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

FILED

UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

June 2013 Grand Jury

CR14-0248

UNITED STATES OF AMERICA,

No. CR 14-

Plaintiff,

I N D I C T M E N T

v.

[18 U.S.C. § 371: Conspiracy]

SHOKROLLAH BARAVARIAN,
aka "Dr. B,"

Defendant.

The Grand Jury charges:

INTRODUCTORY ALLEGATIONS

At all times relevant to this Indictment:

1. Defendant SHOKROLLAH BARAVARIAN ("BARAVARIAN") resided in Beverly Hills, California.

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

3. United States citizens, resident aliens, and legal permanent residents had an obligation to report the following

1 information to the IRS on Form 1040, Schedule B, Part III, Line
2 7a, by checking a "Yes" or "No" box: "At any time during [the
3 calendar year], did you have an interest in or a signature or
4 other authority over a financial account in a foreign country,
5 such as a bank account, securities account, or other financial
6 account?" If the answer to Line 7a was "Yes," then Line 7b
7 required the taxpayer to enter the name of the foreign country
8 in which the financial account was located.

9 4. United States citizens, resident aliens, and legal
10 permanent residents had an obligation to report all income
11 earned from foreign financial accounts on their tax returns and
12 to pay the taxes due on that income.

13 5. United States citizens, resident aliens, and legal
14 permanent residents who had a financial interest in, or
15 signature authority over, one or more financial accounts in a
16 foreign country with an aggregate value of more than \$10,000 at
17 any time during a particular year were required to file with the
18 Department of the Treasury a Report of Foreign Bank and
19 Financial Accounts on Form TD F 90-22.1 ("the FBAR").
20 Generally, the FBAR for the applicable year was due by June 30
21 of the following year.

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

25 7. Bank A was headquartered in Tel Aviv, Israel, and had
26 over 100 branches worldwide, including a branch in Los Angeles,
27 California ("the Los Angeles Branch") and a branch in the Cayman
28 Islands ("the Cayman Islands Branch").

1 8. Defendant BARAVARIAN was employed as a senior vice
2 president at the Los Angeles Branch and assisted U.S. customers
3 in opening undeclared bank accounts at Bank A in Israel.

4 Defendant BARAVARIAN also assisted U.S. customers in accessing
5 funds in their undeclared accounts in Israel through "back-to-
6 back" loans issued by the Los Angeles Branch.

7 9. A "back-to-back loan" was a loan issued by the Los
8 Angeles Branch that was secured by funds in an undeclared
9 account at Bank A in either Israel or the Cayman Islands (the
10 "pledged account"). The pledged account was held in an
11 interest-bearing certificate of deposit. Bank A typically
12 charged a 1% to 2% higher rate of interest on the back-to-back
13 loan than the interest rate paid on the certificate of deposit.

14 10. J.R., also known as "Y.R.," not named as a defendant
15 herein, participated as a co-conspirator in the offense charged
16 herein and performed acts and made statements in furtherance
17 thereof. J.R. was employed at Bank A in Israel as a roving
18 representative assigned to North America. J.R. solicited and
19 routed deposits into undeclared bank accounts at Bank A in
20 Israel from customers in the United States, and offered loan
21 products on behalf of Bank A to customers in the United States,
22 including back-to-back loans made by the Los Angeles Branch.

23 11. A foreign nominee entity was an entity whose ownership
24 was not readily identifiable. Foreign nominee entities were
25 often set up in tax havens to hide the true ownership of assets
26 because ownership records are not maintained and nominee
27 officers and directors are often used to appear to control the
28 affairs of the entity.

1 12. J.K., not named as a defendant herein, participated as
2 a co-conspirator in the offense charged herein and performed
3 acts and made statements in furtherance thereof. J.K. was an
4 attorney practicing in Tel Aviv, Israel, who assisted U.S.
5 citizens in setting up foreign nominee entities in the British
6 Virgin Islands and the Island of Nevis that were used to open
7 undeclared accounts at Bank A in Israel.

