

12 MAG 1241

Approved: Stanley J. Okula, Jr.  
Stanley J. Okula, Jr.  
Assistant United States Attorney

Before: HONORABLE FRANK MAAS  
United States Magistrate Judge  
Southern District of New York

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UNITED STATES OF AMERICA	:	<u>SEALED</u>
	:	<u>COMPLAINT</u>
v.	:	
	:	Violation of 18 U.S.C. § 371
MICHAEL LITTLE,	:	
	:	COUNTY OF OFFENSE:
Defendant.	:	NEW YORK

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SOUTHERN DISTRICT OF NEW YORK, ss.:

LOLA FOX, being duly sworn, deposes and says that she is a Special Agent of the Internal Revenue Service ("IRS") and charges as follows:

**COUNT ONE**

From in or about 2000 through in or about 2011, in the Southern District of New York and elsewhere, MICHAEL LITTLE, the defendant, and others known and unknown, including a Lawyer from Switzerland (the "Swiss Lawyer"), a New Jersey Accountant (the "NJ Accountant"), and five members of a United States-based family (the "S Family"), willfully and knowingly did combine, conspire, confederate and agree together and with each other to defraud the United States and an agency thereof, to wit, the Internal Revenue Service ("IRS"), and to commit offenses against the United States, to wit, violations of Title 26, United States Code, Sections and 7201 and 7212(a).

**Objects of the Conspiracy**

1. It was a part and an object of the conspiracy that MICHAEL LITTLE, the defendant, and others known and unknown, willfully and knowingly would and did defraud the United States of America and the IRS by impeding, impairing, defeating, and obstructing the lawful governmental functions of the IRS in the ascertainment, evaluation, assessment, and collection of income taxes.
2. It was further a part and an object of the conspiracy that MICHAEL LITTLE,

the defendant, and others known and unknown, willfully and knowingly would and did attempt to evade and defeat a substantial part of the income taxes due and owing by certain United States taxpayers who were United States clients of LITTLE, the Swiss Lawyer, and Swiss bank UBS, in violation of Title 26, United States Code, Section 7201.

3. It was a further part and an object of the conspiracy that, during the period 2001 through 2011, MICHAEL LITTLE, the defendant, would and did corruptly obstruct and impede, and endeavor to obstruct and impede, the due administration of the Internal Revenue laws, in violation of Title 26, United States Code, Section 7212(a).

#### Overt Acts

4. In furtherance of the conspiracy and to effect its illegal objects, the following overt acts, among others, were committed in the Southern District of New York and elsewhere:

a. In or about August 2001, MICHAEL LITTLE, the defendant, met at a hotel in New York, New York with various co-conspirators, including five members of the S Family, at which LITTLE discussed with the family members their inheritance, from the recently-deceased patriarch of the S Family (the S Family Patriarch”), of funds maintained in one or more foreign bank accounts and entities. During the meeting, LITTLE: explained that the S Family Patriarch had left approximately \$10 million in overseas accounts and entities; advised that various S Family Members should establish Swiss bank accounts and attendant entities, which would be nominally owned and/or controlled by LITTLE and the Swiss Lawyer; and discussed various methods by which S Family members could bring to the United States, without reporting accurately to the IRS, the monies in the Swiss accounts and the assets from the entities.

b. In or about October 2001, the Swiss Lawyer caused to be opened a bank account at UBS AG in Switzerland for the benefit of one of the members of the S Family (“S Family Member-1”).

c. In or about May 2003, at the urging of and with the assistance of co-conspirators, including MICHAEL LITTLE, the defendant, and the NJ Accountant, S Family Member-1 engaged in a sham mortgage transaction designed to bring money from a Swiss bank account into the United States while concealing the existence of the family member’s Swiss bank account from the IRS.

d. Between in or about 2001 and 2008, MICHAEL LITTLE met in the United States with the matriarch of the S Family (the “S Family Matriarch”) to discuss the transfer, from offshore accounts to the United States, of millions of dollars left to the S Family Matriarch by her deceased husband (that is, the S Family Patriarch), which money had never been reported to the IRS for estate tax or income tax purposes.

e. Between in or about 2001 and 2008, MICHAEL LITTLE caused millions of

dollars to be sent from undeclared offshore accounts to the United States bank account of a United States entity controlled by the S Family Matriarch, who made personal and other use of the money. LITTLE also enlisted the NJ Accountant to prepare false and fraudulent United States tax returns for the entity, and enlisted S Family Member-3 to sign those tax returns.

