

FILED

2015 AUG -1 AM 11:19

CLERK U.S. DISTRICT COURT
CENTRAL DIST. OF CALIF.
LOS ANGELES

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION

UNITED STATES OF AMERICA,
Plaintiff,
v.
MASUD SARSHAR,
Defendant.

No. CR 16 00527

I N F O R M A T I O N

[18 U.S.C. § 371: conspiracy to defraud the United States; 26 U.S.C. § 7212(a): corruptly endeavoring to obstruct or impede the due administration of the internal revenue laws]

The United States Attorney charges:

COUNT ONE

[18 U.S.C. § 371]

At all times relevant to this Information:

A. INTRODUCTORY ALLEGATIONS

1. Defendant MASUD SARSHAR resided within the Central District of California and was a legal permanent resident or a citizen of the United States.

2. Defendant SARSHAR owned and operated Apparel Limited, Inc.,

1 a California corporation that designed, manufactured, and sold
2 clothing and other apparel.

3 3. The Internal Revenue Service ("IRS") was an agency of the
4 United States Department of Treasury responsible for administering
5 and enforcing the tax laws of the United States and collecting the
6 taxes owed to the Treasury of the United States by its citizens.
7

8 4. United States citizens, resident aliens, and legal
9 permanent residents had an obligation to report the following
10 information to the IRS on Form 1040, Schedule B, Part III, Line 7a,
11 by checking a "Yes" or "No" box: "At any time during [the calendar
12 year], did you have an interest in or a signature or other authority
13 over a financial account in a foreign country, such as a bank
14 account, securities account, or other financial account?" If the
15 answer to Line 7a was "Yes," then Line 7b required the taxpayer to
16 enter the name of the foreign country in which the financial account
17 was located.
18

19 5. United States citizens, resident aliens, and legal
20 permanent residents had an obligation to report all income earned
21 from foreign financial accounts on their tax returns and pay the
22 taxes due on that income.
23

24 6. United States citizens, resident aliens, and legal
25 permanent residents who had a financial interest in, or signature
26 authority over, one or more financial accounts in a foreign country
27 with an aggregate value of more than \$10,000 at any time during a
28

1 particular year were required to file with the Department of the
2 Treasury a Report of Foreign Bank and Financial Accounts on Form TD F
3 90-22.1 ("FBAR"). Generally, the FBAR for the applicable year was
4 due by June 30 of the following year.

5
6 7. An "undeclared account" was a bank or financial account
7 maintained in a foreign country that was not reported to the United
8 States government on a tax return or on an FBAR.

9
10 8. A back-to-back loan was a mechanism by which a foreign
11 accountholder received a "loan" in the United States, which was
12 collateralized by his undeclared account. This allowed an owner of
13 an undeclared account to enjoy the economic benefits of the funds in
14 his undeclared account without directly repatriating the funds or
15 creating a paper trail that could potentially disclose the existence
16 of the undeclared account to U.S. authorities.

17
18 9. Israeli Bank A and Bank Leumi Le-Israel B.M. ("Bank Leumi")
19 had branches worldwide, including in the United States.

20
21 10. Israeli Bank B had branches throughout Israel.

22
23 11. On or about May 10, 1993, Defendant SARSHAR opened an
24 account with Israeli Bank A's Balfour branch.

25
26 12. On or about November 29, 2007, Defendant SARSHAR opened
27 three separate accounts at Bank Leumi.

28
29 13. Israeli Bank A and Bank Leumi each assigned a relationship
30 manager ("RM") to Defendant SARSHAR. Both RM1 from Israeli Bank A
31 and RM2 from Bank Leumi were based in Israel but frequently traveled

1 to the United States to meet with Defendant SARSHAR.

2 14. Executive 1 was the manager of the Global Private Banking
3 Center at Israeli Bank A from approximately 2007 until 2013.

4 15. On or about November 30, 2011, Defendant SARSHAR opened an
5 account with Israeli Bank B.

6 16. At no time did Defendant SARSHAR report the existence of
7 his foreign bank accounts to the United States.

