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F. #2024R00510

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK
- X

UNITED STATES OF AMERICA

- against -

KAI XU,
ZHI BIN AN,
XIANG CHEN,
SONGHAK LEE and
KANG ZHANG,

Defendants.

- X

I N D I C T M E N T

Cr. No. 25-CR-275
(T. 18, U.S.C., §§ 982(a)(1), 982(a)(2), 982(b)(1), 1029(a)(5), 1029(c)(1)(A)(ii), 1029(c)(1)(C), 1029(c)(2), 1344, 1349, 1956(h), 2 and 3551 et seq.; T. 21, U.S.C., § 853(p))

Judge Rachel P. Kovner
Magistrate Judge Seth D. Eichenholtz

THE GRAND JURY CHARGES:

At all times relevant to this Indictment, unless otherwise indicated:

I. The Defendants and Relevant Entities

1. The defendant KAI XU was a resident of Queens, New York.

2. The defendant ZHI BIN AN was a resident of Brooklyn, New York.

3. The defendant XIANG CHEN was a resident of Queens, New York.

4. The defendant SONGHAK LEE was a resident of Queens, New York.

5. The defendant KANG ZHANG was a resident of Queens, New York.

6. Store-1, an entity the identity of which is known to the Grand Jury, was a home improvement store headquartered in Mooresville, North Carolina. Store-1 had hundreds of branch stores along the East Coast.

7. Store-2, an entity the identity of which is known to the Grand Jury, was a home improvement store headquartered in Atlanta, Georgia. Store-2 had hundreds of branch stores along the East Coast.

8. Bank-1, an entity the identity of which is known to the Grand Jury, was a financial institution, the deposits of which were insured by the Federal Deposit Insurance Corporation ("FDIC"). Bank-1 conducted business in several states, including New York.

9. Bank-2, an entity the identity of which is known to the Grand Jury, was a financial institution, the deposits of which were insured by the FDIC. Bank-2 conducted business in several states, including New York.

10. Bank-3, an entity the identity of which is known to the Grand Jury, was a financial institution, the deposits of which were insured by the FDIC. Bank-3 conducted business in several states, including New York.

II. <u>The Fraudulent Scheme</u>

11. In or about and between July 2023 and September 2025, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants KAI XU, ZHI BIN AN, XIANG CHEN, SONGHAK LEE and KANG ZHANG, together with others, engaged in a scheme to defraud home improvement stores and hardware stores, including Store-1 and Store-2 (collectively, the "Stores"), as well as banks, including Bank-1, Bank-2 and Bank-3, in order to fraudulently obtain millions of dollars' worth of building and construction materials and appliances from the Stores, to resell those goods for profit, and to launder the proceeds thereof.

12. As part of the fraudulent scheme, the defendants KAI XU, ZHI BIN AN, XIANG CHEN, SONGHAK LEE and KANG ZHANG, together with others, applied for,

opened, used and caused others to apply for, open and use hundreds of both traditional consumer credit cards and business or commercial lines of credit offered through the Stores. Store-1 and Store-2 sponsored lines of credit and credit cards issued by Bank-1 and Bank-2, respectively.

13. In connection with applications for and the use of the traditional consumer credit accounts, accountholders represented, among other things: (a) that such credit cards would only be used for lawful personal or household and non-business or non-commercial purposes; (b) that such credit cards were non-transferrable and would only be used by the authorized accountholders; and (c) that the accountholders would pay the relevant issuer all amounts owed.

14. The defendants KAI XU, ZHI BIN AN, XIANG CHEN, SONGHAK LEE and KANG ZHANG, together with others, however, used and directed others to use these credit cards for commercial use, including to purchase building and construction materials and appliances for resale and profit. The defendants also accompanied and caused others to accompany other individuals who served as nominees to apply for and open consumer credit cards at the Stores. Once approved for the consumer credit cards, the defendants directed and caused the nominee accountholders to provide the cards to the defendants for use in furtherance of the fraudulent scheme.

