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

BY: _____

UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA
September 2011 Grand Jury

12	UNITED STATES OF AMERICA,)	No. CR 11-00930(A)
)	
13	Plaintiff,)	<u>F I R S T</u>
)	<u>S U P E R S E D I N G</u>
14	v.)	<u>I N D I C T M E N T</u>
)	
15	DAVID ALMOG,)	[18 U.S.C. § 371: Conspiracy]
16	DAVID KALAI, and)	
17	NADAV KALAI,)	
)	
18	Defendants.)	
	_____)	

The Grand Jury charges:

INTRODUCTORY ALLEGATIONS

At all relevant times:

1. United Revenue Service, Inc. (hereinafter "URS") was a tax preparation business, incorporated in the State of Nevada, with multiple locations throughout the United States.

2. At various times between in or about 2000 and in or about 2011, URS had its headquarters in Newport Beach, California; Costa Mesa, California; and Bethesda, Maryland. URS

1 also had locations in Los Angeles, California; Santa Clara,
2 California; San Diego, California; Seattle, Washington; Dallas,
3 Texas; St. Louis, Missouri; Chicago, Illinois; Boston,
4 Massachusetts; New York, New York; and Atlanta, Georgia.

5 3. Between in or about 2000 and continuing through in or
6 about 2010, URS operated its tax return preparation business in
7 various locations under the names of URS; URS Tax, Inc.; URS East
8 LLC; URS Northern California LP; and URS Southern California, LP
9 (hereinafter collectively referred to as "URS").

10 4. Defendant DAVID KALAI (hereinafter "D. KALAI")
11 established URS in or about 1988 and also worked at URS as a tax
12 return preparer. In addition to being a tax return preparer, D.
13 KALAI served as the President of URS until on or about January 1,
14 2002. He also served as the Chief Executive Officer and Chairman
15 of the Board of Directors of URS until on or about April 19,
16 2004, when he resigned those positions at a meeting of the URS
17 Board of Directors. After his resignation on or about April 19,
18 2004, D. KALAI remained a member of the Board of Directors of
19 URS, remained active in the business operations of URS, and
20 continued to prepare tax returns on behalf of URS clients.

21 5. Defendant D. KALAI worked primarily at URS headquarters
22 in Newport Beach, California, and later, at URS's location in
23 Costa Mesa, California.

24 6. Defendant NADAV KALAI (hereinafter "N. KALAI"), who is
25 defendant D. KALAI's son, worked for URS as a tax return preparer
26 from at least in or about 2001 and continuing until at least in
27 or about 2011. Defendant N. KALAI assumed the position of
28 President of URS on or about January 1, 2002.

1 7. Defendant N. KALAI worked primarily at URS's
2 headquarters in Bethesda, Maryland, as well as URS locations in
3 Newport Beach, California, and Costa Mesa, California, both
4 located in the Central District of California.

5 8. Defendants D. KALAI and N. KALAI were Israeli citizens
6 who subsequently became naturalized citizens of the United
7 States.

8 9. Defendant DAVID ALMOG (hereinafter "ALMOG") was a tax
9 return preparer employed by URS. Defendant ALMOG began working
10 for URS in or about 2002. As of at least in or about 2006,
11 defendant ALMOG was the branch manager of URS's New York office
12 located in Manhattan and a supervisor of tax return preparers at
13 URS's East Coast locations. Defendant ALMOG was an Israeli
14 citizen and a United States Permanent Resident Alien.

15 10. Unindicted co-conspirator R.S. was a tax return
16 preparer and the Vice-President of URS from in or about 2000
17 until in or about early 2006. R.S. worked out of the Newport
18 Beach, California URS headquarters, located in the Central
19 District of California.

20 11. A.F., M.A., M.N., J.C. and K.C., and M.W. were tax
21 preparation clients of URS (collectively, the "Clients").

22 12. Bank A was a large financial institution headquartered
23 in Tel-Aviv, Israel. Bank A currently describes itself as
24 maintaining a "premier position in the world of international
25 private banking" with private bankers who will be a customer's
26 "loyal and discreet consultant." Bank A currently advertises
27 that it has "more than 336 branches and representations across 18
28 countries worldwide," including banking operations in Luxembourg

1 (hereinafter "Bank A Luxembourg").

