UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 10-20034-CR-JORDAN

UNITED STATES OF AMERICA

vs.

JACK BAROUH,

Defendant.
_____/

STATEMENT OF FACTS

The United States Attorney's Office for the Southern District of Florida, the United States Department of Justice, Tax Division, and the defendant, Jack Barouh, stipulate to and agree not to contest the following facts, and stipulate that such facts, in accordance with Rule 11(b)(3) of the Federal Rules of Criminal Procedure, provide a sufficient factual basis for the plea of guilty in this case:

OBLIGATION TO REPORT WORLDWIDE INCOME AND FOREIGN BANK ACCOUNTS

United States citizens who have income in excess of a certain amount are obligated to file a federal income tax return with the United States Internal Revenue Service ("IRS"). On said return, United States citizens are obligated to report their worldwide income. Additionally, United States citizens who have an interest in or a signature or other authority over a financial account in a foreign country with assets in excess of $10,000 are required to disclose the existence of such account on Schedule B, Part III of their individual income tax return.

BACKGROUND

The defendant owned and operated Michele Watches, a business that manufactured and sold watches. In 2004, the defendant sold his interest in Michele Watches to a third party.

From 2002 through 2008, the defendant owned and controlled several offshore bank accounts located in various jurisdictions, including Switzerland and Hong Kong. Most of the bank accounts were opened in the name of nominee entities, including Panamanian, Hong Kong, and British Virgin Island corporations.

OFFSHORE BANK ACCOUNTS

According to records obtained from UBS AG in Switzerland, there were UBS accounts in the name of Domilou S.A., ("Domilou"), a Panamanian corporation that was incorporated on October 19, 1976. According to internal UBS Form A, Verification of the Beneficial Owner's Identity, dated September 1, 2004, the defendant, listed as a resident of Fort Lauderdale, Florida, was the beneficial owner of the UBS account in the name of Domilou.

Beginning in approximately 1976, the defendant skimmed income from his watch businesses and deposited the proceeds into the UBS bank account in the name of Domilou. The defendant also deposited unreported sales commissions into the Domilou account.

The defendant initially utilized the services of SWISS MONEY MANGER #1, who assisted the defendant in choosing investments in the Domilou UBS bank account. SWISS MONEY MANAGER #1 was initially listed as the nominee Director, Vice President, and Treasurer of Domilou. SWISS MONEY MANGER #1 provided the defendant with information about the performance of the various investments made on behalf of Domilou.

Beginning in 2000, the defendant utilized the services of SWISS MONEY MANAGER #2. SWISS MONEY MANAGER #2 opened two Swiss bank accounts in the name of a nominee entity, Tasman Commercial, Inc. ("Tasman"), a Panamanian corporation. Both accounts were maintained at foreign banks other than UBS. One of those accounts was known as the Truffles account. The defendant was the beneficial owner of the Truffles account, which was funded primarily from skimming proceeds and unreported commissions earned by the defendant.

Between November 2003 and March 2004, SWISS MONEY MANGER #1 misappropriated more than $5 million from the Domilou account by transferring the funds to a UBS account in the name of another Panamanian corporation which was owned by SWISS MONEY MANAGER #1 and his wife.

SWISS MONEY MANAGER #2 introduced the defendant to SWISS ATTORNEY #1. The defendant initially hired SWISS ATTORNEY #1 to negotiate a settlement with SWISS MONEY MANAGER #1 relating to the theft from the defendant's Domilou account. In anticipation of a settlement with SWISS MONEY MANAGER #1, SWISS ATTORNEY #1 incorporated Similen Investments, Ltd. ("Similen"), a British Virgin Island corporation, on July 8, 2004. Since its inception, SWISS ATTORNEY #1 was the director and president of Similen, while SWISS MONEY MANAGER #2 was the Treasurer.