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1 opening documents of undeclared accounts, or copies thereof, in
2 bank files located at the Los Angeles Branch even though these
3 documents were created by bank employees at the Los Angeles
4 Branch;

5 c. Defendant BARAVARIAN and others known and unknown
6 to the Grand Jury would and did use foreign nominee entities,
7 pseudonyms, code names, and nominee names for U.S. customers
8 opening undeclared accounts at Bank A in Israel;

9 d. Defendant BARAVARIAN and others known and unknown
10 to the Grand Jury would and did use a "hold mail" designation on
11 account opening documents for U.S. customers opening undeclared
12 accounts.

13 e. Bankers at Bank A in Israel would and did send
14 account statements to the Los Angeles Branch rather than mail
15 them directly to U.S. customers.

16 f. Defendant BARAVARIAN and others known and unknown
17 to the Grand Jury would and did assist U.S. customers in
18 secretly accessing funds in their undeclared accounts at Bank A
19 in Israel through back-to-back loans issued by the Los Angeles
20 Branch;

21 g. U.S. customers would and did transfer funds to
22 undeclared accounts at Bank A in Israel for the purpose of using
23 those funds as collateral for back-to-back loans;

24 h. Defendant BARAVARIAN and others known and unknown
25 to the Grand Jury would and did send, and cause to be sent,
26 pledge documents to Bank A in Israel on behalf of the U.S.
27 customers and purposely did not keep said documents, or copies
28 thereof, in the bank files at the Los Angeles Branch;

1 i. Defendant BARAVARIAN and others known and unknown
2 to the Grand Jury would and did obtain account information from
3 Bank A in Israel relating to U.S. customers' undeclared accounts
4 for purposes of issuing and renewing back-to-back loans at the
5 Los Angeles Branch and purposely did not keep said documents, or
6 copies thereof, in the bank files at the Los Angeles Branch;

7 j. Defendant BARAVARIAN and others known and unknown
8 to the Grand Jury would and did cause Bank A in Israel to pay
9 U.S. customers above-market interest rates on their pledged
10 deposits in Israel;

11 k. J.R. would and did travel from Israel to the
12 United States and meet with U.S. customers in Los Angeles,
13 California, for the purpose of reviewing their account
14 statements and discussing their undeclared accounts;

15 l. When travelling to the United States with copies
16 of account statements, J.R. would and did redact the names of
17 the U.S. customers reflected on the statements.

18 m. U.S. customers would and did file false and
19 fraudulent U.S. Individual Income Tax Returns, Forms 1040, with
20 the IRS that failed to report the existence of, and related
21 income from, their undeclared bank accounts at Bank A.

22 n. U.S. customers would and did fail to file FBARs
23 and otherwise report their undeclared accounts to the United
24 States government.

25 C. OVERT ACTS

26 16. In furtherance of the conspiracy, and to accomplish
27 its objects, defendant BARAVARIAN and others known and unknown
28 to the Grand Jury committed and caused others to commit the

1 following overt acts, among others, in the Central District of
2 California and elsewhere:

3 **U.S. Customer G.K.**

4 Overt Act No. 1: In or about 2001, defendant BARAVARIAN
5 contacted U.S. Customer G.K. and told her that she needed to
6 change the name of G.K.'s account at Bank A in Israel in order
7 to keep it secret from the United States government.

8 Overt Act No. 2: In or about 2001, U.S. Customer G.K. and
9 defendant BARAVARIAN met in Los Angeles, California, and, at the
10 suggestion of defendant BARAVARIAN, G.K. changed the name of the
11 account at Bank A in Israel to "G. Shad."

12 Overt Act No. 3: From in or about 1997 through in or about
13 2008, Bank A in Israel sent U.S. Customer G.K.'s account
14 statements to the Los Angeles Branch, which were either hand
15 delivered to G.K. by defendant BARAVARIAN or were picked up
16 personally by G.K.

17 Overt Act No. 4: On or about February 23, 2006, defendant
18 BARAVARIAN signed opening documents for an account in the name
19 of "Persol" in which G.K. was a signatory. The opening
20 documents included a "hold mail" designation for the delivery of
21 bank statements.

