oregon.

After almost thirteen days of evidence and approximately five and a half hours of deliberation, Patridge was convicted of evading the payment of his 1996 and 1997 personal income taxes; evading the assessment of his 1999 personal income taxes, two counts of wire fraud and two counts of money laundering. Patridge was acquitted on one charge of willfully filing a false tax return for 1998.

Evidence presented by the government showed that Patridge did not report a substantial amount of his income on returns he filed for 1996 and 1997. In 2000, after the IRS notified Patridge that it had made a formal assessment of the 1996 and 1997 back taxes he owed, Patridge liquidated his investment accounts, set up an "offshore" account, and placed approximately \$200,000 in the offshore account.

Government evidence indicated Patridge evaded taxes for calendar year 1999, specifically, approximately \$19,523 due on taxable income of approximately \$76,796. Patridge evaded taxes by, among other things, transferring money he earned as income to a foreign account, concealing that money from the IRS, using the money to pay personal expenses, and failing to file an individual income tax return.

Shortly after the IRS informed Patridge that a lien could be placed on his property if he failed to pay his 1996 and 1997 income taxes, Patridge began to set up a system whereby he could hide his assets from the IRS by moving his money offshore to an account under his control but not under his name. Evidence was presented that Patridge established a new account at

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Edgar County Bank and Trust in Paris, Illinois, in his own name, through which funds could be directed offshore. On or about October 3, 2000, Patridge wired approximately \$200,000 in funds from the account at Edgar County Bank to an account at a bank in St. Kitts held in the name of Nevis American Trust Company, an entity which maintained the funds on behalf of Sultan Services, Ltd, which was under Patridge's direction.

Having transferred \$200,000 to St. Kitts in October 2000, Patridge took steps to prevent the IRS from obtaining a first lien on his real estate by causing a mortgage on his home in Strasburg to be recorded with the clerk of Shelby County, Illinois, with a \$100,000 "loan" from a corporation controlled by Patridge. On or about October 23, 2000, Patridge wired \$100,000 from an offshore location to a corporation he controlled in the U.S. The purpose of the transfer was to provide the corporation with sufficient funds to loan Patridge \$100,000. Patridge used his home in Strasburg, Illinois, as security for the loan of his own funds and to establish a false mortgage on his property.

Finally, after Patridge transferred \$100,000 from offshore to the U.S. and established a false mortgage, Patridge transferred the money back offshore, and was therefore able to use the money as he personally desired.

Sentencing is set for Monday, November 21, 2005 before U.S. District Judge Michael P. McCusky in Urbana, Illinois.

Patridge faces maximum statutory penalties of up to three and five years imprisonment respectively and fine of up to \$250,000 for each count of tax evasion. The maximum statutory penalty for the offenses of wire fraud and money laundering is up to 20 years in prison and fines of \$250,000 to \$500,000.

The charges were the result of an investigation by the Criminal Investigation Division of the Internal Revenue Service. The case was prosecuted by Hilary W. Frooman, Assistant U.S. Attorney, of the Urbana division, and Lea A. Carlisle, Trial Attorney, U.S. Department of Justice, Tax Division.