UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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UNITED STATES OF AMERICA	:	Criminal No. 99CR1252
v.	:	Filed: December 21, 1999
MICHAEL LUFTGLASS,	:	Violations: 18 U.S.C. § 371 26 U.S.C. § 7201
Defendant.	:	

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INDICTMENT

COUNT ONE -- CONSPIRACY TO EVADE INCOME TAXES
(18 U.S.C. § 371)

The Grand Jury charges:

1. Michael Luftglass ("Luftglass") is hereby made a defendant on the charge stated below.

I. THE RELEVANT PARTIES AND ENTITIES

During the period charged in this Indictment:

2. Defendant Luftglass was a resident of Marlboro, New Jersey. Defendant Luftglass was employed as an executive by William Grant & Sons, Inc. ("Grant") at its offices in Edison, New Jersey. Defendant Luftglass was first employed by Grant in 1976 as the national sales promotion manager. By 1989 and continuing through at least March 1994, defendant Luftglass was the senior vice president for marketing at Grant. From 1976 through at least March 1994, defendant Luftglass was responsible for selecting or for supervising Grant's selection of suppliers of marketing services and materials, including advertising and display materials.

3. Grant was a corporation incorporated under the laws of the State of New Jersey. Grant was a subsidiary of a Delaware corporation owned, ultimately, by a family-controlled business in

Scotland. Grant imported, distributed, and marketed several brands of alcoholic beverages, including Glenfiddich scotch whisky, Clan MacGregor scotch whisky, and Frangelico liqueur.

4. Various persons and firms, not made defendants herein, participated as co-conspirators in the offense charged herein and performed acts and made statements in furtherance thereof. They include Dani Siegel ("Siegel"), the owner and president of Genetra Affiliates, Inc. ("Genetra"). Genetra, located in Manhattan, was a supplier of advertising and display materials.

II. DEFINITION

5. "Advertising and display materials" refers to the manufacture, assembly, or packaging of any point-of-purchase advertising and display materials, including, but not limited to, display stands, posters, banners, counter cards, or sell sheets, used for the advertising or promotion of consumer goods, primarily in retail stores.

III. STATUTORY ALLEGATIONS

6. From at least as early as the early 1980s and continuing until at least March 1994, the exact dates being unknown to the Grand Jury, defendant Luftglass and co-conspirators did unlawfully, willfully, and knowingly conspire, combine, confederate, and agree together and with each other to violate Title 26, United States Code, Section 7201, in violation of Title 18, United States Code, Section 371.

7. It was a part and object of the conspiracy that defendant Luftglass, and his co-conspirators, would and did attempt to evade and defeat a substantial part of the income tax due and owing to the United States by defendant Luftglass, in violation of Title 26, United States Code, Section 7201.

IV. GOAL OF THE CONSPIRACY

8. The conspiracy charged herein was designed to produce substantial additional income for defendant Luftglass in a manner that concealed the fact of the additional income and its source from the Internal Revenue Service.

V. THE MANNER AND MEANS BY WHICH THE CONSPIRACY WAS CARRIED OUT

The manner and means by which the conspiracy was sought to be accomplished included, among others, the following:

9. Sometime in the early 1980s, defendant Luftglass began to cause Grant to make regular awards of contracts for display materials to Siegel's company, Genetra. Soon thereafter, defendant Luftglass told Siegel that he expected to receive cash kickbacks, which Siegel agreed to pay. From at least as early as the early 1980s and continuing through June 1993, defendant Luftglass caused Grant to enter into approximately 70 contracts worth a total of at least $5 million with Genetra. Throughout this time, defendant Luftglass received cash kickbacks from Siegel. From 1989 through June 1993, the kickbacks totaled at least $130,000.

10. Defendant Luftglass and Siegel often discussed the amounts of the kickbacks, using the word "samples" as a code word to signify $1000. For example, if defendant Luftglass and Siegel agreed that defendant Luftglass would receive $4000, they discussed and agreed that defendant Luftglass would receive "four samples."

11. Siegel usually paid the kickbacks within a few days of the discussion regarding the amount involved. Defendant Luftglass gave Siegel instructions concerning the time and place of delivery. On numerous occasions, defendant Luftglass called Siegel on the telephone to say that he would be

driving into Manhattan on a specific date and at a specific time; later, on the specified date, defendant Luftglass made additional calls from his car phone as he approached Siegel's offices on West 56th Street in Manhattan. After being notified that defendant Luftglass was waiting in his car, Siegel then went downstairs and delivered the money to defendant Luftglass.