22 Overt Act No. 5: On or about July 5, 2006, Bank A in Israel
23 sent a "SWIFT" message referencing "[COC], INC." to the Los
24 Angeles Branch stating: "WE HEREBY INCREASE THE AMOUNT OF OUR
25 ABOVE PLEDGE BY USD 875,000.00 TO A NEW TOTAL AMOUNT OF: USD
26 1,750,000.00."

27 Overt Act No. 6: In or about September 2006, the Los
28 Angeles Branch sent a letter signed by U.S. Customer G.K. to

1 D.L. at Bank A in Israel requesting that the amount of G.K.'s
2 pledge in Israel be increased to \$2,250,000.

3 Overt Act No. 7: On or about September 14, 2006, U.S.
4 Customer G.K. signed a "REVISION AGREEMENT" relating to a
5 \$250,000 back-to-back loan.

6 Overt Act No. 8: On or about January 3, 2007, U.S. Customer
7 G.K. signed a "REVISION AGREEMENT" relating to a \$500,000 back-
8 to-back loan.

9 Overt Act No. 9: On or about January 3, 2007, U.S. Customer
10 G.K. signed a "REVISION AGREEMENT" relating to a \$1,000,000
11 back-to-back loan.

12 Overt Act No. 10: On or about August 6, 2009, in Los
13 Angeles, California, U.S. Customer G.K. filed a U.S. Individual
14 Income Tax Return, Form 1040, for tax year 2008 with the IRS
15 that failed to report the existence of, and related income from,
16 G.K.'s undeclared bank accounts at Bank A in Israel.

17 **U.S. Customer D.R.**

18 Overt Act No. 11: During the late 1980s, defendant
19 BARAVARIAN assisted U.S. Customer D.R. in opening an account at
20 Bank A in Israel in the name of Silverspring Holdings
21 International.

22 Overt Act No. 12: In or about 2003, U.S. Customer D.R. was
23 approached by J.R. to open an additional account at Bank A in
24 Israel.

25 Overt Act No. 13: On or about September 2, 2003, J.R.
26 created, and caused to be created, a foreign nominee entity in
27 the Turks and Caicos Islands called Westrose.

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1 Overt Act No. 14: On or about December 15, 2003, U.S.
2 Customer D.R. met with defendant BARAVARIAN in Los Angeles,
3 California, and signed documents to open an account at Bank A in
4 Israel in the name of Westrose.

5 Overt Act No. 15: On or about March 4, 2004, U.S. Customer
6 D.R. deposited, and caused to be deposited, \$1,976,867.05 into
7 the Westrose account at Bank A in Israel.

8 Overt Act No. 16: On or about December 15, 2005, U.S.
9 Customer D.R., with the assistance of J.R., signed documents to
10 open an account at Bank A in Israel in the name of Raminpard-
11 Gift.

12 Overt Act No. 17: From in or about 2003 through in or about
13 2007, U.S. Customer D.R. met with J.R. approximately ten times
14 in Los Angeles, California, to review bank statements and
15 discuss safe investments, meaning investments that would keep
16 the Westrose account secret from the United States government.

17 Overt Act No. 18: From in or about the 1990s through in or
18 about December 2008, U.S. Customer D.R., with defendant
19 BARAVARIAN's assistance, applied for and received annual back-
20 to-back loans from the Los Angeles Branch.

21 Overt Act No. 19: On or about September 25, 2006, D.L. at
22 Bank A in Israel sent an email referencing U.S. Customer D.R. to
23 the Los Angeles Branch stating: "We wonder if you can reduce the
24 pledge because by a misunderstanding, we purchased per [D.R.'s]
25 instructions securities in the amount of \$300,000 and all the
26 deposits in the account are pledge (sic) in your favor."

27 Overt Act No. 20: In or about 2007, U.S. Customer D.R. used
28 \$1 million in funds from a back-to-back loan obtained from the

1 Los Angeles Branch to purchase a building in Los Angeles,
2 California.

3 Overt Act No. 21: On or about September 10, 2009, in Los
4 Angeles, California, U.S. Customer D.R. filed a U.S. Individual
5 Income Tax Return, Form 1040, for tax year 2008 with the IRS
6 that failed to report the existence of, and related income from,
7 D.R.'s undeclared bank accounts at Bank A in Israel.

