

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

UNITED STATES OF AMERICA)
)
 v.) No.
) Violations: Title 26, United
MICHAEL H. MARTORANO and) States Code, Section 7206(1)
WILLIAM S. SEFTON)

COUNT ONE

The UNITED STATES ATTORNEY charges:

1. At times material to this information:
 - a. Consumer Benefit Service Inc. & Sub (“Cbsi”) was a corporation in Naperville, Illinois, and was in the business of providing a variety of membership and consumer discount programs and services to businesses and associations in the United States and in foreign countries. The programs and services were provided through Cbsi’s different subsidiaries.
 - b. Defendant MICHAEL H. MARTORANO was the president of Cbsi and owned at least 47% of the outstanding shares of Cbsi.
 - c. Defendant WILLIAM S. SEFTON was the vice-president/secretary of Cbsi and owned at least 47% of the outstanding shares of Cbsi.
 - d. Defendants MARTORANO and SEFTON together controlled Cbsi.
 - e. On or about October 1, 2005, defendants MARTORANO and SEFTON created a Management Agreement (“Agreement”) between Cbsi and an entity identified in

the Agreement as “Marton Consulting Group, Inc., an Arizona company” (“Marton”). According to that Agreement, MARTORANO was an owner of Marton and any notice related to Marton was to be sent to SEFTON. According to the Agreement, Marton was to provide advisory, consulting and other services to Cbsi in exchange for Cbsi’s initial payment of \$2 million and a continuing monthly management fee equal to 10% of Cbsi’s gross revenue for the previous month. Further, according to the Agreement, Cbsi was to make its initial \$2 million payment to Marton on December 15, 2005, and Cbsi’s monthly fee was due and payable to Marton within ten days after the end of each following month. According to the Agreement, Cbsi was to pay Marton for the reasonable expenses Marton paid in providing services to Cbsi, as set forth on statements to be submitted by Marton to Cbsi.

f. Defendants MARTORANO and SEFTON caused two bank accounts to be opened, one in the names of MARTORANO and SEFTON doing business as Marton Consulting Group, and another in the name of Consumer Benefit Services, with MARTORANO and SEFTON identified as the owners (collectively, “the Marton Bank Accounts” or “Accounts”). MARTORANO and SEFTON were the authorized signatures on the Marton Bank Accounts and controlled these Accounts.

g. Marton did not provide any advisory or consulting services to Cbsi.

2. Beginning no later than approximately December 2005 and continuing until at least December 31, 2009, defendants MARTORANO and SEFTON caused Cbsi on a number of occasions to transfer monies into the Marton Bank Accounts. The transfers into

the Marton Bank Accounts ultimately totaled approximately \$21,656,706.

3. Between approximately December 2005 and December 31, 2009, defendants MARTORANO and SEFTON caused these transfers into the Marton Bank Accounts to be used to pay some personal expenses of MARTORANO and SEFTON, respectively, and moved other amounts out of the Marton Bank Accounts in approximately equal dollar amounts to other accounts controlled by MARTORANO and SEFTON, individually. As a result, MARTORANO and SEFTON caused a total of approximately \$21,656,706 to be divided between MARTORANO and SEFTON and transferred to MARTORANO and SEFTON in the approximately equal amounts of \$10,828,353.

4. In 2008, defendants MARTORANO and SEFTON caused Cbsi to transfer approximately \$641,975 to a third party, which MARTORANO and SEFTON divided between themselves in approximately equal dollar amounts.

5. Defendants MARTORANO and SEFTON did not disclose to his individual tax return preparer, respectively: (a) for the tax years 2005 through and including 2009, his receipt of the amounts from the Marton Bank Accounts; and (b) for the tax year 2008, the \$641,975 that MARTORANO and SEFTON caused Cbsi to transfer to a third party, which MARTORANO and SEFTON divided between themselves in approximately equal dollar amounts.

6. On the U.S. Individual Income Tax Returns (Forms 1040 with schedules and attachments) filed for defendant MARTORANO and his wife or for MARTORANO individually for tax years 2005 through and including 2008, MARTORANO willfully and

knowingly failed to report as income the amounts MARTORANO and SEFTON caused Cbsi to transfer to the Marton Bank Accounts and which MARTORANO and SEFTON then caused to be transferred from the Accounts to MARTORANO and SEFTON, respectively, and, additionally, for tax year 2008, failed to report the \$641,975 that MARTORANO and SEFTON caused Cbsi to transfer to a third party, which MARTORANO and SEFTON divided between themselves in approximately equal dollar amounts, thereby substantially understating the amount of MARTORANO's individual taxable income and under-reporting taxes due and owing on the Forms 1040 filed with the IRS, as follows:

