



U.S. Department of Justice

*United States Attorney
Northern District of Illinois
Western Division*

*John G. McKenzie
Assistant United States Attorney*

*308 West State Street - Room 300
Rockford, Illinois 61101*

*PH: (815) 987-4444
FAX: (815) 987-4236*

October 1, 2004

FORMER OWNER OF LT'S BAR PLEADS GUILTY TO FEDERAL TAX CONSPIRACY

ROCKFORD -- PATRICK J. FITZGERALD, United States Attorney for the Northern District of Illinois, together with JOSE A. GONZALEZ, Acting Special Agent-In-Charge, Criminal Investigations, Internal Revenue Service, today announced:

PHILIP PRIOLA, 61, Belvidere, pleaded guilty today in federal court to conspiring with his son, Thomas Priola, and daughter, Lynnann Gage (nee Priola), between 1992 and 1998 to defraud the IRS out of income, F.I.C.A., Medicare, and employer taxes, by skimming hundreds of thousands of dollars of the bar's receipts and submitting false tax returns which failed to report the receipts. Thomas Priola and Gage previously pleaded guilty to the conspiracy on September 29, 2004.

In pleading guilty today, Priola admitted that he, along with Thomas Priola and Lynnann Gage, had secretly skimmed receipts of L.T.'s Bar, a bar located at 1011 South Alpine Road, Rockford, Illinois. According to the plea agreement, Philip Priola, Thomas Priola, and Gage filed state sales tax returns and federal income tax returns for L.T.'s Bar that did not report the skimmed receipts as income. Philip Priola further admitted that he and the other defendants secretly took substantial amounts of the cash and did not declare the cash as their own income. The defendant also used some of the skimmed receipts to pay employees of L.T.'s Bar their wages in cash and filed employer's tax returns for L.T.'s Bar with the IRS that did not include the cash wages or pay over F.I.C.A., Medicare, and employer taxes that were due. Philip Priola admitted to secretly maintaining a second set of books that recorded the skimmed receipts and cash wages.

Priola faces a maximum penalty of 5 years in prison without the possibility of parole, followed by 2 to 3 years of supervised release, and a fine of up to \$250,000. He is also subject to the payment of costs of prosecution as well as the civil collection of all taxes, penalties, and interest due. The actual sentence will be determined by the United States District Court, guided by the federal Sentencing Guidelines and the Federal Rules of Criminal Procedure.

Sentencing of Philip Priola has been set for December 23, 2004, at 3:00 p.m. The case was investigated by Special Agents of Criminal Investigations of the Internal Revenue Service, and is being prosecuted in United States District Court by Assistant United States Attorney JOHN G. McKENZIE.

#####