2 13. Bank B was a mid-size financial institution
3 headquartered in Tel-Aviv, Israel. Bank B offered private
4 banking services it currently describes as being tailored to a
5 customer's "preferred communications channels and information"
6 while "maintaining total discretion." Bank B advertises a
7 "worldwide presence on four continents through subsidiaries,
8 branches, and representative offices," including a branch of its
9 Swiss banking operations located in Luxembourg (hereinafter "Bank
10 B Switzerland-Luxembourg Branch").

11 14. The Internal Revenue Service ("IRS") was an agency of
12 the United States Department of Treasury responsible for
13 administering and enforcing the tax laws of the United States and
14 collecting the taxes owed to the Treasury of the United States.

15 15. United States citizens, resident aliens, and legal
16 permanent residents of the United States were required to file an
17 individual income tax return with the IRS reporting their
18 worldwide income for each year if their gross income exceeded a
19 certain amount.

20 16. The IRS required on Form 1040, Schedule B, Part III,
21 Line 7a, that every taxpayer answer the following question by
22 checking a "Yes" or "No" box: "At any time during [the calendar
23 year], did you have an interest in or a signature or other
24 authority over a financial account in a foreign country, such as
25 a bank account, securities account, or other financial account?"
26 If the answer to the question posed on Line 7a was "Yes," and
27 other exceptions not relevant here did not apply, then the box on
28 line 7a had to be checked "Yes." If the "Yes" box on line 7a was

1 checked, then Line 7b required the taxpayer to enter the name of
2 the foreign country in which the financial account was located.

3 17. United States citizens, resident aliens, and legal
4 permanent residents of the United States who had a financial
5 interest in, or signature or other authority over, one or more
6 financial accounts in a foreign country with an aggregate value
7 of more than \$10,000 at any time during a particular calendar
8 year were required to file with the Department of the Treasury a
9 Report of Foreign Bank and Financial Accounts, Form TD F 90-22.1
10 (hereinafter referred to as an "FBAR"). The FBAR for the
11 applicable year was due by June 30 of the following year.

12 18. An "undeclared bank account" was a financial account
13 maintained in a foreign country that was not reported to the
14 United States government on a tax return and an FBAR.

15 19. These introductory allegations are re-alleged in Count
16 One of this First Superseding Indictment.

17 / / / /

1 named account holders on the undeclared bank accounts at Bank A
2 Luxembourg and Bank B Switzerland-Luxembourg Branch.

3 c. In order to conceal assets and income from the
4 IRS, defendants ALMOG, D. KALAI, and N. KALAI, along with
5 unindicted co-conspirator R.S., would aid, assist, advise, and
6 facilitate the transfer of the Clients' funds to the undeclared
7 bank accounts at Bank A Luxembourg and Bank B Switzerland-
8 Luxembourg Branch from, among other places, bank accounts held at
9 a Wells Fargo branch located within the Central District of
10 California.

11 d. In order to conceal the true nature of the
12 transfers of money to the Bank A Luxembourg bank accounts and
13 fraudulently reduce the amount of income reported on income tax
14 returns, defendants ALMOG, D. KALAI, and N. KALAI, along with
15 unindicted co-conspirator R.S., would prepare and aid, assist,
16 and advise the preparation of false corporate and partnership tax
17 returns on behalf of clients A.F., M.A., J.C. and K.C., and M.W.,
18 which falsely reported the money sent offshore as a (1) false
19 investment loss; and/or (2) false business expense.

20 e. In order to reduce fraudulently the amount of
21 income tax reported due, defendants ALMOG, D. KALAI, and N.
22 KALAI, along with unindicted co-conspirator R.S., would prepare
23 and aid, assist, advise, and cause the preparation of false
24 individual income tax returns for the Clients that (1) under-
25 reported the Clients' true income; and (2) failed to disclose the
26 existence of, and the Clients' financial interest in, and
27 authority over, the Clients' undeclared bank accounts at Bank A
28 Luxembourg and Bank B Switzerland-Luxembourg Branch.