Year	Additional Income
2005	\$ 1,250,000
2006	\$ 1,274,858
2007	\$ 3,387,324
2008	\$ <u>3,062,178</u>
Total:	\$ 8,974,360

7. Defendant MARTORANO had and received gross income in calendar year 2009, and by reason of such income he was required by law, following the close of the calendar year 2009, to make and file a Form 1040 Individual Income Tax Return with the Internal Revenue Service, stating specifically the items of his gross income and any deductions and credits to which he was entitled. Well knowing all of these foregoing facts, MARTORANO willfully failed to file a U. S. Individual Income Tax Return (Form 1040 with schedules and attachments) for himself for the tax year 2009, and willfully and

knowingly failed to report his income, including W-2 wages and the amounts MARTORANO received in that year from the Marton Bank Accounts, as follows:

Year Understatement of Income

2009 \$ 3,327,892

8. On or about September 8, 2006, in the Northern District of Illinois, Eastern Division, and elsewhere,

MICHAEL H. MARTORANO,

defendant herein, who during the calendar year 2005 was married and was a resident of Naperville, Illinois, did willfully make and subscribe, and caused to be made and subscribed, a married filing jointly U. S. Individual Income Tax Return (Form 1040 with schedules and attachments) on behalf of himself and his wife for calendar year 2005, which return was verified by a written declaration that it was made under the penalties of perjury and filed with the Internal Revenue Service, which return MARTORANO did not believe to be true and correct as to every material matter, in that: (a) it falsely stated on line 22 that total income was \$1,854,931, whereas MARTORANO then and there well knew that he had total income in excess of that amount, in that MARTORANO failed to include additional income of approximately \$1,250,000; and (b) it falsely stated on line 63 that the total tax was \$416,640, whereas MARTORANO then and there well knew that he and his wife owed taxes substantially in excess of that amount;

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

COUNT TWO

The UNITED STATES ATTORNEY further charges:

1. The allegations of paragraphs 1 through 6 of Count One of this Information are realleged and incorporated as though fully set forth herein.

2. On or about April 11, 2007, in the Northern District of Illinois, Eastern Division, and elsewhere,

MICHAEL H. MARTORANO,

defendant herein, who during the calendar year 2006 was married and was a resident of Naperville, Illinois, did willfully make and subscribe, and caused to be made and subscribed, a married filing jointly U. S. Individual Income Tax Return (Form 1040 with schedules and attachments) on behalf of himself and his wife for calendar year 2006, which return was verified by a written declaration that it was made under the penalties of perjury and filed with the Internal Revenue Service, which return MARTORANO did not believe to be true and correct as to every material matter, in that: (a) it falsely stated on line 22 that total income was \$1,072,402, whereas MARTORANO then and there well knew that he had total income in excess of that amount, in that MARTORANO failed to include additional income of approximately \$1,274,858; and (b) it falsely stated on line 63 that the total tax was \$280,954, whereas MARTORANO then and there well knew that he and his wife owed taxes substantially in excess of that amount;

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

COUNT THREE

The UNITED STATES ATTORNEY further charges:

1. The allegations of paragraphs 1 through 6 of Count One of this Information are realleged and incorporated as though fully set forth herein.

2. On or about May 30, 2008, in the Northern District of Illinois, Eastern Division, and elsewhere,

MICHAEL H. MARTORANO,

defendant herein, who during the calendar year 2007 was married and was a resident of Sanibel, Florida, did willfully make and subscribe, and caused to be made and subscribed, a married filing separately U. S. Individual Income Tax Return (Form 1040 with schedules and attachments) on behalf of himself for calendar year 2007, which return was verified by a written declaration that it was made under the penalties of perjury and filed with the Internal Revenue Service, which return MARTORANO did not believe to be true and correct as to every material matter, in that: (a) it falsely stated on line 22 that total income was \$1,198,339, whereas MARTORANO then and there well knew that he had total income in excess of that amount, in that MARTORANO failed to include additional income of approximately \$3,387,324; and (b) it falsely stated on line 63 that the total tax was \$374,703, whereas MARTORANO then and there well knew that he owed taxes substantially in excess of that amount;

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

COUNT FOUR

The UNITED STATES ATTORNEY further charges:

1. The allegations of paragraphs 1 through 5 of Count One of this Information are realleged and incorporated as though fully set forth herein.

