

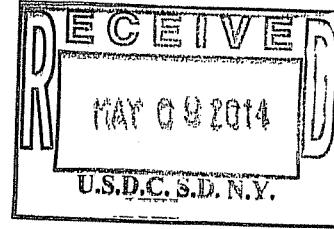
JUDGE WOODS

14 CV 3385

PREET BHARARA
United States Attorney for the
Southern District of New York
By: JASON H. COWLEY
SARAH E. PAUL
JARED P. LENOW

Assistant United States Attorneys
One St. Andrew's Plaza
New York, New York 10007

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK



- - - - -x

UNITED STATES OF AMERICA, :
 :
 Plaintiff, : VERIFIED COMPLAINT
 :
 -v.- : 14 Civ. ____
 :
 \$3,500,000 in United States :
 Currency, :
 :
 Defendant *in rem*. :
 - - - - -x

Plaintiff United States of America, by its attorney, PREET BHARARA, United States Attorney for the Southern District of New York, for its Verified Complaint (the "Complaint") alleges, upon information and belief, as follows:

I. NATURE OF THE ACTION

1. This an action by the United States of America seeking forfeiture of \$3,500,000 in United States Currency (the "Defendant Funds"), representing certain fees paid to swisspartners Investment Network AG, an asset management firm that is based in Zurich, Switzerland, and certain of its wholly-

owned subsidiaries (collectively, the "Swisspartners Group"), by U.S. taxpayers who had assets maintained in accounts overseas and managed by the Swisspartners Group ("U.S. taxpayer-clients"), but did not disclose the existence of the accounts, or the income earned in the accounts (hereinafter, "undeclared accounts"), to the Internal Revenue Service ("IRS"), from in or about 2001 up through and including in or about 2011. The Defendant Funds are subject to forfeiture pursuant to 18 U.S.C. § 981(a)(1)(C), as described in further detail below.

2. As set forth in more detail below, from in or about 2001 up through and including in or about 2011, the Swisspartners Group conspired with certain U.S. taxpayer-clients of the Swisspartners Group, including one or more who lived in the Southern District of New York, and others known and unknown, to defraud the United States of certain taxes due and owing by concealing from the IRS undeclared accounts maintained overseas and owned by U.S. taxpayer-clients with the assistance of the Swisspartners Group, and the income earned in such accounts; and to commit mail and wire fraud through the filing of false individual federal tax returns that failed to disclose the existence of such undeclared accounts and the income earned in such accounts. As set forth in the non-prosecution letter agreement between the United States and the Swisspartners Group dated May 8, 2014 (the "Letter Agreement"), attached hereto as

Exhibit 1, and the accompanying Statement of Facts, the Swisspartners Group admits that it engaged in this conduct and agrees not to contest the forfeiture of the Defendant Funds.

II. JURISDICTION AND VENUE

3. This Court has jurisdiction pursuant to 28 U.S.C. §§ 1345 and 1355.

4. Venue is proper pursuant to 28 U.S.C. § 1355(b)(1)(A) because acts and omissions giving rise to the forfeiture took place in the Southern District of New York.

Obligations of United States Taxpayers With Respect to Foreign Financial Accounts

5. At all times relevant to this Complaint, citizens and residents of the United States who had income in any one calendar year in excess of a threshold amount ("U.S. taxpayers") were required 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 were obligated to report their worldwide income, including income earned in foreign bank accounts. In addition, when a U.S. taxpayer completed Schedule B of Form 1040, he or she was required to 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," and if so, the U.S. taxpayer was required to name the country.

6. In addition, U.S. taxpayers who had a financial interest in, or signature or other authority over, a foreign bank account with an aggregate value of more than \$10,000 at any time during a particular calendar year were required to file with the IRS a Report of Foreign Bank and Financial Accounts, Form TD F 90-22.1 ("FBAR") on or before June 30 of the following year. In general, the FBAR required that the U.S. taxpayer filing the form identify the financial institution with which the financial account was 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 was being filed.

III. PROBABLE CAUSE FOR FORFEITURE

7. At all times relevant to this Complaint, the Swisspartners Group provided asset management services and insurance products to individuals and entities outside Switzerland, including citizens and residents of the United States.

8. From at least 2001 through 2011, the Swisspartners Group assisted certain U.S. taxpayer-clients, including one or more taxpayers who lived in the Southern District of New York,

in evading their U.S. tax obligations, filing false federal tax returns with the IRS, and otherwise hiding undeclared accounts held in Switzerland and elsewhere from the IRS. The Swisspartners Group did so by assisting U.S. taxpayer-clients in opening and maintaining undeclared accounts overseas and by providing, among other things, asset management services relating to those accounts.