15. With respect to the businesses and commercial lines of credit, these lines of credit were made available to corporate entities and were intended to allow employees of legitimate entities such as construction companies to purchase goods and materials at the Stores on credit and on behalf of the entities. For some of these commercial lines of credit, Bank-1 and Bank-2 provided employees with physical cards to facilitate purchases.

16. In connection with applications for and the use of the commercial credit accounts, an authorized officer, owner or representative of the corporate entity represented,

among other things: (a) that the entity was a valid business entity; (b) that purchases made on the account would be for business purposes and not for personal use; and (c) that the entity agreed to pay for all purchases charged to the account.

17. The defendants KAI XU, ZHI BIN AN, XIANG CHEN, SONGHAK LEE and KANG ZHANG, together with others, however, opened and caused the opening of commercial credit accounts at Bank-1 and Bank-2 in the names of shell companies that had only been recently founded or incorporated, were created in the names of straw owners and/or had no legitimate business operations. Using the commercial credit accounts, the defendants also purchased and caused others to purchase building and construction materials and appliances from the Stores that they then resold for profit.

18. In furtherance of the scheme, to increase the credit limits on the above-described consumer credit cards and commercial lines of credit, the defendants KAI XU, ZHI BIN AN, XIANG CHEN, SONGHAK LEE and KANG ZHANG, together with others, presented and caused others to present paper checks to cashiers at the Stores purporting to pay off the consumer credit card account balances or to prefund the lines of credit knowing that the checking accounts typically had little to no balance and insufficient funds to cover the amounts printed on the faces of the checks. These paper checks were typically linked to checking accounts held at Bank-3.

19. As a result of these fraudulent check presentments, the Stores repeatedly credited the credit accounts in the full amounts printed on the faces of the checks, but prior to the checks' clearing. Accordingly, the defendants KAI XU, ZHI BIN AN, XIANG CHEN, SONGHAK LEE and KANG ZHANG, together with others, were able to immediately purchase building and construction materials and appliances. The defendants concealed from the Stores,

among other things, the fact that the checking accounts had insufficient funds to cover the face value of the checks and that they did not intend to repay the amounts loaned by Bank-1 and Bank-2 to purchase the building and construction materials and appliances.

20. At times, the Stores rejected for deposit the paper checks presented by or at the direction of the defendants KAI XU, ZHI BIN AN, XIANG CHEN, SONGHAK LEE and KANG ZHANG, thereby not permitting them to instantly fund the accounts. In such instances, the defendants typically presented or caused others to present to the Stores different fraudulent checks tied to bank accounts with insufficient funds, or travelled and caused others to travel to a different branch store to re-present the same fraudulent check.

21. Using the fraudulently opened and insufficiently funded accounts, the defendants KAI XU, ZHI BIN AN, XIANG CHEN, SONGHAK LEE and KANG ZHANG, together with others, purchased and caused others to purchase on credit building and construction materials and appliances from the Stores, including from branches located in Brooklyn, Queens and Long Island, and arranged for the materials to be delivered, including by delivery services provided by the Stores for a fee, to one or more warehouses that were under the defendants' control including a warehouse located in Queens, New York.

22. The defendants KAI XU, ZHI BIN AN, XIANG CHEN, SONGHAK LEE and KANG ZHANG, together with others, then resold the fraudulently obtained construction materials and appliances for profit from the warehouses. Proceeds from the sales of the materials were, in turn, deposited into one or more bank accounts controlled by XU, ZHANG and others. Thereafter, XU, ZHANG and others withdrew and transferred money from the bank accounts to promote the scheme and to conceal the proceeds derived from it. For example, XU, ZHANG and others used the proceeds to pay themselves and others for their participation in the

scheme and to make rent payments. XU, ZHANG and others also transferred millions of dollars to offshore bank accounts.

23. Between approximately July 2023 and September 2025, the defendants KAI XU, ZHI BIN AN, XIANG CHEN, SONGHAK LEE and KANG ZHANG, together with others, fraudulently acquired at least $20 million in building and construction materials and appliances from the Stores using over 250 fraudulent accounts.