2. On the U.S. Individual Income Tax Returns (Forms 1040 with schedules and attachments) filed for defendant SEFTON and his wife for tax years 2005 through and including 2007, SEFTON willfully and knowingly failed to report as income the amounts MARTORANO and SEFTON caused Cbsi to transfer to the MARton Bank Accounts and which MARTORANO and SEFTON then caused to be transferred from the Accounts to MARTORANO and SEFTON, respectively, thereby substantially understating the amount of SEFTON's individual taxable income and under-reporting taxes due and owing on the Forms 1040 filed with the IRS, as follows:

Year	Additional Income
2005	\$ 1,250,000
2006	\$ 1,274,858
2007	\$ <u>3,387,324</u>
Total:	\$ 5,912,182

3. Defendant SEFTON had and received gross income in calendar years 2008 and 2009, respectively, and by reason of such income he was required by law, following the close of the calendar years 2008 and 2009, respectively, to make and file a Form 1040 Individual Income Tax Return with the Internal Revenue Service, stating specifically the items of his

gross income and any deductions and credits to which he was entitled. Well knowing all of these foregoing facts, SEFTON willfully failed to file a U. S. Individual Income Tax Returns (Forms 1040 with schedules and attachments) for himself for the tax years 2008 and 2009, and willfully and knowingly failed to report his income, including W-2 wages and the amounts SEFTON received in each of those years from the Marton Bank Accounts, and, additionally, for tax year 2008, failed to report the \$641,975 that MARTORANO and SEFTON caused Cbsi to transfer to a third party, which MARTORANO and SEFTON divided between themselves in approximately equal dollar amounts, as follows:

Year Understatement of Income

2008 \$ 4,542,347

2009 \$ 3,327,892

Total: \$ 7,870,239

4. On or about April 15, 2006, in the Northern District of Illinois, Eastern Division, and elsewhere,

WILLIAM S. SEFTON,

defendant herein, who during the calendar year 2005 was married and was a resident of Scottsdale, Arizona, did willfully make and subscribe, and caused to be made and subscribed, a married filing jointly U. S. Individual Income Tax Return (Form 1040 with schedules and attachments) on behalf of himself and his wife for calendar year 2005, which return was verified by a written declaration that it was made under the penalties of perjury and filed with the Internal Revenue Service, which return SEFTON did not believe to be true and correct

as to every material matter, in that: (a) the return falsely stated on line 22 that total income was \$1,660,435, whereas SEFTON then and there well knew that he had total income in excess of that amount, in that SEFTON failed to include additional income of approximately \$1,250,000; and (b) the return falsely stated on line 63 that the total tax was \$343,603, whereas SEFTON then and there well knew that he and his wife owed taxes substantially in excess of that amount;

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

COUNT FIVE

The UNITED STATES ATTORNEY further charges:

1. The allegations of paragraphs 1 through 5 of Count One and the allegations of paragraph 2 of Count Four of this Information are realleged and incorporated as though fully set forth herein.

2. On or about April 15, 2007, in the Northern District of Illinois, Eastern Division, and elsewhere,

WILLIAM S. SEFTON,

defendant herein, who during the calendar year 2006 was married and was a resident of Henderson, Nevada, did willfully make and subscribe, and caused to be made and subscribed, a married filing jointly U. S. Individual Income Tax Return (Form 1040 with schedules and attachments) on behalf of himself and his wife for calendar year 2006, which return was verified by a written declaration that it was made under the penalties of perjury and filed with the Internal Revenue Service, which return SEFTON did not believe to be true and correct as to every material matter, in that: (a) the return falsely stated on line 22 that total income was \$668,924, whereas SEFTON then and there well knew that he had total income in excess of that amount, in that SEFTON failed to include additional income of approximately \$1,274,858; and (b) the return falsely stated on line 63 that the total tax was \$175,682,

whereas SEFTON then and there well knew that he and his wife owed taxes substantially in excess of that amount;

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

COUNT SIX

The UNITED STATES ATTORNEY further charges:

1. The allegations of paragraphs 1 through 5 of Count One and the allegations of paragraph 2 of Count Four of this Information are realleged and incorporated as though fully set forth herein.

2. On or about October 5, 2008, in the Northern District of Illinois, Eastern Division, and elsewhere,

WILLIAM S. SEFTON,

defendant herein, who during the calendar year 2007 was married and was a resident of Henderson, Nevada, did willfully make and subscribe, and caused to be made and subscribed, a married filing jointly U. S. Individual Income Tax Return (Form 1040 with schedules and attachments) on behalf of himself and his wife for calendar year 2007, which return was verified by a written declaration that it was made under the penalties of perjury and filed with the Internal Revenue Service, which return SEFTON did not believe to be true and correct as to every material matter, in that: (a) the return falsely stated on line 22 that total income was \$875,419, whereas SEFTON then and there well knew that he had total income in excess of that amount, in that SEFTON failed to include additional income of approximately \$3,387,324; and (b) the return falsely stated on line 63 that the total tax was \$239,087,

whereas SEFTON then and there well knew that he and his wife owed taxes substantially in excess of that amount;

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

ACTING UNITED STATES ATTORNEY