9. Among the means and methods by which the Swisspartners Group and its co-conspirators carried out the scheme to help U.S. taxpayer-clients hide assets from the IRS and evade taxes were the following:

- An entity among the Swisspartners Group created sham foundations and other sham entities (collectively, "structures") for U.S. taxpayer-clients. These structures served as the nominal account holders of bank accounts located in various countries, including in Switzerland and Liechtenstein, that held assets that, in reality, belonged to the U.S. taxpayer-clients. These structures were used to conceal the identities of the U.S. taxpayer-clients who were the true beneficial owners of the assets held by these entities.
- The Swisspartners Group sold insurance policies to U.S. taxpayer-clients, some of whom funded the policies with assets held in undeclared accounts in Switzerland. Then, new accounts were opened at depository financial institutions located in various countries, including in Switzerland and Liechtenstein, in the names of these insurance policies. These new accounts, in turn, held the undeclared assets of the U.S. taxpayer-clients. In some cases, these insurance

policy accounts were ostensibly managed by a Swisspartners Group asset management entity or another third-party asset manager, but in reality, the U.S. taxpayer-clients sometimes continued to exercise authority on investment decisions regarding the insurance policy's assets and had access to, and the ability to withdraw, assets held in the name of the insurance policy.

- The Swisspartners Group also at times facilitated the transportation of large amounts of cash into the United States on behalf of U.S. taxpayer-clients. For example, over the course of several years, one U.S. taxpayer-client requested that SPIN have delivered to him/her in the United States amounts ranging between \$40,000 and \$85,000 in cash from an undeclared account in Switzerland (held in the name of structure created by a Swisspartners Group entity). In total, approximately \$400,000 was delivered to the U.S. taxpayer-client in the United States in this manner.
- The Swisspartners Group also arranged for the bulk deposit of cash at Swiss depository financial institutions on behalf of U.S. taxpayer-clients. In one instance, the Swisspartners Group facilitated such bulk deposits for a U.S. taxpayer-client at the Bahamas branch of a Swiss bank.
- In order to reduce the chances of undeclared accounts being discovered when assets of U.S. taxpayer-clients were transferred from one account or depository financial institution to another, the Swisspartners Group sometimes assisted U.S. taxpayer-clients in transferring the assets through intermediary accounts in other jurisdictions, such as Hong Kong. In at least one instance, the Swisspartners Group offered a U.S. taxpayer-client the ability to transfer funds from one undeclared account to another through the account of a Swisspartners Group-owned entity.

- One or more U.S. taxpayer-clients of the Swisspartners Group used the U.S. mails, private or commercial interstate carriers, or interstate wire communications to submit individual federal income tax returns to the IRS that were materially false and fraudulent in that these returns failed to disclose the existence of such U.S. taxpayer-clients' undeclared accounts and the income earned in such accounts.

10. At all relevant times, the Swisspartners Group knew that certain U.S. taxpayer-clients were maintaining undeclared accounts with the assistance of the Swisspartners Group in order to evade their U.S. tax obligations, in violation of U.S. law. The Swisspartners Group knew this from, among other things, its correspondence with certain U.S. taxpayer-clients.

11. In addition, the Swisspartners Group knew of the high probability that other U.S. taxpayer-clients who held undeclared accounts with the assistance of the Swisspartners Group did so for the same unlawful purpose.

12. The Swisspartners Group was aware that U.S. taxpayers had a legal duty to report to the IRS, and pay taxes on the basis of, all of their income, including income earned in accounts that these U.S. taxpayer-clients maintained with the assistance of the Swisspartners Group. Despite being aware of this legal duty, the Swisspartners Group intentionally assisted U.S. taxpayer-clients in opening and maintaining undeclared accounts with the knowledge that, by doing so, the Swisspartners

Group was helping these U.S. taxpayer-clients violate their legal duties. The Swisspartners Group was aware that this conduct violated U.S. law.

IV. CLAIM FOR FORFEITURE

13. The Defendant Funds are subject to forfeiture pursuant to the following statutory provisions:

Section 981(a)(1)(C) of Title 18 of the United States Code

14. Title 18, United States Code, Section 981(a)(1)(C) subjects to forfeiture "[a]ny property, real or personal, which constitutes or is derived from proceeds traceable to a violation of . . . any offense constituting "specified unlawful activity" (as defined in section 1956(c)(7) of this title), or a conspiracy to commit such offense."