f. In or about and between 2001 and 2009, the eldest male member of the S Family Group (“S Family Member-2”), a New York businessman who had worked with the S Family Patriarch and who had inherited offshore monies himself, devised a code system to discuss his family’s dealings with LITTLE, the Swiss Lawyer, the NJ Accountant, and certain offshore accounts. Consequently, between 2002 and 2008, various members of the S Family sent and received e-mails that used the code-word system.

g. On or about October 18, 2007, in New York, New York, S Family Member-1 signed and mailed a U.S. Individual Income Tax Return, Form 1040, that failed to report to the IRS the Swiss bank account S Family Member-1 maintained at UBS.

h. In or about and between 2001 and 2009, MICHAEL LITTLE, the defendant, the Swiss Lawyer, and the NJ Accountant were paid tens of thousands of dollars of fees to assist the S Family in connection with the administration and use of various offshore bank accounts, offshore entities, and the transfer of money from one or more of those accounts and entities to accounts and entities controlled by S Family Members in New York and other places in the United States.

**(Title 18, United States Code, Section 371.)**

The bases for my knowledge and for the foregoing charge are, in part, as follows:

5. I have been employed as a Special Agent of Internal Revenue Service, Criminal Investigation Division (IRS-CID) for more than five years, and I am currently assigned to the IRS-CID office located in New York, New York. While so employed, I have directed, conducted and participated in several investigations of criminal violations of the federal tax laws. During the course of these investigations, I have executed search and arrest warrants, utilized informants, interviewed witnesses, and conducted surveillance. Prior to this employment, I worked as a Securities Enforcement Investigator for the New Jersey Attorney General’s Office for approximately four years. While so employed, I directed, conducted and participated in several investigations of both criminal and civil violations of federal and New Jersey securities laws. During the course of these investigations, I executed search warrants, utilized informants, conducted broker-dealer inspections, conducted audits and interviewed witnesses. My education has included financial and law enforcement training from the North American Association of Securities Administrators, the National White Collar Crime Center, the High Tech Criminal Investigator’s Association, and the Federal Law Enforcement Training Center. I obtained a 2003 law degree (J.D.) from Seton Hall University, Newark, New Jersey, and I maintain bar memberships with the State of New York and New Jersey. Throughout my training, education, and experience, I have become familiar with the manner in which various tax frauds are committed. From my participation in this investigation, my

conversations with law enforcement officers and others, and my review of documents, I am familiar with the facts and circumstances of this investigation. Because this affidavit is being submitted for a limited purpose, I have not included in it everything I know about this investigation. Where the contents of documents and the actions, conversations, and statements of others are related herein, they are related in substance and in part. In the course of this investigation, I have learned the following.

**Obligations Of United States Taxpayers  
With Respect to Foreign Financial Accounts**

6. Citizens and residents of the United States who have income in any one calendar year in excess of a threshold amount (“U.S. taxpayers”) are obligated to file a U.S. Individual Income Tax Return, Form 1040 (“Form 1040”), for that calendar year with the IRS. On Form 1040, U.S. taxpayers are obligated to report their income from any source, regardless of whether the source of their income is inside or outside the United States. In addition, on Schedule B of Form 1040, the filer must indicate whether “at any time during [the relevant calendar year]” the filer had “an interest in or a signature or other authority over a financial account in a foreign country, such as a bank account, securities account, or other financial account.” If the U.S. taxpayer answers that question in the affirmative, then the U.S. taxpayer must indicate the name of the particular country in which the account is located.

7. Separate and apart from the obligation to file Forms 1040 that include all income, U.S. taxpayers who have a financial interest in, or signature authority over, a financial account in a foreign country with an aggregate value of more than \$10,000 at any time during a particular calendar year are required to file with the IRS a Report of Foreign Bank and Financial Accounts, Form TD F 90-22.1 (“FBAR”). The FBAR for any calendar year is required to be filed on or before June 30 of the following calendar year. In general, the FBAR requires that the U.S. taxpayer filing the form identify the financial institution with which the financial account is held, the type of account (either bank, securities, or other), the account number, and the maximum value of the account during the calendar year for which the FBAR is being filed.

**Sources for this Complaint**

8. The information contained within this affidavit comes from a variety of sources. Those sources include not only information personally known to me, but also information relayed from S Family Member-1, who is a cooperating witness. S Family Member-1 has pleaded guilty in this District to certain conspiracy and substantive tax charges relating to her failure to report to the Internal Revenue Service her ownership and control of a foreign bank account located in Switzerland. I have found S Family Member-1’s information to be highly reliable and, in certain material respects, corroborated by documents she has provided as part of the cooperation. I have also obtained information from two other members of the S Family — S Family Member-3 and S Family Member-4, both of whom are siblings of S Family Member-1. The information provided by S Family Members -3 and -4 has proven to be reliable and supports, in many material aspects, the

information previously provided by S Family Member-1.<sup>1</sup> In addition, S Family Member-4 has provided me with various documents, including her foreign bank records as well as contemporaneous notes she kept during various meetings with MICHAEL LITTLE, the defendant, as well as others.