12. The money Siegel paid to defendant Luftglass was raised by having Genetra overbill and receive payment from Grant by approximately twice the amounts of the payments to defendant Luftglass. The overbilling occurred in two ways. First, Siegel sometimes increased the prices that Genetra quoted to Grant for its contracts. Second, Siegel caused Genetra to submit invoices to Grant that were false and fraudulent in that they sought payment for work for which payment had already been received, or they sought payment for work that had never been provided. Defendant Luftglass arranged for these false and fraudulent invoices to be paid. Between May 1989 and June 1993, Grant paid more than $260,000 to Genetra in response to false and fraudulent invoices.

VI. OVERT ACTS

In furtherance of the conspiracy, and to effect the objects thereof, the following overt acts were committed in the Southern District of New York, and elsewhere:

13. On numerous occasions from the early 1980s through June 1993, defendant Luftglass made telephone calls from Grant's offices in Edison, New Jersey to Siegel at Genetra's offices in Manhattan for the purpose of discussing the payment of kickbacks. In accordance with the arrangements made during those telephone calls, defendant Luftglass usually met with Siegel in Manhattan to receive substantial amounts of cash. From 1989 through June 1993, the kickback payments totaled at least $130,000.

14. From the early 1980s through June 1993, Siegel added approximately twice the amounts he had agreed to pay to defendant Luftglass to the prices his company quoted to Grant or to invoices that his company sent to Grant. On numerous occasions between the early 1980s and June 1993, Siegel caused invoices reflecting prices that were inflated by approximately twice the amounts of the kickbacks paid to defendant Luftglass to be mailed from Genetra's offices in Manhattan to Grant's offices in Edison, New Jersey.

15. On or about April 15, 1993, defendant Luftglass filed a U.S. Individual Income Tax Return, Form 1040, for the calendar year 1992, which failed to report all of his and his spouse's 1992 income by failing to disclose his receipt of cash kickbacks that year from Siegel, and thereby substantially underreported his and his spouse's correct tax due and owing.

16. On or about March 26, 1994, defendant Luftglass filed a U.S. Individual Income Tax Return, Form 1040, for the calendar year 1993, which failed to report all of his and his spouse's 1993 income by failing to disclose his receipt of cash kickbacks that year from Siegel, and thereby substantially underreported his and his spouse's correct tax due and owing.

VII. JURISDICTION AND VENUE

17. The aforesaid conspiracy was formed and carried out, in part, within the Southern District of New York within the six years preceding the filing of this Indictment.

IN VIOLATION OF TITLE 18, UNITED STATES CODE, SECTION 371

COUNT TWO -- INCOME TAX EVASION
(26 U.S.C. § 7201)

The Grand Jury further charges:

18. Paragraphs 1 through 3 of Count One of this Indictment are repeated, realleged, and

incorporated in Count Two as if fully set forth in this Count.

19. Between January 1993 and the end of June 1993, defendant Luftglass requested and received substantial cash kickbacks from Dani Siegel, the owner and president of Genetra Affiliates, Inc. ("Genetra"). Genetra was a supplier of advertising and display materials to Grant. Siegel paid kickbacks to defendant Luftglass in exchange for defendant Luftglass's assistance in securing contracts for Genetra. Defendant Luftglass usually made arrangements to pick up the cash kickbacks from Siegel in Manhattan and drove into Manhattan for that purpose. At the time he received the money from Siegel, defendant Luftglass did not intend to report the kickbacks as income on his federal income tax return.

20. In order to raise the funds used to pay defendant Luftglass, Siegel caused Genetra to prepare false and fraudulent invoices to Grant. Those invoices were prepared in and sent from Genetra's offices in Manhattan to Grant's offices in New Jersey. Defendant Luftglass arranged for those invoices to be paid by Grant.

21. On or about March 26, 1994, in the Southern District of New York and elsewhere, defendant Luftglass did unlawfully, willfully, and knowingly attempt to evade and defeat a large part of the income tax due and owing by him and his spouse to the United States of America for the calendar year 1993, by various means, including, among others, preparing and causing to be prepared, signing and causing to be signed, and filing and causing to be filed, a false and fraudulent U.S. Individual Income Tax Return, Form 1040, wherein he and his spouse failed to report as income a substantial amount of cash he had received as kickbacks from Siegel, and wherein he and his spouse stated that their taxable income was $144,668, and that the amount of

tax due and owing thereon was $37,609; whereas, as he then and there well knew and believed, their joint taxable income for that calendar year was substantially in excess of the specific sum reported, upon which additional taxable income there was due and owing to the United States of America substantial additional income tax.

IN VIOLATION OF TITLE 26, UNITED STATES CODE, SECTION 7201

A True Bill

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Foreperson

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