8 17. On or about August 25, 2006, Israeli Bank A filled out a
9 "Know Your Customer" form, where it reported that "income from
10 business" was the origin of the funds deposited by Defendant SARSHAR
11 into his undeclared account at Israeli Bank A.

12 18. In or around March 2010, the Foreign Account Tax Compliance
13 Act ("FATCA") became law. FATCA imposes reporting requirements on
14 foreign financial institutions with respect to accounts those
15 institutions maintain for U.S. persons.

16
17
18 B. OBJECT OF THE CONSPIRACY

19 19. From in or about 1993 through in or about January 2012, in
20 the Central District of California and elsewhere, defendant MASUD
21 SARSHAR, together with others known and unknown to the Grand Jury,
22 knowingly and intentionally combined, conspired, confederated, and
23 agreed to defraud the United States by impeding, impairing,
24 obstructing, and defeating the lawful governmental functions of a
25 government agency, namely the IRS, by deceitful and dishonest means.

26
27 C. MANNER AND MEANS OF THE CONSPIRACY

1 The object of the conspiracy was carried out, and to be carried
2 out, in substance, as follows:

3 20. Defendant SARSHAR, with the assistance of RM1 and RM2,
4 opened and maintained undeclared foreign accounts at Israeli Bank A
5 and Bank Leumi, none of which defendant SARSHAR disclosed to the
6 United States on his Form 1040s or FBARs.
7

8 21. In an effort to assist defendant SARSHAR in concealing his
9 undeclared foreign accounts from the United States, RM1 and RM2
10 caused Israeli Bank A and Bank Leumi to hold defendant SARSHAR'S
11 mail, and instead, carried those bank statements with them when they
12 visited defendant SARSHAR in the United States.
13

14 22. In an effort to further assist defendant SARSHAR in
15 concealing his undeclared foreign accounts, RM1 and RM2 offered
16 various financial products, which allowed defendant SARSHAR to access
17 his funds from his undeclared foreign accounts without creating a
18 paper trail in the United States.
19

20 D. Overt Acts

21 23. On or about May 10, 1993, defendant SARSHAR opened an
22 account with Israeli Bank A's Balfour branch.
23

24 24. On or about August 25, 2006, defendant SARSAR instructed
25 Israeli Bank A to hold his mail at the branch rather than mail his
26 bank statements to the United States.
27

28 25. On or about September 11, 2006, defendant SARSHAR received
into an undeclared account that he held at Israeli Bank A

1 approximately \$206,469 in income from his business. Defendant
2 SARSHAR omitted this income from the gross receipts of Apparel
3 Limited's 2006 Form 1120S and from his total income when he filed his
4 2006 Form 1040.

5
6 26. On or about October 23, 2006, defendant SARSHAR received
7 into an undeclared account that he held at Israeli Bank A
8 approximately \$396,205 in income from his business. Defendant SARSHAR
9 omitted this income from the gross receipts of Apparel Limited's 2006
10 Form 1120S and from his total income when he filed his 2006 Form
11 1040.

12
13 27. On or about November 24, 2006, defendant SARSHAR received
14 into an undeclared account that he held at Israeli Bank A
15 approximately \$308,632 in income from his business. Defendant SARSHAR
16 omitted this income from the gross receipts of Apparel Limited's 2006
17 Form 1120S and from his total income when he filed his 2006 Form
18 1040.

19
20 28. On or about January 16, 2007, defendant SARSHAR received
21 into an undeclared account that he held at Israeli Bank A
22 approximately \$138,422.04 in income from his business. Defendant
23 SARSHAR omitted this income from the gross receipts of Apparel
24 Limited's 2007 Form 1120S and from his total income when he filed his
25 2007 Form 1040.

26
27 29. On or about February 23, 2007, defendant SARSHAR received
28 into an undeclared account that he held at Israeli Bank A

1 approximately \$235,490.06 in income from his business. Defendant
2 SARSHAR omitted this income from the gross receipts of Apparel
3 Limited's 2007 Form 1120S and from his total income when he filed his
4 2007 Form 1040.

