



# United States Department of Justice

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## **PRESIDENT OF ALLIED TELECOM INTERNATIONAL CONVICTED OF TAX EVASION**

### *Diverted More Than \$1.9 Million Into A Foreign Bank Account*

SAN FRANCISCO – United States Attorney Joseph P. Russoniello and Special Agent in Charge, IRS Criminal Investigation, Scott O'Briant announced Diana Hojsak a/k/a Diana Lu a/k/a Jing Jing Lu was convicted of tax evasion and filing false tax returns for 2000 and 2001 by a federal jury. After deliberating two days, the jury found that Ms. Hojsak failed to report income paid from Yangtze Optical Fibre and Cable Company, which was diverted from her corporation into a bank account in Hong Kong in her name. According to the testimony at trial, the foreign bank account was never disclosed to the IRS, and Ms. Hojsak used the unreported proceeds to purchase property in the Bay Area. The guilty verdict followed a two week jury trial before U.S. District Court Judge Phyllis J. Hamilton.

Evidence at trial showed that Ms. Hojsak, age 40, of San Francisco, California, was the president and sole shareholder of Allied Telecom International, Inc (ATI).

ATI entered into agreements with Yantze Optical Fibre and Cable Co. Ltd (YOFC) to sell fiber optics to Chinese businesses within the People's Republic of China. From 1998 and 2001, Ms. Hojsak operated ATI from her residences in Soquel, and San Francisco, California.

From 1998 to 2001, Ms. Hojsak received over \$3,000,000 dollars in commission payments from the contract between ATI and YOFC. Also during this period Ms. Hojsak maintained a business bank account at Wells Fargo Bank in the name of ATI and a personal bank account with Hong Kong and Shanghai Banking Corporation Limited (HSBC), held in the name Jing Jing Lu. For the tax years 2000 and 2001, Ms. Hojsak instructed YOFC to wire approximately \$1,810,322 to her personal bank account at HSBC, and \$1,547,452 to ATI's business account at Wells Fargo Bank in California. For preparation of her 2000 and 2001 tax returns, Ms. Hojsak provided her return preparer bank statements from eleven personal and business bank accounts. The return preparer relied upon those bank statements to determine ATI's gross receipts in preparation of ATI's 2000 and 2001 corporate tax returns. Included in the bank statements Ms. Hojsak provided her return preparer were the monthly bank statements for the Wells Fargo account that she held in ATI's name. However, Ms. Hojsak did not provide any bank statements nor notify her return preparer of the existence of

her account at HSBC, where \$1,904,566 of ATI's gross receipts had been deposited.

By concealing the \$1,904,566 of ATI's gross receipts, which were diverted into her personal bank account at HSBC, Ms. Hojsak caused ATI to under report gross receipts in that amount for the tax years of 2000 and 2001. Further, Ms. Hojsak did not report the diverted funds on her personal income tax returns for the years in question, thus evading a personal income tax liability of approximately \$533,904 for the 2000 tax year and

\$23,460 for the 2001 tax year.

Ms. Hojsak was indicted by a federal grand jury on May 24, 2007. She was charged with two counts of evading her federal income taxes for the 2000 and 2001 tax years, along with two counts of filing false federal income tax returns for her wholly owned corporation, Allied Telecom International, Inc.

The penalty for evading federal income taxes is up to five years of imprisonment and a three year term of supervised release. The penalty for filing false tax returns is up to three years and a one year term of supervised release. However, any sentence following conviction would be imposed by the court after consideration of the U.S. Sentencing Guidelines and the federal statute governing the imposition of a sentence, 18 U.S.C. § 3553.

Cynthia Stier and Thomas M. Newman are the Assistant U.S. Attorneys who prosecuted this case with the assistance of Stefania Chin. The prosecution is the result of an investigation by the Internal Revenue Service, Criminal Investigation Division.

**Further Information:**

Case No: 07-325-PJH

A copy of this press release may be found on the U.S. Attorney's Office's website at [www.usdoj.gov/usao/can](http://www.usdoj.gov/usao/can).

Electronic court filings and further procedural and docket information are available at <https://ecf.cand.uscourts.gov/cgi-bin/login.pl>.

Judges' calendars with schedules for upcoming court hearings can be viewed on the court's website at [www.cand.uscourts.gov](http://www.cand.uscourts.gov).

All press inquiries to the U.S. Attorney's Office should be directed to Joshua Eaton at (415) 436-6958 or by email at [Josh.Eaton@usdoj.gov](mailto:Josh.Eaton@usdoj.gov).

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