### **The Investigation**

9. Together with the United States Attorney's Office, I am involved in a grand jury investigation into S Family Members who inherited from the S Family Matriarch certain undeclared Swiss bank account and other foreign assets. The investigation also has focused on foreign advisors to the S Family, including MICHAEL LITTLE, the defendant, the Swiss Lawyer, and the NJ Accountant. The investigation to date has revealed that the S Family Patriarch, a prominent New York-area businessman, died in or around May 2001, leaving an estate that contained in excess of \$20 million — half of which was contained in accounts and entities located outside the United States. Upon the S Family Patriarch's death, his wife (the S Family Matriarch) and their five children — S Family Members -1, -2, -3, -4, and -5 — all stood to receive large inheritances, which were to come from the approximately \$10 million that was maintained by the S Family Patriarch offshore, including in Switzerland.

### **The Four Seasons Meeting in August 2001**

10. In order to inform various S Family Members of the assets left by the S Family Patriarch, S Family Member-2 (the eldest son, who had worked with his father at their investment advisory firm in New York) called a meeting at the Four Seasons in New York in early August 2001. The meeting was attended by the S Family Matriarch as well as four of her children: S Family Members -1, -2, -3, and -4. Also attending the meeting was MICHAEL LITTLE, the defendant, an attorney from Great Britain who is licensed to practice law in New York, as well as the Swiss Lawyer. During the meeting, LITTLE provided various information to the S Family Members about the location of foreign assets left in the S Family Patriarch's estate, as well as the amounts that the S Family Members stood to receive from those foreign assets. In particular, LITTLE informed the S Family Members, in substance and part, the following: (a) the S Family Patriarch had in excess of \$10 million in assets located outside the United States, including a Swiss account as well as certain other entities; (b) in excess of \$5 million would be available for the S Family Matriarch through a trust that was or would be set up; (c) each of the children attending the meeting would receive approximately \$1.6 million from their deceased father; (d) the S Family Member children should set up Swiss accounts and other entities with LITTLE and the Swiss Lawyer; (e) LITTLE and the Swiss Lawyer would serve as nominee owners of the foreign entities and accounts, for which they would be paid annual fees; (f) monies could be obtained by the S Family Members in the United

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<sup>1</sup> The information provided by S Family Members -3 and -4 was provided during proffer sessions attended in the hopes of entering into cooperation agreements with the United States Attorney's Office in the future.

States upon request; (g) the S Family Members should not use bank transfers when bringing their inherited monies back to the United States; (h) S Family Members should bring the monies back to the United States in relatively small increments, or “little chunks,” through vehicles such as traveler’s checks; (i) LITTLE would work with the NJ Accountant to employ certain mechanisms to transfer funds from the foreign bank accounts to the S Family Members in the United States, including sham mortgages; and (j) the transfer of funds to the S Family Members in the United States could be disguised on the United States Income Tax Returns of the S Family Members as items other than foreign bank account assets or income, such as “intellectual property rights,” or the sales of artwork or jewelry.

### **The Estate Tax Fraud**

12. It was understood by all who attended the Four Seasons meeting that the \$10 million in foreign assets that were to be distributed to the S Family Members would not be disclosed to the Connecticut-based trusts and estate attorney who would be administering the estate of the S Family Patriarch for United States estate tax purposes. This understanding, or plan, was carried out, as the trusts and estate attorney was never informed of those foreign assets prior to the filing of the estate’s tax return, and, as a result, the estate of the S Family Patriarch omitted the foreign estate assets when reporting to the IRS the amount of the estate, and the appropriate estate tax.

### **Implementation of the Plan and Steps Outlined by LITTLE**

13. In the wake of the Four Season meeting,<sup>2</sup> MICHAEL LITTLE, the defendant, worked with the Swiss Lawyer and certain S Family children to set up Swiss bank accounts and other entities. S Family Member-1 had an account set up for her by the Swiss Lawyer in October 2001. In order to surreptitiously transfer monies in her account from Switzerland to the United States, S Family Member-1 worked with the NJ Accountant to establish a sham mortgage, which allowed S Family Member-1 to get access to approximately \$600,000. In addition, S Family Member-3 also set up a Swiss bank account through the Swiss Lawyer and, periodically between 2001 and 2008, obtained access to those funds by, for instance, having funds transferred to London, where S Family Member-3 picked up the funds while on trips there and brought all or part of it back to the United States, generally in amounts less than \$10,000.