5
6 30. On or about February 23, 2007, defendant SARSHAR received
7 into an undeclared account that he held at Israeli Bank A
8 approximately \$396,887.24 in income from his business. Defendant
9 SARSHAR omitted this income from the gross receipts of Apparel
10 Limited's 2007 Form 1120S and from his total income when he filed his
11 2007 Form 1040.

12
13 31. On or about March 28, 2007, defendant SARSHAR received into
14 an undeclared account that he held at Israeli Bank A approximately
15 \$177,833.72 in income from his business. Defendant SARSHAR omitted
16 this income from the gross receipts of Apparel Limited's 2007 Form
17 1120S and from his total income when he filed his 2007 Form 1040.

18
19 32. On or about March 28, 2007, defendant SARSHAR received into
20 an undeclared account that he held at Israeli Bank A approximately
21 \$189,234.15 in income from his business. Defendant SARSHAR omitted
22 this income from the gross receipts of Apparel Limited's 2007 Form
23 1120S and from his total income when he filed his 2007 Form 1040.

24
25 33. On or about July 19, 2007, defendant SARSHAR received into
26 an undeclared account that he held at Israeli Bank A approximately
27 \$687,118.88 in income from his business. Defendant SARSHAR omitted
28 this income from the gross receipts of Apparel Limited's 2007 Form

1 1120S and from his total income when he filed his 2007 Form 1040.

2 34. On or about December 6, 2007, defendant SARSHAR received
3 into an undeclared account that he held at Bank Leumi approximately
4 \$1,835,091.14 in income from his business. Defendant SARSHAR omitted
5 this income from the gross receipts of Apparel Limited's 2007 Form
6 1120S and from his total income when he filed his 2007 Form 1040.
7

8 35. On or about December 11, 2007, defendant SARSHAR received
9 into an undeclared account that he held at Israeli Bank A
10 approximately \$879,449 in income from his business. Defendant
11 SARSHAR omitted this income from the gross receipts of Apparel
12 Limited's 2007 Form 1120S and from his total income when he filed his
13 2007 Form 1040.
14

15 36. On or about December 17, 2007, defendant SARSHAR received
16 into an undeclared account that he held at Israeli Bank A
17 approximately \$832,900 in income from his business. Defendant
18 SARSHAR omitted this income from the gross receipts of Apparel
19 Limited's 2007 Form 1120S and from his total income when he filed his
20 2007 Form 1040.
21

22 37. On or about December 20, 2007, defendant SARSHAR received
23 into an undeclared account that he held at Israeli Bank A
24 approximately \$963,000 in income from his business. Defendant
25 SARSHAR omitted this income from the gross receipts of Apparel
26 Limited's 2007 Form 1120S and from his total income when he filed his
27 2007 Form 1040.
28

1 38. On or about December 21, 2007, defendant SARSHAR received
2 into an undeclared account that he held at Israeli Bank A
3 approximately \$962,118 in income from his business. Defendant
4 SARSHAR omitted this income from the gross receipts of Apparel
5 Limited's 2007 Form 1120S and from his total income when he filed his
6 2007 Form 1040.
7

8 39. On or about December 24, 2007, defendant SARSHAR received
9 into an undeclared account that he held at Israeli Bank A
10 approximately \$969,303 in income from his business. Defendant
11 SARSHAR omitted this income from the gross receipts of Apparel
12 Limited's 2007 Form 1120S and from his total income when he filed his
13 2007 Form 1040.
14

15 40. On or about December 27, 2007, defendant SARSHAR received
16 into an undeclared account that he held at Israeli Bank A
17 approximately \$710,477 in income from his business. Defendant
18 SARSHAR omitted this income from the gross receipts of Apparel
19 Limited's 2007 Form 1120S and from his total income when he filed his
20 2007 Form 1040.
21

22 41. On or about June 19, 2008, defendant SARSHAR reaffirmed his
23 election to have Israeli Bank A hold his mail at the branch, a
24 service for which Israeli Bank A charged a fee.
25

26 42. On or about June 30, 2008, defendant SARSHAR filed and
27 caused to be filed a false FBAR for calendar year 2007, wherein he
28 failed to report the bank accounts that he held at Israeli Bank A and

1 Bank Leumi, which both contained well in excess of the \$10,000
2 minimum filing requirement.

3 43. On or about August 5, 2008, defendant SARSHAR obtained a
4 back-to-back loan from Bank Leumi USA in the amount of \$10 million,
5 which was collateralized by defendant SARSHAR's undeclared accounts
6 at Bank Leumi.