15. "Specified unlawful activity" is defined in 18 U.S.C. § 1956(c)(7) to include any offense under 18 U.S.C. § 1961(1). Section 1961(1) lists as offenses both mail fraud (18 U.S.C. § 1341) and wire fraud (18 U.S.C. § 1343). In addition, Title 18, United States Code, Section 1349 provides:

Any person who attempts or conspires to commit any offense under this chapter [including mail fraud or wire fraud] shall be subject to the same penalties as those prescribed for the offense, the commission of which was the object of the attempt or conspiracy.

16. By reason of the above, the Defendant Funds are subject to forfeiture pursuant to Title 18, United States Code, Section 981(a)(1)(C).

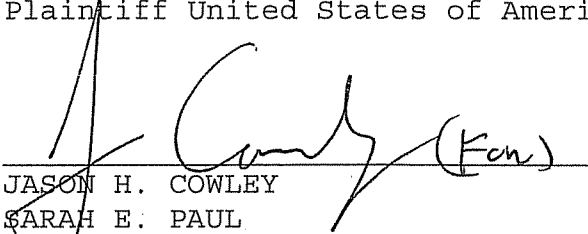
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WHEREFORE, plaintiff United States of America prays that process issue to enforce the forfeiture of the Defendant Funds and that all persons having an interest in the Defendant Funds be cited to appear and show cause why the forfeiture should not be decreed, and that this Court decree forfeiture of the Defendant Funds to the United States of America for disposition according to law and that this Court grant plaintiff such further relief as this Court may deem just and proper together with the costs and disbursements in this action.

Dated: New York, New York
May 9, 2014

PREET BHARARA
United States Attorney for
Plaintiff United States of America

By:



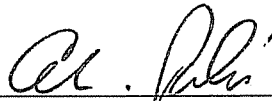
JASON H. COWLEY
SARAH E. PAUL
JARED P. LENOW
Assistant United States Attorneys
One St. Andrew's Plaza
New York, New York 10007
(212) 637-2200

VERIFICATION

STATE OF NEW YORK)
COUNTY OF NEW YORK :
SOUTHERN DISTRICT OF NEW YORK)

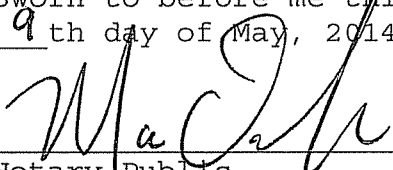
ELVIS PALISKA, being duly sworn, deposes and says that he is a Special Agent with the Internal Revenue Service, Criminal Investigation; that he has read the foregoing Verified Complaint and knows the contents thereof; and that the same is true to the best of his knowledge, information and belief.

The sources of deponent's information and the grounds of his belief are his personal involvement in the investigation, and conversations with and documents prepared by law enforcement officers and others.



Elvis Paliska
Special Agent
Internal Revenue Service,
Criminal Investigation

Sworn to before me this
9th day of May, 2014


Notary Public

MARCO DASILVA
Notary Public, State of New York
No. 01DA6145603
Qualified in Nassau County
My Commission Expires May 8, 2018

Exhibit 1



U.S. Department of Justice

United States Attorney
Southern District of New York

The Silvio J. Mollo Building
One Saint Andrew's Plaza
New York, New York 10007

May 8, 2014

Robert W. Tarun, Esq.
Rodney Read, Esq.
Baker & McKenzie LLP
Two Embarcadero Center, 11th Floor
San Francisco, CA 94111-3802

Re: Swisspartners Group Non-Prosecution Agreement

Dear Messrs. Tarun and Read:

The agreement set forth herein (the "Agreement") has been approved by the Tax Division, Department of Justice (the "Tax Division").

Based on the voluntary self-reporting, extraordinary cooperation, and voluntary implementation of remedial measures described below, and strictly subject to the terms, conditions, and understandings set forth herein, the Office of the United States Attorney for the Southern District of New York ("this Office") and the Tax Division will not criminally prosecute swisspartners Investment Network AG ("SPIN"), a Swiss-based asset management firm, or certain wholly-owned SPIN Subsidiaries (set forth below) for their participation in a conspiracy to defraud the Internal Revenue Service ("IRS"), file false federal income tax returns, and evade federal income taxes in connection with services that they provided to U.S. taxpayers from in or about 2001 through in or about 2011. The following entities, which are wholly-owned and controlled by SPIN, constitute the SPIN subsidiaries to which this Agreement applies:

- (1) swisspartners Wealth Management AG ("SPWM") – A Zurich-based trust services provider that established, organized, and managed entities, such as foundations and trusts, on behalf of, among others, U.S. taxpayer-clients.
- (2) swisspartners Insurance Company SPC Ltd. ("SIC") – A Cayman Islands-based life insurance carrier that offered life insurance and annuity products to, among others, U.S. taxpayer-clients.
- (3) swisspartners Versicherung AG ("SPV") – A Liechtenstein-based insurance carrier that offered a variety of insurance and annuity products to, among others, U.S. taxpayer-clients.

