



United States Department of Justice

United States Attorney Joseph P. Russoniello
Northern District of California

11th Floor, Federal Building
450 Golden Gate Avenue, Box 36055
San Francisco, California 94102
(415) 436-7200
FAX: (415) 436-7234

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WWW.USDOJ.GOV/USAO/CAN

CONTACT: Joshua Eaton
(415) 436-6958
Josh.Eaton@usdoj.gov

LOS ALTOS MAN CONVICTED FOR FAILING TO REPORT TO THE IRS OVER \$5 MILLION IN INCOME FROM THE SALE OF COMPUTER PARTS AND SOFTWARE

SAN FRANCISCO – United States Attorney Joseph P. Russoniello and Special Agent in Charge, IRS Criminal Investigation, Scott O'Briant announced that Mohammad Yousuf Chaudhry was convicted by a federal jury on Friday of filing false tax returns, conspiracy, and structuring currency transactions to evade a reporting requirement. The jury, after deliberating over two days, found Mr. Chaudhry guilty of all 16 charges against him. The guilty verdict followed a one-week trial before U.S. District Court Judge Charles R. Breyer.

Evidence at trial showed that Mr. Chaudhry, of Los Altos, California, was involved in a conspiracy to structure transactions to avoid financial reporting requirements. Specifically, Mr. Chaudhry conspired with others to cash checks from his computer software customers in such a way that the \$10,000 threshold that triggers the filing of a Currency Transaction Report or CTR was not triggered. He did not report the checks he had converted into cash as income for his two businesses – RT Computers (RT) and Alternative Energy Systems (AES) -- on the federal corporate income tax returns. In total, Mr. Chaudhry failed to report over \$5 million in income on his corporate tax returns. One of his employees, Ali Khan of San Jose, California assisted Mr. Chaudhry with structuring transactions by cashing multiple checks in amounts less than \$10,000 at local check cashers, instead of depositing those checks into business bank accounts. Some of those check cashers agreed they would not file Currency Transaction Reports (CTRs) with the IRS. Mr. Khan further helped to cover up Mr. Chaudhry's scheme by filing false CTRs on behalf of RT and AES and by using a false signature when endorsing checks. Mr. Khan participated in cashing over 150 checks, and Mr. Chaudhry personally cashed many more. Mr. Khan pleaded guilty on May 27, 2008 to 26 USC § 7207 (filing false documents with the Internal Revenue Service).

Mr. Chaudhry was indicted by a federal grand jury on October 23, 2003. He was charged with five counts of subscribing to a false corporate income tax return filed with the Internal Revenue Service, in violation of Title 26, United States Code, Section 7206(1); one count of conspiring to structure transactions to evade reporting requirements in violation of Title 18, United States Code, Section 371; and 11 counts of structuring transactions for the purpose of evading a reporting requirement, in violation of Title 31, United States Code, Section 5324(a)(3). One count of filing a false corporate return was dismissed at the close of the government's case.

The sentencing of Mr. Chaudhry is scheduled for September 17, 2008, before Judge Charles Breyer in San Francisco. The maximum statutory penalty for the conspiracy charge is five years in prison and a fine of \$250,000. The maximum statutory penalty for each count in violation of Title 26 Section 7206(1) is up to three years in prison and a fine of \$100,000, plus restitution. The maximum statutory penalty for each count

of structuring is five years in prison and a fine of \$250,000. 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.

AUSAs Kirstin Ault and Thomas Moore are the Assistant U.S. Attorneys who are prosecuting the case, with the assistance of paralegals Lou Statti and Kathy Tat. The prosecution is the result of an investigation by the Internal Revenue Service, Criminal Investigation and the Federal Bureau of Investigation.

Further Information:

Case #: 03-40210-CRB

A copy of this press release may be found on the U.S. Attorney's Office's website at 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.

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.

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