



PRESS RELEASE

Internal Revenue Service - Criminal Investigation *Chief Richard Weber*

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Southern California Residents Sentenced to Prison for Hiding Millions of Dollars in Secret Foreign Bank Accounts

Failed to Report Swiss and Israeli Accounts Held for Over a Decade

Three Orange County, California residents were sentenced to prison today for willfully failing to report their foreign bank accounts in Switzerland and Israel, announced Acting Deputy Assistant Attorney General Stuart M. Goldberg of the Justice Department's Tax Division.

Dan Farhad Kalili, 55, a resident of Irvine, California, was sentenced to serve 12 months and one day in prison; his brother, David Ramin Kalili, 52, a resident of Newport Coast, was sentenced to serve eight months in prison; and his brother-in-law, David Shahrokh Azarian, 67, also a resident of Newport Coast, was sentenced to serve eight months in prison.

According to documents and information provided to the court, Dan Kalili, David Kalili and Azarian willfully failed to file with the Department of Treasury Reports of Foreign Bank and Financial Accounts (FBARs) regarding secret bank accounts in Switzerland and Israel that each maintained and controlled, many for well over a decade. These secret accounts held assets that reached into the millions of dollars.

"Today's sentencing should reassure every honest, hardworking American taxpayer that schemes designed to conceal income in offshore accounts will not be tolerated," said Chief Richard Weber of Internal Revenue Service Criminal Investigation (IRS-CI). "IRS-CI will continue to devote resources to investigate individuals who engage in these types of schemes for the purpose of personal gain by defrauding the U.S. Treasury and the American taxpayer."

"For more than a decade, Dan Kalili, David Kalili and David Azarian hid millions in secret offshore accounts," said Acting Deputy Assistant Attorney General Goldberg. "They moved their funds from bank to bank and country to country in an effort to escape

scrutiny. Today, each was sentenced to prison. The clear message is: the days when a U.S. citizen can safely stash money in an undeclared foreign account are over.”

From May 1996 through at least 2009, Dan Kalili opened and maintained several undeclared offshore bank accounts at Credit Suisse Group (Credit Suisse) in Switzerland. He also opened and maintained several undeclared offshore bank accounts from at least 1998 through 2008 at UBS AG (UBS) in Switzerland. In July 2006, Dan Kalili opened an undeclared account at UBS in the name of the Colsa Foundation, an entity established under the laws of Liechtenstein. At the end of May 2008, the Colsa Foundation account held approximately \$4,927,500 in assets. Similarly, David Kalili opened and maintained several undeclared accounts at Credit Suisse in Switzerland, from February 1999 through at least 2009, and at UBS in Switzerland, from October 1993 through at least 2008. Dan and David Kalili also maintained joint undeclared Swiss bank accounts at both UBS and Credit Suisse beginning in 2003 and 2004. Meanwhile, Azarian opened and maintained several of his own undeclared accounts at Credit Suisse in Switzerland from May 1994 through at least 2009, and at UBS in Switzerland from April 1997 through at least 2008.

Dan Kalili, David Kalili and Azarian took affirmative steps to prevent their assets in UBS and Credit Suisse from being discovered. Dan Kalili opened an undeclared account at Swiss Bank A in the name of the Colsa Foundation and in May 2008, transferred his assets from the UBS Colsa Foundation account to Swiss Bank A. By this time, Bradley Birkenfeld, an American banker who worked for UBS, had been indicted, Martin Liechti, a UBS executive, had been detained and UBS had announced that the Justice Department and the SEC were investigating whether it helped clients avoid paying taxes between 2000 and 2007. Dan Kalili later made a partial disclosure of the Swiss Bank A Colsa account on his individual income tax returns. In 2009, he opened undeclared accounts at Israeli Bank A and at Bank Leumi, both in Israel. In June 2009, he closed the joint undeclared account at Credit Suisse he held with David Kalili, as well as his own undeclared account, and transferred the funds. Shortly before its closure, the undeclared joint account at Credit Suisse held approximately \$2,561,508 in assets. As of December 2009, Dan Kalili’s undeclared account at Israeli Bank A held assets valued at approximately \$1,569,973, and his undeclared account at Bank Leumi held assets valued at approximately \$2,497,931.

Similarly, in August 2008, David Kalili opened an undeclared account at Israeli Bank A in Israel, into which he transferred funds from his UBS accounts. He later partially declared the Israeli Bank A account on his individual income tax returns. As of August 2009, David Kalili’s undeclared account at Israeli Bank A held assets valued at approximately \$1,369,489.

In August 2008, Azarian, also opened an undeclared account at Israeli Bank A in Israel, and in May 2009, he closed his undeclared account held at Credit Suisse and transferred the funds to Israeli Bank A. Azarian later partially declared this Israeli Bank A account on his individual income tax returns. At the time of its closure, Azarian’s undeclared account at Credit Suisse held assets valued at approximately \$1,903,214.

In addition to the term of prison imposed, Dan Kalili was ordered to serve one year of supervised release and to pay \$337,443 in restitution. He also agreed to pay a civil penalty of \$2,674,329. David Kalili was ordered to serve one year of supervised release and to pay \$243,019 in restitution. He also agreed to pay a civil penalty of \$1,325,121. Azarian was ordered to serve one year of supervised release and to pay \$197,840 in restitution. He also agreed to pay a civil penalty of \$951,607.

Acting Deputy Assistant Attorney General Goldberg commended special agents of IRS–Criminal Investigation, who conducted the investigation, and Assistant Chief Jorge Almonte and Trial Attorney Jason M. Scheff 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 its substantial assistance.

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