COUNT ONE
(Conspiracy to Commit Wire Fraud)

24. The allegations contained in paragraphs one through 23 are realleged and incorporated as if fully set forth in this paragraph.

25. In or about and between July 2023 and September 2025, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants KAI XU, ZHI BIN AN, XIANG CHEN, SONGHAK LEE and KANG ZHANG, together with others, did knowingly and intentionally conspire to devise a scheme and artifice to defraud one or more home improvement stores and financial institutions, to wit: Store-1, Store-2, Bank-1, Bank-2 and Bank-3, and to obtain money and property from them by means of one or more materially false and fraudulent pretenses, representations and promises, and for the purpose of executing such scheme and artifice, to transmit and cause to be transmitted by means of wire communication in interstate and foreign commerce writings, signs, signals, pictures and sounds, contrary to Title 18, United States Code, Section 1343.

(Title 18, United States Code, Sections 1349 and 3551 et seq.)

COUNT TWO
(Conspiracy to Commit Bank Fraud)

26. The allegations contained in paragraphs one through 23 are realleged and incorporated as if fully set forth in this paragraph.

27. In or about and between July 2023 and September 2025, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants KAI XU, ZHI BIN AN, XIANG CHEN, SONGHAK LEE and KANG ZHANG, together with others, did knowingly and intentionally conspire to devise a scheme and artifice to defraud one or more financial institutions, to wit: Bank-1, Bank-2 and Bank-3, the deposits of which were insured by the FDIC, and to obtain money, funds, credits, assets, securities and other property owned by, and under the custody and control of, said financial institutions by means of one or more materially false and fraudulent pretenses, representations and promises, contrary to Title 18, United States Code, Section 1344.

(Title 18, United States Code, Sections 1349 and 3551 et seq.)

COUNT THREE
(Bank Fraud)

28. The allegations contained in paragraphs one through 23 are realleged and incorporated as if fully set forth in this paragraph.

29. In or about and between July 2023 and September 2025, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants KAI XU, ZHI BIN AN, XIANG CHEN, SONGHAK LEE and KANG ZHANG, together with others, did knowingly and intentionally execute and attempt to execute a scheme and artifice to defraud one or more financial institutions, to wit: Bank-1, Bank-2 and Bank-3, the deposits of which were insured by the FDIC, and to obtain money, funds, credits, assets,

securities and other property owned by, and under the custody and control of, said financial institutions by means of one or more materially false and fraudulent pretenses, representations and promises.

(Title 18, United States Code, Sections 1344, 2 and 3551 et seq.)

COUNT FOUR
(Access Device Fraud)

30. The allegations contained in paragraphs one through 23 are realleged and incorporated as if fully set forth in this paragraph.

31. In or about and between July 2023 and September 2025, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants KAI XU, ZHI BIN AN, XIANG CHEN, SONGHAK LEE and KANG ZHANG, together with others, did knowingly and with intent to defraud effect transactions with one or more access devices issued to one or more other persons, in a manner affecting interstate and foreign commerce, to receive payment and one or more things of value during any one-year period the aggregate value of which was equal to or greater than $1,000.

(Title 18, United States Code, Sections 1029(a)(5), 1029(c)(1)(A)(ii), 2 and 3551 et seq.)

COUNT FIVE
(Money Laundering Conspiracy)

32. The allegations contained in paragraphs one through 23 are realleged and incorporated as if fully set forth in this paragraph.

33. In or about and between July 2023 and September 2025, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants KAI XU and KANG ZHANG, together with others, did knowingly and intentionally

conspire to conduct one or more financial transactions in and affecting interstate and foreign commerce, which transactions in fact involved the proceeds of one or more specified unlawful activities, to wit: wire fraud, in violation of Title 18, United States Code, Section 1343, bank fraud, in violation of Title 18, United States Code, Section 1344, and one or more offenses relating to fraud and related activity in connection with access devices, in violation of Title 18, United States Code, Section 1029(a)(5) (collectively, the "Specified Unlawful Activities"), knowing that the property involved in such transactions represented the proceeds of some form of unlawful activity (a) with the intent to promote the carrying on of one or more such Specified Unlawful Activities, contrary to Title 18, United States Code, Section 1956(a)(1)(A)(i); and (b) knowing that the transactions were designed in whole and in part to conceal and disguise the nature, the location, the source, the ownership and the control of the proceeds of one or more such Specified Unlawful Activities, contrary to Title 18, United States Code, Section 1956(a)(1)(B)(i).

