



## U.S. Department of Justice

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FOR IMMEDIATE RELEASE

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### **ATTORNEY, RADIOLOGIST, AND ENGINEER CONVICTED IN CRIMINAL TAX FRAUD CASE**

#### **Defendants Convicted of All Charges in \$24 Million Tax Obstruction and Tax Evasion Schemes**

PHILADELPHIA – Bernard J. Bagdis, 59, of Norristown, PA, Bertram R. Russell, 57, of Gladwyne, PA, and Richard J. Frase, 63, of Schoharie, NY, were convicted today on all charges in a \$24 million dollar tax obstruction and evasion scheme, announced United States Attorney Laurie Magid. The trio, along with nine other defendants, concealed income totaling more than \$24 million, with \$4.9 million in taxes owed to the Internal Revenue Service. Bagdis' bail was revoked and he was immediately remanded.

The original indictment was filed in this case on November 27, 2007 and charged Bagdis and ten other defendants with a total of 74 counts of criminal tax offenses. The superseding indictment contains 96 counts of criminal tax offenses in total, and describes numerous acts of tax fraud occurring since at least 1996 up through April 2008. The superseding indictment added new tax-related charges against Bagdis, Russell, and Frase. For example, Bagdis was charged with making false statements to IRS special agents who were investigating the tax fraud offenses alleged here, attempting to conceal the true nature of checks deposited by Keystone Game Supply into the nominee bank account used by co-defendant Wayne Bozeman, who pleaded guilty.

Dr. Bertram R. Russell, a radiologist, was charged in the initial indictment with conspiring with Bagdis and with 14 counts of tax-related offenses. The superseding indictment charges Russell with an additional count of attempting to evade his individual income taxes for the year 2006 through the use of a shell corporation and corporate bank accounts set up to receive his compensation and pay for personal expenditures, thereby bringing the current total of charges alleged against Russell to 16 counts. Between 1998 and 2006, Russell allegedly earned almost \$3 million from his work as a radiologist, yet, he reported none of this income to the IRS and paid no federal taxes on it. The indictment alleges that the criminal tax offenses in which Russell and Bagdis engaged resulted in a total tax loss to the IRS of more than \$1,000,000.

Richard J. Frase, an engineer, was charged in the original indictment with conspiring with Bagdis and with 9 additional counts of tax-related offenses relating to the creation of a shell corporation to receive the income earned by Frase from the Chrysler Corporation, thereby evading the assessment and payment of his taxes. The superseding indictment added allegations that Frase also attempted to evade his individual income taxes for the years 2004 through 2006,

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thereby bringing the current total of charges against Frase to 13 counts. The superseding indictment also has added that the tax fraud conspiracy between Frase and Bagdis extended until October 2007, when Frase filed false individual tax returns for the years 2001 through 2006, and false corporate returns for the years 1998 through 2006. Frase had his salary paid to him through the Personnel Department, Inc., a company controlled by Bagdis, which then paid Frase a nominal amount of income per year. The remainder of Frase's income went into bank accounts controlled by Bagdis in the name of the Administar Corporation, and ultimately to a bank account held by Frase's shell corporation. During the years 1998 through 2006, Frase received approximately \$1,388,314 in income, resulting in a tax due and owing of approximately \$426,000.

Nine co-defendants charged in this case pleaded guilty prior to trial.

Sentencing is scheduled for July 30, 2009. Bagdis faces a maximum sentence of 137 years in prison, a fine of up to \$9.45 million, and up to three years of supervised release; Frase faces a maximum sentence of 59 years in prison, a fine of up to \$3.25 million, and up to three years supervised release; and Russell faces a maximum sentence of 52 years in prison, a fine of up to \$3.1 million, and up to three years of supervised release.

The case was investigated by the Internal Revenue Service-Criminal Investigation Division, the Federal Bureau of Investigation, and the United States Postal Inspection Service. The case was prosecuted by Assistant United States Attorneys David J. Ignall, and Stephen A. Miller, John Pease, and Trial Attorney Sean O'Connell of the U.S. Department of Justice's Tax Division.

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