((1) through (3), collectively, with SPIN, the "Swisspartners Group"). The criminal conduct of the Swisspartners Group is described more fully in the Statement of Facts, attached hereto as

Robert W. Tarun, Esq.
Rodney Read, Esq.
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Exhibit A, which the Swisspartners Group acknowledges and accepts as accurate and which is incorporated by reference herein. This Agreement does not provide any protection against prosecution for any crimes except as set forth above. This Agreement applies only to the entities expressly set forth herein as comprising the Swisspartners Group, that is, SPIN, SPWM, SIC, and SPV, and does not apply to any other entities or any individuals. Pursuant to resolutions of the Boards of Directors of SPIN, SPWM, SIC, and SPV, Martin Egli, Chairman of the Board of Directors of SPIN, is authorized to enter this agreement on behalf of each of these entities and bind these entities to the obligations set forth herein.

This Office has entered into this Agreement based on: (i) the Swisspartners Group's voluntary self-reporting of its criminal conduct to this Office and the Tax Division; (ii) the Swisspartners Group's voluntary and extraordinary cooperation with this Office and the Tax Division, including the Swisspartners Group's production of approximately 110 account files relating to certain U.S. taxpayer-clients who maintained undeclared assets overseas with the assistance of the Swisspartners Group, including documents that provide the identities of these U.S. taxpayer-clients; (iii) the Swisspartners Group's voluntary implementation of various remedial measures beginning in or about May 2008; (iv) the Swisspartners Group's willingness to continue to cooperate with this Office, the Tax Division, and the IRS to the extent permitted by applicable law; and (v) the Swisspartners Group's representation, based on an investigation by outside counsel, the results of which have been shared with this Office and the Tax Division, that the misconduct under investigation did not, and does not, extend beyond that described in the Statement of Facts.

It is understood that the Swisspartners Group: (a) shall truthfully and completely disclose all information with respect to the activities of the Swisspartners Group, its officers and employees, and others concerning all such matters about which this Office or the Tax Division inquires related to this Office and the Tax Division's investigation, which information can be used for any purpose, except as limited by this Agreement, by applicable law; (b) shall cooperate fully with this Office, the Tax Division, the IRS, and any other law enforcement agency so designated by this Office or the Tax Division, except as limited by applicable law; (c) shall consent to the production to the Department of Justice of any document, record, or other tangible evidence, except as limited by applicable law; (d) shall, at this Office or the Tax Division's request, use its best efforts to secure the attendance and truthful statements or testimony of any officer, agent, employee, or former officer, agent or employee, at any meeting or interview or before the grand jury or at any trial or other court proceeding, to the extent permitted by applicable law; and (e) shall commit no crimes whatsoever. It is further understood that the Swisspartners Group will bring to this Office and the Tax Division's attention all criminal conduct by, and criminal investigations of, the Swisspartners Group or its employees that come to the attention of the Swisspartners Group's senior management, as well as any administrative proceeding, civil action or other proceeding brought by any governmental authority in which the Swisspartners Group is a party, related to the operation or management of the Swisspartners Group's business, and excluding routine proceedings. The Swisspartners Group's obligations under this paragraph shall continue until the later of: (1) a period of three years from the date this

Agreement is executed, or (2) the date on which all prosecutions arising out of the conduct described in the opening paragraph of this Agreement are final.