7
8 44. On or about August 21, 2008, defendant SARSHAR filed and
9 caused to be filed a false FBAR for calendar year 2006, wherein he
10 failed to report the bank account that he held at Israeli Bank A,
11 which contained well in excess of the \$10,000 minimum filing
12 requirement.

13 45. On or about September 3, 2008, defendant SARSHAR filed a
14 false and fraudulent Form 1040 for tax year 2007, on which he omitted
15 approximately \$513,003.80 in interest income from Israeli Bank A and
16 approximately \$12,996.55 in interest income from Bank Leumi.

17
18 46. On or about October 10, 2008, defendant SARSHAR received
19 into an undeclared account that he held at Bank Leumi approximately
20 \$955,351 in income from his business. Defendant SARSHAR omitted this
21 income from the gross receipts of Apparel Limited's 2008 Form 1120S
22 and from his total income when he filed his 2008 Form 1040.

23
24 47. On or about October 15, 2008, defendant SARSHAR received
25 into an undeclared account that he held at Bank Leumi approximately
26 \$967,111 in income from his business. Defendant SARSHAR omitted this
27 income from the gross receipts of Apparel Limited's 2008 Form 1120S

1 and from his total income when he filed his 2008 Form 1040.

2 48. On or about October 15, 2008, defendant SARSHAR received
3 into an undeclared account that he held at Bank Leumi approximately
4 \$905,371 in income from his business. Defendant SARSHAR omitted this
5 income from the gross receipts of Apparel Limited's 2008 Form 1120S
6 and from his total income when he filed his 2008 Form 1040.
7

8 49. On or about February 6, 2009, Executive 1 at Israeli Bank A
9 approved a guarantee to Bank Leumi in the amount of \$10 million at
10 the request of defendant SARSHAR. The guarantee issued by Israeli
11 Bank A was fully collateralized by defendant SARSHAR's undeclared
12 account at Israeli Bank A.
13

14 50. On or about April 20, 2009, defendant SARSHAR filed a false
15 and fraudulent amended U.S. Individual Income Tax Return (Form 1040X)
16 for 2007, where he again omitted approximately \$513,003.80 in
17 interest income from Israeli Bank A and approximately \$12,996.55 in
18 interest income from Bank Leumi.
19

20 51. On or about July 15, 2009, defendant SARSHAR received into
21 an undeclared account that he held at Bank Leumi approximately
22 \$950,480.40 in income from his business. Defendant SARSHAR omitted
23 this income from the gross receipts of Apparel Limited's 2009 Form
24 1120S and from his total income when he filed his 2009 Form 1040.

25 52. On or about July 21, 2009, defendant SARSHAR received into
26 an undeclared account that he held at Bank Leumi approximately
27 \$999,451 in income from his business. Defendant SARSHAR omitted this
28

1 income from the gross receipts of Apparel Limited's 2009 Form 1120S
2 and from his total income when he filed his 2009 Form 1040.

3 53. On or about August 4, 2009, defendant SARSHAR renewed his
4 \$10 million back-to-back loan with Bank Leumi USA, which was still
5 collateralized by his undeclared accounts at Bank Leumi. In
6 addition, defendant SARSHAR obtained an additional \$9 million back-
7 to-back loan with Bank Leumi USA, which was also collateralized by
8 his undeclared accounts at Bank Leumi.

10 54. On or about August 12, 2009, defendant SARSHAR received
11 into an undeclared account that he held at Bank Leumi approximately
12 \$377,617.91 in income from his business. Defendant SARSHAR omitted
13 this income from the gross receipts of Apparel Limited's 2009 Form
14 1120S and from his total income when he filed his 2009 Form 1040.