(Title 18, United States Code, Sections 1956(h) and 3551 et seq.)

CRIMINAL FORFEITURE ALLEGATION
AS TO COUNTS ONE THROUGH THREE

34. The United States hereby gives notice to the defendants that, upon their conviction of any of the offenses charged in Counts One, Two and Three, the government will seek forfeiture in accordance with Title 18, United States Code, Section 982(a)(2), which requires any person convicted of such offenses, to forfeit any property constituting, or derived from, proceeds obtained directly or indirectly as a result of such offenses.

35. If any of the above-described forfeitable property, as a result of any act or omission of the defendants:

(a) cannot be located upon the exercise of due diligence;

(b) has been transferred or sold to, or deposited with, a third party;

(c) has been placed beyond the jurisdiction of the court;

(d) has been substantially diminished in value; or

(e) has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 18, United States Code, Section 982(b)(1), to seek forfeiture of any other property of the defendants up to the value of the forfeitable property described in this forfeiture allegation.

(Title 18, United States Code, Sections 982(a)(2) and 982(b)(1); Title 21, United States Code, Section 853(p))

CRIMINAL FORFEITURE ALLEGATION
AS TO COUNT FOUR

36. The United States hereby gives notice to the defendants that, upon their conviction of the offense charged in Count Four, the government will seek forfeiture in accordance with: (a) Title 18, United States Code, Section 982(a)(2)(B), which requires any person convicted of such offense to forfeit any property constituting, or derived from, proceeds obtained directly or indirectly as a result of such offense; and (b) Title 18, United States Code, Section 1029(c)(1)(C), which requires any person convicted of such offense to forfeit any personal property used or intended to be used to commit the offense.

37. If any of the above-described forfeitable property, as a result of any act or omission of the defendants:

(a) cannot be located upon the exercise of due diligence;

(b) has been transferred or sold to, or deposited with, a third party;

(c) has been placed beyond the jurisdiction of the court;

(d) has been substantially diminished in value; or

(e) has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 18, United States Code, Sections 982(b)(1) and 1029(c)(2), to seek forfeiture of any other property of the defendants up to the value of the forfeitable property described in this forfeiture allegation.

(Title 18, United States Code, Sections 982(a)(2)(B), 982(b)(1), 1029(c)(1)(C) and 1029(c)(2); Title 21, United States Code, Section 853(p))

CRIMINAL FORFEITURE ALLEGATION
AS TO COUNT FIVE

38. The United States hereby gives notice to the defendants charged in Count Five that, upon their conviction of such offense, the government will seek forfeiture in accordance with Title 18, United States Code, Section 982(a)(1), which requires any person convicted of such offense to forfeit any property, real or personal, involved in such offense, or any property traceable to such property.

39. If any of the above-described forfeitable property, as a result of any act or omission of the defendants:

(a) cannot be located upon the exercise of due diligence;

(b) has been transferred or sold to, or deposited with, a third party;

(c) has been placed beyond the jurisdiction of the court;

(d) has been substantially diminished in value; or

(e) has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 18, United States Code, Section 982(b)(1), to seek forfeiture of any other property of the defendants up to the value of the forfeitable property described in this forfeiture allegation.

(Title 18, United States Code, Sections 982(a)(1) and 982(b)(1); Title 21, United States Code, Section 853(p))

A TRUE BILL

[signature]
FOREPERSON

By Carolyn Pokorny, Assistant U.S. Attorney
JOSEPH NOCELLA, JR.
UNITED STATES ATTORNEY
EASTERN DISTRICT OF NEW YORK