1 f. In order to further conceal income from the IRS,
2 defendants ALMOG, D. KALAI, and N. KALAI, along with unindicted
3 co-conspirator R.S., would file and cause to be filed false
4 individual, corporate, and partnership tax returns with the IRS.

5 g. In order to further conceal the Clients' ownership
6 and control over the assets in the undeclared bank accounts,
7 defendants ALMOG, D. KALAI, and N. KALAI, along with unindicted
8 co-conspirator R.S., would cause the Clients to fail to prepare
9 and file FBARs with the Department of the Treasury concerning the
10 Clients' foreign financial accounts at Bank A Luxembourg and Bank
11 B Switzerland-Luxembourg Branch.

12 C. OVERT ACTS

13 22. In furtherance of the conspiracy, and to accomplish its
14 object, defendants D. KALAI, N. KALAI, ALMOG, and unindicted co-
15 conspirator R.S., together with others known and unknown to the
16 Grand Jury, committed and willfully caused others to commit the
17 following overt acts, among others, in the Central District of
18 California and elsewhere:

19 Client A.F.

20 Overt Acts Nos. 1-3: On or about the following dates,
21 defendant ALMOG directed and caused client A.F. to transfer the
22 following amounts from A.F.'s E-Trade Securities account at Bank
23 of New York, which were deposited into a Wells Fargo bank account
24 located in the Central District of California in the name of
25 Platinum Planning Group, account number xxxxxxxx738 (hereinafter,
26 the "PPG Account"):

27 / / / /

OVERT ACT	DATE	AMOUNT
1	7/22/2004	\$521,000
2	12/1/2004	\$523,000
3	12/20/2004	\$557,000

Overt Act No. 4: In or about August 2004, defendant ALMOG opened and caused to be opened a bank account at Bank A Luxembourg in the name of Katumba Capital, Inc. on behalf of client A.F.

Overt Act No. 5: On or about August 8, 2004, defendant ALMOG sent a three-page fax from the New York URS office to unindicted co-conspirator R.S. in the Newport Beach, California URS office that confirmed the opening of the Katumba Capital, Inc. account and provided wiring instruction information needed to wire money to the Katumba Capital, Inc. account held at Bank A Luxembourg.

Overt Acts Nos. 6-14: On or about the following dates, unindicted co-conspirator R.S. caused the following amounts to be wired to account number xxx718 held in the name of Katumba Capital, Inc. at Bank A Luxembourg from one of three bank accounts located within the Central District of California: (1) the PPG account; (2) a Wells Fargo bank account in the name of Transnet Asset Management, account number xxxxxxxx448 (hereinafter the "Transnet Account"); and (3) a Wells Fargo bank account in the name of Global Securities Trading, LLC, account number xxxxxxxx820 (hereinafter the "Global Securities Account"), as specified below:

/ / / /

OVERT ACT	DATE	TRANSFERRED FROM	AMOUNT
6	8/10/2004	PPG Account	\$150,000
7	8/18/2004	PPG Account	\$400,000
8	10/4/2004	PPG Account	\$60,000
9	11/17/2004	PPG Account	\$300,000
10	12/27/2004	PPG Account	\$200,000
11	1/12/2005	PPG Account	\$160,000
12	1/31/2005	Transnet Account	\$220,000
13	2/8/2005	Transnet Account	\$220,000
14	4/14/2005	Global Securities Account	\$200,000

Overt Acts Nos. 15-16: On or about the following dates, unindicted co-conspirator R.S. filed and caused to be filed false U.S. Returns of Partnership Income, Forms 1065, for the tax years specified below on behalf of client A.F. in the name of Platinum/[F.] Trading JV, which falsely claimed losses in the total amounts listed below:

OVERT ACT	DATE	TAX YEAR	LOSS CLAIMED
15	8/10/2005	2003	\$811,628 - Line 22
16	8/10/2005	2004	\$1,105,858 - Line 22

Overt Act No. 17: On or about August 9, 2005, defendant ALMOG filed and caused to be filed a false U.S. Individual Income Tax Return, Form 1040, on behalf of client A.F. for tax year 2004 that (1) failed to report the existence of A.F.'s foreign financial account at Bank A Luxembourg on Schedule B; and (2) falsely claimed a loss of \$1,821,612 on Schedule E, Line 29(b).

