



1 its citizens.

2 3. United States citizens had an obligation to report the  
3 following information to the IRS on Form 1040, Schedule B, Part  
4 III, Line 7a, by checking a "Yes" or "No" box: "At any time  
5 during [the calendar year], did you have an interest in or a  
6 signature or other authority over a financial account in a  
7 foreign country, such as a bank account, securities account, or  
8 other financial account?" If the answer to Line 7a was "Yes,"  
9 and other exceptions not relevant here did not apply, then Line  
10 7b required the taxpayer to enter the name of the foreign country  
11 in which the financial account was located. United States  
12 citizens had an obligation to report all income earned from  
13 foreign financial accounts on the tax return and to pay the taxes  
14 due on that income.

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

22 5. An "undeclared bank account" was a financial account  
23 maintained in a foreign country that was not reported to the U.S.  
24 government on a tax return.

25 6. A foreign nominee entity was an entity whose ownership

1 was not readily identifiable. Foreign nominee entities were  
2 often set up in tax havens to hide the true ownership of assets  
3 because ownership records were not maintained and nominee  
4 officers and directors were often used to appear to control the  
5 affairs of the entity.

6 7. The Island of Nevis, West Indies, was a tax haven,  
7 meaning that its institutions and laws, including bank secrecy  
8 laws, were intended to conceal financial information from other  
9 countries.

10 8. Orot Investments Limited was a foreign nominee entity  
11 incorporated in the Island of Nevis that was owned and controlled  
12 by defendant SPERLING and his brother.

13 9. Attorney 1 was an attorney in Tel Aviv, Israel.  
14 Attorney 1 assisted U.S. citizens in setting up foreign nominee  
15 entities to be used in connection with opening undeclared bank  
16 accounts in Israel.

17 10. Bank A was headquartered in Tel Aviv, Israel, and had  
18 over 100 branches worldwide, including a branch in Los Angeles,  
19 California ("the Los Angeles Branch").

20 11. Bank B was a large financial institution headquartered  
21 in Tel Aviv, Israel, that described itself as maintaining a  
22 "premier position in the world of international private banking"  
23 with private bankers who will be a client's "loyal and discreet  
24 consultant." Bank B had more than 300 branches and offices  
25 located in 18 countries worldwide.

1           12. Banker 1 was an international accounts manager with  
2 Bank A. Banker 1 solicited and routed deposits into undeclared  
3 bank accounts at Bank A in Israel from clients in the United  
4 States, and offered loan products on behalf of Bank A and the Los  
5 Angeles Branch to clients in the United States.

6           13. Banker 2 and Banker 3 were accounts managers at Bank A  
7 in Israel. Banker 2 and 3 would advise U.S. citizens on how to  
8 invest the funds they maintained in their undeclared bank  
9 accounts.

10           14. Banker 4 was a loan officer at the Los Angeles Branch.  
11 Banker 4 would approve "back-to-back loans" for U.S. clients who  
12 had undeclared bank accounts at Bank A in Israel, and would  
13 assist U.S. clients in obtaining "back-to-back loans."

14           15. A "back-to-back loan" was a loan taken out at Bank A at  
15 the Los Angeles Branch that was secured or collateralized by  
16 funds in an account located in Israel at Bank A (the "pledged  
17 account"). The pledged account in Israel was held in a  
18 certificate of deposit, and there was usually a 1% to 2% spread  
19 between the interest earned on the certificate of deposit and the  
20 interest charged on the back-to-back loan.

21           16. These introductory allegations are re-alleged in Count  
22 One of this information.  
23  
24  
25

1 [31 U.S.C. § 371]

2 A. OBJECT OF THE CONSPIRACY

3 17. From in or about December 2001, and continuing  
4 thereafter up to at least in or about April 2011, in Los Angeles  
5 County, within the Central District of California, and elsewhere,  
6 defendant SPERLING, together with others known and unknown to the  
7 United States Attorney, knowingly combined, conspired, and agreed  
8 to defraud the United States by impeding, impairing, obstructing,  
9 and defeating the lawful government functions of a government  
10 agency, namely, the Internal Revenue Service of the Treasury  
11 Department, by deceitful and dishonest means in the  
12 ascertainment, computation, assessment, and collection of  
13 revenue, namely, income taxes.

14 B. MANNER AND MEANS OF THE CONSPIRACY

15 18. The object of the conspiracy was carried out, and to be  
16 carried out, in substance, as follows:

17 a. Defendant SPERLING and others known and unknown to  
18 the United States would and did open and maintain undeclared  
19 accounts at Bank A in Israel;

20 b. Defendant SPERLING and others known and unknown to  
21 the United States would and did use a foreign nominee entity when  
22 opening undeclared accounts at Bank A in Israel;

23 c. Defendant SPERLING and others known and unknown to  
24 the United States would and did use a "hold mail" designation on  
25 the account opening documents to prevent Bank A from sending

1 account statements directly to defendant SPERLING in the United  
2 States;

3 d. Defendant SPERLING and others known and unknown to  
4 the United States would and did cause account statements to be  
5 sent from Bank A in Israel to Attorney 1 in Israel rather than  
6 mailing them directly to defendant SPERLING in the United States;

