



*United States Attorney
Southern District of New York*

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**BUSINESSMAN PLEADS GUILTY TO DEFRAUDING
GOVERNMENT OF 9/11-RELATED GRANT MONEY**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced today that CHANG SHENG YU pleaded guilty yesterday afternoon, July 12, in Manhattan federal court to a scheme to defraud the Empire State Development Corporation ("ESDC") and the United States Department of Housing and Urban Development ("HUD") of more than \$118,000 in federal grant money intended to aid businesses affected by the September 11, 2001 terrorist attacks. YU had been on trial for the fraud for three days prior to the plea.

According to the eight-count Indictment charging CHANG SHENG YU and the evidence at trial, YU obtained \$118,876 by submitting a fraudulent application to a federally funded grant program run by ESDC - the World Trade Center Business Recovery Grant Program (the "BRG Program"). YU attempted, unsuccessfully, to obtain more money by submitting additional fraudulent grant applications to another federally funded grant program run by the ESDC - the World Trade Center Small Firm Attraction and Retention Grant Program (the "SFARG Program"). Both grant programs are funded out of a \$700 million appropriation by HUD, and are administered by ESDC. The grant programs were established after 9/11 to provide assistance to businesses in lower Manhattan that were adversely impacted by the terrorist attacks, and to assist in the retention and attraction of small businesses in lower Manhattan.

In 2002, CHANG SHENG YU submitted a fraudulent application to the BRG Program on behalf of America McKinley Venture Management, Inc. ("America McKinley"), a company of which YU identified himself as president. The BRG application submitted by YU included, among other things, fabricated business expenses and fake social security numbers for YU and others. As a result of the fraudulent BRG application, in 2002 ESDC awarded America McKinley an initial grant of \$47,500 and a supplemental grant of \$71,326.

In 2003, CHANG SHENG YU submitted two more fraudulent applications on behalf of America McKinley seeking September 11-related grant money, this time to the SFARG Program. To be eligible for a grant under the SFARG program, a business had to, among other things, demonstrate that it had agreed to maintain business premises within the eligible area of lower Manhattan for the five-year period after September 11, 2001. YU fraudulently doctored a rental agreement to make it appear that America McKinley had entered into a five-year agreement to rent space in the building located at 65 Broadway, when in fact no such agreement existed.

CHANG SHENG YU pled guilty to all counts of the Indictment, including one count of theft of government funds, six counts of mail fraud, and one count of fraudulent use of social security numbers. YU will be sentenced in federal court in October 2006.

Mr. GARCIA stated: "While others saw grant assistance as an opportunity to help lower Manhattan rebuild in the wake of the September 11 attacks, CHANG SHENG YU saw only a chance to line his own pockets through fraud. Now he faces substantial prison time for taking illegal advantage of that tragedy."

Empire State Development Chairman Charles A. Gargano said: "As stewards of the taxpayers' money, we take very seriously our obligation to do everything in our power to be sure funds are going to those who deserve them, not to con artists. Fraud prevention and detection is a top priority for us. Ripping off the people cannot be tolerated. I commend the U.S. Attorney's office for their successful resolution of this case."

Records show that CHANG SHENG YU is a citizen of China and was a resident of Queens, New York, prior to his arrest on October 7, 2005.

CHANG SHENG YU faces a maximum sentence of ten years' imprisonment on the charge of theft of government funds, a maximum of 20 years' imprisonment for each of the six mail fraud counts, and a maximum of five years imprisonment on the charge of fraudulent use of social security numbers.

Mr. GARCIA thanked the HUD Office of Inspector General, the U.S. Postal Inspection Service, the Empire State Development Corporation, the Social Security Administration Office of Inspector General, Immigration and Customs Enforcement, and the

New York City Police Department Identity Theft Squad for their assistance in this investigation.

Assistant United States Attorneys LISA ZORNBERG and JOSHUA KLEIN are in charge of the prosecution.

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