Overt Act No. 18: On or about April 17, 2006, defendant ALMOG filed and caused to be filed a false U.S.

1 Individual Income Tax Return, Form 1040, on behalf of client A.F.
2 for tax year 2005 that failed to report the existence of A.F.'s
3 foreign financial account at Bank A Luxembourg on Schedule B.

4 Overt Act Nos. 19-20: On or before the following
5 dates, defendant ALMOG caused client A.F. to fail to file an FBAR
6 reporting A.F.'s financial interest in, and signature and other
7 authority over, A.F.'s Bank A Luxembourg account:

OVERT ACT	CALENDAR YEAR	DUE DATE OF FBAR
19	2004	June 30, 2005
20	2005	June 30, 2006

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11 Overt Act. No. 21: In or about March 2011, defendant
12 ALMOG shredded and instructed another URS employee to shred
13 records concerning A.F.'s offshore corporation.

14
15 Client M.A.

16 Overt Act No. 22: In or about July 2005, defendant N.
17 KALAI advised client M.A. to create an offshore corporation and
18 establish a foreign financial account in the corporation's name
19 for the purpose of transferring M.A.'s current business income
20 into the foreign account and deducting those transfers as
21 business expenses on M.A.'s business tax returns.

22 Overt Act No. 23: In or about August 2005, defendant
23 N. KALAI directed and caused the incorporation of an
24 International Business Company called Antelope Int'l, Ltd. in
25 Belize on behalf of client M.A.

26 Overt Act No. 24: On or about September 29, 2005,
27 defendant N. KALAI caused Bank A Luxembourg account opening forms
28 to be delivered to client M.A.

1 Overt Act No. 25: On or about October 4, 2005,
2 defendant N. KALAI directed and caused the issuance of two 25,000
3 bearer share stock certificates in Antelope Int'l, Ltd.

4 Overt Act No. 26: In or about late 2005, defendant N.
5 KALAI directed client M.A. to transfer \$250,000 to account number
6 xxx877 held in the name of Antelope Int'l, Ltd. at Bank A
7 Luxembourg.

8 Overt Acts Nos. 27-29: On or about the following
9 dates, defendant N. KALAI filed and caused to be filed false U.S.
10 Returns of Partnership Income, Forms 1065, for the tax years
11 specified below in the name of Quattro International Consulting,
12 on behalf of client M.A., which falsely claimed deductions for
13 "Outside Services" in the amounts listed below:

OVERT ACT	DATE	TAX YEAR	DEDUCTION CLAIMED
27	4/11/2006	2005	\$250,000 - Statement 1, Line 20
28	4/19/2007	2006	\$640,825 - Statement 1, Line 20
29	3/30/2008	2007	\$257,850 - Schedule, TY 2007 Itemized Other Deductions

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19 Overt Acts Nos. 30-32: On or about the following
20 dates, defendant N. KALAI filed and caused to be filed false U.S.
21 Individual Income Tax Returns, Forms 1040, on behalf of client
22 M.A. and his spouse for the tax years specified below that (1)
23 failed to report the existence of M.A.'s foreign financial
24 account at Bank A Luxembourg on Schedule B; (2) failed to report
25 income in the amount specified below that was generated by M.A.'s
26 Bank A Luxembourg account; and (3) falsely claimed losses from
27 Quattro International Consulting on Schedule E, Line 29(b) for
28 the following tax years and in the amounts specified below:

OVERT ACT	DATE	TAX YEAR	LOSS CLAIMED	UNREPORTED INCOME
30	4/4/2006	2005	\$61,683	\$483
31	4/10/2007	2006	\$23,279	\$14,317
32	3/15/2008	2007	\$31,627	\$47,567

Overt Act No. 33: On or about April 30, 2009, defendant N. KALAI filed and caused to be filed a false U.S. Individual Income Tax Return, Form 1040, on behalf of client M.A. and his spouse for tax year 2008 that (1) failed to report the existence of M.A.'s foreign financial account at Bank A Luxembourg on Schedule B; and (2) failed to report \$38,520 of income generated by M.A.'s Bank A Luxembourg account.

