

FILED  
08 JUL -8 AM 10:58  
CLERK OF DISTRICT COURT  
NORTHERN DISTRICT OF OHIO  
CLEVELAND

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF OHIO  
EASTERN DIVISION

UNITED STATES OF AMERICA, )  
 )  
 Plaintiff, )  
 )  
 v. )  
 )  
 PAUL E. SABATINO, )  
 )  
 Defendant. )

INFORMATION  
**1:08CR 287**  
CR. NO. \_\_\_\_\_  
Title 26, United States Code  
Section 7201  
**JUDGE O'MALLEY**

GENERAL ALLEGATIONS

The United States Attorney charges:

1. At all relevant times, the defendant, PAUL E. SABATINO, was employed as an accountant at a Certified Public Accounting (CPA) firm. He resided in Seven Hills, Ohio, until June 2005, after which he resided in Twinsburg, Ohio.
2. For the years 2002 through 2004, the defendant and his wife filed joint income tax returns. For 2005, the defendant's wife filed a timely income tax return on a married filing separate status. The defendant requested an extension to file his own separate income tax return for that year but did not file the return.

3. During the years 2002 through 2005, the defendant embezzled approximately \$1,676,247 from a client of the CPA firm ("Client") by causing checks to be written for his benefit and use on a bank account of Client. During that period the defendant incurred gambling losses exceeding the amount of the embezzlement and he used most of the embezzled funds directly to pay his gambling expenses.

4. For the years 2002 through 2004, the embezzled funds included checks totaling \$1,184,029 the defendant caused to be written on Client's bank account payable to Northcoast Landscape Design, which the defendant deposited into a bank account he maintained under his name doing business as Northcoast Landscape Design Co. For those years, the defendant reported a total of \$228,200 of those funds as receipts from a purported landscaping business on a Schedule C attached to his joint federal income tax returns. The defendant, however, did not operate such a business during those years. In fact, all of the deposits into the dba Northcoast Landscape bank account were embezzled funds from Client, and the defendant used the funds in that account primarily for gambling and for other personal expenses, as described above.

5. From approximately October 2004 through February 2005, the embezzled funds included checks totaling \$187,474 the defendant caused to be written on Client's bank account payable to Fifth Third Bank, which the defendant used to make payments on an installment loan he had at that bank. The defendant did not report those funds on his 2004 joint federal income tax return.

6. Starting in approximately May 2005, and continuing through early November 2005, the defendant resumed his embezzlement of funds from Client, through a new device by

which he used a personal friend, Jonathan S. Solonche (“Solonche”) to help conceal and launder the embezzled funds, as follows:

a. The defendant caused ten checks totaling approximately of \$134,793 to be issued on Client’s bank account payable to Solonche, which Solonche deposited into a personal account.

b. At the defendant’s request, Solonche opened a bank account using the name Turnkey Lighting & Sound, a defunct company Solonche had previously operated (hereinafter the “Turnkey Lighting account”). The defendant then caused twelve checks totaling approximately \$165,155 to be issued from Client’s bank account payable in the name of “Turnkey Lighting & Sound,” which Solonche deposited into the Turnkey Lighting account.

c. At the defendant’s direction, Solonche provided most of these deposited funds back to the defendant by issuing checks from Solonche’s personal account and the Turnkey Lighting account which were paid to the defendant or the defendant’s benefit as follows:

- currency totaling approximately \$169,150, obtained by Solonche negotiating checks payable to cash;
- checks totaling \$39,880 payable to the defendant;
- checks totaling \$40,400 payable to National City Bank, which the defendant used to make payments on a credit card account; and
- checks totaling \$13,000 payable to a company which the defendant used to make payments on a deck the company installed at the defendant’s home.

The checks payable to cash were in amounts less than \$10,000, and, on some occasions, at the defendant’s request, Solonche made notations in the check memo section that the payments were

for "supplies" or "materials." By arrangement with the defendant, Solonche kept a portion of the deposited Client funds, in the amount of approximately \$37,517 for Solonche's own use.

7. In November 2005, special agents of the Internal Revenue Service advised the defendant he was under criminal investigation with respect to his 2002 through 2004 income taxes and the substantial deposits of funds from Client into his dba Northcoast Landscaping bank account.

8. In approximately early 2004, the defendant told Client that he had taken some unspecified amount of money from her account to support his gambling problem and promised to repay her and get counseling for his gambling problem. During 2004, the defendant made approximately ten monthly payments to Client totaling \$7,500, while continuing to embezzle other funds from her. The defendant made approximately three additional payments to Client totaling \$2,500 during November 2005 through January 2006, after learning he was under investigation.

#### STATUTORY CHARGE

9. On or about the dates set forth below, in the Northern District of Ohio, Eastern Division, the defendant, PAUL E. SABATINO, a resident of Seven Hills, Ohio, who was married, did willfully attempt to evade and defeat a large part of the income tax due and owing by him and his wife to the United States of America for the calendar years listed below, by preparing and causing to be prepared, and by signing and causing to be signed, for each calendar year, a false and fraudulent joint U.S. Individual Income Tax Return, Form 1040, which was filed with the Internal Revenue Service, which said return reported amounts of his and his wife's joint

taxable income and income taxes due and owing thereon which the defendant, at the time the return was prepared, signed, and filed, then and there well knew and believed were substantially less than their actual joint taxable income and income taxes due and owing thereon for that calendar year, due to the defendant's failure to report his embezzlement income, as set forth below:

<u>Date</u>	<u>Year</u>	<u>Reported Taxable Income</u>	<u>Actual Taxable Income</u>	<u>Reported Taxes owing</u>	<u>Actual taxes owing</u>
04/15/2003	2002	\$28,354	\$383,166	\$4,084	\$118,661
04/15/2004	2003	\$35,905	\$564,965	\$5,988	\$172,944
04/15/2005	2004	\$60,838	\$483,459	\$14,111	\$147,433

10. During the calendar year 2005, the defendant, PAUL E. SABATINO, a resident of Seven Hills and then Twinsburg, Ohio, had and received taxable income of approximately \$327,869, with an income tax due and owing thereon to the United States of America of approximately \$95,224; well knowing the foregoing facts, the defendant, from on or about January 1, 2005, through on or about October 15, 2006, in the Northern District of Ohio, Eastern Division, did willfully attempt to evade and defeat said income tax due and owing by failing to pay to the IRS said income tax at the time required by law, and by concealing his receipt and disposition of income by laundering his embezzlement income as alleged in General Allegations paragraph 6, including subparagraphs a through c.

All in violation of Title 26, Section 7201, United States Code.

---

DAVID A. SIERLEJA  
Acting United States Attorney