



PRESS RELEASE

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IRS – Criminal Investigation

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Virginia California Businessman Sentenced to Prison for Concealing Over \$23.5 Million in Israeli Bank Accounts

Evaded More than \$8.3 Million in Federal Taxes Over Seven Years

A Los Angeles, California businessman was sentenced to 24 months in prison today for hiding more than \$23.5 million in offshore bank accounts, announced Acting Deputy Assistant Attorney General Stuart M. Goldberg of the Justice Department's Tax Division.

According to court documents, Masud Sarshar, a U.S. citizen, maintained several undeclared bank accounts at Bank Leumi and two other Israeli banks, both in his name and in the names of entities that he created. Sarshar owned and operated Apparel Limited Inc., a business that designed, manufactured and sold clothing and other apparel. For decades, with the assistance of at least two relationship managers from Bank Leumi and a second Israeli bank (Israeli Bank A), Sarshar hid tens of millions of dollars in assets in these accounts in an effort to conceal income and obstruct the Internal Revenue Service (IRS). Between 2006 and 2009, Sarshar diverted more than \$21 million in untaxed gross business income to those undeclared accounts and earned more than \$2.5 million in interest income from the funds. Sarshar reported none of this income on his 2006 through 2012 individual and corporate tax returns. He also filed false Reports of Foreign Bank and Financial Accounts, commonly known as FBARs, with the U.S. Department of Treasury on which he omitted his ownership and control of these offshore accounts.

"Masud Sarshar used every trick to avoid paying his taxes: he moved his money from foreign bank to foreign bank; switched passports and had his statements smuggled to the United States on a thumb drive secreted in the necklace of a bank manager," said Acting Deputy Assistant Attorney General Goldberg. "He even tapped the funds in his offshore accounts through financial maneuvers that he thought would not leave a paper trail. However, Sarshar found out today -- with the imposition of a two-year prison sentence -- that secret foreign bank accounts can no longer be safely hidden from the Department of Justice and the IRS."

"Mr. Sarshar's conduct was both egregious and staggering," said Chief Richard Weber of IRS Criminal Investigation. "He knew the laws and purposefully hid his income to avoid paying taxes, cheating not only the U.S. government, but other law abiding tax payers who uphold their tax obligations. Hiding income in offshore banks is not tax planning, it's fraud."

Sarshar's relationship managers at Israeli Bank A (RM1) and Bank Leumi (RM2) visited him frequently in Los Angeles. At Sarshar's request, neither bank sent him his account statements by mail. Instead, RM1 and RM2 provided Sarshar with his account information in person. RM2 concealed Sarshar's account statements on a USB drive hidden in a necklace that she wore when she visited Sarshar in the United States. Sarshar's meetings with RM1 sometimes occurred in Sarshar's car. RM1 and RM2 used their visits to offer Sarshar other bank products, including "back-to-back" loans. Through back-to-back loans, which Bank Leumi made to Sarshar through its branch in the United States and which Sarshar collateralized with funds from his account

at Israeli Bank A, Sarshar was able to bring back to the United States approximately \$19 million of his assets without creating a paper trail or otherwise disclosing the existence of the offshore accounts to U.S. authorities. At the direction of RM1 and RM2, Sarshar also obtained Israeli and Iranian passports in an effort to avoid being flagged as a U.S. citizen by the banks' compliance departments. The banks still flagged Sarshar as a U.S. citizen after Sarshar received these two passports, so RM1 and RM2 advised him to transfer his remaining funds from Israeli Bank A to Israeli Bank B, which Sarshar did in late 2011. In addition, with the help of someone identified as Individual 1, Sarshar transferred approximately \$5.8 million from his Bank Leumi accounts to an account at Hong Kong Bank A, which Individual 1 then helped transfer to Sarshar in the United States, disguising it as a loan to Apparel Limited.

In addition to the term of prison imposed, Sarshar was ordered to serve three years of supervised release and to pay more than \$8.3 million in restitution to the IRS, plus interest and penalties. Sarshar also agreed to pay an FBAR penalty of more than \$18.2 million for failing to report his Israeli bank accounts.

Acting Deputy Assistant Attorney General Goldberg commended special agents of IRS-Criminal Investigation, who conducted the investigation, and Assistant Chief Tino M. Lisella and Trial Attorney Timothy M. Russo of the Tax Division, who prosecuted the case. Acting Deputy Assistant Attorney General Goldberg also thanked the U.S. Attorney's Office for the Central District of California for their substantial assistance in the case.

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