16 55. On or about August 21, 2009, defendant SARSHAR received
17 into an undeclared account that he held at Israeli Bank A
18 approximately \$954,351 in income from his business. Defendant
19 SARSHAR omitted this income from the gross receipts of Apparel
20 Limited's 2009 Form 1120S and from his total income when he filed his
21 2009 Form 1040.

23 56. On or about August 26, 2009, defendant SARSHAR received
24 into an undeclared account that he held at Bank Leumi approximately
25 \$964,122 in income from his business. Defendant SARSHAR omitted this
26 income from the gross receipts of Apparel Limited's 2009 Form 1120S
27 and from his total income when he filed his 2009 Form 1040.

1 57. On or about August 28, 2009, defendant SARSHAR received
2 into an undeclared account that he held at Israeli Bank A
3 approximately \$873,991 in income from his business. Defendant
4 SARSHAR omitted this income from the gross receipts of Apparel
5 Limited's 2009 Form 1120S and from his total income when he filed his
6 2009 Form 1040.
7

8 58. On or about September 14, 2009, defendant SARSHAR received
9 into an undeclared account that he held at Bank Leumi approximately
10 \$919,071.40 in income from his business. Defendant SARSHAR omitted
11 this income from the gross receipts of Apparel Limited's 2009 Form
12 1120S and from his total income when he filed his 2009 Form 1040.
13

14 59. On or about October 21, 2009, defendant SARSHAR filed a
15 false and fraudulent Form 1040 for tax year 2008, on which he omitted
16 approximately \$355,668.90 in interest income from Israeli Bank A and
17 approximately \$366,270.12 in interest income from Bank Leumi.
18

19 60. On or about October 27, 2009, defendant SARSHAR received
20 into an undeclared account that he held at Bank Leumi approximately
21 \$895,551.40 in income from his business. Defendant SARSHAR omitted
22 this income from the gross receipts of Apparel Limited's 2009 Form
23 1120S and from his total income when he filed his 2009 Form 1040.
24

25 61. On or about November 4, 2009, defendant SARSHAR received
26 into an undeclared account that he held at Bank Leumi approximately
27 \$896,531.40 in income from his business. Defendant SARSHAR omitted
28 this income from the gross receipts of Apparel Limited's 2009 Form

1 1120S and from his total income when he filed his 2009 Form 1040.

2 62. On or about November 9, 2009, defendant SARSHAR received
3 into an undeclared account that he held at Bank Leumi approximately
4 \$852,431.40 in income from his business. Defendant SARSHAR omitted
5 this income from the gross receipts of Apparel Limited's 2009 Form
6 1120S and from his total income when he filed his 2009 Form 1040.

7
8 63. On or about January 25, 2010, in an effort to prevent
9 Defendant SARSHAR from moving funds from Israeli Bank A to Bank
10 Leumi, Executive 1 approved an increase to the guarantee that Israeli
11 Bank A previously issued to Bank Leumi from \$10 million to \$14.8
12 million, which was fully collateralized by defendant SARSHAR's
13 undeclared account at Israeli Bank A.

14
15 64. In or around early 2010, RM1 and RM2 advised defendant
16 SARSHAR, in order to conceal his undeclared accounts from the United
17 States, to obtain Iranian and Israeli passports to avoid being
18 "flagged" as an American by their respective banks' compliance
19 departments for reporting purposes.

20
21 65. On or about June 22, 2010, defendant SARSHAR filed and
22 caused to be filed a false FBAR for calendar year 2009, wherein he
23 failed to report the bank accounts that he held at Israeli Bank A and
24 Bank Leumi.

25
26 66. On or about September 20, 2010, defendant SARSHAR filed a
27 false and fraudulent Form 1040 for tax year 2009, on which he omitted
28 approximately \$468,315 in interest income from Israeli Bank A and

1 approximately \$158,192.03 in interest income from Bank Leumi.