As a result of the conduct described in this Agreement and in the attached Statement of Facts, the Swisspartners Group agrees, pursuant to Title 18, United States Code, Section 981(a)(1)(C) that it will forfeit to the United States \$3,500,000 (the "Forfeiture Amount"), representing certain fees paid to the Swisspartners Group by U.S. taxpayers with undeclared accounts with the Swisspartners Group from January 1, 2001 through approximately April 2012. Payment of the Forfeiture Amount shall be by wire transfer to a seized asset deposit account maintained by the United States Department of the Treasury within three days of the execution of this Agreement. The United States contends, and the Swisspartners Group agrees not to contest, that the facts contained in this Agreement, the civil forfeiture complaint to be filed against the Forfeiture Amount ("Civil Forfeiture Complaint"), and the Statement of Facts are sufficient to establish that the Forfeiture Amount being paid by the Swisspartners Group to the United States is subject to civil forfeiture to the United States and that this Agreement, and the accompanying Statement of Facts, may be attached to and incorporated into the Civil Forfeiture Complaint. By this Agreement, the Swisspartners Group specifically waives service of said Civil Forfeiture Complaint and agrees to entry of a Final Order of Forfeiture against the Forfeiture Amount. Upon payment of the Forfeiture Amount, the Swisspartners Group shall release any and all claims it may have to such funds and execute such documents as are necessary to accomplish the same, including the release of its claim to said funds in a civil forfeiture proceeding brought against said funds.

The Swisspartners Group further agrees to make a restitution payment to the United States in the amount of \$900,000 (the "Tax Restitution Amount"). The Swisspartners Group admits that the Tax Restitution Amount represents the approximate unpaid pecuniary loss to the United States as a result of the conduct described in the Statement of Facts. The Tax Restitution Amount shall not be reduced by payments that have been made or may be made to the United States by U.S. taxpayers through the Offshore Voluntary Disclosure Initiative and similar programs (collectively, "OVDI") before or after the date of this Agreement. The Swisspartners Group agrees to pay the Tax Restitution Amount to the United States by wire transfer within three days of the date of the execution of this Agreement. Other than the total sum of \$4,400,000 (the Forfeiture Amount plus the Tax Restitution Amount) that the Swisspartners Group is required to pay under this Agreement, this Agreement does not require the Swisspartners Group to pay any other fines or financial penalties.

The Swisspartners Group agrees that it shall not file any petitions for remission, restoration, or any other assertion of ownership or request for return relating to the Forfeiture Amount or the Tax Restitution Amount, or any other action or motion seeking to collaterally attack the seizure, restraint, forfeiture, or conveyance of the Forfeiture Amount or the Tax Restitution Amount. Nor shall the Swisspartners Group assist any others in filing any such claims, petitions, actions, or motions. The Swisspartners Group further agrees that the Forfeiture Amount and the Tax Restitution Amount shall be paid separately to the United States, with no offset between the two amounts.

Robert W. Tarun, Esq.
Rodney Read, Esq.
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It is understood that, should it be determined that: (a) the Swisspartners Group committed any crimes during the term of this Agreement; (b) the Swisspartners Group or any of its representatives have given false, incomplete, or misleading testimony or information; (c) the misconduct extended beyond that described in the Statement of Facts; or (d) the Swisspartners Group has otherwise violated any provision of this Agreement, then: (i) the Swisspartners Group shall thereafter be subject to prosecution for any federal offense of which this Office or the Tax Division has knowledge, including perjury and obstruction of justice; (ii) all statements made by the Swisspartners Group's representatives to this Office, the Tax Division, or other designated law enforcement agents, including but not limited to the appended Statement of Facts, and any testimony given by the Swisspartners Group's representatives before a grand jury or other tribunal whether prior to or subsequent to the signing of this Agreement, and any leads therefrom, shall be admissible in evidence in any criminal proceeding brought against the Swisspartners Group and relied upon as evidence to support any penalty imposed on the Swisspartners Group; and (iii) the Swisspartners Group shall assert no claim under the United States Constitution, any statute, Rule 410 of the Federal Rules of Evidence, or any other federal rule that such statements or any leads therefrom should be suppressed. In addition, any such prosecution that is not time-barred by the applicable statute of limitations on the date of the execution of this Agreement may be commenced against the Swisspartners Group, notwithstanding the expiration of the statute of limitations between the signing of this Agreement and the commencement of such prosecution. It is the intent of this Agreement to waive all defenses based on the statute of limitations with respect to any prosecution that is not time-barred on the date when this Agreement is signed.

It is further understood that this Agreement does not bind any other federal, state, or local prosecuting authorities other than this Office and the Tax Division. If requested by the Swisspartners Group, this Office and the Tax Division will, however, bring the cooperation of the Swisspartners Group to the attention of such other prosecuting offices or regulatory agencies.

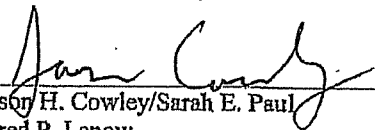
It is understood that this Agreement and the Statement of Facts appended hereto are public documents and may be provided to any person by this Office and the Swisspartners Group.