8 **U.S. Customer H.S.**

9 Overt Act No. 22: During the late 1980s, defendant
10 BARAVARIAN assisted U.S. Customer H.S. in opening an account at
11 Bank A in Israel in the name of Silverspring Holdings
12 International.

13 Overt Act No. 23: On or about September 4, 2003, J.R.
14 created, and caused to be created, a foreign nominee entity in
15 the Turks and Caicos Islands called Silverspring International

16 Overt Act No. 24: On or about January 20, 2004, U.S.
17 Customer H.S. met with defendant BARAVARIAN in Los Angeles,
18 California, and signed documents to open an account at Bank A in
19 Israel in the name of a foreign nominee entity.

20 Overt Act No. 25: On or about April 19, 2005, S.C. at Bank
21 A in Israel sent a "SWIFT" message to the Los Angeles Branch
22 stating: "WE HEREBY CONFIRM THAT WE HAVE PLEDGED IN YOUR FAVOUR
23 USD 1,990,000.00 . . . FOR LOANS AND FACILITIES EXTENDED BY YOU
24 TO [U.S. Customer H.S]."

25 Overt Act No. 26: On or about May 23, 2005, defendant
26 BARAVARIAN faxed a letter addressed to U.S. Customer H.S.
27 stating: "At your request, we hereby confirm that you have
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1 availability of funds in the amount of \$2,300,000.00 in the
2 [Bank A] banking system.”

3 Overt Act No. 27: On or about May 2, 2007, defendant
4 BARAVARIAN signed a loan approval document relating to an
5 \$800,000 back-to-back loan made to U.S. Customer H.S.

6 Overt Act No. 28: On or about September 29, 2009, in Los
7 Angeles, California, U.S. Customer H.S. filed a U.S. Individual
8 Income Tax Return, Form 1040, for tax year 2008 with the IRS
9 that failed to report the existence of, and related income from,
10 H.S.'s undeclared bank accounts at Bank A in Israel.

11 **U.S. Customer A.C.**

12 Overt Act No. 29: On or about January 6, 1995, U.S.
13 Customer A.C. caused Fluvia Holdings to be incorporated in the
14 British Virgin Islands.

15 Overt Act No. 30: On or about July 1, 1995, in Los Angeles,
16 California, U.S. Customer A.C. signed bank documents in
17 connection with opening a bank account at the Cayman Islands
18 Branch in the name of Fluvia Holdings, including a
19 “COMMUNICATIONS TO THE BANK AND TELEPHONE INSTRUCTIONS” form
20 that authorized the bank to take account instructions from U.S.
21 Customer A.C. over the telephone.

22 Overt Act No. 31: In or around late 2002 or early 2003,
23 J.M. at Bank A in Israel contacted U.S. Customer A.C. in Los
24 Angeles, California, and informed A.C. that he needed to close
25 the Fluvia Holdings account because it was dangerous to maintain
26 an account in the name of a British Virgin Islands entity.

1 Overt Act No. 32: On or about February 28, 2003, U.S.
2 Customer A.C. caused a bank account in the name of Cambridge
3 Development to be opened at the Cayman Islands Branch.

4 Overt Act No. 33: On or about April 8, 2003, in Los
5 Angeles, California, U.S. Customer A.C. signed a letter
6 instructing Bank A to transfer all the existing funds in the
7 Fluvia Holdings account to the Cambridge Development account,
8 and to then close the Fluvia Holdings account.

9 Overt Act No. 34: On or about January 19, 2006, in Los
10 Angeles, California, U.S. Customer A.C. signed two promissory
11 notes - one for \$1 million, and the other for \$1.6 million - in
12 connection with obtaining two back-to-back loans from the Los
13 Angeles Branch.

14 Overt Act No. 35: From in or about 2002 through in or about
15 2007, U.S. Customer A.C. met with J.R. once or twice a year in
16 Los Angeles, California, to review bank statements relating to
17 A.C.'s undeclared accounts at Bank A.

18 Overt Act No. 36: On or about January 4, 2008, in Los
19 Angeles, California, U.S. Customer A.C. signed a promissory note
20 for \$850,000 in connection with obtaining a third back-to-back
21 loan from the Los Angeles Branch.