14. Like S Family Members -1 and -3, S Family Member-4 worked with the Swiss Lawyer in or about 2001 to set up a Swiss account and a foreign entity, which were owned and/or maintained by and through the Swiss Lawyer and MICHAEL LITTLE, the defendant, and which were used to hold the approximately \$1.6 million that S Family Member-4 inherited from the S Family Patriarch. S Family Member-4 brought money back into the United States between 2001 and 2008 on certain occasion, including by traveling to London and picking up just under \$10,000 in cash at a bank there.

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<sup>2</sup> S Family Member-3 took extensive notes at the Four Seasons meeting (written on For Seasons stationary), which she kept and has turned over to the Government during this investigation.

15. S Family Members-1, -3, and -4 filed U.S. Income Tax Returns, Forms 1040, between 2001 and 2008, which tax returns were false and fraudulent in that S family Members-1, -3, and -4 falsely and fraudulently omitted the reporting of their interest in, and signatory authority over, their foreign bank accounts.

**The Use of the S Family Matriarch's Entities To Bring Money to the United States**

16. As noted in paragraph 10 above, the S Family Patriarch left in excess of \$5 million in foreign bank account and other assets to his wife, the S Family Matriarch. MICHAEL LITTLE, the defendant, worked with the Swiss Lawyer and the NJ Accountant to surreptitiously filter that money from Switzerland to the United States, so that the S Family Matriarch could use the money for personal purposes while evading reporting obligations to the IRS. The plan was carried out by causing transfers to be made from offshore entities to the accounts of United States entities that the S Family Matriarch had previously set up and used for various philanthropic purposes. Thus, between 2001 and 2008, millions of dollars were transferred from Switzerland and other locations to the aforementioned entities and not properly reported on the books, records, and tax returns of those United States entities. MICHAEL LITTLE, the defendant, enlisted S Family Member-3 to sign the fraudulent tax returns on behalf of the entities, telling S Family Member-3, in essence, that S Family Member-3 should undertake the task because of the position of trust she enjoyed. MICHAEL LITTLE, the defendant, also enlisted the NJ Accountant to prepare those tax returns.

**The Use of Code When Dealing With Certain Foreign Account Assets**

17. S Family Member-2 oversaw the family's dealing with MICHAEL LITTLE, the defendant, and also tried to place his mother, the S Family Member Matriarch, on a budget, with respect to her spending of the amounts she would be bringing to the United States from foreign locations. Because this oversight role would involve communication with other S Family Members regarding LITTLE, the Swiss Lawyer, and the unreported overseas accounts, S Family Member-2 suggested to his siblings that they employ a series of code names when referring to individuals and entities involved, including the IRS. After the siblings agreed, the various S Family siblings communicated using the following code words, which referred to the following individuals and entities:

<b>CODE WORD</b>	<b>REFERENCE TO:</b>
"FDA"	IRS
"Beef"	Money
"Lbs"	\$1,000
"Small"	MICHAEL LITTLE
"Moxly"	The Swiss Lawyer

“Leaky”	The S Family Matriarch
“BG”	The NJ Accountant
“Rusty nail”	a trust
“Refrigerator”	an account or other vehicle for holding or transferring funds

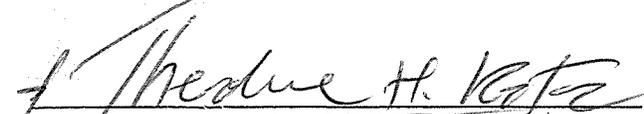
18. I have reviewed numerous e-mails sent by S Family Member-2 and his siblings that in fact utilized the aforementioned code words between 2002 and 2008 when referring to certain foreign bank account assets and the transfer of those assets to the S Family Matriarch in the United States. Copies of those e-mails were obtained not only through the execution of a search warrant, but also from S Family Members -1 and -3.

WHEREFORE, deponent prays that a warrant issue for the arrest of the MICHAEL LITTLE, the defendant, and that he be imprisoned or bailed as the case may be. Due to the nature of this application, I also request that this affidavit and the resulting warrant be maintained under seal until further order of the Court.



Lola Fox  
Special Agent  
Internal Revenue Service  
Criminal Investigation Division

Sworn to before me this  
10th day of May, 2012.



THE HONORABLE ~~FRANK MAAS~~  
UNITED STATES MAGISTRATE JUDGE

THEODORE H. KATZ  
UNITED STATES MAGISTRATE JUDGE  
SOUTHERN DISTRICT OF NEW YORK