Robert W. Tarun, Esq.
Rodney Read, Esq.
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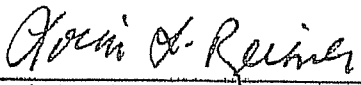
This Agreement supersedes all prior understandings, promises and/or conditions between this Office and the Tax Division, and the Swisspartners Group. No additional promises, agreements, and conditions have been entered into other than those set forth in this Agreement and none will be entered into unless in writing and signed by both parties.

Very truly yours,

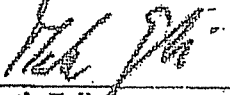
PREET BHARARA
United States Attorney

By: 
Jason H. Cowley/Sarah E. Paul
Jared P. Lenow
Assistant United States Attorneys
(212) 637-2200

APPROVED:


Lorin L. Reisner
Chief, Criminal Division

AGREED AND CONSENTED TO:
swisspartners Investment Network AG

By: 
Martin Egli
Chairman, Board of Directors and
Authorized Signatory by Resolution
of the Board of Directors

May 8, 2014
DATE

[Additional Signatures on Following Page]

Robert W. Tarun, Esq.
Rodney Read, Esq.
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AGREED AND CONSENTED TO:
swisspartners Wealth Management AG

By: Martin Egli
Martin Egli
Authorized Signatory by Resolution
of the Board of Directors

May 8, 2014
DATE

AGREED AND CONSENTED TO:
swisspartners Insurance Company SPC Ltd.

By: Martin Egli
Martin Egli
Authorized Signatory by Resolution
of the Board of Directors

May 8, 2014
DATE

AGREED AND CONSENTED TO:
swisspartners Versicherung AG

By: Martin Egli
Martin Egli
Authorized Signatory by Resolution
of the Board of Directors

May 8, 2014
DATE

APPROVED:

Robert W. Tarun, Esq.
Robert W. Tarun, Esq.
Rodney Read, Esq.
Baker & McKenzie LLP
Attorneys for the above Swisspartners Group entities

May 8, 2014
DATE

Exhibit A

Exhibit A to Letter to the Swisspartners Group dated May 8, 2014

Statement of Facts

I. Background

The swisspartners Investment Network AG (“SPIN”) was founded in 1993 by three Swiss nationals and is based in Zurich, Switzerland. At all relevant times, SPIN wholly-owned and controlled the following subsidiaries, among others:

- (1) swisspartners Wealth Management AG (“SPWM”) – A Zurich-based trust services provider that established, organized, and managed entities, such as foundations and trusts, on behalf of, among others, U.S. taxpayer-clients.
- (2) swisspartners Insurance Company SPC Ltd. (“SIC”) – A Cayman Islands-based life insurance carrier that offered life insurance and annuity products to, among others, U.S. taxpayer-clients.
- (3) swisspartners Versicherung AG (“SPV”) – A Liechtenstein-based insurance carrier that offered a variety of insurance and annuity products to, among others, U.S. taxpayer-clients.

((1) through (3), collectively with SPIN, the “Swisspartners Group”).¹ None of the entities comprising the Swisspartners Group were depository financial institutions. As of December 31, 2013, the entities comprising the Swisspartners Group had approximately \$4.2 billion in assets under management (“AUM”).

In addition to providing asset management services and insurance products to citizens and businesses based in Switzerland, at all relevant times, the Swisspartners Group also provided asset management services and insurance products to individuals and entities outside of Switzerland, including citizens and residents of the United States (“U.S. taxpayer-clients”).

In 2005, SPIN became majority-owned by Liechtensteinische Landesbank AG (“LLB-Vaduz”). In July 2013, the United States Attorney’s Office for the Southern District of New York (the “Office”) entered into a Non-Prosecution Agreement with LLB-Vaduz.

II. The Offense Conduct

From at least 2001 through 2011, the Swisspartners Group assisted certain U.S. taxpayer-clients, including one or more taxpayers living in the Southern District of New York, to evade their U.S. tax obligations, file false federal tax returns with the Internal Revenue Service (the

¹ SPIN wholly owns and controls additional entities that were not involved in the conduct set forth herein.

“IRS”), and otherwise hide from the IRS assets maintained overseas (hereinafter, “undeclared assets”).

