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**FORMER OWNERS OF SAN FRANCISCO CLOTHING FACTORIES CONVICTED OF CONCEALING
MILLIONS OF DOLLARS FROM BANKRUPTCY COURT AND CREDITORS IN THREE SEPARATE
BANKRUPTCIES**

Four month trial results in convictions

SAN FRANCISCO - United States Attorney Scott N. Schools announced that Jimmy Quan was convicted late yesterday afternoon by a federal jury on eleven felony counts, including conspiracy to conceal assets, the concealment of assets, bankruptcy fraud, the making of false statements, and money laundering regarding three separate bankruptcies. His wife, Anna Wong was also convicted of three felony counts, including conspiracy to conceal assets, the concealment of assets, and the making of false declarations in a bankruptcy proceeding. The jury acquitted Jimmy Quan on four counts of making false entries and one count of concealing assets. The jury also acquitted Anna Wong on one count of concealing assets. The guilty verdicts followed a four month jury trial before U.S. District Court Judge William B. Shubb. These convictions are the result of an investigation by the Federal Bureau of Investigation and the Internal Revenue Service.

Evidence at trial showed that Mr. Quan, 47, and Ms. Wong, 45, of San Francisco, owned numerous companies, including several clothing manufacturing businesses in San Francisco in the 1990s through 2001. Mr. Quan also controlled a property management business in San Francisco. Over a period of time, from 1997 through 2003, Mr. Quan and Ms. Wong placed three of their businesses into Chapter 11 reorganization bankruptcy and then proceeded to defraud creditors of those companies by concealing and diverting assets and making false statements to the Bankruptcy Court under penalty of perjury. The total loss to the creditors was over \$5 million.

The fraud started in 1997, when Mr. Quan, having failed to pay millions of dollars in taxes, filed for Chapter 11 protection for his clothing company Win Fashion Inc. Over the course of the next four years, while the company received bankruptcy protection from its creditors, Mr. Quan proceeded to divert millions of dollars of Win Fashion revenue to other companies that he and his wife controlled. The Bankruptcy Court eventually converted Win Fashion to a Chapter 7 bankruptcy in July 2001, forcing the liquidation of the company.

One month later, in August 2001, Mr. Quan and Ms. Wong continued the fraud by placing their second clothing manufacturing company, Wins of California Inc., into Chapter 11 reorganization bankruptcy. In connection with that bankruptcy, Ms. Wong made false statements under penalty of perjury on documents filed with the Bankruptcy Court regarding the true assets of the company. Ms. Wong also diverted Wins of California revenue

to another company controlled by a family member, and then concealed that revenue from the Bankruptcy Court and Wins of California creditors. Creditors of Wins of California included hundreds of low-wage employees, who, by the time Wins of California filed bankruptcy, were owed at least one-half million dollars for work they had performed, but for which they had never been paid.

Mr. Quan was also convicted of bankruptcy fraud, concealing assets, making false statements, and money laundering in a third bankruptcy. This third bankruptcy involved a property management company, controlled by Mr. Quan, called Tomi LLC. Tomi LLC filed for Chapter 11 bankruptcy protection in July 2003. Mr. Quan again diverted and concealed over one-half million dollars of Tomi LLC assets from the Bankruptcy Court and Tomi LLC creditors. The evidence further showed that Mr. Quan concealed \$270,000 of these assets by depositing them into his minor children's personal bank accounts. These transfers formed the basis of the money laundering convictions.

Two other family members, who were charged with playing less significant roles in the alleged fraud, were acquitted on all charges.

"The monumental effort that the prosecution team contributed to this trial and this jury's verdicts confirm the importance of transparency in the bankruptcy procedures that are available to honest people who need to use the bankruptcy system to resolve insurmountable debt," said United States Attorney Scott N. Schools. "When people, such as the defendants here, obtain the benefits of bankruptcy protection, they have a duty to be completely forthright and transparent about their assets and finances. When debtors conceal and lie about their assets, they deprive creditors of the money due to them and abuse a process created for their benefit. The United States Attorney's Office considers abuse of the bankruptcy process to constitute a serious criminal offense, and this case demonstrates our commitment to assuring that those who cheat the system be held accountable for those crimes."

The sentencing of Mr. Quan and Ms. Wong is scheduled for September 12, 2007 before Judge Shubb in San Francisco. The maximum statutory penalty for each count of conspiracy, 18 U.S.C. § 371; bankruptcy fraud, 18 U.S.C. § 157; concealment of assets, 18 U.S.C. § 152(7); and making false declarations, 18 U.S.C. § 152(3) is five years. The maximum statutory penalty for each count of money laundering, 18 U.S.C. § 1956(a)(1)(B)(i), is twenty years. The maximum fine for each of the counts charged is \$250,000, plus restitution where appropriate. 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.

Susan Badger and Stacey Geis are the Assistant U.S. Attorneys who are prosecuting the case with the assistance of Robin Barber, Ana Guerra, and Miche Sharpe. The prosecution is the result of a four year investigation by the Federal Bureau of Investigation and the Internal Revenue Service.

Further Information:

Case #: CR 04-0323 WBS

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 Natalya LaBauve at (415) 436-7055 or by email at Natalya.LaBauve@usdoj.gov.

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