Overt Acts Nos. 34-37: On or before the following dates, defendant N. KALAI caused client M.A. to fail to file an FBAR reporting M.A.'s financial interest in, and signature and other authority over, M.A.'s Bank A Luxembourg account:

OVERT ACT	CALENDAR YEAR	DUE DATE OF FBAR
34	2005	June 30, 2006
35	2006	June 30, 2007
36	2007	June 30, 2008
37	2008	June 30, 2009

Client M.N.

Overt Act No. 38: In or about Spring 2000, defendant D. KALAI advised client M.N. to open a foreign financial account in which to deposit proceeds of the sale of stock.

Overt Act No. 39: In or about Spring 2000, defendant D. KALAI referred client M.N. to a banker, D.Z., at Bank B in

1 Tel-Aviv, Israel, to establish a foreign financial account.

2 Overt Act No. 40: On or about April 28, 2000,
3 defendant D. KALAI aided, assisted, and caused client M.N. to
4 obtain power of attorney over Falcon Corporate Holdings, Ltd., a
5 Cayman Islands corporation.

6 Overt Act No. 41: On or about March 21, 2002,
7 defendant D. KALAI filed and caused to be filed a false U.S.
8 Individual Income Tax Return, Form 1040, on behalf of client M.N.
9 and his spouse for tax year 2001 that failed to report the
10 existence of M.N.'s foreign financial account at Bank B
11 Switzerland-Luxembourg Branch.

12 Overt Act Nos. 42-44: On or about the following dates,
13 the co-conspirator listed below filed and caused to be filed
14 false U.S. Individual Income Tax Returns, Forms 1040, on behalf
15 of client M.N. and his spouse for the tax years specified below
16 that (1) failed to report the existence of M.N.'s foreign
17 financial account at Bank B Switzerland-Luxembourg Branch; and
18 (2) failed to report income in the amount specified below
19 generated by M.N.'s account at Bank B Switzerland-Luxembourg
20 Branch:

OVERT ACT	CO-CONSPIRATOR	DATE	TAX YEAR	UNREPORTED INCOME
42	R.S.	8/12/2005	2004	\$108,039
43	R.S.	4/28/2006	2005	\$190,007
44	D. KALAI	2/27/2008	2007	\$127,699

26 Overt Acts. Nos. 45-48: On or before the following
27 dates, the co-conspirator listed below caused client M.N. to fail
28 to file an FBAR reporting M.N.'s financial interest in, and

1 signature and other authority over, M.N.'s foreign financial
2 account at Bank B Switzerland-Luxembourg Branch:

OVERT ACT	CO-CONSPIRATOR	CALENDAR YEAR	DUE DATE OF FBAR
45	D. KALAI	2001	June 30, 2002
46	R.S.	2004	June 30, 2005
47	R.S.	2005	June 30, 2006
48	D. KALAI	2007	June 30, 2008

8 Overt Act No. 49: In or about 2006, defendant D. KALAI
9 advised client M.N. not to disclose the existence of, or report
10 income generated by, M.N.'s undeclared bank account.

11
12 Clients J.C. and K.C.

13 Overt Act No. 50: On or about July 15, 2003, in the
14 Central District of California, unindicted co-conspirator R.S.
15 sent a document entitled "Resolution to Open a Bank Account" to a
16 Bank A employee located at Bank A's Beverly Hills branch to
17 establish a foreign financial account at Bank A Luxembourg in the
18 name of PFL Management, Inc. on behalf of clients J.C. and K.C.

19 Overt Act No. 51: On or about October 8, 2003,
20 unindicted co-conspirator R.S. directed and caused client J.C. to
21 transfer by wire \$175,000 from a corporate account controlled by
22 clients J.C. and K.C. at Bank of America to the Transnet Account.