2 67. On or about December 15, 2010, at the suggestion of RM1 and
3 RM2, defendant SARSHAR acquired an Iranian passport for the purpose
4 of concealing the accounts that he held at Israeli Bank A and Bank
5 Leumi.

6
7 68. On or about May 2, 2011, at the suggestion of RM1 and RM2,
8 defendant SARSHAR acquired an Israeli passport for the purposes of
9 concealing the accounts that he held at Israeli Bank A and Bank Leumi
10 from the United States.

11 69. On or about June 15, 2011, defendant SARSHAR filed and
12 caused to be filed a false FBAR for calendar year 2010, wherein he
13 failed to report the bank accounts that he held at Israeli Bank A and
14 Bank Leumi, which both contained well in excess of the \$10,000
15 minimum filing requirement.

16
17 70. On or about October 19, 2011, defendant SARSHAR filed a
18 false and fraudulent Form 1040 for tax year 2010, on which he omitted
19 approximately \$225,290.70 in interest income from Israeli Bank A and
20 approximately \$206,462.35 in interest income from Bank Leumi.

21 71. On or about December 5, 2011, at the direction of RM1 and
22 RM2 and with the assistance of RM1, defendant SARSHAR transferred the
23 remaining funds from his undeclared account at Israeli Bank A to an
24 undeclared account that he created at Israeli Bank B.

25
26 72. On or about June 24, 2012, defendant SARSHAR filed and
27 caused to be filed a false FBAR for calendar year 2011, wherein he
28

1 failed to report the bank accounts that he held at Israeli Bank A and
2 Bank Leumi, which both contained well in excess of the \$10,000
3 minimum filing requirement.

4 73. On or about October 15, 2012, defendant SARSHAR filed a
5 false and fraudulent Form 1040 for tax year 2011, on which he omitted
6 approximately \$66,584.90 in interest income from Israeli Bank A and
7 approximately \$173,513.24 in interest income from Bank Leumi.
8

COUNT TWO

[26 U.S.C. § 7212(a)]

74. The allegations contained in paragraphs 1 through 18 and 23 through 73 are realleged and incorporated by reference as if set out in full herein.

75. From in or about 1993 through in or around the end of 2012 in the Central District of California and elsewhere, defendant MASUD SARSHAR corruptly obstructed and impeded, and endeavored to obstruct and impede, the due administration of the internal revenue laws of the United States by, among other things: (1) maintaining, since at least 1993, undeclared foreign financial accounts held in his own name and those of entities; (2) diverting millions of dollars of Apparel Limited's gross receipts into undeclared accounts in his name at Israeli Bank A and Bank Leumi; (3) filing and causing to be filed fraudulent IRS Forms 1040 for 2006 through 2011, wherein defendant SARSHAR omitted the aforementioned diverted income and interest income that he received from Israeli Bank A and Bank Leumi; (4) filing and causing to be filed fraudulent FBARs for 2006, 2007, 2009, 2010, and 2011, which failed to disclose the accounts defendant SARSHAR maintained at Israeli Bank A and Bank Leumi; (5) accessing and using his undeclared foreign funds through obtaining at least two back-to-back loans from Bank Leumi, which, in part, he collateralized by a standby letter of credit issued by Israeli Bank A; (6) obtaining Iranian and Israeli passports for the sole purpose of evading U.S. reporting requirements with respect to foreign financial accounts;

1 (7) transferring funds to Israeli Bank B after being "flagged" as an
2 American by Israeli Bank A and Bank Leumi; (8) repatriating his
3 funds, with the assistance of another, to make them appear as loans
4 to Apparel Limited from a foreign entity.
5

6 EILEEN M. DECKER
7 United States Attorney

8 

9 LAWRENCE S. MIDDLETON
10 Assistant United States Attorney
11 Chief, Criminal Division

12
13 ROBERT F. CONTE
14 Assistant United States Attorney
15 Acting Chief, Tax Division

16
17 TINO M. LISELLA
18 Assistant Chief
19 TIMOTHY M. RUSSO
20 Trial Attorney
21 U.S. Department of Justice,
22 Tax Division
23
24
25
26
27
28