22 Overt Act No. 37: On or about October 14, 2009, in Los
23 Angeles, California, U.S. Customer A.C. filed a U.S. Individual
24 Income Tax Return, Form 1040, for tax year 2008 with the IRS
25 that failed to report the existence of, and related income from,
26 A.C.'s undeclared bank accounts at the Cayman Islands Branch.

1 U.S. Customer Z.S.

2 Overt Act No. 38: In or about 2001, U.S. Customer Z.S. and
3 J.R. met in Beverly Hills, California, and discussed opening a
4 secret bank account at Bank A in Israel that could be used to
5 obtain back-to-back loans from the Los Angeles Branch.

6 Overt Act No. 39: On December 27, 2001, J.K. in Israel
7 created for U.S. Customer Z.S. a foreign nominee entity in the
8 Island of Nevis called Orot Investments Limited.

9 Overt Act No. 40: On or about January 6, 2002, U.S.
10 Customer Z.S. opened an account at Bank A in Israel in the name
11 of Orot Investments Limited (the "Orot account").

12 Overt Act No. 41: On or about January 6, 2002, U.S.
13 Customer Z.S. caused at least \$100,000 to be transferred from an
14 account in China to the Orot account at Bank A in Israel.

15 Overt Act No. 42: Beginning in or about 2003 through in or
16 about 2008, U.S. Customer Z.S. obtained multiple back-to-back
17 loans from the Los Angeles Branch, some with principal balances
18 of \$2.5 million, using funds in the Orot account in Israel as
19 collateral.

20 Overt Act No. 43: On or about February 11, 2003, the Los
21 Angeles Branch faxed a letter to S.E. at Bank A in Israel
22 referencing "Pledge request" stating: "Attached are the revised
23 pledge forms. I hope that I completed clause 2 correctly (I went
24 over it with Dr. B)."

25 Overt Act No. 44: On or about February 11, 2003, S.E. at
26 Bank A in Israel faxed a message referencing "Orot Inv. Ltd." to
27 the Los Angeles Branch stating: "Please note that the pledge
28 form should be signed by the lawyer in Tel Aviv. Kindly

1 therefore ask the client in L.A. to instruct the lawyer to sign
2 the relative form."

3 Overt Act No. 45: In or about 2003, during a meeting at
4 Bank A in Israel, bankers S.E. and D.F. advised U.S. Customer
5 Z.S. to avoid investing the funds in the Orot account in U.S.
6 securities in order to keep the account secret from the United
7 States government and the IRS.

8 Overt Act No. 46: On or about March 11, 2004, S.E. at Bank
9 A in Israel faxed a message to defendant BARAVARIAN at the Los
10 Angeles Branch stating: "Could you please send me 2 Notices to
11 Guarantor . . . in favor of: Orot Investments Ltd."

12 Overt Act No. 47: On or about April 27, 2006, U.S. Customer
13 Z.S. signed a promissory note as a corporate officer of LLD,
14 Inc., for \$200,000 in connection with obtaining a back-to-back
15 loan from the Los Angeles Branch.

16 Overt Act No. 48: On or about September 5, 2006, U.S.
17 Customer Z.S. sent a letter to the Los Angeles Branch stating:
18 "Please ask Tel Aviv to reduce the pledge for [LLD], Inc. by
19 \$200,000."

20 Overt Act No. 49: On or about September 11, 2006, S.C. at
21 Bank A in Israel sent a "SWIFT" message referencing
22 LLD, Inc. stating that the pledge had been decreased by
23 \$200,000.

24 Overt Act No. 50: On or about September 20, 2006, D.L. at
25 Bank A in Israel sent an email to the Los Angeles Branch
26 stating: "We received the documents you sent and Adv. [J.K.] is
27 about to send me back all the necessary documents so I will be
28 able to amend the pledge."

1 **U.S. Customer C.T.**

2 Overt Act No. 51: In or about 1987, defendant BARAVARIAN
3 introduced U.S. Customer C.T.'s father to the Los Angeles
4 Branch.