In particular, the entities comprising the Swisspartners Group, often working in conjunction with one another, helped U.S. taxpayer-clients conceal from the IRS their beneficial ownership of undeclared assets maintained in depository financial institutions located in various countries, including Switzerland and Liechtenstein. Specifically, in furtherance of a scheme to help U.S. taxpayer-clients hide assets from the IRS and evade taxes, the entities comprising the Swisspartners Group did the following:

- SPWM created sham foundations and other sham entities (collectively, “structures”) for U.S. taxpayer-clients. These structures served as the nominal account holders of bank accounts located in various countries, including in Switzerland and Liechtenstein, that held assets that, in reality, belonged to the U.S. taxpayer-clients. These structures were used to conceal the identities of the U.S. taxpayer-clients who were the true beneficial owners of the assets held by these entities.
- The Swisspartners Group sold insurance policies to U.S. taxpayer-clients, some of whom funded the policies with assets held in undeclared accounts in Switzerland. Then, new accounts were opened at depository financial institutions located in various countries, including in Switzerland and Liechtenstein, in the names of these insurance policies. These new accounts, in turn, held the undeclared assets of the U.S. taxpayer-clients. In some cases, these insurance policy accounts were ostensibly managed by a Swisspartners Group asset management entity or another third-party asset manager, but in reality, the U.S. taxpayer-clients sometimes continued to exercise authority on investment decisions regarding the insurance policy’s assets and had access to, and the ability to withdraw, assets held in the name of the insurance policy.
- In addition to the steps described above, the Swisspartners Group at times assisted U.S. taxpayer-clients in adding an additional layer of nominal ownership to conceal their ownership of undeclared accounts. With respect to insurance policies, for example, those policies sometimes owned structures, often created by SPWM, which, in turn, nominally held bank accounts in Switzerland in which the U.S. taxpayer-clients’ undeclared assets were held. In these instances, the U.S. taxpayer-clients sometimes retained effective control of the undeclared assets and the ability to make withdrawals from their undeclared accounts.
- The Swisspartners Group at times assisted U.S. taxpayer-clients in placing their accounts or insurance policies in the names of non-U.S. nationals in order to further conceal the U.S. taxpayer-clients’ ownership of the undeclared assets.
- The Swisspartners Group also at times facilitated the transportation of large amounts of cash into the United States on behalf of U.S. taxpayer-clients. For example, over the course of several years, one U.S. taxpayer-client requested that SPIN have delivered to him/her in the United States amounts ranging between \$40,000 and \$85,000 in cash from an undeclared account in Switzerland (held in the name of a structure created by SPWM).

In total, approximately \$400,000 was delivered to the U.S. taxpayer-client in the United States in this manner.

- The Swisspartners Group also arranged for the bulk deposit of cash at Swiss depository financial institutions on behalf of U.S. taxpayer-clients. In one instance, the Swisspartners Group facilitated such bulk deposits for a U.S. taxpayer-client at the Bahamas branch of a Swiss bank.
- In order to reduce the chances of undeclared accounts being discovered when assets of U.S. taxpayer-clients were transferred from one account or depository financial institution to another, the Swisspartners Group sometimes assisted U.S. taxpayer-clients in transferring the assets through intermediary accounts in other jurisdictions, such as Hong Kong. In at least one instance, the Swisspartners Group offered a U.S. taxpayer-client the ability to transfer funds from one undeclared account to another through the account of a Swisspartners Group-owned entity.
- One or more U.S. taxpayer-clients of the Swisspartners Group used the U.S. mails, private or commercial interstate carriers, or interstate wire communications to submit individual federal income tax returns to the IRS that were materially false and fraudulent in that these returns failed to disclose the existence of such taxpayers' undeclared accounts and the income earned in such accounts.

At all relevant times, the Swisspartners Group knew that certain U.S. taxpayer-clients were maintaining undeclared accounts at depository financial institutions located in various countries, including Switzerland and Liechtenstein, in order to evade their U.S. tax obligations, in violation of U.S. law. The Swisspartners Group knew that these U.S. taxpayer-clients wanted to conceal the undeclared accounts based on, among other things, correspondence with certain U.S. taxpayer-clients, including communications that expressly stated that the U.S. taxpayer-clients were concerned about the IRS discovering their accounts. In one instance, a U.S. taxpayer-client informed his/her asset manager at the Swisspartners Group that a certain individual was aware of the U.S. taxpayer-client's undeclared account and might report the U.S. taxpayer-client to the IRS. Later, the Swisspartners Group assisted this U.S. taxpayer-client in transferring certain undeclared assets to a different undeclared account, providing the U.S. taxpayer-client with the opportunity to make a partial voluntary disclosure, disclosing one account to the IRS if it became likely that the account would otherwise be detected, while continuing to maintain substantial assets in another undeclared account.