The defendant owned and controlled a UBS bank account in the name of Similen. According to internal UBS Form A, Verification of the Beneficial Owner's Identity, dated September 6, 2004, the defendant, listed as a resident of Fort Lauderdale, Florida, was the beneficial owner of the UBS account in the name of Similen. The Similen UBS bank account

was funded mostly from the settlement reached with SWISS MONEY MANAGER #1 and the transfer of funds from the Domilou UBS account.

SWISS ATTORNEY #1 also attempted to open a bank account in the name of Similen in Singapore.

From 2002 through 2008, the highest balance of all of the assets the defendant owned and controlled offshore was approximately $10,017,613 (balance as of December 31, 2003). From 2002 through 2008, the highest balance of assets the defendant owned and controlled offshore at UBS AG in Switzerland was $5,989,136.

ATTEMPTS TO WITHDRAW FUNDS FROM SWITZERLAND

Beginning in 2007, the defendant attempted to withdraw his funds from Switzerland and repatriate all of the money into the United States. SWISS ATTORNEY #1 advised the defendant to withdraw the funds from the defendant's Swiss bank accounts and transfer the funds to a bank account in Hong Kong in the name of a nominee company named Amery Investments Ltd., a Hong Kong corporation managed by SWISS ATTORNEY #1. It was intended that Amery Investments Ltd. would pay the defendant an annual "consulting fee" of at least $600,000 until all the funds were brought into the United States. Although no "consulting fees" were ever paid, SWISS ATTORNEY #1 knew that the defendant was not going to perform any consulting work.

Beginning in late 2007, the defendant asked SWISS ATTORNEY #1 and SWISS MONEY MANAGER #2 about making a voluntary disclosure and reporting his offshore assets to the Internal Revenue Service. On several occasions, the defendant was discouraged from doing so by SWISS ATTORNEY #1 and MONEY MANAGER #2. MONEY MANAGER #2 told the defendant that it would involve too much paper work to make a voluntary disclosure. SWISS ATTORNEY #1 told the defendant that it was not necessary to consult with a United States tax attorney because a Swiss attorney typically initiates a voluntary disclosure, that he was not on the list of people being reported by UBS, that the best thing to do was to move the money from UBS to another financial institution, and that, if he did not want to receive the "consulting fees" from Amery Investments Ltd., he could purchase a life insurance policy in order to repatriate the money to the United States after his death.

TAX RETURN INFORMATION

For tax years 2002 through 2007, the defendant was required to file a United States tax return, to report his worldwide income, and to declare the existence of any foreign based financial account at UBS AG in Switzerland, in which he had an interest or over which he had signature or other authority that contained assets in excess of $10,000.

The defendant filed an individual tax return with the IRS for tax years 2002 through 2007. Each year, the defendant willfully failed to report on these tax returns any income earned

on his UBS bank accounts. Additionally, each year, the defendant failed to disclose that he had an interest in or a signature or other authority over a financial account in a foreign country.

Specifically, on October 14, 2008, the defendant filed a U.S. Individual Income Tax Return Form 1040 for tax year 2007. The return bears the signature of the defendant and was signed under the penalties of perjury with the declaration that the return and accompanying schedules and statements were examined by the defendant and that to the best of the defendant's knowledge and belief, the return and accompanying schedules were true, correct, and complete. The 2007 U.S. Individual Income Tax Return was made, subscribed, prepared, and signed within the Southern District of Florida. The defendant willfully failed to tell the accountant who prepared his 2007 tax return about the existence of the UBS Swiss bank accounts.

On Schedule B, Part III of the 2007 tax return, the defendant failed to report that he had an interest in or a signature authority over a financial account at UBS in Switzerland and he failed to report income earned on his UBS Swiss bank account.

When the defendant filed his U.S. Individual Income Tax Return Form 1040 for tax years 2002 through 2007, he knew he was obligated to report the income earned on his UBS bank accounts on line 22 of said tax return and that he should have disclosed the existence of the UBS account on Schedule B, Part III.

For years 2002 through 2007, the tax loss associated with Domilou and Similen accounts at UBS is approximately $736,269.

Respectfully submitted,

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JACK BAROUH
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