23 Overt Acts Nos. 52-53: On or about the following
24 dates, unindicted co-conspirator R.S. caused the following
25 amounts to be wired from the PPG account to account number xxx215
26 held in the name of PFL Management, Inc. at Bank A Luxembourg:

27 / / / /

OVERT ACT	DATE	AMOUNT
52	8/3/2004	\$80,000
53	12/10/2004	\$35,000

Overt Act No. 54: On or about August 15, 2005, unindicted co-conspirator R.S. filed and caused to be filed a false U.S. Individual Income Tax Return, Form 1040, on behalf of clients J.C. and K.C. for tax year 2004 that failed to report the existence of J.C. and K.C.'s foreign financial account at Bank A Luxembourg.

Overt Act. No. 55: On or before June 30, 2005, unindicted co-conspirator R.S. caused clients J.C. and K.C. to fail to file an FBAR for calendar year 2004 reporting J.C. and K.C.'s financial interest in, and signature and other authority over, J.C. and K.C.'s Bank A Luxembourg account.

Client M.W.

Overt Act No. 56: On or about March 23, 2001, unindicted co-conspirator R.S. aided, assisted, and caused the incorporation of Arcos Iris Investments, Inc. in Belize on behalf of client M.W.

Overt Act No. 57: In or about 2002, defendant D. KALAI introduced client M.W. to the branch manager at Bank A's branch in Beverly Hills, California, for the purpose of opening a foreign financial account at Bank A Luxembourg in the name of Arcos Iris Investments, Inc.

Overt Acts Nos. 58-62: On or about the following dates, unindicted co-conspirator R.S. directed and caused client M.W. to wire the following amounts from M.W.'s financial accounts

1 at MBNA America Bank, N.A. and Solomon Smith Barney to the PPG
2 Account:

OVERT ACT	DATE	AMOUNT
58	11/29/2002	\$400,000
59	12/4/2002	\$600,000
60	12/5/2002	\$375,000
61	12/11/2002	\$650,000
62	12/16/2002	\$350,000

9 Overt Acts Nos. 63-67: On or about the following
10 dates, unindicted co-conspirator R.S. caused the following
11 amounts to be wired from Platinum Planning Group to account
12 number xxx241 held in the name of Arcos Iris Investments, Inc. at
13 Bank A Luxembourg:

OVERT ACT	DATE	AMOUNT
63	1/29/2003	\$300,000
64	2/7/2003	\$300,000
65	2/19/2003	\$300,000
66	3/18/2003	\$300,000
67	4/9/2003	\$270,000

20 Overt Act No. 68: On or about April 17, 2003,
21 unindicted co-conspirator R.S. filed and caused to be filed a
22 false U.S. Return of Partnership Income, Form 1065, in the name
23 of Platinum Partners I for tax year 2002 that claimed a false
24 loss of \$2,175,000 on Line 6.

25 Overt Act No. 69: On or about April 17, 2003,
26 unindicted co-conspirator R.S. filed and caused to be filed a
27 false U.S. Income Tax Return for an S Corporation, Form 1120S, in
28 the name of MWE International, Inc., for tax year 2002 on behalf

1 of client M.W. that claimed a false loss attributable to Platinum
2 Partners I of \$2,066,520 on Line 5, Other Income (Loss).

3 Overt Act No. 70: On or about April 14, 2003,
4 unindicted co-conspirator R.S. filed and caused to be filed a
5 false U.S. Individual Income Tax Return, Form 1040, on behalf of
6 client M.W. and his spouse for tax year 2002 that claimed a false
7 loss of \$2,167,306 from MWE International, Inc. on Schedule E,
8 Line 27(i)(C) and (D).

9 Overt Act No. 71: On or before June 30, 2004,
10 unindicted co-conspirator R.S. caused client M.W. to fail to file
11 an FBAR for calendar year 2003 reporting M.W.'s financial

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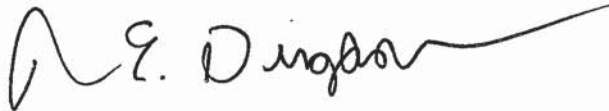
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1 interest in, and signature and other authority over, his Bank A
2 Luxembourg account.

4 A TRUE BILL

5 151
6 Foreperson

8 ANDRÉ BIROTTE JR.
9 United States Attorney

10 

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

14 

15 SANDRA R. BROWN
16 Assistant United States Attorney
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18 

19 CHRISTOPHER S. STRAUSS
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22 Department of Justice, Tax Division