7 e. Defendant SPERLING and others known and unknown to  
8 the United States would and did transfer funds to defendant  
9 SPERLING's undeclared account at Bank A in Israel for the purpose  
10 of subsequently using those funds as collateral for back-to-back  
11 loans;

12 f. Defendant SPERLING and others known and unknown to  
13 the United States would and did use funds in defendant SPERLING'S  
14 undeclared account at Bank A in Israel as collateral to obtain  
15 back-to-back loans from the Los Angeles Branch;

16 g. Defendant SPERLING and others known and unknown to  
17 the United States would and did obtain account information from  
18 Israel relating to defendant SPERLING's undeclared account at  
19 Bank A in Israel for the purpose of renewing his back-to-back  
20 loans at the Los Angeles branch;

21 h. Defendant SPERLING and others known and unknown to  
22 the United States would and did conceal the fact that the  
23 collateral being used for defendant SPERLING's back-to-back loans  
24 was in fact his and his brother's money that was being held in  
25 certificates of deposit at Bank A in Israel;

1 i. Defendant SPERLING and others known and unknown to  
2 the United States would and did purposely not keep copies of  
3 documents at the Los Angeles Branch relating to the opening of  
4 defendant SPERLING's undeclared bank account in Israel, despite  
5 the fact that the documents were created by bank employees at the  
6 Los Angeles Branch;

7 j. Representatives of Bank A and others known and  
8 unknown to the United States would and did travel to the United  
9 States and meet with defendant SPERLING in Los Angeles,  
10 California, to review his account statements and discuss his  
11 undeclared account; and

12 k. Defendant SPERLING and others known and unknown to  
13 the United States would and did file false and fraudulent U.S.  
14 Individual Income Tax Returns, Forms 1040, on behalf of defendant  
15 SPERLING that failed to report his respective interests in his  
16 undeclared accounts and the related income.

17 c. OVERT ACTS

18 19. In furtherance of the conspiracy and to accomplish  
19 its objects, defendant SPERLING and others known and unknown to  
20 the United States committed and willfully caused others to commit  
21 the following overt acts, among others, in the Central District  
22 of California and elsewhere:

23 Overt Act No. 1: In or about 2001, defendant SPERLING and  
24 Banker 1 met in Beverly Hills, California, to discuss opening a  
25 secret bank account at Bank A in Israel that could be used to

1 secure back-to-back loans obtained from the Los Angeles Branch.

2 Overt Act No. 2: On or about December 27, 2001, Attorney 1  
3 in Israel created a foreign nominee entity in the Island of Nevis  
4 called Orot Investments Limited.

5 Overt Act No. 3: On or about January 6, 2002, defendant  
6 SPERLING opened an account at Bank A in Israel in the name of  
7 Orot Investments Limited (the "Orot account").

8 Overt Act No. 4: On or about January 6, 2002, defendant  
9 SPERLING transferred at least \$100,000 from an account in China  
10 to the Orot account at Bank A in Israel.

11 Overt Act No. 5: Beginning in or about 2003, through in or  
12 about 2008, Banker 4 approved multiple back-to-back loans for  
13 defendant SPERLING, some with principal balances of \$2.5 million,  
14 using funds in the Orot account as collateral.

15 Overt Act No. 6: In or about 2003, during a meeting in  
16 Israel, Banker 2 and Banker 3 advised defendant SPERLING to avoid  
17 investing the funds in the Orot account in U.S. securities in  
18 order to keep the account secret from the U.S. government.

19 Overt Act No. 7: In or about 2008, after being informed by  
20 the Los Angeles Branch that he needed to pay back his back-to-  
21 back loans, defendant SPERLING used a back-to-back loan from Bank  
22 B to pay off the back-to-back loan from Bank A in order to keep  
23 his money secret from the United States Government.

24 Overt Act No. 8: In or about the end of 2007 or the  
25 beginning of 2008, with the assistance of bankers working at a

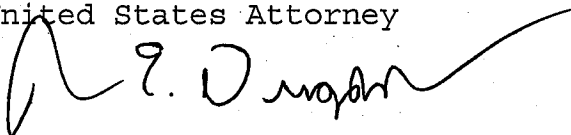


1 branch of Bank B in Los Angeles, defendant SPERLING moved the  
2 remaining funds in the Orot account at Bank A in Israel to an  
3 undeclared bank account at Bank B in Israel.

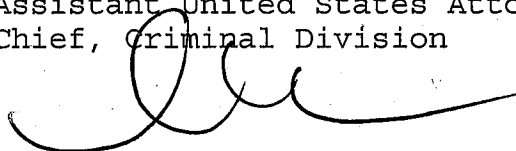
4 Overt Act No. 9: From in or about 2003, through in or about  
5 2010, defendant SPERLING failed to disclose his bank accounts at  
6 Bank A or Bank B to his tax return preparer.

7 Overt Act No. 10: On or about April 15 of the succeeding  
8 calendar year, defendant SPERLING filed U.S. Individual Income  
9 Tax Returns, Forms 1040, for the tax years 2006 through 2010,  
10 that failed to report the existence of, and related income from,  
11 his undeclared bank accounts at Bank A and Bank B.

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