The Swisspartners Group was aware that U.S. taxpayers had a legal duty to report to the IRS, and pay taxes on the basis of, all of their income, including income earned in accounts that these U.S. taxpayers maintained in Switzerland and elsewhere. Despite being aware of this legal duty, the Swisspartners Group intentionally assisted U.S. taxpayer-clients in opening and maintaining undeclared accounts with the knowledge that, by doing so, the Swisspartners Group was helping these U.S. taxpayers violate their legal duties. The Swisspartners Group was aware that this conduct violated U.S. law.

The conduct of the Swisspartners Group allowed it to increase the undeclared U.S. taxpayer assets that it managed, the trust services it provided, and the insurance products that it

sold, thereby increasing the fees it generated. In total, the Swisspartners Group assisted approximately 110 U.S. taxpayer-clients evade their tax obligations under U.S. law.

III. Voluntary Remedial Measures

In or about April 2008, the Swisspartners Group learned from news reports that the IRS was investigating UBS AG (“UBS”) for tax-related criminal offenses relating to UBS assisting its U.S. taxpayer-clients in maintaining undeclared accounts at UBS in Switzerland. In or around May 2008, the Board of Directors of SPIN (the “Board”) began a comprehensive review of the Swisspartners Group’s business relationships with U.S. taxpayer-clients. At the same time, the Board announced a strategy for the Swisspartners Group to terminate business relationships with U.S. taxpayer-clients who failed to present credible verification to the Swisspartners Group that these U.S. taxpayer-clients were in compliance with U.S. tax law. As part of this effort, each Swisspartners Group relationship manager was required to contact each U.S. taxpayer-client who had not provided such verification and work with those U.S. taxpayer-clients to either (1) bring each U.S. taxpayer-client into compliance with U.S. tax law in regard to their Swisspartners Group-related assets; or (2) terminate the U.S. taxpayer-client’s business relationship with the Swisspartners Group. As a further part of this effort, the Chief Executive Officer of SPIN met quarterly with each relationship manager to review the relationship manager’s progress on this issue.

In 2009, the Board updated its quarterly compliance report to include a report on the progress of (1) assisting non-compliant U.S. taxpayer-clients with becoming compliant with U.S. tax law, and (2) terminating relationships with non-compliant U.S. taxpayer-clients. Also in 2009, the Board instituted a policy requiring that any new U.S. taxpayer-clients be approved by the Chairman of the Board.

Beginning in 2010, to facilitate and encourage U.S. taxpayer-client compliance with U.S. tax law in connection with SIC-issued insurance policies, SIC included in its annual policy financial reports to U.S. taxpayer-client policyholders for calendar year 2009 the quarterly cash value of their policies and a “Client Alert,” authored by an outside law firm, informing these U.S. taxpayer-clients of their possible need to make disclosures to the IRS of these policies, including the filing of Forms TD F 90-22.1 (“FBAR”) with respect to the policies.

By 2012, the Swisspartners Group had essentially completed its initiative to ensure that its remaining U.S. taxpayer-clients were compliant with their U.S. tax obligations in regard to assets maintained outside of the United States with the assistance of the Swisspartners Group, with the exception of a limited number of U.S. taxpayer-clients who held insurance policies that could not yet be terminated because of requirements under Cayman and Liechtenstein law.

IV. Cooperation

The cooperation of the Swisspartners Group, which began when it voluntarily self-reported its conduct to the Office and the Tax Division of the United States Department of Justice (the “Tax Division”) in October 2012, was extraordinary. The Swisspartners Group engaged U.S. counsel, conducted a thorough internal investigation, and reported its findings to the Office and the Tax Division. Prior to its self-reporting, the Swisspartners Group was neither a subject nor target of any investigation being conducted by the Office or the Tax Division. The

Swisspartners Group also made the chairman of the Board available to be interviewed in the United States regarding the conduct of the Swisspartners Group.

Additionally, after its own analysis of its obligations under the laws of Switzerland, including outside Swiss counsel's analysis of Articles 271 and 273 of the Swiss Penal Code, and other countries, the Swisspartners Group voluntarily produced to the Office and the Tax Division client files relating to approximately 110 U.S. taxpayer-clients of the Swisspartners Group. The Swisspartners Group independently determined that it had likely assisted these 110 U.S. taxpayer-clients in evading tax obligations in the United States. The names and identities of these U.S. taxpayer-clients were included in the client files provided to the Office and the Tax Division by the Swisspartners Group.