5 Overt Act No. 52: In or about 1987, U.S. Customer C.T.'s
6 father began using cash deposits at Bank A in Israel denominated
7 in British Pounds and Euros to obtain back-to-back loans from
8 the Los Angeles Branch for various family-owned real estate
9 entities (the "real estate entities").

10 Overt Act No. 53: On or about July 25, 2001, Bank A in
11 Israel sent a "SWIFT" message to defendant BARAVARIAN stating
12 that the pledge relating to the back-to-back loans made to the
13 real estate entities had been increased to GBP 4,169,000 and EUR
14 5,561,000.

15 Overt Act No. 54: On or about June 27, 2002, Bank A in
16 Israel approved a total of \$13.8 million in back-to-back loans
17 issued by the Los Angeles Branch to the real estate entities.

18 Overt Act No. 55: On or about November 25, 2003, defendant
19 BARAVARIAN sent a "SWIFT" message referencing Account No. XX7569
20 to Bank A in Israel requesting that the pledge relating to the
21 real estate entities be changed to include additional borrowers,
22 including U.S. Customer C.T. and C.T.'s siblings.

23 Overt Act No. 56: On or about November 25, 2003, S.E. at
24 Bank A in Israel sent a fax message to defendant BARAVARIAN
25 stating that Bank A in Israel required "new documents from the
26 lawyer in Geneva" and requesting defendant BARAVARIAN to "ask
27 the party at your end to give the lawyer instructions in
28 accordance with your above SWIFT so as to expedite matters."

1 Overt Act No. 57: On or about December 24, 2003, S.E. at
2 Bank A in Israel faxed a message to defendant BARAVARIAN
3 stating: "we have received all the requirements from Geneva" and
4 requesting defendant BARAVARIAN to "send me by fax today the
5 Notice to Guarantor form" addressed to "CLEMENT FOUNDATION."

6 Overt Act No. 58: On or about August 9, 2004, Bank A in
7 Israel approved a total of \$13.8 million in back-to-back loans
8 issued by the Los Angeles Branch to the real estate entities,
9 U.S. Customer C.T., and C.T.'s siblings.

10 Overt Act No. 59: On or about December 5, 2006, defendant
11 BARAVARIAN faxed a message referencing "Acct No. XX7569" to J.R.
12 requesting that Bank A in Israel "be in contact with the
13 customer's lawyer in Switzerland so that the necessary documents
14 can be prepared in order to increase the pledge."

15 Overt Act No. 60: On or about December 6, 2006, defendant
16 BARAVARIAN faxed a message referencing "CLEMENT FOUNDATION Acct.
17 No. XX7569" to J.R. stating: "please arrange to send us a Swift
18 pledging all the balances in the above account as soon as
19 possible."

20 Overt Act No. 61: In or about April 2007, U.S. Customer
21 C.T. caused approximately \$7 million to be transferred from a
22 bank in Switzerland to Bank A in Israel.

23 Overt Act No. 62: On or about April 30, 2007, S.E. and J.M.
24 at Bank A in Israel faxed a letter to the Los Angeles Branch
25 stating: "we have increased the above pledge by USD 8,000,000"
26 for back-to-back loans made to various entities and individuals,
27 including U.S. Customer C.T., and C.T.'s siblings.

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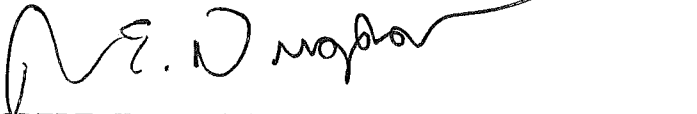
1 Overt Act No. 63: On or about December 19, 2007, J.R. flew
2 to Los Angeles, California, carrying a briefcase containing
3 account statements, including a statement for CLEMENT
4 FOUNDATION, Account No. XX7569, dated December 14, 2007.

6 A TRUE BILL

7 151

8 Foreperson

9
10 ANDRÉ BIROTTE JR.
United States Attorney

11 

12
13 ROBERT E. DUGDALE
Assistant United States Attorney
14 Chief, Criminal Division

15 

16
17 SANDRA R. BROWN
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