

Lawyer for Coachella Valley Indian Tribe and Three Others Charged in Bribery Scheme Related to Projects at Spotlight 29 Casino

U.S. Attorney's Office

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Central District of California

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LOS ANGELES—An attorney for the Twenty-Nine Palms Band of Mission Indians is among four people who have been indicted on federal bribery and money laundering charges for allegedly participating in scheme in which associates of the lawyer hired to provide assistance to the tribe paid kickbacks to the attorney.

The 48-count grand jury indictment returned yesterday afternoon names:

- Gary Edward Kovall, 66, of Ely, Minnesota, a licensed California attorney who acted as legal counsel for the tribe;
- David Alan Heslop, 74, of Templeton, who, on Kovall's recommendation, was hired by the tribe to oversee some tribal business;
- Paul Phillip Bardos, 57, of Rancho Cucamonga, a general contractor; and
- Peggy Anne Shambaugh, 56, of Ely, Minnesota, who is Kovall's wife.

All four defendants have agreed to appear for arraignments tomorrow in United States District Court in Los Angeles.

According to the indictment, Kovall advised the tribe to create a limited liability company to purchase real estate, and the attorney convinced the tribe to hire Heslop as the company's manager. Kovall and Heslop then recommended that the tribe hire Bardos to act as the tribe's "owner's representative" in several construction projects at the Spotlight 29 Casino. When additional construction or construction oversight became necessary in relation to casino projects, Bardos submitted proposals to perform the work, and Kovall persuaded the tribe to give Bardos the contracts. After being paid by the tribe, Bardos paid kickbacks to Heslop who, in turn, paid kickbacks to Kovall though Shambaugh.

The indictment alleges that in 2007 Bardos paid Heslop more than \$186,577, most of which was then funneled to Shambaugh.

"The United States Attorney's Office is committed to the prosecution of corruption and fraud in all of their guises," said United States Attorney André Birotte, Jr. "This case demonstrates that our commitment extends to vigorously pursuing cases against unscrupulous individuals who abuse their positions to take advantage of Native American tribes."

The indictment charges all four defendants with conspiracy. Additionally, Kovall, Bardos, and Shambaugh are charged with eight counts of bribery, while Heslop is charged with 16 counts of bribery. In addition to the conspiracy and bribery charges based on the kickback scheme, Bardos is charged with eight counts of money laundering, Heslop is charged with seven counts of money laundering, and Shambaugh is charged with two counts money laundering.

"IRS-Criminal Investigation is committed to aggressively investigating those individuals who conspire to commit bribery and launder those illicit funds to hide their criminal activities," said Leslie P. Demarco, IRS-Criminal Investigation Special Agent in Charge for the Los Angeles Field Office. "IRS-CI will continue to partner with other law enforcement agencies to ensure that all who secure lucrative contracts play by the same rules."

Steven Martinez, Assistant Director of the FBI's Los Angeles Field Office, stated, "The charges allege the defendants in this case deprived the victims—the Twenty-Nine Palms Band of Mission Indians—of honest leadership and took advantage of their positions of trust by lining their own pockets with the tribe's money, including government funding designated for necessary services. The FBI will continue to work with our partners at the IRS and the United States Attorney's Office to protect groups targeted through corrupt practices and investigate those responsible."

An indictment contains allegations that a defendant has committed a crime. Every defendant is presumed to be innocent until proven guilty in court.

If they are convicted of all counts in the indictment:

- Kovall would face a maximum statutory sentence of 75 years in federal prison and a fine of \$2 million;
- Heslop would face a statutory maximum sentence of 225 years in federal prison and a fine of \$5.75 million;
- Bardos would face a statutory maximum sentence of 155 years in federal prison and a fine of \$4 million; and
- Shambaugh would face a statutory maximum sentence of 105 years in federal prison and a fine of \$2.75 million.

The case was investigated by IRS-Criminal Investigation and the Federal Bureau of Investigation.