

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

UNITED STATES OF AMERICA)
) No.
 v.)
) Violation: Title 26, United States
) Code, Sections 7206(1) and 7212(a)
MICHAEL G. WELLEK)

COUNT ONE

The UNITED STATES ATTORNEY charges:

1. At times material:

(a) The Internal Revenue Service was an agency of the United States Department of the Treasury, responsible for administering and enforcing the tax laws of the United States. Under these laws, individuals and corporations were required to accurately report income to the Internal Revenue Service on income tax return forms.

(b) Defendant MICHAEL G. WELLEK was the owner of three “gentleman’s club” businesses located in the Northern District of Illinois: Heavenly Bodies, Skybox, and Cowboys, which he operated as sole proprietorships. Defendant was required to report the gross income and expenses from these businesses on Schedule Cs attached to his federal income tax return, Form 1040, and include the net income from these businesses in calculating his gross income, taxable income, and income tax.

2. Beginning no later than February 2000 and continuing through approximately May 3, 2003, in the Northern District of Illinois Eastern Division,

MICHAEL G. WELLEK,

defendant herein, did corruptly endeavor to obstruct and impede the due administration of Title 26 of the United States Code by impeding and impairing the Internal Revenue

Service in carrying out its lawful function to collect taxes and to secure the payment of taxes.

3. It was part of the corrupt endeavor that between 1989 and 1999, defendant MICHAEL G. WELLEK ran several profitable businesses in the Northern District of Illinois which generated substantial taxable income. Despite running such businesses, WELLEK did not file personal income tax returns from 1989 through 1999.

4. It was further part of the corrupt endeavor that beginning in approximately February 2000, and continuing through approximately October 16, 2002, defendant MICHAEL G. WELLEK engaged in a pattern of false and misleading conduct designed to obstruct and impede the Internal Revenue Service's audit of defendant for the tax years 1989 through 1999 which included false and misleading representations as to his assets and income.

5. It was further part of the corrupt endeavor that defendant MICHAEL G. WELLEK made materially false statements as to the method in which he maintained and accounted for proceeds from his various businesses. Specifically, defendant falsely reported to the Internal Revenue Service that he deposited all proceeds from the operation of his businesses into identified bank accounts and provided corresponding bank statements, schedules, and supporting documents to support those false representations.

6. It was further part of the corrupt endeavor that defendant MICHAEL G. WELLEK concealed and intentionally failed to disclose to the IRS that between 1999 through approximately May 2003, his actual business practices included a pattern of routinely skimming in excess of \$12,000,000 of gross income in the form of cash from

the operation of his businesses and maintaining the cash in bags and boxes cataloged by date and business entity in a warehouse the defendant controlled.

7. It was further part of the corrupt endeavor that on approximately October 16, 2002, defendant MICHAEL G. WELLEK attempted to obstruct and impede the IRS by seeking and obtaining a settlement agreement with the IRS governing his tax liability for the period of 1989 through 1999 by falsely concealing and understating the gross receipts received by his businesses Heavenly Bodies, Skybox, and Cowboys during tax year 1999 by at least \$1,454,946, and failing to disclose that he diverted cash proceeds in this amount into bags and boxes in his warehouse where he concealed its existence from the Internal Revenue Service.

8. It was further part of the corrupt endeavor that on approximately October 16, 2002, defendant MICHAEL G. WELLEK attempted to obstruct and impede the IRS by entering into a settlement agreement with the IRS governing his tax liability for the period of 1989 through 1999 by agreeing to a tax liability of \$3,125,814 which was based in part on his false statements concerning the total amount of his assets.

In violation of Title 26, United States Code, Section 7212(a).

COUNT TWO

The UNITED STATES ATTORNEY further charges:

1. At times material:

(a) Defendant MICHAEL G. WELLEK was a resident of Libertyville, Illinois.

(b) WELLEK owned and operated three “gentleman’s clubs” in the suburban Chicago area: Heavenly Bodies, located in Elk Grove Village; Skybox, located in Harvey; and Cowboys, located in Markham. These businesses were operated as sole proprietorships. Defendant was required to report the gross income and expenses from these businesses on Schedule C or Schedule Cs attached to his federal income tax return, Form 1040, and include the net income from these businesses in calculating his gross income, taxable income, and income tax.

2. On or about April 18, 2003, at Morton Grove, and elsewhere in the Northern District of Illinois, Eastern Division,

MICHAEL G. WELLEK,

defendant herein, a resident of Libertyville, Illinois, willfully made and subscribed, and caused to be made and subscribed, a U.S. Individual Income Tax Return (Form 1040 with schedules and attachments), for the calendar year 2000, which return was verified by written declaration that it was made under the penalties of perjury and was filed with the Internal Revenue Service, which income tax return he did not believe to be true and correct as to every material matter, in that said return reported on Line 22 that the total income was \$115,769, whereas the defendant then and there well knew and believed that his income exceeded \$115,769, in that defendant failed to include additional income of

approximately \$2,138,477, he received in 2000 from the operation of his gentlemen's club businesses, "Skybox and Cowboys" on Line 22 or any other line of that return;

In violation of Title 26, United States Code, Section 7206(1).

UNITED STATES ATTORNEY